ENERGIXGROUP
CREATING YOUR GREEN ENERGY

Energix Renewable Energies Ltd.

2016 Annual Report

AlonyHetz Group

Energix - Renewable Energies Ltd. (the "Company")

Board of Directors' Report Concerning the State of the Company's Affairs

The Company's Board of Directors is pleased to present its report concerning the state of the Company's affairs for the year ended December 31, 2016 (the "**Reporting Period**").

Any reference to the "Company" or the "Group" in this report means the Company and/or the Company through its subsidiaries and/or through partnerships under its control. Unless expressly stated otherwise, the terms appearing in this chapter are as defined in Chapter A of the report – Description of the Corporation's Business Affairs.

Part A: The Board of Directors' explanation of the Company's business situation

1. Brief description of the Company's activity

The Company is a public company under the control of Alony Hetz Properties and Investments Ltd. ("**Alony Hetz**").

As of the Reporting Date, and as of the approval date of the financial statements, the Company is engaged, directly and through designated corporations which it owns, in the initiation, development, planning, construction, management and operation of systems in two operating segments: the Photovoltaic Segment and the Wind Segment.

For details regarding the Company's activity, see Section 1 in Part A of the Report - Description of the Corporation's Business, section 2 below, and Note 1A in Part C of the Report - Financial Statements.

1.1. Notable events during the Reporting Period and as of the Approval Date of the Report:

1.1.1. **Increase in the Company's income:** During the Reporting Period, an increase of 95% was recorded in the Company's revenues from the sale of electricity from its connected systems, relative to the reporting period last year, following the connection of the wind farm in Poland to the power grid. For further details regarding the Company's revenues see the table summarizing the Company's activity in Section 1.2.1 hereunder.

1.1.2. **Capital raising**: In January 2017, subsequent to the Reporting Date, the Company completed a capital raising in the gross amount of approximately NIS 84 million, in accordance with a shelf offering report. For additional information, see Section 2.2.3 and Note 16c2 in Part C of the Report - Financial Statements.

1.1.3. **Clean Wind Energy Project**: During the second half of the Reporting Period, and as of the Approval Date of the Report, the Company is working to develop a Clean Wind Energy Project with a capacity of approximately 152MW, which is one of the largest projects for electricity production using wind energy in Israel, which was also declared as a national infrastructure project. During the Reporting Period, conditional approval was given for the project by the Ministry of Defense, the planning process at the National Infrastructure Committee was renewed, preliminary planning was successfully performed for the connection of the project to the power grid vis-à-vis the Electric Corporation, and an application for a conditional license for the Clean Wind Energy Project was submitted. As of the Approval Date of the Report, the Company is working to advance the other regulatory and statutory approvals which are required for the construction of the project. The construction cost of the project is estimated by the Company as approximately NIS 1 billion, and the income with respect to it is expected to amount to NIS 150-160 million per year. It is hereby clarified that the construction of the project, the expected cost and the estimated annual revenue forecast from the project, are only estimates, and constitute Forward-Looking Information. For additional details regarding the project, see Sections 7.2.3.1 in Part A - Description of the Corporation's Business, and Note 15b(1)(b) in Part C of the Report - Financial Statements.

1.1.1. **Initiation of photovoltaic projects in Israel:** In July 2016, subsequent to the Reporting Date, the Company signed a detailed agreement, and a Joint Venture was set up with an entrepreneur regarding the initiation, construction, operation and maintenance of photovoltaic projects in Israel through a limited partnership in which the Company holds 70%. As of the Approval Date of the Report, the Joint Venture holds rights to build projects with a total capacity of approximately 400MW, in various stages of development. Around half of the projects in the aforementioned portfolio have approved zoning plans for the construction of photovoltaic facilities. The Company intends to participate, through the Joint Venture, in the Competitive Processes for the receipt of a tariff which will be published by the Electricity Authority, within the framework of the new regulation of the Electricity Authority in February 2017, subsequent to the Reporting Date. For additional details regarding the Joint Venture and the new regulation, see Note 15a(1) in Part C of the Report - Financial Statements. The information described above regarding the initiation of the Company's projects constitutes an estimate only, and constitutes Forward-Looking Information.

1.1.2. **Banie Project**: In June 2016, the completion of Stage B of the Banie Project was completed, and the capacity of the project which is connected to the power grid increased by 56MW, to a total of 106MW (Stages A and B). The Banie Project is subject to the terms of the previous regulation in Poland, which entitles a wind farm to receive green certificates, in addition to the sale of electricity. For additional information, see Note 9c(1) in Part C of the Report - Financial Statements.

1.1.3. **Iława Project**: In June 2016, construction work was completed on a wind project in Poland with a capacity of 13.2MW. The Iława Project is subject to the terms of the previous regulation in Poland, which entitles a wind farm to receive green certificates, in addition to the sale of electricity. For additional information, see Note 9C(2) of part three of the report – the financial statements.

1.1.4. **Developments in the renewable energy market in Poland**: During the Reporting Period, the Polish legislator published several legislative amendments which may adversely affect the Wind Energy Segment in Poland, including the wind farms which are owned by the Company, as specified in section 7.2.5.3 in Part A - Description of the Corporation's Business. As a result of the uncertainty that was created in the Polish Wind Segment due to the effect of the legislative amendments, the price of green certificates on the electricity market has fallen considerably during the Reporting Period, and as of the Reporting Date, amounted to PLN 38, as compared with PLN 109 as of December 31, 2015, and as a result, the Company recorded impairment of the value of the inventory of green certificates which it holds, in the amount of approximately NIS 6.6 million.

Even though to the best of the Company's knowledge the expectations on the Polish market are that the price of the green certificates will rise over time, as of the Reporting Date, the Company examined the value in use of the projects in Poland compared to their carrying amount, and found that their value in use exceeded their carrying amount. For additional details, including in connection with the examination regarding value in use, see Section 2.3 below.

1.1.1. **Financing transactions:**

A. **Financing of the Banie Project**: During the Reporting Period, the Project Company of the Banie Project completed its engagement with a consortium of banks, led by the European Bank for Reconstruction and Development ("**EBRD**"), in a external financing transaction, in a manner which will apply, in addition to Stage A, also to Stage B of the project, at a total preliminary scope of up to PLN 522 million (the "**Financing Transaction**"). During the Reporting Period, the Company withdrew a total of PLN 270 million within the framework of the financing transaction. As of the Approval Date of the Report, the Company is conducting negotiations with the financing entities with respect to the dates and remaining withdrawal amounts, within the framework of the financing transaction. According to the outline which is being formulated, the Company estimates that a total of PLN 43.5 million will be withdrawn in the coming weeks, and that an additional facility for withdrawal, in the amount of up to PLN 92 million (if any), will be provided to the Company in April 2017, depending on the fulfillment of the required financial covenants and the milestones for withdrawal, according to the conventional practice for loans of this kind. Accordingly, the total loan facility will be updated to a total of up to PLN 405 million. For additional information, see Note 9c(1)(f) in Part C of the Report - Financial Statements.

B. **Financing of Meitarim:** In January 2016, the partnership that holds the Meitarim Project having a capacity of 5MWp (Company's share in the rights of the partnership - 50.1%) received long-term financing in the amount of NIS 35 million from a commercial bank, which is secured by the partnership and its assets. For additional information, see Note 9b(2) in Part C of the Report - Financial Statements.

1.1.2. **Dividend**: In March 2016, the Company's Board of Directors resolved to adopt a multi-annual dividend policy. In accordance with the Company's dividend policy for 2016, during the Reporting Period, the Company paid dividends in the total amount of NIS 0.04 per share, totaling approximately NIS 12.8 million. For additional details regarding the Company's dividend policy, see Section 1.3 below and Note 16(e) in Part C of the Report - Financial Statements.

<u>Forward-looking information</u>

The report of the Board of Directors contains Forward-Looking Information. Any use in this report of the term forward-looking information (hereinafter: "**Forward-Looking Information**"), means a forecast, estimate, approximation, or other information which refers to future events or matters, the materialization of which is uncertain and is not under the sole control of the Company and/or the Group and, therefore, such information meets the definition of Forward-Looking Information pursuant to article 32A of the Securities Law - 1968. Such information is based on the knowledge existing in the Company or the Group as of the date of approval of the financial statements, and it includes assessments of the Company or its intentions pertaining to the Company and/or the Group, as of the Reporting Date. It is hereby clarified that actual results with respect to such information may be materially different than the results which have been estimated on the basis of the information, or are implied by such information, and which are included in this report.

1.2. **<u>Principal data regarding the Company's activities:</u>**

The Company has systems that are connected to the electrical grid that produce and sell the electricity, as well as projects in various stages of initiation.

1.2.1. Principal data regarding the Company's connected systems as of the Approval Date of the Report (photovoltaic and wind energy) (*):

Connected systems as of the Reporting Date	Installed capacity (MW)	Company's share in the systems	Actual income	Gross profit per project	FFO	Net cash flows after debt service
			Actual results for 2016 (**) (Company's share, NIS in thousands)			
Banie (wind)	106	100%	50,231	34,048	26,619	23,605
Iława (wind) (***)	13.2	75%	3,829	2,655	2,655	2,655
System in Neot Hovav (photovoltaic)	37.5	100%	44,375	38,650	29,800	15,573
Meitarim system (photovoltaic)	5	50.1%	2,208	2,053	1,597	1,062
Connected medium systems (photovoltaic)	3.4	50%	3,482	2,479	2,161	2,161
Small and medium connected facilities (photovoltaic)	3.2	100%	8,875	7,177	5,372	2,650
Total connected systems	**168.3**	**160.8**	**113,000**	**87,061**	**68,203**	**47,705**
Representative year data (****)	**168.3**	**160.8**	**134,000**	**104,000**	**79,000**	**47,000**

(*) Not including development, initiation, general and administrative costs of the Company, which are not attributed to the connected systems.

(**) Stage B of the Banie Project, with a capacity of 56MW, and the Iława Project, were connected at the end of the first half of 2016. Gross profit in these projects includes expenses with respect to the impairment of the green certificates, in the amount of approximately NIS 6.6 million.

(***) The results of the Iława Project are presented 100%, according to the senior financing which was given by the Company for the project, which, in accordance with its terms, until the repayment of the entire financing, the minority interests are not entitled to receipts.

(****) The representative year data were calculated in accordance with the Company's forecast for 2017.

(*****) The Company hedged its exposure to changes in the PLN / NIS exchange rate. As of the Reporting Date, approximately 82% of its investment in projects in Poland is hedged. Based on the exchange rate as of the Reporting Date, the Company expects receipts in 2017 with respect to hedging in the amount of approximately NIS 4 million.

For additional information regarding the activity of the Company and the projects it owns and is developing, see Sections 7.1 and 7.2 in Part A -"Description of the Company's Business", and Notes 9b and 9c in Part C of the Report - Financial Statements.

1.2.1. Development and initiation activity in the Wind Segment:

A. Activities in Israel

During the Reporting Period, the Company continued to develop and initiate projects in Israel having a capacity of approximately 225MW, in which the Company works to advance a Clean Wind Energy Project with a capacity of up to 152MW.

Project under development	Number of farms	Total capacity (MW)	Company's share in the farm		Total expected investment in the project (*) (NIS millions)	Total expected annual income (**) (NIS millions)
Clean Wind Energy Project	1	152 MW	73%	111 MW	1,000	150 - 160
Wind projects in Northern Israel	4	50 MW	74%	37 MW	325	52 - 58
Ein HaShofet	1	23 MW	74%	17 MW	150	22 - 28
Total projects under development	**6**	**225 MW**		**165 MW**	**1,475**	**225 - 245**

(*) The estimated investment per installed 1MW is approximately NIS 6.5 million.
(**) The calculation of expected income, based on estimated output of 3,200 produced KWh per year, per 1KW installed in the Clean Wind Energy Project, 2,800 produced KWh per year per 1KW installed in the other projects, and on the tariff which was published by the Electricity Authority, in the amount of approximately NIS 0.34 per produced KWh.

It is hereby clarified that the construction of the project, the expected cost and the estimated annual revenue forecast from the project, are only estimates, and constitute Forward-Looking Information.

For additional details, see Section 7.2.3 in Chapter A - Description of the Corporation's Business, and Note 15b(1) in Part C - Financial Statements.

A. Activities in Poland

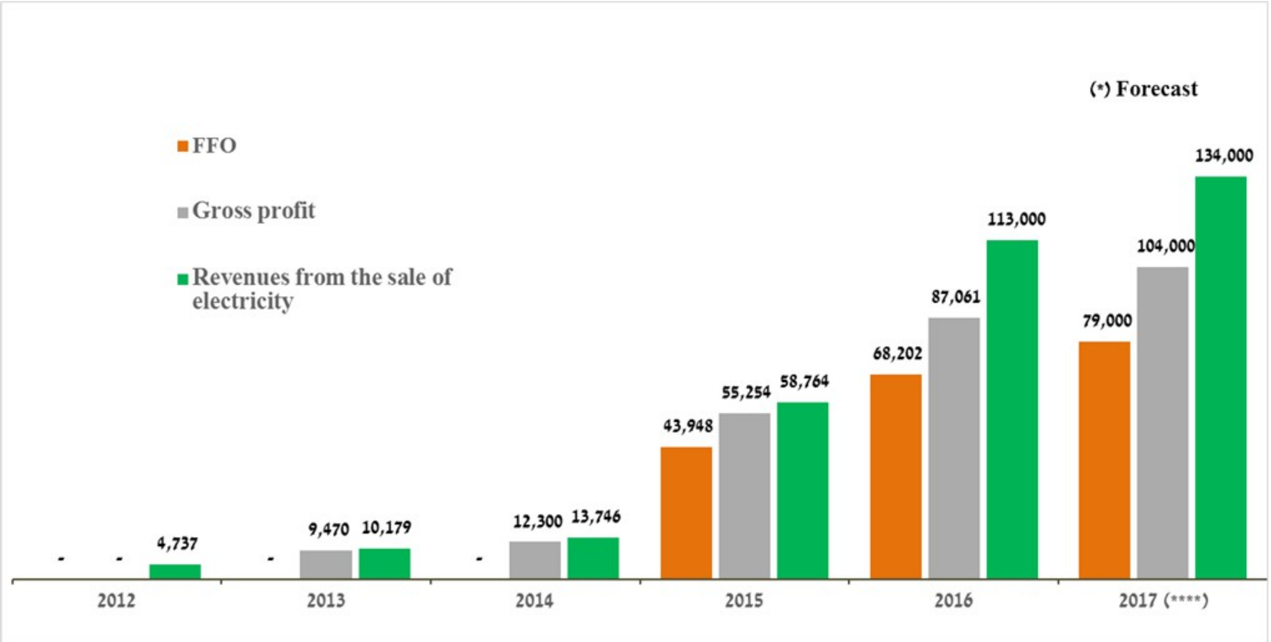
For additional details, see Section 7.2.6.5 in Part A - Description of the Corporation's Business, and Note 15b(2) in Part C of the Report - Financial Statements.

1.2.1. Development and initiation activity in the Photovoltaic Segment:

For additional details, see Section 7.1.4 in Part A - Description of the Corporation's Business, and Note 15A in Part C of the Report - Financial Statements.
The information presented above concerning the volume of the projects being developed, new regulations and reference to the construction of the projects also includes Forward-Looking Information. Actual results may be materially different from those expressed or implied in such Forward-Looking Information (in whole or in part).

1.2.1. The Company's current and anticipated results in respect of the connected systems owned by it (photovoltaic and wind energy) as of the Approval Date of the Report:

Forecast (*)



Orange: FFO Gray: Gross profit Green: Revenues from the sale of electricity

(*) The Company updated its forecasted revenues for 2017 in respect of the Company's projects in Poland. The change was mostly due to the decrease in the PLN/NIS exchange rate. The revenue forecast is based on the output at P50, and a total price per produced 1MWh (electricity + green certificate) of PLN 209 (according to an exchange rate of PLN 0.92 to NIS 1). The actual income will be determined in accordance with the prices of electricity and the prices of green certificates on the Polish electricity exchange, as in effect on the relevant date.

(**) Not including initiation costs and the Company's general and administrative expenses.

(***) The Company hedged its exposure to changes in the PLN/NIS exchange rate. As of the Reporting Date, approximately 82% of its investment in projects in Poland is hedged. Based on the exchange rate as of the Reporting Date, the Company expects receipts in 2017 with respect to hedging in the amount of approximately NIS 4 million.

(****) The FFO data were calculated based on the financing amounts which were withdrawn until the Approval Date of the Report, together with additional withdrawal in Poland in the amount of approximately PLN 43.5 million, without taking into account other financing facilities which have not yet been withdrawn. The forecasted income, gross profit and FFO data constitute Forward-Looking Information. Actual results may be materially different from those expressed or implied in such Forward-Looking Information (in whole or in part).

(*****) Gross profit in 2016 includes impairment of inventory of certificates in the amount of approximately NIS 6.6 million in 2016.

1.3. Dividend

For details regarding the Company's dividend policy for 2016, the dividend distribution which was performed by the Company in June and September 2016, and the resolutions of the Board of Directors regarding the dividend policy for 2017, see Note 16E in Part C of the Report - Financial Statements, and the Company's immediate reports dated June 2, 2016 and August 23, 2016 (reference numbers 2016-01-042891 and 2016-01-108493, respectively).

1.4. Stock exchange indexes

The Company's shares are listed for reading on the Tel Aviv Stock Exchange Ltd. as of the Approval Date of the Report, it is one of the companies on the Tel Aviv 125 Index. Additional stock exchange indexes that the Company's shares are traded on the TA Blue Tech, TA Tech-Elite and TA Technology.

2. The Board of Directors' explanation of the Company's business situation, results of operations, shareholders' equity, cash flows and other matters

2.1. Results of operations

Presented below is a tables of the condensed business results, in thousands of NIS (including quarterly distribution in 2016):

	2016	2015	2014	Q4	Q3	Q2	Q1
	NIS in thousands						
	(Audited)	(Audited)	(Audited)	(Unaudited)			
Revenues							
Revenues from the sale of electricity	111,364	55,560	10,025	33,023	28,221	26,923	23,197
Revenues from the construction of facilities	279	36	1,914	-	-	140	139
Other income, net	1,576	442	564	20	8	1,473	75
Gain on sale of rights in projects	-	3,997	-	-	-	-	-
	113,219	60,035	12,503	33,043	28,229	28,536	23,411
Expenses							
Rent	4,202	2,430	948	1,020	1,281	798	1,103
Maintenance of systems	17,121	4,945	651	6,662	4,845	3,126	2,488
Impairment of green certificates	6,616	-	-	(27)	3,727	2,916	-
Construction costs of facilities	241	70	1,769	3	15	97	126
Initiation expenses	1,891	2,315	4,391	554	196	658	483
Payroll and related expenses	7,974	6,207	5,830	2,296	2,008	2,084	1,586
Administrative, headquarters and other	8,987	5,881	3,685	2,451	2,248	2,208	2,080
	47,032	21,848	17,274	12,959	14,320	11,887	7,866
Profit (loss) before financing, taxes, depreciation and amortization	66,187	38,187	(4,771)	20,084	13,909	16,649	15,545
Provisions (reversal of provisions) for doubtful debts	3,594	-	-	3,594	-	-	-
Depreciation and amortization	(36,400)	(15,803)	(3,332)	(9,605)	(11,232)	(8,881)	(6,682)
Profit (loss) before financing and taxes	33,381	22,384	(8,103)	14,073	2,677	7,768	8,863
Financing income	478	3,831	2,677	128	45	169	136
Financing expenses	(28,646)	(15,040)	(1,855)	(6,617)	(9,475)	(6,410)	(6,144)
Financing expenses, net	(28,168)	(11,209)	822	(6,489)	(9,430)	(6,241)	(6,008)
Profit (loss) after financing, net	5,213	11,175	(7,281)	7,584	(6,753)	1,527	2,855
Company's share in the results of equity-accounted investees	1,501	1,023	1,422	136	525	598	242
Profit (loss) before taxes on income	6,714	12,198	(5,859)	7,720	(6,228)	2,125	3,097
Taxes on income	(1,653)	(3,151)	1,666	(675)	(801)	(216)	39
Profit (loss) for the year	5,061	9,047	(4,193)	7,045	(7,029)	1,909	3,136
Profit (loss) for the year attributable to the owners of the Company	6,225	9,044	(4,195)	7,784	(6,554)	2,000	2,995

(*) Seasonality - for details regarding seasonality, see Section 14 in Part A - Description of the Corporation's Business.

Results of operations (NIS in thousands):

During the Reporting Period, the Company recorded profit attributable to the owners of the Company in the amount of approximately NIS 6.2 million, as compared with profit of approximately NIS 9 million in the corresponding period of last year, and loss of approximately NIS 4.2 million in 2014. In the fourth quarter of the year, the Company recorded profit attributable to the owners of the Company of approximately NIS 7.8 million compared loss of approximately NIS 0.2 million in the corresponding quarter of last year. In June 2016, the Company connected to the Polish power grid Stage B of the Banie

Project, as well as the Iława Project, with a total capacity of 69.2MW, which increased the Company's income from the sale of electricity and the rental and management expenses in the second half of the year, relative to the first half. Presented below are the main items which affected the results of operations:

Revenues from sale of electricity – amounted to approximately NIS 111.4 million in the Reporting Period, compared with revenues of approximately NIS 55.6 million in the corresponding period of last year. The increase in revenues was primarily due to the connection to the power grid of the Banie Project in Poland, whose Stage A was connected in December 2015, and whose Stage B was connected in June 2016, as well as the Iława Project in Poland, which was also connected in June 2016, and which generated additional income for the period, in the amount of approximately NIS 49.9 million and NIS 3.8 million, respectively. Additionally, in November 2015, the Meitarim project was connected to the power grid, and generated income in 2016, with respect to a full year, in the amount of approximately NIS 4.4 million.

Other revenues – amounted to approximately NIS 1.6 million in the Reporting Period, compared with approximately NIS 4.4 million in the corresponding period of last year. Other income during the Reporting Period was mainly due to amounts that were received by the Company as compensation for loss of revenues in Stage A, caused by the construction work on Stage B of the Banie Project. Most of the income in the corresponding period of last year was from selling wind energy projects in Israel at the stage of initiation.

System maintenance expenses – amounted to approximately NIS 17.1 million in the Reporting Period, compared with approximately NIS 4.9 million in the corresponding period of last year. Most of the increase was due to maintenance expenses of the wind projects in Poland, which were inactive in the corresponding period last year, in the amount of approximately NIS 9.5 million, and an increase in the maintenance fees in Neot Hovav (primarily operating fees to the O&M contractor) in the amount of approximately NIS 1.4 million, which, during the Reporting Period, were paid for the first time in full, compared to the corresponding period of last year, in which the project was still in the warranty period.

Impairment of inventory of green certificates - the Company recorded, during the Reporting Period, operating expense with respect to the impairment of the inventory of green certificates in the amount of approximately NIS 6.6 million, due to the erosion in the prices of the green certificates which are held by the Company. See also Note 7 in Part C of the Report - Financial Statements.

Payroll and related expenses, administrative and headquarters expenses – amounted to approximately NIS 17 million in the Reporting Period, compared with approximately NIS 12.1 million in the corresponding period last year. Most of the increase was due to an adjustment in the management fees to Alony Hetz, according to the increase in the installed capacity of the Company's facilities, in the amount of approximately NIS 1.3 million, to an increase in expenses with respect to employee options in the amount of approximately NIS 1.3 million, to an increase in payroll expenses in the amount of approximately NIS 0.4 million, and to an increase in professional consulting expenses in the amount of approximately NIS 1.5 million.

Reversal of provisions for doubtful debts - amounted during the Reporting Period to approximately NIS 3.6 million. The reversal of the provision was due to the Company's estimate that the chances of collecting a loan which was given in the past, and which was recognized as a doubtful debt, are high.

Depreciation and amortization – amounted to NIS 36.4 million in the Reporting Period, compared with NIS 15.8 million in the corresponding period of last year. Most of the increase in the depreciation expenses is due to the depreciation of the Company's projects in Poland (approximately NIS 19.8 million) and of the Meitarim project (approximately NIS 1.3 million), which were connected at end of the corresponding period last year, or during the current period.

Depreciation and amortization – amounted to NIS 0.5 million in the Reporting Period, compared with NIS 3.8 million in the corresponding period of last year. The decrease is primarily due to non-recurring income in the amount of approximately NIS 3.2 million with respect to foreign currency differences on a shareholder's loan which was received from Alony Hetz, which was repaid in 2015.

Financing expenses – amounted to approximately NIS 28.6 million in the Reporting Period, compared with approximately NIS 15 million in the corresponding period of last year. Most of the increase is due to expenses that had been recognized in respect of hedging instruments in the amount of approximately NIS 3.6 million, financing expenses with respect to the Banie Project in Poland in the amount of approximately NIS 7.3 million and financing expenses of the Meitarim project in the amount of approximately NIS 1.4 million, as a result of the financing transactions the Company entered in 2016.

Equity – as of the Reporting Date, the shareholders' equity attributable to the owners of the Company amounts to approximately NIS 520.6 million, compared with shareholders' equity attributable to the owners of the Company of approximately NIS 514.9 million as of September 31, 2015. The increase in equity was primarily due to profit attributable to shareholders in the amount of approximately NIS 6.2 million, and an increase in equity due to exercised option during the Reporting Period, in the amount of approximately NIS 37.7 million (of which a total of approximately NIS 30 million was due to the exercise of options (Series 2) by Alony Hetz). On the other hand, the decrease in equity occurred due to a dividend distribution in the amount of approximately NIS 12.8 million, and a decrease in equity due to capital reserves from foreign currency differences in the amount of approximately NIS 28 million.

2.2. Cash flows, liquidity and sources of financing

2.2.1. Cash flow

During the Reporting Period, the Group's balance of cash and cash equivalents decreased by the amount of NIS 34.3 million.
The following table summarizes the sources and uses:

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS millions		
Sources			
Long-term loan received from financial institutions	315.7	346.0	202.9
Short-term loans received from banking institutions	136.5	26.0	-
Repayment of loan by a third party	-	47.3	-
Short-term loan received from the parent company	-	-	45.9
Cash deposit in escrow	10.0	(10)	-
Repayment of deposit with respect to systems under construction	-	-	1.4
Consideration from issuance of shares	-	318.5	-
Consideration from issuance of share options	-	21.3	-
Consideration from exercise of share options	38.0	0.5	-
Injection of capital by non-controlling interests in subsidiaries	-	-	1.6
Repayment of loans to equity-accounted investees	2.7	1.1	2.2
	502.9	750.7	254.0
Uses			
Investment in electricity production systems	(361.2)	(445.9)	(185.1)
Increase in pledged deposit and restricted cash, net	(10.6)	(12.5)	(6.2)
Payment related to the acquisition of a project	(58)	-	-
Loans granted to a third party	-	-	(45.9)
Repayment of long-term loans from financial institutions	(21.3)	(231.3)	(2.0)
Repayment of short-term loan received from the parent company	-	(43.2)	-
Costs of credit raising	(6.5)	(1.4)	(2.2)
Investment in other fixed assets	(1.9)	(0.2)	(0.5)
Investment in financial instruments	(3.2)	(5.5)	-
Repayment of short-term loans from banking institutions	(97)	-	-
Dividend paid to Company shareholders	(12.8)	-	-
Current operating activities	35.0	25.7	(3.7)
	(537.2)	(714.2)	(245.5)
Total surplus of uses over sources	(34.3)	36.5	8.4

Cash and cash equivalents	39.1	73.4	38.2

2.2.2. Cash, cash equivalents and credit facilities

As of the Reporting Date, the Company has a balance of liquid sources of NIS 39.1 million. In addition, the Company has an amount of NIS 31.5 million on deposit in debt service reserve funds to secure the repayments of the Group's loans. As of the Reporting Date, the Company has utilized credit facilities in the amount of NIS 65.5 million, of which NIS 55 million is guaranteed by Alony Hetz. For details regarding a capital raising which was performed by the Company in January 2017, in the amount of approximately NIS 84 million, subsequent to the Reporting Date, see the immediate report dated January 11, 2017, and Note 16C in Part C - Financial Statements.

2.2.3. Financing sources

2.2.3.1 As of the Approval Date of the Report, the Company's activity is financed by the cash balances at its disposal following financing rounds that the Company executed in May 2011 and in April 2015, the exercise of share options and withdrawals that were made in the framework of financing transactions to which the Company is party, as described hereunder.

2.2.3.2 On May 29, 2016 the Company issued a shelf prospectus on the basis of its financial statements as of December 31, 2015. The existence of a valid shelf prospectus provides the Company with a variety of capabilities for raising equity, to the extent necessary, to finance its operations. For additional information, see the Company's immediate report date May 29, 2016 (reference no. 2016-01-036930). For details regarding a capital raising which was performed by the Company in January 2017, subsequent to the Reporting Date, see the immediate report dated January 11, 2017, and Note 16C in Part C - Financial Statements.

2.2.3.3 As of the Reporting Date, the Company has financing agreements with third parties structured as project finance and on a non-recourse basis, which are secured by the systems owned by the Company (directly or indirectly). In addition, during the Reporting Period, the Company made use of short-term credit frameworks that it received from local commercial banks. For additional details in connection with the aforementioned financing agreements, including the financial covenants by which the Company is bound, and the credit facilities which are available to the Company, see Note 14 to Part C of the financial statements.

2.2.1. Charged assets

See Note 32 in Part C of the financial statements for details regarding liens and guarantees furnished by the Company as of the Reporting Date and the date of approval of the financial statements.

2.3. Other matters: valuations

2.3.1. Information regarding a very material valuation and a material valuation in accordance with the provisions of Regulation 8B(i) of the regulations

During the Reporting Period and up to the Approval Date of the Report, there is an evident decrease in the price of the green certificate that affects the revenues from the Banie and Iława Projects, inter alia, in light of legislative amendments in Poland, as described in Section 4.2 hereunder. According to the provisions of International Accounting Standard 36, "Impairment of Assets", the Company examined, by means of an independent external valuer, whether such changes in the energy market in Poland can result in impairment of the Banie Project in Poland as compared to its carrying amount and also examined whether those changes in the energy market in Poland can result in impairment of the Iława Project in Poland as compared to its carrying amount, as presented in the Company's consolidated financial statements as of December 31, 2016.

Based on the results of the valuation as of December 31, 2016, it appears that the value in use of each of the projects is higher than its carrying amount, and accordingly, there was no need to record a provision for impairment in the accounts as of that date.

Presented below is the relevant information with respect to a very material valuation that examines the value in use of the Banie Project, which was used by the Company in its annual consolidated financial statements for 2016, and concerning a material valuation that examined the value in use of the Iława Project that was performed by the Company as of December 31, 2016. Additionally, the Company prepared a similar valuation as of June 30, 2016. In this valuation as well, it was found that the value in use of each of the projects is higher than its carrying amount, and accordingly, there was no need to record a provision for impairment in the accounts as of that date. For details regarding the differences between the valuations, see Appendix B to the valuation of the Banie Project, which is attached to these reports.

The information below is provided in accordance with the provisions of Regulation 8B(i) of the Securities Regulations (Periodic and Immediate Reports) – 1970:

	Very material valuation	Material valuation
Identity of the valuation subject – description of the asset	Stages A and B of the Banie Project – a wind farm in Poland that is	Iława Project – a wind farm in Poland that is connected to the

	connected to the electrical grid and has installed capacity of 106MW	electrical grid and has installed capacity of 13.2MW
Valuation date	December 31, 2016	December 31, 2016
Value of the valuation subject before the valuation date	Amortized cost as of December 31, 2016 of the Banie Project – PLN 721,112 thousand (NIS 663,641 thousand)	Amortized cost as of December 31, 2016 of the Iława Project – PLN 84,562 thousand (NIS 77,823 thousand)
Value of the valuation subject according to the valuation	PLN 1,230,986 thousand – recoverable amount	PLN 123,654 thousand – recoverable amount
Identity and attributes of valuer	BDO Consulting and Management Ltd.[1]	Internal valuation
Valuation model that was used by the valuer	Discounted cash flow (DCF)	Discounted cash flow (DCF)
The assumptions the valuer used to perform the valuation according to the valuation model:		
Discount rate (WACC)	Pre-tax discount rate of 7.36%	Pre-tax discount rate of 8.36%
Prices of electricity and green certificates	According to a price study of an external expert as of January 11, 2017.	According to a price study of an external expert as of January 11, 2017.
Forecast period	39.5 years	39.5 years

2.3.2. <u>Information regarding very material valuer</u>

The external valuer of the asset is BDO Consulting and Management Ltd. ("**the valuer**"), a company with considerable experience in the financial world and extensive business experience in valuations in all sectors of the economy, inter alia, in the following areas: valuations of companies and operations, financial and tax due diligence, valuations of goodwill and intangible assets, purchase price allocations, business plans, impairment testing, valuation of financial instruments, etc. The Company's engagement with the valuer was implemented in February 2017.

As of December 31, 2016, the Banie Project that is the subject of the valuation constitutes approximately 52% of total assets in the Company's statement of financial position.

The Company has undertaken to indemnify the valuer in events that the valuer's responsibility for damage is connected to information that was received from the Company and that the valuer had indicated in the valuation that the information been received from the Company or through it and the valuer had relied on it in the valuation, and in respect of an amount the valuer is required to pay that is more than 3 times its fee. The valuer's fee was not contingent upon the results of the valuation or the Company's performance.

[1] For additional information regarding the valuer, its attributes and experience, see page iv of the valuation with respect to the value in use of the Banie Project, and Section 2.3.2 hereunder.

The Company and the valuer believe that there is no dependence of the valuer on the Company, and to the best of the Company's knowledge, none of the holdings indicated in paragraph C of part A of legal staff position 105-30 of the Israel Securities Authority exist.

<u>Part B: Exposure to market risks and methods for the management thereof</u>

3. The Company's Chief Risk Officer - Mr. Asa Levinger, the Company's CEO, also serves as its Chief Risk Officer. For additional details regarding the Chief Risk Officer, see regulation 26A in Part D - Additional Details.

4. **Description of the market risks to which the Corporation is exposed**

4.1. For details regarding the exposures to changes in the index, exchange rates, interest rates, tariff per KWh in connection with electricity which is sold to the Israel Electric Corporation, and changes in the prices of electricity and green certificates in Poland, see Section 30 in Part A - Description of the Corporation's Business.

4.2. **The Company's policy for managing market risks**

The Company's risk management focuses on actions to reduce to a minimum the possible exposures on the Company's financial performance. The risk management is carried out primarily by the Company's CEO and CFO, by constantly keeping track of developments in the relevant markets. As part of the overall risk management of the Company, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure. In the event of extraordinary developments in the currency and interest markets, they review the data and occasionally the modes of operation in the derivatives market is reviewed in order to hedge interest rate and foreign currency risks. On all matters associated with the Company's exposure to Polish currency, the Company's Board of Directors adopted a hedging policy according to which, during the construction period, the exposure will be limited to a rate which will not exceed 30% of the Company's total investment, which is financed out of its equity. During the operation period, it was determined that the Company's exposure will not exceed a total of NIS 100 million. With respect to other exposures, no quantitative restrictions were established, and the Company's Board of Directors receives a quarterly report from the Company management regarding the developments in this segment, if any.

For details regarding the Company's implementation of the market risk management policy which was adopted by the Board of Directors, see Note 33b(3) in Part C of the Report - Financial Statements.

4.3. **Linkage bases report**

See **Appendix A** hereunder for a linkage bases report as of December 31, 2016 and December 31, 2015.

4.4. **Sensitivity tests**

See **Appendix B** hereunder for sensitivity tables for sensitive instruments according to changes in market factors as of December 31, 2016.

4.5. **The Corporation's liabilities according to payment date**

See **Appendix C** hereunder for information regarding the Corporation's liabilities according to payment dates.

Part C – Corporate governance aspects and updates concerning the Company's activities

5. **Directors with accounting and financial expertise; independent directors**
As of the publication date of this report, the Company's Board of Directors includes six directors, of which four have accounting and financial expertise, and three are independent directors, as this term is defined in the Companies Law. The Company has chosen not to adopt, in its bylaws, a provision regarding the number of independent directors. For additional details regarding the number of directors with accounting and financial expertise as appropriate for the Company, see Section 9 of the corporate governance questionnaire. For details regarding directors with accounting and financial expertise and regarding independent directors, see regulation 26 in Part D - Additional Details.

6. **The Company's Internal Auditor** - For details regarding the Company's Internal Auditor, see **Appendix D**.

7. **The Company's accountants**
In July 2015, the general meeting decided to replace the Company's Auditor, and Brightman Almagor Zohar & Co. Accountancy Firm (Deloitte Israel) began serving as the Company's Auditor, in place of Somekh Chaikin & Co. Accountancy Firm (KPMG Israel).

Presented below is information regarding the salary paid for audit services, and for services associated with audit and tax services, and the hours which were invested in the provision of such services:

	2016		2015	
Services	**Audit and tax services**	**Other services**	**Audit and tax services**	**Other services**
Brightman Almagor Zohar & Co. (Deloitte) Israel				
Professional fees, NIS in thousands	340	200	267	270
Work hours	2,230	780	2,600	491
Deloitte Poland				
Professional fees, NIS in thousands	105	-	52	-
Work hours	405	-	280	-
Other accountants in Poland				
Professional fees, NIS in thousands	59	-	-	-
Work hours	320	-	-	-
Somekh Chaikin Accountancy Firm (KPMG)				
Professional fees, NIS in thousands	-	-	20	-
Work hours	-	-	510	-

The accountant's professional fees were determined by the Company's Board of Directors, which was authorized for this purpose by the general meeting of the Company's shareholders.

8. **Administrative enforcement program**

On May 15, 2014, the Company adopted an internal enforcement program with respect to securities, in accordance with the criteria for effective enforcement programs which were published by the Israel Securities Authority on August 15, 2011.

9. **Material engagements**

9.1. For details regarding projects which are being developed by the Company in the Wind Energy Segment in Israel, and particularly, the Clean Wind Energy Project, see Section 7.2.3 in Part A of the report - Description of the Corporation's Business, and Note 15b(1) in Part C of the Report - Financial Statements.

9.2. For details regarding the Company's engagement in a joint venture agreement in connection with the activity in the Photovoltaic Segment in Israel, see Section 7.1.4.1 in Part A - Description of the Corporation's Business, and Note 15a(2) in Part C of the Report - Financial Statements.

9.3. For details regarding the engagement in an external financing agreement with respect to the Banie Project, see Section 7.2.6.2 in Part A - Description of the Corporation's Business, and Note 9c(1)(f) in Part C of the Report - Financial Statements.

9.4. For details regarding the Company's engagement in an agreement for the acquisition of 75% the rights to the Iława Project, and in additional agreements which are associated with its construction and operation, see Section 7.2.6.3 in Part A - Description of the Corporation's Business, and Note 9c(2) in Part C of the Report - Financial Statements.

9.5. For details regarding the engagement in an external financing agreement for a photovoltaic project with a total capacity of 5 MWp, see Note 9b(2) in Part C of the Report - Financial Statements.

9.6. For details regarding the Company's engagement in an agreement with banking corporations for the receipt of credit facilities guaranteed by Alony Hetz, at a scope of up to NIS 80 million, see Note 14 in Part C of the Report - Financial Statements.

9.7. For details regarding the Company's management agreement with Alony Hetz, its controlling shareholder, see Note 27a in Part C of the Report - Financial Statements.

10. **Legal proceedings**

For details regarding legal proceedings to which the Group is party, see Note 32A in Part C of the Report - Financial Statements.

11. **Donations**
The Company has not yet adopted a policy on donations to the community During the Reporting Period, the total amount the Company's donations was negligible.

12. **Disclosure requirements concerning financial reporting of the Corporation**

Critical accounting estimates
The preparation of financial statements requires management of the Company to use estimates or assessments regarding transactions or matters that their final effect on the financial statements cannot be accurately determined at the time of their preparation.
For the critical estimates which apply to the Company, For additional details, see Note 2(f) in Part C of the Report - Financial Statements. See section 2.3.1 for details on a very material valuation and material valuation that the Company performed for assessing the values of data presented in the financial statements.

13. **Additional information and events subsequent to the date of the report**
For information regarding events subsequent to the date of the report, see Sections 1.1, 1.2 and 2.2 above, as well as Notes 9, 14, 15, 16, 27 and 34 in Part C of the Report - Financial Statements.

The Company's Board of Directors would like to thank the holders of the Company's securities for the confidence they have placed in the Company.

March 5, 2017		
Date of signing of the interim financial statements	**Nathan Hetz Chairman of the Board of Directors**	**Asa Levinger CEO**

Appendices to the Board of Directors' Report Concerning the State of the Company's Business Affairs:

Appendix A – Linkage bases report for monetary balances.

Appendix B – Sensitivity Tables for Sensitive Instruments as of December 31, 2016, According to Changes in Market Factors.

Appendix C – The Corporation's Liabilities by Payment Dates.

Appendix D – Information Regarding the Internal Auditor.

Appendix A – Linkage Bases Report for Monetary Balances

December 31, 2016

	EUR	PLN	Other	Unlinked NIS	CPI-linked NIS	Non-financial assets (liabilities)	Total
	NIS in thousands						
Current assets							
Cash and cash equivalents	591	28,551	158	9,814	-	-	39,114
Trade receivables	662	6,082	-	3,607	-	-	10,351
Green certificates	-	-	-	-	-	9,558	9,558
Receivables and debit balances	-	160	-	2,547	-	10,147	12,854
Hedging financial instruments	-	5,035	-	-	-	-	5,035
	1,253	39,828	158	15,968	-	19,705	76,912
Non-current assets							
Long-term pledged deposit and restricted cash	-	12,565	-	18,962	-	-	31,527
Prepaid land lease expenses	-	-	-	-	-	27,006	27,006
Connected electricity production systems	-	-	-	-	-	1,057,870	1,057,870
Systems under construction and inventory	-	-	-	-	-	32,391	32,391
Fixed assets	-	-	-	-	-	2,323	2,323
Investment in equity-accounted investees	-	-	-	-	-	14,827	14,827
Other receivables	-	296	-	-	3,637	3,954	7,887
Long-term financial instruments	-	12,624	-	-	-	-	12,624
Deferred taxes, net	-	-	-	-	-	3,591	3,591
	-	25,485	-	18,962	3,637	1,141,962	1,190,046
Total assets	**1,253**	**65,313**	**158**	**34,930**	**3,637**	**1,161,667**	**1,266,958**

Current liabilities							
Short-term credit from financial institutions	-	-	-	65,501	-	-	65,501
Current maturities of long-term loans	-	12,643	-	-	19,891	(636)	31,898
Trade payables, other payables and credit balances	40,131	9,039	45	5,557	478	2,471	57,721
	40,131	21,682	45	71,058	20,369	1,835	155,120
Non-current liabilities							
Liabilities for employee severance benefits	-	-	-	-	-	347	347
Loans from financial institutions	-	232,816	-	-	327,410	(7,652)	552,574
Other long-term liabilities	-	8,546	3,845	8,832	-	6,713	27,936
Deferred taxes	-	-	-	-	-	7,034	7,034
	-	241,362	3,845	8,832	327,410	6,442	587,891
Total liabilities	**40,131**	**263,044**	**3,890**	**79,890**	**347,779**	**8,277**	**743,011**
Total surplus of assets over liabilities	**(38,878)**	**(197,731)**	**(3,732)**	**(44,960)**	**(344,142)**	**1,153,390**	**523,947**
Financial derivatives	**-**	**(398,693)**	**-**	**398,693**	**-**	**-**	**-**
Surplus of financial assets over financial liabilities (financial liabilities over financial assets)	**(38,878)**	**(596,424)**	**(3,732)**	**353,733**	**(344,142)**	**1,153,390**	**523,947**
Distribution of non-monetary assets (liabilities), net - by linkage bases	**29**	**749,493**	**-**	**404,621**	**(754)**	**(1,153,390)**	**(1)**
Surplus of assets over liabilities (liabilities over assets)	**(38,849)**	**153,069**	**(3,732)**	**758,354**	**(344,896)**	**-**	**523,946**

December 31, 2015

	EUR	PLN	Other	Unlinked NIS	CPI-linked NIS	Non-financial assets (liabilities)	Total
	NIS in thousands						
Current assets							
Cash and cash equivalents	52,982	5,393	22	15,038	-	-	73,435
Pledged deposit	-	-	-	5,024	-	-	5,024
Trade receivables	-	1,071	-	4,715	-	-	5,786
Green certificates	-	-	-	-	-	900	900
Receivables and debit balances	-	13	-	13,487	-	46,333	59,833
Hedging financial instruments	-	2,770	-	-	-	-	2,770
	52,982	9,247	22	38,264	-	47,233	147,748
Non-current assets							
Long-term restricted cash	-	-	-	16,692	-	-	16,692
Prepaid land leasing expenses	-	-	-	-	-	29,679	29,679
Connected electricity producing systems	-	-	-	-	-	746,943	746,943
Systems under construction	-	-	-	-	-	36,380	36,380
Fixed assets	-	-	-	-	-	957	957
Investment in equity-accounted investee companies	-	-	-	-	-	16,277	16,277
Other receivables	107	857	-	42	-	164	1,170
Deferred taxes, net	-	-	-	-	-	6,329	6,329
	107	857	-	16,734	-	836,729	854,427
Total assets	**53,089**	**10,104**	**22**	**54,998**	**-**	**883,962**	**1,002,175**

Current liabilities							
Short-term credit from financial institutions	-	-	-	26,000	-	-	26,000
Current maturities of long-term loans	-	-	-	-	16,666	-	16,666
Trade payables, other payables and credit balances	43,751	18,205	142	7,489	-	2,781	72,368
Liability in respect of the purchase of shares	62,496	845	-	-	-	-	63,341
	106,247	19,050	142	33,489	16,666	2,781	178,375
Non-current liabilities							
Liabilities for employee severance benefits	-	-	-	-	-	244	244
Loans from financial institutions	-	-	-	-	296,108	-	296,108
Other long-term liabilities	-	-	-	-	-	3,838	3,838
Deferred taxes	-	-	-	-	-	4,196	4,196
	-	-	-	-	296,108	8,278	304,386
Total liabilities	**106,247**	**19,050**	**142**	**33,489**	**312,774**	**11,059**	**482,761**
Total surplus of assets over liabilities	**(53,158)**	**(8,946)**	**(120)**	**21,509**	**(312,774)**	**872,903**	**519,414**

Appendix B – Sensitivity Tables for Sensitive Instruments as of December 31, 2016, according to Changes in Market Factors

Presented below is an analysis of the Group's sensitivity to foreign currency:
The following table details the effect of a 5% change in the exchange rate on profit or loss in respect of financial assets and liabilities that are exposed to risk as aforesaid (before the tax effect):

	December 31, 2016		
	Increase of 5%		Decrease of 5%
	Profit and loss	Carrying amount	Profit and loss
	NIS in thousands		
In Euro:			
Cash and cash equivalents	30	591	(30)
Trade receivables	33	662	(33)
Trade payables, other payables and credit balances	(2,007)	(40,131)	2,007
In PLN:			
Cash and cash equivalents	1,428	28,551	(1,428)
Trade receivables, receivables and debit balances	312	6,242	(312)
Long-term pledged deposit and restricted cash	628	12,565	(628)
Hedging financial instruments	883	17,659	(883)
Other long-term receivables	15	296	(15)

Short and long-term loans from financial institutions	(12,273)	(245,459)	12,273
Trade payables, other payables and credit balances	(452)	(9,039)	452
Other long-term liabilities	(427)	(8,546)	427

Presented below is an analysis of the Group's sensitivity to the Consumer Price Index (CPI):

	December 31, 2016		
	Increase of 2%		Decrease of 2%
	Profit and loss	Carrying amount	Profit and loss
	NIS in thousands		
Loans from financial institutions (*)	(6,946)	(347,301)	677

Presented below is an analysis of the Group's sensitivity to changes in the interest rate:

The Company is exposed to changes in short and long-term interest rates on the international markets on which it operates. The Company's loans at variable interest are in Zloty, and as of December 31, 2016, amount to approximately NIS 61,339 thousand.

The following table presents sensitivity tests to the value of the fixed rate loans according to changes in the interest rate (in NIS thousands):

	December 31, 2016				
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Sensitive instruments	Profit (loss) from the changes (Before tax effect)		Fair value	Profit (loss) from the changes (Before tax effect)	
	NIS in thousands				
Fixed rate instruments					
CPI-linked loans in NIS	7,961	4,014	348,815	(4,082)	(8,234)
Loans in PLN (*)	5,416	2,737	184,017	(2,797)	(5,656)
Total	13,377	6,751	532,832	(6,879)	(13,890)

(*) The Company's loan in PLN is variable rate. According to the financing agreement the Company is obligated to fix 75% of the loan to a fixed rate by means of hedging instruments, and accordingly the hedged part of the loan is presented as a fixed rate instrument.

Appendix C – The Corporation's Liabilities by Payment Dates

Presented below are the Group's liabilities that are payable after December 31, 2016:

	Loans from financial institutions	**Percentage**
Current maturities	98,263	15%
Second year	33,167	5%
Third year	34,192	5%
Fourth year	35,353	5%
Fifth year and thereafter	457,250	69%
Total payments	658,225	100%
Balance of loan discount	(8,252)	
Total financial debt	**649,973**	

As of December 31, 2016 the off-balance sheet liabilities in respect of guarantees amount to approximately NIS 7 million.

Appendix D – Information Regarding the Internal Auditor

Until July 4, 2016, the Company's Internal Auditor was Erez Cohen. Presented below are the details of the agreement with him:

Section	Details
Name	Erez Cohen, C.P.A., of Erez Cohen & Co. Accountancy Firm, holds a B.A. in Economics and Accounting from The Hebrew University of Jerusalem. Holds a C.P.A. license from the Certified Public Accountants Council in Israel. C.P.A., C.I.A. (Certified Internal Auditor) from the Institute of Internal Auditors.
Commencement of tenure	November 14, 2011
Conclusion date of tenure and reasons for conclusion	On July 4, 2016, the Internal Auditor requested to complete his service with the Company. For additional information, see the immediate report dated June 21, 2016 (reference no. 2016-01-063310).
Compliance with the provisions of the law	To the best of the Company's knowledge, the Auditor complied with the provisions of Section 146(B) of the Companies Law - 1999 and of Sections 3(A) and 8 of the Internal Audit Law - 1992.
Holdings in the securities of the Company or in a related entity thereto	To the best of the Company's knowledge, during his period of tenure as the Company's Internal Auditor, the Internal Auditor did not hold any securities of the Company or of a controlling shareholder in the Company, an entity controlled by the Company or by a controlling shareholder in the Company or by entities related to either of them.
Significant business connections or other significant connections with	During his period of tenure, the Internal Auditor did not perform a role which created or could have created a conflict of interests with his role as the Company's Internal Auditor.

Section	Details
the Company or an entity related to it	During his period of tenure, the Internal Auditor was not an interested party in the Company, nor a relative of an interested party or of an officer in the Company, and did not serve as the Company's independent Auditor or on its behalf.
Is the Auditor an employee of the Company or an external service provider	During his period of tenure, the Internal Auditor provided internal audit services as an external entity, and was not an employee of the Company. In performing the audit, the Internal Auditor was assisted by a team of people from his firm as necessary. The Internal Auditor did not fill any other position in the Company besides internal auditing.
Appointment process	The appointment of the Internal Auditor was approved by the Company's Board of Directors on November 14, 2011 following the recommendation of the Audit Committee from September 22, 2011. The basis for the appointment was his skills and experience in internal auditing.
Person in the organization responsible for the Internal Auditor	Chairman of the Board.
Work plan	The Auditor's work plan in 2016 included the preparation of a risk survey for the Company, auditing the operational department, with an emphasis on the Banie Project and fund management aspects, corporate governance and implementation of the Auditor's recommendations. In light of the conclusion of the Internal Auditor's work during the Reporting Period, as stated above, only the risk survey was performed in the work plan.
Scope of employment	The plan approved for 2016 includes 380 hours of work. The scope of the Auditor's position was determined after the Corporation and the Auditor estimated a scope of work hours which reflects the required level of investment by the Internal Auditor for the purpose of performing the required audit. Due to the conclusion of the Internal Auditor's position, as stated above, effectively, the Auditor worked a total of 89 hours in 2016.
Performing the audit	The professional standards that guide the audit work: According to the notification of the Internal Auditor, the internal audit work is performed according to acceptable professional standards for internal audits, professional guidelines and instructions that were approved and issued by the Institute of Internal Auditors in Israel.
Access to information	The Internal Auditor was granted free access as stated in Section 9 of the Internal Audit Law, including continuous and unrestricted access to the Corporation's information systems, including financial data.
Reports that were submitted and discussed in the Reporting Period	During the Reporting Period, the Auditor submitted a risk survey to the Company.
Scope, nature and consecutiveness of the Internal Auditor's activity and work plan	To the best of the knowledge of the Board of Directors, the Internal Auditor's work plan, as recommended by the Internal Auditor, is reasonable and it is adequate to achieve the Company's internal auditing goals. The Audit Committee has the authority to broaden the scope of the work of the Internal Auditor, if and when necessary.
Compensation	For details regarding the compensation of the Internal Auditor in 2016, see Note 27 in Chapter C of the Report - Financial Statements.

Beginning on July 5, 2016, the Company engaged with a new Internal Auditor. Presented below are the details of the agreement with him:

Section	**Details**
Name	Israel Gvirtz, qualified Internal Auditor, partner in the firm Fahn Kanne Control Management Ltd., BA in accounting and economics from Bar-Ilan University, CPA, CIA.
Commencement of tenure	July 5, 2016
Compliance with the provisions of the law	To the best of the Company's knowledge, the Auditor complies with the provisions of Section 146(B) of the Companies Law - 1999 and of Sections 3(A) and 8 of the Internal Audit Law - 1992.
Holdings in the securities of the Company or of a related entity	To the best of the Company's knowledge, as of the date of this report, the Internal Auditor does not hold any securities of the Company, or of a controlling shareholder in the Company, an entity controlled by the Company or by a controlling shareholder in the Company or by entities related to either of them.
Significant business connections or other significant connections with the Company or an entity related to it	The Internal Auditor does not perform a role that creates or can create a conflict of interests with his role as the Company's Internal Auditor. The Internal Auditor is not an interested party in the Company and is not a relative of an interested party or of an officer in the Company and he does not serve as the Company's independent Auditor or on its behalf.
Is the Auditor an employee of the Company or an external service provider	The Internal Auditor shall provide internal auditing services on an external basis and he is not an employee of the Company. In performing the audit, the Internal Auditor shall be assisted by a team of people from his firm as necessary. The Internal Auditor does not fill any other position in the Company besides internal auditing.
Appointment process	The appointment of the Internal Auditor was approved by the Company's Board of Directors on July 5, 2016 following the recommendation of the Audit Committee from June 21, 2016. The basis for the appointment was his skills and experience in internal auditing.
Person in the organization	Chairman of the Board.

Section	Details
responsible for the Internal Auditor	
Work plan	The Internal Auditor's work plan until the end of 2016 included auditing the following topics: (1) the Company's project in Poland; (2) Currency financial exposures.
Audit in foreign countries or of investee companies	The Auditor's work includes auditing foreign investee companies.
Scope of employment	The approved plan for 2016 includes 380 hours of work. The scope of the Auditor's position was determined after the Corporation and the Auditor estimated the scope of work hours which reflects the required level of investment by the Internal Auditor for the purpose of performing the required audit.
Performing the audit	The professional standards that guide the audit work: According to the notification of the Internal Auditor, the internal audit work is performed according to acceptable professional standards for internal audits, professional guidelines and instructions that were approved and issued by the Institute of Internal Auditors in Israel.
Access to information	The Internal Auditor shall be granted free access as stated in Section 9 of the Internal Audit Law, including continuous and unrestricted access to the Corporation's information systems, including financial data.
Reports that were submitted and discussed in the Reporting Period	Subsequent to the Reporting Period, and until the Approval Date of the Report (inclusive), an audit report regarding Poland was submitted and discussed, as well as an audit report regarding financial exposures to the currency.
Scope, nature and consecutiveness of the Internal Auditor's activity and work plan	To the best of the Board of Directors' knowledge, the Internal Auditor's work plan, as recommended by the Internal Auditor, is reasonable and it is adequate to achieve the Company's internal auditing goals. The Audit Committee has the authority to broaden the scope of the work of the Internal Auditor, if and when necessary.
Compensation	For details regarding the compensation of the Internal Auditor in 2016, see Note 27 in Chapter C of the Report - Financial Statements.

Energix - Renewable Energies Ltd.

Consolidated Financial Statements

December 31, 2016

(Audited)

Deloitte.

Auditor’s Report to the Shareholders of
<u>Energix - Renewable Energies ltd.</u>

Regarding the Audit of Internal Controls over Financial Reporting
In Accordance with Regulation 9B(c) of the Securities Regulations (Periodic and Immediate Reports) - 1970

We have audited internal controls over financial reporting of Energix Renewable Energies Ltd. and its subsidiaries (hereinafter: the “**Group**”) as of December 31, 2016. These controls were determined in the manner described in the following paragraph. The Board of Directors and management of the Group are responsible for ensuring the existence of effective internal control over financial reporting, and for evaluating the effectiveness of internal controls over the financial reports which are attached to the periodic report as of the foregoing date. Our responsibility is to express an opinion regarding the internal controls over financial reporting in the Group, based on our audit.

The internal controls over financial reporting which were audited by us were determined in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, “Audit of internal controls over financial reporting”, including the amendments thereto (hereinafter: “**Auditing Standard 104**”). These controls include: (1) entity-level controls, including controls over the process of drafting and closing the financial reports, and general controls over information system; (2) controls over the purchasing process for projects and income from the sale of electricity (all of the above together are referred to hereinafter as: the “Audited Controls”).

We have prepared our audit in accordance with Auditing Standard 104. According to this standard, we are required to plan and perform the audit in order to identify the audited controls, and to obtain a reasonable measure of assurance regarding whether those controls were applied effectively, in all material respects. Our audit included reaching an understanding of internal control over financial reporting, identifying the audited controls, assessing the risk of the existence of any material weakness in the audited controls, and evaluating and assessing the effectiveness of the planning and operation of those controls, based on the estimated risk. Our audit, with respect to those controls, also included the implementation of other policies which were considered necessary, in light of the circumstances. Our audit addressed only the audited controls, as opposed to internal controls over all material processes in connection with financial reporting, and therefore, our opinion refers to the audited controls only. Furthermore, our audit did not address the mutual effects between the audited controls and those which were not audited, and therefore, our opinion does not take into account possible effects of this kind. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion in the aforementioned context.

Due to inherent restrictions, internal control over financial reporting in general, and specific controls in particular, may not prevent or discover misrepresentation. Additionally, the conclusions reached regarding the future, based on any current evaluation of effectiveness, is exposed to the risk that he controls will become inadequate, due to changes in circumstances, or that the extent of compliance with policies or procedures will change for the worse.

in our opinion, based on our audit, the Group has effectively applied, in all material respects, the audited controls as of December 31, 2016.

We have also audited, in accordance with generally acceptedjjjjjjjjjjjjjjjjjjjjjjjjjjkkkkkkkkkkkkkkk auditing standards in Israel, the Group’s consolidated financial statements as of December 31, 2016 and 2015, and for each of the two years ended on December 31, 2016, and our report, dated March 5, 2017, includes an unqualified opinion regarding those financial statements, based on our audit, and on the reports of the other auditors.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited
Tel Aviv, March 5, 2017

Deloitte.

Auditor's Report to the Shareholders of
Energix - Renewable Energies ltd.

We have audited the consolidated statements of financial position of Energix Renewable Energies Ltd. and its subsidiaries (hereinafter: the "**Group**") as of December 31, 2016 and 2015, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for the two years ended December 31, 2016. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion regarding these financial statements, based on our audit.

The Group's financial statements as of December 31, 2014, and for the year then ended, their restatement, were audited by other auditors, whose report dated March 15, 2015 included an unqualified opinion.

We have not audited the financial statements of a consolidated company whose assets as included in the consolidation constitute approximately 6.79% of total consolidated assets as of December 31, 2016, and whose income as included in the consolidation constitutes approximately 3.26% of total consolidated income for the year ended December 31, 2016. The financial statements of that company were audited by other auditors, whose reports were submitted to us, and our opinion, insofar as it refers to the amounts which were included with respect to that company, is based on the reports of the other auditors.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditors' Mode of Performance) - 1973. In accordance with these standards, we are required to plan and conduct our audit with the aim of obtaining a reasonable measure of assurance that the financial statements include no material misrepresentation. An audit includes an evaluation, on a sample basis, of evidence to support the amounts and information presented in the financial statements. An audit also includes an evaluation of the accounting principles which were applied and of the significant estimates which were made by the Company's Board of Directors and management, as well as an evaluation of the adequacy of presentation in the financial statements in their entirety. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the aforementioned financial statements adequately reflect, in all material respects, the Group's financial position as of December 31, 2016 and 2015, as well as its results of operations, changes in equity and cash flows for each of the two years ended December 31, 2016, in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements) - 2010.

We have also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of internal controls over financial reporting", including the amendments thereto, internal controls over financial reporting in the Group as of December 31, 2016, and our report dated March 5, 2017 included an unqualified opinion regarding the effective existence of those controls.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited
Tel Aviv, March 5, 2017

תל אביב - משרד ראשי
מרכז עזריאלי 1 תל אביב, 6701101 ת.ד. 16593
תל אביב, 6116402 | טלפון : 03-6085555 | פקס : 03-6094022 | info@deloitte.co.il

משרד ירושלים
קרית המדע 3
מגדל הר חוצבים
ירושלים, 9777603
ת.ח. 45396
ירושלים, 9145101
טלפון: 02-5018888
פקס: 02-5374173
info-jer@deloitte.co.il

משרד חיפה
מעלה השחרור 5
ת.ד. 5648
חיפה, 3105502
טלפון: 04-8607333
פקס: 04-8672528
info-haifa@deloitte.co.il

משרד באר שבע
אלומות 12
פארק התעשייה עומר
ת.ד 1369
עומר, 8496500
טלפון: 08-6909500
פקס: 08-6909600
info-beersheva@deloitte.co.il

משרד אילת
המרכז העירוני
ת.ד. 583
אילת, 8810402
טלפון: 08-6375676
פקס: 08-6371628
info-eilat@deloitte.co.il

טריגר פורסייט
מקבוצת Deloitte
מרכז עזריאלי 3
תל אביב, 6701101
טלפון: 03-6070500
פקס: 03-6070501
info@deloitte.co.il

Deloitte Analytics
הסיבים 7
ת.ד. 7796
פתח תקווה, 4959368
טלפון: 077-8322221
פקס: 03-9190372
info@deloitte.co.il

Seker - Deloitte
גיבורי ישראל 7
ת.ד. 8458
נתניה דרום, 4250407
טלפון: 09-8922444
פקס: 09-8922440
info-seker@deloitte.co.il

Energix - Renewable Energies Ltd.
Consolidated Statements of Financial Position

	Note	December 31, 2016	December 31, 2015
		NIS in thousands	
Assets			
Current assets			
Cash and cash equivalents	4	39,114	73,435
Pledged deposit	5	-	5,024
Trade receivables	6	10,351	5,786
Green certificates	7	9,558	900
Receivables and debit balances	8	17,889	62,603
Total current assets		76,912	147,748
Non-current assets			
Long-term pledged deposit and restricted cash	5	31,527	16,692
Prepaid land lease expenses	9b(1)	27,006	29,679
Connected electricity production systems	9	1,057,870	746,943
Systems under construction and initiation	10	32,391	36,380
Fixed assets	9	2,323	957
Investment in equity-accounted investees	11b	14,827	16,277
Other receivables	8	20,511	1,170
Deferred tax assets, net	30d	3,591	6,329
Total non-current assets		1,190,046	854,427
Total assets		1,266,958	1,002,175
Liabilities and equity			
Current liabilities			
Short-term credit from financial institutions	14	65,501	26,000
Current maturities of long-term loans	14	31,898	16,666
Trade payables	12	52,227	66,661
Payables and credit balances	13	5,494	69,048
Total current liabilities		155,120	178,375
Non-current liabilities			
Liability for employee severance benefits, net		347	244
Loans from financial institutions	14	552,574	296,108
Other long-term liabilities	14	27,936	3,838
Deferred tax liability, net	30d	7,034	4,196
Total non-current liabilities		587,891	304,386
Equity			
Share capital	16	3,227	3,077
Premium and capital reserves	16	528,218	516,708
Retained earnings (accumulated loss)		(10,867)	(4,866)
Total equity attributable to the owners of the Company		520,578	514,919
Non-controlling interests		3,369	4,495
Total equity		523,947	519,414
Total liabilities and equity		1,266,958	1,002,175

March 5, 2017

Energix - Renewable Energies Ltd.

Consolidated Statements of Financial Position

Date of signing of the financial statements	Nathan Hetz Chairman of Board of Directors	Asa Levinger CEO	Elad Cohen CFO

he notes to the consolidated financial statements are an integral part thereof.

Energix - Renewable Energies Ltd.
Consolidated Statements of Income

	Note	2016	2015	2014
		Year ended December 31,		
		NIS in thousands		
Revenues				
Revenues from the sale of electricity	17	111,364	55,560	10,025
Revenues from the construction of facilities		279	36	1,914
Other revenues, net	18	1,576	442	564
Gain on sale of rights in projects		-	3,997	-
		113,219	60,035	12,503
Expenses				
Rent	19	4,202	2,430	948
Maintenance of systems	20	17,121	4,945	651
Impairment of green certificates	7	6,616	-	-
Construction costs of facilities		241	70	1,769
Initiation expenses	22	1,891	2,315	4,391
Payroll and related expenses	21	7,974	6,207	5,830
Administrative, headquarters and other	23	8,987	5,881	3,685
		47,032	21,848	17,274
Profit (loss) before financing, taxes, depreciation and amortization		66,187	38,187	(4,771)
Reversal of provisions (provisions) for doubtful debts	24	3,594	-	-
Depreciation and amortization	9	(36,400)	(15,803)	(3,332)
Profit (loss) before financing and taxes		33,381	22,384	(8,103)
Financing income	25	478	3,831	2,677
Financing expenses	26	(28,646)	(15,040)	(1,855)
Financing expenses, net		(28,168)	(11,209)	822
Profit (loss) after financing, net		5,213	11,175	(7,281)
Company’s share in the results of equity-accounted investees	11b	1,501	1,023	1,422
Profit (loss) before taxes on income		6,714	12,198	(5,859)
Taxes on income	30	(1,653)	(3,151)	1,666
Profit (loss) for the year		5,061	9,047	(4,193)
Total profit (loss) for the year attributable to:				
Profit (loss) for the year attributable to the owners of the Company		6,225	9,044	(4,195)
Profit (loss) for the year attributable to non-controlling interests		(1,164)	3	2
Total profit (loss) for the year		5,061	9,047	(4,193)
Net earnings (loss) per share attributable to the equity holders of the Company (NIS):				
Basic		0.020	0.034	(0.025)
Diluted		0.020	0.034	(0.025)
Weighted average share capital used to compute the earnings (loss) per share (thousands of shares):				
Basic	29	315,192	263,047	167,803
Diluted		318,892	265,590	167,803

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Comprehensive Income (Loss)

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Profit (loss) for the year	5,061	9,047	(4,193)
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss			
Foreign currency translation differences for foreign operation	(41,374)	(14,762)	-
Profit from foreign currency differences with respect to derivatives which were designated for the hedging of investments in subsidiaries which constitute foreign operations, net of tax	13,470	-	-
Net change in the fair value of cash flow hedging instruments	459	(183)	183
Total comprehensive loss for the year	(22,384)	(5,898)	(4,010)
Total comprehensive loss attributable to:			
Owners of the Company	(21,268)	(5,901)	(4,012)
Non-controlling interests	(1,116)	3	2
Total comprehensive income (loss) for the year	(22,384)	(5,898)	(4,010)

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Changes in Equity

For the year ended December 31, 2016 (audited)

	Share capital	Premium	Receipts on account of options	Hedge reserve	Reserve from translation of the financial statements of a foreign operation	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2016	3,077	509,578	21,342	-	(14,724)	512	(4,866)	514,919	4,495	519,414
Profit (loss) for the year	-	-	-	-	-	-	6,225	6,225	(1,164)	5,061
Other comprehensive income (loss) for the year	-	-	-	459	(27,953)	-	-	(27,494)	49	(27,445)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(11)	(11)
Exercise of share options	150	44,140	(5,136)	-	-	-	(1,438)	37,716	-	37,716
Dividend paid to Company shareholders	-	-	-	-	-	-	(12,763)	(12,763)	-	(12,763)
Share-based payment	-	-	-	-	-	-	1,975	1,975	-	1,975
Balance as of December 31, 2016	3,227	553,718	16,206	459	(42,677)	512	(10,867)	520,578	3,369	523,947

For the year ended December 31, 2015 (audited)

	Share capital	Premium	Receipts on account of options	Hedge reserve	Reserve from translation of the financial statements of a foreign operation	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2015	1,686	191,466	-	183	38	512	(14,424)	179,461	4,492	183,953
Profit (loss) for the year	-	-	-	-	-	-	9,044	9,044	3	9,047
Other comprehensive loss for the year	-	-	-	(183)	(14,762)	-	-	(14,945)	-	(14,945)
Issuance of shares	1,385	317,161	21,342	-	-	-	-	339,888	-	339,888
Exercise of share options	6	951	-	-	-	-	(153)	804	-	804
Share-based payment	-	-	-	-	-	-	667	667	-	667
Balance as of December 31, 2015	3,077	509,578	21,342	-	(14,724)	512	(4,866)	514,919	4,495	519,414

Energix - Renewable Energies Ltd.

Consolidated Statements of Changes in Equity

he notes to the consolidated financial statements are an integral part thereof.

Energix - Renewable Energies Ltd.
Consolidated Statements of Changes in Equity

For the year ended December 31, 2014 (audited)

	Share capital	Premium	Receipts on account of options	Hedge reserve	Reserve from translation of the financial statements of a foreign operation	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2014	1,677	190,856	-	-	38	-	(10,523)	182,048	(110)	181,938
Profit (loss) for the year	-	-	-	-	-	-	(4,195)	(4,195)	2	(4,193)
Other comprehensive income for the year	-	-	-	183	-	-	-	183	-	183
Transactions with controlling shareholders	-	-	-	-	-	512	-	512	-	512
Exercise of share options	9	610	-	-	-	-	(610)	9	-	9
Share-based payment	-	-	-	-	-	-	904	904	-	904
Injection of capital from non-controlling interests	-	-	-	-	-	-	-	-	4,600	4,600
Balance as of December 31, 2014	1,686	191,466	-	183	38	512	(14,424)	179,461	4,492	183,953

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

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

	Note	2016	2015	2014
		Year ended December 31,		
		NIS in thousands		
Cash flows - operating activities				
		5,061	9,047	(4,193)
Profit (loss) for the year		46,225	20,597	714
Expenses not involving cash flows (Appendix A)		51,286	29,644	(3,479)
		(10,876)	(3,895)	(180)
Changes in working capital (Appendix B)		40,410	25,749	(3,659)
Net cash from (used in) operating activities				
Cash flows - investing activities				
Investment in electricity production systems	9	(361,185)	(445,938)	(185,090)
Repayment of deposit with respect to systems under construction		-	-	1,383
Increase in pledged deposit and restricted cash	5	(15,660)	(14,527)	(6,200)
Decrease in pledged deposit and restricted cash	5	5,023	2,050	-
Release (deposit) of cash in trust		10,000	(10,000)	-
Investment in financial instruments		(3,193)	(7,562)	-
Consideration from the disposal of financial instruments		-	2,051	-
Repayment of loans to equity-accounted investees	11b	2,650	1,110	2,150
Payment related to the acquisition of a project	9	(57,720)	-	-
Loan granted to a third party		-	-	(45,924)
Repayment of loan by third party		-	47,306	-
Investment in other fixed assets	9	(1,886)	(224)	(454)
Other		-	5	80
Net cash used in investing activities		(421,971)	(425,729)	(234,055)
Cash flows - financing activities				
Consideration from issuance of shares		-	318,546	-
Consideration from issuance of share options		-	21,342	-
Consideration from exercise of share options	16D	38,034	484	9
Short-term loan received from the parent company		-	-	45,924
Repayment of short-term loan received from the parent company		-	(43,182)	-
Injection of capital by non-controlling interests in subsidiaries		-	-	1,600
Costs of credit raising		(6,522)	(1,352)	(2,195)
Short-term loans received from banking institutions	14	136,520	26,000	-
Repayment of short-term loans from banking institutions	14	(97,039)	-	-
Long-term loan received from financial institutions	14	315,706	345,989	202,892
Repayment of long-term loans from financial institutions		(21,290)	(231,313)	(1,958)
Dividend paid to Company shareholders	16E	(12,763)	-	-
Net cash from financing activities		352,646	436,514	246,272
Change in cash and cash equivalents		(28,915)	36,534	8,558
Cash and cash equivalents at the beginning of the year		73,435	38,167	29,352
Effect of exchange rate fluctuations on cash and cash equivalents		(5,406)	(1,266)	257
Cash and cash equivalents at the end of the year		39,114	73,435	38,167

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

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

	Note	Year ended December 31, 2016	2015	2014
		NIS in thousands		
Appendix - Adjustments Required to Present Cash Flows from Operating Activities				
a. Expenses (income) not involving cash flows:				
Financing income (expenses), net		3,374	(2,358)	(411)
Prepaid rent		1,560	1,588	43
Capital loss		-	-	9
Revaluation of loans, deposits and marketable securities, net		6,432	2,691	19
Depreciation and amortization	9	36,400	15,803	3,332
Reversal of provision for doubtful debt	24	(3,594)	-	-
Change in provision for employee severance pay		103	78	(94)
Company's share in the results of equity-accounted investees	11b	(1,501)	(1,023)	(1,422)
Tax expenses recognized in profit (loss) for the year	30	1,476	3,151	(1,666)
Share-based payment	28	1,975	667	904
		46,225	20,597	714
b. Changes in asset and liability items (changes in working capital):				
Decrease (increase) in trade receivables and other receivables and debit balances		(6,061)	2,839	(8,306)
Increase in inventory of green certificates		(9,233)	(897)	-
Increase (decrease) in trade payables and other payables and credit balances		4,418	(5,837)	8,126
		(10,876)	(3,895)	(180)
Non-cash activity				
Acquisition of subsidiary	9c	-	62,496	-
Investment in electricity production facilities against other liabilities		24,044	3,838	-
Receivables from non-cash exercise of share options		-	320	-
Investment in electricity production facilities against supplier credit and payables	12,13	1,522	58,946	56,249
Additional information				
Interest paid in respect of operating activities		19,080	12,341	2,355
Interest received in respect of operating activities		497	821	2,240
Taxes paid		409	-	-

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

Note 1 - General

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

A. General description of the Company and its operations

Energix - Renewable Energies Ltd. (hereinafter: the "**Company**") is a public company whose securities are listed for trading on the Tel Aviv Stock Exchange since May 2011. The Company is a controlled subsidiary of Alony Hetz Properties and Investments Ltd. (hereinafter: "**Alony Hetz**"), and as of the Reporting Date, operates in the field of renewable energies.

The consolidated financial statements of the Company as of December 31, 2016 comprise those of the Company, the companies and partnerships it controls, and the Company's interests in Granot Partnership (as defined in section c. below) an equity-accounted joint transaction (the Company and the companies and partnerships it controls and Granot Partnership shall be hereinafter referred to as: the "**Group**").

The Group operates in two operating segments: one - initiation, development, planning and construction of projects for the production of electricity using photovoltaic solar systems that it owns and the sale of the electricity that it produces to the Israel Electric Corporation (hereinafter: the "**Photovoltaic Segment**"). As of the Reporting Date, the Company owns active photovoltaic systems in Israel with a capacity of approximately 49 MWp (the Company's share: approximately 45 MWp); while the second segment involves the initiation, development, planning and construction of projects for the production of electricity using wind energy for sale to the relevant entities (hereinafter: "**the Wind Energy Segment**"). As of the Reporting Date, the Company has active wind farms in Poland with a capacity of 119.2MW (the Company's share is 115.9MW). Additionally, the Company engages in the initiation and development of other projects in the Photovoltaic Segment and the Wind Energy Segment in Israel and around the world.

B. Definitions in these financial statements:

Alony Hetz	As defined in Section 1a.
Amot	Amot Investments Ltd., as well as all of its subsidiaries, investees and consolidated companies.
Interested Parties	As defined in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law - 1968.
Company	As defined in Section 1a.
Joint Venture	The Company's engagement with an entrepreneurial company in a detailed agreement regarding the joint initiation, development, construction, operation and maintenance of projects for the production of electricity from photovoltaic energy in Israel, through a limited
Group	As defined in Section 1a. For details of investee companies, see
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	Consolidated companies and companies, including partnerships or a joint transaction, in which the Company's investment is stated, directly or indirectly, on an equity basis (see also Note 3a).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Electric Corporation / Critical Service Provider	Israel Electric Corporation Ltd.
Index	The Consumer Price Index as published by the Central Bureau of Statistics.
Small Systems	Photovoltaic systems with an electricity production capacity of up to 50 KWp each.
Medium Systems	Photovoltaic systems with an electricity production capacity greater than 50KWp that are connected to the distribution network.
Large Systems	Photovoltaic systems for the production of electricity that are connected to the transmission network.
Clean Wind Energy Project	As defined in Note 15b(1)(b).
Neot Hovav Project	As defined in Note 9b(1).
Meitarim Project	As defined in Note 9b(2).
Banie Project	As defined in Note 9c(1).
Iława Project	As defined in Note 9c(2).
Related Party	As defined in IAS 24 (2009), “Related Party Disclosures”.
Granot Partnership	Granot Energix Solar Projects, Limited Partnership, which is 50% held by the Company and accounted for as a joint transaction by the equity method.
Meitarim Partnership	Energix South Har Hevron, Limited Partnership, which is 50.1% held by the Company.
Projects Partnership 1	Energix Projects 1, Limited Partnership, which is 100% held by the Company.
Electricity Authority	The Public Utilities Authority - Electricity.
Photovoltaic segment	As defined in Note 1a.
Wind Energy Segment	As defined in Note 1a.
Green Certificates	As defined in Note 9c.
KWp	Peak kilowatt units which are used to measure the installed electricity production capacity of photovoltaic systems.
MWp	1,000 peak kilowatt units that are used to measure the installed electricity production capacity of photovoltaic systems.
MW	1,000 kilowatt units that are used to measure the actual transmitted capacity of turbines that are operated with wind energy.
EBRD	European Bank for Reconstruction and Development.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Vestas	Turbine Manufacturer, as defined in Note 9c(1)(c).

Note 2 - Basis of Preparation

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

The consolidated financial statements of the Group have been drawn up in accordance with International Financial Reporting Standards (hereinafter: "IFRSs") and related interpretations published by the International Accounting Standards Board (IASB).

Furthermore, these financial statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

The financial statements were approved for publication by the Company's Board of Directors on March 5, 2017.

B. Functional currency and presentation currency

These consolidated financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. During the Reporting Period, the NIS is the currency that represents the principal economic environment to 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:

- Financial, derivative and other instruments measured at fair value through profit or loss
- Cash flow hedging derivatives denominated in foreign currency that are measured at fair value through other comprehensive income
- Investments in equity-accounted joint transactions
- Money market funds that are presented under cash and cash equivalents and designated at fair value through profit or loss
- Deferred tax assets and liabilities
- Provisions

D. Operating cycle

The operating cycle of the Group is 12 months.

E. Classification of expenses recognized in the income statement

The classification of the Group's expenses recognized in the statement of income is based on the function of the expense. The Group has elected this classification method since, in its opinion, it facilitates an easier and clearer understanding of the profitability index before financing, taxes,

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

depreciation and amortization, an index that is significant to companies such as the Company and that contributes to the understanding or its operating results.

F. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates. In formulating the accounting estimates that are used in the preparation of the financial statements of the Group, management of the Company is required to make assumptions as to circumstances and events involving significant 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.

The estimates and their underlying and assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates were amended and in every affected future period.

The following table summarizes the estimates and the principal assumptions on which the Group relied in relation to the future and other main factors which could lead to 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, and the relevant notes:

Note 2 - Basis of Preparation (Cont'd)

F. Use of estimates and judgments (Cont'd)

Estimate	Principal assumptions	Potential effects	Reference
Useful life of	The period of depreciation of the fixed	Increase in	See Note 3e, Fixed

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

fixed assets	assets most closely reflects the expected pattern of consumption of the future economic benefits that are embodied in the asset	depreciation expenses or the recording of an impairment loss	Assets.
Residual value of fixed assets	The residual value is determined as an estimate of the amount that the Company could receive from the disposal of the fixed assets at the end of its useful life. For this purpose, the Company estimates the remaining useful period of the fixed assets, the anticipated income from the operation of the fixed assets that are primarily derived from the anticipated selling price of the electricity and the discount rate of the cash flows	Increase in depreciation expenses	See Note 3e, Fixed Assets
Determining whether the commitments of the Company to sell electricity are within the scope of IFRIC 12	The determination of whether or not the commitments of the Company in connection with large and medium facilities that it owns are within the scope of IFRIC 12 is primarily based on significant use of judgment, including in relation to legal interpretations of the codex, the licenses and the agreements in the relevant regulation for the purpose of determining the extent of control of public institutions over the services provided as well as in respect of the determination of the useful life of the facility and the materiality of the residual value at the end of the regulation period.	Selection of the appropriate accounting treatment - under the financial asset model (within the scope of IFRIC 12) or the fixed assets model	For information regarding the accounting treatment of the large system and the medium systems that are owned by the Group, see Note 3
Impairment of fixed assets - the Company's projects in Poland	For the purpose of determining whether impairment of fixed assets has occurred, Group management estimates the value in use of cash generating units. For the purpose of calculating value in use, the Group calculates the estimated future cash flows from each of the cash generating units, based on a paper prepared by an external expert regarding the prices of electricity and green certificates, and calculates the appropriate cash flow discount rate in order to calculate the present value.	Recording of a provision for impairment with respect to the Company's systems	For details regarding the engagement with an external valuer in connection with the valuation of the Group's projects in Poland, see Note 9c(1)(i) and Note 9c(2)(g).

Note 2 - Basis of Preparation (Cont'd)

G. Determination of fair value

Preparation of the financial statements requires the Company to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in Note 33 - Financial Instruments.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

When determining the fair value of an asset or liability, the Group 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 assessment, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that are observable, directly or indirectly, which are not included in Level 1 above.
- Level 3: inputs that are not based on observable market data.

Note 3 - Significant Accounting Policies

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

Basis of consolidation .A

(1) Control

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with a subsidiary (as defined below) and it has the ability to affect those returns through its power over the subsidiary. Substantive rights held by the Group and others are taken into account when assessing control.

(2) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Company achieves control over the relevant entity until the date that control is lost.

(3) Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

Allocation of profit or loss and other comprehensive income among the shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company and to non-controlling interests. Total profit or loss and the other comprehensive income are allocated to the owners of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

(4) Investment in joint transactions

Joint transactions are joint arrangements in which the Group has rights to the net assets of the arrangement. Investments in joint transactions are accounted for using the equity method and are initially recognized at cost.

The consolidated financial statements include the Group'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 Group, from the date that joint control commences until the date that joint control ceases.

(5) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint transactions are eliminated against the investment to the extent of the Group's interest in these investments.

Functional currency and presentation currency .B

(1) Translation of transaction in currencies other than the functional currency:

Transactions in foreign currencies are translated into the functional currency of the Group entities at the 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 translated to the functional currency according to the exchange rate as of the date when 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 as of the date of the transaction.

Exchange differences arising from translation to the functional currency are generally recognized in profit or loss, other than differences arising from the translation of derivatives that are used to hedge cash flows, in respect of the effective portion of the hedge, which are carried to other comprehensive income.

(2) Foreign operations

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

As a rule, the assets and liabilities of foreign operations are translated to NIS at exchange rates at the Reporting Date. The income and expenses of foreign operations are translated to NIS at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income and presented in the foreign operation translation reserve. Foreign currency differences in respect of loans received from or granted to foreign operations, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from loans received from or granted 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 presented within equity in the translation reserve. The capital reserve from translation differences is recognized in profit or loss upon the disposal of the investment in the foreign operation.

Financial instruments .C

(1) Non-derivative financial assets

(a) Initial recognition of assets

The Group initially recognizes loans, receivables and deposits on the date that they are created. The non-derivative financial instruments of the Group comprise cash and cash equivalents, securities, money market funds, deposits and trade and other receivables.

(b) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire.

For details regarding the offsetting of financial assets and financial liabilities, see Section (3).

(c) Classification of financial assets into categories and the accounting treatment of each category

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

The Group classifies financial assets according to the following categories:

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. Attributable transaction costs are recognized in profit or loss as incurred. These financial assets are measured at fair value and changes therein are recognized in profit or loss.
Financial assets designated at fair value through profit or loss include equity investments that would otherwise have been classified as available for sale.
Financial assets classified as held-for-trade comprise securities that are held to support the Group'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 initially recognized at fair value plus any 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 and trade and other receivables.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include loans and credit from banks and other service providers and trade and other payables.

(a) Initial recognition of financial liabilities

The Group initially recognizes debt securities received on the date that they are originated. Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs directly attributable to an expected receipt of an instrument that will be classified as a financial liability are recognized as an asset under deferred expenses, as part of long-term balances receivable in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition.

(b) Derecognition of financial liabilities

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

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

(3) Offsetting of financial instruments

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

(4) Hedge accounting

The Group holds derivative financial instruments to hedge its cash flows or to hedge a net investment in a foreign operation.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, 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.

(a) Cash flow hedge

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect profit or loss.

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:

Changes in the fair value of derivatives designated as a cash flow hedge, in respect of the effective portion of the hedge, are recognized through other comprehensive income directly in a hedging reserve. Changes in fair value relating to the ineffective portion are recognized in profit or loss. The amount recognized in the hedging reserve is reclassified to the income statement in the period in which the cash flows affect the statement of profit or loss and is presented under the same line item of the hedged item.
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss previously recognized in the hedging reserve through other comprehensive income remains in the reserve until the forecasted transaction occurs or is no longer

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

expected to occur. If the forecasted transaction is no longer expected to occur, then the cumulative gain or loss previously recognized in the hedging reserve in respect of the hedging instrument is reclassified to profit or loss. In other cases, the amount recognized in the hedging reserve is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(a) Hedging of net investment in a foreign operation

The Group applies hedge accounting for the net investment in a foreign operation in respect of investments, less loans received in the local currency of the transaction.
The hedging of investment in investee companies is accounted for similarly to the hedging of cash flows. The effective part of the total change in fair value of financial instruments which are intended for hedging of a net investment in a foreign operation is recognized under other comprehensive income, in the section for "Profit from foreign currency differences with respect to derivatives which were designated for the hedging of investments in subsidiaries which constitute foreign operations, net of tax". The non-effective portion is recognized in profit or loss.
Amounts recognized in other comprehensive income are classified to profit or loss on the date of disposal of the investment of the foreign operation, as well as upon the partial disposal of the foreign operation that involves the loss of control or upon the transition from an equity-accounted investment to a financial asset. The change in the fair value of hedging instruments that do not qualify as accounting hedges is recognized in profit or loss in accordance with IAS 39.

(5) CPI-linked assets and liabilities which 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.

(6) Options for the acquisition of shares of the Company and/or a subsidiary

Receipts from the issuance of options to acquire shares in the Company or in a subsidiary, which confer upon their holder the right to acquire a fixed number of ordinary shares in consideration for a fixed amount of cash, are presented in equity under "receipts on account of options". For this purpose, an exercise amount that varies by date of exercise, where the exercise price on any date of exercise can be determined on issuance date, is deemed as a fixed amount.

(7) Splitting of consideration from the issuance of a package of securities

The consideration received from the issuance of a package of securities that comprises several equity instruments allocated in proportion to their fair values. The fair value of each component in the package that is measured at fair value, as above, is determined based on the

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

market prices of the securities shortly after their issuance. Issuance costs are allocated among each of the components of the package in proportion to the fair value determined for each of the issued components. Issuance costs that were attributed to financial liabilities that are measured at fair value through profit or loss are recognized in profit or loss on the date of issuance. Issuance costs that were attributed to other financial liabilities are deducted from the liability and recognized in profit or loss by the effective interest method. Issuance costs that were attributed to equity instruments are presented as a deduction from equity.

:Cash and cash equivalents .D

Cash and cash equivalents comprise cash that is available for immediate use, call deposits as well as term deposits that are not restricted in use, for which the original maturity date does not exceed three months. In addition, this item includes a short-term investment in money market funds that qualify as cash equivalents. Cash which is restricted by the Group with respect to credit agreements, or which is restricted to use for projects only, within the framework of accompaniment accounts for those projects, and deposits whose use is restricted to periods longer than one year, are presented under the item for long-term pledged deposits and restricted cash in the statement of financial position.

Fixed assets .E

(1) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes payment that are directly attributable to the acquisition of the 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, and the costs of dismantling and removing the items and restoring the site on which they are located. For details regarding the timing of recognition of costs that are capitalized to fixed assets in respect of projects in the initiation stage - see Note 3o.
The cost of qualifying assets also includes borrowing costs that are capitalized to the asset. In this regard, see Note 3g.

Spare parts, auxiliary equipment and backup equipment are classified as fixed assets to the extent that they meet the definition of fixed assets in IAS 16, otherwise they are carried to inventory. When major parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of a fixed asset item are determined by comparing the net consideration 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.

(2) Subsequent costs

The cost of replacing part of a fixed asset item and other subsequent costs are capitalized if it is probable that the future economic benefits associated with them will flow to the Group and their cost can be measured reliably. The carrying amount of the replaced part of a fixed asset

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

item is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

(3) Reduction of fixed assets

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 another amount substituted for cost, less its residual value.

Components of a depreciable fixed asset item with a significant cost compared to the total cost of the item are depreciated separately. Depreciation is systematically applied (as detailed below) over the estimated useful lives of each part of the fixed asset item from the date on which the asset is ready for use, i.e. it has reached the location and the condition that are necessary for it to be used as intended by management, taking into consideration the anticipated residual value at the end of the useful life.
The method of depreciation of the fixed assets reflects the expected pattern of consumption of the future economic benefits that are embodied in the asset. The Group depreciates its photovoltaic systems by the decreasing output method and the wind farm by the straight-line method.

The estimated useful lives and the rates of depreciation that are used in calculating the depreciation are as follows:

	Useful life	% of depreciation	Depreciation method
A. Wind projects	30 years	3	Straight-line
B. Photovoltaic projects:			
Projects over 5MWp	40 years	~5	Decreasing output
Medium and small projects - converters	10 years	10	Decreasing output
Medium and small projects - panels and infrastructure	20 years	4.63-5.37	Decreasing output
C. Office furniture and equipment	3-16 years	6-33	Straight-line

The estimates concerning residual values, depreciation methods and the useful lives of the assets are reviewed by management of the Company at the end of each fiscal year. Changes are accounted for prospectively as a change in estimate.

Inventory of green certificates .F

Green certificates in respect of the Company's projects in Poland accrued for the Company and yet unsold are recognized as an inventory of green certificates based on the price at the end of the

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

month in which they accrue. Subsequent to initial recognition, the inventory of green certificates is measured at its original value less impairment, as appropriate. impairment and impairment reversals are recognized in the expense items under profit and loss.

Capitalization of credit costs .G

Specific credit costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. The foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other credit costs are recognized in profit or loss as incurred.
Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the credit costs eligible for capitalization.

Liability for the costs of dismantling and removal of an item and rehabilitation of its location .H

The cost of a fixed assets item includes, inter alia, the costs of dismantling and removal of the item and the restoration of the site on which it is located, which give rise to a liability for the entity upon acquisition of the item or as a result of the use of the item over a specific duration, other than for the creation of inventory in such period. Subsequent to initial recognition:

Changes in the aforesaid liability until the end of the depreciation period of the item are added to or detracted from the property in the current period.
Changes in the aforesaid liability due to the passage of time are recognized in profit or loss as financing expenses as they occur.

Impairment .I

(1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include:

- Breach of contract by a debtor;
- Restructuring of an amount due to the Company on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers;
- Changes in the economic environment that correlate with insolvency of issuers or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost (mainly receivables) is calculated as the difference between its carrying amount and the present value

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

of the estimated future cash flows discounted at the asset's original effective interest rate. This amount is recognized in profit or loss and reflected in a provision for loss against the balance of the financial asset measured at amortized cost. The interest income on the impaired asset is recognized using the interest rate that was used to discount the future cash flows for the purpose of measuring the impairment loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized (such as repayment by the debtor). For financial assets measured at amortized cost that are debt securities, the reversal is recognized in profit or loss up to the amortized cost of the asset had it not been impaired.

(2) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects the assessments by market participants of the time value of money and the risks specific to the asset, for which the estimated future cash flows from the asset were not adjusted.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount and is carried to profit or loss.

Employee benefits .J

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or with funds managed by a trustee and are classified as defined contribution plans and as defined benefit plans.

(1) Defined contribution plans

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

(2) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

A provision for short-term employee benefits is created in respect of the amount that is expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(3) Shared-based payment transactions

The fair value on the granting date of share-based payment bonuses to employees is carried as a salary expense, in parallel with an increase in equity, over the period when the unconditional entitlement to bonuses is obtained. The amount which is carried as an expense with respect to share-based payments which are subject to vesting conditions which constitute performance conditions that are not market conditions is adjusted in order to reflect the number of bonuses which are expected to vest. Such benefits are recognized as expenses in the income statement against an increase in retained earnings under equity, on a straight-line basis over the vesting periods of the equity instrument which was granted, with each sub-grant being treated as a separate series (graded vesting).

Provisions .K

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation.

Provision for legal claims
A provision for legal claims is recognized when the Group has a present legal obligation or constructive obligation as a result of a past event, where it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Revenue recognition .L

(1) Revenues from the sale of electricity

Revenues are measured at the fair value of the consideration received or receivable by the Group and are recognized in the financial statements to the extent that their collection is

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

believed to be probable on the date of their recognition and provided that the amount of the revenues can be measured reliably. Revenues from the sale of electricity are carried to the income statement as they accrue over the period in which the electricity is produced.

(2) Revenues from the sale of green certificates

The revenues are measured based on the market price of the certificate at the end of the month in which the accrue and are carried to the inventory of green certificates. Upon realization of the certificate, the revenues from the sale of green certificates are adjusted to the actual selling price.

(3) Revenues from maintenance and operation services contracts

Revenue from engagements for the provision of maintenance and operation services for photovoltaic electricity production systems is measured at the fair value of the consideration from the engagement. Revenue recognition is subject to the following conditions:

A. The amount of revenue can be measured reliably;
B. It is expected that the economic benefits associated with the engagement will flow to the Company.

Revenues are recognized upon the provision of the service over the period of the service contract.

(4) Revenues from construction contracts

Revenues and expenses from contracts for the construction of electricity production facilities are recognized in profit or loss by reference to the stage of completion of contract activity where the outcome of the construction contract can be estimated reliably. Revenues from construction contracts include the original amount specified in the contract with the addition of amounts relating to alterations in the original contract work, claims and incentives, to the extent that is expected to be collected and that can be reliably measured. Contractual costs are recognized as they arise, unless they create an asset that is attributed to a future activity that is provided for in the contract. The stage of completion of the contract is determined based on the percentage of contract costs incurred in respect of the work performed as compared to total estimated costs or based on the physical progress of the project. If the outcome of the construction contract cannot be estimated reliably, revenue is recognized only to the extent of costs incurred that are likely to be recovered. An anticipated loss on a construction contract is recognized immediately in profit or loss.

Leases .M

The Group customarily leases building rooftops and lands for the installation and operation of photovoltaic systems and wind farms. Such lease arrangements are classified as an operating lease, i.e.: the leased assets are not recognized in the statement of financial position, since all of the risks and rewards of ownership substantively remain in the hands of the lessor of the rooftops or the owner of the land. Lease payments in respect of rooftops are calculated as a percentage of the

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

receipts of the Company from the provision of the electricity to the Israel Electric Corporation and recognized in profit or loss when the eligibility for the receipts from Israel Electric Corporation is established. For projects where the Group pays the lease fees in advance, this payment is recognized as an asset and expensed in a straight line over the lease period. For details regarding standards and interpretations which have not yet been adopted, including IFRS 16 - Leases, see Note 3u(1).

Financing income and expenses .N

Financing income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss.
Interest income is recognized as it accrues, using the effective interest method. Changes in the fair value of financial assets at fair value through profit or loss also include interest income.
Financing expenses comprise bank commissions and interest expenses on loans received and changes in the fair value of financial assets at fair value through profit or loss.

Credit 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 the foreign currency movements.

Initiation expenses .O

The Company recognizes in profit or loss all of the initiation expenses in respect of projects that is develops until the stage in which management believes the feasibility of construction of the project has been proven. Once the project becomes feasible, the development and construction costs are capitalized to the cost of the project. A project is considered feasible when the Company predicts that future economic benefits will arise from the project, and when, according to the assessment of Company management, the chance of the project is more likely than not to materialize.

Taxes on income .P

(1) General

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss or are recognized directly in equity or in other comprehensive income to the extent they relate to items recognized directly in equity or in other comprehensive income.

(2) Current taxes

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.

(3) Deferred taxes

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

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. The Group does not recognize deferred taxes in respect of differences relating to investments in subsidiaries and joint arrangements, to the extent that the Group 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group 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 be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Reporting Date.

(4) Offset of deferred tax assets and liabilities

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 and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, 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.

Deferred tax in respect of inter-company transactions in the consolidated financial statements is recognized according to the tax rate applicable to the buying company.

Earnings per share .Q

The Group 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 Reporting Period. 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 for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and investors.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

Transactions with controlling shareholder .R

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

Classification of interest, dividends and tax paid/received in the statement of cash flows .S

The Group classifies cash flows in respect of interest and dividends that it receives as well as cash flows from interest received and paid by the Group as cash flows used in or provided by operating activities, excluding borrowing costs which were paid and capitalized to qualifying assets, which are presented as fixed assets, which are presented under cash flows from investing activities, consistently with the other expenses which are paid with respect to those assets. Cash flows in respect of taxes on income and indirect taxes are generally classified as cash flows used in operating activities, unless these are readily identifiable as cash flows used in investing or financing activities. Dividends that are paid by the Group are classified as cash flows from financing activities.

Exchange rates and linkage base .T

Balances in foreign currency, or linked thereto, are included in the financial statements according to the representative exchange rates which were published by the Bank of Israel and by the Central Bank of Poland, and which applied as of the end of the Reporting Period.

Balances linked to the consumer price index are presented according to the last known index at the end of the Reporting Period (the index for the month preceding the month of the Reporting Date), or in accordance with the index in lieu for the last month of the Reporting Period (the index for the month of the Reporting Date), in accordance with the terms of the transaction.

Presented below are details regarding the consumer price index and the exchange rates of the following currencies vs. the NIS, and regarding the increase (decrease) of the consumer price index and changes in the exchange rates of the following currencies vs. the NIS:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

	As of December 31 / for the month of December			Year ended December 31,		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
				%	**%**	**%**
Consumer price index (base 2000)						
In Israel (index in lieu)	131.189	131.455	132.779	(0.002)	(0.997)	(0.200)
In Israel (known index)	131.189	131.587	132.779	(0.003)	(0.898)	(0.100)
Exchange rate vs. the Shekel						
Zloty	0.920	1.000	1.107	(0.080)	(0.097)	(0.037)
Euro	4.044	4.247	4.725	(0.048)	(0.102)	(0.012)

New standards and interpretations which have not yet been adopted .U

Described below are new standards and amendments that have not yet been adopted, which may be relevant to the Group and have an effect on the financial statements:

(1) IFRS 16 - Leases

The new standard that was published in January 2016 cancels IAS 17, Leases, and its related interpretations, and prescribes principles for the recognition, measurement, presentation and disclosure of leases for both parties to a transaction, i.e. the customer ('lessee') and the supplier ('lessor').

The new standard cancels the current distinction for a lessee between financing leases and operating leases and sets a uniform accounting model for all types of leases. In accordance with the new model, for any leased property, the lessee is required to recognize, on the one hand, an asset in respect of the usage right and, on the other hand, a financial liability in respect of the lease fees.

The provisions concerning the recognition of an asset and a liability do not apply to assets that are leased for a period of up to 12 months as well as in relation to the lease of low-value assets (e.g. personal computers).
The standard does not alter the current accounting treatment in the accounts of the lessor.

The standard becomes binding for annual periods commencing on January 1, 2019 or thereafter. Early adoption is permitted, provided that IFRS 15, Revenue from Contracts with Customers, is also applied. As a rule, the standard is to be applied retrospectively.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

Nevertheless, entities may choose certain adjustments under the transitional provisions of the standard with respect to its application to prior reporting periods.

The Company is examining the effect of the provisions of the standard on its existing property leases.

For details regarding the total nominal rent which the Company is expected to pay, see Note 19.

(2) International Financial Reporting Standard (IFRS) 9 (2014), Financial Instruments

General

IFRS 9 (2014), Financial Instruments (hereafter: "the Standard") is the final standard in the financial instruments project. The standard cancels the previous stages of IFRS 9 that were published in the years 2009, 2010 and 2013. The final standard includes provisions for the classification and measurement of financial assets that have been amended in relation to the first stage that was published in 2009. In addition, the standard includes the provisions for the classification and measurement of financial liabilities as published in the second stage in 2010. It proposes a more updated and principle-based model of hedge accounting and presents a new model for the testing of an anticipated impairment loss, as described below. Furthermore, the standard cancels IFRIC 9, Reassessment of Embedded Derivatives.

According to the standard, financial assets are to be recognized and measured as follows:

- Subsequent to initial recognition, debt instruments will be classified and measured using one of the following alternatives: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The measurement model will be selected based on the business model of the entity pertaining to the management of financial assets and on the characteristics of the contractual cash flows deriving from such financial assets.

- A debt instrument which, in accordance with the tests, is measured at amortized cost or at fair value through other comprehensive income can be designated to fair value through profit or loss, only to the extent that the designation cancels a mismatch in recognition and measurement that would arise had the asset been measured at amortized cost or at fair value through other comprehensive income.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

(2) International Financial Reporting Standard (IFRS) 9 (2014), Financial Instruments (Cont'd)

- As a rule, equity instruments will be measured at fair value through profit or loss.

- On initial recognition, equity instruments may be designated at fair value through other comprehensive income. Instruments designated as aforesaid will no longer be tested for impairment and gains or losses deriving from them will not be carried to profit or loss, including upon disposal.

- Debt instruments will only be reclassified to the extent that the entity changes its business model for the management of financial assets.

- Investments in equity instruments for which a quoted price in an active market is not available, including derivatives on such instruments, will be measured at fair value. The alternative of measurement at cost under certain circumstances was canceled. Nevertheless, the standard states that, under certain circumstances, cost may serve as an appropriate estimate of fair value.

Financial liabilities

The Standard also sets out the following provisions in relation to financial liabilities:

- The change in the fair value of a financial liability that at the time of initial recognition is designated at fair value through profit or loss, which is attributed to changes in the credit risk of the liability, is to be recognized directly in other comprehensive income unless such recognition creates or increases an accounting mismatch.

- When the financial liability is settled or discharged, amounts recognized in other comprehensive income will not be classified to profit or loss.

- All derivatives, whether assets or liabilities, will be measured at fair value through profit or loss, including a derivative financial instrument that constitutes a liability and is linked to an unquoted equity instrument, the fair value of which cannot be measured reliably.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

(2) International Financial Reporting Standard (IFRS) 9 (2014), Financial Instruments (Cont'd)

Hedge Accounting

The standard sets out new provisions with regard to hedge accounting, whereunder the entity may select as its accounting policy to either apply the new hedging provisions that are briefly described below, or alternatively to implement those that are prescribed in IAS 39. Upon the future completion of the hedging project, the IASB will revisit the aforesaid optional policies.

Three types of hedge accounting remain intact within the standard: cash flow, fair value and net investment in a foreign operation. Nevertheless, material modifications were made in relation to the types of transactions that qualify for hedge accounting, particularly as regarding the expansion of the risk that qualify for hedge accounting of non-financial items. In addition, changes were made to the method of accounting for forward contract and derivative options that constitute hedging instruments.

Furthermore, certain criteria for determining the effectiveness of hedging were replaced with a more fundamental criterion that is based on the existence of an "economic relationship". The retroactive assessment of the effectiveness of hedging is no longer required.

The disclosure requirements relating to the risk management activities of the Company are expanded under the new standard.

Effective date and early adoption

The standard becomes binding for annual periods commencing on January 1, 2018 or thereafter. Early adoption is permitted.

At this stage management of the Company is unable to estimate the effect of the implementation of the standard on its financial position and operating results.

U. New standards and interpretations which have not yet been adopted (Cont'd)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (Cont'd)

(3) IFRS 15, Revenue from Contracts with Customers

The new standard prescribes a comprehensive and uniform mechanism that provides for the accounting treatment of revenue from contracts with customers. The standard cancels IAS 18, Revenue, and IAS 11, Construction Contracts and their related interpretations. The core principle of the standard is that revenue recognition is to reflect the transfer of the goods or the services to the customer in an amount that represents the economic benefits that the entity expects to receive in return. For this purpose, the standard determines that revenue will be recognized when the entity transfers to the customer the goods and/or the services that are specified in the contract with such customer, to the effect that the customer gains control of such goods or services.

The standard prescribes a five-step model for the implementation of this principle:

- Identification of the contract(s) with a customer.
- Identification of the performance obligations in the contract.
- Determining the price of the transaction.
- Allocation of the transaction price to the performance obligations.
- Recognition of revenue when the entity satisfies a performance obligation.

The implementation of the model depends on the facts and circumstances that are specific to a contract and at times require the exercise of judgment.

Additionally, the standard prescribes extensive disclosure requirements for contracts with customers, the significant estimates, and changes therein, that were used in implementing the provisions of the standard, this in order to allow the users of the financial statements to understand the nature, the amount, the timing and the reliability of the revenues and the cash flows from the contracts with customers.

The standard becomes binding for annual periods commencing on January 1, 2018 or thereafter. Early adoption is permitted. As a rule, the standard is to be applied retrospectively. Nevertheless, entities may choose certain adjustments under the transitional provisions of the standard with respect to its application to prior reporting periods.

According to the assessment of Company management, the adoption of the new standard is not expected to have a significant impact on the financial statements.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 4 - Cash and Cash Equivalents

A. Composition:

	Interest rate	December 31,	
	December 31,	2016	2015
	2016	NIS in thousands	
	%		
Balances in banks and financial funds (*)		39,048	62,718
Short-term bank deposits	0.01 - 0.08	66	10,717
		39,114	73,435

(*) Investment in short-term NIS mutual funds, where the average lifetime to maturity on the investment date does not exceed 3 months.

B. The exposure of the Group to credit risk, interest rate risk and foreign currency risk and a sensitivity analysis of financial assets are presented in Note 33, Financial Instruments.

Note 5 - Long-Term Restricted Deposit and Restricted Cash

The balance of long-term restricted cash in the amount of approximately NIS 31 million as of December 31, 2016 (approximately NIS 16.7 million as of December 31, 2015), represents cash that was deposited by the Group in reserves for the servicing of the debt as required under the financing agreements in connection with loans received from financial institutions. For additional information, see Note 14. Restricted deposits are cash deposited with a bank in favor of bank guarantees provided for projects.

	December 31,	
	2016	2015
	NIS in thousands	
Short-term restricted deposit	-	5,024
Long-term pledged deposit and restricted cash	31,527	16,692

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 6 - Trade Receivables

	December 31,	
	2016	2015
	NIS in thousands	
IEC (Israel Electric Corporation)	675	1,377
Electricity companies in Poland	1,117	-
Income receivable from IEC	2,939	3,338
Income receivable from the sale of electricity in Poland	5,620	1,071
	10,351	5,786

Note 7 - Inventory of Green Certificates and Impairment

	December 31, 2016		
	MW	Average certificate price in PLN	Value of green certificates in thousands of PLN
Opening balance	8,286	108.6	900
Production of green certificates	278,118	60.10	16,716
Sale of green certificates	(8,286)	52.96	(439)
Decrease in value	-	(37.76)	(6,792)
Closing balance (*)	278,118	37.34	10,385

Closing balance inventory in PLN	10,385
Exchange rate as of December 31, 2016	0.920
Closing balance inventory in NIS	9,558
Impairment of green certificates in PLN	(6,792)
Average weighted exchange rate for the year	0.974
Impairment of green certificates in NIS	(6,616)

(*) In months when the price of green certificates is higher than the closing price, impairment was calculated

Note 8 - Receivables and Debit Balances

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

	December 31,	
	2016	2015
	NIS in thousands	
Institutions	8,017	41,068
Cash in escrow	-	10,000
Fixed asset suppliers	-	2,933
Derivative financial instruments	5,035	2,770
Prepaid expenses	1,951	2,226
Investee companies (*)	17	193
Other	2,869	3,413
	17,889	62,603

(*) Represents balances of current accounts. See also note 27q.

Other long-term receivables

As of the Reporting Date, the Company has a balance of long-term other receivables in the amount of approximately NIS 20,511 thousand. The balance is comprised of debit balances with respect to derivative financial instruments in the amount of NIS 12,624 thousand, loans which were given in the amount of approximately NIS 3,932 thousand, and prepaid expenses in the amount of approximately NIS 3,955 thousand.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets

A. Composition and movement:

	Photovoltaic systems	Wind systems	Fixed assets	Total
	NIS in thousands			
Cost				
Balance as of January 1, 2016	369,108	401,549	1,690	772,347
Entering consolidation	-	705	-	705
Additions during the year	201	400,764	1,889	402,854
Deductions during the year	(1,067)	-	(89)	(1,156)
Effect of changes in exchange rate (*)	-	(54,832)	-	(54,832)
Balance as of December 31, 2016	368,242	748,186	3,490	1,119,918
Accumulated depreciation				
Balance as of January 1, 2016	23,184	530	733	24,447
Additions during the year	16,179	19,787	470	36,436
Deductions during the year	-	-	(36)	(36)
Effect of changes in exchange rate (*)	-	(1,122)	-	(1,122)
Balance as of December 31, 2016	39,363	19,195	1,167	59,725
Amortized cost				
Balance as of December 31, 2016	328,879	728,991	2,323	1,060,193

(*) Changes in exchange rates with respect to wind systems are due to the Company's projects in Poland. The change in the exchange rates is accumulated under capital reserves.

	Photovoltaic systems	Wind systems	Fixed assets	Total
	NIS in thousands			
Cost				
Balance as of January 1, 2015	340,631	-	1,466	342,097
Entering consolidation	-	46,777	-	46,777
Additions during the year	30,388	368,259	224	398,871
Effect of changes in exchange rate	(1,911)	(13,487)	-	(15,398)
Balance as of December 31, 2015	369,108	401,549	1,690	772,347
Accumulated depreciation				
Balance as of January 1, 2015	8,226	-	433	8,659
Additions during the year	14,958	545	300	15,803
Effect of changes in exchange rate	-	(15)	-	(15)
Balance as of December 31, 2015	23,184	530	733	24,447
Amortized cost				
Balance as of December 31, 2015	345,924	401,019	957	747,900

For information regarding the depreciation rates, depreciation methods and residual values, see Note 3e(3).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

The Group presents is connected systems and systems under construction as fixed assets. Presented beloware main details regarding the projects.
Connected as of the Reporting Date:

Electricity production projects	Neot Hovav Project	Medium and small projects	Granot Partnership (5 medium projects)	Banie Project	Iława Project
Technology	Photovoltaic	Photovoltaic	Photovoltaic	Wind	Wind
Country	Israel	Israel	Israel	Poland	Poland
Status	Commercially active since December 2014	In commercial operation since July 2010 - from November 2015	Commercially active from March 2013 - May 2015	Commercially active since December 2015 - June 2016	Commercially active since June 2016
Installed capacity	37.5MWp	8.2MWp	3.4MWp	106MWp	13.2MWp
% holding	100%	50.1%-100%	50%	100%	75%
Company's share	37.5MWp	5.705MWp	1.7MWp	106MWp	9.9MWp
Revenue structure	20-year fixed feed in tariff of NIS 0.642 per kWh, CPI-linked	20-year fixed feed in tariff per system of NIS 0.50-2.19 per kWh, CPI-linked	20-year fixed feed in tariff per system of NIS 0.55-1.43 per kWh on average, CPI-linked	Revenues from the sale of electricity and green certificates, based on the price on the Electricity Exchange in Poland	Revenues from the sale of electricity and green certificates, based on the price on the Electricity Exchange in Poland
Amortized cost (NIS in millions)	(*)267. 3	61.6	(**)14. 7	651.2	77.8
Presented under a balance sheet item	Connected electricity production systems	Connected electricity production systems	Investment in equity-accounted investees	Connected electricity production systems	Connected electricity production systems
Income in 2016 (NIS millions)	44.4	13.3	(**)3. 5	49.9	3.8
Additional information	See Note 9b(1)	See Note 9b(2) and 9b(3)	See Note 9b(4)	See Note 9c(1)	See Note 9c(2)
Financing	See Note 14	See Note 14	See Note 14	See Note 14	-

(*) Excluding prepaid rent on land, amounting to approximately NIS 28 million as of the date of the report
(**) The data are in accordance with the Company's share in the rights to the Granot Partnership (50%)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

B. Presented below is supplementary information regarding photovoltaic projects:

During the Reporting Period, and as of the date of approval of the financial statements, the photovoltaic operations of the Company are carried out solely in Israel. The operations of the Company in the photovoltaic sector in Israel are materially affected by regulation aspects. During the Reporting Period, regulations in Israel regulated three types of systems for the production of electricity using photovoltaic technology: "small systems", "medium systems" and "large systems". The existing regulation of the photovoltaic sector was based on quotas that secure for electricity producers a known feed in tariff that was determined by the Electricity Authority for the duration of 20 years, linked to the CPI. In December 2016, the Electricity Authority published a decision regarding "principles for competitive process regarding the determination of tariffs for electricity production using photovoltaic technology", for high voltage facilities which are connected to the distribution grid, following a hearing which was published in October 2016 regarding new regulations which will apply with respect to tariff tenders for low voltage and high voltage facilities which will be connected to the distribution grid, and for ultra-high voltage facilities which will be connected to the transmission grid. In February 2017, the Electricity Authority published the first request for bids regarding the determination of a tariff for systems with a total capacity of at least 150MW. For additional details regarding the aforementioned new regulation, and for the Company's estimates regarding the above, see Note 15.

(1) Neot Hovav Project:

The Neot Hovav Project is a photovoltaic project with a capacity of 37.5 MWp that is located in the areas of the Eco-Industrial Council in Neot Hovav (hereinafter "**the Land**" and "**the Council**", respectively) and is wholly owned (100%) by the Company through a special purpose project company that was acquired by the Company in 2013 (hereinafter "**Neot Hovav Project**"). The project was built and connected in December 2014. The Project Company paid, with respect to the rental rights for the land in the Neot Hovav project, advance payments in the amount of approximately NIS 35 million. Out of the rent which was paid in advance to the Council, a total of approximately NIS 3.7 million was capitalized for the project during the construction period. As of the date of the report, the balance of the asset under "prepaid land lease expenses" is approximately NIS 28 million.

Financing of the projects: For information regarding the transaction to finance the Neot Hovav project, see Note 14.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

(2) Meitarim project:

Meitarim Project is a photovoltaic project with a capacity of 5MWp that is owned by the Meitarim Partnership (the Company's share in the Partnership is 50.1%), which is controlled by the Company (hereinafter "**Meitarim Project**"). The project was built and connected in 2015.

Project financing: The construction of the project was financed with equity provided to the Meitarim Partnership by the Company. In January 2016, the Meitarim Partnership engaged in a financing transaction with a commercial bank in the amount of NIS 35 million, which were entirely used to repay most of the loan which the Company gave to the Meitarim Partnership, in order to finance the construction costs. For information regarding the financing transaction, see Note 14.

(3) Additional projects that are wholly owned by the Group:

The Company has an accumulation of 30 small systems and 2 medium systems which are installed on the rooftops of Amot.

Financing of the projects: For information regarding the transaction to finance the aforesaid projects, see Note 14.

Rights in land: The Company has entered into agreements with Amot in connection with the renting of rooftops on which small and medium systems were erected and connected to the electricity grid. Pursuant to the aforesaid rent agreements, the Group rents the rooftops of the building for a period of 20 years commencing on the date of delivery of possession of the rooftop in return for monthly rental at the rate of 10% of the actual receipts of the Company from Israel Electric Corporation for the electricity produced in respect of each of the systems. The agreement includes a minimum rental mechanism.

(4) Projects in the Granot Partnership:

The Company has entered into a cooperation agreement with the Granot Central Agricultural Cooperative Union Ltd., under which the parties have established the Granot Partnership ("**Granot Partnership**"), which holds 5 connected medium photovoltaic systems. The parties have agreed that the assets of Granot Partnership will be owned and its expenses will be financed in equal parts by the parties.

Financing of the projects: For information regarding the transaction to finance the aforesaid projects, see Note 14.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

C. Presented below is supplementary information regarding the Wind Energy Segment in Poland:

As of the approval date of the financial statements, the Company has two projects which are in the commercial operation stage in the Wind Energy Segment in Poland. The Company's activity in the Wind Energy Segment in Poland is significantly affected by aspects of local regulation. In accordance with the regulation which was in effect until the end of June 2016, with respect to the renewable energy activity in Poland, in Poland with respect to wind turbines (the "**Previous Regulation**"), The Company's connected projects in the Wind Energy Segment in Poland generate income from the sale of electricity and from the sale of green certificates which are traded on the Polish Power Exchange. According to the aforementioned regulation, electricity producers using renewable energy are entitled to receive green certificates for a period of 15 years, during which electricity producers using non-renewable energy are required by law to purchase green certificates representing a certain percentage of their total sales of electricity or pay an alternative fee (penalty); As of the Reporting Date, facilities the construction of which is completed after June 30, 2016 will be subject to the new regulation in Poland that is based on a tariff tenders mechanism. As of the Approval Date of the Report, the publication date of the first tender which is relevant to the Company's activity in the Wind Energy Segment in Poland, and the terms thereof, have not yet been determined.

For additional information regarding the engagements in the Wind Energy Segment in Israel, see Note 15.

(1) Banie Project

In March 2015, the Company acquired an SPC project company that holds rights for the construction of a wind energy electricity production project that is located in the north-western part of Poland, with a capacity of up to 190MW (the "**Banie Project**" or the "**Project**"), of which, until the Reporting Date, the Company had connected 106MW to the power grid.

(a) Project construction Stages A and B:

In December 2015, the construction works were completed on the first stage of the project, with a capacity of 50MW ("**Stage A**"), and beginning in January 2016, the commercial operation started in Stage A of the project.

The construction of the second stage of the project, with a capacity of 56MW ("**Stage B**"), began in early 2016, and was completed in June 2016. In August 2016, the permanent production license of the Banie Project was expanded so as to apply to Stages A and B together, so that as from that date the entire project, having total capacity of 106MW, is in the commercial operation stage. The Banie Project (Stages A and B) is subject to the previous regulation in Poland, which entitles the project to receive green certificates for 15 years, in addition to the income from the sale of electricity.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

The total cost of construction (without financing costs) of Stages A and B is approximately NIS 728 million, of which an amount of approximately NIS 692 million has been paid at the Reporting Date (NIS 248 million through external financing, and the rest by means of shareholders' equity).

(a) Acquisition of the project:

On March 30, 2015, the Company entered into a series of agreements for the acquisition of the full ownership interest (100%) in the Project Company from a group of entrepreneurs, and the shares of the Project Company were transferred to the possession of the Company. As part of the acquisition transaction, the Project Company received full interest in another SPC that is owned by the group of entrepreneurs and holds interest in the land of the Project. The right to receive consideration from the Company with respect to the total rights in the project was split between the shareholder of the Project Company and several entrepreneurs who developed the project, and was divided into three stages, depending on the fulfillment of the milestones and the actual construction of each of the stages.

Within the framework of the aforesaid, it has been determined that, subject to the terms and provisions of the acquisition agreement, the Company is required to pay EUR 15 million for Stages A and B of the Banie Project. According to an amendment to the acquisition agreement which was signed during the Reporting Period, the parties agreed that an amount of EUR 3 million should be deducted from the consideration against amounts the Company had provided to the Project Company instead of the entrepreneurs, and in total, the Company paid a sum of approximately EUR 12.2 million for the acquisition of the full ownership of the Project Company, and with respect to Stages A and B. For details regarding the initiation of an additional stage of the Banie Project, with a capacity of up to 84MW, see Note 15b(2).

(b) Construction and operation of the project:

For the purposes of the construction of the Banie Project, the Project Company entered into agreements with the turbine manufacturer, Vestas (hereinafter "**the Turbine Manufacturer**"), and with an EPC contractor that is a consortium of construction companies in Poland. As part of the above, the turbine manufacturer and the construction contractor each performed all of the works required to build the project. The engagement with the Turbine Manufacturer includes an undertaking for the provision of operation services to the project for a duration of 15 years.

(c) Sale of electricity and green certificates:

Until the end of August 2016, all of the electricity which was produced in the project was sold to a local electricity trader, according to the prices of electricity on the Polish Power Exchange. From September 2016 until the Reporting Date, the Project Company sold the electricity produced in the project by virtue of its entitlement within the framework of the regulation in Poland, to one of the local electricity marketers, at a

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

price which was determined by the regulator on a quarterly basis, according to the average electricity prices in the market during the relevant quarter of the previous year (the "**Regulatory Price**"). In January 2017, the Polish regulator replaced the local electricity marketer, which is required to acquire the electricity at the regulatory price, and accordingly, the Company signed an agreement with that company. The set of agreements regarding the sale of electricity includes other stipulations and sections which are conventional for agreements of this kind. The Project Company also has an agreement with a local electricity trader for the sale of the green certificates, in consideration of their price on the Polish Power Exchange. Until the Reporting Date, the Project Company sold 8.3 GW of green certificates, and the Project Company has an inventory of 258.6 GW of green certificates, which can be sold by it. The value of the inventory as of the Reporting Date amounts to approximately NIS 8.9 million.

(d) Engagement with Alony Hetz, the controlling shareholder, in connection with the project:

For details regarding a guarantee which was provided by Alony Hetz in favor of the turbine manufacturer, to secure the Project Company's fulfillment of payments to the turbine manufacturer, up to a total of approximately EUR 38 million, which expired during the Reporting Period, see Note 27(c).

(e) Project financing:

In May 2016, the Company and the Project Company signed an agreement with a consortium which is comprised of EBRD and two Polish banks (the "**Lenders**") to receive financing of up to PLN 552 million, of which a total of up to PLN 522 million constitutes long-term project financing, which replaces the financing agreement that was signed in December 2015 (the "**Financing Agreement**" or the "**Loan**"). In accordance with the agreement, EBRD will provide up to PLN 312 million, and the two Polish banks will provide up to PLN 240 million, of which a total of up to PLN 30 million will be provided to the Company as a short-term loan to finance the VAT payments.

The Loan was split into several withdrawals which are subject to the fulfillment of milestones and commercial conditions, of which the primary ones are specified below. During the Reporting Period, the Project Company withdrew a total of PLN 270 million within the framework of the financing transaction.

As of the Approval Date of the Report, the Company is conducting negotiations with the financing entities with respect to the dates and remaining withdrawal amounts, remaining the financing transaction. According to the outline which is being formulated, the Company estimates that a total of approximately PLN 43.5 million will be withdrawn in the coming weeks. Additionally, the Company will have an additional facility available for withdrawal, in the amount of up to PLN 92 million (if any), beginning in April 2017. The additional facility will be provided, in whole or in part, subject to the fulfillment of commercial conditions and the fulfillment of the required financial ratios, which will be agreed upon between the parties, and according to the conventional practice for loans of this kind.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

In accordance with the outline which is being formulated, as stated above, the total loan facility will be updated within the framework of the financing transaction, and will amount to a total of up to PLN 405 million.

Presented below are the main terms of the financing transaction:

Maximum loan amount (PLN millions)	Availability of financing	Status as of the Approval Date of the Report
150+30	From the date of signing the agreement until August 31, 2016 and for an amount of PLN 30 million (VAT loan) until December 31, 2016	A total amount of PLN 150 million was withdrawn in June 2016, of which 75% was hedged to a fixed interest rate of 4.96%. A total of PLN 28 million of the VAT loan was withdrawn in July 2016, and repaid in the 2016, fourth quarter of 2016.
120	From the date of signing the agreement until August 31, 2016	A total of PLN 120 million was withdrawn in June 2016, of which 75% was hedged to a fixed interest rate of 5.06%.
43.5	Upon approval of the outline which is being formulated	The Project Company is in negotiations with the lenders on all matters pertaining to this part of the loan, as stated above.
92	From March 30, 2017 until May 31, 2017	Withdrawal is subject to the project complying with financial ratios that reflect various output scenarios, taking into consideration the average price of electricity in 2016 and the prices of green certificates in March 2017.

The financing transaction is under the customary terms for project finance transactions and is secured by the Project Company and its assets, on a non-recourse basis, excluding several liabilities which the Company assumed upon itself according to understandings between the parties. For additional details regarding the commercial conditions of the financing transaction, see Note 14.

It is clarified that the actual provision of the loan, in whole or in part, depends on completing and meeting the conditions for withdrawal of that part, which depend on, inter alia, approvals, undertakings and consents of third parties that are not under the control of the Company, and that there is no certainty that the balance of the loan or any of its parts shall be provided to the Project Company.

(f) Land rights:

The Project Company holds leasehold rights to the land on which the Project is being constructed through a wholly owned subsidiary of the Project Company. The leasehold rights are mostly for a period of 29 years from the date of signing of the lease agreements. The total anticipated annual lease fees in respect of Stages A and B amount to PLN 4.3 million.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

(g) Accounting treatment and impact of the acquisition the Company's financial statements:

The acquisition of the Company was accounted for as the acquisition of a group of assets and liabilities, since is does not qualify as a business combination in accordance with IFRS 3. Accordingly, the acquisition consideration was allocated to the acquired assets and liabilities based on an approximation of their proportionate fair values on the date of acquisition and no goodwill and deferred taxes were recognized on acquisition.

The effect of the acquisition on the assets and liabilities of the Group as of the date of acquisition in 2015 is as follows:

	Values recognized on the date of acquisition
	NIS in thousands
Cash and cash equivalents	6
Receivables and debit balances	2,038
Systems under construction	58,267
Long-term loans granted	319
Other payables	(58,486)
Trade payables	(8,922)
Liability for the transaction consideration (*)	(6,778)
Plus: Acquisition of the Company's liabilities to the former owners	58,486
Total transaction consideration	51,708

Cash:

	NIS in thousands
Cash paid (liability for the consideration)	-
Cash and cash equivalents of the acquired entity	6
	6

(*) For additional information, see Note 9c(1)(b).

(h) Recoverable amount test in respect of the project:

In light of the changes which characterized the wind energy market in Poland during the Reporting Period, including legislative amendments and the decrease in the prices of green certificates, as described above, the Company examined, in accordance with the

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

provisions of International Accounting Standard 36, Impairment of Assets, whether the aforesaid changes could result in impairment with respect to the amortized cost of the Banie Project as of the Reporting Date. For this purpose, the Company engaged an independent valuer who assessed the value in use of the project. Based on the results of the valuation, the value in use of the project is higher than its carrying amount, and accordingly, there was no need to record a provision for impairment in the accounts. The main estimates which were used in the impairment test are the discount rate of 7.36%, and the prices of the green certificates, in the range of approximately PLN 47 per MWh to approximately PLN 230 per MWh. Additionally, evaluations were made regarding sensitivity to the price of green certificates in extreme cases, in which the project's value in use also exceeds its carrying amount.

(2) Iława Project

In January 2016, the Company acquired 75% of the rights to a wind project in Poland, with a capacity of 12MW (hereinafter: the "**Iława Project**" or the "**Project**"), in order to complete its construction within the framework of the previous regulation, i.e., until June 30, 2016. During the Reporting Period, the Company updated the project's permits, such that the project's capacity was increased to approximately 13.2MW. In June 2016, the project was connected and began transmitting electricity to the Polish power grid, which guaranteed its entitlement to green certificates for 15 years, in accordance with the previous regulation in Poland. The construction cost of the Iława Project amounted to approximately NIS 83 million. NIS 75 million was invested by the Company, through financing which was provided by it to the Project Company, and another approximately NIS 8 million was invested by the other rights holders in the project.

(a) Acquisition of the project:

Within the framework of the Company's undertakings in the agreement for the acquisition of the project, the Company provided to the Project Company the financing required for the construction of the project, as follows:

1. A mezzanine loan in the amount of PLN 55 million, which was provided in accordance with the progress on the project, with the addition of the VAT amounts which were required in order to pay suppliers and various entities. The mezzanine loan bears annual interest at the rate of 9% and shall be repayable out of outside financing that is received in the Project, if any, out of the VAT refunds that are received in the Project Company and out of the revenues of the Project, this prior to any other payment to the equity holders (full cash-sweep mechanism). The repayment of the mezzanine loan is secured by a charge in favor of the Company on all of the assets of the Project Company and on the remaining 25% of shares in the Project Company that are held by the Project entrepreneurs. The balance of the mezzanine loan as of the Reporting Date amounted to a total of PLN 60.8 million (including VAT amounts), after principal and interest repayments of PLN 10

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

million during the Reporting Period, out of VAT receipts and the income from the project.

2. Shareholder's loans in the amount of PLN 20 million, plus the VAT amounts which were required to pay suppliers and various entities, which bear annual interest of 9%, and which will be repaid, in installments, out of the available cash flows which will be created in the Project Company, and no later than December 31, 2021. The balance of the shareholder's loan as of the Reporting Date amounted to PLN 23.7 million (including the VAT amounts).

(a) Construction and operation of the project:

For the purpose of building the Iława Project, the Project Company engaged in agreements with Vestas and a construction contractor. As part of the above, the turbine manufacturer and the construction contractor performed all of the works which were required for the construction of the project. The engagement with the Turbine Manufacturer includes an undertaking for the provision of operation services to the project for a duration of 15 years.

(b) Accounting treatment and impact of the acquisition the Company's financial statements:

The acquisition of the Company was accounted for as the acquisition of a group of assets and liabilities, since is does not qualify as a business combination in accordance with IFRS 3. Accordingly, the acquisition consideration was allocated to the acquired assets and liabilities based on an approximation of their proportionate fair values on the date of acquisition and no goodwill and deferred taxes were recognized on acquisition.

The effect of the acquisition on the assets and liabilities of the Group as of the date of acquisition is as follows:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

	Values recognized on the date of acquisition
	NIS in thousands
Cash and cash equivalents	5
Receivables and debit balances	53
Systems under construction	704
Loans from related parties	(623)
Trade payables	(1)
Non-controlling interests	11
Total transaction consideration	149

Cash:

	NIS in thousands
Cash paid (liability for the consideration)	(149)
Cash and cash equivalents of the acquired entity	5
	(144)

(c) Land rights:

The Project Company holds leasehold rights to the land on which the Project is being constructed. The leasehold rights are for a period of 25 years from the date of signing of the lease agreements. Total anticipated annual lease fees amount to approximately PLN 0.3 million.

(d) Sale of electricity and green certificates:

Beginning from the project's commercial operation in June 2016, the Project Company has been selling the electricity which is produced in the project, by virtue of its entitlement within the framework of the regulation in Poland, to one of the local electricity companies, at a price which was determined by the regulator on a quarterly basis, in accordance with the average electricity prices in the market during a relevant quarter, last year (the "**Regulatory Price**"). The green certificates will be sold through a local electricity trader, in consideration of their price on the Polish Power Exchange.
As of the Reporting Date, the Project Company has an inventory of 19.5GW of green certificate which can be sold. The value of the inventory as of the Reporting Date amounted to NIS 0.7 million.

(e) Recoverable amount test in respect of the project:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Connected Electricity Production Systems and Fixed Assets (Cont'd)

In light of the changes which characterized the wind energy market during the Reporting Period, as described above, including legislative amendments and decrease in the prices of green certificates, the Company examined, in accordance with the provisions of International Accounting Standard 36, Impairment of Assets, whether the aforesaid changes could result in impairment with respect to the amortized cost of the project as of the Reporting Date. Based on the results of the valuation, the value in use of the project is higher than its carrying amount, and accordingly, there was no need to record a provision for impairment in the accounts. The main estimates which were used in the impairment test are the discount rate, which is 8.36%, and the prices of the green certificates, which are in the range between approximately PLN 47 per MWh, and approximately PLN 230 per MWh.

Note 10 - Systems under Construction

The balance of systems under construction as of the Reporting Date primarily reflects payments in connection with the development of a Clean Wind Energy Project in the amount of approximately NIS 16 million, and with the development of the Joint Venture, a total of approximately NIS 14 million. For additional details, see Notes 15b(1)(b) and 15a, respectively. The balance as of December 31, 2015 primarily reflects advance payments and costs which were paid with respect to Stage B of the Banie Project.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 11 - Investments in Investees

1 Subsidiaries

(1 Details of subsidiaries

:Presented below is a list of the Company's material subsidiaries and consolidated partnerships A.

Name of investee	Principal location of the operations of the Company / partnership	Technology	Acquisition date	Ownership rights of the Company in the subsidiary / partnership Year ended December 31, 2016 %	2015 %	Note reference
Fieldon investments Sp. z o.o Wiatromill Sp. k. Banie Project	Poland	Wind	03/2015	100%	100%	9c(1)
Energix Neot Hovav Ltd.	Israel	Photovoltaic	07/2013	100%	100%	9b(1)
Energix Projects 1, Limited Partnership	Israel	Photovoltaic	-	100%	100%	9b(3)
Energix South Har Hevron, Limited Partnership	Israel	Photovoltaic	-	50.1%	50.1%	9b(2)
Clean Wind Energy Ltd.	Israel	Photovoltaic	09/2014	73%	75.0%	10
Glavent Investments Sp. z o.o Orlik Sp. k. Iława Project	Poland	Wind	01/2016	75%	-	9c(2).
Solair Energix Renewable Energies, Limited Partnership	Israel	Photovoltaic	-	70%	-	10

B. Presented below are details regarding loans to the material subsidiaries and consolidated partnerships of the Company:

Name of loan recipient	Interest %	Balance of the loan as of December 31 2016 NIS in thousands	2015
Energix South Har Hevron, Limited Partnership	4.25%	8,271	36,860
Clean Wind Energy Ltd.	17%	4,539	-
Glavent Investments Sp. z o.o Orlik Sp. k. Iława Project	9%	77,787	-
Solair Energix Renewable Energies, Limited Partnership	8%-10%	12,501	-
Fieldon investments Sp. z o.o Wiatromill Sp. k. Banie Project	0%	419,260	-

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 11 - Investments in Investees (Cont'd)

(a. Significant restrictions on the transfer of resources between entities in the Group

(i. Within the framework of a financing agreement which was signed with the Project Company of the Banie Project, a restriction applies to the Project Company regarding the distribution of dividends and the making of current payments to the equity holders for the duration of 12 months commencing in January 2016, and subject to the provisions of section (c) below.

(ii. The financing agreement that was signed with the Meitarim Partnership in January 2016 imposes a restriction on payments by the Partnership to the partners until the later of either six months after the withdrawal date, or the date when the Partnership replenishes the debt reserves, as required under the financing agreement. In July 2016, the Meitarim Partnership completed the supplementation of reserves, and from that date onwards, it is not subject to any payments, except as specified in section (c) above.

(iii. Dividend distributions and the performance of current payments to shareholders in the various project companies in the Group who received financing from an external entity are subject to restrictions on the number of distributions which can be performed in a year. Additionally, the project companies are required to fulfill conventional financial covenants, in accordance with the financing agreements. For additional information, see Note 14.

(B) Equity-accounted investees

Presented below are details of the Company's investments in a material joint transaction:

		Volume of investment in investee		The Company's share in equity	
		December 31		December 31	
	Principal location of the operations of the Partnership	2016	2015	2016	2015
Name of investee		NIS in thousands		%	
Granot Amot Energy Solar Projects, Limited Partnership (*)	Israel	14,877	16,026	50%	50%

(*) The volume of investment in an investee is calculated as a net amount of total assets less total liabilities of the investee that is attributable to the equity holders of the Company, as presented in the consolidated financial statements of the Company. As of December 31, 2016 and 2015, out of the total balance of investment in the Granot Partnership, an amount of NIS 6,721 thousand is attributed to partners' equity and the remaining balance to partners' loans.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

During the Reporting Period, the Granot Partnership repaid a shareholder's loan in the amount of NIS 5,300 million (Company's share - NIS 2,650 million). For information regarding the systems of Granot Partnership, see Note 9b(4).

Note 11 - Investments in Investees (Cont'd)

Condensed information regarding the Granot Partnership, without adjustment for the percentage ownership of the Group:

	December 31	
	2016	2015
	NIS in thousands	
	(Unaudited)	
Current assets (*)	1,151	1,880
Non-current assets	29,309	31,124
Current liabilities	(204)	(420)
Total net assets	**30,256**	**32,584**
Rate of ownership	50%	50%
Company's share in net assets	15,128	16,292
Elimination of inter-company profits	(251)	(266)
Carrying amount of the investment	**14,877**	**16,026**

(*) Of which, cash and cash equivalents in the amount of NIS 638 thousand (2015: NIS 544 thousand).

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
	(Audited)		
Revenues from the sale of electricity	6,964	6,407	7,444
Operating expenses	(1,168)	(1,261)	(1,147)
Depreciation and amortization	(2,156)	(2,084)	(1,871)
Financing income	-	-	18
Financing expenses (*)	(667)	(1,041)	(1,616)
Profit for the period	**2,973**	**2,021**	**2,828**
Rate of ownership	50%	50%	50%
Company's share in profit	1,487	1,011	1,414
Elimination of inter-company profits	14	12	8
Company's share in profit as presented in the accounts	**1,501**	**1,023**	**1,422**

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

(*) Of which, financing expenses of NIS 332 thousand for 2016, in respect of loans which the Company extended to the Granot Partnership (2015: NIS 518 thousand; 2014: NIS 806 thousand).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 12 - Trade Payables

	December 31	
	2016	2015
	NIS in thousands	
Trade payables (*)	45,907	3,920
Expenses payable	6,174	62,639
Notes payable	146	102
	52,227	66,661

(*) Out of the balance of trade payables for 2016, a total of approximately NIS 28,380 thousand and approximately NIS 5,816 thousand are with respect to liabilities to the turbine manufacturers and the construction contractor, respectively, with respect to the Banie Project, which have not yet been paid as of the Reporting Date. For additional information regarding the construction of the Project, see Note 9c(1)(c).

Note 13 - Payables and Credit Balances

	December 31	
	2016	2015
	NIS in thousands	
Institutions	940	1,274
Related companies (*)	1,485	890
Payroll and related institutions, including short-term benefits to	1,883	2,427
Provision for claim	-	945
Liability for the acquisition of shares (**)	-	62,496
Payables and credit balances	1,186	1,016
	5,494	69,048

(*) Balances of current accounts with the parent company - for details see Note 27p.

(**) For details regarding a payment in connection with the acquisition of the Banie Project, see Note 9c(1)(b).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 14 - Loans and Credit from Financial Institutions and Other Liabilities

	Annual interest rate (***)	Amount of facility		Loan amount utilized out of facility		Facility expiration date
	31/12/2016	December 31		December 31		
	%	2016	2015	2016	2015	
		NIS in thousands				
Credit facility from banks	2.1%			9,000		15/11/1
Credit facility from banks	2.1%	32,000		1,501		30/11/1
Credit facility from banks corporation, guaranteed by Alony Hetz (*)	1.7%	70,000	-	55,000	-	30/06/17
Total utilized and unutilized credit facilities		**132,000**	**35,000**	**65,501**	**26,000**	

(*) Subsequent to the Reporting Date, the Company repaid the entire loan from the credit facility guaranteed by Alony Hetz, and that facility expired. For details regarding engagements with Alony Hetz, see Note 26.

(**) The weighted interest rate on the Company's facilities during the Reporting Period was 2%.

(***) The interest rate does not include a non-usage fee.

(****) As of the Approval Date of the Report, the Company has no balance of used loans out of its total credit facilities, excluding guarantees in the amount of approximately NIS 5.8 million.

	December 31	December 31			December 31		
	2016	2016			2015		
	Annual interest rate	Current maturities and short-term credit	Long-term loans	Total	Current maturities and short-term credit	Long-term loans	Total
	%	NIS in thousands			NIS in thousands		
Used credit facilities	1.7%-2.1%	65,501	-	65,501	26,000	-	26,000
Loans from financial institutions	3.2%-4.6% CPI-linked	19,891	324,688	344,579	16,666	296,108	312,774
Loan from a foreign bank	4.48%-4.53%	12,007	227,886	239,893	-	-	-
Total credit from banking corporations and other credit granting institutions		**97,399**	**552,574**	**649,973**	**42,666**	**296,108**	**338,774**

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 14 - Loans and Credit from Financial Institutions and Other Liabilities (Cont'd)

Name of project	Neot Hovav Project	Small and medium systems in Projects 1	Banie Project	Meitarim Project	Granot Project
Lender	Consortium of institutional investors	Institutional investor	Consortium of foreign banks	Banking corporation	Private corporation
Amount of loan / credit facility	NIS 290 million	NIS 45 million	PLN 405 million [2, 8]	NIS 35 million	NIS 15 million
Date of engagement in the financing agreement	December 2014	September 2013	May 2016	January 2016	June 2016
Date of provision of the financing	February 2015	February and June 2014	A total of PLN 270 million was withdrawn in June and July 2016	January 2016	June 2016
Balance of the loan as of December 31, 2015 [9]	NIS 275.8 million	NIS 39.8 million	-	-	-
Balance of the loan as of December 31, 2016 [9]	NIS 261.6 million	NIS 37.1 million	NIS 244.8 million	NIS 33.94 million	NIS 14.8 million
Repayment schedule	Semi-annual payments over 18 years	Semi-annual payments over 16 years	Fixed quarterly payments over a period which will not exceed 15 years	Quarterly payments over 17 years	Quarterly payments over 12 years
End of term of the loan	December 2032	January 2030	December 2030	December 2032	June 2028
Annual interest rate	3.2% CPI-linked	4.6% CPI-linked	3-month Wibor-linked annual interest rate plus a 2.8% margin [3]	4.25% CPI-linked	3.2% CPI-linked
Restrictions on payments and distributions to equity holders	Semi-annual payments based on compliance with financial covenants and other conditions as customary in this type of transactions	Up to 4 payments a year based on compliance with covenants and other conditions as customary in this type of transactions	Blocking period of 12 months from commencement of commercial operation. Semi-annual payments based on compliance with financial covenants and other conditions as customary in this type of transactions	Lock-up period of one year, pending the replenishing of a debt servicing reserve out of the project revenues.	-
<u>Financial covenants</u>[1]:					-
Minimum reserves	6 months of debt servicing (approximately NIS 13.3 million)	6 months of debt servicing (approximately NIS 3.2 million) [4]	6 months of debt servicing (approximately NIS 12.6 million)	6 months of debt servicing (approximately NIS 1.5 million)	-
Minimum annual ADSCR to debt ratio [5]	Higher than 1.1	Higher than 1.1	Higher than 1.15	Higher than 1.25	-
Minimum quarterly DSCR to debt ratio [6]	Higher than 1.05	-	Higher than 1.15	-	-
Minimum LLCR to debt ratio [7]	-	Higher than 1.1	Higher than 1.15 (based on P90)	-	-
Minimum equity	Higher than 20% of the amortized cost of construction recognized by financier	Higher than 20% of the amortized cost of construction recognized by financier	Positive equity Debt to equity ratio of no more than 65/35	Higher than the equity required by the Electricity Authority (approximately NIS 9 million)	Equity higher than NIS 200 million
<u>Securities:</u>					
Securities	Financing was provided on a non-recourse basis, excluding several liabilities limited in amount that were assumed by the Company. Financing is secured by a lien on all of the assets of the Project Company and the rights of the Company in the Project Company	Financing was provided on a non-recourse basis. Financing is secured by a lien on all of the assets of Energix Projects 1, Limited Partnership and on the rights of the Company in this partnership	Financing was provided on a non-recourse basis, except in relation to several liabilities that may be assumed by the Company based on agreement between the parties, not later than the date of withdrawals. Financing will be secured by a lien on the rights in the Project Company and its assets and the rights in the Project Company	The financing was provided on a non-recourse basis, and is secured by a charge on all of the assets of the Meitarim Partnership, and the Company's rights in the partnership. The Company accepted a limited guarantee for cases involving state-level changes, which cause the state to be unable to fulfill its liabilities to lenders.	Energix's rights in the Granot Partnership and its share of the partnership's projects which were charged in a first ranking lien as security for its liabilities pursuant to the loan agreement.
Carrying amount of the charged asset in the accounts of the Project Company (NIS in millions)	312.9	40.5	645.8	45.7	14.8
Type of lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien
Reference to additional information	For information regarding the system, see Note 9b(1).	For information regarding the system, see Note 9b(3).For details regarding engagements, see Note 9a.	For details regarding the system, see Note 9c(1); regarding the financing, see Note 9(c)1(f); regarding the VAT loan, see remark 8 below.	For information regarding the system, see Note 9b(2).	

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 14 - Loans and Credit from Financial Institutions and Other Liabilities (Cont'd)

1. As of the Reporting Date, the Group is in compliance with all of the covenants to which it has committed under the various financing transactions.
2. For details regarding the negotiations of the Project Company with the lenders, with respect to the additional withdrawals in the financing agreement, see Note 9c(1)(f).
3. The loan interest for at least 75% of the amount of the loan will be hedged to a fixed rate for periods of five (5) years (unless otherwise agreed between the parties), against quoted cost, plus a margin of 0.19%. The Wibor interest rate as of the Approval Date of the Report is 1.73%.
4. Pertains to amounts withdrawn out of the extended credit facility, excluding reserves in respect of equipment.
5. Annual Debt Service Cover Ratio (ADSCR) - The ratio of the surplus cash flow that is available for debt servicing in the one-year period that precedes or follows the date of the calculation to the balance of the principal and interest of the loan in such period.
6. Debt Service Cover Ratio (DSCR) - The ratio of the surplus cash flow that is available for debt servicing in the quarter that precedes or follows the date of the calculation to the balance of the principal and interest of the loan in such period.
7. Loan Life Cover Ratio (LLCR) - The ratio between the present value of the debt servicing surplus cash flow and the cash balances in the accounts of the Company in the loan period, to the balance of the loan on the date of calculation.
8. VAT loans to finance the Banie Project - in July 2016, a total of PLN 28 million was withdrawn as a VAT loan. this amount was repaid in October and November 2016, out of VAT returns which were received by the Project Company. The VAT loan, which is a short-term loan, bore annual interest of linked to 3 month WIBOR, plus a margin of 2%, and amounted to 3.71%.
9. The balance of the loan does not include a discount.

Other liabilities

As of the Reporting Date, the Company has liabilities in the amount of approximately NIS 27,936 thousand. The balance is comprised of liabilities with respect to loans which were given by non-controlling interests in consolidated companies, in the amount of approximately NIS 8,546 thousand, contingent liabilities in connection with a project under construction in the amount of approximately NIS 12,678 thousand, and liabilities regarding clearing and restoration with respect to a wind farm in Poland, in the amount of approximately NIS 6,717 thousand.

Note 15 - Engagements

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

A. Information regarding the photovoltaic sector and relevant engagements

Within the framework of the Company's activity in the Photovoltaic Segment, the Company has systems in the commercial operation stage, and systems in the initiation stage. As of the Approval Date of the Report, the Company's activity in this field is in Israel.

For details regarding the Group's active systems in the Photovoltaic Segment, see Note 9b.
For details regarding financing which was given for the Group's systems in the Photovoltaic Segment, see Note 14.

(1) Regulation in Israel

Further to that stated in Note 9b, in February 2017, subsequent to the Reporting Date, the Electricity Authority published a request for proposals in a competitive process, within the framework of a new regulation. In accordance with the details of the Competitive Process, a quota is offerd to the public with a total capacity of 150-300MW. Each bid within the framework of the Competitive Process includes a proposed tariff per MWh, and a proposed capacity for installation, where due to the concentration restriction specified in the regulation, the Group is limited to the submission of bids with a total proposed capacity of no more than 70MW. Bidders who offer the lowest price per MWh will win, and will receive the right to build the capacity which they proposed, until the maximum quota which will be determined, in accordance with the rules of the regulation. The final price in the Competitive Process will be uniform for all winners, and will be calculated in accordance with the lowest price quote that was not recieved (second uniform price: "clearing price"). As a minimum condition for the submission of a bid, the bidder will deposit a bid guarantee in the amount of NIS 100 per proposed KW, which will be replaced, after winning, with a construction guarantee in the amount of NIS 300 per KW. The winner is required to reach commercial operation with respect to the entire quota which it won in the Competitive Process within a period of 21 months after the date of the win (after this date, the Electricity Authority will begin forfeiting the construction guarantee on a proportionate basis, until complete forfeiture for winners who have not reached commercial operation within 23 months after the date of the win).

(2) Project initiation activities

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Further to that stated in Note 9b, and as part of the Company's preparation for the publication of new quotas, and within the framework of the new regulation, in July 2016, the Company entered into an agreement in principle with an entrepreneur regarding the establishment of a Joint Venture for the initiation, construction, operation and maintenance of projects in the Photovoltaic Segment in Israel (the "**Joint Venture**"), in which the Company will hold 70%. Shortly after the completion of the transaction, the Joint Venture held an initial mix of projects in various stages of initiation having total capacity of approximately 300MWp by means of a limited partnership, in which the Company has a 70% interest, and the entrepreneur – 30% (the "**Partnership**"). Most of the rights in those projects have been transferred to the partnership by the entrepreneur that signed the agreement with the Company, which has a valid solar urban building plan. From the closing date of the transaction, the Joint Venture has been working to promote additional projects, and as of the Approval Date of the Report, the Joint Venture holds rights for the construction of projects having a total capacity of up to 400MW.

The construction of the projects which will reach this phase, depending on the fulfillment of the terms of the new regulation, will be implemented by means of a special contracting partnership that will be held by the parties in equal parts.

Beyond the above, presented below are the main terms of the understandings with respect to the activities of the Joint Venture:

(a) The parties shall act to finance the activity of the Joint Venture according to their relative share. Nonetheless, the entrepreneur has the right to request from the Company to provide its share of the financing for the investment and development activity of the Joint Venture, against the provision of a CPI-linked loan bearing annual interest of 8%-10%.

(b) As part of the Company's undertakings on the closing date of the transaction, the Company immediately paid an amount of NIS 13 million for its rights in the partnership and projects that were transferred to it (of which NIS 4 million was paid directly to the entrepreneur and the balance was provided in the form of shareholders' loans to the partnership that were used for payments to the entrepreneur). In January 2017, subsequent to the Reporting Date, an additional total of NIS 1.2 million was paid to the entrepreneur, against the fulfillment of milestones which the entrepreneur fulfilled. An additional balance in the amount of up to NIS 6 million (to be financed by the Company by means of shareholders' loans to the partnership) will be paid by the partnership to the entrepreneur, subject to achieving the milestones set out in the agreement, the main ones being increasing the project portfolio of the Joint Venture, and projects of the Joint Venture having capacity of up to 150MWp resulting in a financial close, all according and subject to the provisions of the agreement.

(c) In the framework of the agreement, the parties undertook that throughout a period of 4 years, any project that is advanced by either one of them in the area of activity

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

(photovoltaic activity in Israel, excluding net meter and dedicated tenders), shall be executed in the framework of the Joint Venture and on its behalf. Furthermore, the agreement includes provisions regarding payments to the limited partners and preference in the repayment of shareholders' loans granted to the partnership, plus a return as agreed between the parties. The agreement also includes additional provisions as customary in agreements of this type, with respect to, inter alia, aspects of corporate governance, representations and indemnity commitments on the part of the entrepreneur.

In light of the scope of the projects which are owned by the partnership, and their current advanced planning stages, the Company decided to discount the costs which are associated with the advancement of the activities of the Joint Venture for the asset, before a guarantee has been given regarding the tariffs for the construction of the projects which are being advanced by the partnership, or where a guarantee of financing has been given for any of them. Accordingly, as of the Reporting Date, the Company recognized an asset in the amount of NIS 14 million, against the current costs and the liabilities of the partnership.

B. Information regarding the activities of the wind energy sector and material engagements

(1) Activities in the Wind Energy Segment in Israel:

As of the Reporting Date, and as of the Approval Date of the Report, the Company has activity in this field in the development and initiation stage only.

(a) Regulation in Israel

IN accordance with the regulation which is in effect as of the Reporting Date, the quota for electricity production using wind energy is 730MW, according to an outline of an undertaking to acquire electricity of the Electric Corporation, at a guaranteed tariff for a period of 20 years, CPI-linked. In February 2015, the Electricity Authority published its resolution to reduce the tariff for the wind facilities that are connected to the distribution and transmission network. Pursuant to the resolution, the tariff is to be determined by using a calculation formula that is based on a designated basic tariff, making a distinction between facilities that are connected to the transmission network and to the distribution network, and linked to varying metrics, such as exchange rates, an index that reflects the global cost of wind turbines, the CPI and interest rates. In accordance with the publication of the Electricity Authority, the weighted tariff of facilities connected to the transmission grid amounted to a total of approximately NIS 0.37 per 1KWh produced, up to a quota of 300MW, and the weighted tariff of facilities connected to the distribution grid amount to a total of approximately NIS 0.34 per 1KWh produced, up to a quota of 300MW. The final tariff with respect to each facility will be determined in accordance with the different variables which affect the base tariff as of the date of approval of the actual tariff, as relevant.

(a) Summary of the Company's activity with respect to the initiation of projects in the Wind Energy Segment in Israel

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

During the Reporting Period, the Company continued to pursue the initiation and development of wind projects, fully owned or in partnership, commencing in the initial stages of the project. The Company has several engagements with third parties in relation to projects that are in planning stages and projects that are in the stages of preliminary feasibility testing, as follows:

Clean Wind Energy Project
The Company holds 100% of the shares which confer management rights (including the appointment of all Board members) and 73% of the shares which confer rights to receive dividends in a private company which holds the initiation and development rights with respect to a project involving the construction of a wind farm in the Golan Heights, with a capacity of approximately 152MW (hereinafter: the "**Project Company**" and the "**Clean Wind Energy Project**", respectively).

Within the framework of the Company's activity to promote and develop the project, and after lengthy talks with the IDF and the Ministry of Defense, in June 2016 conditional approval was received from the Ministry of Defense for a land area on which 44 turbines can be located, as part of the Clean Wind Energy Project, with estimated capacity of approximately 152MW. The Company is also working to promote the required licensing processes for the Clean Wind Energy Project, and as part of the foregoing, the planning process with the National Infrastructure Committee was renewed, preliminary planning to connect the project to the electricity grid was performed vis-à-vis the Electric Corporation, and shortly after the Reporting Date, a request was filed for a conditional license for the Clean Wind Energy Project.

According to the creditors' arrangement that was approved for the Project Company in September 2014, the Project Company has liabilities in the amount of NIS 14 million, which are all contingent on the project maturing into a financial close. In light of the receipt of approval from the Ministry of Defense, which constituted the main barrier in the advancement of the project, and in light of the progress which has been made on the statutory process with the National Infrastructure Committee, the Electric Corporation and other entities, the Company decided to discount the related costs and the current liabilities to advance the project for the asset. Accordingly, the Company recognized an asset in the amount of NIS 16 million, against current costs and its contingent debts.

Ein HaShofet project
The Company engaged with Kibbutz Ein HaShofet in an agreement for the development and construction of a wind project in the area of the kibbutz, with a total estimated capacity of approximately 23MW, through a joint corporation. The Company's share in the joint corporation which will be established is 74%. As part of the agreement, the cooperative was granted an authorization to develop the project which is to be superseded by a leasehold right in the land on which the project is planned to be constructed. The project is currently in the development and planning stages, and a conditional license was given for it, as well as several positive electricity surveys.

Projects in the Galilee
The Company engaged with the land owners, kibbutzim and moshavim in the Northern region with respect to the initiation and development of a wind project with an estimated

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

total capacity of 50MW (the Company's share - approximately 40MW). The share of the Company in the cooperatives that would be established if binding agreements are signed is 74%-100%. As part of the agreements, the cooperatives were granted an authorization to develop the projects, which is to be superseded by a leasehold right in the land on which the projects are planned to be constructed. The projects are in the preliminary stages of compliance with the regulation requirements and addressing aspects of planning and construction.

It is hereby clarified that all of the projects that are being developed by the Company in Israel are in initiation stages and are subject to examinations of wind measurement, economic feasibility and the completion of the regulatory and statutory proceeding, which may change from time to time. Accordingly, there is no certainty as to the construction and/or connection of the projects to the electricity grid as well as the actual cost of their construction, the volume of revenues that may be derived from them or their ultimate capacity, to the extent that the construction of the facility is completed. Subject to the above, regarding projects that will be advanced by the Company and will meet the milestone of rate approval, the Company believes that these projects may reach a stage of financial closing during the years 2018-2020.

(2) Activity in the Wind Energy Segment in Poland:
For details regarding the Group's active wind farms, see Note 9c.
For details regarding the financing which was given for the Group's wind farms, see Note 14.

(a) Regulation in Poland: for information regarding the regulation in Poland, see Note 9c.

(b) Initiated projects

i. Stage C of the Banie Project
Further to Note 9c(1), and insofar as the required condition for this purpose will mature, the Company will consider whether to continue promoting the balance of the Banie Project, with a total capacity of up to 84MW ("**Stage C**"), subject to the participation and winning of tariff tenders, and market stability and regulation terms, and in accordance with the terms of the project acquisition agreement.

ii. Sepopol project
The Company, through a dedicated project company, has rights to build a wind farm with a capacity of 40MW in northeast Poland, after the Company paid, during the Reporting Period, for the interests in the Project Company, a consideration of PLN 1 million. To the best of the Company's knowledge, all of the required approvals for the commencement of the project's construction have been received, and a decision regarding its construction will be reached, inter alia, depending on the fulfillment of the regulatory conditions which will apply, and subject to the participation in and winning of tariff tenders, and market stability and the regulatory conditions, and in accordance with the terms of the project acquisition agreement.

Note 16 - Capital and Reserves

A. Presented below are the composition of and movement in the Company's share capital, in nominal NIS:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

		Registered	Issued and
		Ordinary shares of	
Date	**Change**	**NIS 0.01 par value**	**NIS 0.01 par value**
December 31, 2011	**Opening balance**	**500,000,000**	**136,400,190**
December 31, 2012	**Closing balance**	**500,000,000**	**136,400,190**
During April 2013	Exercise of share options (series 1)	-	31,349,860
December 31, 2013	**Closing balance**	**500,000,000**	**167,750,050**
During December 2014	Exercise of share options by employees	-	875,000
December 31, 2014	**Closing balance**	**500,000,000**	**168,625,050**
During April 2015	Public offering of shares	-	138,514,000
During 2015	Exercise of share options by employees	-	530,549
December 31, 2015	**Closing balance**	**500,000,000**	**307,669,599**
During 2016	Exercise of share options by employees	-	5,061,451
During 2016	Exercise of share options (series 2)	-	10,000,000 (*)
December 31, 2016	**Closing balance**	**500,000,000**	**322,731,050**

(*) Exercised by Alony Hetz. The consideration from the exercise of the options amounted to a total of NIS 30 million.

B. Share-based payment

For information regarding share options granted to the CEO, an officer and employees of the Company in 2011-2016, see Note 28. For details regarding options which were provided subsequent to the Reporting Date, see Note 34d.

C. Capital raising

a. In May 2016, the Company published a shelf prospectus, under which it may initiate another capital raising within a period of up to two years from the date of publication of the prospectus, to the extent required for its operations.

Note 16 - Capital and Reserves (Cont'd)

b. On January 10, 2017, subsequent to the Reporting Date, the Company completed the raising of capital from the public under a shelf offer report in the gross amount of approximately NIS 84.2

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

million, against the issue of shares to the public by the Company. Issuance costs amounted to approximately NIS 0.8 million. The capital raised increased the issued and paid-up share capital of the Company by 34,500,000 shares.

D. Exercise of options

During the Reporting Period, 15,061 thousand options were exercised. The immediate consideration from the exercise of said options amounted to approximately NIS 37,716 thousand (an exercise price of NIS 1.48-3 per option, partly linked to the CPI) with a corresponding increase in the equity of the Company. From the Reporting Date until the publication date of the report, additional employee options were exercised in the amount of 41 thousand options. The immediate consideration which was received with respect to the financing of the additional options amounted to approximately NIS 61 thousand.

E. Dividend distribution

On March 8, 2016 the Company's Board of Directors decided for the first time to adopt a multi-year dividend policy, with the intention of sharing the Company's profits with its shareholders, through the distribution of dividends on a routine basis. Accordingly, the Company's Board of Directors adopted a dividend policy according to which, in the first quarter of every calendar year, the Company will announce the dividends that it intends to distribute with respect to that year (divided by quarters), after a review of the Company's cash flow and operating results by the Company's Board of Directors, taking into consideration the future investment plans of the Group from time to time, and subject to any applicable law. As part of the foregoing, the Board of Directors determined that the Company intends to distribute a dividend in 2016 in the amount of NIS 0.06 per share in three quarterly payments of NIS 0.02 each beginning from the second quarter of 2016, all subject to the Board of Directors passing a specific resolution regarding each distribution, taking into account business considerations and subject to the provisions of the law. It is hereby clarified that the foregoing constitutes a policy declaration only, and is conditional upon a specific resolution of the Board of Directors at the end of each quarter, and the Board of Directors is entitled to change the amounts for distribution as dividends, in its discretion, or to decide not to distribute dividends at all.

During the Reporting Period, the Company paid dividends in the total amount of NIS 0.04 per share, totaling approximately NIS 12.8 million.

In accordance with the Company's expectation, according to which it will requires significant investments in the initiation and construction of new projects in 2017, the Company's Board of Directors resolved, in March 2017, not to distribute dividends in 2017.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 17 - Revenues from the Sale of Electricity

The total revenues of the Group from the sale of electricity during the Reporting Period amounted to approximately NIS 111.4 thousand, as specified below:

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Large photovoltaic systems	44,374	44,555	958
Medium photovoltaic systems	8,580	4,168	4,300
Small photovoltaic systems	4,703	4,922	4,767
Wind farms in Poland	37,782	998	-
Sale of green certificates	15,925	917	-
	111,364	55,560	10,025

Note 18 - Other Revenues, Net

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
O&M revenues in respect of small and medium	137	145	145
Compensation from suppliers and sundry income	1,439	297	419
	1,576	442	564

Note 19 - Rent Expenses

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Large photovoltaic system	1,561	1,561	42
Medium and small photovoltaic systems	888	869	906
Wind farms in Poland	1,753	-	-
	4,202	2,430	948

Note 19 - Rent Expenses (Cont'd)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Presented below is information regarding the future minimum rental that is payable in respect of rent contracts that may not be canceled by the Company in respect of systems that were connected to the electricity grid

The aforesaid amounts do not include the future minimum rental that is payable for connected facilities in the equity-accounted Granot Partnership.

	NIS in thousan
Up to one year	6,765
Second to fifth year	27,062
More than five years	121,634
	155,461

Total rent expenses recorded in respect of the Company's connected systems in 2016 amounted to approximately NIS 4,202 thousand (in 2015 and 2014 rent expenses amounted to approximately NIS 2,430 thousand and NIS 948 thousand, respectively).

Note 20 - System Maintenance Expenses

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Maintenance and communication expenses - Israel	6,319	3,729	31
Maintenance and communication expenses - Poland	5,469	27	-
System insurance	1,457	621	75
Operation wages	1,187	457	536
Other	2,689	111	9
	17,121	4,945	651

Note 21 - Payroll and Related Expenses

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Payroll and related expenses (*)	5,699	5,306	4,664
Vehicle maintenance	300	234	262
Share-based payment (see Note 29)	1,975	667	904
	7,974	6,207	5,830

(*) For details regarding the terms of employment of the CEO of the Company, see Note 27j.
(**) For information regarding payroll expenses carried to initiation expenses, see Note 2

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 22 - Initiation Expenses

Include expenses in respect of investments in projects for which the conditions for capitalization to systems under construction have not yet been fulfilled. For details regarding the capitalization policy, see Note 3o. Initiation expenses, including wages, amounted to approximately NIS 798 thousand (2015: NIS 327 thousand; 2014: NIS 808 thousand).

Note 23 - Administrative, Headquarters and Other Expenses

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Management fees to the parent company (*)	3,763	2,506	988
Professional fees	2,515	1,341	1,066
Office and other (**)	2,709	2,034	1,631
	8,987	5,881	3,685

(*) For information regarding a management agreement with the parent company, see Note 27a.

(**) For details regarding the engagement in an office rental transaction with Amot, see Note 27f.

Note 24 - Provisions (Reversal of Provisions) for Doubtful Debts

During the fourth quarter of 2016, the Company evaluated the chances of repayment of a loan which was given by the Company in previous periods, and it classified in the past as a doubtful debt. As of the Reporting Date, the Company estimated that the chances of collecting the aforementioned debt have increased significantly, and therefore, it re-recognized a debt in the amount of approximately NIS 3.6 million, and in parallel, canceled its provision for doubtful debts from previous years.

Note 25 - Financing Income

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Exchange differences, net	-	3,011	266
Interest on loans granted (*)	332	660	2,209
Interest on bank deposits, deposits and marketable	146	160	202
	478	3,831	2,677

(*) Of which, interest income of approximately NIS 332 thousand in 2016 with respect to a loan granted to the equity-accounted Granot Partnership (2015: NIS 518 thousand; 2014: NIS 806 thousand).

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financing Expenses

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Fees	655	257	127
Interest on loans	20,055	12,003	1,707
Exchange differences, net	867	-	-
Loss on the fair value revaluation of derivatives	6,360	2,760	-
Other financing expenses	709	20	21
	28,646	15,040	1,855

During the Reporting Period, borrowing costs were discounted in the amount of approximately NIS 686 thousand for systems under construction.

Note 27 - Transactions with Related and Interested Parties

A. Management agreement with Alony Hetz

In July 2014, the general meeting of the Company's shareholders approved, following the approval of the Company's Audit Committee and Board of Directors, the Company's engagement in an extension of the management agreement with Alony Hetz from July 1, 2011, without changing its existing terms, this for an additional period of three years (commencing on July 1, 2014). Accordingly, the period of the aforementioned agreement concludes on June 30, 2017. Pursuant to the agreement, Alony Hetz is to provide the Company with management, consulting and professional support services. Additionally, Alony Hetz will make its employees available to the Company, without additional payment, to serve as directors (subject to the approval of nominations by the general meeting), including the office of Mr. Nathan Hetz, CEO of Alony Hetz, Company's Chairman of the Board.

In consideration for the management services, the Company will pay Alony Hetz the following amounts, with the addition of VAT as required by law: a fixed amount of NIS 150,000 per quarter, linked to the CPI, plus a variable quarterly amount at the rate of 0.125% (i.e., 0.5% on an annual basis) of the total original cost in the accounts of the Company of its electricity production systems that are producing electricity in practice, of any kind whatsoever, in accordance with the Company's consolidated financial statements, using the fixed assets model Notwithstanding the foregoing, it was specified in the agreement, with respect to active facilities which are held by the Company jointly with others under joint control (directly or indirectly), that the management fees with respect to the Company's relative share in the active facility will be paid even if generally accepted accounting principles instruct recording of the cost of the active facility in the Company's books in a different manner.

At the aforesaid general meeting, it was decided that the cumulative variable amounts that will be payable by the Company to Alony Hetz every calendar year shall not exceed NIS 3 million, linked to the CPI, up to a maximum aggregate amount of NIS 3.6 million, linked to the CPI, with the base index being the known index on December 31, 2010. The management fees to Alony Hetz in the years 2016, 2015 and 2014 amounted to approximately NIS 3,763, 2,506 and 988 thousand, respectively. The Company paid the maximum management fees limit to Alony Hetz in 2016.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

B. Loans from a banking corporation guaranteed by Alony Hetz

On January 25, 2016, the Company's Board of Directors approved, following the approval of the Audit Committee on that same day, as an eligible transaction, in accordance with Regulation 1(2) of the Easement Regulations, a framework decision for the receipt of guarantees from Alony Hetz, for the purpose of securing the Company's liabilities in connection with the receipt of credit from commercial banks, in a total amount of up to NIS 80 million, insofar as it will be received, and in accordance with the credit which the Company will actually take, beyond the existing facilities in the Company which are not guarantees by Alony Hetz. The aforementioned guarantee will not bear interest, and does not involve any cost to the Company, and therefore, it was approved by the Company's Audit Committee and Board of Directors as a transaction which only benefits the Company. In 2016, the Company took out loans in the amount of NIS 55 million from a banking corporation, which were backed by guarantees from Alony Hetz, as stated above. The aforementioned loans were repaid in January and February 2017. As of the Approval Date of the Report, the guarantee framework for the receipt of credit from Alony Hetz expired. For additional details regarding the aforementioned guarantee, see Note 14.

C. Engagement with Alony Hetz, the controlling shareholder, in connection with the Banie Project:

As part of the agreement with the Turbine Manufacturer for the construction of Stage A of the Banie Project, Alony Hetz provided a guarantee in favor of the Turbine Manufacturer to secure the Project Company's payments to the Turbine Manufacturer up to approximately EUR 38 million, this without imposing any costs on the Company. In June 2016, upon the completion of all payments to the turbine manufacturer for Stage A of the project, the guarantee expired.

D. Rooftop rent agreements with Amot

For details regarding the engagements of the Company and its wholly owned limited partnership in agreements for the rent of rooftops that are owned by Amot, in the ordinary course of business of the Group, see Note 9b(3).

E. Employment of a relative of a controlling shareholder

The Company employs Mr. Omer Tosh, the son-in-law of Mr. Nathan Hetz, a controlling shareholder in Alony Hetz, pursuant to the employment agreement that was signed with him and that is updated from time to time. In the reported period, Mr. Tosh was employed as the Company's Operation and Procurement Manager.

In accordance with the employment agreement of Mr. Tosh, the gross monthly salary of Mr. Tosh, until the end of February 2017, amounted to a total of NIS 21,500, gross. In accordance with the amendment to the employment agreement of Mr. Tosh, as approved by the general meeting of the Company's shareholders in June 2015, the Company's CEO has the discretion, subject to the approval of the Compensation Committee, to raise the salary of Mr. Tosh by up to 10% a year. Within this power, on February 23, 2017 the Compensation Committee approved the decision of the

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

Company's CEO to update the salary of Mr. Tosh to NIS 23 thousand (gross), effective from March 2017.
In addition, Mr. Tosh is entitled to social benefits, according to the Company's customary practice, as well as a mobile telephone, 16 days of vacation, company car and the bearing of the car maintenance expenses by the Company, as well as to an annual bonus of up to 4 monthly salaries, which is calculated on the basis of a fixed formula that is derived from the ratio of the operating profit of the Company to its revenues in Israel. The employment agreement of Mr. Tosh expires on February 28, 2018, or earlier, subject to the provision of a 30-day advance notice by either of the parties.

Additionally, within the framework of the Company's capital compensation plan to its employees, and subject to his employment agreement with the Company, 81 thousand options were allocated to Mr. Tosh, with a value of NIS 30 thousand, in accordance with the employee options plan in the Company from 2014, which is based on the advance allocation for 3 years (for details regarding the options plans, see Note 28).

The terms of employment of Mr. Tosh, as above, were approved at the general meeting of the Company by a special majority.

The monthly salary cost of Mr. Tosh to the Company (cost to employer, excluding bonuses) amounted to NIS 32 thousand a month for January and February 2016 and approximately NIS 35 thousand a month for March through December 2016.

F. Agreements for the rent of offices from Amot

Until June 2016, the Company's offices were located in Moshe Aviv Tower, 7 Jabotinsky St., Ramat Gan, in accordance with a lease agreement with respect to office space and parking spaces with Amot (the property owner) from June 2011, including the amendments thereto. According to the aforementioned agreement, which was in effect until June 2016 (the "**Previous Lease Agreement**"), the Company leased from Amot an area of 360 square meters and 6 parking spaces. The Company's engagement in the previous rent agreement was approved by the Company's Audit Committee as a "non-extraordinary transaction" as defined in the Companies Law - 1999.
In June 2016, the Company transferred to the new office which is located on the top floor of Amot Atrium Tower, at 2 Jabotinsky St., Ramat Gan, near the offices of Alony Hetz. The Company engaged with Amot, the owner of the property, in a lease agreement for the new offices, as amended, with an area of 575.5 square meters. The engagement is for a period of 5 years with an option given to the Company to extend the period by an additional 5 years. The renting cost of the offices is expected to amount to NIS 977 thousand a year. The aforementioned engagement, including the amendments enacted pursuant thereto, was approved by the Audit Committee on March 8, 2016 and November 9, 2016, and by the Company's Board of Directors on March 8, 2016 and November 21, 2016, which approved the engagement as a "non-extraordinary transaction", as defined in the Companies Law - 1999.
In the years 2016, 2015 and 2014, the cost of rent of the offices and parking spaces from Amot amounted to NIS 723, NIS 422 and NIS 424 thousand, respectively.

G. Negligible transactions with Alony Hetz

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

On November 21, 2016, the Company's Board of Directors approved (following the approval of the Audit Committee) the following engagements of the Company with Alony Hetz (each separately) as an negligible transaction, as follows: (1) Ratification of an agreement regarding the right to mutually use office areas with Alony Hetz, until October 1, 2016, and approval of the Company's engagement with Alony Hetz in an agreement for the provision of usage rights to Alony Hetz, with respect to storage areas which the Company leases within the framework of a lease agreement with Amot, beginning on October 1, 2016; (2) Acquisition of equipment for the meeting room which is included in the area of the property which is leased by the Company, within the framework of the lease agreement with Amot, which amounted to a total of approximately NIS 335 thousand.

H. Purchase of crime insurance together with Amot and Alony Hetz (negligible transaction)

The Company has co-insurance together with Alony Hetz and Amot, which was approved by the Audit Committee on November 9, 2016, and by the Company's Board of Directors on November 21, 2016, as a transaction of negligible scope, which does not constitute an extraordinary transaction, as defined in the Companies Law - 1999. The cost of the insurance amounted to approximately NIS 33 thousand in 2016.

I. O&M agreements with partnerships

The Company provides O&M services for photovoltaic systems that are owned by a Granot Partnership. Pursuant to the agreement between the Company and partnership, the Company is entitled to fixed operation fees in the amount of 275 thousand a year (the Company's share in the consolidated financial statements - NIS 137 thousand), for repairs and handling of malfunctions as well as other services that are required for the proper functionality of the facilities, including current checkups, inspection by an electrical engineer and a technician, monitoring and supervision of the performance of the systems. The fixed payments are linked to the CPI.

J. Engagement with the CEO of the Company

Mr. Asa (Asi) Levinger, the CEO of the Company is employed in the Company under a signed employment agreement that is updated from time to time. In May 2016, according to the decisions of the Company's Compensation Committee and Board of Directors from February and March 2016, the Company's general meeting approved the new compensation package and the updated terms of employment of the Company's CEO. According to the terms of the compensation package, the employment terms of the Company's CEO were updated, in effect three years after July 1, 2016, as follows:

(1) The salary (gross) of the Company CEO was updated to NIS 76 thousand (monthly salary cost of NIS 100,000), instead of a salary of NIS 70 thousand, until June 2016. The monthly salary of the Company's CEO will be linked (on a monthly basis) to the last known index which was published on the approval date of the general meeting, provided that it is no less than NIS 76 thousand.

(2) The Company CEO will be entitled to an annual bonus of up to the cost of 3 monthly salaries, performance-based, as part of the measurable component. In addition, the Board of

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

Directors of the Company, at the recommendation of the Compensation Committee, has the power to grant an additional discretionary bonus to the Company CEO at of up to the cost of 3 months of salary cost.

(3) The CEO will be entitled to a medium-term annual equity compensation in an amount equal to 3 months of salary cost. The medium-term equity compensation will be granted under the option plan of the Company from 2014, which is based on annual allotment, vesting within two years and expiration at the end of 3 years.

(4) The CEO will be entitled to long-term equity compensation of NIS 900,000 a year, over a period of 6 years (aggregating NIS 5.4 million). In this framework the Company's CEO was granted 15,682,636 options according to a special options plan, as approved by the general meeting of the Company's shareholders in May 2016, that will vest in three equal portions over 4, 5 and 6 years. The exercise of the options is in accordance with a cash-less mechanism, and depends on reaching a share price of NIS 5.6 (which reflects an average IRR of 15% per year) as from the end of the fourth year. An exercise price of NIS 4.7 was set for each option.

Additionally, the CEO of the Company is entitled to social benefits, as customary (the contributions of the employee and the employer to a pension fund being limited to the tax-exempt ceiling), and a company car for which the maintenance expenses are borne by the Company. The employment agreement of Mr. Levinger expires on July 1, 2019, or earlier, subject to the provision of a 90-day advance notice by the Company or of 6 months by the Company CEO. Upon the termination of employment of the Company CEO by the Company (other than under circumstances that revoke the entitlement to severance pay), the Company CEO shall be entitled to an adaptation period of 3 months, during which he will be entitled to full salary, including the related benefits.
The monthly salary cost of the Company's CEO (cost to employer, excluding bonuses) amounted to approximately NIS 94 thousand a month for January to June 2016, and NIS 100 thousand a month for July to December 2016.
Presented below are details regarding the annual bonus to which the Company's CEO is entitled, as approved by the Compensation Committee and the Company's Board of Directors, in their meetings on February 23, 2017 and March 5, 2017:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

<table>
<tr><th>Type of compensation</th><th>Maximum bonus as per compensation plan and based on the employment agreement of the Company's CEO</th><th>Maximum bonus for 2016 as per the resolutions of the Compensation Committee and the Company's Board of Directors</th><th>Actual eligibility</th><th>Value in NIS</th><th>Actual grant</th></tr>
<tr><td>Component A of measurable bonus</td><td rowspan="3">Up to 3 months of salary cost. The annual ceiling and the weights in relation to each component is determined in advance by the Compensation Committee and the Board of Directors</td><td>0.3 monthly salaries (10% of 3 months)</td><td rowspan="3">2.45 months of salary cost</td><td rowspan="4">For the measurable component:
NIS 243 thousand in cash
Discretionary bonus:
Approximately NIS 157 thousand</td><td rowspan="4">The total bonus, in the amount of NIS 400 thousand, was converted to 1,023 thousand options, which vested immediately</td></tr>
<tr><td>Component B of measurable bonus</td><td>1.5 months of salary cost (30% of 3 months)</td></tr>
<tr><td>Component C of measurable bonus</td><td>1.2 months of salary cost (40% of 3 months)</td></tr>
<tr><td>Discretionary bonus</td><td>Up to 3 months of salary cost. Determined shortly before the date of approval of the financial statements (retrospectively)</td><td>Up to 3 months of salary cost.</td><td>1.59 months of salary cost</td></tr>
</table>

As part of medium term capital compensation, 767 thousand option were granted to the Company's CEO, worth NIS 300 thousand. For additional details, see Note 34.

K. Provision of payroll services to Alony Hetz (negligible transaction)

Pursuant to the resolution of the Company's Board of Directors from June 2014, the Company charges to Alony Hetz 10% of the cost of employment of an employee in the Company that provides bookkeeping services to the Company and to companies in the Alony Hetz Group. The transaction was approved as a negligible transaction.

L. Transactions in which the controlling shareholder in Alony Hetz or a relative thereof holds personal interest

(1) Financing of the Meitarim transaction

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

On January 13, 2016, the Company's Board of Directors approved, following the approval of the Audit Committee on that same day, the engagement of a limited partnership which is held by the Company at a rate of 50.1% (the "**Meitarim Partnership**"), in a transaction for the receipt of financing in the amount of up to NIS 35 million, from a commercial bank. In light of the fact that the aforementioned financing transaction constitutes a non-extraordinary transaction in which a relative of the Company's controlling shareholder has a personal interest (due to the holdings of controlling shareholder's relative in a commercial bank), the Company's Board of Directors approved the terms of the financing transaction, after the Audit Committee classified the financing transaction as a "non-extraordinary transaction", as defined in the Companies Law. For additional details regarding the aforementioned financing transaction, see the note regarding the financing of Meitarim in Note 14 above.

(2) Purchase of beverages (negligible transaction)
From time to time, the Company purchases beverages for refreshment purposes from the Central Bottling Company Ltd. To the best of the Company's knowledge, the Central Bottling Company Ltd. is a related party of the controlling shareholder in the Company. The transaction was approved as a negligible transaction.

M. Construction of a small rooftop system for Amot

The Company engaged with Amot in an agreement in which it built, for Amot, during the Reporting Period, a small photovoltaic system on the roof of the Atrium Tower. The agreement was approved by the Company's Audit Committee and Board of Directors in November 2015 as a non-extraordinary and non-negligible transaction.

N. Engagement with Value Base

On April 8, 2017, subsequent to the Reporting Date, the Company's Board of Directors, after obtaining the approval of the Audit Committee, approved the engagement of the Company with Value Base Underwriting and Securities Distribution Ltd. ("**Value Base**"). The shareholders of the parent company of Value Base include, inter alia, Nathan Hetz (19.95%) and M. Wertheim (Holdings) Ltd. (19.95%), which are the controlling shareholders in Alony Hetz. The transaction was approved as a negligible transaction. Accordingly, as part of the issue of shares and options (series 2) in January 2017 (see Note 16c(2) above), the Company engaged with several distributors, including Value Base, for consulting and management of the issuance under terms that are identical for all managers of the issuance and for the distribution of the issuance. The total consideration that Value Base received for its services, as above, amounted to NIS 232 thousand.

O. Directors and officers

(1) Insurance of directors and officers

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

The insurance arrangement for directors and officers in the Company is part of an umbrella arrangement for the entire Alony Hetz Group. The arrangement is for a period of 6 years commencing on July 1, 2013 and ending at the end of June 2019.

Pursuant to this arrangement, the limit of the liability is USD 50 million per instance and for the period with the addition of coverage of legal expenses and the maximum premium shall not exceed USD 70,000 (for the entire Group) (with an option of a maximum increase of up to additional 50% in the event of price hikes). According to the aforesaid arrangement, Alony Hetz purchased a policy for the period from July 1, 2016 to June 30, 2017 with a liability limit of USD 40 million with the addition of coverage of legal expenses in accordance with Section 66 of the Insurance Contract Law - 1981. Under the terms of the policy, there is no deductible for the officers themselves and the deductible of the entities that are insured under the policy is USD 7,500 and USD 25,000 in the event of a claim in the United States/Canada and USD 35,000 in the event of a claim in securities. The annual premium for the period from July 1, 2016 to June 30, 2017 (the Company's share) is approximately NIS 9 thousand (the amount was determined based on the recommendation of the insurance consultant of Alony Hetz Group).

On June 30, 2015, the general meeting of the Company's shareholders approved (after receiving approval from the Company's Audit Committee and Board of Directors) the aforementioned arrangements, including the Company's participation in a premium with respect to the policies which will be acquired by Alony Hetz as part of the aforementioned framework arrangement. The Audit Committee, Compensation Committee and Board of Directors also approved the application of all of the aforementioned arrangements also to corporate officers who are controlling shareholders, or their relatives, from time to time, in accordance with regulation 1b(5) of the Easement Regulations.

(2) Indemnity and release of directors and officers

On October 4, 2011, the general meeting approved a change in the Articles of Association of the Company, and the corresponding inclusion of the changes in the letter of indemnity, and to the extent required the expansion of the insurance policy, of officers in the Company, to the effect that the Company is permitted to indemnify and insure directors and officers in the Company (including from among the controlling shareholders or their relatives) in respect of events and expenses that are permitted in indemnity and insurance under the Law for the Efficiency of Enforcement Proceedings in the Securities Authority (Legislation Amendments) - 2011 ("**the Administrative Enforcement Law**").

The amount of indemnity that shall be payable by the Company to all or any of the officers in the Company in the aggregate under all of the letters of indemnity that have been or will be issued to them, will be limited to a total amount that shall not exceed 25% of the equity of the Company as per the most recent consolidated financial statements published by the Company prior to the actual payment of the indemnity or NIS 40 million, whichever is higher. It is hereby clarified that in relation to directors that are appointed after the date of the general meeting (October 4, 2011) as well as for Mr. Nathan Hetz, the aggregate indemnity will not

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

exceed 25% of the equity of the Company per the most recent (consolidated) financial statements published by the Company prior to the actual payment of the indemnity.

Additionally, with the exception of Mr. Natan Hetz, one of the controlling shareholders in the Company, the officers in the Company were provided with letters of release in the format that is customary in the Company, in accordance with the provisions of the Companies Law.

(3) Directors' compensation

Pursuant to a resolution that was passed by the Company, directors in the Company will be paid an annual compensation and a compensation for their participation in meetings of the Board of Directors and its committees in the sum of the "fixed amount" within its meaning in the Companies Regulations (Rules regarding Compensation and Expenses of an Outside Director) - 2000 ("**the Compensation Regulations**"). In accordance with the Compensation Regulations and based on the equity of the Company as per its financial statements as of December 31, 2015, in the Reporting Period the Company has a D rating. Accordingly, in the Reporting Period the fixed annual compensation is approximately NIS 70 thousand and the fixed compensation for participation in a meeting is approximately NIS 2.6 thousand (these amounts are updated from time to time based on the updating mechanism that is set out in the Compensation Regulations).

The total aggregate payments that were received by the two outside directors and an independent director amounted to NIS 410 thousand.

It is hereby clarified that, as long as the management agreement with Alony Hetz is in effect, directors in the Company who are employed by the Alony Hetz Group shall not be entitled to directors' compensation.

P. Benefits to key management personnel of the Company who are employed in the Group (with the exception of directors' fees the rest of the sums relate to the Company's CEO, CFO, Legal Advisor and Company Secretary, and VP Business Development)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

	Number of recipients			Year ended December 31,		
	2016	2015	2014	2016	2015	2014
				NIS in thousands		
Directors' fees	3	3	3	410	330	286
Short-term employee	4	2	2	3,370	2,289	1,802
Post-employment benefits	4	2	2	284	157	148
Other long-term benefits	4	2	2	303	155	128
Share-based payment	4	2	2	2,350	515	654
				6,717	3,446	3,018

(*) In 2014, an outside director in the Company was replaced.

The total payments which were paid by the Company for internal audit services in 2016 amounted to a total of NIS 41 thousand, with respect to internal audit services which he provided to the Company during the year.

During the Reporting Period, no benefits were paid to key management personnel that are not employed in the Group excluding the directors' compensation as described above.

Q. Additional information regarding balances and transactions with related parties

(1) Balances with related parties

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Transactions with Related and Interested Parties (Cont'd)

	December 31	
	2016	**2015**
	NIS in thousands	
Current assets		
Receivables and debit balances - limited partnership (*)	17	193
Liabilities		
Trade payables, other payables and credit balances - loans from non-controlling interests	8,546	-
Trade payables and other payables and credit balances (Amot Investments)	104	2
Trade payables and other payables and credit balances - other related companies	274	195
Trade payables and other payables and credit balances (Alony Hetz)	1,096	693
Accrued expenses - directors' compensation	96	81

(*) Highest balance in 2016 - approximately NIS 401 thousand (excluding loans and investments in the partners' equity in a limited partnership in the amount of NIS 14,873 thousand), and in 2015 – NIS 1,378 thousand.

(2) Transactions with related parties

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Revenues from the construction of a project	279	36	1,914
Expenses for the rent of rooftops from Amot or its subsidiaries	842	1,057	860
Expenses for the rent of offices from Amot	723	422	424
Expenses in respect of management fees to the parent company	3,763	2,507	988
Expenses for directors' compensation	410	330	286
Financing income received from a limited partnership	332	519	806
Revenues from operation services to a limited partnership	137	138	110

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 28 - Share-Based Payment

A. Presented below are the plans for the compensation of officers and employees in effect as of December 31, 2016

	Number of recipients	Number of options	Of which to the CEO	Of which to the CFO	Economic value on grant date, NIS in thousands	Exercise price per option in NIS (*)	Expiration date
Year 2013	3	782,500	-	-	125	1.49	09/03/2018
Year 2013	1	900,000	900,000	-	225	1.49	03/07/2018
Year 2013	1	420,000	-	420,000	105	1.49	12/05/2018
Year 2014	6	1,148,000	587,000	-	579	2.64	12/03/2017 (**)
Year 2014	1	235,000	-	235,000	100	2.40	11/06/2017
Year 2015	10	2,495,000	1,250,000	317,000	971	1.97	09/03/2018
Year 2015	2	963,000	782,000	181,000	382	1.98	14/03/2018
Year 2016	12	3,232,000	769,000	1,898,000	1,124	2.99	07/03/2019
Year 2016 (***)	1	15,682,636	15,682,636	-	5,400	4.66	21/03/2021 21/03/2022

(*) The exercise addition per option in NIS is after adjustments to the price of the dividend which was distributed in 2016.

(**) With respect to 76,500 options which are owned by a former employee of the Company, the Company's Board of Directors approved the extension of the exercise date until April 30, 2017.

(***) Long-term plan for the Company's CEO. For additional details, see Note 27j. The options will vest in 3 tranches: 2/3 of the options (first and second tranches) will expire on March 21, 2021, and the remaining options (the third tranche) will expire on March 21, 2022.

For details regarding the allocation of options to employees, to the Company's CEO, and to corporate officers, after the balance sheet date (including instead of a cash bonus), see Note 34d.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 28 -Share-Based Payment (Cont'd)

B. Parameters used in calculating the benefit embodied in the options:

Plan	2013	2013	2013	2014 (3)	2014 (3)	2015 (3)	2015 (3)	2016 (3)	2016 (4)
Share price (in NIS)	1.04	1.17	1.17	2.49	2.26	1.86	1.87	2.81	2.81
Exercise price (NIS)	1.55	1.55	1.55	2.68	2.44	2.01	2.02	3.03	4.70
Weighted expected volatility (1)	35.00 %	34.20 %	34.20 %	32.77 %	31.80 %	34.97 %	34.97 %	22.69 %	31.70 %
Average life of the options (in years) (2)	4	5	5	2.75-3	2.75	2.75	2.75-3	2.75-3	4-6
Risk-free interest rate	0.10%	0.10%	0.10%	1.25%-1.17%	1.01%	0.46%	0.43%-0.5%	0.36%-0.46%	1.13%
Expected dividend rate	-	-	-	-	-	-	-	-	-
Total benefit (NIS in thousands)	376	225	105	579	100	1,211	381	1,270	5,400
Amortized balance (NIS in thousands):									
Year 2016	13	-	-	23	22	430	-	361	885
Year 2015	42	-	-	60	50	449	381	-	-
Year 2014	26	-	-	162	28	-	-	-	-
Year 2013	94	225	105	379	-	-	-	-	-
Year 2012	-	-	-	-	-	-	-	-	-
Year 2011	-	-	-	-	-	-	-	-	-

(1) Determined based on the historic volatility of the share prices of the Company.

(2) The life of the options is determined according to management's projections as to the period of holding by the option recipients, based on their position in the Company and the Company's past experience concerning the employee turnover rate.

(3) The options will vet at the end of two years from their granting date, with the exception of options granted in lieu of a cash bonus that had vested immediately by resolution of the Company's Board of Directors.

(4) Long-term plan for the Company's CEO. For additional details, see Note 27j.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 28 - Share-Based Payment (Cont'd)

C. Presented below are developments in the options granted to the officers in the Company and its employees:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as of January 1	12,330,45	1.83	9,721,000	1.76
Granted during the year	3,655,000	3.03	4,092,000	2.01
Forfeited during the year	(748,500)	2.53	(952,000)	2.10
Exercised during the year	(5,061,451	1.55	(530,549)	1.54
Balance as of December 31	10,175,50	2.35	12,330,45	1.83
Options exercisable as of December 31	5,058,500	2.11	8,406,451	1.71
Anticipated consideration from the exercise of the outstanding options as of December 31 (NIS in thousands)	23,901		22,519	

(*) The share price shortly before the date of issue of the report is NIS 2.604.

The table presented above does not include the granting of approximately 15 million options through a cashless mechanism, which were provided to the Company's CEO within the framework of the long-term compensation plan. For additional details regarding the compensation plan, see Note 27j.

Note 29 - Earnings (Loss) Per Share

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Profit (loss) attributable to the holders of ordinary			
Profit (loss) for the year used in computing the basic and diluted loss per share	6,225	9,044	(4,195)
Weighted average number of ordinary shares used in computing the basic and diluted earnings (loss) per share from continuing operations			
Balance at beginning of year	307,669,5	168,625,0	167,750,0
Effect of shares issued in the period (*)	7,522,029	94,421,99	52,740
Weighted average for the year ended December 31	315,191,6	263,047,0	167,802,7

(*) After taking into account the exercise of options of the Company's CEO, the Company's employees, and share options (Series 2) during the period.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax

A. Details regarding the Group's tax environment

The provision for current taxes of the Company and its investee entities in Israel was determined based on the provisions of the Income Tax Ordinance (New Version), 1961 (hereinafter: "the Ordinance").

As to the share of the Company in investee partnerships - in accordance with the provisions of Section 63 of the Income Tax Ordinance (New Version), 1961, the share of the partnership's income to which each partner is entitled in the tax year will be deemed as the income of such partner and will be included in its tax return.

The Income Tax Regulations (Depreciation) - 1941 set a depreciation rate of 25% for all facilities that produce electricity from solar energy using photovoltaic technology, which is applicable to projects with operation dates from January 1, 2009 to December 31, 2015.

With respect to the tax environment in Poland, the provision for current taxes of corporations in the Group which are residents of Poland was determined according to the provisions of the Polish tax authorities.

B. Tax rates applicable to the Group

Tax rates applicable to the companies in Israel:
2016 - 25%
2017 - 24%
2018 - 23%

The tax rate applicable to the companies in Poland is 19%.

In early January 2016, the Law for the Amendment of the Income Tax Ordinance was published, which provides for the reduction of the corporate tax rate, in 2016, to 25% (instead of 26.5% in 2015). The new corporate tax rate applies to income generated or derived as from January 1, 2016.

On December 29, 2016, the Economic Efficiency Law (Legislative Amendments to Meet Budgetary Targets for the Years 2017 and 2018) - 2016, published in the Official Gazette, according to which the corporate tax rate will be reduced from 25% to 24% in 2017, with respect to income produced or arisen on or after January 1, 2017, and will be further reduced to 23% in 2018 and thereafter, with respect to income produced or arisen on or after January 1, 2018.

Current taxes for the reported period are calculated according to the tax rates presented above.
As a result of the aforementioned legislation, a decrease occurred in the Company's deferred tax assets and liabilities as of December 31, 2016, in the amount of approximately NIS 138 thousand, which was applied against tax expenses for 2016 in the amount of approximately NIS 155 thousand, and against other comprehensive income for 2016 in the total amount of approximately NIS 293 thousand.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

C. Income tax expense (income) components

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Current tax expense (income)			
For the current year	252	7	519
Adjustments in respect of previous years, net	14	(61)	-
	266	(54)	519
Deferred tax expense (income)			
Creation and reversal of temporary differences	18,538	17,286	(2,544)
Changes in tax rate	155	-	-
Amortization (reversal of amortization) of deferred tax	(17,306	(14,081	359
	1,387	3,205	(2,185)
Total expenses (income) for taxes on income from continuing operations	1,653	3,151	(1,666)
Of which an amount of benefit relating to the initial recognition of a deferred tax asset in respect of a previous period that was not recognized in the past	-	473	574

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

D. Deferred taxes

The deferred tax balances as of December 31, 2016 and 2015 were calculated according to the new tax rates specified in the Economic Efficiency Law (Legislative Amendments to Meet Budgetary Targets for the Years 2017-2018), according to the tax rate which is expected to apply on the date of reversal.

Presented below are the composition and movement of the deferred taxes in the years ended December 31, 2016 and 2015:

2016	December 31, 2015	Amount carried to profit or loss	Carried to other comprehensive income	December 31, 2016
Carry forward tax losses	14,081	16,863	(98)	30,846
Small and medium photovoltaic systems	(7,443)	(3,100)	-	(10,543)
Large photovoltaic system	(17,733)	(12,635)	-	(30,368)
Wind farm	-	1,882	-	1,882
Financial instruments	(183)	176	(4,092)	(4,099)
Employee benefits	164	33	-	197
Deferred revenues	-	(1,954)	-	(1,954)
Other	927	(565)	-	362
Unrealized gains on inter-company transactions	12,320	(2,087)	-	10,233
Balance of deferred tax asset	2,133	(1,387)	(4,190)	(3,444)
Deferred tax asset available for offsetting				20,186
Deferred tax liabilities available for offsetting				(16,595)
Deferred tax asset in the statement of financial position as of December 31, 2016				3,591
Deferred tax liability				(30,368)
Deferred tax asset available for offsetting				23,334
Deferred tax liability in the statement of financial position as of December 31, 2016				(7,034)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

2015	**December 31, 2014**	**Amount carried to profit or loss**	**Carried to other comprehensive income**	**December 31, 2015**
Carry forward tax losses	-	14,081	-	14,081
Small and medium photovoltaic systems	(3,863)	(3,580)	-	(7,443)
Large photovoltaic system	(64)	(17,669)	-	(17,733)
Financial instruments	-	(183)	-	(183)
Employee benefits	118	46	-	164
Other	927	-	-	927
Unrealized gains on inter-company transactions	8,220	4,100	-	12,320
Balance of deferred tax asset	5,338	(3,205)	-	2,133
Deferred tax asset available for offsetting				13,955
Deferred tax liabilities available for offsetting				(7,626)
Deferred tax asset in the statement of financial position as of December 31, 2015				6,329
Deferred tax liability				(17,733)
Deferred tax asset available for offsetting				13,537
Deferred tax liability in the statement of financial position as of December 31, 2015				(4,196)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

E. Theoretical tax

The difference between the amount calculated at the ordinary tax rates and the amount of provision for taxes is explained as follows:

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Profit (loss) before taxes on income	6,714	12,198	(5,859)
Primary tax rate of the Company	25.0%	26.5%	26.5%
	1,679	3,232	(1,553)
Tax increment (saving) in respect of:			
Different tax rate of foreign subsidiaries	(1,150)	(248)	-
Non-deductible expenses	517	213	279
Effect of the change in the tax rate	155	-	-
Creation of deferred taxes for losses for which deferred taxes were not created in the past	-	-	(574)
Decrease in deferred taxes due to losses for which deferred taxes were not created in excess	197	-	178
Interest income with respect to inter-company transactions	200	-	-
Taxes in respect of previous years	14	(61)	-
Other differences	41	15	4
	(26)	(81)	(113)
Income tax expense (income) from continuing	1,653	3,151	(1,666)
Effective tax rate	25%	26%	28%

F. Unrecognized deferred tax liabilities

As of December 31, 2016 and 2015, a deferred tax liability relating to associated companies and subsidiaries was not recognized because the decision as to whether to sell this company rests with the Group, which does not intend to sell in the foreseeable future.

G. Tax assessments

The Company has been issued tax assessments that are considered as final through tax year 2012. Subsidiaries in Israel have not yet been issued final tax assessments since their inception. The consolidated companies in Poland have been issued tax assessments which are considered final up to and including tax year 2010.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

Note 31 - Data Regarding Operating Segments

As of the Reporting Date, the Group has two reportable segments, as specified below, which constitute strategic business units of the Group. The strategic business units include various operations and the allocation of resources and evaluation of performance are managed separately because they require different technology and modes of operation. The following summary describes the operations in each of the Group's operating segments:

Photovoltaic segment - initiation, development, and connection of solar systems for the sale of electricity to the grid and their operation over their active period.

Wind Energy Segment (in Israel and in Poland) - initiation, development, and connection of projects for the sale electricity produced using wind energy and their operation over their active period.

The Company has no other activities.

Although the strategic business units are similar at core and belong to the renewable energy sector (licensing proceedings, structure of engagement with EPC contractors and financing bodies), each unit constitutes an independent market and is subject to different regulation. Additionally, the business units possess different characteristics, both as regarding the nature of development, the manner of operation, the equipment and the suppliers of the equipment as well as the complexity of the activity itself. For each strategic business unit, the chief operating decision maker and management of the Company review, at least once every quarter, the internal management reports.

Segment profits are measured based on the profit (loss) before financing, taxes, depreciation and amortization as included in the reports that are regularly reviewed by the chief operating decision maker and management. This indicator is used to measure the segment results since the chief operating decision maker and management believe that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries. Segment results reported to the chief operating decision maker include items directly attributable to the field on a reasonable basis. Additionally, the attributed amounts include depreciation expenses in respect of the connected systems in each of the fields as well as financing expenses incurred by the Group in respect of outside financing.

Segment assets comprise connected facilities and projects under construction, whereas field liabilities comprise loans taken, as included in reports provided regularly to the chief operating decision maker and to management of the Company.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

Note 31 - Data Regarding Operating Segments (Cont'd)

	Year ended December 31, 2016						
	Photovoltaic	Wind		Total reportable segments	Unallocated expenses	Adjustments	Total consolidated
		Poland (*)	Israel				
	NIS in thousands						
Revenues from the sale of electricity	58,940	53,708	-	112,648	-	(1,284)	111,364
Impairment of green certificates	-	(6,616)	-	(6,616)	-	-	(6,616)
Revenues from the construction of facilities	279	-	-	279	-	-	279
Operating and other income, net	137	1,420	-	1,557	19	-	1,576
Construction costs of facilities	(241)	-	-	(241)	-	-	(241)
Other shared expenses	(11,123)	(13,060)	(544)	(24,727)	(15,877)	429	(40,175)
Profit (loss) before financing, taxes, depreciation and amortization	**47,992**	**35,452**	**(544)**	**82,900**	**(15,858)**	**(855)**	**66,187**
Reversal of provision for doubtful debt	-	-	3,594	3,594	-	-	3,594
Depreciation and amortization	(16,961)	(19,774)	-	(36,735)	(520)	855	(36,400)
Financing expenses, net	(12,390)	(14,124)	-	(26,514)	(1,301)	(353)	(28,168)
Profit (loss) before taxes on income	**18,641**	**1,554**	**3,050**	**23,245**	**(17,679)**	**(353)**	**5,213**
Taxes on income	-	-	-	-	(1,653)	-	(1,653)
Company's share in the results of equity-accounted investees	-	-	-	-	-	1,501	1,501
Net profit (loss)	**18,641**	**1,554**	**3,050**	**23,245**	**(19,332)**	**1,148**	**5,061**
Assets of reportable segments and other operations	352,211	730,889	16,161	1,099,261	-	9,096	1,108,357
Other amounts	60,972	83,095	4,805	148,872	9,729	-	158,601
Total consolidated assets	**413,183**	**813,984**	**20,966**	**1,248,133**	**9,729**	**9,096**	**1,266,958**
Liabilities of reportable segments and other operations	330,213	304,586	14,154	648,953	77,048	17,010	743,011
Total consolidated liabilities	**330,213**	**304,586**	**14,154**	**648,953**	**77,048**	**17,010**	**743,011**

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

(*) Systems with a capacity of 69.2MW, out of a total amount of 119.2MW, were connected to the power grid in Poland in June 2016.

Note 31 - Data Regarding Operating Segments (Cont'd)

	Year ended December 31, 2015						
	Photovoltaic	Wind		Total reportable segments	Unallocated expenses	Adjustments	Total consolidated
		Poland	Israel				
	NIS in thousands						
Revenues from the sale of electricity	56,649	1,916	-	58,565	-	(3,005)	55,560
Revenues from the construction of facilities	36	-	-	36	-	-	36
Operating and other income, net	417	25	3,997	4,439	-	-	4,439
Construction costs of facilities	(70)	-	-	(70)	-	-	(70)
Other shared expenses	(8,368)	(513)	(1,934)	(10,815)	(11,570)	607	(21,778)
Profit (loss) before financing, taxes, depreciation and amortization	**48,664**	**1,428**	**2,063**	**52,155**	**(11,570)**	**(2,398)**	**38,187**
Depreciation and amortization	(15,967)	(544)	-	(16,511)	(299)	1,007	(15,803)
Financing expenses, net	(11,299)	-	-	(11,299)	(430)	520	(11,209)
Profit (loss) before taxes on income	**21,398**	**884**	**2,063**	**24,345**	**(12,299)**	**(871)**	**11,175**
Taxes on income	-	-	-	-	(3,151)	-	(3,151)
Company's share in the results of equity-accounted investees	-	-	-	-	-	1,023	1,023
Net profit (loss)	**21,398**	**884**	**2,063**	**24,345**	**(15,450)**	**152**	**9,047**
Assets of reportable segments and other operations	356,523	437,080	180	793,783	-	8,126	801,909
Other amounts	66,378	101,254	10,000	177,632	22,634	-	200,266
Total consolidated assets	**422,901**	**538,334**	**10,180**	**971,415**	**22,634**	**8,126**	**1,002,175**
Liabilities of reportable segments and other operations	336,357	128,753	-	465,110	39,040	(21,389)	482,761
Total consolidated liabilities	**336,357**	**128,753**	**-**	**465,110**	**39,040**	**(21,389)**	**482,761**

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 30 - Income Tax (Cont'd)

Note 31 - Data Regarding Operating Segments (Cont'd)

	Year ended December 31, 2014						
	Photovoltaic	Wind		Total reportable segments	Unallocated expenses	Adjustments	Total consolidated
		Poland	Israel				
	NIS in thousands						
Revenues from the sale of electricity	13,747	-	-	13,747	-	(3,722)	10,025
Revenues from the construction of facilities	1,914	-	-	1,914	-	-	1,914
Operating and other income, net	564	-	-	564	-	-	564
Construction costs of facilities	(1,769)	-	-	(1,769)	-	-	(1,769)
Other shared expenses	(2,205)	(394)	(3,835)	(6,434)	(9,645)	574	(15,505)
Profit (loss) before financing, taxes, depreciation and amortization	**12,251**	**(394)**	**(3,835)**	**8,022**	**(9,645)**	**(3,148)**	**(4,771)**
Depreciation and amortization	(3,987)	-	-	(3,987)	(279)	934	(3,332)
Financing expenses, net	(1,698)	-	-	(1,698)	24	2,496	822
Consolidated profit before taxes on income	**6,566**	**(394)**	**(3,835)**	**2,337**	**(9,900)**	**282**	**(7,281)**
Taxes on income	-	-	-	-	1,666	-	1,666
Company's share in the results of equity-accounted investees	-	-	-	-	-	1,422	1,422
Net profit (loss)	**6,566**	**(394)**	**(3,835)**	**2,337**	**(8,234)**	**1,704**	**(4,193)**
Assets of reportable segments and other operations	350,865	45,925	221	397,011	813	1,872	399,696
Other amounts	38,460	-	42	38,502	60,839	-	99,341
Total consolidated assets	**389,325**	**45,925**	**263**	**435,513**	**61,652**	**1,872**	**499,037**
Liabilities of reportable segments and other operations	239,062	45,412	-	284,474	30,952	(342)	315,084
Total consolidated liabilities	**239,062**	**45,412**	**-**	**284,474**	**30,952**	**(342)**	**315,084**

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Note 32 - Contingencies, Guarantees and Liens

A. Contingencies

During the Reporting Period, the Polish legislator published several legislative amendments which have the potential to adversely affect the Wind Segment in Poland, including the wind farm owned by the Company. In light of the aforesaid, the Company has notified the Polish government that it considers these changes to be an impairment of its rights under various treaties, and particularly, the trade treaty between Israel and Poland which is intended to provide protection for the business operations of Israeli investors in Poland, and vice versa. The Company is considering its actions with respect to the aforementioned legislative amendments.

For details regarding a loan which was recognized by the Company in the past as a doubtful debt, see Note 24.

B. Liens and guarantees

(1) The Company has provided bank performance guarantees in an aggregate amount of approximately NIS 1,395 thousand in respect of its applications to receive contingent and permanent licenses.

(2) For information regarding charges and guarantees against financing agreements, see Note 14.

(3) For information regarding restricted deposits, see Note 5.

Note 33 - Financial Instruments

A. General

This note presents quantitative and qualitative information about the Group's exposure to each of the following risks.

The financial instruments of the Group consist primarily of cash and cash equivalents, restricted deposits and restricted cash, trade receivables, derivatives, other receivables and payables and credit balances, trade payables, short-term credit, loans and other long-term liabilities. The Group believes that the carrying amount of the aforesaid financial assets and liabilities, as presented in the financial statements, is close or identical to their fair value, with the exception of long-term loans bearing fixed interest. For additional information, see Note 33b(3)(b).

B. Financial risks and the management thereof

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

As part of its activities, the Group is exposed to risks pertaining to various financial instruments, such as:

- Credit risk;
- Liquidity risk;
- Market risk (including foreign currency risk, index risk and interest rate risk - fair value risk with respect to interest and cash flow risk with respect to interest).

The Group's risk management program focuses on actions that are designated to minimize potential adverse effects on the financial performance of the Group. The risk management is carried out primarily by the CEO of the Company and its CFO by constantly keeping track of developments in the relevant markets. As part of the overall risk management of the Group, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure. In the event of extraordinary developments in the currency and interest markets, they review the data and occasionally the modes of operation in the derivatives market is reviewed in order to hedge interest rate and currency risks.

Presented below are risks pertaining to the financial instruments and the management thereof:

(1) Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables as well as from loans granted to third parties.

The overall theoretical exposure to credit risk as of December 31, 2016 amounts to approximately NIS 16,990 thousand (2015: NIS 20,292 thousand).

In the opinion of management of the Company, as of the date of the report the credit risk of the Group is low, for the following reasons:

- Most of the Group's income from the sale of electricity in Israel is received from the critical service provider, the Electric Corporation.
- The revenues of the Company from the sale of electricity and green certificates in Poland are received through an international broker. The Company can opt between selling the electricity to the local electric corporation under the existing regulation or, alternatively, to several other brokers on the market or, alternatively, directly on the Exchange.
- Cash and cash equivalents, deposits, money market funds and hedging financial instruments (derivatives) are held in banks and in financial institutions, which, according to the Company's assessment, have significant financial stability.

(2) Liquidity risks

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to the management of its liquidity risk is to ensure, to the extent possible, a liquidity level that is sufficient for duly meeting its obligations, under ordinary and stressful conditions, without incurring unwanted losses or damage to its reputation.

The surplus cash held by the companies in the Group that are not required for the financing of operating activities are invested in interest-bearing investment channels, such as short-term deposits. These investment channels are selected by the managements of the companies based on future projections of the cash flow that would be required for the companies in the Group to meet their obligations. The cash flow projection is determined both on the basis of the various entities in the Group and on a consolidated basis. The Company examines current projections of its liquidity requirements in order to verify that sufficient cash is available for operating needs, while ensuring the availability of sufficient unutilized credit facilities at all times, so that the Company remains within the bounds of its allocated credit facilities and the related binding covenants. These projections take into account factors such as the Company's plan to use debt to finance its operations as well as compliance with binding covenants, specific target liquidity ratios and external requirements, such as laws or regulations.

The responsibility for the management of the liquidity risks lies with management of the Company, which conducts a program for the management of financing and liquidity risks in the short, medium and long terms, depending on the needs of the Company. The Company manages the liquidity risk by maintaining adequate surpluses of cash and credit facilities, performing current and future financial forecasts and by comparing the future yields on the financial assets and the financial liabilities. The Group aims to maintain the existing ratio between the obtaining of ongoing financing and the flexibility that is afforded by the use of credit.

The ultimate responsibility for the management of a liquidity risk lies with the Board of Directors, within the framework of the management of the liquidity risk in relation to management's financing and liquidity requirements in the short, medium and long term.

Analysis of the projected maturities of non-derivative financial liabilities

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

The following table presents the flow of financial liabilities (principal and projected interest) in undiscounted amounts that do not constitute derivative financial instruments, based on the contractual maturities:

	Interest rate	Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
		December 31, 2016				
	%	NIS in thousands				
Trade payables, other payables and credit balances	-	55,250	55,250	55,250	-	-
Short-term loans from financial institutions	1.7%-2.1%	65,501	65,597	65,597	-	-
Long-term liabilities	-	21,224	25,487	6,339	6,339	12,809
Long-term loans from financial institutions (*)	3.2%-4.6%, linked	347,301	446,256	32,063	61,709	352,484
Long-term loan from foreign bank (*)	4.48%-4.53%	245,458	338,931	24,210	48,422	266,299
		734,73	931,52	183,45	116,47	631,59

(*) Securities - for information regarding the carrying amount of the financial assets which are used as securities for the aforementioned liabilities, see Note 14.

The overall theoretical exposure to the liquidity risk amounts to approximately NIS 931,521. Company management estimates that the liquidity risk is low. According to the Company's estimate, its share in the receipts from the sale of electricity from 2017 and thereafter, in the amount of approximately NIS 134 million per year, guarantee the Company's ability to service its current liabilities.

		Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
		December 31, 2015				
		NIS in thousands				
Trade payables, other payables and credit balances	-	68,273	68,273	68,273	-	-
Liability for the acquisition of shares (*)	-	63,341	63,341	63,341	-	-
Short-term loans from financial institutions	2.1%	26,000	26,109	26,109	-	-
Long-term loans from financial institutions	3.2%-4.6%, linked	312,774	408,873	27,464	80,147	301,262
		[illegible]	[illegible]	[illegible]	80,147	[illegible]

(*) For additional information, see Note 9c(1)(b).

(3) Market risks

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Market risk is the risk that changes in market prices to which the Group is exposed, such as foreign exchange rates, interest rates and the CPI, will affect the Group'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.

Presented below are the different types of market risks:

(a) Foreign currency and linkage risks

Foreign currency - The Group is exposed to foreign currency risks as a result of changes in the exchange rates of foreign currencies, primarily the Zloty. The foreign currency risk results from the performance of transactions that are denominated in a foreign currency as well as the existence of financial assets and financial liabilities that are denominated in a foreign currency other than the functional and reporting currency of the Company (NIS).

The Group customarily reduces its exposure to foreign currency as follows:

1. Upon the connection of the Company's wind projects in Poland to the power grid, as specified in Note 9c, the Company is exposed to changes in the value of its investment and in its results with respect to its activities in Poland, due to changes in the PLN vs. the NIS. Such changes in the exchange rate directly affect the Company's equity, and its results. Accordingly, the Company considers and enters into various transactions, as necessary, in order to reduce the currency exchange risk. Accordingly, the Company adopted a hedging policy according to which, during the commercial operation period of the Company's projects in Poland, the Company will hedge its net investment (after the receipt of external financing in Zloty), in the projects, such that the unhedged part of the aforementioned equity will not exceed NIS 100 million. As of the Reporting Date, the Company has hedging transactions in the amount of approximately PLN 430 million, out of the Company's total exposure to foreign currency, which amounted to a total of approximately PLN 523 million (approximately 82% of the net investment in projects in Poland). Hedging is effected by acquiring hedging instruments that protect from a decline in the NIS value of the investment.

   The Company's CEO and CFO monitor the net position of activities in foreign currency, and as required, perform forward transactions on that currency. From time to time, the Group has or positive negative cash flows from the settlement of these transactions.

The following table specifies the foreign currency forward contracts as of December 31, 2016:

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Year of settlement	Type of transaction	Sale	Foreign currency	Purchase	Foreign currency	Average exchange rate	Fair value	Type of settlement
		Thousands		Thousands			NIS in thousands	
Derivatives designated as hedging components:								
Short-term	Forward	130,000	Zloty	122,901	NIS	0.947	5,035	Gross
Long-term	Forward	300,000	Zloty	275,793	NIS	0.919	12,137	Gross

2. Engagements with foreign suppliers in foreign currency for the purchase of systems and equipment for projects that are denominated in NIS expose the Group to changes in the exchange rates of currencies in which it intends to purchase the equipment. Such exposure is limited to the timespan from the date of purchase of the equipment to the date of payment of the full consideration in its respect. As necessary and in order to fix the purchase cost of systems and equipment that are purchased overseas, the Company considers and carries out, to the extent necessary, forward or swap transaction to hedge the foreign currency risk.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

B. Financial risks and the management thereof (Cont'd)

(3) Market risks (Cont'd)

(a) Foreign currency and linkage risks (Cont'd)

Consumer Price Index -

The CPI-linked loans expose the Group to a cash flow risk in respect of changes in the CPI rate that are not accompanied by a corresponding change in the fair value of the financial instruments. It should be noted that the revenues of the Company from IEC are linked to the CPI in a manner that is updated one a year and are secured for 20 years. Accordingly, an increase in the rate of the CPI will result in an increase in revenues from the production of electricity, thereby reducing this exposure.

The linkage and foreign currency exposure of the Group is as follows:

December 31, 2016

	EUR	PLN	Other	Unlinked NIS	CPI-linked NIS	Total
	NIS in thousands					
Cash and cash equivalents	591	28,551	158	9,814	-	39,114
Restricted deposit and restricted cash	-	12,565	-	18,962	-	31,527
Trade receivables	662	6,082	-	3,607	-	10,351
Receivables and debit balances	-	456	-	2,547	3,636	6,639
Hedging financial instruments	-	17,659	-	-	-	17,659
Total assets	1,253	65,313	158	34,930	3,636	105,290
Trade payables, other payables and credit balances	40,131	9,039	45	5,557	478	55,250
Short-term credit from financial institutions	-	-	-	65,501	-	65,501
Other long-term liabilities	-	8,546	3,845	8,832	-	21,223
Long-term loans from financial institutions	-	245,459	-	-	347,301	592,760
Total liabilities	40,131	263,044	3,890	79,890	347,779	734,734
Total excess of liabilities over assets	(38,878)	(197,731)	(3,732)	(44,960)	(344,143)	(629,444)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

B. Financial risks and the management thereof (Cont'd)

(3) Market risks (Cont'd)

(a) Foreign currency and linkage risks (Cont'd)

December 31, 2015

	EUR	PLN	Other	Unlinked NIS	CPI-linked NIS	Total
	NIS in thousands					
Cash and cash equivalents	52,982	5,393	22	15,038	-	73,435
Restricted deposit and restricted cash	-	-	-	21,716	-	21,716
Trade receivables	-	1,071	-	4,715	-	5,786
Receivables and debit balances	107	870	-	13,529	-	14,506
Hedging financial instruments	-	2,770	-	-	-	2,770
Total assets	53,089	10,104	22	54,998	-	118,213
Trade payables, other payables and credit balances	43,751	18,205	142	7,489	-	69,587
Liability for the acquisition of shares	62,496	845	-	-	-	63,341
Short-term credit from financial institutions	-	-	-	26,000	-	26,000
Long-term loans from financial institutions	-	-	-	-	312,774	312,774
Total liabilities	106,247	19,050	142	33,489	312,774	471,702
Total excess of liabilities over assets	(53,158)	(8,946)	(120)	21,509	(312,774)	(353,489)

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

Presented below is an analysis of the Group's linkage and foreign currency sensitivity.

The effect of a 5% change in the exchange rate / 2% change in the CPI on the profit or loss in respect of financial liabilities that are exposed to risk (before the tax effect) is as follows:

	December 31, 2016		
	Increase of 5%		Decrease of 5%
	Profit and loss / equity	Carrying amount	Profit and loss / equity
Foreign currency sensitivity - 5% change	NIS in thousands		
In Euro (cash and cash equivalents)	30	591	(30)
In Euro (customers)	33	662	(33)
In Euro (trade payables and other payables and credit balances)	(2,007)	(40,131)	2,007
In Zloty (cash and cash equivalents)	1,428	28,551	(1,428)
In Zloty (trade and other accounts receivable and debit balances)	312	6,242	(312)
In Zloty (long-term pledged deposit and restricted cash)	628	12,565	(628)
In Zloty (derivative financial instruments)	883	17,659	(883)
In Zloty (other long-term receivables)	15	296	(15)
In Zloty (short and long-term loans from financial institutions)	(12,273)	(245,459)	12,273
In Zloty (trade payables and other payables and credit balances)	(452)	(9,039)	452

	December 31, 2016		
	Increase of 2%		Decrease of 2%
	Profit and loss / equity	Carrying amount	Profit and loss / equity
Linkage sensitivity - 2% change	NIS in thousands		
In the CPI (loans from financial institutions)	(6,946)	(347,30[illegible]	677

(*) The impact of the decrease of the CPI on some of the aforementioned loans is restricted to the amount of the base index.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

	December 31, 2015		
	Increase of 5%		Decrease of 5%
	Profit and loss / equity	Carrying amount	Profit and loss / equity
Foreign currency sensitivity - 5% change	NIS in thousands		
In Euro (cash and cash equivalents)	2,649	52,982	(2,649)
In Euro (receivables and debit balances)	5	107	(5)
In Euro (trade payables and other payables and credit balances)	(2,188)	(43,751)	2,188
In Euro (liability for the acquisition of shares)	(3,125)	(62,496)	3,125
In Zloty (cash and cash equivalents)	270	5,393	(270)
In Zloty (trade receivables)	54	1,071	(54)
In Zloty (derivative financial instruments)	139	2,770	(139)
In Zloty (trade payables and other payables and credit balances)	(910)	(18,205)	910

	December 31, 2015		
	Increase of 2%		Decrease of 2%
	Profit and loss / equity	Carrying amount	Profit and loss / equity
Linkage sensitivity - 2% change	NIS in thousands		
In the CPI (loans from financial institutions)	(6,255)	(312,774)	6,255

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

B. Financial risks and the management thereof (Cont'd)

(3) Market risks (Cont'd)

(b) Interest rate risk

Fair value risk - the Group has investments in financial instruments which bear fixed interest, as well as financial liabilities classified as long-term loans which bear fixed interest. The Group is not exposed to risk with respect to changes in the fair value of these financial instruments, which will affect the Group's profit and loss or equity, due to the fact that these financial instruments are measured at amortized cost.

As of December 31, 2016, the Group has loans in the amount of NIS 523,133 thousand, which bear fixed interest, and therefore do not create exposure to the aforesaid interest rate risk. The fair value of the loans as of the date of the report is NIS 532,832 thousand. As of December 31, 2015, the Group had a loan with a carrying amount of NIS 312,774 thousand and a fair value of NIS 317,681 thousand.

Cash flow risk - financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates.
The Company's loan in PLN is variable rate. According to the financing agreement the Company is obligated to fix 75% of the loan to a fixed rate by means of hedging instruments (swap), and accordingly the hedged part of the loan is presented as a fixed rate instrument, such that 25% of the loan is at variable interest of 3 month WIBOR.

The following table specifies the impact of the addition or subtraction of 3% to the WIBOR interest rate on the profit and loss with respect to the financial liabilities which are exposed to cash flow risk due to changes in interest rates (before tax effect):

	December 31, 2016		December 31, 2015	
		Change of 3% (+/-)		Change of 3% (+/-)
	Carrying amount	Profit and loss	Carrying amount	Profit and loss
	NIS in thousands		NIS in thousands	
Loan in PLN (*)	61,356	1,841	-	-

(*) Refers only to 25% of the principal which is exposed to interest rate changes.

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

(4) Financial instruments presented in the financial statements at fair value

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the statement of financial position at fair value. Forward contracts which were designated for foreign currency hedging, whose foreign currency as of fair value is NIS 17,172 thousand, as well as financial derivatives intended for hedging of the interest rate on the Company's loans in PLN, are measured at level 2.

Note 34 - Additional Information Regarding Events Subsequent to the Reporting Date

A. Capital raising

For details regarding a capital raising subsequent to the Reporting Date, in the gross amount of approximately NIS 84.2 million, see Note 16c.

B. Initiation activities in the Wind Energy Segment in Israel - Clean Wind Energy Project

For details regarding the development of the initiation and development activities with respect to the Clean Wind Energy Project subsequent to the Reporting Date, see Note 15b(1).

C. Update to salary of controlling shareholder's relative

For additional details regarding the update to the salary of a relative of the controlling shareholder, beginning in March 2017, see Note 27e.

D. Options granted to employees, to the Company's CEO and to corporate officers

On March 12, 2014, the Company's Board of Directors approved, in accordance with the principles of the Company's compensation policy, new plans for the granting of options to employees and officers of the Company, of which it was decided to grant 3.7, 4.1 and 1.9 million options to employees, to the Company's CEO and to corporate officers, during the years 2016, 2015 and 2014, respectively.
The options are not listed for trading and are exercisable into ordinary shares of NIS 0.01 par value each of the Company (subject to adjustments) under the capital gains tax with a trustee by virtue of Section 102(b)(2) of the Income Tax Ordinance (the "**2014 Plan**").

Energix - Renewable Energies Ltd.
Notes to the Consolidated Financial Statements

On March 5, 2017, the Company's Board of Directors approved the allotment of an annual share under the 2014 plan, as follows:

	Equity compensation to employees	Equity compensation to corporate officers (*)	Equity compensation to the Company's CEO
Number of options	1,008,000	2,401,000	1,790,000
Including fully accelerated options in lieu of cash bonus	-	936,000	1,023,000
Number of employees	17	4	1
Share price (in NIS)	2.604	2.604	2.604
Exercise price (in NIS) (**)	2.812	2.812	2.812
Fair value of option	0.3685	0.3685	0.3910
Expected volatility	24.80%	24.80%	24.80%
Life of the option (in years)	2.83	2.83	3.08
Last exercise date	3 years after the actual granting date	3 years after the actual granting date	3 years after the actual granting date
Risk-free interest rate	0.623%	0.623%	0.697%
Expected dividend rate	-	-	-

(*) Includes a bonus to the VP Operations and Engineering, who began working in the Company on January 1, 2017.

(**) The exercise price was determined based on the share price plus 8%.

The fair value is estimated using the Black and Scholes model. The total economic value of the options amounts to approximately NIS 1,956 thousand. Out of said total, an amount of approximately NIS 745 thousand was deducted in 2016 (due to their granting in lieu of a cash bonus) and the remaining NIS 1,211 thousand is expected to be deducted in 2017 and 2018 (NIS 605.5 thousand in each of the years).

E. Dividend distribution policy

For details regarding an update to the Company's dividend distribution policy subsequent to the Reporting Date, see Note 16e.

Energix - Renewable Energies Ltd.

Separate Financial Information for 2016

Attn.:
Shareholders of Energix - Renewable Energies Ltd.

Dear Sir / Madam,

Re: **<u>Special Auditor's Report Regarding the Separate Financial Information, in Accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970</u>**

We have audited the separate financial information which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970, of **Energix Renewable Energies Ltd.** (hereinafter: the "**Company**") as of December 31, 2016 and 2015, and for the two years ended December 31, 2016. The Company's Board of Directors and management are responsible for the separate financial information. Our responsibility is to express an opinion regarding the separate financial information, based on our audit.

The Company's separate financial information as of December 31, 2014, and for the year then ended, before its restatement, was audited by other auditors, whose report dated March 15, 2015 included an unqualified opinion.

We have not audited the separate financial information from the financial statements of an investee, the total investment in which amounted to a total of approximately NIS 75,950 thousand as of December 31, 2016, and where the profit from that investee amounted to a total of approximately NIS 3,037 thousand for the year ended December 31, 2016. The financial statements of that company were audited by other auditors, whose reports were submitted to us, and our opinion, insofar as it refers to the amounts which were included with respect to that company, is based on the reports of the other auditors.

We have conducted our audit in accordance with generally accepted auditing standards in Israel. In accordance with these standards, we are required to plan and conduct our audit with the aim of obtaining a reasonable measure of assurance that the separate financial information includes no material misrepresentation. An audit includes examining, on a sample basis, evidence to support the amounts and the details separate financial information i the separate financial information. An audit also includes an evaluation of the accounting principles which were applied in the preparation of the separate financial information, and of the significant estimates which were made by the Company's Board of Directors and management, as well as an evaluation of the adequacy of presentation in the separate financial information. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the separate financial information has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of Securities Law Regulations (Periodic and Immediate Statements) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, March 5, 2017

תל אביב - משרד ראשי
מרכז עזריאלי 1 תל אביב, 6701101 ת.ד. 16593
תל אביב, 6116402 | טלפון : 03-6085555 | פקס : 03-6094022 | info@deloitte.co.il

משרד ירושלים
קרית המדע 3
מגדל הר חוצבים
ירושלים, 9777603
ת.ח. 45396
ירושלים, 9145101
טלפון: 02-5018888
פקס: 02-5374173
info-jer@deloitte.co.il

משרד חיפה
מעלה השחרור 5
ת.ד. 5648
חיפה, 3105502
טלפון: 04-8607333
פקס: 04-8672528
info-haifa@deloitte.co.il

משרד באר שבע
אלומות 12
פארק התעשייה עומר
ת.ד 1369
עומר, 8496500
טלפון: 08-6909500
פקס: 08-6909600
info-beersheva@deloitte.co.il

משרד אילת
המרכז העירוני
ת.ד. 583
אילת, 8810402
טלפון: 08-6375676
פקס: 08-6371628
info-eilat@deloitte.co.il

טריגר פורסייט
מקבוצת Deloitte
מרכז עזריאלי 3
תל אביב, 6701101
טלפון: 03-6070500
פקס: 03-6070501
info@deloitte.co.il

Deloitte Analytics
הסיבים 7
ת.ד. 7796
פתח תקווה, 4959368
טלפון: 077-8322221
פקס: 03-9190372
info@deloitte.co.il

Seker - Deloitte
גיבורי ישראל 7
ת.ד. 8458
נתניה דרום, 4250407
טלפון: 09-8922444
פקס: 09-8922440
info-seker@deloitte.co.il

Energix - Renewable Energies Ltd.
Separate Statements of Financial Position

	Note	December 31 2016	December 31 2015
		NIS in thousands	
Assets			
Current assets			
Cash and cash equivalents		3,359	9,204
Pledged deposit		-	5,024
Trade receivables		30	49
Receivables - investee companies		4,379	9,516
Receivables and debit balances		5,799	14,461
Total current assets		13,567	38,254
Non-current assets			
Connected electricity production systems		284	307
Systems under construction and inventory		244	321
Fixed assets		2,322	954
Investment in investee companies		581,596	541,725
Loan to an investee company	4c	7,265	35,534
Other receivables		15,960	206
Total non-current assets		607,671	579,047
Total assets		621,238	617,301
Liabilities and equity			
Current liabilities			
Short-term credit from financial institutions	4b	65,501	26,000
Current maturities of long-term loans		1,320	-
Trade payables		694	2,932
Payables – investee companies		-	62,496
Payables and credit balances		3,472	3,836
Total current liabilities		70,987	95,264
Non-current liabilities			
Liability for employee severance benefits, net		347	244
Loans from financial institutions	4b	13,437	-
Loans from investee companies		8,366	883
Payables – investee companies		100	-
Deferred tax liabilities, net	3	7,423	5,991
Total non-current liabilities		29,673	7,118
Equity			
Share capital		3,227	3,077
Capital reserves		528,218	516,708
Retained earnings (accumulated loss)		(10,867)	(4,866)
Total equity attributable to the owners of the Company		520,578	514,919
Total liabilities and equity		621,238	617,301

March 5, 2017			
Date of signing of the financial statements	**Nathan Hetz** **Chairman of Board of Directors**	**Asa Levinger** **CEO**	**Elad Cohen** **CFO**

The accompanying supplementary information is an integral part of the separate financial information.

Energix - Renewable Energies Ltd.

Separate Statements of Income and Comprehensive Income

	Note	2016	2015	2014
		Year ended December 31,		
		NIS in thousands		
Revenues				
Revenues from the sale of electricity		90	91	97
Revenues from the construction of facilities		279	36,232	31,101
Operating and other income, net		3,663	1,501	18,833
Gain on sale of rights in projects		-	3,997	-
		4,032	41,821	50,031
Expenses				
Rent		9	9	9
Maintenance of systems		1,702	557	552
Construction costs of facilities		411	21,287	28,479
Initiation expenses		1,342	2,315	5,830
Payroll and related expenses		7,825	6,207	4,391
Administrative, headquarters and other		7,577	5,309	3,565
		18,866	35,684	42,826
Profit (loss) before financing, taxes, depreciation and amortization		(14,834)	6,137	7,205
Reversal of provisions (provisions) for doubtful debts		3,594	-	-
Depreciation and amortization		(542)	(322)	(325)
Profit (loss) before financing and taxes		(11,782)	5,815	6,880
Financing income		6,088	6,393	3,450
Financing expenses		(7,796)	(3,465)	(99)
Financing income (expenses), net		(1,708)	2,928	3,351
Profit (loss) after financing, net		(13,490)	8,743	10,231
Company's share in the results of equity-accounted investees		17,229	3,470	(10,669)
Profit (loss) before taxes on income		3,739	12,213	(438)
Taxes on income	3	2,486	(3,169)	(3,757)
Profit (loss) for the year attributable to the owners of the Company		6,225	9,044	(4,195)
Net earnings (loss) per share attributable to the shareholders of the Company (NIS):				
Basic		0.020	0.034	(0.025)
Diluted		0.020	0.034	(0.025)
Weighted average share capital used to compute the earnings (loss) per share (thousands of shares):				
Basic		315,192	263,047	167,803
Diluted		318,892	265,590	167,803
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss				
Foreign currency translation differences for foreign operation		(41,422)	(14,762)	-
Loss from foreign currency differences with respect to derivatives which were designated for the hedging of investments in subsidiaries which constitute foreign operations, net of tax		13,470	-	-
Net change in the fair value of cash flow hedging instruments		459	(183)	183
Total comprehensive loss for the year equity attributable to the equity holders of the Company		(21,268)	(5,901)	(4,012)

The accompanying supplementary information is an integral part of the separate financial information.

Energix - Renewable Energies Ltd.
Separate Statements of Cash Flows

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Cash flows - operating activities			
Profit (loss) for the year	6,225	9,044	(4,195)
Revenues (expenses) not involving cash flows (Appendix A)	(1,894)	7,933	14,298
	4,331	16,977	10,103
Changes in working capital (Appendix B)	3,399	20,453	(12,942)
Net cash from (used in) operating activities	7,730	37,430	(2,839)
Cash flows - investing activities			
Investment in electricity production systems	-	-	(25)
Release (deposit) of cash in trust	10,000	(10,000)	-
Decrease (increase) in pledged deposit	5,023	1,012	(3,000)
Repayment of loans granted to investee companies	138,313	12,723	4,035
Repayment of investment in investee companies	2,650	1,306	-
Investment in other fixed assets	(1,887)	(220)	(454)
Long-term loans granted to investee companies	-	(160)	(36,700)
Loan granted to a third party	-	-	(45,924)
Repayment of loan by third party	-	47,306	-
Investment in financial instruments	(3,193)	(7,562)	-
Consideration from disposal of financial instruments	-	2,051	-
Investment in partnerships and investees	(193,474)	(419,189)	(9,613)
Payment related to the acquisition of a project	(56,879)	-	-
Consideration from disposal of fixed assets and systems under construction	-	-	80
Cash flows from investing activities in respect of a transaction with an investee	-	-	48,744
Net cash used in investing activities	(99,447)	(372,733)	(42,857)
Cash flows - financing activities			
Consideration from exercise of share options	38,034	484	9
Consideration from issuance of shares	-	318,546	-
Consideration from issuance of share options	-	21,342	-
Loans received from investee companies	7,486	880	-
Receipt of short-term loan from the parent company	-	-	45,924
Repayment of short-term loan received from the parent company	-	(43,182)	-
Long-term loans received from financial institutions	15,000	-	-
Repayment of long-term loans from financial institutions	(259)	-	-
Short-term loans received from banking institutions	108,901	26,000	-
Repayment of short-term loans from banking institutions	(69,400)	-	-
Dividend paid to Company shareholders	(12,763)	-	-
Net cash from (used in) financing activities	86,999	324,070	45,933
Change in cash and cash equivalents	(4,718)	(11,233)	237
Cash and cash equivalents at beginning of year	9,204	20,878	20,352
Effect of fluctuations in exchange rates on cash and cash equivalents	(1,127)	(441)	289
Cash and cash equivalents at end of year	3,359	9,204	20,878

The accompanying supplementary information is an integral part of the separate financial information.

Year ended December 31,

Energix - Renewable Energies Ltd.
Separate Statements of Cash Flows

	2016	2015	2014
	NIS in thousands		
Appendix - Adjustments Required to Present Cash Flows from Operating Activities			
a. Revenues (expenses) not involving cash flows:			
Financing expenses, net	(2,000)	(5,508)	(1,260)
Capital loss	-	-	9
Revaluation of loans, deposits, marketable securities and hedging instruments, net	6,377	2,736	(8)
Tax expense (income) recognized in profit (loss) for the year	(2,667)	3,169	3,757
Company's share in the results of equity-accounted investees	(544)	6,469	10,669
Depreciation and amortization	542	322	325
Reversal of provision for doubtful debt	(3,594)	-	-
Change in provision for employee severance pay	103	78	(94)
Share-based payment	1,975	667	904
Other non-cash income	(2,086)	-	(4)
	(1,894)	7,933	14,298
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and other receivables and debit balances	681	(938)	1,237
Decrease (increase) in receivables and debit balances in respect of investee companies	5,503	61,304	(56,974)
Increase (decrease) in trade payables and other payables and credit balances	(2,785)	(8,454)	11,336
Increase (decrease) in trade payables and other payables and credit balances in respect of investee companies	-	(31,459)	31,459
	3,399	20,453	(12,942)
Non-cash activity			
Acquisition of a company against a contingent liability	-	62,469	-
Investment in investee companies against supplier credit and payables	-	636	-
Non-cash exercise of share options	-	320	-
Additional information			
Interest received in respect of operating activities	3,792	865	5,188
Interest paid in respect of operating activities	1,332	965	135
Dividend received from investee companies	16,685	9,939	-
Taxes paid	409	-	-

The accompanying supplementary information is an integral part of the separate financial information.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 1 - General:

A. Presented below are financial data out of the consolidated financial statements of the Group as of December 31, 2016 (hereinafter: "Consolidated Financial Statements") that are published within the framework of the periodic reports and are attributable to the Company itself (hereinafter: "Separate Financial Information"), which are presented in accordance with Regulation 9C (hereinafter: "the Regulation") and the tenth addendum of the Securities Regulations (Periodic and immediate Reports) - 1970, concerning the Corporation's separate financial information.

The separate financial information should be read in conjunction with the consolidated financial statements.

B. Definitions

Company	-	Energix - Renewable Energies Ltd.
Investee	-	As defined in Note 1 to the consolidated financial statements of the Company as of the date of the report.

C. Significant accounting policies applied in the separate financial information

The separate financial information was drawn up in accordance with the accounting policies that are set out in note 3 to the consolidated financial statements of the Company, with the exception of the amounts of the assets, the liabilities, the income, the expenses and the cash flows in respect of investees, as described below:

a. Financial position data - The assets and liabilities reflect the assets and liabilities that are included in the consolidated financial statements and that are attributable to the Company itself as a parent company (excluding investments in investees).
b. Investments in investees are presented in the financial position data based on the share of the Company in the net amount of the total assets less the total liabilities that are included in the consolidated financial statements of the Company.
c. Comprehensive income data - The amounts of income and expenses reflect the income and the expenses that are included in the consolidated financial statements, divided into profit or loss and other comprehensive income, which are attributable to the Company itself as a parent company (excluding amounts of income and expenses in respect of investees).
d. The share of the Company in the results of investees is presented in the profit or loss data at the net amount of the Company's share of total revenues less total expenses that are included in the consolidated financial statements of the Company and that present the operating results of investees.
e. Cash flow data - The amounts of cash flows reflect the amounts that are included in the consolidated financial statements that are attributable to the Company itself as a parent company, including cash flows from transactions between the Company and the investees that were eliminated in the consolidated financial statements, and with the exception of the amounts of cash flows deriving from activities and transactions that were carried out in the investees, divided into cash flows from operating activities, investing activities and financing activities, including a description of their components.
f. Loans granted to and/or received from investees are presented in the amount that is attributable to the Company itself as a parent company.
g. Balances (including loans granted and received) and income and expenses in respect of transactions with investees, which were eliminated in the consolidated financial statements, are measured and presented under the relevant items in the financial position data and the profit or loss data, in the same manner that would have been applicable to the measurement and presentation of such transactions had they been carried out with third parties.
h. Unrealized gains and losses on transactions between the Company and its investees are presented under the balance in respect of investees and under the profit (loss) in respect of investees.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 2 - Financial Instruments

A. General

The financial instruments of the Company consist primarily of cash and cash equivalents, trade receivables, other receivables and debit balances, derivatives, receivables in respect of investees, loans to investees, trade payables, payables in respect of investees and loans and credit received.

B. Financial risks and the management thereof

For information regarding the financial risks of the Company, see Note 33 to the consolidated financial statements.

C. Presented below are risks pertaining to the financial instruments and the management thereof

(1) Credit risks

(a) For information regarding the Company's credit risks, see Note 33 to the consolidated financial statements.

(b) Analysis of the contractual maturities of non-derivative financial assets

Financial assets - as of December 31, 2016, the anticipated maturity dates of the Company in respect of non-derivative financial assets are up to one year, with the exception of a long-term loan to an investee company in the amount of approximately NIS 7.2 million in respect of the balance of the loan that the Company provided to the Meitarim Partnership for the construction of a medium system with a capacity of 5MWp for a period of up to 20 years. For additional details, see Note 9b(2) to the consolidated financial statements, and Note 4c below, and additionally, excluding the balance of the loan, in the amount of approximately NIS 3.6 million, which was previously recognized as a doubtful debt, and during the Reporting Period was re-classified as debt. For additional information, see Note 24 to the consolidated financial statements.

(2) Liquidity risks

(a) For information regarding the liquidity risks of the Company, see Note 33 to the consolidated financial statements.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

(b) Analysis of the contractual maturity dates of non-derivative financial liabilities -

		December 31, 2016				
	Interest rate	Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
	%	NIS in thousands				
Trade payables, other payables and credit balances	-	2,555	2,555	2,555	-	-
Short-term loans from financial institutions	1.7%-2.1%	65,501	65,597	65,597	-	-
Related party payables	-	100	100	-	-	100
Long-term loans from financial institutions	3.2%-4.6%, linked	14,757	17,764	1,890	3,024	12,850
Loans from investee companies	2.56%	8,366	9,493	-	-	9,493
		91,279	95,509	70,042	3,024	22,443

(3) Market risks

For information regarding the market risks of the Company, see Note 33 to the consolidated financial statements.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 2 - Financial Instruments (Cont'd)

Presented below are the types of market risks:

(a) Foreign currency and linkage risks

Foreign currency and index - see Note 33 to the consolidated financial statements.

The linkage and foreign currency exposure of the Company is as follows:

	December 31, 2016					
	EUR	PLN	Other	Unlinked NIS	CPI-linked NIS	Total
	NIS in thousands					
Cash and cash equivalents	5	2,989	158	207	-	3,359
Trade receivables	-	-	-	30	-	30
Receivables and debit balances	-	-	-	30	3,636	3,666
Receivables - investee companies	-	-	-	4,379	-	4,379
Loan to an investee company	-	-	-	7,265	-	7,265
Hedging financial instruments	-	17,172	-	-	-	17,172
	5	20,161	158	11,911	3,636	35,871
Short-term credit from financial institutions	-	-	-	65,501	-	65,501
Trade payables, other payables and credit balances	6	-	22	2,527	-	2,555
Loans from investee companies	-	-	-	8,366	-	8,366
Other long-term liabilities	-	-	-	100	-	100
Loan from financial institutions	-	-	-	-	14,757	14,757
	6	-	22	76,494	14,757	91,279
Total surplus of assets over liabilities	(1)	20,161	136	(64,583)	(11,121)	(55,408)

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 2 - Financial Instruments (Cont'd)

	December 31, 2015					
	EUR	**PLN**	**Other**	**Unlinked NIS**	**CPI-linked NIS**	**Total**
	NIS in thousands					
Cash and cash equivalents	2,848	4,668	22	1,666	-	9,204
Pledged deposit	-	-	-	5,024	-	5,024
Trade receivables	-	-	-	49	-	49
Receivables and debit balances	-	-	-	10,838	-	10,838
Receivables - investee companies	-	-	-	9,516	-	9,516
Loan to an investee company	-	-	-	35,534	-	35,534
Hedging financial instruments	-	2,770	-	-	-	2,770
	2,848	7,438	22	62,627	-	72,935
Short-term credit from financial institutions	-	-	-	26,000	-	26,000
Trade payables, other payables and credit balances	62,774	-	242	3,834	-	66,850
Loans from investee companies	-	-	-	883	-	883
	62,774	-	242	30,717	-	93,733
Total surplus of assets over liabilities	(59,926)	7,438	(220)	31,910	-	(20,798)

Presented below is an analysis of the Group's linkage and foreign currency sensitivity.

The effect of a 5% change in the exchange rate / a 2% change in the CPI on the profit or loss in respect of financial liabilities that are exposed to said risk (before the tax effect) is as follows:

	December 31, 2016		
	Increase of 5%		**Decrease of 5%**
	Profit and loss / equity	**Carrying amount**	**Profit and loss / equity**
Foreign currency sensitivity - 5% change	NIS in thousands		
In Zloty (cash and cash equivalents)	149	2,989	(149)
In Zloty (derivative financial instruments)	859	17,172	(859)

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

	December 31, 2016		
	Increase of 2%		Decrease of 2%
	Profit and loss / equity	Carrying amount	Profit and loss / equity
Linkage sensitivity - 2% change	NIS in thousands		
In the CPI (loans from financial institutions)	(295)	(14,757)	-

(b) Interest rate risk

For details regarding fair value risk and cash flow risk, see Note 33 to the consolidated financial statements.

Note 3 - Taxes on Income

For information regarding the tax rate that is applicable to the Company, see Note 30 to the consolidated financial statements.

In early January 2016, the Law for the Amendment of the Income Tax Ordinance was published, which provides for the reduction of the corporate tax rate, in 2016, to 25% (instead of 26.5% in 2015). The new corporate tax rate applies to income generated or derived as from January 1, 2016.

On December 29, 2016, the Economic Efficiency Law (Legislative Amendments to Meet Budgetary Targets for the Years 2017 and 2018) - 2016, was published in the Official Gazette, according to which the corporate tax rate will be reduced from 25% to 24% in 2017, with respect to income produced or arisen on or after January 1, 2017, and will be further reduced to 23% in 2018 and thereafter, with respect to income produced or arisen on or after January 1, 2018.

As a result of the aforementioned legislation, a decrease occurred in the Company’s deferred tax assets and liabilities as of December 31, 2016, in the amount of approximately NIS 926 thousand, which was applied against tax income for 2016 in the amount of approximately NIS 633 thousand, and against other comprehensive income for 2016 in the total amount of approximately NIS 293 thousand.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

A. Income tax expense (income) components

	Year ended December 31,		
	2016	**2015**	**2014**
	NIS in thousands		
Current tax expense (income)			
For the current year	167	-	462
Adjustments in respect of previous years, net	14	(4)	-
	181	(4)	462
Deferred tax expense (income)			
Creation and reversal of temporary differences (1)	5,085	3,717	2,936
Changes in tax rate	(633)	-	-
Write-down (reversal of write-down) of deferred tax	(7,119)	(544)	359
	(2,667)	3,173	3,295
Total income tax expense (income) from continuing operations	(2,486)	3,169	3,757
(1) Of which an amount of benefit relating to the initial recognition of a deferred tax asset in respect of a previous period that was not recognized in the past	-	-	358

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 3 - Taxes on Income (Cont'd)

B. Deferred taxes

The deferred tax balances as of December 31, 2016 and 2015 were calculated according to the new tax rates specified in the Economic Efficiency Law, at the tax rate expected to apply on the date of reversal. Presented below are the composition and movement of the deferred taxes in the years ended December 31, 2016 and 2015:

2016	December 31 2015	Amount carried to profit or loss	Carried to other comprehensive income	December 31 2016
Carryforward tax losses	544	6,489	(99)	6,934
Small and medium photovoltaic systems	(7,443)	(3,100)	-	(10,543)
Financial instruments	(183)	183	(4,000)	(4,000)
Employee benefits	164	22	-	186
Other	927	(927)	-	-
Balance of deferred tax asset (liability)	(5,991)	2,667	(4,099)	(7,423)
Deferred tax liability available for offsetting				(14,543)
Deferred tax assets available for offsetting				7,120
Deferred tax liability in the statement of financial position as of December 31, 2016				(7,423)

2015	December 31 2014	Amount carried to profit or loss	Carried to other comprehensive income	December 31 2015
Carryforward tax losses	-	544	-	544
Small and medium photovoltaic systems	(3,863)	(3,580)	-	(7,443)
Financial instruments	-	(183)	-	(183)
Employee benefits	118	46	-	164
Other	927	-	-	927
Balance of deferred tax asset (liability)	(2,818)	(3,173)	-	(5,991)
Deferred tax liability available for offsetting				(7,626)
Deferred tax assets available for offsetting				1,635
Deferred tax liability in the statement of financial position as of December 31, 2015				(5,991)

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 3 - Taxes on Income (Cont'd)

C. Theoretical tax

The difference between the amount calculated at the ordinary tax rates and the amount of provision for taxes is explained as follows:

	Year ended December 31,		
	2016	2015	2014
	NIS in thousands		
Profit (loss) before taxes on income	3,739	12,213	(438)
Primary tax rate of the Company	25.0%	26.5%	26.5%
	935	3,236	(116)
Tax increment (saving) in respect of:			
Neutralization of tax calculated in respect of the Company's share in profits of equity-accounted investees	(4,307)	(920)	2,828
Company's share in the results of partnerships	820	651	941
Non-deductible expenses	517	206	279
	14	-	-
Effect of the change in the tax rate	(633)	-	-
Creation of deferred taxes for losses for which deferred taxes were not created in the past	-	-	(358)
Decrease in deferred taxes due to losses for which deferred taxes were not created in excess	153	-	178
Taxes in respect of previous years	-	(4)	-
Other differences	15	-	5
	(3,421)	(67)	3,873
Income tax expense on income from continuing	(2,486)	3,169	3,757
Effective tax rate	-66%	26%	-858%

D. Unrecognized deferred tax liabilities

As of December 31, 2016 and 2015, a deferred tax liability relating to associated companies and subsidiaries was not recognized because the decision as to whether to sell this company rests with the Company, which does not intend to sell in the foreseeable future.

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

Note 4 - Material Relationships, Engagements and Transactions with Investee Companies

A. Bank guarantees

For details regarding bank guarantees of the Company, see Notes 5 and 32b to the consolidated financial statements that are published together with this separate financial information.

B. Loans and credit facilities

(1) For details regarding credit facilities of the Company, and the use thereof as of the Reporting Date, see Note 14 to the consolidated financial statements which are published with this separate financial information.

(2) For details regarding financing in the amount of NIS 15 million that was received from the Granot Cooperative in June 2016, see Note 14 to the consolidated financial statements which are published along with this separate financial information.

(3) For details regarding loans that the Company granted to subsidiaries and consolidated partnerships, see Note 11 to the consolidated financial statements that are published together with this separate financial information as well as Section e(2) below.

C. Meitarim project

In January 2016, upon receiving external financing for the Meitarim project, the Meitarim Partnership repaid most of the loan that had been granted to it by the Company in 2014, so that an amount of approximately NIS 28.6 million was transferred to the Company and the balance of the loan at the Reporting Date is NIS 8.2 million. During the Reporting Period, it was agreed between the parties that the interest rate with respect to the loan to the partnership, which has not yet been repaid, would be reduced to 4.25%.
For additional details in connection with the Meitarim project, the Company's liabilities and the financing agreement with a banking corporation, see Note 9b(2) to the consolidated financial statements which are published with this separate financial information.

D. Agreement for the provision of services

(1) The Company provides O&M services for photovoltaic systems that are owned by the Projects 1 Partnership. Pursuant to the agreement, which is for a period of 20 years commencing in November 2013, with exit points every five years, the Company is entitled to fixed operation fees in the amount of approximately NIS 458 thousand a year (actual payment of NIS 458 thousand in 2016), linked to the CPI, for repairs and handling of malfunctions as well as other services that are required for the proper function of the facilities, including - cleaning the panels, current checkups, inspection by an electrical engineer and a technician, monitoring and supervision of the performance of the systems. The fixed payments are linked to the CPI and payable every six months. The Company is also entitled to annual management fees in the amount of approximately NIS 420 thousand, which are paid on an annual basis.

(2) For details regarding O&M services provided to Granot Partnership, see Note 27i to the consolidated financial statements that are published together with this financial information.

Note 4 - Material Relationships, Engagements and Transactions with Investee Companies (Cont'd)

Energix - Renewable Energies Ltd.

Supplementary Information to the Separate Financial Statements

(3) The Company is entitled to minimum fixed management fees in the amount of NIS 200 thousand, CPI-linked, from Neot Hovav Ltd., a wholly owned subsidiary of the Company.

E. Dividend from subsidiaries

During the Reporting Period, a wholly owned partnership of the Company distributed a dividend in the amount of approximately NIS 4.8 million. In September 2016, the partnership transferred an additional amount of approximately NIS 1 million, as a loan to the Company at interest of 2.56% p.a.

During the Reporting Period, a wholly owned subsidiary of the Company transferred to the Company cash in the amount of NIS 18.4 million, of which an amount of NIS 11.9 million constituted a dividend and the rest constituted a loan to the Company at interest of 2.56% p.a.

F. Dividend to shareholders

For additional details regarding the dividend distribution policy and the dividend distribution during the Reporting Period, see Note 16 to the consolidated financial statements which are published with this financial information.

G. Share capital

For details regarding a capital raising which was performed by the Company in January 2017, subsequent to the Reporting Date, see Note 16c to the consolidated financial statements which are published with this financial information.

H. Additional information

For supplementary information regarding investee companies, engagements with them, projects developed by the Company and information regarding transactions with related parties, see Notes 9, 11, 15 and 27 to the consolidated financial statements.