# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 20-F

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

**Or**

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

**For the fiscal year ended December 31, 2014**

**Or**

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

**Or**

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

# KENON HOLDINGS LTD.
**(Exact name of registrant as specified in its charter)**

| Singapore | (Company Registration No. 201406588W) 4911 | Not Applicable |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**1 Temasek Avenue #36-01**
**Millenia Tower**
**Singapore 039192**
**+65 6351 1780**
**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

***Copies to:***

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Ordinary Shares, no par value | The New York Stock Exchange |

**Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

| U.S. GAAP ☐ | International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ | Other ☐ |
|---|---|---|

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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## INTRODUCTION AND USE OF CERTAIN TERMS

Kenon Holdings Ltd., or Kenon, was formed in the first quarter of 2014 in Singapore to serve as the holding company of the following interests, which were contributed to Kenon by its former parent, Israel Corporation Ltd., or IC, in connection with the recently completed spin-off (as defined below):

- a 100% interest in IC Power Ltd. ("IC Power"), a power generation company with operations in Latin America, the Caribbean and Israel;
- a 50% interest in Qoros Automotive Co., Ltd. ("Qoros"), an automotive company based in China;
- a 32% stake in ZIM Integrated Shipping Services, Ltd. ("ZIM"), a global container shipping company that completed a financial restructuring with its creditors in July 16;
- a 22.5% interest in Tower Semiconductor Ltd. ("Tower"), a NASDAQ and Tel Aviv Stock Exchange, or TASE, – listed specialty foundry semiconductor manufacturer; and
- interests in two businesses in the renewable energy business, including Primus Green Energy, Inc. ("Primus"), an innovative developer of an alternative fuel technology.

We have prepared this annual report using a number of conventions, which you should consider when reading the information contained herein. In this annual report, the "Company," "we," "us" and "our" shall refer to Kenon, or Kenon and each of our businesses collectively, as the context may require. Additionally, this annual report uses the following conventions:

- HelioFocus Ltd., an Israeli company ("HelioFocus"), which is one of IC's renewable energy businesses;
- IC Green Energy Ltd., an Israeli company ("IC Green"), which holds Kenon's equity interests in each of the renewable energy businesses;
- IC Power and its operating companies and investments, as the context requires, include the following:
    - IC Power Nicaragua Holding, a Cayman Islands corporation, formerly known as AEI Nicaragua Holdings Ltd. ("ICPNH");
    - Amayo O&M Services S.A., a Nicaraguan corporation ("Amayo I");
    - Central Cardones SA, a Chilean corporation ("Central Cardones");
    - Cerro del Águila S.A., a Peruvian corporation ("CDA");
    - Compañía Boliviana de Energía Eléctrica S.A., a Canadian corporation ("COBEE");
    - Compañía de Electricidad de Puerto Plata S.A., a Dominican Republic corporation ("CEPP");
    - Consorcio Eolico Amayo (Fase II) S.A., a Nicaraguan corporation ("Amayo II");
    - Edegel S.A.A., a Peruvian corporation listed on the Lima Stock Exchange ( *Bolsa de Valores de Lima* ) ("Edegel");
    - Empresa Energetica Corinto Ltd., a Nicaraguan corporation ("Corinto");
    - Generandes Peru S.A., a Peruvian corporation ("Generandes");
    - IC Power Israel Ltd., an Israeli corporation ("ICPI");
    - Inkia Energy Limited, a Bermudian corporation ("Inkia");
    - Jamaica Private Power Company Ltd., a Jamaican corporation ("JPPC");
    - Kallpa Generacion S.A., a Peruvian corporation ("Kallpa");
    - Kanan Overseas, I. Inc., a Panamanian corporation ("Kanan");
    - Nejapa Power Company LLC, a Delaware corporation ("Nejapa");
    - OPC Rotem Ltd., an Israeli corporation ("OPC");
    - Pedregal Power Company S.de.R.L, a Panamanian corporation ("Pedregal");

- Puerto Quetzal Power (PQP) Company, a Delaware limited liability company ("Puerto Quetzal");
- Southern Cone Power Peru S.A., a Peruvian corporation ("Southern Cone");
- Samay I S.A., a Peruvian corporation ("Samay I");
- Surpetroil S.A.S., a Colombian corporation ("Surpetroil");
- Termoeléctrica Colmito Ltda., a Chilean corporation ("Colmito"); and
- Tipitapa Power Company Ltd., a Nicaraguan corporation ("Tipitapa Power");

- Petrotec AG, a German company listed on the Frankfurt Stock Exchange ("Petrotec"), which IC Green sold in December 2014;
- Quantum (2007) LLC, a Delaware limited liability company ("Quantum"), which is the direct owner of our 50% interest in Qoros;
- "renewable energy businesses", which refers to each of Primus, HelioFocus and REG (as defined below) as appropriate;
- Renewable Energy Group, Inc., a Delaware corporation ("REG") in which Kenon holds an interest as a result of IC Green's December 2014 sale of its interest in Petrotec; and
- "spin-off" shall refer to (i) IC's January 7, 2015 contribution to Kenon of its interests in each of IC Power, Qoros, ZIM, Tower, Primus and HelioFocus, as well as other intermediate holding companies related to these entities, and (ii) IC's January 9, 2015 distribution of Kenon's issued and outstanding ordinary shares, via a dividend-in-kind, to IC's existing shareholders.

Although we acquired each of our businesses in connection with the spin-off, the operating and other statistical information with respect to each of our businesses is presented as of December 31, 2014, unless otherwise indicated, as if we owned such businesses as of such date and for the periods covered by this annual report.

## FINANCIAL INFORMATION

We produce financial statements in accordance with the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, and all financial information included in this annual report is presented in accordance with IFRS, except as otherwise indicated. In particular, this annual report contains certain non-IFRS financial measures which are defined under " *Item 3A. Selected Financial Data* " and " *Item 4B. Business Overview – Our Businesses – IC Power.* " In addition, certain financial information relating to Tower, where indicated, has been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

Our financial statements presented in this annual report are combined carve-out financial statements. The combined carve-out financial statements included in this annual report comprise audited combined carve-out statements of income, other comprehensive income, changes in parent company investment, and cash flows for the years ended December 31, 2014, 2013 and 2012, and audited combined carve-out statements of financial position as of December 31, 2014 and 2013. We present our combined carve-out financial statements in U.S. Dollars, the legal currency of the United States. All references in this annual report to (i) "dollars", "$" or "USD" are to U.S. Dollars; (ii) "Yuan", "RMB" or "Chinese Yuan" are to the legal currency of China; (iii) "NIS" or "New Israeli Shekel" are to the legal currency of the State of Israel, or Israel; (iv) "EUR" or "Euro" are to the legal currency of participating member states for the purposes of the European Monetary Union; (v) "Peruvian Nuevo Sol" are to the legal currency of Peru; (vi) "Bs" and "Bolivianos" are to the legal currency of Bolivia; (vii) "JPY" or "Japanese Yen" are to the legal currency of Japan; and (viii) "Singapore Dollars" or "S$" are to the legal currency of Singapore. We have made rounding adjustments to reach some of the figures included in this annual report. Consequently, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

In this annual report, we also attach audited consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014, 2013 and 2012, and audited consolidated statements of financial position for Qoros as of December 31, 2014 and 2013, in accordance with Rule 3-09 of Regulation S-X.

## NON-IFRS FINANCIAL INFORMATION

In this annual report, we disclose non-IFRS financial measures, namely EBITDA and Net Debt, each as defined under " *Item 3A. Selected Financial Data* " and " *Item 4B. Business Overview – Our Businesses – IC Power.* " Each of these measures are important measures used by us, and our businesses, to assess financial performance. We believe that the disclosure of EBITDA and Net Debt provides transparent and useful information to investors and financial analysts in their review of our, or our subsidiaries' and associated companies', operating performance and in the comparison of such operating performance to the operating performance of other companies in the same industry or in other industries that have different capital structures, debt levels and/or income tax rates.

## EXCHANGE RATE INFORMATION

The following tables set forth the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the U.S. Dollar expressed in RMB per one U.S. Dollar for the periods indicated:

| | RMB/U.S. Dollar | | | |
|---|---|---|---|---|
| Year | Period end | Average rate [1] | High | Low |
| 2010 | 6.6000 | 6.7603 | 6.8330 | 6.6000 |
| 2011 | 6.2939 | 6.4475 | 6.6364 | 6.2939 |
| 2012 | 6.2301 | 6.2990 | 6.3879 | 6.2221 |
| 2013 | 6.0537 | 6.1412 | 6.2438 | 6.0537 |
| 2014 | 6.2046 | 6.1701 | 6.2591 | 6.0402 |

1. The average rate is based upon the exchange rate in effect on the last business day of each month.

| | RMB/U. S. Dollar | |
|---|---|---|
| Month | High | Low |
| September 2014 | 6.1495 | 6.1266 |
| October 2014 | 6.1385 | 6.1107 |
| November 2014 | 6.1429 | 6.1117 |
| December 2014 | 6.2256 | 6.1490 |
| January 2015 | 6.2535 | 6.1870 |
| February 2015 | 6.2695 | 6.2399 |
| March 2015 (up to March 27, 2015) | 6.2741 | 6.1955 |

The following tables set forth the historical period-end, average, high and low rates, calculated using the daily representative rates, as reported by the Bank of Israel for the U.S. Dollar expressed in NIS per one U.S. Dollar for the periods indicated:

| | New Israeli Shekel /U.S. Dollar | | | |
|---|---|---|---|---|
| Year | Period end | Average rate [1] | High | Low |
| 2010 | 3.549 | 3.732 | 3.894 | 3.549 |
| 2011 | 3.821 | 3.582 | 3.821 | 3.363 |
| 2012 | 3.733 | 3.844 | 4.084 | 3.700 |
| 2013 | 3.471 | 3.360 | 3.791 | 3.471 |
| 2014 | 3.889 | 3.594 | 3.994 | 3.402 |

1. The average rate is based upon the exchange rate in effect on the last business day of each month.

| Month | New Israeli Shekel /U. S. Dollar High | Low |
|---|---|---|
| September 2014 | 3.695 | 3.578 |
| October 2014 | 3.793 | 3.644 |
| November 2014 | 3.889 | 3.782 |
| December 2014 | 3.994 | 3.889 |
| January 2015 | 3.998 | 3.899 |
| February 2015 | 3.966 | 3.844 |
| March 2015 (up to March 27, 2015) | 4.053 | 3.926 |

The following tables set forth the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the Euro expressed in U.S. Dollars per one Euro for the periods indicated:

| Year | U.S. Dollar/Euro Period end | Average rate [1] | High | Low |
|---|---|---|---|---|
| 2010 | 1.3269 | 1.3216 | 1.4536 | 1.1959 |
| 2011 | 1.2973 | 1.4002 | 1.4875 | 1.2926 |
| 2012 | 1.3186 | 1.2909 | 1.3463 | 1.2062 |
| 2013 | 1.3779 | 1.3303 | 1.3816 | 1.2774 |
| 2014 | 1.2101 | 1.3210 | 1.3927 | 1.2101 |

1. The average rate is based upon the exchange rate in effect on the last business day of each month.

| Month | U.S. Dollar/Euro High | Low |
|---|---|---|
| September 2014 | 1.3136 | 1.2628 |
| October 2014 | 1.2812 | 1.2517 |
| November 2014 | 1.2554 | 1.2394 |
| December 2014 | 1.2504 | 1.2101 |
| January 2015 | 1.2015 | 1.1279 |
| February 2015 | 1.1462 | 1.1197 |
| March 2015 (up to March 27, 2015) | 1.1212 | 1.0524 |

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, all sources for industry data and statistics are estimates or forecasts contained in or derived from internal or industry sources we believe to be reliable. Market data used throughout this annual report was obtained from independent industry publications and other publicly available information. Such data, as well as internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. In addition, in certain cases we have made statements in this annual report regarding the industries in which each of our businesses operate and their position in such industries based upon the experience of our businesses and their individual investigations of the market conditions affecting their respective operations.

Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based upon market research, which itself is based upon sampling and subjective judgments by both the researchers and the respondents. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, although we believe and operate as though all market and industry information presented in this annual report is accurate, the market statistics included in this annual report should be viewed with caution.

## TECHNICAL TERMS

Unless otherwise indicated, statistics provided throughout this annual report with respect to power generation units are expressed in megawatts, or MW, in the case of the capacity of such power generation units, and in gigawatt hours, or GWh, in the case of the electricity production of such power generation units. One GWh is equal to 1,000 megawatt hours, or MWh, and one MWh is equal to 1,000 kilowatt hours, or KWh. Statistics relating to aggregate annual electricity production are expressed in GWh and are based on a year of 8,760 hours. Unless otherwise indicated, the capacity and generation figures of IC Power provided in this annual report reflect 100% of the capacity of all of IC Power's operating companies and investments, regardless of IC Power's ownership interest in the company. For information on IC Power's ownership interest in each of its operating companies, see " *Item 4B. – Business Overview – Our Businesses – IC Power* ."

## INFORMATION REGARDING TOWER

Tower is subject to the reporting requirements of the Securities and Exchange Commission, or the SEC, and, as a foreign private issuer, Tower is required to file with the SEC annual reports containing audited financial information, and to furnish to the SEC reports containing any material information that Tower provides to its local securities regulator, investors or stock exchange. Tower's published financial statements are prepared according to US GAAP. Information related to Tower contained, or referred to, in this annual report has been derived from Tower's public filings with the SEC. Although we have a significant equity interest in Tower, we do not control or manage Tower, participate in the preparation of Tower's public reports or financial statements or have any specific information rights. Any information related to Tower contained, or referred to, in this annual report is provided to satisfy our obligations under the Securities Exchange Act of 1934, or the Exchange Act. You are encouraged to review Tower's publicly available filings, which can be found on the SEC's website at www.sec.gov.

As of March 26, 2015, we owned approximately 18 million shares of Tower, excluding (i) the 1,669,795 shares of Tower underlying 1,669,795 warrants in Tower held by Kenon, exercisable up to July 27, 2017 and (ii) the 2,668 shares of Tower underlying 2,668 options in Tower held by Kenon, representing an approximately 22.5% equity interest in Tower, assuming the full conversion of approximately 3.8 million outstanding capital notes issued by Tower and held by Bank Hapoalim B.M., or Bank Hapoalim, which conversion would result in approximately 80 million Tower shares outstanding. Kenon's equity interest in Tower, based upon the approximately 76 million Tower shares currently outstanding, is approximately 23.7%. Kenon may experience additional dilution of its equity interest in Tower if the holders of Tower's outstanding convertible bonds, options and warrants convert their bonds and exercise their options or warrants, as applicable. Should all outstanding convertible bonds, options and warrants be converted and exercised, Kenon's equity interest in Tower, which we refer to as Kenon's fully-diluted equity interest, would be approximately 18.9%.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 21E of the Exchange Act, and reflects our current expectations and views of the quality of our assets, our anticipated financial performance, our future growth prospects, the future growth prospects of our businesses, the liquidity of our ordinary shares, and other future events. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, and are principally contained in the sections entitled " *Item 3. Key Information* ," " *Item 4. Information on the Company* " and " *Item 5. Operating and Financial Review and Prospects* ." These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Some of these forward-looking statements can be identified by terms and phrases such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "plan," "project," "predict," "will," and similar expressions.

These forward-looking statements include statements relating to:

- our goals and strategies;
- our capital commitments and/or intentions with respect to each of our businesses;
- our ability to implement, successfully or at all, our strategies for us and for each of our businesses following the spin-off;
- tax and corporate benefits relating to our incorporation in Singapore;
- our capital allocation principles, as set forth in *"Item 4B. Business Overview"* ;
- the funding requirements, strategies, and business plans of our businesses, including expectations that our businesses will be able to raise third party debt and/or equity financing to fund their operations as needed, including for the construction or expansion of their operations and/or respective facilities;
- the potential listing, distribution or monetization of our businesses and the anticipated timing thereof;
- expected trends in the industries in which each of our businesses operate, including trends relating to the growth of a particular market;
- fluctuations in the availability and prices of commodities purchased by, or in competition with, our businesses;
- statements relating to litigation and/or regulatory proceedings;
- *with respect to IC Power* :
    - the expected cost and expected timing of completion of existing construction projects and the anticipated business results of such projects;
    - the ability to finance existing, and to source and finance new, development and acquisition projects;
    - its ability to source and enter into long-term power purchase agreements, or PPAs, and turnkey agreements and the amounts to be paid under such agreements;
    - expected increased demand in the Peruvian power generation industry and other markets where we currently operate or may operate in the future; and
    - the potential nationalization of operating assets;
- *with respect to Qoros* :
    - Qoros' ability to execute its business plan;
    - the RMB400 million shareholder loan expected to be provided to Qoros by Chery Automobile Co. Ltd., or Chery;
    - Qoros' expected entry into an additional long-term credit facility and its ability to obtain third-party debt financing to support its continued operations and development;
    - Qoros' ability to increase its sales volume;
    - the acceptance of Qoros' vehicle models by its targeted Chinese consumers;
    - expected growth in the Chinese passenger vehicle market, particularly within the C-segment market;
    - Qoros' ability to access adequate funding to enable it to continue its development and meet its liquidity requirements;

- Qoros' development of an effective dealer network;
- Qoros' ability to expand its commercial operation, including with respect to its development of aftersales and customer services;
- the assumptions used in Qoros' impairment analysis, including assumptions related to future sales volumes and price, operating expenses, and the availability of funding, including certain subsidies from local Chinese governments during the projection period;
- Qoros' ability to increase its production capacity and decrease its expected costs;
- Qoros' ability to launch new models using its existing platform, to the extent that demand for its vehicles increases; and
- Qoros' ability to secure the necessary government approvals and permits required for its continued manufacturing and/or facility expansions;

- *with respect to ZIM:*
  - the assumptions used in Kenon's and ZIM's impairment analysis with respect to Kenon's investment in ZIM, and ZIM's assets, respectively, including with respect to expected fuel price, freight rates, and WAC trends;
  - ZIM's ability to obtain an alternative receiveable-backed credit facility by September 30, 2015;
  - modifications with respect to its operating fleet and lines, including the utilization of larger vessels within certain trade zones;
  - completion of the expansion of the Panama canal;
  - expected growth in the container shipping industry, generally, and in certain trade zones, in particular;
  - ability to enter into, and benefit from, operational partnerships and alliances with other liners companies; and
  - trends related to the global container shipping industry, including with respect to fluctuations in container supply, demand, and charter/freights rates;
- *with respect to Tower:*
  - Tower's ability to promote and fund its growth plan and the ramp-up of its businesses;
  - Tower's ability to maintain its technological and manufacturing capacity and capabilities;
  - the maintenance of high utilization rates in each of its manufacturing facilities;
  - fulfillment of its debt obligations and other liabilities; and
  - Tower's ability to finance its operations via cash flow from operations and/or financing transactions;
- *with respect to our renewable energy businesses* :
  - acceptance of alternative fuels and renewable energy technologies and processes;
  - the ability of Primus and HelioFocus to source third party financing to support their operational expansions and development efforts;
  - the ability of Primus and HelioFocus to continue to develop technologies and processes for commercialization;
  - trends relating to the pricing of alternative fuels (e.g., high-octane gasoline or biodiesel) and traditional fuels (e.g., petroleum-derived gasoline, jet fuel, or petrodiesel); and
  - trends relating to the pricing of material alternative fuel inputs (e.g., natural gas, used cooking oil and other types of waste oils and fats) and material traditional fuel inputs (e.g., petroleum, crude oil, or diesel).

The preceding list is not intended to be an exhaustive list of each of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us and are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements which are set forth in " *Item 3D. Risk Factors* ." Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement included in this annual report should not be construed as exhaustive. You should read this annual report, and each of the documents filed as exhibits to the annual report, completely, with this cautionary note in mind, and with the understanding that our actual future results may be materially different from what we expect.

## PART I

### ITEM 1. Identity of Directors, Senior Management and Advisers

**A. Directors and Senior Management**

Not applicable.

**B. Advisers**

Not applicable.

**C. Auditors**

Not applicable.

### ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

## ITEM 3. Key Information

### A. Selected Financial Data

*The following tables set forth our selected combined carve-out financial and other data. This information should be read in conjunction with our audited combined carve-out financial statements, and the related notes thereto, as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, included elsewhere in this annual report, and the information contained in "Item 5. Operating and Financial Review and Prospects" and "Item 3D. Risk Factors." The historical financial and other data included here and elsewhere in this annual report should not be assumed to be indicative of our future financial condition or results of operations.*

*Our financial statements presented in this annual report are combined carve-out financial statements and have been prepared in accordance with IFRS as issued by the IASB. The assumptions used in the preparation of the selected financial data for 2011 and 2010 set forth below are the same as those used in the preparation of the audited financial statements for 2014, 2013 and 2012, as described in Note 1 to our audited combined carve-out financial statements included elsewhere in this annual report.*

*The financial information below also includes certain non-IFRS measures used by us to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate our performance.*

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 [1] | 2012 [1] | 2011 [1] | 2010 [1] [2] |
| | *(in millions of USD)* | | | | |
| **Consolidated Statements of Income** [3] | | | | | |
| **Revenues from sale of electricity** | **$1,372** | **$ 873** | **$ 577** | **$ 480** | **$305** |
| Cost of sales and services | 981 | 594 | 395 | 334 | 190 |
| Depreciation and amortization | 100 | 70 | 51 | 37 | 23 |
| **Gross profit** | **$ 291** | **$ 209** | **$ 131** | **$ 109** | **$ 92** |
| General and administrative expenses | 131 | 73 | 69 | 51 | 38 |
| Gain from disposal of investees | (157) | — | (5) | (19) | (9) |
| Asset write-off | 48 | — | — | — | — |
| Gain on bargain purchase | (68) | (1) | — | — | — |
| Other expenses | 14 | 5 | — | 4 | 6 |
| Other income | (51) | (5) | (12) | (29) | (29) |
| **Operating profit** | **$ 374** | **$ 137** | **$ 79** | **$ 102** | **$ 86** |
| Financing expenses | 110 | 69 | 39 | 38 | 38 |
| Financing income | 16 | 5 | 3 | 3 | 5 |
| **Financing expenses, net** | **$ 94** | **$ 64** | **$ 36** | **$ 35** | **$ 43** |
| Share in losses of associated companies, net of tax | 171[4] | 127 | 52 | 42 | 30 |
| **Profit / (loss) before income taxes** | **$ 109** | **$ (54)** | **$ (9)** | **$ 26** | **$ 24** |
| Tax expenses | 91 | 42 | 22 | 18 | 11 |
| **Profit / (loss) for the year from continuing operations** | **$ 18** | **$ (96)** | **$ (31)** | **$ 8** | **$ 13** |
| **Income (loss) for the year from discontinued operations (after taxes)** [5] | **$ 471** | **$(513)** | **$(409)** | **$(397)** | **$ 81** |
| **Profit / (loss) for the year** | **$ 489** | **$(609)** | **$(440)** | **$(389)** | **$ 94** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | $ 468 | $(626) | $(452) | $(407) | $ 77 |
| Non-controlling interests | 21 | 17 | 12 | 18 | 17 |
| **Contributions to Kenon's Income (Loss) for the Period** | | | | | |
| IC Power | $ 209 | $ 66 | $ 57 | $ 60[6] | $ 43 |
| Qoros | (175) | (127) | (54) | (54) | (39) |
| ZIM | (142) | (533) | (432) | (395) | 54 |
| Gain from ZIM in light of deconsolidation and change to associated company | 609 | — | — | — | — |
| Tower | 10 | (27) | (21) | (8) | (15) |
| Other [7] | (43) | (5) | (2) | (10) | 34 |

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 [1] | 2012 [1] | 2011 [1] | 2010 [1] [2] |
| | *(in millions of USD)* | | | | |
| **Combined Statements of Financial Position** | | | | | |
| Cash and cash equivalents | $ 610[8] | $ 671 | $ 414 | $ 439 | $ 614 |
| Short-term investments and deposits | 227 | 30 | 89 | 175 | 144 |
| Trade receivables | 181 | 358 | 323 | 286 | 318 |
| Other receivables and debt balances | 59 | 98 | 83 | 93 | 76 |
| Income tax receivable | 4 | 7 | 15 | 8 | 15 |
| Inventories | 55 | 150 | 174 | 161 | 128 |
| **Total current assets** | **1,136** | **$1,314** | **$1,098** | **$1,162** | **$1,295** |
| **Total non-current assets [9]** | **3,201** | **4,671** | **4,880** | **4,839** | **4,381** |
| **Total assets** | **$4,337** | **$5,985** | **$5,978** | **$6,001** | **$5,676** |
| **Total current liabilities** | **$ 497** | **$2,920** | **$1,173** | **$2,666** | **$ 950** |
| **Total non-current liabilities** | **$2,384** | **$2,113** | **$3,357** | **$1,756** | **$2,903** |
| Parent company investment | **1,244** | 714 | 1,213 | 1,401 | 1,666 |
| **Total parent company investment and non-controlling interests** | **$1,456** | **$ 951** | **$1,448** | **$1,579** | **$1,823** |
| **Total liabilities and parent company investment and non-controlling interests** | **$4,337** | **$5,985** | **$5,978** | **$6,001** | **$5,676** |
| **Combined Cash Flow Data [3]** | | | | | |
| Cash flows from operating activities | $ 410 | $ 257 | $ 169 | $ 130 | $ 446 |
| Cash flows from investing activities | (883) | (278) | (320) | (575) | (338) |
| Cash flows from financing activities | 430 | 281 | 122 | 269 | 322 |
| Net change in cash in period | (42) | 260 | (29) | (176) | 430 |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. IC Power was organized in March 2010. IC Power's primary main subsidiaries are Inkia, the holding company for IC Power's operations in Latin America and the Caribbean, and OPC, IC Power's operating company in Israel. Financial data for 2010, up to the date of IC Power's formation, are results of Inkia.
3. Consists of the consolidated results of IC Power and Primus for 2010 through 2013 and, from June 30, 2014, the consolidated results of HelioFocus; prior to this date, Kenon did not consolidate HelioFocus' results of operations.
4. Includes Kenon's share in ZIM's loss for the six months ended December 31, 2014, the period in which Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting
5. Consists of (i) ZIM's results of operations for 2010 through 2013 and the six months ended June 30, 2014 and (ii) Petrotec's results of operations for 2010 through 2014.
6. Includes $24 million of pre-tax recognition of negative goodwill.
7. Consists of intercompany finance income, Kenon's general and administrative expenses, and the results of Primus. From June 30, 2014, also includes the consolidated results of HelioFocus.
8. Includes $116 million of restricted cash comprised of $88 million in short-term deposits and $28 million in long-term deposits.
9. Includes Kenon's associated companies: Qoros, Tower, and, from June 30, 2014, ZIM; prior to June 30, 2014, also included HelioFocus.

**Information on Business Segments**

Kenon is a holding company of (i) IC Power, (ii) certain renewable energy businesses (Primus, HelioFocus and, until December 24, 2014, Petrotec), (iii) a 32% interest in ZIM, (iv) a 50% interest in Qoros, and (v) a 22.5% interest in Tower. Kenon's segments are IC Power, Qoros and Other. Kenon's Other segment includes the consolidated results of Primus, and from June 30, 2014, the consolidated results of HelioFocus.

The results of Qoros, ZIM (whose results of operations were accounted for pursuant to the equity method of accounting from June 30, 2014), Tower, HelioFocus (results of operations through June 30, 2014; subsequently, HelioFocus' results are consolidated with Kenon's) and certain non-controlling interests held by IC Power, are reflected in Kenon's statement of income as share in losses of associated companies, net of tax. The following table sets forth selected financial data for Kenon's reportable segments for the periods presented:

| | Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [1] | Other [2] | Adjustments [3] | Combined Carve-Out Results |
| | *(in millions of USD, unless otherwise indicated)* | | | | |
| Revenue | $ 1,358 | $ — | $— | $ 14 | $ 1,372 |
| Depreciation and amortization | (108) | — | — | — | (108) |
| Asset write-off | (35) | — | (13) | — | (48) |
| Gain from disposal of investee | 157 | — | — | — | 157 |
| Gain from bargain purchase | 68 | — | — | — | 68 |
| Financing income | (9) | — | 39 | (32) | 16 |
| Financing expenses | (132) | — | (10) | 32 | (110) |
| Share in losses (income) of associated companies | 14 | (175) | (10) | — | (171) |
| Income (loss) before taxes | $ 321 | $(175) | $ (37) | $ — | $ 109 |
| Taxes on income | (87) | — | (4) | — | (91) |
| **Income (loss) from continuing operations** | **$ 234** | **$(175)** | **$ (41)** | **$ —** | **$ 18** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 209 | (175) | (34) | — | — |
| Non-controlling interests | 25 | — | (7) | — | 18 |
| Segment assets [4] | $ 3,849 | $ — | $837[5] | $ (785) | $ 3,901 |
| Investments in associated companies | 10 | 221 | 205 | — | 436 |
| Segment liabilities | 2,860 | — | 806[6] | (785) | 2,881 |
| Capital expenditure | 593[7] | — | 12 | — | 605 |
| EBITDA | $ 348[8] | $ — | $ (43) [9] | $ — | $ 305 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 89% | — | 23% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 99% | — | 21% | (20)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Associated company.
2. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014), and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
4. Excludes investments in associates.
5. Includes Kenon's and IC Green's assets.
6. Includes Kenon's and IC Green's liabilities.
7. Includes the additions of PP&E and intangibles based on an accrual basis.
8. For a reconciliation of IC Power's net income to its EBITDA, see " *– Information on Business Segments – IC Power* ."
9. With respect to its "Other" reporting segment, Kenon defines "EBITDA" as income (loss) for the year before depreciation and amortization, finance expenses (net), asset write-off, and income tax expense (benefit), excluding share in losses of associated companies, net of tax. EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges. The following table sets forth a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA for the periods presented. Other companies may calculate EBITDA differently, and therefore this presentation of EBITDA may not be comparable to other similarly titled measures used by other companies.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | *(in millions of USD)* | | |
| Loss for the period | $ (41) | $ (50) | $ (43) |
| Finance expenses (net) | (29) | (17) | (9) |
| Depreciation and amortization | — | 5 | 4 |
| Asset write-off | 13 | — | — |
| Income tax expense | 4 | — | 1 |
| Share in loss from associates, net of tax | 10 | 32 | 31 |
| **EBITDA** | $ (43) | $ (30) | $ (16) |

| | Year Ended December 31, 2013 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | (in millions of USD, unless otherwise indicated) | | | | |
| Revenue | $ 866 | $ — | $ — | $ 7 | $ 873 |
| Depreciation and amortization | (75) | — | (5) | — | (80) |
| Financing income | 5 | — | 32 | (32) | 5 |
| Financing expenses | (86) | — | (15) | 32 | (69) |
| Share in losses (income) of associated companies | 32 | (127) | (32) | — | (127) |
| Income (loss) before taxes | $ 123 | (127) | $ (50) | $ — | $ (54) |
| Taxes on income | 42 | — | — | — | 42 |
| **Income (loss) from continuing operations** | **$ 81** | **$(127)** | **$ (50)** | **$ —** | **$ (96)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 66 | (127) | (48) | — | (109) |
| Non-controlling interests | 15 | — | (2) | — | 13 |
| Segment assets [5] | $ 2,749 | $ — | $3,832[6] | $ (1,136) | $ 5,444 |
| Investments in associated companies | 286 | 226 | 28 | — | 540 |
| Segment liabilities | 2,237 | — | 3,933[7] | (1,136) | 5,033 |
| Capital expenditure | 351[8] | — | — | — | 351 |
| EBITDA | $ 247[9] | $ — | $ (30) [10] | $ — | $ 217 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 51% | — | 65% | (16)% | 100% |
| Percentage of combined assets excluding associated companies | 50% | — | 70% | (21)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income to its EBITDA, see " – *Information on Business Segments – IC Power* ."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see the footnote to the preceding table.

| | Year Ended December 31, 2012 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | *(in millions of USD, unless otherwise indicated)* | | | | |
| Revenue | $ 576 | $— | $ 1 | $ — | $ 577 |
| Depreciation and amortization | (55) | — | (4) | — | (59) |
| Financing income | 5 | — | 24 | (26) | 3 |
| Financing expenses | (50) | — | (15) | 26 | (39) |
| Share in losses (income) of associated companies | 33 | (54) | (31) | — | (52) |
| Income (loss) before taxes | $ 87 | $ (54) | $ (42) | $ — | $ (9) |
| Taxes on income (tax benefit) | 21 | — | 1 | — | 22 |
| **Income (loss) from continuing operations** | **$ 66** | **$ (54)** | **$ (43)** | **$ —** | **$ (31)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 57 | (54) | (41) | — | (38) |
| Non-controlling interests | 9 | — | (2) | — | 7 |
| Segment assets [5] | $ 2,145 | $— | $4,215[6] | $ (959) | $ 5,401 |
| Investments in associated companies | 312 | 207 | 58 | — | 577 |
| Segment liabilities | 1,709 | — | 3,780[7] | (959) | 4,530 |
| Capital expenditures | 391 | — | — | — | 391 |
| EBITDA | $ 154[8] | $— | $ (16) [9] | $ — | $ 138 |
| Percentage of Combined Revenues | 99% | — | 1% | — | 100% |
| Percentage of Combined Assets | 41% | — | 71% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 40% | — | 78% | (18)% | 100% |
| Percentage of Combined EBITDA | 112% | — | (12)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. For a reconciliation of IC Power's net income to its EBITDA, see " *Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
9. For a reconciliation of our "Other" reporting segment's net income to its EBITDA, see the footnote to the preceding table setting forth the selected financial data for the year ended December 31, 2014.

***IC Power***

The following tables set forth other financial and key operating data for IC Power for the periods presented:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | *(in millions of USD, except as indicated)* | | |
| Net income [1] | $ 234 | $ 81 | $ 66 |
| EBITDA [2] [3] | 348 | 247 | 154 |
| Net debt [4] [5] | 1,557 | 1,143 | 1,001 |
| Effective capacity of operating companies and associated companies at end of year (MW) [6] | 2,642 | 2,020 | 1,522 |
| Weighted average availability during the period (%) | 94% | 95% | 93% |

1. The share in net income attributable to non-controlling interests held by third parties in IC Power subsidiaries was $25 million, $15 million and $9 million for the years ended December 31, 2014, 2013 and 2012, respectively.
2. With respect to its "IC Power" reporting segment, Kenon defines "EBITDA" as income (loss) for the year before depreciation and amortization, finance expenses (net), income tax expense (benefit) of IC Power and its consolidated subsidiaries and asset write-off, excluding share in income from associates, income recognized from recognition of negative goodwill and gain from disposal of investees.

   EBITDA is not recognized under IFRS or any other generally accepted accounting principles as measures of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. EBITDA is not intended to represent funds available for dividends or other discretionary uses by IC Power because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. EBITDA presents limitations that impair its use as a measure of IC Power's profitability since it does not take into consideration certain costs and expenses that result from IC Power's business that could have a significant effect on IC Power's net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges. The following table sets forth a reconciliation of IC Power's income to its EBITDA for the periods presented. Other companies may calculate EBITDA differently, and therefore this presentation of EBITDA may not be comparable to other similarly titled measures used by other companies:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 [1] |
| | | | *(in millions of USD)* | | |
| Income for the period | $ 234 | $ 81 | $ 66 | $ 73 | $ 56 |
| Depreciation and amortization | 108 | 75 | 55 | 41 | 35 |
| Finance expenses (net) | 126 | 81 | 45 | 37 | 29 |
| Income tax expense (benefit) | 86 | 42 | 21 | 18 | 13 |
| Asset write-off | 35 | — | — | — | — |
| Share in income from associates | (14) | (32) | (33) | (25) | (20) |
| Recognized negative goodwill | (71) [2] | — | — | (24) | — |
| Gain from disposal of investees | (156) | — | — | — | — |
| **EBITDA** | **$ 348** | **$247** | **$154** | **$120** | **$113** |

   1. IC Power was organized in March 2010. Results for 2010 are the results of Inkia.
   2. Includes $68 million of income recognized from recognition of negative goodwill and $3 million of income recognized from the measurement of fair value.

3. The share in EBITDA attributable to non-controlling interests held by third parties in IC Power subsidiaries was $70 million, $50 million and $29 million for the years ended December 31, 2014, 2013 and 2012, respectively.
4. Net debt is calculated as total debt, excluding debt from parent, minus cash. Net debt is not a measure recognized under IFRS. The table below sets forth a reconciliation of total debt to net debt.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | *(in millions of USD)* | | |
| Total debt [1] | $2,348 | $1,669 | $1,266 |
| Cash [2] | 791 | 526 | 265 |
| Net debt | 1,557 | 1,143 | 1,001 |

   1. Total debt comprises loans from banks and debentures from third parties, excluding liabilities of disposal group classified as held for sale and includes long term and short term debt.
   2. Includes short-term deposits and restricted cash of $208 million, $9 million and $81 million at December 31, 2014, 2013 and 2012, respectively.

5. The share in net debt attributable to non-controlling interests held by third parties in IC Power subsidiaries was $277 million, $181 million and $165 million for the years ended December 31, 2014, 2013 and 2012, respectively.
6. Does not reflect 1,540 MW of capacity attributable to Edegel, which IC Power sold in September 2014.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

## D. Risk Factors

*Our business, financial condition, results of operations and liquidity can suffer materially as a result of any of the risks described below. While we have described all of the risks we consider material, these risks are not the only ones we face. We are also subject to the same risks that affect many other companies, such as technological obsolescence, labor relations, geopolitical events, climate change and risks related to the conducting of international operations. Additional risks not known to us or that we currently consider immaterial may also impair our business operations. Our businesses routinely encounter and address risks, some of which may cause our future results to be different – sometimes materially different – than we presently anticipate.*

### Risks Related to Our Diversified Strategy and Operations

*Some of our businesses, particularly Qoros, have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.*

The business plans of our businesses contemplate additional debt or equity financing which is expected to be raised from third parties. However, our businesses may be unable to raise the necessary capital from third party financing sources, and in this case Kenon would be their only source of funding. In particular, Qoros will require significant cash to further its development and, until it achieves significant sales levels to cover its operating expenses, financing expenses, and capital expenditures, and we expect that a significant portion of our liquidity and capital resources will be used to support Qoros' development. The cash resources currently on our balance sheet ($9 million as of the date of this annual report), together with the $155 million available under our $200 million credit facility from IC, may not be sufficient to fund additional investments that we deem appropriate in Qoros or our other businesses. In the event that one or more of our businesses require capital, either in accordance with their business plans or in response to new developments, and are unable to raise such financing from third parties, Kenon may (i) issue equity in the form of shares or convertible instruments, (ii) provide financing to a business using funds received from the operations or sales of Kenon's other businesses, (iii) sell part, or all, of its interest in any of its businesses, (iv) raise debt financing at the Kenon level or (v) provide guarantees or collateral in support of the debt of its businesses. To the extent debt financing is available to it, any debt financing that Kenon incurs may not be on favorable terms, may require Kenon to agree to restrictive covenants that limit how Kenon operates its or its businesses, and may also limit dividends or other distributions. In addition, any equity financing, whether in the form of a sale of shares or convertible instruments, would dilute existing holders of our ordinary shares and any such equity financing could be at prices that are lower than the current trading prices.

Qoros has relied upon capital contributions and loans from its shareholders (Chery and Kenon) to fund its development and operations. As of December 31, 2014, Qoros' shareholders have made equity contributions in the aggregate amount of RMB6.5 billion approximately $1.0 billion and loans of RMB1.6 billion (approximately $257 million). In February 2015, Kenon made a further loan to Qoros of RMB400 million, using cash on hand and a $45 million drawdown under Kenon's credit facility with IC. Chery has agreed to make a loan in equal amount, subject to the release of its guarantee in respect of Qoros' RMB3 billion syndicated credit facility, but Chery has not yet provided such loan. Qoros requires such support, and will require additional financing, from each of its shareholders to conduct its operations.

Qoros will also continue to need to raise significant additional debt financing to meet its operating expenses, financing expenses, capital expenditures and liquidity requirements to continue its commercial operations. Qoros' business plan contemplates debt financing of approximately RMB9 billion. Qoros has secured RMB4.2 billion of long-term debt financing. However, there is limited capacity for additional borrowing under Qoros' existing credit facilities. Qoros is negotiating a new RMB1.2 billion credit facility. However, this facility has not yet been obtained and Qoros' ability to obtain its required financing will depend upon a number of factors, including its sales performance.

Qoros commenced commercial operations in the end of 2013. Qoros sold approximately 7,000 cars in 2014 and incurred a net loss of RMB2.1 billion, as revenues were less than costs of sale. As the volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity and future success, Qoros revised its business plan during the third quarter of 2014. As result, Qoros is dependent upon external financing, including shareholder funding, to continue its commercial operations and meet its operating expenses, financing expenses, and capital expenditures and Qoros will remain dependent upon such financing sources until it experiences a significant increase in sales volume, and there is no assurance that Qoros will experience such an increase in sales. Furthermore, Qoros' operating expenses, financing expenses, and capital expenditures are significant and Kenon may be unable to support its (50%) share of Qoros' operating expenses, financing expenses, and capital expenditures for any significant period of time, if Kenon chose to do so, based on Kenon's liquidity position. Accordingly, if Qoros were to continue to require significant external financing (which it will require until it experiences a significant increase in sales), Kenon may need to sell its interests in other businesses to provide such financing; alternatively, Kenon may choose not to provide such financing, in which case Qoros may be unable to meet its operating expenses and Kenon may not recoup its investment in Qoros.

In the future, third party financing sources may also require Kenon to guarantee an individual business' indebtedness and/or provide additional collateral, including collateral via a cross-collateralization of assets across businesses. If Kenon does guarantee an individual business' indebtedness, we may divert funds received from one business to another business. We may also sell some or all of our interests in any of our businesses to provide funding for another business. Additionally, if we cross-collateralize certain assets (i.e., pledging shares or assets of one of our operating companies to secure debt of another of our operating companies) in order to provide additional collateral to a lender, we may lose an asset associated with one business in the event that a separate business is unable to meet its debt obligations.

Quantum, the wholly-owned subsidiary through which we own our 50% interest in Qoros has pledged a portion of its shares in Qoros. This pledge could result in a loss of our equity interest in Qoros and will limit our ability, or render us unable, to pledge our equity interest in Qoros in connection with future financing agreements. Additionally, as discussed above, Chery has also agreed to provide a RMB400 million shareholder loan to Qoros, subject to certain conditions but Chery has not yet provided such loan. Qoros requires such support, and will require additional financing, from each of its shareholders to conduct its operations. For further information on Chery's provision of such loan, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros –Provision of RMB400 Million Shareholder Loan* ." For further information on the risks related to Kenon's obligations in respect of Qoros' debt, see " *Risks Related to Our Interest in Qoros – Qoros commenced commercial sales in the end of 2013 and will therefore depend on external debt financing and guarantees or commitments from its shareholders to finance its operations* " and " *Item 5B. Liquidity and Capital Resources – Qoros' Liquidity and Capital Resources.* "

Additionally, if Kenon provides any of our businesses with additional capital, provides any third parties with indemnification rights or a guaranty, and/or provides additional collateral, including via cross-collaterization, this could reduce our liquidity.

For further information on the capital resources and requirements of each of our businesses, see " *Item 5B. Liquidity and Capital Resources* ."

*Kenon has obligations owing to IC, which may be substantial.*

In connection with the spin-off, IC provided Kenon with a $200 million credit facility. During the initial five-year term of the credit facility, Kenon has agreed to pay IC an annual commitment fee equal to 2.1% of the undrawn amount of the credit facility, which will be capitalized as a payment-in-kind and added to the outstanding amount of the credit facility. Principal and interest payments will accrue annually, and become due and payable in accordance with the terms of the credit facility, with interest payments over the first five-years being paid-in-kind, see " *Item 5B. Liquidity and Capital Resources – Kenon's Commitments and Obligations – IC Credit Facility* ."

Kenon may be required to use a substantial portion of cash flows received from its businesses to make payments to IC in accordance with the credit facility, which may reduce Kenon's ability to advance cash to its businesses or to pay dividends to its shareholders in the future, and Kenon may be unable to generate sufficient cash to make such payments. If Kenon is unable to fulfill its payment obligations under the terms of the loan, IC could elect to declare all amounts outstanding thereunder immediately due and payable and terminate all commitments to extend further credit to Kenon. If IC accelerates the repayment of Kenon's obligations, Kenon may not have sufficient assets to repay such obligations. In such circumstances, in addition to Kenon's pledge of at least 40% (but no more than 66%) of IC Power's issued capital, Kenon may also have to issue equity, or pledge its equity interests in any of its other businesses, to IC, and such issuance or pledge could result in a full, or partial, dilution of your direct equity interest in Kenon or indirect equity interest in Kenon's businesses, as well as Kenon's inability to pledge its equity interests in any of its businesses in connection with future financing agreements. The credit facility will also contain covenants that will restrict our ability to make distributions and incur additional indebtedness. For example, prior to a listing of IC Power's equity, the credit facility prohibits Kenon from distributing dividends to its shareholders, unless such dividends consist of all, or a portion of, Kenon's equity interests in ZIM, Tower or REG. Additionally, there are further restrictions on dividends following an IPO or listing of IC Power. If, at any time after a listing of IC Power's equity, we seek to (i) distribute a dividend to our shareholders (in cash or in kind), (ii) incur additional debt, (iii) sell, transfer, or allocate a portion, or all, of our interest in IC Power, or (iv) sell all of IC Power's assets, the credit facility will require the value of Kenon's remaining interest in IC Power to be, at any given time, equal to at least two times Kenon's net debt (which shall be equal to the outstanding principal amount of the credit facility *plus* the outstanding principal amount of any additional debt owed by Kenon to third-parties *minus* Kenon's cash on hand), in each case plus interest and fees. Kenon's compliance with such terms may limit its operating and financial flexibility, which may affect Kenon's ability to execute its strategy and thereby have a material adverse effect on Kenon's business, financial condition, results of operations or liquidity. For further information on the terms of the loan from IC to Kenon, see " *Item 5B. Liquidity and Capital Resources – Kenon's Commitments and Obligations – IC Credit Facility* ."

We received approximately $35 million in cash in connection with the spin-off and, other than our $200 million credit facility with IC, we do not currently intend to enter into any credit facilities or other financing arrangements. We will be dependent on our businesses for cash flows from operations and to meet our obligations under the credit facility from IC. For further information on the risks related to our dependence on our businesses for our liquidity, see *"– We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations ."*

Finally, notwithstanding the terms of our credit facility with IC, we cannot assure you that IC will make future borrowings available to us, in an amount sufficient to enable us to meet our obligations or to fund our liquidity needs. If our cash flow and capital resources are insufficient, this could have a material adverse effect on our business, financial condition, or liquidity.

*Disruptions in the financial markets could adversely affect Kenon or its businesses, which may not be able to obtain additional financing on acceptable terms or at all.*

Kenon's businesses may seek to access capital lending markets for various purposes, which may include the repayment of indebtedness, acquisitions, capital expenditures and for general corporate purposes. The ability of Kenon's businesses to access capital lending markets, and the cost of such capital, could be negatively impacted by disruptions in those markets. In 2008, 2009 and 2010, credit markets experienced significant dislocations and liquidity disruptions. These disruptions impacted other areas of the economy and led to a slowdown in general economic activity. Similar disruptions in the credit markets could make it more difficult or expensive for our businesses to access the capital or lending markets if the need arises and may make financing terms for borrowers less attractive or available. Furthermore, a decline in the value of any of our businesses, which are or may be used as collateral in financing agreements, could also impact their ability to access financing.

Kenon may seek to access the capital or lending markets to obtain financing in the future, including to support its businesses. The availability of such financing and the terms thereof will be impacted by many factors, including: (i) our financial performance, (ii) our credit ratings or absence of a credit rating, (iii) the liquidity of the overall capital markets, and (iv) the state of the economy. There can be no assurance, particularly as a newly-incorporated company that currently has no credit rating, that Kenon will be able to access the capital markets on acceptable terms or at all. If Kenon deems it necessary to access financing and is unable to do so on acceptable terms or at all, this could have a material adverse effect on our financial condition or liquidity.

*We are dependent upon access to the capital markets to execute our strategy with respect to our non-primary interests.*

Our strategy may include sales or distributions of our interests in our non-primary businesses. Our ability to distribute or monetize our non-primary businesses is heavily dependent upon the public equity markets. For example, the ability to realize any value from a business disposition may depend upon our ability to complete an initial public offering of the business in which such investment is held. Even if the securities of our business are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, we may be forced to either sell our equity interest in a particular business at lower prices than expected to realize or defer such a sale, potentially for a long period of time.

*We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations.*

We are a holding company of various operating companies, and as a result, do not conduct independent operations or possess significant assets other than investments in and advances to our businesses. We received approximately $35 million in cash in connection with the spin-off and, other than our $200 million credit facility with IC, we do not currently intend to enter into any credit facilities or other financing arrangements. Our cash resources and cash from our businesses may not be sufficient for us to meet our obligations under our loan from IC. Additionally, we may need to provide loans to or make investments in or provide guarantees in support of our businesses.

In particular, Qoros will require significant cash to further its development and we expect that a significant portion of our liquidity and capital resources will be used to support Qoros' development and, until it achieves significant sales, its operating expenses, financing expenses and capital expenditures.

Kenon may also provide guarantees of debt of its businesses in the future. For example, in connection with our recent provision of a RMB400 million shareholder loan to Qoros, Kenon has agreed, in the event that Chery provides a RMB400 million shareholder loan to Qoros, as set forth above, and Chery's guarantee of up to RMB1.5 billion (approximately $241 million) in respect of Qoros' RMB3 billion syndicated credit facility is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

Accordingly, if we are unable to satisfy our obligations, or if we require further funds to support Qoros, we may decide to sell interests in businesses and use the proceeds resulting therefrom to make payments in respect of these obligations, which could reduce amounts available for distributions to our shareholders, and may result in our disposition of assets in circumstances where we might otherwise not have considered such dispositions to be in the best interest of our shareholders. We will depend upon the receipt of sufficient funds from our businesses (via dividends, loans or advances, or the repayment of loans or advances to us) to meet our obligations, including to contribute committed capital to our businesses, repay any amounts we may borrow in the future, and to pay dividends or other distributions to our shareholders. However, as our businesses are legally distinct from us and will generally be required to service their debt obligations before making distributions to us, our ability to access such cash flow from our businesses may be limited in some circumstances and we may not have the ability to cause our entities to make distributions to us, even if they are able to do so. Additionally, the terms of existing and future joint venture, financing, or cooperative operational agreements and/or the laws and jurisdictions under which each of our businesses are organized may also limit the timing and amount of any dividends, other distributions, loans or loan repayments to us. In the case of IC Power, a business with investments in numerous businesses, its ability to make payments to us may be further limited if its businesses are unable to make payments to it.

Additionally, as dividends are generally taxed and governed by the relevant authority in the jurisdiction in which the company is incorporated, there may be numerous and significant tax or other legal restrictions on the ability of our businesses, including, for example, IC Power's businesses, including, for example, to remit funds to us, or to remit such funds without our, or our businesses', incurring significant tax liabilities or incurring a ratings downgrade.

*We do not have the right to manage, and in some cases do not control, several of our businesses, and therefore we may not be able to realize some or all of the benefits that we expect to realize from our businesses.*

As we do not own a majority interest in Qoros, ZIM, or Tower, we are subject to the operating and financial risks of these business, the risk that these businesses may make business, operational or financial decisions that we do not agree with, and the risk that we may have objectives that differ from those of the applicable business itself or its controlling shareholder. Our ability to control the development and operation of these investments may be limited, and we may not be able to realize some or all of the benefits that we expect to realize from these investments. For example, we may not be able to cause these businesses to make distributions to us in the amount or at the time that we need or want such distributions. Furthermore, IC Power does not own a controlling equity interest in Pedregal and is therefore subject to similar consequences. A lack of control with respect to this company, or any other company IC Power may acquire a non-controlling interest in, could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

In addition, we rely on the internal controls and financial reporting controls of our businesses and the failure of our non-controlled businesses to maintain effective controls or to comply with applicable standards could make it difficult to comply with applicable reporting and audit standards. For example, the preparation of our consolidated financial statements will require the prompt receipt of financial statements from each of our subsidiaries and associated companies. Additionally, in certain circumstances, we may be required to file with our annual reports on Form 20-F, or registration statements filed with the SEC, financial information of associated companies that has been audited in conformity with SEC rules and regulations and Public Company Accounting Oversight Board, or PCAOB, audit standards. We may not, however, be able to procure such financial statements, or such audited financial statements, as applicable, from our subsidiaries and associated companies and this could render us unable to comply with applicable SEC reporting standards.

*Some of our businesses are highly leveraged.*

Some of our businesses are significantly leveraged and may incur additional debt financing in the future. As of December 31, 2014, we had approximately $2.4 billion of outstanding indebtedness on a consolidated basis, including long-term debt, short-term debt and debentures, and including IC Power's $2.3 billion of outstanding indebtedness. As of December 31, 2014, Qoros had outstanding indebtedness of RMB7.3 billion (approximately $1.2 billion), including shareholder loans of RMB1.6 billion (approximately $257 million), ZIM had outstanding indebtedness of $1.6 billion, and Tower had outstanding indebtedness of $387 million (in the case of Tower, in accordance with U.S. GAAP).

Highly leveraged assets are inherently more sensitive to declines in earnings, increases in expenses and interest rates, and adverse market conditions. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. Consequently, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt. Additionally, the amount of collateral that is available for future secured debt or credit support and a business' flexibility in dealing with its secured assets may be limited. For example, a

significant percentage of IC Power's assets, including IC Power's interest in the capital stock of certain of its associated companies, secures Kallpa's senior secured credit facility, and IC Power uses a substantial portion of its consolidated cash flows from operations to make debt service payments, thereby reducing its ability to use its cash flows to fund operations, capital expenditures, or future business opportunities. Qoros commenced commercial sales at the end of 2013, and accordingly does not have regular cash flows for debt service. Additionally, notwithstanding the completion of its restructuring on July 16, 2014, ZIM remains significantly leveraged and ZIM will continue to face risks associated with those of a highly leveraged company.

Our businesses will generally have to service their debt obligations before making distributions to us or to any other shareholder. In addition, many of the financing agreements relating to the debt facilities or our operating companies contain covenants and limitations, including the following:

- limits on the ratio of debt to EBITDA;
- minimum required ratios of EBITDA to interest expense;
- limits on the incurrence of liens or the pledging of certain assets;
- limits on the incurrence of subsidiary debt;
- limits on the ability to enter into transactions with affiliates, including us;
- limits on the ability to pay dividends to shareholders, including us; and
- limits on our ability to sell assets, including interests in subsidiaries and associated companies.

If any of our businesses are unable to repay or refinance their indebtedness as it becomes due, or if they are unable to comply with their covenants, we may decide to sell assets or to take other disadvantageous actions, including (i) reducing financing in the future for investments, acquisitions or general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on their indebtedness. As a result, the ability of our businesses to withstand competitive pressures and to react to changes in the various industries in which we operate could be impaired. If we choose not to pursue any of these alternatives, a breach of any of our businesses' debt instruments and/or covenants could result in a default under the relevant debt instrument (s). Upon the occurrence of such an event of default, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of credit facility lenders, terminate all commitments to extend further credit. If the lenders accelerate the repayment of the relevant borrowings, the relevant business may not have sufficient assets to repay any outstanding indebtedness, which could result in a complete loss of that business for us. Furthermore, the acceleration of any obligation under a particular debt instrument may permit the holders of other material debt to accelerate their obligations pursuant to "cross default" provisions, which could have a material adverse effect on our business, financial condition and liquidity.

As a result, our businesses' degree of leverage could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Our success will be dependent upon the efforts of a limited number of directors and executive officers.*

Our success will be dependent upon the decision-making of our directors and executive officers as well as the directors and executive officers of our businesses. The loss of any or all of our directors and executive officers could delay the implementation of our strategies or divert our directors and executive officers' attention from our operations which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Foreign exchange rate fluctuations and controls could have a material adverse effect on our earnings and the strength of our balance sheet.*

Through our businesses, we have facilities and generate costs and revenues in a number of geographic regions across the globe. As a result, a significant portion of our revenue and certain of our businesses' operating expenses, assets and liabilities, are denominated in currencies other than the U.S. Dollar. The predominance of certain currencies varies from business to business, with many of our businesses generating revenues or incurring indebtedness in more than one currency. Additionally, we have provided Qoros with shareholder loans in an aggregate outstanding amount of RMB800 million as of December 31, 2014. We have also assumed certain undertakings, which may require Kenon to provide a guarantee of Qoros' debt or share in payment obligations of Chery's RMB1.5 billion (approximately $241 million) guarantee under Qoros' RMB3 billion credit facility, among other possibilities. As a result, we are subject to several arrangements that may expose us to RMB exchange rate fluctuations.

Furthermore, our businesses may pay distributions or make payments to us in currencies other than the U.S. Dollar, which we must convert to U.S. Dollars prior to making dividends or other distributions to our shareholders if we decide to make any distributions in the future. Foreign exchange controls in countries in which our businesses operate may further limit our ability to repatriate funds from unconsolidated foreign affiliates or otherwise convert local currencies into U.S. Dollars.

Consequently, as with any international business, our liquidity, earnings, expenses, asset book value, and/or amount of equity may be materially affected by short-term or long-term exchange rate movements or controls. Such movements may give rise to one or more of the following risks, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity:

- *Transaction Risk* – exists where sales or purchases are denominated in overseas currencies and the exchange rate changes *after* our entry into a purchase or sale commitment but *prior to* the completion of the underlying transaction itself;
- *Translation Risk* – exists where the currency in which the results of a business are reported differs from the underlying currency in which the business' operations are transacted;
- *Economic Risk* – exists where the manufacturing cost base of a business is denominated in a currency different from the currency of the market into which the business' products are sold; and
- *Reinvestment Risk* – exists where our ability to reinvest earnings from operations in one country to fund the capital needs of operations in other countries becomes limited.

*If our businesses are unable to manage their interest rate risks effectively, our cash flows and operating results may suffer.*

Certain of our businesses' indebtedness bears interest at variable, floating rates. In particular, some of this indebtedness is in the form of Consumer Price Index, or CPI-linked, NIS-denominated bonds. We, or our businesses, may incur further indebtedness in the future that also bears interest at a variable rate or at a rate that is linked to fluctuations in a currency in the form of other than the U.S. Dollar. Although our businesses attempt to manage their interest rate risk, there can be no assurance that they will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates or changes in the CPI that are greater than changes anticipated based upon historical trends could have a material adverse effect on our or any of our businesses' business, financial condition, results of operations or liquidity.

**Risks Related to the Industries in Which Our Businesses Operate**

*Current conditions in the global economy, and in the industries in which our businesses operate in particular, could have a material adverse effect on us.*

The business and operating results of each of our businesses have been, and will continue to be, affected by worldwide economic conditions, particularly conditions in the energy generation, passenger vehicle, and shipping industries our businesses operate in. The global economic conditions that began in 2008 have affected the operating results and profitability of our businesses. These conditions have included slower global economic growth, a credit market crisis, lower levels of consumer and business confidence, downward pressure on prices, continued high unemployment levels, reduced levels of capital expenditures, fluctuating commodity prices (specifically prices for electricity, natural gas, heavy fuel oil, bunker, gasoline, and crude oil), bankruptcies, government deficit reduction and austerity measures, heightened volatility, uncertainties with respect to the stability of the emerging markets, concerns for the economic stability of the United States and several countries in Europe, budget consolidation measures by governments, and other challenges affecting the global economy. As a result of these conditions, some of the government and nongovernment customers of our businesses have experienced deterioration of their businesses, cash flow shortages, and/or difficulty in obtaining financing. As a result, existing or potential customers may delay or cancel plans to purchase the products and/or services of our portfolio subsidiaries, including long-term purchases of energy capacity (in the case of IC Power) or purchases of shipping capacity (in the case of ZIM), or may not be able to fulfill their obligations to us in a timely fashion. Furthermore, the vendors, suppliers and/or partners of each of our businesses may be experiencing similar conditions, which may impact their ability to fulfill their obligations.

Additionally, economic downturns may alter the priorities of governments to subsidize and/or incentivize participation in any of the markets in which our businesses operate. For example, economic downturns or political dynamics may impact the availability of financial incentives provided by the Chinese government to Chinese automobile purchases or the incentives (e.g., tariffs) provided by various governments to producers and consumers of renewable energy sources, some of which are heavily relied upon by our renewable energy businesses. If slower growth in the global economy continues for a significant period and/or there is additional significant deterioration in the global economy, such occurrences could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Our businesses' operations expose us to risks associated with conditions in those markets.*

Through our businesses, we operate and service customers in a number of geographic regions across the globe, including emerging markets. There are certain risks inherent in conducting business in emerging markets, including:

- heightened economic volatility;
- difficulty in enforcing agreements, collecting receivables and protecting assets;
- the possibility of encountering unfavorable circumstances from host country laws or regulations;
- fluctuations in revenues, operating margins and/or other financial measures due to currency exchange rate fluctuations and restrictions on currency and earnings repatriation;
- trade protection measures, import or export restrictions, licensing requirements and local fire and security codes and standards;
- increased costs and risks of developing, staffing and simultaneously managing a number of foreign operations as a result of language and cultural differences;
- issues related to occupational safety, work hazard, and adherence to local labor laws and regulations;
- potentially adverse tax developments;
- changes in the general political, social and/or economic conditions in the countries where we operate, particularly in emerging markets;
- the threat of nationalization and expropriation;
- the presence of corruption in certain countries;
- fluctuations in available municipal funding in those instances where a project is government-financed; and
- terrorist activities.

If any of our businesses are impacted by any of the aforementioned factors, such an impact could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*We require qualified personnel to manage and operate our various businesses.*

As a result of our decentralized structure, we require qualified and competent management to independently direct the day-to-day business activities of each of our businesses, execute their respective business plans, and service their respective customers, suppliers and other stakeholders, in each case across numerous geographic locations. Many of the products and services offered by our businesses are highly technical in nature and may require specialized training or physically demanding work. Therefore, we must be able to retain employees and professionals with the skills necessary to understand the continuously developing needs of our customers and to maximize the value of each of our businesses. This includes developing talent and leadership capabilities in the emerging markets in which certain of our businesses operate, where the depth of skilled employees may be limited. Changes in demographics, training requirements and/or the unavailability of qualified personnel could negatively impact the ability of each of our businesses to meet these demands. Although we have adequate personnel for the current business environment, unpredictable increases in the demand for our goods and/or services, or the geographical diversity of our businesses, may exacerbate the risk of not having a sufficient number of trained personnel. If any of our businesses fail to train and retain qualified personnel, or if they experience excessive turnover, we may experience declining sales, production/manufacturing delays or other inefficiencies, increased recruiting, training or relocation costs and other difficulties, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Significant raw material shortages, supplier capacity constraints, production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs and adversely impact the competitive positions of the products and/or services of our businesses.*

The reliance of certain of our businesses on certain third-party suppliers, contract manufacturers and service providers, or commodity markets to secure raw materials (e.g., natural gas, heavy fuel oil, and diesel for IC Power; bunker for ZIM; and natural gas for Primus), parts, components and sub-systems used in their products or services exposes us to volatility in the prices and availability of these materials, parts, components, systems and services. Some of these suppliers or their sub-suppliers are limited- or sole-source suppliers.

For example, Kallpa, the largest IC Power operating company, is party to a natural gas exclusive supply agreement with a consortium of suppliers, pursuant to which such consortium supplies Kallpa with all of its natural gas requirements based upon a base price, in U.S. Dollars, set on the date of the agreement and indexed on two producer price indices pursuant to the terms of the agreement. Additionally, Kallpa is party to a natural gas exclusive transportation agreement with a local Peruvian gas transporter. OPC is party to a natural gas exclusive supply agreement with a consortium of suppliers who, in accordance with a resolution passed by the Israeli Natural Gas Council, may be required to allocate gas otherwise designated for OPC to other consumers in the event of a capacity shortage. For further information on the terms and nature of IC Power's relationships with certain of its raw material suppliers, see " *– Risks Related to IC Power – Supplier concentration may expose IC Power to significant financial credit or performance risks* " and " *Item 4B. Business Overview – Our Business – IC Power – IC Power's Raw Materials and Suppliers* ."

For further information on the terms and nature of Qoros' relationships with certain of its raw material suppliers, see " *Risks Related to Our Interest in Qoros – Qoros is dependent upon its suppliers* " and " *Item 4B. Business Overview – Our Businesses – Qoros – Qoros' Product Sourcing and Suppliers* ."

A disruption in deliveries from these and other third-party suppliers, contract manufacturers or service providers, capacity constraints, production disruptions, price increases, or decreased availability of raw materials or commodities, including as a result of catastrophic events, could have an adverse effect on the ability of our businesses to meet their commitments to customers or could increase their operating costs. Our businesses could encounter supply problems and may be unable to replace a supplier that is not able to meet their demand in either the short- or the long-term; these risks are exacerbated in the case of raw materials or component parts that are sourced from a single-source supplier. Furthermore, quality and sourcing issues experienced by third-party providers can also adversely affect the quality and effectiveness of our businesses' products and/or services and result in liability and reputational harm that could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Some of our businesses must keep pace with technological changes and develop new products and services to remain competitive.*

The markets in which some of our businesses operate experience rapid and significant changes as a result of the introduction of both innovative technologies and services. To meet customer needs in these areas, these businesses must continuously design new, and update existing, products and services, as well as invest in, and develop new technologies. Introducing new products and technologies requires a significant commitment to research and development that, in return, requires the expenditure of considerable financial resources that may not always result in success. Our sales and profitability may suffer if these businesses invest in technologies that do not operate, or may not be integrated, as expected or that are not accepted into the marketplace as anticipated, or if their services, products or systems are not introduced to the market in a timely manner, in particular, compared to its competitors, or become obsolete. Furthermore, in some of these markets, the need to develop and introduce new products rapidly in order to capture available opportunities may lead to quality problems. Our operating results depend to a significant extent on our ability, and the ability of these businesses, to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products and services. If we, or any of these businesses, are unsuccessful in our efforts, such a failure could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Our businesses operate in highly competitive markets.*

The worldwide markets for our services, products and solutions are highly competitive in terms of pricing, service and product quality, development and introduction time, customer service and financing terms. In many of our businesses, we face downward price pressure and we are or could be exposed to market downturns or slower growth, which may increase in times of declining investment activities, government incentives and/or consumer demand. We face strong competitors, some of which are larger and may have greater resources in a given business area, as well as competitors from emerging markets, which may have better, more efficient cost structures. Some industries in which our businesses operate are undergoing consolidation, which may result in stronger competition and a change in our relative market position.

For example, in recent years, the power production industry has been characterized by strong and increasing competition with respect to both obtaining long-term and short-term PPAs – which provide for the sale of electricity, independent of actual generation allocations or provisions of availability, to financially stable distribution companies or other unregulated consumers – and acquiring existing power generation assets. In certain markets, these factors have caused reductions in the prices negotiated in PPAs and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding processes. The evolution of competitive electricity markets and the development of highly efficient gas-fired power plants have also caused, or are anticipated to cause, price pressure in certain power markets where IC Power sells or intends to sell power. Certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact IC Power's market share.

Furthermore, the passenger vehicle market in China is highly competitive, as China has been one of the world's fastest growing economies, in terms of gross domestic product, or GDP, in recent years, and has also been the fastest growing among major passenger vehicle markets in the world. Many of the largest global manufacturers, through joint venture relationships with Chinese manufacturers, and numerous established domestic manufacturers, compete within this market. Some of these manufacturers have longer operating histories, or may be able to devote greater resources to their operations than Qoros, which may impact Qoros' competitiveness and ability to gain market share.

Any of these factors alone, or in combination, may negatively impact one or more of our businesses and thereby have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Our businesses may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force.*

As of December 31, 2014, we, and our consolidated businesses, employ, directly and indirectly, approximately 1,379 employees. Qoros, ZIM and Tower directly employed 2,458, 4,315 and 3,911 employees, respectively, as of December 31, 2014. Our operating companies could experience strikes, industrial unrest, or work stoppages. For example, a significant portion of ZIM's Israeli employees and employees of the ports ZIM uses are members of unions. In April and May 2014, ZIM experienced labor strikes as a result of disagreements related to ZIM's operational and financial restructuring plans and other employee concerns. Collective bargaining agreements addressing certain of these concerns were entered into in November 2014 and January 2015. Additionally, in May 2014, Israeli ports experienced port labor unrest. Disruptions in ZIM's operations, or the operations of any of our other businesses, as a result of labor stoppages or strikes may occur in the future and, if so, such disruptions could materially and adversely affect our or the relevant businesses' reputation and could adversely affect operations. Additionally, a work stoppage at any one of the suppliers of any of our businesses could materially and adversely affect our operations if an alternative source of supply were not readily available. Stoppages by employees of our customers could also result in reduced demand for our products or services which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East.*

Some of our businesses are incorporated, and certain of the operations of our businesses are located, in Israel. Therefore, the existing security, economic and geopolitical conditions in Israel and the Middle East could affect our existing relationships with certain foreign corporations, as well as affect the willingness of potential partners to enter into transactions or business relationships with Israeli companies, particularly our businesses that are based in or have facilities which are located in Israel. Since July 2014, for example, ZIM's west coast operations have been subject to political activity which, in certain instances, have had immaterial effects on ZIM's operational activities. Numerous countries, corporations and organizations around the globe limit their business activities in Israel and their business ties with Israeli-based companies. For example, ZIM's status as an Israeli company has effectively limited ZIM's ability to call on certain ports and has therefore impacted ZIM's ability to enter into alliances and operational partnerships with other shipping companies. Additionally, Israel has been and is subject to terrorist activity, with varying levels of severity. Parties with whom we or our businesses do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements where necessary. Developments in the political and security situation in Israel may also result in parties with whom we have agreements claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions. Although the number of businesses limiting their ties to Israel is decreasing, any deterioration in the security or geopolitical conditions in Israel and/or the Middle East could adversely impact our business relationships and thereby have a material adverse effect on our business, financial condition, results of operations or liquidity.

Israel's geopolitical situation has led to security issues and, as a result, our Israel-based operations or associated companies, including IC Power and its subsidiary OPC, ZIM and Tower may be exposed to hostile activities (including harm to computer systems or, with respect to IC Power's operations, attacks on critical infrastructure, such as gas transmission systems or pipelines), security restrictions connected with Israeli bodies/organizations overseas, possible isolations by various bodies for numerous political reasons, and other limitations (such as a prohibition against entering into specific ports). Certain of OPC's, ZIM's, Tower's or HelioFocus' employees in Israel are also subject to being called upon to perform military service in Israel, and their absence may have an adverse effect upon the operations of the relevant business. Generally, unless exempt, male adult citizens of Israel under the age of 41 are obligated to perform up to 36 days of military reserve duty annually and are subject to being called to active duty at any time under emergency circumstances. Additionally, ZIM's owned and chartered vessels, including those vessels that do not sail under the Israeli flag, may be subject to control by the authorities of the State of Israel in order to protect the security of or bring essential supplies and services to the State of Israel. Israeli legislation also allows the State of Israel to use ZIM's vessels in times of emergency.

Any of the aforementioned events and conditions could disrupt IC Power's, OPC's, ZIM's, Tower's or HelioFocus' operations, which could, in turn, have a material adverse effect on our business, financial condition, results of operations or liquidity.

*We, and each of our businesses, face cyber-security risks.*

Our business operations, and the operations of our various operating companies, rely upon secure information technology systems for data processing, storage and reporting. As a result, we, and our businesses, maintain information security policies and procedures for managing such information technology systems. Despite careful security and controls design, implementation and updating, our information technology systems, or those of our businesses, may be subject to cyber-attacks, including, but not limited to, network, system, application and data breaches and such cyber-security breaches may result in operational disruptions of information misappropriation, which could have a material adverse effect on our, or any of our operating companies', business, financial condition or results of operation.

**Risks Related to Legal, Regulatory and Compliance Matters**

*We, and each of our businesses, are subject to legal proceedings and legal compliance risks.*

We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world. We, our businesses, and the industries in which we operate, are periodically reviewed or investigated by regulators and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Changes in laws or regulations could require us, or any of our businesses, to change manners of operation or to utilize resources to maintain compliance with such regulations, which could increase costs or otherwise disrupt operations. Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers and price or exchange controls, could affect our businesses in several national markets, impact our profitability and make the repatriation of profits difficult, and may expose us or any of our businesses to penalties, sanctions and reputational damage. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights.

While we intend to adopt, and believe that each of our businesses have adopted, appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. No assurances can be made that we will be found to be operating in compliance with, or be able to detect violations of, any existing or future laws or regulations. A failure to comply with or properly anticipate applicable laws or regulations could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws outside of the United States.*

The U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. We operate, through our businesses, in many parts of the world that are recognized as having governmental and commercial corruption. Additionally, because many of our customers and end users are involved in infrastructure construction and energy production, they are often subject to increased scrutiny by regulators. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, the employees of any of our businesses, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our global operations necessitate the importation and exportation of goods and technology across international borders on a regular basis. From time to time, we, or our businesses, obtain or receive information alleging improper activity in connection with such imports or exports. Our policy mandates strict compliance with applicable trade laws. Nonetheless, we

cannot provide assurance that our policies and procedures will always protect us from actions that would violate U.S. and/or foreign laws. Such improper actions could subject us to civil or criminal penalties, including material monetary fines, denial of import or export privileges, or other adverse actions. The occurrence of any of the aforementioned factors could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Certain of our businesses are subject to regulatory restrictions relating to ties with hostile entities and/or countries.*

As a result of their international activities and operations in various industries worldwide, certain of our businesses are exposed to regulations in Israel and in other countries governing business relations with hostile entities or countries (such as Iran). We have taken, and will continue to take, measures to ensure our compliance with such regulations. Despite our best precautions, however, the wide-reaching business activities of our businesses may expose us to sanctions, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

**Risks Related to IC Power**

*IC Power is significantly leveraged.*

As of December 31, 2014, IC Power had $2,348 million of outstanding indebtedness on a consolidated basis. Some of IC Power's debt agreements include financial, affirmative and negative covenants, events of default or mandatory prepayments for contractual breaches, including certain changes of control, and for material mergers and divestments, among other provisions. A number of IC Power's credit facilities are secured. For example, Kallpa's senior secured credit facility, Kallpa's capital leases, and OPC's financing agreement are secured by certain of IC Power's assets.

IC Power uses a substantial portion of its cash flow from operations or investing activities to make debt service payments, reducing its ability to use its cash flow to fund its operations, capital expenditures, future business opportunities and payments to us. For example, in connection with the consummation of IC Power's sale of Edegel in 2014, IC Power was required to repay the aggregate principal amount of debt outstanding under Inkia's Credit Suisse credit facility.

Additionally, the pledge of a significant percentage of IC Power's assets to secure its debt has reduced the amount of collateral that is available for future secured debt or credit support as well as IC Power's flexibility in dealing with these secured assets. This level of indebtedness and related security, as well as the terms governing such indebtedness, could have other important consequences for IC Power, including:

- increasing its vulnerability to general adverse economic and industry conditions;
- limiting its flexibility in planning for, or reacting to, changes in its business and the industry;
- limiting its ability to enter into long-term power sales or heavy fuel oil purchases which require credit support;
- limiting its ability to adjust to changing market conditions and placing IC Power at a competitive disadvantage compared to its competitors that are not as highly leveraged;
- limiting its ability to distribute dividends or other payments to its shareholders without leading to a downgrade of its outstanding indebtedness or long-term corporate ratings, if at all; and
- limiting, along with the financial and other restrictive covenants relating to such indebtedness, among other things, IC Power's ability to borrow additional funds for working capital including collateral postings, capital expenditures, acquisitions and general corporate or other purposes.

The indenture governing Inkia's $450 million principal amount of bonds restricts distributions to us to 100% of Inkia's accrued net income from January 1, 2011, subject to certain exceptions. In May 2014, IC Power repaid $168 million of intercompany debt owed to IC and in June 2014, IC Power repaid $95 million of capital notes owed to IC and made a distribution to IC of approximately $37 million. The repayment of this debt is effectively treated as a dividend for purposes of Inkia's indenture, and, as a result, this repayment together with the distribution used up most of Inkia's dividend capacity under the indenture, so Inkia will be unable to make distributions to IC Power until it accrues additional net income.

IC Power also provides performance, and other, guarantees, from time to time, in support of the financing and development of certain of its operating companies. For example, in connection with the consummation of the spin-off, IC Power provided a guarantee to, and made cash collateral in an amount of NIS 45 million (approximately $11 million) available for the benefit of the lending consortium under OPC's financing agreement, in exchange for their release of the NIS 80 million (approximately $20 million) guarantee provided by IC. OPC, which holds the NIS 45 million (approximately $11 million) collateral, is required to hold such amount as restricted cash for as long as IC Power's guarantee to OPC's lenders remains outstanding. As of December 31, 2014, IC Power had provided performance, or other, guarantees in an aggregate amount of $102 million.

*IC Power's growth strategy could be materially and adversely affected if it were unable to raise capital on favorable terms or in certain less developed economies.*

IC Power relies significantly on its ability to successfully access the capital markets as a source of liquidity and such reliance may be increased to the extent that IC Power utilizes cash from its operations to distribute funds to us or repay loans owing to us. IC Power's ability to arrange financing on either a recourse or non-recourse basis, and the costs of such capital, are dependent upon numerous factors, some of which are beyond IC Power's control. For example, IC Power, or certain of IC Power's operating companies, may not be able to secure financing on favorable terms as a result of our recent spin-off from IC, who had previously provided performance, or other, guarantees in connection with certain IC Power financing arrangements. Should future access to capital be unavailable to IC Power, it may have to sell assets or decide not to build new plants or expand or improve existing facilities, any of which could affect IC Power's future growth. IC Power may also deem it necessary to secure any necessary financing at higher costs or on less favorable terms (e.g., by providing collateral, security or guarantees to lenders and/or accepting relatively higher interest rates), or to seek additional investments from Kenon through equity contributions, loans, the provision of guarantees, or otherwise, in the event that IC Power is not able to otherwise raise funding from third parties.

Additionally, part of IC Power's strategy is to expand its business by developing generation projects in less developed economies. Commercial lending institutions sometimes refuse to provide financing in certain less developed economies, and in these situations IC Power may seek direct or indirect (through credit support or guarantees) project financing from a limited number of multilateral or bilateral international financial institutions or agencies. As a precondition to making such project financing available, the lending institutions may also require sponsor guarantees for completion risks and governmental guarantees of certain business and sovereign related risks. However, the financing from international financial agencies or governmental guarantees required to complete projects may not be available when needed. If so, IC Power may have to abandon potential projects or invest more of its own funds, which may not be in line with IC Power's investment objectives and would leave less funds for other IC Power investments and projects.

*IC Power's expansion, development and acquisition strategy may be limited.*

IC Power's growth strategy contemplates (i) the expansion, construction or development of power generation facilities in the countries in which IC Power currently operates, and (ii) the acquisition of operating companies in key growth markets in which IC Power does not currently operate. The ability to pursue such growth opportunities successfully will depend upon IC Power's ability to:

- identify projects and properties suitable for expansion, construction or acquisition;
- negotiate purchase or engineering, procurement and construction agreements on commercially reasonable terms; and
- obtain the necessary financing and government permits or approvals to effect such developments or acquisitions.

If IC Power is unable to identify attractive projects for expansion, this could have an adverse impact on its strategy and, as a result, could have a material adverse effect on IC Power's business.

*Proposed and potential development projects may not be completed or, if completed, may not be completed on time or perform as expected.*

IC Power plans to expand its operations through projects constructed on unused land with no need to demolish or remodel existing structures, or "greenfield development projects." Such projects are expected to be located in the various markets within which IC Power operates and IC Power is currently constructing, among other things, a run-of-the-river hydroelectric project on the Mantaro River in central Peru, and an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa, southern Peru. Development projects require IC Power to spend significant sums on engineering, permitting, legal, financial advisory and other expenses in preparation for competitive bids that it may not win or before it determines whether a development project is even feasible, economically attractive or capable of being financed. These activities consume a portion of IC Power and its operating companies' focus and could increase IC Power's leverage or reduce its consolidated profitability.

Furthermore, once IC Power wins a competitive bid and, if applicable, enters into a turnkey agreement to commence the construction of its project, the development and construction of its power generation facilities, such as its CDA or Samay I projects, still involve numerous additional risks, including:

- unanticipated cost overruns;

- claims from contractors;
- an inability to obtain financing at affordable rates or at all;
- delays in obtaining necessary permits and licenses, including environmental permits;
- unforeseen engineering, environmental and geological problems;
- adverse changes in the political and regulatory environment in the country in which the project is located;
- opposition by political, environmental and other local groups;
- shortages or increases in the price of equipment, materials or labor;
- work stoppages or other labor disputes; and
- adverse weather conditions, natural disasters, accidents or other unforeseen events.

Any of these risks could result in IC Power's financial returns on its development projects being lower than expected, or could cause IC Power to operate below expected capacity or availability levels. This, in turn, could result in IC Power experiencing lost revenues and/or increased expenses. Although IC Power maintains insurance to protect against some of these risks, such insurance may not be adequate. As a result, development projects may cost more than anticipated and IC Power may be unable to fund principal and interest payments underlying its construction financing obligations, if any. In addition, a default under such a financing obligation could result in IC Power losing its interest in a power generation facility.

Any individual project may not be completed within budget or in a timely fashion, or at all, and delays could result in increased costs or breaches of any of the PPAs relating to such projects. For example, a delay in the completion of a construction project could result in IC Power being obligated to supply energy that it is unable to generate. CDA, which IC Power initially expected to complete in early 2016, has experienced construction delays and is currently expected to commence commercial operations in the second half of 2016. In connection with such delay, the contractors under the CDA EPC (as defined below) also requested an approximately $92 million increase in the total contract price of the CDA Project. In March 2015, IC Power and the CDA EPC contractors amended the CDA EPC to address such claims. Pursuant to the amendment, which is subject to CDA's lender's approval, IC Power has agreed to pay, subject to the achievement of certain milestones, an additional $40 million, subdivided into 4 payments over the course of the remaining construction period, and has granted the extensions previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit.

If IC Power's developmental efforts with respect to CDA, Samay I, or any of its future development projects are not successful, or are delayed, IC Power may, notwithstanding any liquidated damages to which IC Power is entitled to, incur penalties or additional costs, or abandon a project under development and write-off the costs incurred in connection with such project. At the time of abandonment, IC Power would expense all capitalized development costs incurred in connection therewith and may incur additional losses associated with any related contingent liabilities, the occurrence of which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

For further information on the timing and the construction of the CDA Project, see " *Item 4B. Business Overview – Our Businesses – IC Power – IC Power's Description of Operations – CDA* ." For further information on the amendment of the CDA EPC, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – IC Power – Settlement Agreement with CDA EPC Contractors* ."

*IC Power may not be able to enter into, or renew existing, long-term contracts for the sale of energy and capacity, contracts which reduce volatility in IC Power's results of operations.*

IC Power sells a substantial majority of its energy under long-term PPAs. IC Power's operating companies rely upon PPAs with a limited number of customers for the majority of their energy sales and revenues over the term of such PPAs, which typically range from one to 15 years. Some of IC Power's long-term PPAs are at prices above current spot market prices. Depending on market conditions and regulatory regimes, it may be difficult for IC Power to secure long-term contracts with new customers, renew existing long-term contracts as they become due, or enter into long-term contracts to support the development of new projects. For example, each of CEPP's current PPAs, under which CEPP had contracted 75% of its capacity, expired in September 2014 and these PPAs have not yet been extended or replaced with one or more PPAs on comparable terms. As a result, CEPP sells the previously contracted capacity on the spot market, at the rates dictated by such market. Furthermore, Surpetroil is party to two major PPAs, both of which expire in 2015. In addition, in December 2011, the Bolivian government amended the applicable law to prohibit generation companies from entering into new PPAs. As a result, IC Power will be unable to extend or replace COBEE's current PPA, under which it has contracted 19% of COBEE's capacity, when it expires in October 2017.

Additionally, when the distribution companies in El Salvador organize tenders under the supervision of the General Superinterdence of Electricity and Telecommunications ( *Superintendencia General de Electricidad y Telecommunicaciones* ), or SIGET, for new long-term PPAs, the bidding rules generally do not permit the participation of fuel oil-fired generators, such as Nejapa, in tenders for PPAs with terms in excess of five years. An increase in the demand for renewable energy in the remaining countries in which IC Power operates could lead to similar prohibitions in those countries and a further reduction in IC Power's ability to enter into long-term PPAs. If IC Power is unable to enter into long-term PPAs, it may be required to sell electricity into spot markets at prices that may be below the prices established in its PPAs. Because of the volatile nature of power prices, if IC Power is unable to secure long-term PPAs it could face increased volatility in its earnings and cash flows and could experience substantial losses during certain periods which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*The Government of Bolivia has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.*

Bolivia has experienced political and economic instability that has resulted in significant changes in its general economic policies and regulations and the adoption of a new constitution in 2006 that, among other things, prohibits private ownership of certain oil and gas resources. In May 2010, the Government of Bolivia nationalized Empresa Eléctrica Guaracachi S.A., Empresa Eléctrica Valle Hermoso S.A., and Empresa Eléctrica Corani S.A., each a significant generation company in Bolivia. In May 2012, the Government of Bolivia nationalized Transportadora de Electricidad S.A., a transmission company that had previously operated as a subsidiary of Red Electrica de España. In December 2012, Electricidad de La Paz S.A. (Electropaz) and Empresa de Luz y Fuerza de Oruro S.A. (Elfeo) – companies which had no previous ownership relationship with the Government of Bolivia – were also nationalized.

Although there were elections in Bolivia during the third quarter of 2014, and such elections resulted in the re-election of certain key government officials, it is unclear whether the Government of Bolivia will continue nationalizing entities involved in its power utility market. It is also unclear whether such nationalization (if any) would be adequately compensated for by the Government of Bolivia. IC Power's subsidiary COBEE is one of the few remaining privately-held generation companies in Bolivia. Although IC Power believes its circumstances differ from those of the nationalized generation companies (because COBEE was not previously owned by the Bolivian government), there is a risk that COBEE will be subject to nationalization. Such nationalization may include the expropriation or nullification of existing IC Power concessions, licenses, permits, agreements and contracts, as well as effective nationalization resulting from changes in Bolivian regulatory restrictions or taxes, among other things, that could have an adverse impact on COBEE's profitability. If COBEE were indeed nationalized, we cannot assure you that we would receive fair compensation for our interests in COBEE.

IC Power could face nationalization risks in other countries as well. The nationalization of any of IC Power's operating companies or power generation plants, even if fair compensation for such nationalization is received, could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*The production and profitability of private power generation companies in Israel may be adversely affected by changes in Israel's regulatory environment.*

Israel's Public Utilities Authority (Electricity), or the PUAE, regulates and supervises the provision of essential electric public services in Israel. Prior to 2013, Israel Electric Corporation, or IEC, a government-owned entity, served as the sole generator of power in Israel (excluding small-scale generators and cogeneration facilities). In July 2013, OPC commenced commercial operation of its 440 MW power plant and became the first large-scale private power producer in Israel. In May 2014, Dorad Energy Ltd., an independent power producer, commenced commercial operation in Israel, adding a capacity of 860 MW to the Israeli electricity market.

In July 2013, the Government of Israel appointed a steering committee, tasked with proposing a comprehensive reform of IEC and the Israeli electricity market. The committee's mandate is to review the electricity market structure, while focusing on the implementation of competition in the competitive sectors, the financial stabilization of IEC, and the development of a plan to improve IEC's efficiency. In March 2014, the committee published its draft recommendations for a public hearing. The committee's main recommendations address (i) the separation of the system operator function from IEC into an independent state-owned company, (ii) the continued development of the electricity sector by IEC and by private producers, (iii) the future electricity trade model, (iv) the regulation of the distribution and supply segment and IEC's structural change in overall efficiency, (v) the possibility of share issuances by IEC, (vi) sale of assets, including power plants, by IEC and (vii) the funding of structural changes through increased efficiency, asset sales and the issuance of IEC shares.

Additionally, the PUAE is still in the process of determining system costs and backup and generation tariffs. OPC's operations are sensitive to changes in the PUAE's policies or regulations and the imposition of any tariffs could have a material

adverse effect on OPC's business, financial condition, or results of operations. For example, the PUAE's generation tariff is the base for the natural gas price linkage formula in the agreement between OPC and the Tamar Group, OPC's sole natural gas supplier, and is also the base for the price calculation between OPC and end users in Israel. On January 2015, the PUAE published new generation tariffs that were substantially similar to the previously published tariffs. OPC and the Tamar Group disagreed with respect to their view of which of the PUAE's previous tariffs applied to their agreement and have a similar disagreement with respect to the newly-published tariffs. OPC and the Tamar Group remain in the early stages of discussions meant to resolve this disagreement.

If OPC incurs significant costs in relation to additional changes in regulation or the establishment of any new regimes or the implementation of any such laws or governmental regulations, including with respect to the terms of its agreement with the Tamar Group and the recent PUAE update, this could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*Supplier concentration may expose IC Power to significant financial credit or performance risks.*

IC Power relies on natural gas and heavy fuel oil to fuel a majority of its power generation facilities. The delivery of these fuels to IC Power's various facilities is dependent upon a number of factors, including the continuing financial viability of contractual counterparties and the infrastructure (including barge facilities, roadways and natural gas pipelines) available to serve each generation facility. Any disruption in the fuel delivery infrastructure or a counterparty's failure to perform, may lead to delays, disruptions or curtailments in the production of power at any of IC Power's generation facilities. This risk of disruption is compounded by the supplier concentration that characterizes many of IC Power's operating companies.

Many of these suppliers are sole or monopolistic suppliers, and may exercise monopolistic control over their supply of natural gas or heavy fuel oil to IC Power. Kallpa's generation facilities, for example, rely on a consortium of suppliers for the provision of natural gas and on a sole supplier for the transportation of such natural gas. If these suppliers cannot perform under their contracts, Kallpa would be unable to generate electricity at its facilities and such a failure could prevent Kallpa from fulfilling its contractual obligations and therefore have a material adverse effect on IC Power's business and financial results. Furthermore, as these suppliers are the principal suppliers of natural gas and natural gas transportation services to substantially all generation facilities in Peru fueled by natural gas, a change in the terms of their agreements with IC Power or other power generators, or a failure by either of these suppliers to meet their contractual obligations, could have a significant effect on Peru's entire electricity supply and, therefore, prompt the Peruvian governmental authorities to undertake certain remedial actions. Any such actions could adversely affect Kallpa's operations, or the expected operations of CDA and Samay I. Similarly, OPC relies on a single supplier and a single transporter for the provision of its natural gas requirements. If such supplier is unable to perform under its contract with OPC, OPC would not be able to generate electricity using natural gas, which could adversely affect OPC's operations.

*Governments have a high degree of influence in the economies in which IC Power operates.*

IC Power operates or has investments in electricity generation businesses or pipeline projects in eleven countries and, therefore, is subject to significant and diverse government regulation. The laws and regulations affecting IC Power's operations are complex, dynamic and subject to new interpretations or changes. Such regulations affect almost every aspect of IC Power's utilities and energy businesses, have broad application and, to a certain extent, limit management's ability to independently make and implement decisions regarding numerous operational matters. Additionally, governments in many of the markets in which IC Power operates frequently intervene in the economy and occasionally make significant changes in monetary, credit, industry and other policies and regulations. Government actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. IC Power has no control over, and cannot predict, what measures or policies governments may enact in the future. The results of operations and financial condition of IC Power's businesses may be adversely affected by changes in governmental policy or regulations in the jurisdictions in which it operates if those changes impact, among other things:

- consumption of electricity and natural gas;
- supply of electricity and natural gas;
- operation and maintenance of generation, transmission or distribution facilities, including the receipt of temporary and/or permanent operational licenses;
- energy policy;
- subsidies and incentives;
- labor, environmental, or other laws;

- economic growth;
- currency fluctuations;
- inflation;
- capital control policies;
- interest rates;
- liquidity of domestic capital and lending markets;
- fiscal policy;
- tax laws, including the effect of tax laws on distributions from our subsidiaries;
- import/export restrictions;
- acquisitions, constructions, or dispositions of generation assets; and
- other political, social and economic developments in or affecting the countries in which IC Power's operating companies are based.

Uncertainty over whether governments will implement changes in policy or regulations affecting these or other factors in the future may also contribute to economic uncertainty and heightened volatility in the securities markets.

Due to populist political trends that have become more prevalent in certain of the countries in which IC Power operates over recent years, some of the governments or authorities in countries where IC Power operates might seek to promote efforts to increase government involvement in regulating economic activity, including the energy sector, which could result in the introduction of additional political factors in economic decisions. For example, Bolivia has nationalized natural gas and petroleum assets, as well as generation companies that compete with IC Power. For further information on the risks related to the Bolivian government's recent nationalization of certain generation companies, see " *– The Government of Bolivia has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.* "

IC Power's failure to comply with existing regulations and legislation, or reinterpretations of existing regulations and new legislation or regulations, such as those relating to the reduction of anti-competitive conduct, air and water quality, noise avoidance, electromagnetic radiation, fuel and other storage facilities, volatile materials, renewable portfolio standards, cyber security, emissions performance standards, climate change, hazardous and solid waste transportation and disposal, protected species and other environmental matters, or changes in the nature of the energy regulatory process may have a significant adverse impact on its financial results.

*IC Power's results of operations and financial condition are dependent upon the economic and political conditions in those countries in which it operates.*

A significant number of IC Power's operating and development projects are located in countries in emerging markets, and IC Power expects to have additional operations in these or other emerging market countries. Many of these countries have a history of political, social and economic instability. IC Power's revenue is derived primarily from the sale of electricity, and the demand for electricity is largely driven by the economic, and thus the political conditions of the countries in which it operates. Therefore, IC Power's results of operations and financial condition are, to a large extent, dependent upon the overall level of economic activity in these emerging market countries. Should economic or political conditions deteriorate in Peru, or in any of the other countries in which IC Power operates, or in emerging markets generally, such an occurrence could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity. For example, IC Power is developing two projects in Peru – CDA and Samay I – which will collectively provide 1,110 MW of capacity, as well as one project in Panama – Kanan – which will provide 92 MW of capacity. IC Power expects the demand for electricity to increase in Peru and Panama but, if the increase in demand is less than the increase in capacity, this could affect the price levels in the relevant market, which, to the extent IC Power sells energy or capacity on the spot market or enters into PPAs during a period of reduced demand and downward pressure on energy prices, may adversely affect IC Power's business or results of operations.

*Inflation in any of the countries in which IC Power currently operates could adversely affect IC Power.*

If any of the countries in which IC Power currently operates experiences substantial inflation in the future, the costs of IC Power's operations could increase and its operating margins could decrease, which could materially and adversely affect IC Power's results of operations. A number of the countries in which IC Power operates have experienced significant inflation in prior years, including Peru, IC Power's primary country of operation. Inflationary pressures may also limit IC Power's ability to

access foreign financial markets and may also prompt government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. Any of the foregoing could have a material adverse effect on IC Power's business, financial condition, results of operation or liquidity.

*IC Power's equipment, facilities and operations are subject to numerous environmental, health and safety laws and regulations that are expected to become more stringent in the future.*

IC Power is subject to a broad range of environmental, health and safety laws and regulations which require it to incur ongoing costs and capital expenditures and exposes IC Power to substantial liabilities in the event of non-compliance. These laws and regulations require IC Power to, among other things, minimize risks to the natural and social environment while maintaining the quality, safety and efficiency of its facilities.

These laws and regulations also require IC Power to obtain and maintain environmental permits, licenses and approvals for the construction of new facilities or the installation and operation of new equipment required for its business. Some of these permits, licenses and approvals are subject to periodic renewal. IC Power expects environmental, health and safety rules to become more stringent over time, making its ability to comply with the applicable requirements more difficult. Government environmental agencies could take enforcement actions against IC Power for any failure to comply with applicable laws and regulations. Such enforcement actions could include, among other things, the imposition of fines, revocation of licenses, suspension of operations or imposition of criminal liability for non-compliance. Environmental laws and regulations can also impose strict liability for the environmental remediation of spills and discharges of hazardous materials and wastes and require IC Power to indemnify or reimburse third parties for environmental damages. As fuel leaks may occur when fuel is received from containerships at sea (as is the case for fuel received in El Salvador and the Dominican Republic), sea water may be inadvertently polluted at the time of fuel receipt; IC Power's primary operational environmental risk relates to the potential leaking of such fuel. Although IC Power has operating procedures in place to minimize this, and other, environmental risks, there is no assurance that such procedures will prove successful in avoiding inadvertent spills or discharges. Additionally, compliance with changed or new environmental, health and safety regulations could require IC Power to make significant capital investments in additional pollution controls or process modifications. These expenditures may not be recoverable and may consequently divert funds away from planned investments in a manner that could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*Restrictive exchange control policies, could have an adverse effect on IC Power.*

Restrictive exchange rate control policies, or restrictive policies regarding the remittance of profits, dividends and royalties, could affect the ability of IC Power's operating companies to engage in foreign exchange activities, including paying dividends or other distributions to its shareholders. Although exchange rates within Peru, for example, are determined by market conditions, with regular operations by the Peruvian Central Reserve Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar, this has not always been the case. Should the relevant regulatory bodies in any of the countries in which IC Power operates institute protectionist and interventionist laws and policies or restrictive exchange rate policies in the future, such policies could have a material adverse effect on IC Power's operating companies or IC Power's financial condition, results of operations or liquidity.

*IC Power's growth may be limited by antitrust laws.*

IC Power has acquired a number of operating power generation companies. In the future, IC Power may seek to expand its operations within any of the countries in which it currently, or may, operate. Government policies, specifically antitrust and competition laws in these relevant countries, can impact IC Power's ability to execute this strategy successfully.

In Peru, for example, INDECOPI, the Peruvian antitrust regulator, reviews acquisition agreements that may affect market concentration and, in connection with such review, may, impose conditions upon the parties to such agreements.

Similarly, in Israel, the Antitrust Authority is authorized to prevent market power accumulation through the regulation of mergers in Israel. Additionally, IC Power's expansion activities in Israel may be limited by *the Law for Promotion of Competition and Reduction of Concentration – 2013, or the Concentration Law* . Pursuant to such law, if IC Power, a company controlled by IC Power, or a company which controls IC Power, intends to obtain or purchase a license for the production of electricity in the future for a power plant which exceeds 175MW, such obtainment or purchase will be subject to the procedures set forth in the Concentration Law, the PUAE, and the Ministry of National Infrastructures, Energy and Water Resources, which will consider how such obtainment or purchase may affect the concentration in the power generation market. Therefore, certain acquisitions and/or activities considered by IC Power may be restricted if the applicable regulators believe it would result in excessive concentration within the power generation market or is otherwise not in compliance with relevant antitrust regulations.

Additionally, IC Power may consider disposing of certain assets, or equity interests in certain of its operating assets, to further its development and operational expansion. Such dispositions may also be impacted by antitrust and competition laws in the countries in which IC Power operates, if the acquirers of such interest have significant interests in the power generation market. For example, IC Power's 2014 sale of its 21% indirect interest in Edegel to Edegel's indirect controlling shareholder was subject to regulatory approval from INDECOPI.

*Certain of IC Power's facilities are affected by climate conditions and changes in the climates of the countries in which these facilities operate could have a material adverse effect on IC Power.*

Certain of IC Power's generation facilities are based, among other things, on hydroelectric power generation. As a result, their operating results are directly impacted by water sources which are, in turn, affected by the amount of rainfall and snowmelt. The results of IC Power's gas-powered plants may also be impacted by the amount of rainfall and snowmelt, as the utilization of such plants is generally dictated by the efficiency with which such plants can produce energy under existing climate conditions, so increased rainfall or snowmelt can result in increased utilization of hydroelectric plants, reducing utilization of IC Power's plants powered by gas and heavy fuels.

Additionally, certain IC Power facilities are also exposed to climate change risk and to the specific natural phenomena occurring in their respective countries of operation, including earthquakes (due to heightened seismic activity), hurricanes and flooding, landslides, volcanic eruptions, fire, El Niño (a meteorological phenomenon causing weather anomalies in certain Latin American countries), and other natural disasters. The occurrence of any of the natural calamities listed above may cause significant damage to IC Power's power stations and facilities.

IC Power could experience severe business disruptions, significant decreases in revenues based on lower demand arising from climate changes, catastrophic events, or significant additional costs to IC Power not otherwise covered by business interruption insurance policies. There may be an important time lag between a major climate change event, accident or catastrophic event and IC Power's recovery from any insurance policies, which typically carry non-recoverable deductible amounts, and in any event are subject to caps per event. Additionally, any of these events could cause adverse effects on the energy demand of some of IC Power's customers and of consumers generally in the affected market the occurrence of which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*IC Power has granted rights to the minority holders of certain of its subsidiaries.*

Although IC Power owns a majority of the voting equity in certain of its businesses, it has entered into, and may, and in some instances, may be required to, continue to enter into, shareholder agreements granting minority rights to the minority shareholders of certain of those entities. Among other things, these shareholder agreements generally grant the applicable minority shareholder veto rights over significant acquisitions and dispositions as well as the incurrence of significant debt. Therefore, IC Power's ability to develop and operate any of its businesses governed by a shareholder agreement may be limited if it is unable to obtain the approval of a minority shareholder for certain corporate actions IC Power deems to be in the best interest of it. In addition, such shareholder agreements may limit IC Power's ability to dispose of its interests in any these businesses. IC Power's operation of its subsidiaries may also subject IC Power to litigation proceedings initiated by the minority shareholders of its subsidiaries. For example, IC Power was involved in litigation proceedings initiated by Crystal Power Corporation, Limited, or Crystal Power, the holder of a non-controlling interest in Nejapa. For further information on the litigation, see " *Item 4B. Business Overview – Our Businesses – IC Power – IC Power's Legal Proceedings – Nejapa Power Company, LLC – Legal Process With a Minority Shareholder.* "

*IC Power is exposed to commodity price volatility.*

IC Power purchases and sells electricity in the wholesale spot markets. During the years ended December 31, 2014, 2013 and 2012, IC Power purchased 18%, 21% and 16% of the electricity that it sold on the spot market, respectively. As a result, IC Power is exposed to spot market prices, which tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances, especially within the spot markets. Typically, spot market prices for electricity are volatile and the demand for such electricity often reflects the cyclical fluctuating cost of coal, natural gas and oil, rain volumes or the conditions of hydro reservoirs. The Peruvian and Chilean electricity markets are also indirectly affected by the price of copper, as a result of the electricity-intensive mining industry, which represents a significant source of the electricity demand in these markets. Therefore, a decline in such mining activity could adversely affect IC Power, and any changes in the supply and cost of coal, natural gas and oil, rain volumes, the conditions of hydro reservoirs, the unexpected unavailability of other generating units, or the supply and cost of copper, may impact the volume of electricity demanded by the market. Volatility in market prices for fuel and electricity may result from many factors which are beyond IC Power's control and IC Power does not generally engage in hedging transactions to minimize such risks.

*IC Power is exposed to certain counterparty risks.*

IC Power's cash flows and results of operations are dependent upon the continued ability of its customers to meet their obligations under their relevant PPAs. Additionally, a small number of customers purchase a significant portion of IC Power's output under PPAs that account for a substantial percentage of the anticipated revenue of IC Power's operating companies. Although IC Power's operating companies evaluate the creditworthiness of their various counterparties, IC Power's operating companies may not always be able to, if at all, fully anticipate, detect, or protect against deterioration in a counterparty's creditworthiness and overall financial condition. The deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties) could expose IC Power to an increased risk of non-payment or other default under its contracts with them. For example, CEPP, IC Power's Dominican Republic generation subsidiary, has experienced significant payment delays under its PPAs. Any default by any of IC Power's key customers could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*IC Power relies on power transmission facilities that it does not own or control and that are subject to transmission constraints. If these facilities fail to provide IC Power with adequate transmission capacity, IC Power may be restricted in its ability to deliver wholesale electric power and it may either incur additional costs or forego revenues.*

IC Power depends upon transmission facilities owned and operated by others to deliver the wholesale power it sells from its power generation plants. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, IC Power's ability to sell and deliver wholesale power may be adversely impacted. If the power transmission infrastructure in one or more of the markets that IC Power serves is inadequate, their recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure. IC Power cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets, a failure of which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*If any of IC Power's generation units are unable to generate energy as a result of a breakdown or other failure, IC Power may be required to purchase energy on the spot market to meet its contractual obligations under the relevant PPAs.*

The breakdown or failure of one of IC Power's generation facilities may require IC Power to purchase energy in the spot market to meet its contractual obligations under its PPAs, while simultaneously resulting in an increase in the spot market price of energy, resulting in a contraction, or loss, of IC Power's margins. In addition, the failure or breakdown of one of IC Power's generation units may prevent that particular facility from performing under applicable PPAs which, in certain situations, could result in termination of the PPA or liability for liquidated damages, the occurrence of which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity. IC Power maintains insurance policies for property value and business interruptions, intended to mitigate any losses due to customary risks. However, IC Power cannot assure you that the scope of damages suffered in such an event would not exceed the policy limits, deductions, losses, or loss of profits outlined in its insurance coverage. IC Power may be materially and adversely affected if it incurs losses that are not fully covered by its insurance policies and such losses could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity. For further information on the risks related to IC Power's insurance policies, see "*– IC Power's insurance policies may not fully cover damage, and IC Power may not be able to obtain insurance against certain risks* ."

*Some of the countries in which IC Power operates, or will operate, have experienced significant levels of terrorist activity in the past and it is possible that a resurgence of terrorism in any of these countries could occur in the future.*

Some of the countries in which IC Power operates, or will operate, have experienced significant levels of terrorist activity in the past. For example, Peru, the country in which IC Power primarily operates and that represented 48%, 57% and 59% of IC Power's EBITDA for the years ended December 31, 2014, 2013 and 2012, respectively, experienced significant levels of terrorist activity that reached its peak of violence against the government and private sector in the late 1980s and early 1990s. EBITDA is a non-IFRS measure. For a reconciliation of EBITDA to net income, see " *Item 3A. Selected Financial Data* ." Accordingly, acts of terrorism could affect IC Power's operations or construction projections. As a result of its recently-commenced operations in Israel, IC Power is also exposed to any hostile activities occurring in Israel in connection with Israel's ongoing security, economic and geopolitical conditions. For further information on the risks related to IC Power's operations in Israel, see " *– Risks Related to the Industries in Which Our Businesses Operate – The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East. "*

*The interruption or failure of IC Power's information technology and communications systems or external attacks and invasions of these systems could have an adverse effect on IC Power.*

IC Power depends on information technology, communication and processing systems to operate its businesses. Such systems are vital to each of IC Power's operating companies' ability to monitor its power plants' operations, maintain generation and network performance, adequately generate invoices to customers, achieve operating efficiencies and meet its service targets and standards. In the last few years, global cyber-attacks on security systems and such systems have intensified. IC Power is exposed to cyber-terrorist attacks aimed at damaging its assets through computer networks, cyber-spying involving strategic information that may be beneficial for third parties, and cyber-robbery of proprietary and confidential information, including information on its clients. The occurrence, or the success, of any such attacks could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*Acquisitions may not perform as expected.*

IC Power has recently completed several acquisitions and plans to continue to develop its portfolio through acquisitions in certain attractive markets, including those in which it does not currently operate. Acquisitions require IC Power to spend significant sums on legal, financial advisory, construction costs and other expenses and consume a portion of IC Power's management's focus. Acquisitions may increase IC Power's leverage or reduce its profitability. Future acquisitions may be large and complex, and IC Power may not be able to complete them successfully or at all.

Although acquired businesses may have significant operating histories at the time IC Power acquires them, IC Power will have no history of owning and operating these businesses and potentially limited or no experience operating in the country in which these acquired businesses are located. In particular:

- acquired businesses may not perform as expected;
- IC Power may incur unforeseen obligations or liabilities;
- the fuel supply needed to operate the acquired business at full capacity may not be available;
- acquired businesses may not generate sufficient cash flow to support the indebtedness incurred to acquire them or the capital expenditures needed to operate them;
- the rate of return from acquired businesses may be lower than anticipated in IC Power's decision to invest its capital to acquire them; and
- IC Power may not be able to expand as planned or to integrate the acquired company's activities and achieve the economies of scale and any expected efficiency gains that often drive such acquisitions.

*IC Power could face risks, or barriers to exit, in connection with the disposals of its interests in its businesses.*

IC Power continually assesses the strategic composition of its power generation portfolio and may, as a result of its assessments, divest its interests in businesses whose operations are inconsistent with IC Power's long-term strategic plan. Divestitures can generate organizational and operational efficiencies, cash for use in IC Power's capital investment program and operations, and cash to repay outstanding IC Power debt. However, divestitures may also result in a decline in IC Power's net income, or profitability.

Additionally, IC Power may face exit barriers, including high exit costs or objections from various stakeholders, in connection with dispositions of certain of its operating companies. For example, pursuant to Israel's Electricity Market Law, the transfer of control over an entity that holds a generation license in Israel must be approved by Israel's Minister of Energy and Water. Additionally, pursuant to OPC's PPA with the IEC and OPC's syndicated credit agreement, both the IEC and OPC's lenders must consent to IC Power's transfer of control of OPC to a third-party. Such restrictions, as well as similar restrictions contained within other shareholder agreements or financing agreements in respect of IC Power's other operational companies may prohibit IC Power from disposing of its interests in its businesses, and such prohibitions may have a material adverse effect on IC Power's development and growth strategy.

*IC Power is exposed to material litigation and/or administrative proceedings.*

IC Power and/or certain of its operating companies are currently involved in various litigation proceedings, and may be subject to future litigation proceedings, any of which could result in unfavorable decisions or financial penalties against IC Power and/or certain of its operating companies, and IC Power will continue to be subject to future litigation proceedings, which could have material adverse consequences to its business or the business of any of its operating companies.

For example, since 2010, the Peru Customs Authority (known as "SUNAT" for its abbreviation in Spanish) has issued tax assessments to Kallpa and its lenders for payment of import taxes allegedly owed by Kallpa in connection with imported equipment for installation and construction of Kallpa I, II, III and IV. The assessments were made on the basis that Kallpa did not include the value of the engineering services rendered by the contractor of the relevant project in the tax base for the import taxes. Kallpa disagrees with these tax assessments on the grounds that the engineering services rendered (for which taxes are payable) include the design of the plant but not the design of the imported equipment. Kallpa appealed the tax assessments before SUNAT and, after SUNAT confirmed the assessments, before the Peruvian Tax Court, or the Tribunal Fiscal. Both SUNAT and the Peruvian Tax Court are administrative institutions under the Ministry of Economy and Finance. In January 2015, Kallpa was notified that the Tribunal Fiscal had rejected Kallpa's appeal in respect of the Kallpa I assessment. Kallpa disagreed with the Tribunal Fiscal's decision and appealed this decision to the Peruvian Judiciary. In order to appeal the Kallpa I ruling, Kallpa is required to pay the tax assessment of Kallpa I in the amount of approximately $12.6 million, which amount consists of the tax assessment for Kallpa I, plus related interest and fines. As of the date of this annual report, Kallpa has paid approximately $10 million of the $12.6 million assessment, and expects to pay the remaining amount once SUNAT formally notifies Kallpa of the remaining assessment. To the extent that Kallpa's appeal is successful, it is entitled to seek the return of the amounts paid (under protest) to SUNAT. As of the end of February 2015, the total amount of import taxes claimed by SUNAT against Kallpa in connection with the import of equipment related to the Kallpa I, II, II and IV projects, equals approximately $34.8 million, including penalty, interest and fines in the amount of $27.6 million.

Litigation and/or regulatory proceedings are inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect IC Power's ability to conduct its business and may have a material adverse effect on IC Power's financial condition and results of operations or the financial condition and results of operations of any of its operating companies. For example, the Peruvian tax court's decision, with respect to Kallpa I, could have a negative impact on the outstanding rulings and assessments in respect of the Kallpa II, III and IV projects. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of IC Power management's attention and resources from other matters, each of which could also have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

*IC Power's insurance policies may not fully cover damage, and IC Power may not be able to obtain insurance against certain risks.*

IC Power maintains insurance policies intended to mitigate its losses due to customary risks. These policies cover IC Power's assets against loss for physical damage, loss of revenue and also third-party liability. However, IC Power cannot assure you that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of its insurance coverage. IC Power maintains all-risk physical damage coverage for losses resulting from, but not limited to, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. IC Power's level of insurance may not be sufficient to fully cover all losses that may arise in the course of its business or insurance covering its various risks may not continue to be available in the future. In addition, IC Power may not be able to obtain insurance on comparable terms in the future. IC Power may be materially and adversely affected if it incurs losses that are not fully covered by its insurance policies and such losses could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

**Risks Related to Our Interest in Qoros**

*Qoros commenced commercial sales at the end of 2013 and will therefore depend on external debt financing and guarantees or commitments from its shareholders to finance its operations.*

Qoros commenced commercial sales at the end of 2013 and the implementation of its business plan requires significant additional capital. Qoros expects the estimated funding required by it to be provided by operating cash flows and, to a significant extent, external debt financing.

Qoros will continue to need to raise significant additional debt financing, and obtain additional shareholder financing, to meet its operating expenses, financing expenses, capital expenditures and liquidity requirements to continue its commercial operations. Qoros' business plan contemplates debt financing of approximately RMB9 billion. Qoros has secured RMB4.2 billion of long-term debt financing. However, there is limited capacity for additional borrowing under Qoros' existing credit facilities.

Qoros did not experience significant sales volume in 2014. As the volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity and future success, Qoros revised its business plan during the third quarter of 2014. As Qoros continues to pursue its commercial growth strategy, Qoros will need to secure significant additional third-party debt financing to fund its business plan and support its operational expansion and development, and Qoros may be unable to secure such third-party debt financing.

We expect that a significant portion of our liquidity and capital resources will be used to support Qoros' development and, until it achieves significant sales, its operating expenses financing expenses and capital expenditures. In September 2014, IC approved an outline to provide Qoros with funding of RMB750 million and, in connection therewith, provided a shareholder loan of RMB350 million in December 2014. Kenon provided to Qoros a RMB400 million shareholder loan in February 2015, using cash on hand and a $45 million drawdown under our credit facility with IC, satisfying Kenon's obligations under the approved outline. Chery also provided a RMB350 million shareholder loan in December 2014 and has agreed to provide a RMB400 million shareholder loan to Qoros, subject to certain conditions but Chery has not yet provided such loan. Qoros requires such support, and will require additional financing, from each of its shareholders to conduct its operations. For further information on Chery's provision of such loan, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Provision of RMB400 Million Shareholder Loan* ."

There is no certainty that Qoros' existing financing facilities will remain available or that Qoros will succeed in securing the remaining debt financing currently expected to be required for its activities. If Qoros' business model is not viewed as successful by lenders, it may not be possible to obtain required debt financing on attractive terms or at all. In addition, developments in Chinese regulations or local banking practices could create financing difficulties. There is also no certainty that Chery will provide the contemplated RMB400 million shareholder loan to Qoros. A lack of, or delay in, financing could prevent Qoros from continuing its commercial operations altogether, or may delay the launch or development of Qoros' additional C-segment models, thereby preventing Qoros from being able to fully and satisfactorily operate its business at a crucial time in its development. Furthermore, if the costs associated with this expected debt financing are higher than expected, this could adversely impact Qoros' profits. If required debt financing or third-party equity financing is not available to Qoros, we may deem it necessary to make additional investments in Qoros through equity contributions, or provide Qoros with loans, or other forms of financial support.

For example, in connection with Qoros' entry into its RMB1.2 billion syndicated credit facility for the research and development of C-platform derivative models, Quantum has pledged a portion of its equity interests in Qoros, and may be required to pledge up to 100% of equity interest in Qoros. As a result of such pledge, we could lose all, or a portion of, our equity interest in Qoros. Additionally, our ability to pledge all, or a portion of, our equity interest in Qoros in connection with future financing agreements may be limited. Further, in connection with the RMB400 million shareholder loan Chery has agreed to provide to Qoros in connection with the release of its guarantee of up to RMB1.5 billion (approximately $241 million) in respect of Qoros' RMB3 billion syndicated credit facility, we have agreed, in the event that Chery provides such shareholder loan to Qoros and Chery's guarantee is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of this guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

As of December 31, 2014, Qoros had current liabilities of RMB6.2 billion, including RMB1.6 billion (approximately $257 million) of shareholder loans, and current assets of RMB2.1 billion, including cash and cash equivalents of RMB752 million. Qoros has short term and working capital credit facilities, but amounts available under such facilities are limited, and availability of such funds is subject to lender approval. Accordingly, unless and until Qoros achieves sales levels that will result in positive operating cash flows, or generates revenues from external sources (e.g., derives income from the platform sharing agreement it recently entered into with Chery, as discussed below), Qoros will be dependent upon external financing (to the extent available) and shareholder funding to meet its liquidity requirements, including its operating expenses, debt service payments and capital expenditures, and without such funding, Qoros may be unable to continue operations.

For further information on the risks associated with our businesses' failure to independently meet their capital requirements, see "— *Risks Related to Our Diversified Strategy and Operations – Some of our businesses, particularly Qoros, have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.* "

*Qoros' future success is dependent upon its implementation of its business plan, including an increase in sales volumes and continued expansion of its dealer network.*

Qoros' success will depend, in large part, on its ability to achieve several important steps in the implementation of its business plan, which Qoros revised during the third quarter of 2014. Such milestones include:

- successfully launching the Qoros brand;
- continued expansion of its dealer network;
- build-up of its aftersales and services infrastructure;
- continued ramping up of its production to high volume manufacturing;
- managing its procurement, manufacturing and supply processes;
- establishing effective customer service processes; and
- securing significant debt financing to support its further growth and development.

Qoros is seeking to optimize its cost structure, and may undertake cost-cutting measures, including workforce optimizations, to align its operations with its business plan.

Qoros' ability to effectively implement its business plan requires the execution of effective planning and management processes, and such execution may be influenced by factors outside of Qoros' control, such as Qoros' ability to sell its vehicle models within Qoros' targeted price range, at competitive prices, or at prices that generate profits for Qoros.

Qoros sold approximately 7,000 vehicles in 2014. The volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity, future success, and the ability to continue its commercial operations altogether. Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and a delay in expanding its dealer network could make it difficult for Qoros to increase sales levels, which could have a significant impact on Qoros' liquidity and future success, as well as on the value of Kenon's investment in Qoros, which may result in Kenon's recognition of an impairment charge in respect of Qoros.

If Qoros does not achieve some, or all, of its development or commercial milestones in a timely manner, Qoros may be unable to establish itself as a brand or a viable business and Qoros may be unable to obtain necessary financing from third party lenders or its shareholders.

In September 2014, Qoros' board of directors approved a five-year business plan, which reflected lower forecasted sales volumes and assumed the minimal level of capital expenditure necessary for such sales volumes. As a result of Qoros' adoption of its new business plan in September 2014, impairment tests of Qoros' operating assets were performed as of September 30, 2014 and as of December 31, 2014. For further information on Qoros' impairment tests, including its key assumptions, see " *Item 5. Operating and Financial Review and Prospects – Critical Accounting Policies and Significant Estimates – Impairment Analysis – Impairment Test of Qoros* ."

*Qoros is significantly leveraged.*

As of December 31, 2014, Qoros had RMB7.3 billion (approximately $1.2 billion) of outstanding indebtedness consisting of current and non-current loans and borrowings of RMB3.4 billion and RMB3.9 billion, respectively, and including shareholder loans of RMB1.6 billion (approximately $257 million). Pursuant to its business plan, Qoros intends to finance its continued development with significant additional external debt financing, a significant portion of which it has not yet secured.

Highly leveraged businesses are inherently more sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. This is especially true for Qoros, as Qoros commenced commercial sales at the end of 2013 and has yet to generate positive cash flows from its operations. Qoros uses a portion of its cash flows from operations to make debt service payments, thereby reducing its ability to use its cash flows to fund its operations, capital expenditures, or future business opportunities. In addition, Qoros' RMB3 billion syndicated credit facility, RMB1.2 billion syndicated credit facility, and RMB200 million working capital loan contain financial, affirmative and negative covenants. Those facilities, as well as its other short-term credit facilities, also contain events of default and mandatory prepayments for breaches, including certain changes of control, and for material mergers and divestments, among other provisions. A significant percentage of Qoros' assets secures its RMB3 billion syndicated credit facility and, as a result, the amount of collateral that Qoros has available for future secured debt or credit support and its flexibility in dealing with its secured assets is therefore relatively limited, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Currently, Qoros' debt-to-asset ratio is higher, and its current ratio is lower, than the allowable ratios set forth in the terms of Qoros' RMB3 billion syndicated credit facility. Additionally, Qoros' debt-to-asset ratio is higher, and its current ratio is lower, than the allowable ratios set forth in the terms of Qoros' RMB200 million working capital facility. In 2014, the syndicated consortium of Qoros' syndicated credit facility and the lender under Qoros' working capital facility recognized Qoros' ongoing transition to commercial sales and operations and waived Qoros' compliance with the financial covenants under this facility through the first half of the 2017 fiscal year. As a result, Qoros will not be required to comply with these financial covenants until July 2017 (or later, if additional waivers are granted). The waivers also provide that, after Qoros enters into a continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the syndicated loan group or the lender under the working capital facility, as applicable, for consideration. Should Qoros' debt-to-asset ratio continue to exceed, or its current ratio continue to be less than, the permitted ratios in any period after June 30, 2017, and Qoros' syndicated lenders or working capital lender, as applicable, do not waive such non-compliance or revise such covenants so as to ensure Qoros' compliance, Qoros' lenders could accelerate the repayment of borrowings due under Qoros' RMB3 billion syndicated credit facility or RMB200 million working capital facility.

In the event that any of Qoros' lenders accelerate the payment of Qoros' borrowings, Qoros may not have sufficient liquidity, or access to liquidity, to repay its debt under the syndicated credit facility, the relevant short-term facility, or both, as well as maintain payments on its remaining credit facilities. Additionally, as Qoros is significantly leveraged and a significant portion of its assets, including its recently completed manufacturing facility, secures its syndicated credit facility, Qoros' inability to comply with the terms of its debt agreements could result in the foreclosure upon and loss of certain of Qoros' assets, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros is a joint venture in which our interest is only 50%.*

We have a 50% stake in Qoros, with the remaining 50% interest owned by Wuhu Chery, a subsidiary of Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company, that has been producing automobiles since 1999.

Our joint venture partner, Chery, has established a joint venture, Chery Technical Center Shanghai with another automobile manufacturer in China, Jaguar/Land Rover, and Chery may enter into additional joint venture agreements, subject to the terms of our Joint Venture Agreement, in the future. Consequently, Wuhu Chery or Chery may have goals, strategies, priorities, or resources that conflict with our goals, strategies, priorities or resources, which may adversely impact our ability to jointly and effectively own Qoros, undermine Wuhu Chery or Chery's commitment to Qoros' long-term growth, or adversely impact Qoros' business.

Furthermore, Chinese regulations prevent us, as a non-Chinese entity, from holding a greater than 50% equity interest in Qoros. As a result, should we invest additional equity into Qoros, Kenon will not experience an increase in its equity ownership of Qoros. The Joint Venture Agreement provides that Wuhu Chery may purchase our interest in Qoros in the event of the termination of the Joint Venture Agreement, which is triggered upon the occurrence of certain events, including the nationalization or confiscation, in whole or in substantial part, of Qoros' assets, Qoros' bankruptcy, certain breaches of the Joint Venture Agreement, the occurrence of certain force majeure events, and a deadlock of the board of directors of Qoros as to matters where the lack of a decision could materially and adversely affect Qoros. In the event of the termination of the Joint Venture Agreement, Wuhu Chery may purchase our interest in Qoros at an agreed upon price or at the price determined by an independent appraiser selected or appointed, as applicable, pursuant to the valuation procedure set forth in the Joint Venture Agreement.

The Joint Venture Agreement also contains provisions relating to the transfer and pledge of Qoros' shares, the appointment of executive officers and directors, and the approval of "substantial matters," which may prevent us from causing Qoros to take actions that we deem desirable.

For further information on the terms of our Joint Venture Agreement with Chery, see " *Item 4B. Business Overview – Our Businesses – Qoros – Qoros' Joint Venture Agreement* ."

*Qoros has entered into certain arrangements and agreements with Chery.*

Although Qoros is under no obligation to do so, Qoros sources its engines, and certain spare parts, from Chery in the ordinary course of Qoros' business. Additionally, Qoros has recently entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee. Qoros may also enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future.

Pursuant to the Joint Venture Agreement, all of Qoros' transactions with parties related to it are subject to the approval of Qoros' board of directors. However, Qoros' entry into related party transactions could create, or appear to create, potential conflicts of interest when Qoros' board of directors is faced with decisions that could have different implications for Qoros and Chery, which may have a material adverse effect on Qoros' operations and financial position.

For further information on Qoros' commercial arrangements with Chery, see Note 28 to Qoros' consolidated financial statements, included in this annual report.

*Qoros commenced commercial sales at the end of 2013 and has a history of losses and expects to continue to incur losses, at least until it reaches higher sales volumes.*

Qoros incurred losses of RMB2.1 billion for the year ended December 31, 2014 and has had losses in almost every quarter since its inception. Qoros commenced sales at the end of 2013 and has launched three vehicle models since then. Qoros sold approximately 7,000 vehicles in 2014. Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and a delay in expanding its dealer network could make it difficult for Qoros to increase sales levels.

Qoros believes that it will continue to incur operating and net losses each quarter until it begins significant deliveries of its vehicle to dealers if and when it achieves higher sales volumes.

Additionally, Qoros will continue to incur costs in the future as it engages in activities related to:

- the design, development and manufacturing of other new models;
- increasing its sales and marketing activities;
- sourcing and building up inventories of parts and components for its various models;
- expanding its design, development, and manufacturing capabilities, including in connection with the expansion of its manufacturing facility; and
- increasing its general and administrative functions to support its growing operations.

As a result of its expected development of additional vehicle models in 2015, Qoros expects to continue to make significant investments during this period as Qoros continues to deploy its full-scale commercial sales model. Qoros may also incur substantial marketing costs and expenses in the future as it continues to promote its new vehicle models through the use of traditional media such as television, radio and print as well as non-traditional and online media. Qoros will also incur substantial costs, including financing costs, in connection with the continued development of its various vehicle models and the implementation of phase two of its manufacturing facilities if Qoros expands its manufacturing facility to increase its production capacity. As a result of the significant investments and costs Qoros may continue to make and/or incur for a significant period of time, Qoros may not become profitable in the short-term, or at all.

*Qoros' vehicle models and brand are still evolving and may not be accepted by Qoros' targeted consumer group, at Qoros' targeted prices.*

Qoros' brand and business are relatively new, and Qoros' targeted consumers may not accept Qoros' models, style or brand at the anticipated or desired velocity, or the anticipated or desired price if at all. Specifically, Qoros seeks to manufacture and sell to Chinese consumers Chinese vehicles which, with respect to their design and operations, comply with recognized international standards and are comparable in quality and price to internationally manufactured vehicles. Qoros' future business and profitability outlook depends, in large part, upon Qoros' ability to sell vehicle models that will be accepted by young, modern, urban consumers, in its targeted price range. The sector of the Chinese automobile market that Qoros targets is currently dominated by foreign brands, and Chinese car buyers may be slower than expected in accepting a Chinese brand, may have a preference for other Chinese brands, or may not ultimately view Qoros' vehicle models as an attractive alternative to foreign brands at the price point targeted by Qoros, if at all.

Chinese consumers have historically indicated a strong preference for products that are internationally-branded. Such a preference for foreign-branded products could impact the buying patterns of Qoros' targeted consumers, which could affect the demand for Qoros' vehicles and, as a result, also adversely impact Qoros' margins (e.g., as a result of Qoros increasing the content provided in each vehicle without concurrently increasing its price), or lower sales volumes, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros depends upon a network of independent dealers to sell its automobiles.*

As is customary in China, Qoros distributes and services its cars through a network of independent automobile dealers that are engaged on a non-exclusive basis. Dealers maintain the primary sales and service interface with the ultimate consumer of Qoros' products and, as a result, the quality of Qoros' dealerships and its relationship with its distributors are critical to Qoros' success. Qoros also expects its dealers to generate the vast majority of the revenues that Qoros expects to receive from the sale of spare parts and aftersales products. Consequently, Qoros' success is dependent, in large part, upon a network of dealers, whose salespersons Qoros does not directly employ and therefore cannot control. As a result, Qoros' dealer network may not achieve the required standards of quality of service producers within Qoros' expected timeframe, if at all.

Qoros is still in the process of developing and establishing its dealer network, which will require Qoros' dealers to construct their dealerships using their own capital resources, with partial reimbursements from Qoros. As Qoros continues to develop its dealer network, such development will likely be affected by the financial resources available to existing and potential dealers, the decisions dealers make as a result of the current and future sales prospects of Qoros' vehicle models, and the availability and cost of the capital necessary to acquire and hold inventories of Qoros' vehicles for resale. Qoros' ability to secure new dealers depends, in part, upon the sales performance of Qoros' existing dealers. Therefore, Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and a delay in expanding its dealer network could make it difficult for Qoros to increase sales levels. Continued delays in, or other negative developments with respect to, the expansion of Qoros' dealer network could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros' business is subject to intense competition.*

China has been one of the world's fastest growing economies in terms of GDP in recent years, and has been the fastest growing among major passenger vehicle markets in the world. The passenger vehicle market in China is highly competitive. Many of the largest global manufacturers, through joint venture relationships with Chinese manufacturers, and numerous established domestic manufacturers compete within this market. Accordingly, Qoros competes with the established automobile manufacturers, particularly to the European, U.S., Korean and Japanese automakers. Most of Qoros' current and potential competitors have longer operating histories, broader customer relationships, greater name recognition, and established customer bases, financial, technical, manufacturing, marketing and other resources. As a result, many of these competitors may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, pricing sale and support of their products, which could impair Qoros' ability to operate within this market or adversely impact Qoros' sales volumes or margins.

As the size of the Chinese passenger vehicle market continues to increase, Qoros anticipates that additional competitors, both international and domestic, will seek to enter the Chinese market and that existing market participants will try to maintain or increase their market share. Increased competition may result in price reductions, reduced margins and Qoros' inability to gain or hold market share. If Qoros is unable to succeed or gain significant market share in the Chinese market, or sell its vehicles with its expected margins, in light of increased competition in the passenger vehicle market, or if vehicle sales in China decrease or do not continue to increase as expected, this could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros' success depends, in part, upon its ability to protect, and maintain ownership of, its intellectual property.*

Qoros has independently developed, patented and owns numerous motor vehicle technologies, including technologies related to human machine interface, or HMI, motor vehicles, and motor vehicle platforms, parts, components and accessories for motor vehicles. Qoros believes that such technologies provide it with a competitive advantage and the platform with which to produce international-standard vehicles for its targeted Chinese consumers. Additionally, Qoros owns the brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of its vehicles. If Qoros fails to protect its intellectual property rights adequately, Qoros' competitors might gain access to its technology, and its brand or business may be adversely affected. Qoros relies on copyright, trade secret and patent laws, confidentiality procedures and contractual provisions to protect its proprietary methods and technologies and trademark laws to protect the brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of Qoros' vehicles. Qoros currently holds patents in China, the European Union and the U.S., and has pending patent applications in various countries. Further, Qoros has trademark registrations and applications in various markets in Asia, the Middle East, Europe, North America, South America, Africa, Australia, and New Zealand. Patents may not be granted for Qoros' pending patent applications, and the claims allowed on any issued patents may not be sufficiently broad to protect Qoros' technologies. Any patents or trademarks currently held by Qoros, or that may be issued to Qoros in the future, may be challenged, invalidated or circumvented, and any rights granted under these patents or trademarks may not actually provide Qoros with adequate defensive protection or competitive advantages. Additionally, the process of applying for patent and trademark protection is expensive and time-consuming, and Qoros may not be able to complete all necessary or desirable patent and trademark applications at a reasonable cost or in a timely manner.

Furthermore, policing the unauthorized use of Qoros' technology, or trademarks, may prove difficult as the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for enforcement of Qoros' proprietary rights in such countries may be inadequate. From time to time, Qoros may need to initiate legal action to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend itself against claims of infringement. Qoros has previously been a defendant in suits with respect to Qoros' alleged infringement of the intellectual property of other vehicle manufacturers, including with respect to Audi, a claim which was settled in August 2014. Any such litigation could result in substantial costs and the diversion of limited resources and could negatively affect Qoros' business, reputation or brand. If Qoros is unable to protect its proprietary rights (including aspects of its technology platform), Qoros may lose its expected competitive advantage which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Finally, Qoros may, in the future, pledge certain of its intellectual property as collateral as a condition for its receipt of third-party financing. If so, a default on Qoros' obligations under the terms of such facility, could provide the secured parties with the right to foreclose on, and subsequently sell and/or license, all or a portion of Qoros' pledged patent rights, which would materially impair Qoros' ability to conduct its business.

*The economic, political and social conditions in China could have a material adverse effect on Qoros.*

Substantially all of Qoros' assets are located in China and Qoros expects that substantially all of its revenue will continue to be derived from its operations in China in the short-term and that at least a substantial proportion of its revenues will be derived from its operations in China in the long-term. Accordingly, Qoros' results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign currency exchange and allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. Additionally, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies and continues to exercise significant control over China's economic growth through allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

China's economy has experienced rapid growth, much of it due to the issuance of debt over the last few years. This debt-fueled economic growth has led to an increase in the money supply and rising inflation. The Chinese government has implemented various measures from time to time to control China's rate of economic growth, control inflation and otherwise regulate economic expansion. These measures include imposing controls on bank credit, limiting loans and enacting other restrictions on economic activities, such as measures to curb property, stock market speculation, and increasing inflation. These policies and procedures may, from time to time, be modified or reversed, which could lead to a tightening of credit, which measures, if taken, could further reduce the economic activity in China, reducing Qoros' ability to obtain third party financing. Additionally, any economic, political or social crisis within China may also lead to a drastic decline in economic activity which could lead to a decline in the demand for Qoros' vehicles or the availability of third-party funding.

*Qoros is subject to Chinese regulation and its business or profitability may be affected by changes in China's regulatory environment.*

Local and national Chinese authorities have exercised and will continue to exercise substantial control over the Chinese economy through regulation and state ownership, including rules and regulations that regulate or affect the Chinese automobile manufacturing process and concern vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. Additionally, China has recently permitted provincial and local economic autonomy and private economic activities, and, as a result, Qoros is dependent upon its relationship with the local governments in the Jiangsu and Shanghai provinces. As a result, certain of Qoros' ongoing corporate activities are subject to the approval and regulation of the relevant authorities in China including, among other things, capital increases and investments in Qoros, changes in the structure of Qoros' ownership, increases in the production capacity, construction of Qoros' production facilities, ownership of trademarks, relocation of Qoros' head office, the formation of subsidiaries, and the inclusion of Qoros' products in the national catalogue for purposes of selling them throughout China. Qoros' operations are also sensitive to changes in the Chinese government's policies relating to all aspects of the automobile industry. In particular, Qoros' production facility and products are required to comply with Chinese environmental regulations. In May 2014, in connection with the completion of Qoros' manufacturing facility, Qoros filed an Application for Environmental Impact Assessment with the Ministry of Environmental Protection, or MEP, to obtain final approval for Qoros' production facility. As of the date of this annual report, MEP's approval of Qoros' facility remains pending.

Qoros has incurred, and expects to incur in the future, significant costs in complying with these, and other applicable, regulations and believes that its operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local Chinese governments may impose new, conflicting or stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts by Qoros to ensure its compliance with such regulations or interpretations or maintain its competitiveness and margins. Qoros' ability to operate profitably in China may be harmed by any such changes in China, Jiangsu, or Shanghai's laws and regulations, including those relating to taxation, environmental regulations, land use rights, property, or the aforementioned corporate matters. Qoros' failure to comply with such laws and regulations may also result in fines, penalties or lawsuits, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*The Chinese passenger vehicle market may not continue to grow as expected.*

Qoros has strategically located its operations, and designed its vehicle models for consumers, within China so as to directly access the largest and the fastest growing automobile markets in the world. If the Chinese passenger vehicle market does not continue to grow, this could materially affect demand for Qoros' vehicles. For example, if the prices for provincial license plates continue to increase, particularly in Shanghai, where Qoros' selling efforts are focused, such an increase may reduce the demand for passenger vehicles in China and thereby have a material adverse effect on Qoros' business, financial conditions, results of operations or liquidity.

*Qoros requires qualified personnel to manage its operations.*

Qoros' senior executives are important to Qoros' success, the establishment of Qoros' strategic direction, and the design and implementation of Qoros' business plan. Qoros also requires qualified and competent employees to independently direct its day-to-day business operations, execute its business plans, and service Qoros' customers, dealers, suppliers and other stakeholders. Qoros' products and services are highly technical in nature. Therefore, Qoros must be able to attract, recruit, hire and train skilled employees, including employees with the capacity to operate Qoros' production line as well as employees possessing core competencies in vehicle design and engineering. This includes developing talent and leadership capabilities in China, where the amount of skilled employees may be limited. The unavailability of qualified personnel in these competitive specialties, or the loss of key Qoros executives, could negatively impact Qoros' ability to meet its growing operational and servicing demands. In addition, unpredictable increases in the demand for Qoros' vehicle models may also exacerbate the risk of not having a sufficient number of trained personnel. If Qoros fails to train and retain qualified personnel, or if it experiences excessive turnover, Qoros may experience production/manufacturing delays or other inefficiencies, increased recruiting, training or relocation costs, or other difficulties, any of which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros is dependent upon its suppliers.*

Qoros sources the component parts necessary for its vehicle models from over 100 suppliers. A number of Qoros' component parts are currently obtained from a single source. Qoros utilizes such single-source suppliers to manage its expenses and maintain consistency in its component parts. Many of Qoros' suppliers are European-based with manufacturing facilities in China. Additionally, although Qoros is under no obligation to do so, Qoros sources its engines, and certain spare parts, from Chery.

Qoros maintains minimal inventories of the materials, systems, components and parts needed to conduct its manufacturing operations. Therefore, Qoros is dependent upon the continued ability of its suppliers to deliver such materials, systems, components and parts in sufficient quantities and at such times that will allow Qoros to meet its production schedules. As Qoros, consistent with industry practice, outsources a significant portion of its components and parts from suppliers, it may be affected by any fluctuations in the expertise and manufacturing capabilities of its suppliers. Additionally, as Qoros' suppliers may also supply a significant portion of the components and parts of Qoros' competitors, such concentration may expose Qoros and its competitors to increased pricing pressure. Qoros may also be unable to procure the component parts necessary for its vehicle models if the established manufacturers with which it competes have the capacity to influence Qoros' suppliers. Although Qoros believes it may be able to establish alternate supply relationships and obtain or engineer replacement components in the event a supplier, including Chery or a single-source supplier, is unable to supply Qoros with a necessary component part at a favorable cost, Qoros may be unable to do so in the short-term, or at all, at prices or costs that it deems favorable. In addition, although Qoros believes that its component parts are available from many suppliers, qualifying alternate suppliers or developing replacements for certain highly customized components of its vehicles may be time consuming and costly or may force Qoros to make additional and unexpected modifications to its vehicle models' designs or schedules. An unexpected shortage of materials, systems, components or parts, if even for a relatively short period of time, could prevent Qoros from manufacturing its vehicles, cause Qoros to alter its production designs, or prevent Qoros from timely supplying its dealers with the aftersales parts necessary for the servicing of Qoros' vehicles. Such occurrences could adversely impact Qoros' relationships with its dealers or customers and thereby affect Qoros' business, financial condition, results of operations or liquidity.

Increases in the prices of raw materials that are included within the component parts Qoros purchases from its suppliers, may increase Qoros' costs and could reduce Qoros' profitability if Qoros cannot recoup the increased costs through increased vehicle prices. Qoros may not be able to maintain favorable arrangements and relationships with its suppliers and, in particular, may not be able to secure or maintain, as applicable, contractual conditions comparable with those of Qoros' main competitors.

Although Qoros does not believe that it is dependent upon any of its suppliers, Magna Steyr Fahrzeugtechnik AG & Co., KG, or Magna Steyr, a company engaged in automobile design and engineering, has been engaged to develop Qoros' platform and is an important provider of engineering services for Qoros' various C-segment models. In the event that Magna Steyr is unable to supply Qoros with its engineering services and support, Qoros will need to establish alternative arrangements and may be unable to do so in the short-term, or at all, or on terms that are favorable to it.

Qoros manages its trades payable in connection with the management of its liquidity requirements. Additionally, as of December 31, 2014, Qoros had trade payables of approximately RMB321 million. If Qoros is unable to pay its suppliers on a timely basis, it may be unable to procure the parts, components and services it requires to continue operating. For further information on Qoros' liquidity and capital resources, see " *Item 5B. Liquidity and Capital Resources – Qoros' Liquidity and Capital Resources.* "

*Qoros' manufacturing operations are still in a ramp up phase.*

As Qoros continues to ramp up its production, there is a risk that Qoros will not be able to meet planned production volumes as required to successfully satisfy the market demand for the C-segment models it plans to launch. Qoros may face delays and cost overruns which may occur as a result of factors beyond its control such as disputes with suppliers or vendors. Any such delays in Qoros' production could result in additional operating costs, adverse publicity, or diminished relationships with Qoros' customers or dealers which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

*Qoros may experience delays and/or cost overruns with respect to the design, manufacture, launch and financing of new or enhanced models.*

Historically, automobile customers have come to expect new or enhanced vehicle models to be introduced frequently, and Qoros' business plan contemplates the introduction of new vehicle models, as well as enhanced versions of existing vehicle models, over the short- and long-term. Additionally, as technologies continue to evolve, Qoros will be expected to continually upgrade and adapt its vehicle models so that new vehicle models introduced into the market will continually provide consumers with the latest automobile technology. Qoros' introduction of both new and enhanced vehicle models will require significant investments. Further, there can be no assurance that Qoros will be able to secure the necessary financing to fund the continued introduction of new and enhanced vehicle models, design future vehicle models that will maintain the high quality standards required for Qoros' branding image, meet the expectations of its customers, and become commercially viable. Automobile manufacturers often experience delays and cost overruns in the design, manufacture and commercial release of new and enhanced vehicle models and any delay in the financing, design, manufacture or launch of Qoros' new or enhanced models could materially damage Qoros' brand, the development of its business and its financial position.

*The economic and reputational costs associated with vehicle recalls could have a material adverse effect on Qoros.*

From time to time, Qoros may recall certain of its vehicle models to address material performance, compliance or safety-related issues. The direct economic costs Qoros may incur in connection with any such recalls may include the costs associated with the particular part's development and replacement and the labor costs associated with the removal and replacement of the defective part. Vehicle recalls, notwithstanding the size or scope, can also harm Qoros' reputation and can cause Qoros to lose customers, stop growing, or experience a reduction in market share. This is particularly true as Qoros commenced commercial sales at the end of 2013 and, as a result, any such recalls may cause consumers to question the safety or reliability of Qoros' vehicle models. Any direct economic costs incurred or lost sales caused by future vehicle recalls, a failure by Qoros to issue a vehicle recall when appropriate, or Qoros' failure to issue a vehicle recall on a timely basis, could have a material adverse effect on Qoros' reputation, business, financial condition, results of operations or liquidity.

*Qoros' separate financial statements for the years ended December 31, 2014, 2013 and 2012, which are included in this annual report, have been audited by auditors who are not inspected by the PCAOB and, as such, you are deprived of the benefits of such inspection.*

As an auditor of companies that are publicly traded in the United States, and a firm registered with the PCAOB, KPMG Huazhen (Special General Partnership) is required to undergo regular PCAOB inspections. However, because Qoros has substantial operations within China, a jurisdiction in which the PCAOB is currently unable to conduct inspections without the approval of the Chinese government authorities, KPMG Huazhen (Special General Partnership), and any of its audit work in China with respect to Qoros, has not been inspected by the PCAOB.

Inspections of other auditors conducted by the PCAOB outside of China have, at times, identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the PCAOB's inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating KPMG Huazhen (Special General Partnership) audits and quality control procedures. As a result, our shareholders may be deprived of the benefits of PCAOB inspections, and may lose confidence in Qoros' separate financial statements and the procedures and the quality underlying such financial statements.

*If the China-based affiliates of the "big four" accounting firms, including the auditor of Qoros, were to violate the terms of a settlement agreement with the SEC arising out of proceedings instituted by the SEC against them in late 2012, such violation could result in the Chinese member firms of the "big four" accounting firms being suspended from practicing before the SEC which could, in turn, delay the timely filing of our, or Qoros', financial statements with the SEC.*

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the "big four" accounting firms, including the auditor of Qoros, KPMG Huazhen (Special General Partnership). The Rule 102(e) proceedings initiated by the SEC related to the failure of these firms to produce documents, including audit work papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002.

On January 22, 2014, Judge Cameron Elliot, an SEC administrative law judge, issued an initial decision suspending the Chinese member firms of the "Big Four" accounting firms, including the Chinese KPMG network, from, among other things, practicing before the SEC for six months. In February 2014, the initial decision was appealed. While under appeal and in February 2015, the Chinese member firms of "Big Four" accounting firms reached a settlement with the SEC. As part of the settlement, each of the Chinese member firms of "Big Four" accounting firms agreed to settlement terms that include a censure; undertakings to make a payment to the SEC; procedures and undertakings as to future requests for documents by the US SEC; and possible additional proceedings and remedies should those undertakings not be adhered to.

Pursuant to Rule 3-09 of Regulation S-X, Kenon is required to attach Qoros' separate audited financial statements to this annual report on Form 20-F, and may be required to attach Qoros' separate audited financial statements to its future annual reports on Form 20-F. Additionally, our independent registered public accounting firm currently relies on the Chinese member firm of the KPMG network for assistance in completing the audit work associated with our investment in Qoros. If the settlement terms are not adhered to, the Chinese member firms of "Big Four" accounting firms may be suspended from practicing before the SEC which could in turn delay the timely filing of our, or Qoros', financial statements with the SEC. In addition, it could be difficult for Qoros to timely identify and engage another qualified independent auditor to replace KPMG Huazhen (Special General Partnership).

Any such occurrences may ultimately affect the continued listing of our ordinary shares on the New York Stock Exchange, or the NYSE, or our registration with the SEC, or both. Moreover, any further negative news about the proceedings, any violations of the settlement agreement relating to the proceedings or any future proceedings against these audit firms may adversely affect investor confidence in companies with substantial mainland China based operations listed in, or affiliated with listings in, the U.S., such as Qoros, which could have a material adverse effect on the price of our ordinary shares and substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

**Risks Related to Our Other Businesses**

***Risks Related to Our Interest in ZIM***

*As ZIM operates in the capital-intensive and cyclical marine shipping industry, ZIM may continue to experience losses, working capital deficiencies, negative operating cash flow or shareholders' deficiency in the future, despite the restructuring of its financial obligations and the reduction of its indebtedness and liabilities.*

On July 16, 2014, ZIM completed its financial restructuring, reducing ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately $3.4 billion to a remaining balance of approximately $2 billion. However, as marine shipping is a capital-intensive and cyclical industry, ZIM may continue to experience losses, working capital deficiencies, negative operating cash flow or shareholders' deficiency in the future, and such losses may not be offset by any cost savings realized by ZIM as a result of the restructuring of its financial obligations and the reduction of its indebtedness and liabilities. Furthermore, as a result of the completion of ZIM's restructuring plan, it may be difficult for ZIM to incur additional debt on commercially reasonable terms, even if ZIM is permitted to do so under its restructured debt agreements. Should any of the aforementioned occur, ZIM's ability to pursue operational activities that ZIM considers to be beneficial to it may be affected which may, in turn, further impair ZIM's financial condition and operations.

ZIM cannot guarantee that the completion of its restructuring plan will generate meaningful cost savings, if any, or that it will be able to realize the cost savings and other anticipated benefits from its restructuring. If ZIM is unable to meet its obligations, ZIM would need to reach another arrangement with its creditors (which may be on terms for ZIM or Kenon that are worse than those set out above) or become insolvent. Additionally, ZIM remains significantly leveraged and will continue to face the risks associated with a highly leveraged company.

*ZIM's business plan may not be effective in returning ZIM to profitability.*

The implementation of ZIM's business plan depends on key assumptions related to future fuel prices, freight rates, global container shipping capacity, and ZIM's incorporation of larger, more efficient vessels. If actual prices, rates or industry capacity levels differ from these assumptions, such discrepancies could materially and adversely impact ZIM's operations and profitability. Additionally, the implementation of ZIM's business and financial restructuring plans may place significant strain on ZIM's management systems, customer relationships, infrastructure, financial controls and procedures, employee relations, or other resources. ZIM's operational and financial restructuring plans may also be subject to difficulties, delays or unexpected costs, and ZIM's ability to effectively implement its business plan requires the execution of effective planning and management processes, which may be influenced by factors outside of ZIM's control.

For example, ZIM has identified the Trans-Pacific Zone, which routes through the Panama Canal, as a key trade zone of operation. ZIM is considering adding large container vessels to its fleet of vessels serving this trade zone. However, ZIM has no agreements in place with respect to such vessels and ZIM may be unable to acquire or charter these vessels on attractive terms, or secure financing, if necessary, on commercially reasonable terms, or at all. This risk is further exacerbated by the widening of the Panama Canal, which is expected to result in a significant increase in the utilization of very large container vessels within this trade zone. As a significant portion of ZIM's vessels will become increasingly less efficient to operate upon the completion of the Panama Canal's expansion, if ZIM is unable to incorporate such vessels into its fleet, this could adversely impact its business within this key trade zone. This risk is further exacerbated as a result of ZIM's inability to participate in certain alliances and thereby access larger vessels for deployment.

Additionally, ZIM has identified the Intra-Asia Zone, which covers trade within regional ports in Asia, as another key trade zone of operation. However, the competitive dynamics in this market (e.g., lower barriers to entry due to shorter, fragmented routes and smaller ports , as well as a relatively large number of smaller carriers operating within the market) may adversely impact ZIM's ability to increase its market share within this trade zone.

Additionally, if the excess supply of container shipping capacity that currently characterizes the container shipping industry continues to exist for an extended period of time, or disproportionately affects the key trade zones in which ZIM expects to focus its operations, ZIM's business or results of operations may suffer. If ZIM is unable to generate sufficient profitability or positive cash flows from its operations or to adequately reduce its cash outflows used in financing activities as a result of the implementation of its business and restructuring plans, this could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity, could require ZIM to seek an additional arrangement to restructure its liabilities, or could result in ZIM's insolvency.

*The container shipping market is dynamic and volatile.*

The container shipping market is relatively decentralized, dynamic and volatile by its very nature and has been marked in recent years by relative instability as a result of the recent global economic crisis and the many conditions and factors that can affect the price, supply and demand for container shipping capacity. For example, according to the Shanghai (Export) Containerized Freight Index, the high and low spot market freight rate per forty-foot equivalent units, or FEUs, was approximately $1,585 and approximately $855 per FEU between February 2010 and February 2015, respectively, as compared to a spot market freight rate of approximately $1,085 per FEU as of February 2015. Factors affecting spot market freight rates include:

- global and regional trends in GDP;
- demand and supply for container shipping capacity;
- supply of and demand for energy resources, commodities and industrial products;
- changes in the exploration or production of energy resources, commodities, consumer and industrial products;
- global imbalances with respect to the locations of regional and global exploration, production and manufacturing facilities;

- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities, pirate attacks, embargoes and strikes;
- developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather conditions.

Rates within the charter market, which ZIM accesses to source a substantial portion of its capacity, and within the spot market, which provided customers for approximately 60% of the capacity of ZIM's vessels in 2014, are unpredictable and may also fluctuate significantly based upon these changes. Additionally, responses to changes in market conditions may be slower as a result of the time it takes to build new vessels and adapt to market needs. As shipping companies purchase vessels years in advance to address expected demand, vessels may be (i) delivered during times of decreased demand or (ii) unavailable during times of increased demand, leading to a demand / supply mismatch. As global trends continue to change, it remains difficult to predict their impact on the container shipping industry or ZIM, in particular. ZIM's inability to adequately respond to any of these market changes, at all or in a timely fashion, could have a material adverse effect on its business, financial conditions, results of operations or liquidity.

*Excess supply of global container ship capacity may limit ZIM's ability to operate its vessels profitably.*

Container shipping capacity, approximately 18.4 million twenty-foot equivalent units, or TEUs, spread across approximately 5,035 vessels as of January 1, 2015, has increased significantly since the beginning of 2006 and continues to exceed the demand for container capacity. Such excess capacity is projected to further increase in the near future, outpacing any expected increases in the demand for container capacity, as a result of the large global orderbook for newbuilding containers. Many of these orders are for vessels with carrying capacity of 10,000 TEUs and above, which provide increased capacity for each shipping voyage while also delivering cost-savings and efficiencies. Excess capacity results in reduced spot market and freight rates, which may adversely impact ZIM's revenues, profitability or asset values. It will take time to resolve the supply/demand capacity imbalance that was created as a result of the new vessels delivered during times of low demand. Until such capacity is fully absorbed by the container shipping market and, in particular, the trade zones in which ZIM's operations are focused, the container shipping industry will continue to experience downward pressure on its spot market and freight rates and such prolonged pressure could have a material adverse effect on ZIM's operations, business, financial condition, results of operations or liquidity.

*Operational partnerships within the container shipping industry may adversely impact ZIM's profitability.*

The container shipping industry has seen a trend towards strategic alliances of, and partnerships with, container liners, which can result in more efficient, and accordingly more profitable, operations for shipping companies participating in such arrangements. For example, A.P. Moller-Maersk Group and Mediterranean Shipping Company, the world's two largest container liner companies, are parties to a 10-year vessel sharing agreement operating in the east-west trades, including 185 vessels, and representing an estimated capacity of 2.1 million TEUs. CMA CGM S.A., United Arab Shipping Company (S.A.G.) and China Shipping Container Lines Co., Ltd. are each party to the "OceanThree" alliance, which operates 195 vessels representing an estimated capacity of 1.9 million TEUs.

ZIM is not a member of any alliances. As a result, ZIM does not benefit from the efficiencies of participation in such arrangements, and many of ZIM's competitors who do participate in such arrangements are able to achieve significant efficiencies as a result. ZIM is party to operational partnerships with other carriers in most of the trade zones in which it operates, and ZIM may seek to increase its participation in those operational partnerships or similar arrangements with other shipping companies or local operators, partners or agents. However, ZIM's participation may be limited, in part, by ZIM's status as an Israeli incorporated and registered company, which has effectively limited ZIM's ability to call on certain ports. If ZIM is not successful in expanding its operational partnerships, this could adversely affect ZIM's business operations. For further information on the risks related to ZIM's status as an Israeli corporation, see " *– Risks Related to the Industries in Which Our Businesses Operate – The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East.* "

*Declines in freight rates or other market conditions could negatively affect ZIM's business, financial condition, or results of operations and could thereby result in ZIM's incurrence of impairment charges.*

ZIM examines whether there have been any events or changes in circumstances which would indicate an impairment at each reporting period. Additionally, when there are indications of an impairment, an examination is made as to whether the carrying amount of the non-monetary assets or cash generating units, or CGUs, exceeds the recoverable amount and, if necessary, an impairment loss is recognized. The projection of future cash flows related to ZIM's CGU, which is one CGU, is complex and requires ZIM to make various estimates including future freight or charter rates, earnings from the vessels and discount rates, all of which have been volatile historically. ZIM cannot assure that there will be no impairments in future years and impairment charges, if any, could negatively affect ZIM's and/or Kenon's results of operations.

*Israel holds a Special State Share in ZIM, which imposes certain restrictions on ZIM's operations and our equity interest in ZIM.*

The State of Israel holds a Special State Share in ZIM, which imposes certain limitations on the activities of ZIM that may negatively affect ZIM's business and results of its operations. For example, ZIM's owned and chartered vessels, including those vessels that do not sail under the Israeli flag, may be subject to control by the authorities of the State of Israel in order to protect the security of, or bring essential supplies and services to the State of Israel. In addition, Israeli legislation allows the State of Israel to use ZIM's vessels in times of emergency. The Special State Share, and the permit which accompanies it, also imposes transferability restrictions on our equity interest in ZIM. Furthermore, although there are no contractual restrictions on any sales of our shares by our controlling shareholders, if Idan Ofer's ownership interest in Kenon is less than 36%, or Idan Ofer ceases to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM (e.g., Kenon's right to vote and receive dividends in respect of its ZIM shares) will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in Idan Ofer's ownership or "control" (as defined in the State of Israel consent received by IC in connection with the spin-off). The State of Israel may also revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM, or if the cancellation of the provisions of the Special State Share with respect to a person holding shares in ZIM contrary to the Special State Share's provisions apply (without limitation). For further information on the Special State Share, see *"Item 4B. Business Overview—Our Businesses—ZIM—ZIM's Special State Share."*

*ZIM faces risks as a result of its status as an Israeli corporation.*

ZIM is incorporated and based in Israel. Therefore, the existing security, economic and geopolitical conditions in Israel and the Middle East could affect ZIM's existing relationships with certain foreign corporations, as well as affect the willingness of potential partners to enter into business alliances with it. Numerous countries, corporations and organizations limit their business activities in Israel and their business ties with Israeli-based companies. ZIM's status as an Israeli company has effectively limited ZIM's ability to call on certain ports and has therefore impacted ZIM's ability to enter into alliances or operational partnerships with certain shipping companies, thereby having an adverse impact on ZIM's operations or its ability to compete effectively within the trade zones in which it operates. In addition, ZIM's status as an Israeli company has effectively limited ZIM's options to enter alliances that include certain carriers who are not willing to cooperate with Israeli companies.

In July 2014, as a result of a military conflict in Gaza, ZIM's west coast operations, were subject to political activity which, in certain instances, had immaterial effects on ZIM's operational activities. Any future deterioration in the security or geopolitical conditions in Israel and/or the Middle East could adversely impact our business relationships and thereby have a material adverse effect on our business, financial condition, results of operations or liquidity. Being an Israeli company, ZIM is relatively more exposed to acts of terror, hostile activities by various factors (including damaging computer systems), security limitation that concern Israeli organizations overseas, possible isolation by various organizations and institutions for political reasons and other limitations (such as bans to enter certain ports). Additionally, ZIM's owned and chartered vessels, including those vessels that do not sail under the Israeli flag, may be subject to control by the authorities of the State of Israel in order to protect the security of, or bring essential supplies and services to, the State of Israel. Israeli legislation also allows the State of Israel to use ZIM's vessels in times of emergency. Any of the aforementioned factors may negatively affect ZIM and the results of ZIM's activity. For further information on the risks related to ZIM's operations in Israel, see "*– Risks Related to the Industries in Which Our Businesses Operate – The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East.* " For further information on the risks related to entry into operational partnerships within the shipping industry, see "*– Operational partnerships within the container shipping industry may adversely impact ZIM's profitability.* "

*ZIM charters a substantial portion of its fleet and the cost associated with chartering such vessels is unpredictable.*

ZIM charters a substantial portion of its fleet. As of December 31, 2014, of the 85 vessels through which ZIM provides transport services globally (83 container vessels and 2 vessels for shipment of vehicles), 70 vessels are chartered (including 5 vessels under finance leases), representing a percentage of chartered vessels that is higher than the industry's average. As a result, ZIM may experience higher operating expenses, in the form of increased charter fees. Additionally, a rise in charter fees, even if minimal, is likely to adversely affect ZIM's results of operation. Further, ZIM has previously entered into long-term charter arrangements, some of which are still place, and it may be unable to take full advantage of short-term reductions in charter fees. The continued chartering of vessels also depend upon the availability of such vessels and, should ZIM experience difficulty in finding vessels of the type required by it to service its customers efficiently, or in finding such vessels at charter rates that are favorable to it, such an occurrence could adversely affect ZIM's business, financial condition, results of operations or liquidity.

*The average size of ZIM's vessels is smaller than many of its competitors, and ZIM may face difficulties as it incorporates larger vessels into its fleet.*

Container shippers within the shipping industry have been incorporating, and are expected to continue to incorporate, larger, more efficient vessels into their operating fleet. The continued deployment of larger vessels will adversely impact the competitiveness of those shipping companies that do not utilize such vessels in their shipping operations in lieu of older, less fuel-efficient, and smaller capacity vessels. Furthermore, a significant introduction of large vessels, including mega-vessels, into any trade zone will enable the transfer of existing, large vessels to other trade segments in which smaller vessels typically operate. Such "fleet cascading" may in turn generate similar effects in the other, smaller trade zones in which ZIM operates.

ZIM's vessels are generally smaller than the industry average. Although ZIM intends to reduce its ownership of such smaller vessels over time, as the relevant charters expire, in light of the significant amount of vessels ZIM charters, ZIM will need time to effectively incorporate larger vessels into its fleet. ZIM may not be able to update the vessels within its fleet on attractive terms, or at all. If, for example, ZIM is unable to invest in and/or procure suitably large vessels in a timely fashion (e.g., if ZIM has not set aside funds or is unable to borrow or raise funds for vessel purchases), the utilization of larger vessels in the trade zones in which ZIM operates may undermine ZIM's ability to compete effectively in those respective trade zones, which could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity. ZIM's business plan contemplates the addition of large container vessels to its fleet. However, ZIM has no agreements in place with respect to such vessels and ZIM may be unable to acquire or charter these vessels on attractive terms, or secure financing, if necessary, on commercially reasonable terms, or at all. As ZIM adapts its fleet and incorporates such vessels into its operations (via purchase or charter agreements), ZIM will increase its exposure to the risks associated with overcapacity, which can be greater for larger vessels (e.g., increased capacity risk and downward pressure on utilization rates). If ZIM is unable to alter its fleet composition in light of the increased deployment of larger vessels, or adequately manage its incorporation of additional larger vessels into its fleet, such an occurrence could adversely affect ZIM's business or results of operations.

*ZIM's fleet is relatively old compared to other top 20 carriers and the risks associated with such older vessels could adversely affect ZIM's operations.*

ZIM's vessels are older than average among the other top 20 carriers (in terms of TEU capacity). Older vessels are typically less fuel-efficient than more-recently constructed vessels, as a result of their failure to reflect any improvements in engine technology. Additionally, insurance rates also generally increase with the age of a vessel, making older vessels more expensive to operate, reducing ZIM's efficiency and decreasing its profitability. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to such vessels and may restrict the type of activities in which such vessels may engage each of which may further impact ZIM's operations and profitability. As ZIM's vessels age, market conditions may not justify these expenditures or enable ZIM to operate its vessels profitably during the remainder of their useful lives, which could have an adverse impact on ZIM's business, financial condition, results of operations or liquidity. ZIM may also incur relatively higher maintenance costs for its existing vessels. The cost of maintaining a vessel generally increases with the age and running hours of the vessel.

*ZIM is subject to environmental regulation and failure to comply with such regulation could have a material adverse effect on ZIM's business.*

ZIM is subject to many legal provisions relating to the protection of the environment, including the emissions of hazardous substances, sulfur oxides, or SOx, and nitrogen oxides, or NOx, gas exhaust emissions, the operation of vessels while at anchor by means of generators, and the use of low-sulfur fuel or shore power voltage and double walls for fuel tanks. For example, ZIM is subject to the International Convention for the Prevention of Pollution from Ships (including designation of Emission Control Areas thereunder), the International Convention for the Control and Management of Ships Ballast Water & Sediments, the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea of 1996,

the Oil Pollution Act of 1990, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, and National Invasive Species Act, among others. Compliance with such laws, regulations and standards, where applicable, may require the installation of costly equipment or operational changes and may affect the resale value or useful lives of ZIM's vessels. ZIM may also incur additional compliance costs, and any such costs could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity. If ZIM fails to comply with any of the environmental regulations applicable to it, ZIM could be exposed to significant environmental damages, criminal charges, or substantive harm to its operations and goodwill. Additionally, environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject ZIM to liability without regard to whether it was negligent or at fault.

Such environmental requirements can also affect the resale value or useful lives of ZIM's vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of or more costly insurance coverage for safety and environmental matters or result in ZIM's denial of access to certain jurisdictional waters or ports, or ZIM's detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, ZIM could incur material liabilities, including cleanup obligations, natural resource damages, personal injury and property damage claims in the event there is a release of petroleum or other hazardous materials from ZIM's vessels, or otherwise, in connection with ZIM's operations. Violations of, or liabilities under, safety and environmental requirements can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of ZIM's vessels and events of this nature could have a material adverse effect on ZIM's business, reputation, financial condition, or results of operations.

*The shipping industry is subject to extensive government regulation and standards, international treaties and trade prohibitions and sanctions.*

The shipping industry is subject to extensive regulation that changes from time to time and that applies in the jurisdictions in which shipping companies are incorporated, the jurisdictions in which vessels are registered (flag states), the jurisdictions governing the ports at which the vessels anchor, as well as regulations by virtue of international treaties and membership in international associations. As a result, ZIM is subject to extensive government regulation and standards, customs inspections and security checks, international treaties and trade prohibitions and sanctions, including laws and regulations in each of the jurisdictions in which it operates, including laws enacted by Israel's Knesset, the U.S. Federal Maritime Commission, the International Safety and Management Code, or the ISM Code, and the European Union. Any violation of such regulations, treaties and/or prohibitions could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity and may also result in the revocation or non-renewal of ZIM's "time-limited" licenses.

While ZIM is also subject to regulations against harming competition in each of the various countries in which it operates, operational partnerships among shipping companies in the shipping industry are generally exempt from the application of such antitrust laws. Recently, however, there has been a noticeable trend within the international community to limit such exemptions and it is unclear whether such trends may impact the renewal of existing exemptions. As ZIM is party to numerous operational partnerships and views such agreements as competitive advantages in response to the recent global economic crisis, an amendment or a revocation of an exemption that affords shipping companies the ability to enter into operational partnerships and/or cooperative ventures could negatively impact ZIM's business and results of operations.

In November 2013, the European Commission published an announcement regarding its initiation of investigation procedures against certain maritime shippers, including ZIM, due to a suspicion of coordinated activity among them. The European Commission intends to investigate whether the public notices of the maritime shippers with respect to future increases in tariffs, which was published on the internet websites of such shippers in the press, caused or may have caused damage to the industry's competitiveness and to clients of the maritime shipping market to and from Europe. If determined to be guilty, any fines or sanctions levied upon ZIM, could have a material adverse effect on ZIM's business, reputation, financial condition, or results of operations.

*There are numerous risks related to the operation of any sailing vessel and ZIM's inability to successfully respond to such risks could have a material adverse effect on ZIM.*

There are numerous risks related to the operation of any sailing vessel, including the dangers associated with potential marine disasters, mechanical failures, collisions, cargo losses or damages, poor weather conditions, the content of the load, exceptional load, meeting deadline, risks of documentation, maintenance and the quality of fuels and piracy/hostile at-sea activity. The occurrence of any of the aforementioned factors could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity.

*In the event ZIM lists its shares on a stock exchange for trading, changes in the market price of ZIM's stock could have a material adverse effect on the value of our investment in ZIM.*

ZIM may seek a public listing of its shares. Upon such listing, our ability to liquidate our 32% equity interest in ZIM, without adversely affecting the value of these shares, may be limited. If we were to sell, or indicate an intention to sell, substantial amounts of our equity interest in ZIM in the public market, the trading price of ZIM's shares could decline. Additionally, the perception in the market that these sales may occur could also cause the trading price of ZIM's shares to decline. Furthermore, the value of our interest in ZIM may be affected by economic and market conditions that are beyond our control. Globally traded securities have been highly volatile and continued volatility, which may result in significant changes in ZIM's market price, in particular, could also have a material adverse effect on our business, financial condition, results of operations or liquidity. If ZIM does not complete a listing of its shares, this would affect our ability to sell our equity interest in ZIM, if we decide to do so.

*We may be required to record a significant charge to our earnings if we are required to impair our investment in ZIM.*

As of December 31, 2014, the balance of our investment in ZIM was $191 million. We performed an impairment test of our investment in ZIM as of December 31, 2014 and concluded that the recoverable amount of our investment in ZIM was higher than the carrying amount. If ZIM is not commercially successful or, if due to economic or other conditions, our assumptions regarding the performance of ZIM are not achieved or are revised downward, we would likely be required to record impairment charges. Given ZIM's recent restructuring, the current economic and competitive environment, and the uncertainties regarding the impact on such restructuring and environment on ZIM, we cannot assure you that the estimates and assumptions made for purposes of our impairment testing will prove to be accurate predictions for the future. Additionally, any public listing of ZIM's shares may also affect the value of our interest in ZIM and may therefore result in our recognition of an impairment charge in respect of our investment in ZIM. Any impairment charges in respect of our investment in ZIM could have a material adverse effect on our financial condition or results of operations.

***Risks Related to Our Interest in Tower***

*Tower's results impact our net earnings.*

We have a substantial investment in Tower, representing approximately 22.5% of Tower's outstanding shares, which we account for under the equity method of accounting. Pursuant to such method, we report our proportionate share of the net earnings or losses of Tower in our statement of income under "share in losses of associated companies, net of tax" which contributes to our earnings (loss) from continuing operations before income taxes. To the extent the cumulative net loss equals the total investment, as was the case for Tower as of December 31, 2013, the book value of our investment will be reduced to zero. Losses beyond the cumulative investment will not be reflected and the book value will only change with positive net income received in connection with that investment that are higher than the previously accumulated net losses. As a result, Tower's earnings in any year may have a material effect on our net earnings and, to the extent Tower has a positive book value, Tower's losses in any year may have a material effect on our net earnings. In addition, globally traded securities have been highly volatile and continued volatility, which may result in significant changes in Tower's market prices could also have a material adverse effect on our business, financial condition, results of operations or liquidity. If our net earnings are materially impacted as a result of the aforementioned factors, this could have a material adverse effect on our business, financial condition, or results of operations.

*Tower has debt and other liabilities, and its business and financial position may be adversely affected if it will not be able to timely fulfill its debt obligations and other liabilities.*

As of December 31, 2014, Tower had (i) approximately $194 million of outstanding secured bank loans to be repaid in quarterly installments between March 2015 through June 2019; and (ii) approximately $312 million of unsecured outstanding debentures to be repaid between June 2015 and December 2018. As of March 26, 2015, following the redemption and/or conversion of certain debentures, the principal amount of Tower's debentures outstanding is approximately $105 million.

Carrying such amount of debt and other liabilities may have significant negative consequences on Tower's business, including:

- limiting our ability to fulfill our debt obligations and our liabilities;
- requiring the use of a substantial portion of Tower's cash flow from operating activities to service its indebtedness rather than investing its cash flows to fund its growth plans, working capital and capital expenditures;
- increasing Tower's vulnerability to adverse economic and industry conditions;
- limiting Tower's ability to obtain additional financing;

- limiting Tower's flexibility in planning for, or reacting to, changes in its business and the industry in which it competes;
- placing Tower at a competitive disadvantage with respect to less leveraged competitors and competitors that have better access to capital resources;
- volatility in Tower's non-cash financing expenses due to the accelerated conversion of the convertible debentures into ordinary shares and increases in the fair value of Tower's debt obligations, which may increase Tower's net loss or reduce its net profits; and/or
- enforcement by the banks and other financing entities of their liens against Tower, Jazz Technologies, Inc., or Jazz, respective assets, as applicable at the occurrence of an event of default. For example, the consummation of the spin-off constituted a "change of control" under certain of Tower's debt, and other, instruments and, subject to additional conditions, may have resulted in an event of default. However, in January 2015, Tower received a waiver from each of Bank Leumi and Bank Hapoalim which waived any "change of control" implications resulting from the consummation of the spin-off.

In order to finance its debt and other liabilities and obligations, in addition to cash on hand and expected cash flow from operating activities, Tower continues to explore measures to obtain funds from additional sources including debt and/or equity restructuring and/or re-financing, sale of new securities, opportunities for the sale and lease-back of a portion of Tower's real estate assets, sale of other assets, intellectual property licensing, as well as additional financing alternatives. However, there is no assurance that Tower will be able to obtain sufficient funding, if at all, from the financing sources detailed above or other sources in a timely manner (or on commercially reasonable terms) in order to allow Tower to cover its ongoing fixed costs, capital expenditure costs and other liabilities and obligations, fully or partially repay its debt and liabilities in a timely manner and fund its growth plans.

*Tower's operating results fluctuate from quarter to quarter which makes it difficult to predict its future performance.*

Tower's revenues, expenses and operating results have varied significantly in the past and may fluctuate significantly from quarter to quarter in the future due to a number of factors, many of which are beyond its control. These factors include, among others:

- The cyclical nature of the semiconductor industry and the volatility of the markets served by its customers;
- Changes in the economic conditions of geographical regions where its customers and their markets are located;
- Shifts by integrated device manufacturers and customers between internal and outsourced production;
- Inventory and supply chain management of Tower's customers;
- The loss of a key customer, postponement of an order from a key customer or the rescheduling or cancellation of large orders;
- The occurrence of accounts receivable write-offs, failure of a key customer to pay accounts receivable in a timely manner or the financial condition of Tower's customers;
- The rescheduling or cancellation of planned capital expenditures;
- Tower's ability to satisfy its customers' demand for quality and timely production;
- The timing and volume of orders relative to Tower's available production capacity;
- Tower's ability to obtain raw materials and equipment on a timely and cost-effective basis;
- Price erosion in the industry;
- Environmental events or industrial accidents such as fire or explosions;
- Tower's susceptibility to intellectual property rights disputes;
- Tower's ability to maintain existing partners and to enter into new partnerships and technology and supply alliances on mutually beneficial terms;
- Interest, price index and currency rate fluctuations that were not hedged;
- Technological changes and short product life cycles;
- Timing for the design and qualification of new products;

- Increase in the fair value of Tower's bank loans, certain of its warrants and debentures; and
- Changes in accounting rules affecting Tower's results.

Furthermore, integrated device manufacturers continue to design and manufacture integrated circuits in their own fabrication facilities. There is a possibility that in certain periods or under certain circumstances such as low demand, they will choose to manufacture their products in their facilities instead of manufacturing products at external foundries. If Tower's customers will choose to manufacture internally rather than manufacture at our facilities, Tower's business may be negatively impacted.

Due to the factors noted above and other risks discussed in this section, many of which are beyond Tower's control, investors should not rely on quarter-to-quarter comparisons to predict Tower's future performance. Unfavorable changes in any of the above factors may seriously harm Tower, including its operating results, financial condition and ability to maintain its operations.

*As is common in Tower's industry, a large portion of its total costs is comprised of fixed costs associated mainly with its manufacturing facilities and Tower has a history of operating losses. Tower's business may be adversely affected if it is unable to operate its facilities at high enough utilization rates sufficient to reach revenue levels that would cover its fixed costs, reduce its losses and allow it to be profitable.*

As is common in Tower's industry, a large portion of its total costs is comprised of fixed costs, associated mainly with its manufacturing facilities, while its variable costs are relatively small. Therefore, during periods when Tower's fabrication facilities manufacture at high utilization rates, it is able to cover its costs. However, at times when the utilization rate is low, the reduced revenues may not cover all of the costs since a large portion of them are fixed costs and remain constant, irrespective of the fact that less wafers were manufactured. In addition, depreciation costs in Tower's industry are high, which may result in Tower's recognition of operating and/or net losses. If customer demand for Tower's products is not sufficient, it may not be able to operate its facilities consistently at high utilization rates, which may not enable it to fully cover all of its costs, achieve and maintain operating profits or achieve net profits. In addition, Tower may be unable to generate enough cash from operations that would cover its fixed costs, capital expenditures, liabilities and debt payments as well as reduce its losses. We cannot assure that Tower will be profitable on a quarterly or annual basis in the future.

*The semiconductor foundry business is highly competitive; Tower's competitors may have competitive advantages over it and its results of operations may be adversely affected if Tower does not successfully compete in the industry.*

The semiconductor foundry industry is highly competitive. Tower competes with more than ten independent dedicated foundries, the majority of which are located in Asia-Pacific, including foundries based in Taiwan, China, Korea and Malaysia, and with over 20 integrated semiconductor and end-product manufacturers that allocate a portion of their manufacturing capacity to foundry operations. The foundries with which Tower competes benefit from their close geographic proximity to companies involved in the design and manufacture of integrated circuits.

As Tower's competitors continue to expand their manufacturing capacity, there could be an increase in specialty semiconductor capacity. As specialty capacity increases, there may be more competition and pricing pressure on Tower's services, which may result in underutilization of its capacity, decrease of its profit margins, reduced earnings or increased losses.

In addition, some semiconductor companies have advanced their CMOS designs to 65 nanometer or smaller geometries. These smaller geometries may provide customers with performance and integration features that may be comparable to, or exceed, features offered by Tower's specialty process technologies. The smaller geometries may also be more cost-effective at higher production volumes for certain applications, such as when a large amount of digital content is required in a mixed-signal semiconductor and less analog content is required. Tower's specialty processes will therefore compete with these processes and some of its potential and existing customers could elect to design these advanced CMOS processes into their next generation products. Tower is not currently capable, and does not currently plan to become capable, of providing CMOS processes at these smaller geometries. If Tower's potential or existing customers choose to design their products using these advanced CMOS processes, its business may be negatively impacted.

In addition, many of Tower's competitors may have one or more of the following competitive advantages over it:

- greater manufacturing capacity;
- geographically diversified and more advanced manufacturing facilities;
- more advanced technological capabilities;

- a more diverse and established customer base;
- greater financial, marketing, distribution and other resources;
- a better cost structure; and/or
- better operational performance in cycle time and yields.

If Tower does not compete effectively, its business and results of operations may be adversely affected.

*Tower is subject to risks related to its international operations.*

Tower has generated substantial revenue from customers located in Asia-Pacific and in Europe. Because of its international operations, Tower is vulnerable to the following risks:

- Tower prices its products primarily in U.S. dollars; if the Euro, Yen or other currencies weaken relative to the U.S. dollar, its products may be relatively more expensive in these regions, which could result in a decrease in its revenue;
- the burdens and costs of compliance with foreign government regulation, as well as compliance with a variety of foreign laws;
- general geopolitical risks such as political and economic instability, international terrorism, potential hostilities and changes in diplomatic and trade relationships;
- natural disasters affecting the countries in which Tower conducts its business;
- imposition of regulatory requirements, tariffs, import and export restrictions and other trade barriers and restrictions, including the timing and availability of export licenses and permits;
- adverse tax rules and regulations;
- weak protection of its intellectual property rights;
- delays in product shipments due to local customs restrictions;
- laws and business practices favoring local companies;
- difficulties in collecting accounts receivable; and
- difficulties and costs of staffing and managing foreign operations.

In addition, Israel, the United States, Japan and other foreign countries may implement quotas, duties, taxes or other charges or restrictions upon the importation or exportation of Tower's products, leading to a reduction in sales and profitability in that country. The geographical distance between Israel, the United States, Japan and the rest of Asia and Europe also creates a number of logistical and communication challenges. We cannot assure you that Tower will be able to sufficiently mitigate the risks related to its international operations.

*Changes in the market price of Tower's stock could have a material adverse effect on the value of our investment in Tower.*

Tower's shares are currently trading on each of the NASDAQ and the TASE. Our ability to liquidate our interest in Tower without adversely affecting the value of these shares may be limited. If we were to sell, or indicate an intention to sell, substantial amounts of our equity interest in Tower in the public market, the trading price of Tower's shares could decline. Additionally, the perception in the market that these sales may occur could also cause the trading price of Tower's shares to decline. Furthermore, the value of our interest in Tower may be affected by economic and market conditions that are beyond our control. Globally traded securities have been highly volatile and continued volatility and/or significant changes in Tower's market price on either the NASDAQ or the TASE, in particular, could also have a material adverse effect on our business, financial condition, results of operations or liquidity.

For further information on the business, legal and regulatory risks related to Tower, see " *Information Regarding Tower* ."

***Risks Related to our Other Businesses***

*Primus relies on equity contributions to finance its operations.*

The implementation of Primus' business plan requires significant additional capital. Primus expect the estimated funding required to enable it to continue to develop its commercial operations to be provided by additional shareholder contributions (either through capital contributions or shareholder loans) or, potentially, through third-party debt financing arrangements. For example, pursuant to an investment agreement entered into with Primus in October 2014, we may lend Primus up to $25 million via a series of convertible notes through December 31, 2015. As of December 31, 2014, Kenon acquired an aggregate principal amount of $3.5 million under the terms of the investment agreement.

However, there is no certainty that additional equity financing will be provided to Primus, either by us, the other shareholders in Primus, or new investors, whose investments may serve to dilute our equity interest in Primus. Any lack of, or delay in securing, such equity financing may delay, or prevent completely, Primus' ability to continue to research and develop its commercial operations, which may result in Primus' ultimate liquidation or dissolution.

*Primus' STG+ process may not become commercially viable.*

Demand and industry acceptance for Primus' technologies is subject to a high level of uncertainty. If the alternative fuel or renewable energy markets fail to accept Primus' technologies, if acceptance develops slower than anticipated by Primus, or if Primus' technologies prove uneconomical, this could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

*Primus' STG+ process may not generate gasoline, diesel or jet fuel that satisfies certain specifications.*

The commercialization of Primus' technology will require, in the short-term, the production of gasoline that satisfies certain specifications and, in the longer-term, the production of diesel and jet fuel that satisfies certain specifications. If any of Primus' alternative fuels, in particular its high-octane gasoline, are unable to satisfy required specifications, Primus will be unable to market and commercialize its proprietary liquid fuels gasification and pyrolysis technology, the STG+ process. Any change in such specifications, could increase Primus' expenses by requiring different feedstocks or could delay the commercialization of Primus' technology, which could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

*Primus has a limited operating history and should be viewed as an early stage company.*

Primus should be viewed as an early stage company. The risks and uncertainties associated with the operation of an early stage company in a rapidly evolving "clean technology" market, such as the alternative fuels industry, include a potential inability to:

- commence significant operations on the current, or any revised, schedule in compliance with the current, or any revised, budget;
- secure necessary capital;
- construct requested facilities;
- successfully negotiate with government agencies, vendors, customers, feedstock suppliers or other third parties;
- effectively manage rapid growth in personnel or operations;
- successfully manage its existing, or enter into new, strategic relationships and partnerships;
- recruit and retain key personnel;
- maintain optimal cost structure as, and when, the business expands;
- adequately protect its intellectual property; and
- develop technology, products or processes that complement existing business strategies or address changing market conditions.

If Primus is unable to adequately address any of these risks, this could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

*Primus will incur significant costs, and may encounter substantial delays, in the implementation of its expansion plan.*

Primus' business plan contemplates significant operational expansion by 2021 through the development and licensing of multiple facilities. However, there is no guarantee that Primus will have access to, or be able to raise, the capital required for its expansion activities. Additionally, Primus may need to obtain regulatory approvals and permits in connection with its expansion activities and Primus may not satisfy any related requirements on a timely basis, if at all, which could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity. Furthermore, there can be no assurance that Primus' management will be able to manage such growth without experiencing significant delays or without incurring unexpected costs or liabilities.

*Primus' operations are highly dependent upon commodity prices, particularly natural gas and gasoline.*

Primus' operations depend substantially on the prices of various commodities, including natural gas, gasoline, crude oil and others. The prices of certain of these commodities are volatile, and this volatility may cause Primus' results to fluctuate accordingly when, or if, Primus commences commercial operation.

Primus' liquid fuels will compete in markets with refined petroleum products and, because natural gas, or syngas derived from natural gas, will be primarily used as the feedstock in Primus' STG+ process, an increase in natural gas prices relative to prices for refined petroleum products, or a decrease in prices for refined petroleum products, could adversely affect Primus. The price and availability of natural gas and refined products may be affected by numerous factors, including the level of consumer product demand, weather conditions, the availability of water for fracking, domestic and foreign government regulation (including regulation of fracking), the actions of the Organization of Petroleum Exporting Countries, political conditions in oil and natural gas producing countries, the supply of domestic and foreign crude oil and natural gas, the location of any plants developed by Primus vis-á-vis natural gas reserves and pipelines, the capacities of such pipelines, fluctuations in seasonal demand, governmental regulations, the price and availability of alternative fuels and overall economic conditions. Primus cannot predict the future markets and prices for natural gas or refined products, and a relative increase in the price of natural gas could have a material adverse effect on its business, financial condition, results of operations or liquidity.

*Primus' success depends, in part, upon its ability to protect its intellectual property.*

Primus has independently developed, patented and owns numerous processes related to liquid fuels synthesis, gasoline composition, incremental improvements and customizations, and biomass gasification. Primus believes that such its patented technologies provide it with a competitive advantage and the platform with which to market its services. If Primus fails to protect its intellectual property rights adequately, its competitors might gain access to its technology, and its competitive advantage, brand or business may be adversely affected.

Primus relies on trade secret and patent laws, confidentiality procedures and contractual provisions to protect its proprietary methods and processes. Primus currently holds several patents and has pending patent applications in the U.S. Valid patents may not be issued from Primus' pending applications, and the claims allowed on any issued patents may not be sufficiently broad to protect Primus' STG+ process. Any patents currently held by Primus or that may be issued to Primus in the future may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide Primus with adequate defensive protection or competitive advantages. Additionally, the process of applying for patent protection is expensive and time-consuming, and Primus may not be able to complete all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Policing unauthorized use of technology may prove difficult for Primus as the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for the enforcement of Primus' proprietary rights in such countries may be inadequate. From time to time, Primus may need to initiate legal action to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend itself against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect Primus' business, reputation or brand. If Primus is unable to protect its proprietary rights, it may lose its expected competitive advantage which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

*There are risks related to our recent acquisition of an equity interest in REG.*

In connection with IC Green's December 2014 sale of its 69% equity interest in Petrotec, IC Green received shares of REG, a NASDAQ-listed advanced biofuels producer and developer of renewable chemicals. The value of our interest in REG may be affected by REG's results of operations and prospects, as well as by economic and market conditions, each of which are

beyond our control. Globally traded securities have been highly volatile and continued volatility and/or significant changes in REG's market price on NASDAQ, in particular, could have a material adverse effect on our business, financial conditions, results of operations or liquidity. Additionally, IC Green is subject to a lock-up restriction with respect to the shares of REG it received as consideration in connection with the sale of Petrotec, and such lock-up prohibits sales by IC Green for six months and limits sales by IC Green over the following six months.

Additionally, REG is subject to the risks associated with businesses operating within the biofuels and/or renewable chemicals production industries. These risks include, among other things, risks relating to the sourcing of raw materials, the fluctuating costs of feedstock and other biomass materials, the impact the costs of traditional fuel or energy sources may bear on the demand/supply within the renewable energy industry, the existing renewable energy regulatory landscape and any potential changes of such environment.

*HelioFocus requires equity contributions to finance its operations and there is no guarantee that HelioFocus will receive such contributions.*

HelioFocus has not yet commenced commercial operation and the implementation of its business plan requires significant additional capital. HelioFocus expects the estimated funding required to enable it to continue to develop its commercial operation to be provided by additional shareholder contributions (either through capital contributions or shareholder loans). HelioFocus' board of directors has decided to reduce HelioFocus' activities and maintain only a minimum number of personnel. This decision was made in response to HelioFocus' expectation of insufficient financing during the 2015 fiscal year. HelioFocus has also determined that its operations and personnel will remain at such levels until new investors have been retained. As a result of the HelioFocus board decision, Kenon recorded an impairment charge in the amount of approximately $13 million in the year ended December 31, 2014 in respect of HelioFocus' assets.

There is no certainty that new investors will invest in HelioFocus or that additional equity financing either from us, or HelioFocus' other existing shareholders, will be provided to it. The lack of, or delay in, securing such equity financing will continue to delay, or prevent completely, HelioFocus' ability to continue to research and develop its commercial operations, which may result in HelioFocus' ultimate liquidation or dissolution.

*The decrease in the cost of fuel or electricity generated by traditional sources may cause the demand for the services provided by our renewable energy businesses to decline.*

Decreases in the costs associated with traditional sources of fuel or electricity, such as prices for commodities like crude oil, coal, fuel oil and natural gas, will reduce the demand for the renewable energy solutions provided by our renewable energy businesses, such as the production of fuels and energy from renewable energy sources. The discovery of large new deposits of traditional fuels and technological progress in traditional forms of electricity generation could, in turn, reduce the cost of fuel or electricity produced from those sources and, as a consequence, reduce the demand for the services or products offered by our renewable energy businesses. Crude oil prices, for example, fell considerably during the second half of 2014, with prices continuing to decline during the first quarter of 2015. Reductions in the price of crude oil, which increases the cost-effectiveness of petrol-fueled machines (e.g., cars, planes, etc.), may adversely impact providers of alternative / bio fuels, such as Primus and REG, who rely on pricing discrepancies between alternative / bio fuels and traditional sources of fuel to partially incentivize the purchase of their alternative / bio products.

*The energy industry, including the biofuels and renewable energy segments in which our renewable energy businesses operate, is highly regulated by numerous governmental authorities.*

The laws and regulations affecting the operations of our renewable energy businesses are complex, dynamic and subject to new interpretations or changes. Regulations affect almost every aspect of these businesses, have broad application and, to a certain extent, limit management's ability to independently make and implement decisions regarding numerous operational matters, including the:

- construction, acquisition or disposition of operating assets;
- operation and maintenance of generation, or transmission facilities;
- rates charged to customers;
- establishment of capital structures and the issuance of debt or equity securities; and
- payment of dividends or similar distributions.

A failure to comply with such regulations may have a significant adverse impact on the financial results of our operating renewable energy businesses.

Additionally, reinterpretations of existing regulations or new regulations relating to the reduction of anti-competitive conduct, air and water quality, the intake of water through industrial wells, carbon dioxide emissions, noise avoidance, fuel and other storage facilities, volatile materials, renewable portfolio standards, emissions performance standards, climate change, hazardous and solid waste transportation and disposal, or other environmental matters related to permitting may also have a significant adverse impact on the financial results of our operating renewable energy businesses. Such regulatory changes may include:

- changes regarding, or terminations of, key permits or operating licenses;
- changes in rules governing electricity supply and purchase contracts;
- changes in subsidies and/or incentives provided by the applicable governments;
- changes in rules governing dispatch order;
- changes in the regulation of energy transmission, fuel supply or fuel transportation; and
- changes in applicable tax laws.

Increased regulation may also result in an increase in capital expenditures and investments in an attempt to maintain compliance. Such an increase could have a material adverse effect on our renewable energy businesses' business, financial condition, results of operations or liquidity.

*Changes in government regulations, including mandates, tax credits, subsidies and other incentives, could have a material adverse effect upon our renewable energy businesses' business and results of operations.*

The market for renewable fuels is heavily influenced by foreign, federal, state and local government subsidies and economic incentives. As a result, changes to existing, or the adoption of new foreign, federal, state and local legislative and regulatory initiatives that impact the production, distribution or sale of renewable fuels may harm Primus' or REG's operations. For example, the Administrator of the U.S. Environmental Protection Agency, or the EPA, may waive certain alternative/renewable fuel standards/incentives to avert economic harm or to respond to inadequate supply (e.g., where the projected supply for a given year falls below a minimum threshold for that year). Any reduction in, or waiver of, requirements for fuel alternatives and additives to gasoline may cause demand for alternative fuels to grow more slowly or decline or may adversely impact Primus' ability to meet such demands.

**Risks Related to Our Recent Spin-Off**

*We are a newly-incorporated company with no separate operating history and the historical financial information included herein does not reflect the financial condition or operating results we would have achieved as an independent public company during the periods presented and, as a result, may not be a reliable indicator of our future financial performance.*

We were incorporated in March 2014 and have only recently commenced our activities. Our lack of operating history will make it difficult to assess our ability to operate profitably and to make dividends or other distributions to shareholders. Although our businesses were under the control of IC prior to our formation, their combined results have not previously been reported on a standalone basis and the combined carve-out financial statements included in this annual report may therefore not be indicative of our future financial condition or operating results. Furthermore, the historical combined financial information may not fully reflect the increased costs associated with operating as an independent public company or the effects of our financial strategy, which is distinct from the strategy employed by IC. We urge you to carefully consider the basis on which the combined carve-out financial information included herein was prepared and presented, as such results may not be a reliable indicator of our future performance, or the performance of any of our businesses.

*Our capital structure and sources of liquidity have changed significantly from our historical capital structure.*

We received approximately $35 million in cash from IC in connection with the spin-off and, other than our $200 million credit facility with IC, we do not currently intend to enter into any credit facilities or other financing arrangements. Consequently, as an independent, publicly-traded company, our ability to fund our capital needs is dependent upon distributions from our businesses, and/or divestitures of such businesses, which, in turn, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

*The potential indemnification of liabilities to IC pursuant to the Separation and Distribution Agreement may require us to divert cash to IC to satisfy our indemnification obligations.*

We entered into a Sales, Separation and Distribution Agreement with IC, or the Separation and Distribution Agreement, which provides for, among other things, indemnification obligations designed to make us financially responsible for liabilities incurred in connection with our businesses, and as otherwise allocated to us in the Separation and Distribution Agreement. If we are required to indemnify IC under the circumstances set forth in the Separation and Distribution Agreement, we may be subject to substantial liabilities, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*There can be no assurance that IC's indemnification of certain of our liabilities will be sufficient to insure us against the full amount of those liabilities, or that IC's ability to satisfy its indemnification obligation will not be impaired in the future.*

Pursuant to the Separation and Distribution Agreement, IC has agreed to indemnify us for certain liabilities retained by it (which includes certain specified pending legal matters). However, third parties could seek to hold us responsible for any of the liabilities that IC has agreed to retain, and there can be no assurance that the indemnity from IC will be sufficient to protect us against the full amount, or any, of such liabilities, or that IC will be able to satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from IC any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Additionally, IC's insurers may deny coverage to us for liabilities associated with occurrences prior to the spin-off. Even if we ultimately succeed in recovering from such insurance providers, we may be required to temporarily bear such loss of coverage. If IC is unable to satisfy its indemnification obligations or if insurers deny coverage, the underlying liabilities could have a material adverse effect on our business, financial condition, results of operations or liquidity.

*Our accounting and other management systems and resources may not be adequate to meet the financial reporting and other requirements to which we will be subject.*

The financial results of IC Power, ZIM, Primus and HelioFocus were previously consolidated within the consolidated results of IC, and we believe that the businesses' reporting and control systems were appropriate for those of businesses of an Israeli public company. However, with the exception of Tower, our businesses have not previously been subject to the reporting and other requirements of the Exchange Act. As a newly-listed registrant, we are directly subject to reporting and other obligations under the Exchange Act and, beginning with our annual report on Form 20-F for the year ending December 31, 2015, we will be required to comply with Section 404 of the Sarbanes Oxley Act of 2002, or Section 404, which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm. These reporting and other obligations will place significant demands on our management and administrative and operational resources, including accounting resources. To comply with these requirements, we may need to upgrade our systems, including information technology, and implement additional financial and management controls, reporting systems and procedures, and have additional resources. We expect to incur additional annual expenses related to these steps, and those expenses may be significant. We are currently in the early stages of addressing our internal control procedures and resources to satisfy the requirements of Section 404.

If we are unable to upgrade our financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired, we may suffer adverse regulatory consequences, including violations of the NYSE's or the TASE's listing rules. As a result, any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition, results of operations or liquidity.

**Risks Related to Our Ordinary Shares**

*Our ordinary shares will be traded on more than one market and this may result in price variations.*

Our ordinary shares are listed on each of the NYSE and the TASE. Trading in our ordinary shares will therefore take place in different currencies (U.S. Dollars on the NYSE and New Israeli Shekels on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ as a result of these, or other, factors. Any decrease in the price of our ordinary shares on either of these markets could cause a decrease in the trading prices of our ordinary shares on the other market.

*If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.*

As a newly-listed company, there is currently no analyst coverage of Kenon outside of Israel. The trading market for our ordinary shares will depend, in part, upon the research and reports that securities or industry analysts publish about us or our businesses. We do not have any control over analysts as to whether they will cover us, and if they do, whether such coverage will continue. If

analysts do not commence coverage of Kenon, or if one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline. In addition, if one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price may likely decline.

*A significant portion of our outstanding ordinary shares may be sold into the public market, which could cause the market price of our ordinary shares to drop significantly, even if our business is doing well.*

A significant portion of our shares are held by two shareholders. Ansonia Holdings B.V., or Ansonia, holds 45.7% of our shares and Bank Leumi Le-Israel B.M., or Bank Leumi, holds approximately 18% of our shares. If any of our principal shareholders sell, or indicate an intention to sell, substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline. For example, our business profile or market capitalization as an independent company may not fit our principal shareholders' investment objectives, or our ordinary shares may not be included in a certain index after the spin-off that such investor prefers.

All of the 53,383,015 ordinary shares distributed in connection with the spin-off are freely tradable without restrictions or further registration under the Securities Act of 1933, or the Securities Act, except for any ordinary shares held by our affiliates as defined in Rule 144 under the Securities Act. We have also granted registration rights to certain entities that may be considered affiliates, enabling these entities to require us to file a registration statement to register sales of their shares, subject to certain conditions. Registration of these ordinary shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. Our principal shareholders may also choose to establish programmed selling plans under Rule 10b5-1 of the Exchange Act, for the purpose of effecting sales of our ordinary shares.

The perception that any such sales may occur, including the entry of any of our principal shareholders into programmed selling plans, could have a material adverse effect on the trading price of our ordinary shares and/or could impair the ability of any of our businesses to raise capital.

*Control by principal shareholders could adversely affect our other shareholders.*

Ansonia beneficially owns approximately 45.7% of our outstanding ordinary shares and voting power. Ansonia therefore has a continuing ability to control, or exert a significant influence over, our board of directors, and will continue to have significant influence over our affairs for the foreseeable future, including with respect to the election of directors, the consummation of significant corporate transactions, such as an amendment of our articles of association, a merger or other sale of our company or our assets, and all matters requiring shareholder approval. In certain circumstances, Ansonia's interests as a principal shareholder, may conflict with the interests of our other shareholders and Ansonia's ability to exercise control, or exert significant influence, over us may have the effect of causing, delaying, or preventing changes or transactions that our other shareholders may or may not deem to be in their best interests.

*We may issue additional ordinary shares in the future in lieu of incurring indebtedness, which may dilute our existing shareholders. We may also issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to our existing shareholders.*

Although we do not intend to issue additional equity interests in the future, we may issue additional securities, including ordinary shares and options, rights, and warrants for any purpose and for such consideration and on such terms and conditions as we may determine appropriate or necessary, including in connection with equity awards, financings or other strategic transactions. Subject to the prior approval of our shareholders for (i) the creation of new classes of shares and the (ii) granting to our directors of the authority to issue new shares with different or similar rights, our board of directors will be able to determine the class, designations, preferences, rights and powers of any additional shares, including any rights to share in our profits, losses and dividends or other distributions, any rights to receive assets upon our dissolution or liquidation and any redemption, conversion and exchange rights. Ansonia, our significant shareholder, may use its ability to control, or exert influence over, our board of directors to cause us to issue additional ordinary shares, which would dilute existing holders of our ordinary shares, or to issue securities with rights and privileges that are more favorable than those of our ordinary shareholders. There are no statutory rights of first refusal for new share issuances conferred upon our shareholders under the Companies Act, Chapter 50 of Singapore, or the Singapore Companies Act.

*As a newly-incorporated company, we will not have distributable profits to pay dividends.*

Under Singapore law and our articles of association, dividends, whether in cash or in specie, must be paid out of our profits available for distribution. We have no current plans to pay cash dividends for the foreseeable future. As a newly-incorporated company, we do

not expect to have distributable profits from which dividends may be declared. The availability of distributable profits is assessed on the basis of Kenon's standalone unconsolidated accounts (which will be based upon the Singapore Financial Reporting Standards, or the SFRS) and Kenon expects that the opening balance of its retained savings in such financials will be zero. There is no assurance that, on such basis, we will not incur losses, that we will become profitable, or that we will have distributable income that might be distributed to our shareholders as a dividend or other distribution in the foreseeable future. Therefore, we will be unable to pay dividends to our shareholders unless and until we have generated sufficient distributable reserves. Accordingly, it may not be legally permissible for us to pay dividends to our shareholders. As a result, and until such time, if ever, that we declare dividends with respect to our ordinary shares, a holder of our ordinary shares will only realize income from an investment in our ordinary shares if there is an increase in the market price of our ordinary shares. Such potential increase is uncertain and unpredictable.

Under Singapore law, it is possible to effect a capital reduction exercise to return cash and/or assets to our shareholders. IC, as our sole shareholder prior to the consummation of the spin-off, has confirmed, including in its capacity as a creditor under our credit facility with it, that it will not object to our performance of a capital reduction if the terms and conditions relating to distributions set forth in our credit facility with IC have been complied with. IC's agreement is subject to the provisions of the laws of Singapore. Notwithstanding this agreement, the completion of a capital reduction exercise may require the approval of the Singapore Courts and we may not be successful in our attempts to obtain such approval.

*Any dividend payments on our ordinary shares would be declared in U.S. Dollars, and any shareholder whose principal currency is not the U.S. Dollar would be subject to exchange rate fluctuations.*

The ordinary shares are, and any cash dividends or other distributions to be declared in respect of them, if any, will be denominated in U.S. Dollars. Shareholders whose principal currency is not the U.S. Dollar will be exposed to foreign currency exchange rate risk. Any depreciation of the U.S. Dollar in relation to such foreign currency will reduce the value of such shareholders' ordinary shares and any appreciation of the U.S. Dollar will increase the value in foreign currency terms. In addition, we will not offer our shareholders the option to elect to receive dividends, if any, in any other currency. Consequently, our shareholders may be required to arrange their own foreign currency exchange, either through a brokerage house or otherwise, which could incur additional commissions or expenses.

*We are a "foreign private issuer" under U.S. securities laws and, as a result, are subject to disclosure obligations that are different from those applicable to U.S. domestic registrants listed on the NYSE.*

We are incorporated under the laws of Singapore and, as such, will be considered a "foreign private issuer" under U.S. securities laws. Although we will be subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is different from the periodic disclosure required of U.S. domestic registrants. Therefore, there may be less publicly available information about us than is regularly published by or about other public companies in the United States. We are also exempt from certain other sections of the Exchange Act that U.S. domestic registrants are otherwise subject to, including the requirement to provide our shareholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large shareholders of ours will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act and will not be obligated to file the reports required by Section 16 of the Exchange Act.

*As a foreign private issuer, we may, in the future, follow certain home country corporate governance practices instead of otherwise applicable SEC and NYSE corporate governance requirements, and this may result in less investor protection than that accorded to investors under rules applicable to domestic U.S. issuers.*

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE's rules for domestic U.S. issuers, provided that we disclose which requirements we are not following and describe the equivalent home country requirement. For example, foreign private issuers are permitted to follow home country practice with regard to director nomination procedures and the approval of compensation of officers. Additionally, we are not required to a maintain a board comprised of a majority of independent directors. However, notwithstanding our ability to follow the corporate governance practices of our home country Singapore, we have elected to apply the corporate governance rules of the NYSE that are applicable to U.S. domestic registrants that are not "controlled" companies. Nevertheless, we may, in the future, decide to rely on the foreign private issuer exemptions provided by the NYSE and follow home country corporate governance practices in lieu of complying with some or all of the NYSE's requirements.

Following our home country governance practices, as opposed to complying with the requirements that are applicable to a non-controlled U.S. domestic registrant, may provide less protection to you than is accorded to investors under the NYSE's corporate governance rules. Therefore, any foreign private exemptions we avail ourselves of in the future, may reduce the scope of information and protection to which you are otherwise entitled as an investor.

*It may be difficult to enforce a judgment of U.S. courts for civil liabilities under U.S. federal securities laws against us, our directors or officers in Singapore.*

We are incorporated under the laws of Singapore and certain of our officers and directors are or will be residents outside of the United States. Moreover, most of our assets are located outside of the United States. Although we are incorporated outside of the U.S., we have agreed to accept service of process in the United States through our agent designated for that specific purpose. Additionally, for so long as we are listed in the U.S. or in Israel, we have undertaken not to claim that we are not subject to any derivative/class action that may be filed against us in the U.S. or Israel, as applicable, solely on the basis that we are a Singapore company. However, since most of the assets owned by us are located outside of the United States, any judgment obtained in the United States against us may not be collectible within the United States.

Furthermore, there is no treaty between the United States and Singapore providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, such that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in Singapore. Additionally, there is doubt whether a Singapore court may impose civil liability on us or our directors and officers who reside in Singapore in a suit brought in the Singapore courts against us or such persons with respect to a violation solely of the federal securities laws of the United States, unless the facts surrounding such a violation would constitute or give rise to a cause of action under Singapore law. We have undertaken not to oppose the enforcement in Singapore of judgments or decisions rendered in Israel or in the United States in a class action or derivative action to which Kenon is a party. Notwithstanding such undertakings, it may be difficult for investors to enforce against us, our directors or our officers in Singapore, judgments obtained in the United States which are predicated upon the civil liability provisions of the federal securities laws of the United States.

*We are incorporated in Singapore and our shareholders may have greater difficulty in protecting their interests than they would as shareholders of a corporation incorporated in the United States.*

Our corporate affairs are governed by our memorandum and articles of association and by the laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our board of directors under Singapore law are different from those applicable to a corporation incorporated in the United States. Therefore, our public shareholders may have more difficulty in protecting their interest in connection with actions taken by our management or members of our board of directors than they would as shareholders of a corporation incorporated in the United States. For information on the differences between Singapore and Delaware corporation law, see " *Item 10B. Memorandum and Articles of Association.* "

*Singapore corporate law may impede a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.*

The Singapore Code on Take-overs and Mergers and Sections 138, 139 and 140 of the Securities and Futures Act, Chapter 289 of Singapore contain certain provisions that may delay, deter or prevent a future takeover or change in control of our company for so long as we remain a public company with more than 50 shareholders and net tangible assets of S$5 million or more. Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on his own or together with parties acting in concert with such person, between 30% and 50% (both inclusive) of our voting shares, and such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers. While the Singapore Code on Take-overs and Mergers seeks to ensure equality of treatment among shareholders, its provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of our company. These legal requirements may impede or delay a takeover of our company by a third-party, and thereby have a material adverse effect on the value of our ordinary shares.

In October 2014, the Securities Industry Council of Singapore waived the application of the Singapore Code on Take-overs and Mergers to the Company, subject to certain conditions. Pursuant to the waiver, for as long as Kenon is not listed on a securities exchange in Singapore, and except in the case of a tender offer (within the meaning of U.S. securities laws) where the offeror relies on a Tier 1 exemption to avoid full compliance with U.S. tender offer regulations, the Singapore Code on Take-overs and Mergers shall not apply to Kenon.

*Our directors have general authority to allot and issue new shares on terms and conditions and with any preferences, rights or restrictions as may be determined by our board of directors in its sole discretion.*

Under Singapore law, we may only allot and issue new shares with the prior approval of our shareholders in a general meeting. Subject to the general authority to allot and issue new shares provided by our shareholders, the provisions of the Singapore Companies Act and our memorandum and articles of association, our board of directors may allot and issue new shares on terms and conditions and with the rights (including preferential voting rights) and restrictions as they may think fit to impose. Any additional issuances of new shares by our directors could adversely impact the market price of our ordinary shares.

*We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ordinary shares.*

Based upon, among other things, the current and anticipated valuation of our assets and the composition of our income and assets, we do not believe we would be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our previous taxable year ended December 31, 2014. However, the application of the PFIC rules is subject to uncertainty in several respects. In addition, a separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current, or any future, taxable year. A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75.0% of its gross income for such year is passive income or (ii) at least 50.0% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, we will be treated as owning our proportionate share of the businesses and earning our proportionate share of the income of any other business in which we own, directly or indirectly, at least 25.0% (by value) of the stock. Because the value of our assets for purposes of the PFIC test will generally be determined in part by reference to the market price of our ordinary shares, fluctuations in the market price of the ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. As a result, dispositions of operating companies could increase the risk that we become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined below) holds an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. For further information on such U.S. tax implications, see " *Item 10E. Taxation – U.S. Federal Income Tax Considerations – Passive Foreign Investment Company.* "

**Risks Related to Taxation**

*Examinations by tax authorities and changes in tax regulations could have a material adverse effect on us.*

We operate in a number of countries and are therefore regularly examined by and remain subject to numerous tax regulations. Changes in our global mix of earnings could affect our effective tax rate. Furthermore, changes in tax laws could result in higher tax-related expenses and payments. Legislative changes in any of the countries in which our businesses operate could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. Additionally, the uncertain tax environment in some regions in which our businesses operate could limit our ability to enforce our rights. As a holding company with globally operating businesses, we have established businesses in countries subject to complex tax rules, which may be interpreted in a variety of ways and could affect our effective tax rate. Future interpretations or developments of tax regimes or a higher than anticipated effective tax rate could have a material adverse effect on our tax liability, return on investments and business operations.

*Our shareholders may be subject to non-U.S., taxes and return filing requirements as a result of owning our ordinary shares.*

Based upon our expected method of operation and the ownership of our businesses following the spin-off, we do not expect any shareholder, solely as a result of owning our ordinary shares, to be subject to any additional taxes or additional tax return filing requirements in any jurisdiction in which we, or any of our businesses, conduct activities or own property. However, there can be no assurance that our shareholders, solely as a result of owning our ordinary shares, will not be subject to certain taxes, including non-U.S., taxes imposed by the various jurisdictions in which we and our businesses do business or own property now or in the future, even if our shareholders do not reside in any of these jurisdictions. Consequently, our shareholders may also be required to file non-U.S. tax returns in some or all of these jurisdictions. Further, our shareholders may also be subject to penalties for failure to comply with these requirements. It is the responsibility of each shareholder to file each of the U.S. federal, state and local, as well as non-U.S. tax returns that may be required of such shareholder.

## ITEM 4. Information on the Company

### A. History and Development of the Company

We are a newly-incorporated company that was formed to be the holding company of certain companies that were currently owned (in whole, or in part) by IC. As a result of the consummation of our spin-off from IC in January 2015, we currently hold:

- ***IC Power*** , which IC established in 2007, in which we own a 100% interest;
- ***Qoros*** , which IC jointly established in 2007, in which we own a 50% interest;
- ***ZIM*** , which IC acquired a 48.9% equity interest in 1970, in which IC later held a 99.7% equity interest, and in which, as a result of its recent financial restructuring, we own a 32% interest;
- ***Tower*** , which IC acquired a 32% equity interest in in 1993, in which we own an approximate 22.5% interest;
- ***Primus*** , in which IC acquired a 60% equity interest in 2007, in which we own a 91% interest; and
- ***HelioFocus*** , in which IC acquired a 51% equity interest 2008, in which we own a 70% interest.

We were incorporated in March 2014 under The Singapore Companies Act. Our registered office and principal place of business is located at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192. Our telephone number at our registered office and principal place of business is + 65 6351 1780. We have appointed Gornitzky & Co., Advocates and Notaries, as our agent for service of process in connection with certain claims which may be made in Israel.

Our ordinary shares are listed on each of the NYSE and the TASE under the symbol “KEN”. We shall examine the various considerations in respect of our dual listing and, in particular, the advisability of maintaining or terminating such dual listing. We may, as a result of such examination, delist our ordinary shares from trading on the TASE pursuant to Section 35(bb) of Chapter E3 of the Securities Law of Israel, 5728 – 1968. In the event we do decide to delist our ordinary shares from trading on the TASE, we have undertaken to publish an Immediate Report with the TASE no less than 9 months prior to the delisting.

We were formed to serve as the holding company of our businesses. Our primary focus will be to continue to grow and develop our primary businesses, IC Power and Qoros. Following the growth and development of our primary businesses, we intend to provide our shareholders with direct access to these businesses, when we believe it is in the best interests of our shareholders for us to do so based on factors specific to each business, market conditions and other relevant information. Given their industries and respective stages of development, we expect to provide our shareholders with direct access to IC Power and Qoros in the near- to medium and medium- to long-term, respectively.

In furtherance of our strategy, we intend to support the development of our non-primary businesses, and to act to realize their value by for our shareholders by distributing our interests in our non-primary businesses to our shareholders or selling our interests in our non-primary businesses, rationally and expeditiously, and either distributing the proceeds derived from such sales to our shareholders or using such proceeds to repay amounts owing under our credit facility with IC. For further information on these businesses and our operational strategy, see “ *Item 4B. Business Overview* .”

### B. Business Overview

We are a holding company that operates dynamic, primarily growth-oriented, businesses. The companies we own, in whole or in part, are at various stages of development, ranging from established, cash generating businesses to early stage development companies.

We were established in connection with a spin-off of our businesses from IC to promote the growth and development of our primary businesses, and we are primarily engaged in the operation of the following businesses: (i) IC Power, a wholly-owned power generation company that has experienced profitable growth in its revenues and generation capacity since its inception in 2007, and (ii) Qoros, a China-based automotive company in which we have a 50% equity interest, that is seeking to deliver international standards of quality, safety, and innovative features to the large and fast-growing Chinese market and commenced commercial sales in the end of 2013.

- ***IC Power*** – A wholly-owned subsidiary, which is a leading owner, developer and operator of power generation facilities located throughout key power generation markets in Latin America (including Peru, Chile and Colombia), the Caribbean and Israel. As of December 31, 2014, IC Power's portfolio consisted of 16 operating companies, three facilities under construction, and numerous projects at various stages of development. IC Power is a leader in its core market, Peru, one of the fastest growing economies in Latin America, with a 5-year average GDP growth of approximately 5.4% through 2014, according to the International Monetary Fund. For the years ended December 31, 2014, 2013 and 2012, Peru represented 48%, 57% and 59% of IC Power's EBITDA, respectively, and 40%, 42% and 57%, respectively, of IC Power's operating capacity. IC Power's current development pipeline is expected to provide an additional 1,110 MW in capacity, to address the expected increase in Peruvian demand, partially as a result of the substantial investments made in connection with Peru's energy-intensive mining industry, as well as provide an additional 92 MW in capacity in Panama.
- ***Qoros*** – A China-based automotive company that is jointly owned with a subsidiary of Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company. Qoros seeks to deliver international standards of quality and safety, as well as innovative features, to the large and fast-growing Chinese market. Qoros' vision is to build high quality cars for young, modern, urban consumers based upon extensive research and product tailoring. Qoros launched and sold its first car, the Qoros 3 Sedan, in December 2013, launched commercial sales of its second model, the Qoros 3 Hatch, in June 2014, and launched commercial sales of its third model, the Qoros 3 City SUV, in December 2014. The Qoros 3 Sedan was awarded the Best in Class award in Euro NCAP's 2013 safety assessments and was the highest scoring vehicle among vehicles that participated in Euro NCAP's 2013 assessment, which included the assessment of many luxury European brands. Qoros' manufacturing facility, located in Changshu, China has an initial technical capacity of 150 thousand units per annum, which can be increased to approximately 220 thousand units per annum through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency). Qoros will continue to need to raise significant additional debt financing, and obtain additional shareholder financing, to meet its development and liquidity requirements to continue its commercial operations. Qoros' ability to obtain the required financing will depend on a number of factors, including its sales performance, and Qoros may be unable to secure such financing. For further information on Qoros' liquidity and capital resources, see " *Item 5B. Liquidity and Capital Resources – Qoros' Liquidity and Capital Resources.* "

Our primary focus will be to continue to grow and develop IC Power and Qoros by:

- in the case of IC Power, continuing to invest in projects that IC Power expects to generate attractive, risk-adjusted returns, using operating cash flows, project or other financing at the IC Power level, as well as proceeds resulting from IC Power's selective dispositions of assets. As part of our business development strategy, we will seek to provide investors with direct access to IC Power when we believe it is in the best interests of IC Power's development and our shareholders to do so. For example, as an interim step, we may pursue an IPO or listing of IC Power's equity. Should we pursue such IPO or listing, we believe it could occur in the near- to medium-term, subject to business and market conditions and other relevant factors; and
- in the case of Qoros, potentially providing additional equity capital or loans, as we deem appropriate, to assist Qoros in its development and, until it achieves significant sales, its operating expenses, financing expenses and capital expenditures, as Qoros continues to pursue its commercial growth strategy. We expect that a significant portion of our liquidity and capital resources will be used to support Qoros.

Following the growth and development of our primary businesses, we intend to provide our shareholders with direct access to these businesses, when we believe it is in the best interests of our shareholders for us to do so based on factors specific to each business, market conditions and other relevant information. Given their industries and respective stages of development, we expect to provide our shareholders with direct access to IC Power and Qoros in the near- to medium and medium- to long-term, respectively.

We also hold interests in:

- ***ZIM*** – A large provider of global container shipping services, which, as of December 31, 2014 operated 85 (owned and chartered) vessels with a total container capacity of 346,156 TEUs, and in which we have a 32% equity interest.
- ***Tower*** – A publicly held company in which we have a 22.5% equity interest, that is a global specialty foundry semiconductor manufacturer whose securities are publicly-traded on each of the TASE and NASDAQ under the ticker "TSEM."
- Two renewable energy businesses including ***Primus*** , an innovative developer and owner of a proprietary natural gas-to-liquid technology process; and ***HelioFocus*** , a developer of dish technologies for solar thermal power fields.

In furtherance of our strategy, we intend to support the development of our non-primary interests businesses, and to act to realize their value for our shareholders by distributing our interests in our non-primary businesses to our shareholders or selling our interests in our non-primary businesses, rationally and expeditiously, and either distributing the proceeds derived from such sales to our shareholders or using such proceeds to repay amounts owing under our credit facility with IC or other.

As we execute our strategy, we intend to operate under disciplined capital allocation principles designed to ensure the prudent use of our capital. We intend to refrain from acquiring interests in new companies outside our existing businesses. We do not intend to materially "cross-allocate" proceeds received in connection with distributions from / sales of our interests in, any of our businesses, among our other businesses. Instead, we intend to distribute such proceeds to our shareholders or to use such proceeds to repay amounts owing under our credit facility with IC, as discussed in more detail below. In addition, we will not make further investments in ZIM.

The disciplined capital allocation principles set forth above are designed to promote the growth and development of our primary businesses, maximize value for our shareholders and ensure the prudent use of our capital. However, we will be required to make determinations over time that will be based on the facts and circumstances prevailing at such time, as well as continually evolving market conditions and outlook, none of which are predictable at this time. As a result, we will be required to exercise significant judgment while seeking to adhere to these capital allocation principles in order to maximize value for our shareholders and further the development of our businesses.

As Qoros is an early stage company, it will require additional third-party and shareholder funding to support its development. As such, we expect that a significant portion of our liquidity and capital resources will be used to support Qoros' development and, until it achieves significant sales, its operating expenses, financing expenses, and capital expenditures. Should we decide that providing Qoros with additional funding is in the best interests of our shareholders, we will first seek to approve Qoros' incurrence of additional third-party debt that is non-recourse to Kenon or the issuance of equity in Qoros to third-party investors. However, to the extent that such third-party funding is not available, we may, if we deem it in the best interests of our shareholders for us to do so, source such funding from other sources, which could include cross-allocating proceeds received in connection with dispositions of or distributions from our other businesses. Alternatively, Kenon may choose not to provide such financing, which may adversely impact Qoros' ability to obtain financing from Chery or other third parties, in which case Qoros may be unable to meet its operating expenses and Kenon may not recoup its investment in Qoros. Furthermore, in connection with the release of IC's outstanding back-to-back guarantee in respect of certain of Qoros' debt, and Kenon's related reimbursement obligations of up to RMB888 million to IC, Kenon has given an undertaking to restore equality in respect of Chery's RMB1.5 billion (approximately $241 million) guarantee, which may result in Kenon providing additional capital to, or in respect of, Qoros. Such capital would be in addition to Kenon's current investment plans with respect to Qoros, which Kenon expects to use a significant portion of its liquidity and capital resources to fund. As a result, this undertaking may require Kenon to seek additional liquidity, including seeking funding from its other business. For further information on the risks related to the significant capital requirements of our businesses, particularly Qoros, see " *Item 3D. Risk Factors – Risks Related to Our Diversified Strategy and Operations – Some of our businesses, particularly Qoros, have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.* "

**Our Businesses**

Set forth below is a description of our businesses.

**IC Power**

IC Power, which accounted for 100% of our revenues and 112% of our percentage of combined EBITDA in the year ended December 31, 2014, and 98% of our assets as of December 31, 2014, is a holding company of international power generation businesses that develops medium-to-large-scale power facilities in rapidly growing markets. IC Power has operations in Peru, the Dominican Republic, Bolivia, El Salvador, Chile, Jamaica, Nicaragua, Colombia, Guatemala and Israel, and has investments and pipeline projects in Peru and Panama, consisting of power generation plants that utilize a range of fuel sources, including natural gas, hydroelectric, heavy fuel oil, diesel and wind. Collectively, IC Power's operations had a capacity of approximately 2,642 MW as of December 31, 2014, and a capacity of approximately 3,846 MW, assuming the completion of IC Power's construction projects, which includes its CDA and Samay I projects in Peru, and Kanan in Panama.

IC Power operates through equity interests (the percentage of holdings stated alongside each operating company are, in some cases, indirect holdings) in various operating companies, as set forth in the following graphic:


* Includes a pipeline capacity of 1,110 MW under construction in Peru and 92 MW under construction in Panama.

Note: This chart excludes intermediate immaterial operating companies.

The following table sets forth summary operational information regarding each of IC Power's operating companies and associates as of December 31, 2014 [1]:

| Entity | Country | Percentage of Ownership (Rounded) | Energy Used to Operate Power Station | Capacity (MW) [2] | Month Commenced Commercial Operation (for greenfield) / Month Initially Acquired (for acquired companies) | Ranking by Capacity, in Country of Operation |
|---|---|---|---|---|---|---|
| **Operating Companies** | | | | | | |
| **Inkia:** | | | | | | |
| Kallpa | Peru | 75% | Natural gas | 870 | July 2007 | 3 |
| COBEE | Bolivia | 100% | Hydroelectric and natural gas | 228 | June 2007 | 2 |
| Central Cardones | Chile | 87% | Diesel | 153 | December 2011 | >10 |
| Nejapa [3] | El Salvador | 71% | Heavy fuel oil | 140 | June 2007 | 4 |
| CEPP | Dominican Republic | 97% | Heavy fuel oil | 67 | June 2007 | 10 |
| JPPC [4] | Jamaica | 100% | Heavy fuel oil | 60 | June 2007 | 7 |
| Colmito | Chile | 100% | Natural gas and diesel [5] | 58 | October 2013 | >10 |
| **Total Inkia operating capacity** | | | | **1,576** | | |
| **ICPI:** | | | | | | |
| OPC | Israel | 80% | Natural gas and diesel | 440 | July 2013 | 3 |
| **Total ICPI operating capacity** | | | | **440** | | |
| **Investments** | | | | | | |
| Pedregal | Panama | 21% | Heavy fuel oil | 54 | June 2007 | >10 |
| **Total IC Power operating capacity** | | | | **2,070** | | |
| **Companies Acquired in 2014** | | | | | | |
| Corinto | Nicaragua | 65% | Heavy fuel oil | 71 | March 2014 | 4 |
| Tipitapa Power | Nicaragua | 65% | Heavy fuel oil | 51 | March 2014 | 7 |
| Amayo I | Nicaragua | 61% | Wind | 40 | March 2014 | 9 |
| Amayo II | Nicaragua | 61% | Wind | 23 | March 2014 | 15 |
| Surpetroil | Colombia | 60% | Natural gas | 15 | March 2014 | >10 |
| Kallpa – Las Flores | Peru | 75% | Natural gas | 193 | April 2014 | — |
| Puerto Quetzal [6] | Guatemala | 100% | Heavy fuel oil | 179 | August 2014 | 4 |
| **Total acquired capacity** | | | | **572** | | |
| **Total IC Power capacity, including acquired capacity** | | | | **2,642** | | |
| **Project Pipeline** | | | | | | |
| CDA | Peru | 75% | Hydroelectric | 510 | — | — |
| Samay I [7] | Peru | 75% | Diesel and natural gas | 600 | — | — |
| Kanan [8] | Panama | 100% | Heavy fuel oil | 92 | — | — |
| Entrerios [9] | Colombia | 60% | Natural gas | 2 | March 2015 | — |
| **Total pipeline capacity** | | | | **1,204** | | |
| **Total IC Power capacity, including acquired and pipeline capacity** | | | | **3,846** | | |

1. Includes subsidiaries and associated companies not held for full-year 2014. Does not reflect 1,540 MW of capacity attributable to Edegel, which IC Power sold in September 2014.
2. Total capacity reflects 100% of the capacity of all of IC Power's operating companies and investments, regardless of IC Power's ownership interest in the company.
3. In January 2015, IC Power acquired Crystal Power's 29% stake in Nejapa in connection with IC Power's settlement of its shareholder dispute with Crystal Power, increasing IC Power's ownership interest to 100%.
4. In May 2014, IC Power acquired the remaining 84% stake in JPPC, increasing IC Power's ownership interest to 100%.
5. Colmito completed its conversion to dual-fuel and was connected to a natural gas pipeline in February 2015.
6. In November 2014, Puerto Quetzal sold one of its three power barges, representing 55 MW of Puerto Quetzal's 234 MW of capacity, to Kanan. As a result, Puerto Quetzal now operates two power barges with an aggregate capacity of 179 MW.
7. On December 31, 2013, IC Power owned 100% of Samay I; IC Power's ownership interest decreased to 75% in March 2014, as a result of Energía del Pacifico's execution of its option for CDA shares.
8. Kanan's 92 MW capacity consists of (i) a 55 MW power barge purchased from Puerto Quetzal, as set forth above, and (ii) a 37 MW power barge purchased

from CEPP in November 2014.

9. A Surpetroil development project, which is expected to commence commercial operations in March 2015 and will include an additional 10 MW of capacity from Purificacion, another Surpetroil development project that commenced commercial operations in December 2014.

***IC Power's Strengths***

**Historical growth through successful greenfield developments and acquisitions** – IC Power (directly, or through its predecessor Inkia) has invested approximately $2.4 billion (consisting of the assets' purchase price plus, project financing / debt assumed, and investments by minority shareholders) in the acquisition, development and expansion of its generation assets, has completed 12 development projects and acquisitions (Kallpa I, II, III, IV, OPC, Central Cardones, Colmito, Nicaragua, JPPC, Surpetroil, Puerto Quetzal and Las Flores), and has 1,214 MW of pipeline capacity in Peru and Panama. IC Power leverages its core competencies – project identification, evaluation, acquisition or construction, and operation – to develop medium-to-large-scale power generation facilities in attractive markets with relatively high gross domestic product growth rates and relatively low levels of per capita energy consumption. In 2012, IC Power completed its third expansion of Kallpa's generation plant, the largest power plant in Peru in terms of capacity, adding 293 MW of capacity and converting Kallpa's facility into a closed-combined cycle. In 2013, IC Power completed its construction of OPC, a 440 MW combined cycle power plant, the first large-scale power generation plant in Israel. IC Power's entry into turnkey engineering, procurement and construction, or EPC, agreements, has helped to limit its exposure to construction overruns in connection with its developed power plants.

Additionally, in 2014, IC Power completed 4 acquisitions, resulting in the addition of 7 generation assets, in four countries – Nicaragua, Colombia, Peru and Guatemala. IC Power also acquired the remaining the remaining 84% of JPPC's outstanding equity interest, which increased IC Power's equity interest in JPPC from 16% to 100%.

**Attractive pipeline of greenfield development projects under construction** – IC Power is currently developing two new facilities in Peru that are under construction: CDA – a 510 MW run-of-the-river hydroelectric project, and Samay I – a 600 MW open-cycle diesel and natural gas (dual-fired) thermoelectric project – the completion of which will increase IC Power's capacity by approximately 1,110 MW.

CDA, which is 75% owned by IC Power, is a project to construct a run-of-the-river hydroelectric plant in central Peru. The plant will have an installed capacity of 510 MW, making CDA the largest private hydroelectric power plant ever constructed in Peru. Commercial operation of CDA's hydroelectric plant is expected to commence in the second half of 2016. IC Power estimates that, as of December 31, 2014, construction of the CDA Project was approximately 2/3 completed.

Samay I, which is also 75% owned by IC Power, is a project to construct an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in southern Peru, with an installed capacity of approximately 600 MW and at an estimated cost of $380 million. Samay I is expected to have three operational stages, illustrating IC Power's strategy to develop assets that can be expanded through further investment: (i) operation as a cold reserve plant operating with diesel until natural gas becomes available in the area; (ii) operation as a natural gas-fired power plant once a new natural gas pipeline is built and natural gas becomes available to the facility and (iii) conversion of this facility to combined cycle operations. Commercial operation of Samay I is expected to commence in mid-2016. IC Power estimates that, as of December 31, 2014, construction of Samay I was approximately 1/3 completed.

In addition to CDA and Samay I, IC Power also has a number of other, earlier stage greenfield opportunities, that it is actively pursuing in order to support long term growth of the business. For example, Kanan, a wholly-owned IC Power subsidiary, is in the process of installing and operating (by September 2015) thermal generation units with a capacity of 92 MW in Panama in connection with a recently awarded bid.

As a result of IC Power's sale of Edegel, its acquisition of various assets, as of December 31, 2014, IC Power's operations are expected to have a capacity of approximately 3,846 MW upon the completion of IC Power's pipeline projects.

**Attractive footprint in high growth markets** – IC Power's operations are currently focused in Latin American and Caribbean markets – primarily Peru – each of which are characterized by relatively high rates of growth of gross domestic product and relatively low base levels of per capita energy consumption (in comparison to those of developed markets). In July 2013, IC Power commenced commercial operation in Israel, operating the first large-scale private power generator in the country. IC Power expects growth in such markets, particularly Peru, and believes that such growth will drive increases in per capita energy consumption and will therefore offer IC Power the opportunity to generate attractive, risk-adjusted returns through additional investments in electricity generation assets.

IC Power is a leader in its core market, Peru, which represented 48%, 57% and 59% of IC Power's EBITDA for the years ended December 31, 2014, 2013 and 2012, and 40%, 42% and 57% of IC Power's operating capacity, respectively. Peru is

one of the fastest growing economies in Latin America, with a 5-year average GDP growth of approximately 5.8% through 2014, according to the International Monetary Fund. IC Power's largest asset, Kallpa, operates the largest power plant in Peru in terms of capacity. IC Power's current development pipeline is expected to provide an additional 1,110 MW in capacity, to address the expected increase in Peruvian demand, partially as a result of the substantial investments made in connection with Peru's energy-intensive mining industry, as well as provide an additional 92 MW in capacity in Panama.

**Long-term power agreements that limit exposure to market fluctuations** – IC Power's operating companies typically enter into long-term power purchase agreements, limiting their exposure to fluctuations in energy spot market rates and generating strong and predictable cash flows, although IC Power operates in challenging jurisdictions that subject it to numerous regulatory or counterparty risks. In 2014, IC Power sold 91% of its aggregate capacity and energy sales, pursuant to long-term PPAs. A significant portion of IC Power's PPAs are (i) indexed to the corresponding power plant's operating fuel and/or (ii) provide for payment in U.S. Dollars, or are linked to the U.S. Dollar, thereby providing IC Power with hedges against fuel price and exchange rate fluctuations. IC Power's long-term customers include governments, quasi-government entities, large local distribution companies, and non-regulated customers or users, including subsidiaries of large multi-national corporations, which IC Power believes have strong credit profiles, which mitigates the risk of customer default.

**Optimized processes driving operational excellence** – IC Power seeks to optimize its power generation process through its use of leading technologies (e.g., Siemens, General Electric, Mitsubishi and Andritz turbines), thereby enabling its power generation assets to perform at efficient and high reliability levels. IC Power believes that its strong operating performance has helped it to maintain strong availability rates, as indicated by IC Power's generation plants' weighted average availability rates of 94% and 95% in 2014 and 2013, respectively. IC Power's operating performance is driven by its experienced staff, long-term service agreements with original equipment manufacturers, or OEMs, and the disciplined maintenance of its generation assets.

IC Power also seeks to optimize its revenue streams by monitoring, and adjusting as appropriate, the capacity it sells to consumers through the spot market, so as to maintain stability and minimize volatility in margins. In 2014, 9% of IC Power's sales were on the spot market. IC Power's management actively assesses the mechanisms by which it sells its capacity (i.e. PPA versus spot market sales) in light of fluctuating industry dynamics, seeking to achieve the optimum balance between the stability of earnings it achieves through long-term PPAs and the maximization of profit.

**Experienced management team with strong local presence** – IC Power's management team has extensive experience in the power generation business. IC Power's executive officers have an average of more than 17 years of experience in the power generation industry, and IC Power's core management team have been working together in large generation companies since 1996. IC Power believes that this overall level of experience contributes to its ability to effectively manage its existing operating companies, identify, evaluate and integrate high quality growth opportunities within and outside Latin America.

IC Power's local teams provide in-depth market knowledge and power industry experience. The management teams of IC Power's operating companies consist primarily of local executives that have significant experience working in the local energy industry with local government regulators. IC Power believes the market-specific experience of its local management provides it with visibility into the local regulatory, political and business environment in each of the countries in which it operates.

IC Power's management is compensated in part on the basis of the financial performance of the business, which incentivizes management to continue to improve operating results.

***IC Power's Strategies***

**Successfully develop and acquire generation assets in attractive markets** – IC Power has developed core competencies in identifying, evaluating, constructing and operating greenfield development projects and acquisitions throughout Latin America, the Caribbean and Israel. IC Power seeks to develop generation assets in relatively stable, growing, economies with relatively low levels of per capita energy consumption. IC Power seeks to develop assets that can be expanded through further investment, providing IC Power with the ability to further expand an asset in connection with market trends and industry developments. For example, IC Power's Las Flores asset, which commenced commercial operation in May 2010, has the necessary permits for a future 190 MW gas-fired expansion and has sufficient space to locate such a facility, as well as a combined cycle expansion, on its existing premises.

IC Power also seeks to enter into, and/or expand its presence in attractive markets around the world by acquiring controlling interests in operating assets to anchor its geographical expansion. For example, IC Power recently acquired generation assets in Colombia, Nicaragua and Guatemala through its (i) acquisition of a 60% equity interest in Surpetroil, a Colombian company that utilizes stranded natural gas reserves, (ii) acquisition of ICPNH, which provides IC Power with controlling interests in two fuel oil and two wind energy Nicaraguan generation companies and (iii) acquisition of Puerto Quetzal, which provides IC Power with three power barges with fuel oil generators (one of which was recently sold to Kanan), and which represents IC Power's initial entry into the Guatemalan power generation market.

Additionally, consistent with its strategy of acquiring controlling interests as a means of geographical expansion, in May 2014, IC Power increased its equity ownership in JPPC from 16% to 100%, which operates two diesel generation units operating on heavy fuel oil and a combined-cycle steam turbine plant in Jamaica.

**Continue to finance greenfield development projects with the support of long-term PPAs** – IC Power's strategy of generating strong and predictable cash flows from long-term PPAs has enabled it to successfully secure bank and bond financing from a diverse international lender base for its development and construction projects. Where possible, and depending upon the operating fuel of the plant, IC Power seeks to enter into long-term capacity PPAs prior to committing to a project so as to accurately assess expected cash flows and margins of a particular development project in advance of committing to such project and facilitate project financing for such projects. For example, although CDA has yet to commence commercial operation, CDA has sourced and entered into long-term PPAs for a significant portion of its expected capacity and has contracted the vast majority of the estimated firm energy it expects to generate between 2018 and 2027. The cash flows associated with such PPAs have provided CDA with an attractive credit profile and assets for collateralization that have been used to finance its development. Similarly, the Peruvian government has guaranteed capacity revenue for 100% of Samay I's expected capacity for a 20-year period at rates above regulated capacity rates.

**Optimize portfolio to maximize shareholder value** – IC Power regularly assesses its portfolio of operating companies and investments, seeking to concentrate its resources on expansion and acquisition opportunities that conform to its development strategies, i.e., projects that diversify its generation base, offer attractive, risk-adjusted return profiles, and in which IC Power can maintain a controlling interest. IC Power actively manages its portfolio in light of its debt repayment obligations, specific risk management and exposure concerns, changing industry dynamics in a particular country or region, and flexibility with respect to the funding of new projects. By selling its equity interests in certain of its assets, when and if appropriate, IC Power may also monetize a portion of the value created by its operating companies and investment. For example, in September 2014, IC Power sold its 21% equity interest in Edegel, a large, relatively mature, Peruvian generation company. The sale of Edegel provided IC Power with cash for use in its continuing capital investment/expansion programs and operations and/or for the repayment of a portion of Inkia's outstanding bonds.

***IC Power's Industry Overview***

IC Power's operations are focused in Latin American and Caribbean markets – primarily Peru – that are characterized by relatively high rates of growth of GDP and relatively low base levels of per capita energy consumption (in comparison to those of developed markets). In July 2013, IC Power commenced commercial operation in Israel, operating the first large-scale private power producer in the country.

In Latin America and the Caribbean, the power utility market generally allows for the sale and delivery of power from power generators (private- or government-owned) to distribution companies (private or government owned) and to industrial consumers. In these particular countries, there is typically structural segregation between the companies involved in power generation and the companies involved in power transmission and distribution. In most of these countries, the government operates the power grid, and transmission services are provided on an open access basis, i.e. the transmission company must transmit power through the grid, and in exchange, the transmission company charges a transmission rate set by the supervisory authority or based on a competitive process. In the markets where private- and government-owned entities compete in the power generation sector, transmission and distribution services are conducted subject to exclusive franchises, effectively regulating the transmission and distribution operations. Although permits are required in each of the countries in which IC Power operates, the markets in these countries generally have no material regulatory barriers to entry. The financial resources required to enter these markets and the significant costs associated with the construction of power facilities, however, pose barriers to entry.

The following table sets forth summary country information for the countries in which IC Power operates, as of December 31, 2014:

| Market | 2014 GDP [1] | GDP Compounded Annual Growth (2010 – 2014) [2] | Credit Rating [3] | Capacity (MW) | Reserve Margin [4] | GWh Consumption | GWh Consumption Compounded Annual Growth (2010 – 2014) |
|---|---|---|---|---|---|---|---|
| **Inkia** | | | | | | | |
| Peru | 208 | 5.8% | A3 | 8,725 | 52% | 37,252 | 6.0% |
| Dominican Republic | 62 | 3.9% | B1 | 3,736 | 46% | 14,300 | 1.5% |
| Bolivia | 34 | 5.6% | Ba3 | 1,617 | 16% | 7,478 | 7.0% |
| El Salvador | 25 | 1.9% | Ba3 | 1,485 | 30% | 6,067 | 1.9% |
| Chile | 264 | 4.3% | Aa3 | 20,291 | 50% | 69,897 | 6.2% |
| Jamaica | 14 | 0.5% | Caa3 | 938 | 27% | 4,084 | (0.3)% |

| Market | 2014 GDP [1] | GDP Compounded Annual Growth (2010 – 2014) [2] | Credit Rating [3] | Capacity (MW) | Reserve Margin [4] | GWh Consumption | GWh Consumption Compounded Annual Growth (2010 – 2014) |
|---|---|---|---|---|---|---|---|
| Nicaragua | 12 | 4.8% | B3 | 1,026 | 57% | 4,073 | 5.2% |
| Colombia | 400 | 5.0% | Baa2 | 15,555[5] | 38% | 64,328[5] | 2.1% |
| Panama | 45 | 9.1% | Baa2 | 2,704 | 44% | 9,204 | 6.4% |
| Guatemala | 58 | 3.6% | Ba1 | 2,554 | 36% | 9,504 | 4.0% |
| **ICPI** | | | | | | | |
| Israel | 305 | 3.2% | A1 | 15,500[6] | 1% | 56,900[6] | 3.0% |

1. Expressed in billions of USD at current prices. Source: International Monetary Fund.
2. CAGR 2010-2014. Source: International Monetary Fund. Certain information related to 2013 and 2014 has been estimated.
3. Government Bond Ratings, local currency. Source: Moody's.
4. A measure of available capacity over and above the capacity needed to meet normal peak demands.
5. Source: Colombian UPME (Mining and Energy Planning Unit).
6. Source: IEC financial statements for 2013 and OPC internal data. Represents sales of IEC and OPC only, and excludes other small independent power producers and cogeneration facilities.

The following discussion sets forth a brief description of the key electricity markets in which Inkia, the holding company of IC Power's Latin American and Caribbean assets, operates.

*Peru*

The power utility market in Peru is the primary market of operation for IC Power and, driven by the growth in GDP, Peruvian energy consumption has grown in recent years. Peru's natural resources and increasing global prices for commodities have led to increased energy-intensive mining activity, which has supported the increase in Peru's energy consumption. An increase in domestic demand has also led to an increase in investments in value-added manufacturing processes to create products to serve the domestic market and for export.

According to the Peruvian National Institute of Statistics and Information *(Instituto Nacional de Estadistica e Informatica)* , Peru had a population of approximately 31 million as of December 31, 2014. According to the Peruvian Central Reserve Bank *(Banco Central de Reserva del Peru)* , Peruvian GDP grew by 2.4%, 5.8% and 6% in 2014, 2013 and 2012, respectively. In Peru, power is generally generated by companies which operate hydroelectric and natural gas based power stations. Hydroelectric plants and thermal accounted for 36% and 59% of Peruvian capacity, respectively, as of December 31, 2014, according to COES. In addition, 5% of Peru's capacity was provided by renewable energy plants (e.g., solar, biomass, and run-to-the-river hydro plants). As of December 31, 2014, hydroelectric plants in Peru had a capacity of 3,159 MW, thermal plants in Peru had a capacity of 5,123 MW and renewable energy plants had a capacity of 443 MW, according to COES.

Since 1992, the Peruvian market has been operating based upon a "marginal generation cost" system. A government agency determines which generation facilities will be in operation at any given time with a view to maintaining minimum energy costs. Energy units are activated on a real-time basis; units with lower variable generation costs are activated first. The variable cost for the most recent generation unit activated in each time period determines the price of electricity in such time period for those generation companies that sell or buy power on the spot market.

Peruvian generation companies sell their capacity and energy under PPAs or in the spot market. The principal consumers under PPAs are distribution companies and other unregulated consumers. Under regulations governing the Peruvian power sector, customers with capacity demand between 200 kW and 2,500 kW may participate in the unregulated power market and enter into PPAs directly with generation companies. PPAs to sell capacity and energy to distribution companies for resale to regulated customers must be made at fixed prices based on public bids received by the distribution companies from generation companies or at the applicable bus bar tariff set by the OSINERGMIN. Generation companies are authorized to buy and sell capacity and energy in the spot market to cover their needs and the commitments under their PPAs.

The following table sets forth a summary of energy sales in the Peruvian market for the periods presented:

| Year Ended December 31, | Energy Sales Under PPAs | |
|---|---|---|
| | Distribution | Other Unregulated |
| | (GWh) | |
| 2010 | 16,810 | 12,682 |
| 2011 | 17,888 | 13,904 |
| 2012 | 18,961 | 14,661 |
| 2013 | 19,880 | 15,841 |
| 2014 | 20,732 | 16,520 |

*Source: OSINERGMIN*

The demand for power and electricity in Peru is served by a variety of generation companies, including Kallpa, Edegel, ElectroPeru, a state-owned generation company whose primary generation facilities are hydroelectric plants, Enersur S.A., a subsidiary of GDF Suez S.A., and Duke Energy Egenor S. en C. por A., a subsidiary of Duke Energy Corp.

The following table sets forth a summary of the principal generation companies in Peru, indicating their capacity by type of generation, as of December 31, 2014:

| | Capacity as of December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hydro | Open-Cycle Natural Gas | Combined-Cycle Natural Gas | Coal | Heavy Fuel Oil | Dual Fuel | Other | Total |
| | | | | (MW) | | | | |
| Enersur | 137 | — | 814 | 140 | 157 | 498 | — | 1,746 |
| Edegel1 | 755 | 309 | 485 | — | — | 103 | — | 1,652 |
| ElectroPeru | 886 | — | — | — | 16 | — | — | 902 |
| Kallpa [2] | — | 193 | 870 | — | — | — | — | 1,063 |
| Egenor [3] | 359 | 175 | — | — | — | — | 16 | 550 |
| Other generation companies | 1,022 | 461 | 570 | — | 139 | 193 | 427 | 2,812 |
| **Total** | **3,159** | **1,138** | **2,739** | **140** | **312** | **794** | **443** | **8,725** |

*Source: COES*

*Nicaragua*

According to the *Comisión Economica Para America Latina y el Caribe* , or CEPAL, Nicaragua had a population of approximately 6 million in 2014. According to the International Monetary Fund, Nicaraguan GDP grew by 4% in 2014; according to the International Monetary Fund, Nicaraguan GDP grew by an estimated 4.6% in 2014. Nicaraguan GDP grew by 4.0% and 5% in 2013 and 2012, respectively, according to CEPAL. Nicaragua's interconnected power system has an installed capacity of approximately 1,026 MW, consisting of wind, hydroelectric, geothermal, and biomass power stations, using heavy fuel oil or diesel, which accounted for 18%, 11%, 8%, 5% and 58%, respectively, of Nicaragua's capacity as of December 31, 2014. Nicaragua is also part of the SIEPAC, a $500 million project that connects Central American countries with each other through a 300MW transmission line, thereby permitting the creation of a Central American wholesale power generation market.

The following table sets forth a summary of capacity and energy sales in the Nicaraguan market for the periods presented:

| Year Ended December 31, | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| | Under PPAs | Spot Market | Under PPAs | Spot Market |
| | (MW) | | (GWh) | |
| 2010 | 661 | 112 | 3,086 | 237 |
| 2011 | 702 | 112 | 3,353 | 130 |
| 2012 | 728 | 72 | 3,536 | 91 |
| 2013 | 740 | 72 | 3,695 | 133 |
| 2014 | 749 | 72 | 3,933 | 140 |

*Chile*

According to the Chilean National Institute of Statistics, Chile had a population of approximately 18 million in 2014. According to the Central Bank of Chile ( *Banco Central de Chile* ), Chilean GDP grew by 1.8%, 4.3% and 5.5% in 2014, 2013 and

2012, respectively. Two of Chile's four power systems represent a significant portion of its 20,291 MW electricity market. The largest of such systems is the Central Interconnected System, or SIC, which has a capacity of 15,181 MW, primarily consisting of hydroelectric, coal-based power stations and dual power stations using liquid natural gas or diesel, wind farms and solar power stations which accounted for 42%, 53%, 4% and 1%, respectively, of the SIC's capacity as of December 31, 2014. SIC serves over 90% of the Chilean population. The remaining systems have capacity of 5,110 MW.

The following table sets forth a summary of capacity and energy sales in the SIC for the periods presented:

| | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| **Year Ended December 31,** | **Under PPAs** | **Spot Market** | **Under PPAs** | **Spot Market** |
| | **(MW)** | | **(GWh)** | |
| 2010 | 4,639 | 941 | 35,939 | 5,123 |
| 2011 | 4,663 | 1,205 | 38,364 | 5,440 |
| 2012 | 4,754 | 1,438 | 36,967 | 9,315 |
| 2013 | 5,351 | 1,334 | 41,147 | 6,630 |
| 2014 | 5,832 | 1,248 | 44,234 | 8,032 |

*Source: CDEC – SIC*

*Colombia*

According to the World Bank, Colombia had a population of approximately 48 million in 2014. According to the Colombian National Administrative Department of Statistics, Colombia's GDP grew by 4.6%, 4.9% and 4% in 2014, 2013 and 2012, respectively. Colombia's interconnected power system has an installed capacity of approximately 15,555 MW, consisting of hydro, thermal power plants, minor plants and cogenerators, which accounted for 70%, 29%, 0.5% and 0.5%, respectively, of Colombia's capacity as of December 31, 2014.

*Guatemala*

According to the National Institute of Statistics of Guatemala, Guatemala had a population of approximately 16 million in 2014. According to the Guatemala Central Bank, Guatemalan GDP grew by 4.0%, 3.7% and 3% in 2014, 2013 and 2012, respectively. Guatemala's interconnected power system has an installed capacity of approximately 2,554 MW, consisting of hydro, diesel engines, and other technologies, which accounted for 37%, 26%, and 37%, respectively, of Guatemala's capacity as of December 31, 2014.

The following table sets forth a summary of capacity and energy sales in the Guatemalan market for the periods presented:

| | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| **Year Ended December 31,** | **Under PPAs** | **Spot Market** | **Under PPAs** | **Spot Market** |
| | **(MW)** | | **(GWh)** | |
| 2010 | 1,468 | — | 6,984 | 1,138 |
| 2011 | 1,491 | — | 7,286 | 1,019 |
| 2012 | 1,533 | — | 7,500 | 1,056 |
| 2013 | 1,564 | — | 7,394 | 1,785 |
| 2014 | 1,536 | — | 8,223 | 1,899 |

*El Salvador*

According to the National Institute of Statistics of El Salvador's Ministry of Economy ( *Dirección General de Estadísticas y Censos, Ministerio de Economía de El Salvador* ), El Salvador had a population of approximately 6 million in 2014.

According to the COPADES ( *Consultants for Corporate Development* ), Salvadorian GDP grew by 1.8%, 1.7% and 1.9% in 2014, 2013 and 2012, respectively. Hydroelectric plants accounted for 32% of El Salvador's capacity as of December 31, 2014 and geothermal plants accounted for 12%, based upon information available from the SIGET. The remainder of El Salvador's capacity is provided by thermal plants powered by heavy fuel oil, diesel and bio-mass. As of December 31, 2014, hydroelectric plants in El Salvador had a capacity of 473 MW, geothermal plants in El Salvador had a capacity of 183 MW, and thermal plants in El Salvador had a capacity of 829 MW.

Prior to August 2011, a market for capacity sales did not exist and consumers of electricity, including unregulated consumers, purchased only energy. However, as a result of regulatory changes, and similar to generation companies operating in the Peruvian market, Salvadorian generation companies sell capacity and energy under PPAs or in the spot market.

The following table sets forth a summary of capacity and energy sales in the Salvadorian market for the periods presented:

| | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| Year Ended December 31, | Under PPAs | Spot Market | Under PPAs | Spot Market |
| | (MW) | | (GWh) | |
| 2010 | — | — | 1,745 | 3,892 |
| 2011 | 555 | 404 | 2,745 | 3,011 |
| 2012 | 655 | 332 | 3,122 | 2,761 |
| 2013 | 715 | 285 | 3,823 | 2,177 |
| 2014 | 764 | 271 | 4,883 | 1,184 |

Source: Unidad de Transacciones

*Dominican Republic*

According to the Dominican Republic's National Statistics Office ( *Oficina Nacional de Estadística* ), the Dominican Republic had a population of approximately 10 million as of December 2014. According to the Dominican Central Bank ( *Banco Central de la Republica Dominicana* ), Dominican GDP grew by 7.3%, 4.8% and 3.9% in 2014, 2013 and 2012, respectively; the significant growth in 2014 primarily resulted from the decline in international fuel prices. Based upon information available from the Coordinating Body ( *Organismo Coordinador* ), or OC, as of December 31, 2014, fuel-oil plants accounted for 47% of the Dominican capacity and hydroelectric plants accounted for 16%. For information on trends relating to the price of heavy fuel oil, see " *Item 5D. Trend Information* ."

The remainder of Dominican capacity is provided by open-cycle and combined-cycle plants fueled by natural gas, and thermal plants fueled by coal. As of December 31, 2014, hydroelectric plants in the Dominican Republic had a capacity of 592 MW, and thermal plants in the Dominican Republic had a capacity of 3,065 MW, according to the OC.

The Dominican Republic suffers from the large-scale theft of power. As the tariff charged to consumers does not fully cover the generation and distribution costs associated with the generation of energy, subsidies from the government of the Dominican Republic are required in order to recoup some of the losses resulting from the theft of power.

Dominican generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Dominican market for the periods presented:

| | Capacity Sales | | | Energy Sales | | |
|---|---|---|---|---|---|---|
| | Under PPAs | | | Under PPAs | | |
| Year Ended December 31, | Distribution | Other Unregulated | Spot Market | Distribution | Other Unregulated | Spot Market |
| | (MW) | | | (GWh) | | |
| 2010 | 1,366 | 115 | 337 | 10,165 | 1,026 | 926 |
| 2011 | 1,377 | 111 | 529 | 9,877 | 1,107 | 2,615 |
| 2012 | 1,429 | 238 | 634 | 11,084 | 1,792 | 2,657 |
| 2013 | 1,676 | 212 | 569 | 10,929 | 2,164 | 3,114 |
| 2014 | 1,453 | 163 | 822 | 10,045 | 1,389 | 4,109 |

*Source: OC*

*Jamaica*

According to the World Bank, Jamaica had a population of approximately 3 million in 2014. According to the Statistical Institute of Jamaica, Jamaican GDP decreased by 0.5%, and grew by 0.2% and 0.5% in 2014, 2013 and 2012, respectively

Jamaica's interconnected power system has an installed capacity of approximately 938 MW, consisting of thermal, hydro and other power, which accounted for 93%, 3%, and 4%, respectively, of Jamaica's capacity as of December 31, 2014.

The following table sets forth a summary of capacity and energy sales in the Jamaican market for the periods presented:

| | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| **Year Ended December 31,** | **Under PPAs** | **Spot Market** | **Under PPAs** | **Spot Market** |
| | **(MW)** | | **(GWh)** | |
| 2010 | 789 | — | 4,137 | — |
| 2011 | 789 | — | 4,137 | — |
| 2012 | 854 | — | 4,135 | — |
| 2013 | 854 | — | 4,142 | — |
| 2014 | 941 | — | 4,084 | — |

*Panama*

According to the World Bank, Panama had a population of approximately 4 million in 2014. According to the National Institute of Statistics and Census of Panama, Panamanian GDP grew by 6.2%, 8.4% and 10.8% in 2014, 2013 and 2012, respectively. Panama's interconnected power system has an installed capacity of approximately 2,704 MW, consisting of hydro, fuel, and other technologies, which accounted for 53%, 32%, and 15%, respectively, of Panama's capacity as of December 31, 2014.

The following table sets forth a summary of capacity and energy sales in the Panamanian market for the periods presented:

| | Capacity Sales | | Energy Sales | |
|---|---|---|---|---|
| **Year Ended December 31,** | **Under PPAs** | **Spot Market** | **Under PPAs** | **Spot Market** |
| | **(MW)** | | **(GWh)** | |
| 2010 | 955 | 105 | 6,868 | 1,442 |
| 2011 | 1,089 | 79 | 6,696 | 2,053 |
| 2012 | 1,280 | 59 | 7,217 | 1,884 |
| 2013 | 1,387 | 41 | 7,359 | 2,615 |
| 2014 | 1,518 | 50 | 7,542 | 3,193 |

An energy deficit has accumulated in Panama's generation market, and such deficit has recently increased as a result of an extended dry season, which led to increased electricity shortages. In 2014, as an emergency measure, the Panamanian government called for an emergency bid to attempt to cover electricity shortfalls in the short-term.

*Bolivia*

According to the Bolivian National Institute of Statistics ( *Instituto Nacional de Estadistica* ), Bolivia had a population of approximately 10 million as of 2014. According to the Bolivian Central Bank ( *Banco Central de Bolivia* ), Bolivian GDP grew by 5.2%, 5.3% and 5.0% in 2014, 2013 and 2012, respectively. Based upon information available from the CNDC, as of December 31, 2014, thermal plants fueled by natural gas accounted for 69% of Bolivian capacity and hydroelectric plants accounted for 31%. As of December 31, 2014, thermal plants in Bolivia had capacity of 1,123 MW and hydroelectric plants in Bolivia had a capacity of 493 MW, according to the CNDC.

Following the nationalization of Empresa Eléctrica Guaracachi S.A., Empresa Eléctrica Valle Hermoso S.A. and Empresa Eléctrica Corani S.A. in May 2010 by the Government of Bolivia, all of the generation companies currently developing power projects in Bolivia are government-owned entities. It is unclear whether the Government of Bolivia will continue nationalizing entities involved in its power utility market and it is unclear whether such nationalization (if any) would be adequately compensated for by the Bolivian Government. For further information on the Bolivian Government's acts of nationalization, see " *Item 3D. Risk Factors – Risks Related to IC Power – The Government of Bolivia has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.* "

Bolivian generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Bolivian market for the periods presented:

| | Capacity Sales | | | Energy Sales | | |
|---|---|---|---|---|---|---|
| | Under PPAs | | | Under PPAs | | |
| Year Ended December 31, | Distribution | Other Unregulated | Spot Market | Distribution | Other Unregulated | Spot Market |
| | | (MW) | | | (GWh) | |
| 2010 | — | 50 | 959 | — | 382 | 5,432 |
| 2011 | — | 47 | 1,005 | — | 368 | 5,934 |
| 2012 | — | 43 | 1,060 | — | 369 | 6,236 |
| 2013 | — | 47 | 1,119 | — | 368 | 6,645 |
| 2014 | — | 44 | 1,254 | — | 357 | 7,121 |

*Source: CNDC*

In Bolivia, wages are periodically increased by governmental decree and, as a result, labor costs, which already represent a significant portion of the operating expenses of Bolivian generation and distribution companies, are expected to continue to increase and represent a greater portion of generation expenses.

The following discussion sets forth a brief description of Israel, the electricity market in which ICPI operates.

*Israel*

According to the Israel Central Bureau of Statistics, Israel had a population of approximately 8 million as of December 31, 2014. According to the Bank of Israel, Israeli GDP grew by 2.6%, 3.3% and 3.4% in 2014, 2013 and 2012, respectively. Israel's power generation units utilize fossil fuels almost exclusively. Natural gas plants, coal fuel plants, diesel power plants and renewable fuel plants accounted for approximately 59%, 31%, 7% and 3% of Israel's installed capacity as of December 31, 2014, respectively, based upon information available from IEC's financial reports for 2014 and the PUAE. As of December 31, 2014, the installed capacity in Israel was approximately 15,500 MW, of which 9,200 MW is natural gas power facilities in Israel.

Until recently, the state-owned IEC operated as the sole provider of electricity in Israel. However, PUAE incentives have encouraged private investments in the Israeli power generation market and OPC, and other private developers, now operate in the market with significant capacity. As of December 31, 2014, OPC and other private developers operated in the market with a capacity of approximately 2,046 MW. Sales of private producers are generally made on the basis of PPAs for the sale of energy to customers, with prices linked to the tariff issued by the PUAE. The PUAE operates a time of use tariff, which provides different energy rates for different seasons (e.g., summer and winter) and different periods of time during the day.

The following table sets forth a summary of energy sales in the Israeli market for the periods presented:

| | Energy Sales |
|---|---|
| Year Ended December 31, | Distribution [1] |
| | (GWh) |
| 2010 | 52,000 |
| 2011 | 53,100 |
| 2012 | 57,900 |
| 2013 | 56,900 |

1. Distribution information for the year ended December 31, 2014 was unavailable as of the date of this annual report.

IEC has been classified by the Electricity Market Law as an "essential service provider" and, as such, is subject to basic obligations concerning the proper management of the Israeli power utility market. These obligations include the filing of development plans, management of Israel's power system, management of Israel's power transmission and distribution systems, provision of backup and infrastructure services to private power producers and consumers, and the purchase of power from private power producers.

For information on the risks related to changes in Israel's regulatory environment, see " *Item 3D. Risk Factors – Risks Related to IC Power – The production and profitability of private power generation companies in Israel may be adversely affected by changes in Israel's regulatory environment* ."

**IC Power's Description of Operations**

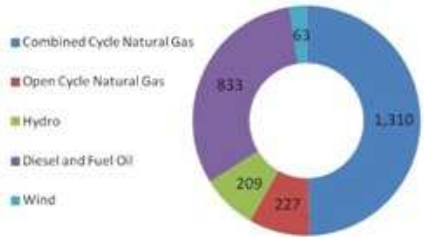
IC Power's operations are focused in Latin American and Caribbean markets – primarily Peru – that are characterized by relatively high rates of GDP growth and relatively low base levels of per capita energy consumption (in comparison to those of

developed markets). In July 2013, IC Power commenced commercial operation in Israel, operating the first large-scale private power plant in the country. Collectively, IC Power's operations had a capacity of 2,642 MW as of December 31, 2014, and a capacity of 3,846 MW, assuming the completion of IC Power's construction projects, which includes its CDA and Samay I projects in Peru, and Kanan in Panama. IC Power's portfolio includes power generation plants that operate on a range of fuel sources, including natural gas, hydroelectric, heavy fuel oil, diesel and wind.

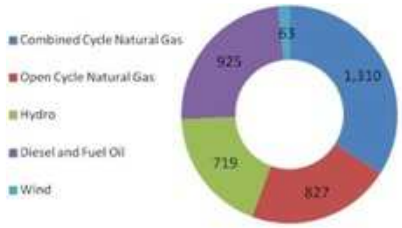
IC Power owns, operates and develops power plants to generate and sell electricity to distribution companies and unregulated consumers under long-term PPAs and to the spot market. IC Power's largest asset is its Kallpa facility, a combined-cycle plant in Peru that includes three gas-fired generation turbines and is the largest power plant in Peru, in terms of capacity. In 2014, 91% of IC Power's energy and capacity sales were pursuant to long-term PPAs, reducing IC Power's exposure to fluctuating electricity and fuel prices. During the year ended December 31, 2014, IC Power sold 5,794 GWh of electricity, representing 38% of volume sold, to distribution companies, 8,113 GWh of electricity, representing 53% of volume sold, to consumers in the unregulated markets and 1,365 GWh of electricity, representing 9% of volume sold, in the spot markets. IC Power sold 15,272 GWh of electricity during the year ended December 31, 2014. During the year ended December 31, 2014, IC Power's operations in Peru generated 32% of IC Power's consolidated revenues and 48% of IC Power's EBITDA.

The following charts set forth the relative percentage of IC Power's capacity by energy source as of December 31, 2014, and as adjusted to reflect the completion of all projects under construction as of December 31, 2014:

Actual



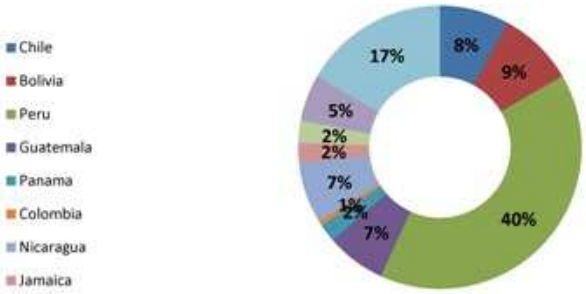

As Adjusted




The following discussion sets forth a brief description of the companies through which IC Power operates: Inkia, through which IC Power conducts its operations throughout Latin America and the Caribbean, and ICPI, through which IC Power conducts its Israeli operations.

***Inkia***

The following chart sets forth the relative percentage of Inkia's capacity by country, as of December 31, 2014:



The following table sets forth summary financial information for Inkia's subsidiaries and associates for the year ended December 31, 2014:

| Entity [1] | Ownership Interest (%) | Revenues | Cost of Sales | EBITDA [2] | Net income | Distributions Received | Assets [3] | Outstanding debt [4] | Net debt [5] |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Year Ended December 31, 2014 | | | | | |
| | | | | *(in millions of USD, unless otherwise stated)* | | | | | |
| **Operating Companies** | | | | | | | | | |
| Kallpa | 75 | $ 437 | $ 270 | $ 154 | $ 50 | $ 22 | $ 729 | $ 453 | $ 428 |
| COBEE | 100 | 41 | 18 | 18 | 9 | 23 | 167 | 85 | 43 |
| Central Cardones | 87 | 11 | 2 | 7 | (1) | — | 119 | 48 | 44 |
| Nejapa [6] | 71 | 131 | 118 | 10 | 4 | — | 66 | — | (23) |
| CEPP | 97 | 72 | 56 | 15 | 9 | 18 | 55 | 30 | 22 |
| JPPC [7] | 100 | 41 | 39 | — | (2) | — | 95 | 8 | 5 |
| Colmito | 100 | 38 | 36 | 2 | — | — | 35 | 20 | 19 |
| ICPNH [8] | 61-65 | 125 | 98 | 23 | 6 | 11 | 209 | 109 | 93 |
| Surpetroil [9] | 60 | 9 | 3 | 4 | 2 | — | 19 | 3 | 2 |
| Puerto Quetzal [10] | 100 | 34 | 29 | 2 | (1) | 15 | 105 | 32 | 14 |
| SCCP [11] | 100 | — | — | 14 | 19 | 29 | — | — | — |
| Inkia &others | 100 | 20 | 15 | (5) | 121 | 4 | 1,546 | 1,036 | 602 |
| **Total Inkia subsidiaries** | — | $ 959 | $ 684 | $ 244 | $ 216 | $ 122 | $3,145 | $ 1,824 | $ 1,249 |
| **Investments** | | | | | | | | | |
| Pedregal | 21 | $ 80 | $ 61 | $ 17 | $ 9 | $ 2 | $ 47 | $ 15 | $ 3 |
| **Total investments** | — | $ 80 | $ 61 | $ 17 | $ 9 | $ 2 | $ 47 | $ 15 | $ 3 |

1. Does not reflect the summary financial information of (i) Inkia, IC Power's primary holding company, and other holdings and (ii) Cenergica, a wholly-owned subsidiary that maintains a fuel depot and marine terminal in El Salvador.
2. "EBITDA" for each entity is defined as income (loss) for the year before depreciation and amortization, finance expenses, net, income tax expense (benefit) and asset write-off, excluding share in income from associates measurement to fair value of our-existing share, negative goodwill and the Edegel sale.

EBITDA is not recognized under IFRS or any other generally accepted accounting principles as measures of financial performance and should not be considered as substitutes for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. EBITDA is not intended to represent funds available for dividends or other discretionary uses because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. EBITDA presents limitations that impair its use as a measure of profitability since it does not take into consideration certain costs and expenses that result from each business that could have a significant effect on its net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

The following table sets forth a reconciliation of net income to EBITDA for Inkia and its main subsidiaries for the periods presented:

| | Kallpa | COBEE | Central Cardones | Nejapa | CEPP | JPPC |
|---|---|---|---|---|---|---|
| | | | *(in millions of USD)* | | | |
| Income (loss) for the year | $ 50 | $ 9 | $ (1) | $ 4 | $ 9 | $ (2) |
| Depreciation and amortization | 46 | 3 | 4 | 5 | 3 | 2 |
| Finance expenses, net | 35 | 4 | 2 | — | — | 1 |
| Income tax expense (benefit) | 23 | 2 | 2 | 1 | 3 | (1) |
| Asset write-off | — | — | — | — | — | — |
| Share in income from associates | — | — | — | — | — | — |
| Measurement to fair value of pre-existing share | — | — | — | — | — | — |
| Negative Goodwill | — | — | — | — | — | — |
| Edegel Sale | — | — | — | — | — | — |
| **EBITDA** | **$ 154** | **18** | **$ 7** | **$ 10** | **$ 15** | **$ 0** |

| | Colmito | ICPNH | Surpetroil | Puerto Quetzal | SPPC | Inkia and others | Total |
|---|---|---|---|---|---|---|---|
| | | | | (in millions of USD) | | | |
| Income (loss) for the year | $ — | $ 6 | $ 2 | $ (1) | $ 128 | $ 12 | $ 216 |
| Depreciation and amortization | 1 | 8 | 1 | 1 | — | 9 | 83 |
| Finance expenses, net | 1 | 7 | 1 | 1 | 7 | 24 | 83 |
| Income tax expense | — | 2 | 0 | 1 | 48 | (12) | 69 |
| Asset write-off | — | — | — | — | — | 35 | 35 |
| Share in income from associates | — | — | — | — | (12) | (2) | (14) |
| Measurement to fair value of pre-existing share | — | — | — | — | — | (3) | (3) |
| Negative Goodwill | — | — | — | — | — | (68) | (68) |
| Edegel Sale | — | — | — | — | (157) | — | (157) |
| **EBITDA** | **$ 2** | **$ 23** | **$ 4** | **$ 2** | **$ 14** | **$ 9** | **$ 244** |

3. Reflects assets after elimination and consolidation adjustments.
4. Includes short-term and long-term debt.
5. Net debt is defined as total debt attributable to each of Inkia's subsidiaries, minus the cash and short term deposits and restricted cash such companies. Net debt is not a measure of liabilities in accordance with IFRS. The table below sets forth a reconciliation of net debt to total debt for Inkia and the relevant Inkia operating companies.

| | Kallpa | COBEE | Central Cardones | Nejapa | CEPP | JPPC | Colmito | ICPNH | Surpetroil | Puerto Quetzal | Inkia and Other (1) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *(in millions of USD, unless otherwise indicated)* | | | | | | |
| **Total debt** | **$ 453** | **$ 85** | **$ 48** | **$ —** | **$ 30** | **$ 8** | **$ 20** | **$ 109** | **$ 3** | **$ 32** | **$ 1,036** | **$1,824** |
| Cash | $ 25 | $ 42 | $ 4 | $ 23 | $ 8 | $ 3 | $ 1 | $ 16 | $ 1 | $ 18 | $ 434 | **$ 575** |
| **Net debt** | **$ 428** | **$ 43** | **$ 44** | **$ (23)** | **$ 22** | **$ 5** | **$ 19** | **$ 93** | **$ 2** | **$ 14** | **$ 602** | **$1,249** |

(1) Includes Inkia and other companies.

6. In January 2015, IC Power acquired Crystal Power's 29% stake in Nejapa in connection with IC Power's settlement of its shareholder dispute with Crystal Power. Figures include amounts related to Nejapa's branch and main office.
7. Reflects 100% of JPPC's financial results for the period, notwithstanding IC Power's ownership interest of 16% in JPPC prior to IC Power's purchase of the remaining 84% stake in May 2014. Figures include JPPC and Private Power Operator Ltd (an IC Power subsidiary that employs JPPC's employees and performs administrative-related functions).
8. Reflects 100% of ICPNH's financial results for the period, notwithstanding IC Power's purchase of ICPNH in March 2014. Through ICPNH, IC Power indirectly holds 65% interests in Corinto and Tipitapa Power and 61% interests in Amayo I and Amayo II.
9. Reflects 100% of Surpetroil's financial results for the period, notwithstanding IC Power's purchase of its 60% ownership interest in Surpetroil in March 2014. Figures include Surpetroil and Surenergy S.A.S ESP (an IC Power subsidiary that performs administrative functions and maintains certain licenses on behalf of Surpetroil).
10. Reflects 100% of Puerto Quetzal's financial results for the period, notwithstanding IC Power's purchase of Puerto Quetzal in September 2014. Figures include Puerto Quetzal and Poliwatt Limited (an IC Power subsidiary that performs administrative functions and maintains certain licenses on behalf of Puerto Quetzal).
11. Southern Cone Power Peru S.A., the wholly-owned subsidiary that previously held IC Power's indirect interest in Edegel prior to September 2014.

The following table sets forth summary operational information for Inkia's subsidiaries and associates for the year ended December 31, 2014:

| Entity | Capacity (MW) | Energy generated (GWh) | Availability factor (%) | Average heat rate [1] |
|---|---|---|---|---|
| | Year Ended December 31, 2014 | | | |
| **Operating Companies** | | | | |
| Kallpa | 1,063 | 5,924 | 97 | 7,117 |
| COBEE | 228 | 1,086 | 91 | 13,786 |
| Central Cardones | 153 | — | 97 | 12,238 |
| Nejapa | 140 | 376 | 97 | 9,597 |
| CEPP | 67 | 242 | 89 | 9,539 |
| JPPC | 60 | 410 | 85 | 8,306 |
| Colmito | 58 | 6 | 95 | 8,521 |
| ICPNH | 185 | 1,057 | 95 | 9,012 |
| Surpetroil | 15 | 24 | 84 | 14,900 |
| Puerto Quetzal | 179 | 490 | 97 | 9,116 |
| **Total Inkia subsidiaries** | 2,148 | 9,630 | — | — |
| **Investments** | | | | |
| Pedregal | 54 | 404 | 93 | 8,106 |
| **Total investments** | 54 | 404 | 93 | 8,106 |

1. Heat rate is defined as the number of BTUs of energy contained in the fuel required to produce a kilowatt-hour of energy (btu/kWh) for thermal plants.

Set forth below is a summary of Inkia's operating assets.

*Peru*

**Kallpa**

Kallpa is 75% owned by IC Power; the remaining 25% is held by Energía del Pacífico S.A., or Energía del Pacífico, a member of the Quimpac group. Kallpa is IC Power's largest asset and owns and operates the largest power generation facility in Peru, in terms of capacity. Kallpa's thermoelectric plant has a capacity of 870 MW, representing 12% of the total capacity in Peru. Following the 2012 conversion of this plant's three natural gas powered open-cycle generation turbines into a combined cycle with a 293 MW steam turbine, the plant primarily utilizes natural gas for its operations. IC Power completed the conversion of Kallpa's facility in August 2012, at a cost of $337 million. In April 2014, Kallpa completed its $114 million purchase of the 193 MW single turbine natural gas fired plant "Las Flores," which commenced commercial operations in May 2010 and is located in Chilca, Peru, increasing Kallpa's capacity from 870 MW to 1,063 MW. Kallpa has two power plant sites. The 870 MW Kallpa site has a long-term contract for the supply of natural gas to it for up to 100% of its installed capacity. The 193 MW Las Flores site has a long-term contract for the supply of natural gas to it for the generation of approximately 100 MW. Additionally, Las Flores has permits for a future 190 MW gas-fired expansion and has sufficient space to locate such a facility, as well as a combined cycle expansion, on its existing premises.

During the years ended December 31, 2014, 2013 and 2012, Kallpa generated revenues of $437 million, 394 million and $276 million, respectively, representing 32%, 45% and 48% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2014, Kallpa generated 5,924 GWh of energy, representing 14% of the Peruvian interconnected system's energy requirements. Kallpa has committed to sell over 50% of its available energy (in MWh) in every year up to 2021.

The following table sets forth certain information regarding each of Kallpa's turbines for each of the periods presented:

| Turbine | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| Kallpa I | 2007 | 186 | 1,244 | 96 | 1,250 | 96 | 1,146 | 96 |
| Kallpa II | 2009 | 194 | 1,267 | 97 | 1,229 | 96 | 1,210 | 88 |
| Kallpa III | 2010 | 197 | 1,263 | 96 | 1,212 | 94 | 1,286 | 92 |
| Kallpa IV [1] | 2012 | 293 | 2,028 | 98 | 1,767 | 86 | 642 | 97 |
| Las Flores | 2014 | 193 | 122 | 96 | — | — | — | — |
| Total | | 1,063 | 5,924 | | 5,458 | | 4,284 | |

1. Kallpa IV is the steam turbine constructed to convert the Kallpa plant to combined cycle, which commenced operations in August 2012.

Kallpa's turbines are maintained according to a predefined schedule based upon the running hours of each engine and the manufacturer specifications particular to it. Kallpa anticipates the first maintenance of its Kallpa IV turbine to occur in 2017 or 2018. Kallpa's maintenance schedule is coordinated with, and approved by, the COES. Kallpa is also party to a services contract with Siemens Energy, Inc. and a supply and support contract with Siemens Power Generation, Inc., each of which provides for an 18-year term of service for each of the Kallpa I, II and III turbines, or the equivalent of 100,000 hours of operation, beginning in March 2006, in December 2007, and in July 2008, respectively.

IC Power, through Inkia, has entered into a shareholders agreement, which grants protective minority rights to Kallpa's minority shareholder. For further information on IC Power's shareholder agreements, see *"– IC Power's Shareholder Agreements"* and for further information on the risks related to IC Power's shareholder agreements, see " *Item 3D. Risk Factors – Risks Related to IC Power – IC Power has granted rights to the minority holders of certain of its subsidiaries."*

## CDA

CDA is 75% owned by IC Power; the remaining 25% is held by Energía del Pacífico. In October 2010, Kallpa entered into – and in May 2011, Kallpa transferred to CDA – a concession agreement with the Government of Peru granting Kallpa the right to construct and operate a run-of-the-river hydroelectric project on the Mantaro River in central Peru, or the CDA Project. The plant will have an installed capacity of 510 MW.

It is expected that CDA will commence commercial operation of the hydroelectric plant, in the second half of 2016. Construction of the hydroelectric plant is underway (approximately 64% advanced) and there is no certainty that the facility will be constructed in accordance with current expectations. CDA has not yet commenced commercial operation and has not yet recognized any revenues or operating income from its operations. CDA has entered into two master PPAs – a 10-year, approximately $76 million per full year PPA and a 15-year, approximately $94 million per full year PPA – which will account for 402 MW, a significant portion of CDA's expected capacity. Inkia has also provided bank guarantees of approximately $16 million to secure obligations under the master PPAs.

The CDA Project is estimated to cost approximately $910 million, including a $50 million budget for contingencies. The CDA Project is financed with a $591 million syndicated credit facility, representing 65% of the total estimated cost of the project, with export credit agencies, development banks and private banks, and collateralized by the assets of the project, which we refer to as the CDA Project Finance Facility. The remaining 35% of the CDA Project's cost has been financed with equity from each of Inkia and Energía del Pacífico, in proportion to their ownership interests in CDA. IC Power has invested $239 million in CDA, representing IC Power's portion of its equity funding commitment for this project. Energía del Pacifico has invested $80 million in CDA, representing Energía del Pacifico's portion of its equity funding. In connection with the CDA Project Finance Facility, each of Inkia and Energía del Pacífico entered into an equity contribution and retention agreement with the administrative agent under the CDA Project Finance Facility and agreed, among other things, to provide contingent equity and credit support to cover cost overruns (this support obligation is limited to $44 million in the case of IC Power). As of December 31, 2014, CDA has invested $647 million into the development of the CDA Project and has drawn $462 million under the CDA Project Finance Facility. For further information regarding the terms of the CDA senior secured syndicated credit facility, see " *Item 5B. Liquidity and Capital Resources – IC Power's Liquidity and Capital Resources – IC Power's Material Indebtedness – CDA Project Finance Facility* ."

In November 2011, CDA and Astaldi S.p.A. and GyM S.A., as contractors operating under the consortium name of Consorcio Rio Mantaro S.A., or Rio Mantaro, individually entered into a turnkey engineering, procurement and construction contract for the CDA Project, which we refer to as the CDA EPC, pursuant to which each of Astaldi S.p.A. and GyM S.A. committed, on a joint and several basis, to construct the CDA Project by February 2016 and provide all services necessary for the design, engineering, procurement, construction, testing and commissioning of the CDA Project for approximately $700 million, payable on a monthly basis to Rio Mantaro based upon construction completed in the previous calendar month. CDA's payments to Rio Mantaro are subject to adjustments made in accordance with the CDA EPC.

In April 2014, Astaldi S.p.A. and GyM S.A., the contractors under the CDA EPC delivered a claim to CDA, demanding a six-month extension for the completion of the CDA Project (from early 2016 to the second half of 2016) and an approximately $92 million increase in the total contract price of the CDA Project. In March 2015, IC Power and the CDA EPC contractors amended the CDA EPC to address such claims. Pursuant to the amendment, which is subject to CDA's lender's approval, IC Power has agreed to pay, subject to the achievement of certain milestones, an additional $40 million, subdivided into 4 payments over the course of the remaining construction period, and has granted the extensions previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit. For further information on the amendment of the CDA EPC, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – IC Power – Settlement Agreement with CDA EPC Contractors* ."

Should CDA experience an additional delay in the commencement of its commercial operation, CDA's 15-year master PPA would require CDA to pay to a penalty. Although the terms of the CDA EPC entitle CDA to demand the payment of liquidated damages from Rio Mantaro due to delays in the commercial operation of CDA, there is no certainty that such payments, if received, would cover the entirety of the penalties imposed by the PPA.

**Samay I**

Samay I is 75% owned by IC Power; the remaining 25% is held by Energía del Pacífico. On November 29, 2013, Samay I won a public bid auction conducted by the Peruvian Investment Promotion Agency to build an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600 MW at an estimated cost of $380 million, approximately 80% of which is to be financed with a $311 million seven-year syndicated secured loan agreement with Bank of Tokyo, Sumitomo and HSBC and approximately 20% of which has been financed with equity from each of Inkia and Energía del Pacífico. Samay I is expected to have three operational stages: (i) as a cold reserve plant operating with diesel until natural gas becomes available in the area, which is not expected to occur before 2018; (ii) as a natural gas-fired power plant once a new natural gas pipeline is built and natural gas becomes available to the facility; and (iii) as a combined cycle thermoelectric plant. Samay I's agreement with the Peruvian government is for a 20-year period, with fixed monthly capacity payments and pass-through of all variable costs during the cold reserve phase, representing an aggregate amount of approximately $1 billion over the 20-year term of this agreement. In connection with the construction of its facility, Samay I has entered into three EPCs with the following parties: (i) Posco, for the design, construction and installation of the power station; (ii) Abengoa for the construction of the transmission line; and (iii) Siemens for the construction of the substation. Construction of Samay I's thermoelectric plant is in its early stages and there is no certainty that the facility will be constructed in accordance with current expectations. Samay I has not yet commenced commercial operation and has not yet recognized any revenues or operating income from its operations. It is expected that Samay I will commence commercial operation of the thermoelectric plant in mid-2016, in accordance with the terms of its agreement with the Peruvian government. As of December 31, 2014, Samay I has invested $110 million into the development of the facility and has drawn $153 million under its credit facility.

**Edegel**

Prior to September 2014, Edegel, the largest generator of electricity in Peru, was 21% owned by IC Power (via Inkia's wholly-owned subsidiary Southern Cone, which had a 39% equity interest in Generandes, an entity that, in turn, has a 54.2% equity interest in the outstanding shares of Edegel). Empresa Nacional de Electricidad S.A., or Endesa Chile, a subsidiary of Enel SpA, one of the world's largest electricity companies, owned 29.4% of Edegel; the remaining shares were held publicly. Endesa Chile also owned 61% of Generandes. In September 2014, IC Power completed the sale of its interest in Edegel.

During the year ended December 31, 2014, Edegel contributed $30 million in dividends to IC Power, and represented 86% of IC Power's share in income of associated companies. As IC Power maintained a non-controlling interest in Edegel and accounted for Edegel's ownership in its share in income of associated companies, the consummation of sale of Edegel will not impact IC Power's consolidated revenues.

*Nicaragua (ICPNH)*

ICPNH, formerly known as AEI Nicaragua, is 100% owned by IC Power as of March 31, 2014. ICPNH owns and operates four power generation plants located throughout Nicaragua through its indirect (i) 65% equity interest in Corinto, (ii) 65% equity interest in Tipitapa Power, (iii) 61% equity interest in Amayo I, and (iv) 61% equity interest in Amayo II. Corinto and Tipitapa Power, which have a combined capacity of 122 MW, are powered by heavy fuel oil. Amayo I and Amayo II have a combined capacity of 63 MW of wind power energy. Collectively, these four entities represent a capacity of 185 MW, approximately 16% of the total capacity of the Nicaraguan interconnected system.

During the year ended December 31, 2014, ICPNH generated $125 million of consolidated revenue from its operations, representing 9% million of IC Power's consolidated revenues. During the years ended December 31, 2013 and 2012, which were prior to IC Power's purchase of ICPNH, ICPNH generated revenues of $171 million and $182 million, respectively. During the year ended December 31, 2014, ICPNH generated 1,057 GWh of energy, representing 26% of the Nicaraguan interconnected system's energy requirements. ICPNH has committed to sell its available energy (in MWh), as follows:

- Corinto has committed to sell over 97.5% of its available energy (in MWh) in every year up to December 2018;
- Tipitapa Power has committed to sell 100% of its available energy (in MWh) in every year up to December 2018;
- Amayo I has committed to sell 100% of its available energy (in MWh) in every year up to March 2024; and
- Amayo II has committed to sell 100% of its available energy (in MWh) in every year up to March 2025.

The following table sets forth certain information for ICPNH's plants for each of the periods presented:

| | | As of December 31, | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2014 | | 2013 | | 2012 | |
| Plant | Year of Commission | Effective Capacity | Gross Energy Generated | Availability Factor | Gross Energy Generated | Availability Factor | Gross Energy Generated | Availability Factor |
| | | (MW) | (GWh) | (%) | (GWh) | (%) | (GWh) | (%) |
| Corinto | 1999 | 71 | 461 | 93 | 481 | 92 | 495 | 93 |
| Tipitapa Power | 1999 | 51 | 322 | 98 | 322 | 97 | 364 | 97 |
| Amayo I | 2009 | 40 | 171 | 98 | 145 | 97 | 158 | 99 |
| Amayo II | 2010 | 23 | 103 | 96 | 94 | 97 | 102 | 98 |
| Total | | 185 | 1,057 | | 1,042 | | 1,119 | |

*Chile*

**Central Cardones**

Central Cardones is 87% owned by IC Power; the remaining 13% is held by SWC, Central Cardones' former owner. Central Cardones owns and operates one open-cycle diesel Siemens turbine located in the north part of the SIC and is the first Chilean power facility within the IC Power portfolio. Central Cardones has capacity of 153 MW, representing 1% of the total capacity of Chile. Central Cardones' power plant is operated using diesel as a peaking unit, a facility that is used primarily for cold reserve capacity and that generally operates in extraordinary situations. Central Cardones receives revenues from its allocation of available system capacity and does not have any customers. During the years ended December 31, 2014, 2013 and 2012, Central Cardones generated revenues of $11 million, $11 million and $14 million, respectively, representing 1%, 1% and 2% of IC Power's consolidated revenues, respectively.

The following table sets forth certain information for Central Cardones' plant for each of the periods presented:

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| Central Cardones | 2009 | 153 | 0.04 | 97 | — | 98 | 0.47 | 100 |

## Colmito

Colmito is 100% owned by IC Power. Colmito, which IC Power acquired in October 2013, owns and operates a dual fuel open-cycle Rolls Royce aeroderivative turbine that commenced operation in August 2008. Although Colmito previously operated with fuel oil as a backup for the SIC, Colmito was connected to a natural gas pipeline in February 2015, and Colmito has begun to utilize natural gas to generate its energy requirements. Colmito's generation facility is located in central SIC. Colmito has capacity of 58 MW, representing 0.4% of the total capacity of Chile.

During the years ended December 31, 2014 and 2013, Colmito generated revenues of $38 million and $533 thousand (during November and December 2013, the months subsequent to IC Power's purchase of Colmito), respectively, representing 3% and 0.1% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2014, Colmito generated 5.9 GWh of energy, representing 0.01% of the SIC system's energy requirements. Colmito has committed to sell over 50% of its available energy (in MWh) in every year up to 2017.

The following table sets forth certain information for Colmito's plant for each of the periods presented:

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| Colmito | 2008 | 58 | 5.9 | 95 | 46 | 91 | 1 | 98 |

*Colombia (Surpetroil)*

Surpetroil is 60% owned by IC Power; the remaining 40% is owned by Yesid Gasca Duran. Surpetroil is dedicated to power generation utilizing stranded and associated natural gas reserves and operates natural gas plant located in Tesalia, Huila, Colombia. Surpetroil also transports and distributes compressed natural gas within Colombia. Surpetroil has a generation capacity of 15 MW, representing approximately 0.1% of the total capacity in the Colombian interconnected system. Surpetroil is party to two major PPAs, both of which expire in 2015, and have not yet been extended or replaced with one or more PPAs on comparable terms.

During the year ended December 31, 2014, Surpetroil generated $9 million of consolidated revenue from its operations (during April-December 2014, the months subsequent to IC Power's purchase of Surpetroil), representing 1% of IC Power's consolidated revenues. During the years ended December 31, 2013 and 2012, which were prior to IC Power's purchase of Surpetroil, Surpetroil generated revenues of $11 million and $12 million, respectively, from its operations. During the year ended December 31, 2014, Surpetroil generated 24 GWh of energy, and primarily provided energy to EMGESA, an affiliate of Endesa Chile, via a 4km transmission line to its El Quimbo hydro project. Surpetroil has committed to sell over 50% of its available energy (in MWh) until October 2015.

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| La Hocha | 2011 | 5 | 23 | 98 | 22 | 97 | 23 | 97 |
| Purificación | 2014 | 10 | 1 | 1[1] | — | — | — | — |

1. As a result of gas unavailability during December 2014.

*Guatemala (Puerto Quetzal)*

Puerto Quetzal, which represents IC Power's initial entry into the Guatemalan power generation market, is 100% owned by IC Power. Puerto Quetzal, which IC Power acquired in September 2014 for cash consideration of $35 million, utilized three floating power barges with fuel oil generators, representing 234 MW, at the time of its acquisition. In November 2014, Puerto Quetzal sold one of its three power barges, representing 55 MW of Puerto Quetzal's 234 MW of capacity, to Kanan for $24 million. As a result, Puerto Quetzal now operates two power barges with an aggregate capacity of 179 MW.

Puerto Quetzal's PPAs, representing approximately 172 MW of its capacity, with the Guatemalan distribution companies expire in 2015, and have not yet been extended or replaced with one or more PPAs on comparable terms.

During the year ended December 31, 2014, Puerto Quetzal generated 490 GWh of energy, representing 4% of the Guatemalan system's energy requirements and contributed $33 million (during September – December 2014, the months subsequent to IC Power's purchase of Puerto Quetzal) to IC Power's consolidated revenues.

The following table sets forth certain information for Puerto Quetzal's plant for each of the periods presented:

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| Puerto Quetzal | 1999 | 179 | 490 | 97 | 525 | 95 | 595 | 93 |

*El Salvador (Nejapa)*

Nejapa is 100% owned by IC Power, as a result of IC Power's January 2015 acquisition of Crystal Power's 29% stake in Nejapa for $20 million, in connection with IC Power's settlement of its shareholder dispute with Crystal Power. Prior to the December 2014 settlement agreement with Crystal Power, IC Power owned 71% of Nejapa's outstanding equity.

Nejapa generates power in El Salvador from 27 diesel generators (located in a single facility), that are powered by heavy fuel oil. Nejapa has a capacity of 140 MW, representing approximately 9% of the total capacity of El Salvador. The Nejapa plant houses fuel storage tanks on site with capacity of approximately 47,000 barrels. In addition, Cenergica, a wholly-owned subsidiary of IC Power, maintains a fuel depot and marine terminal and owns three fuel storage tanks with an aggregate capacity of 240,000 barrels in Acajutla, El Salvador.

During the years ended December 31, 2014, 2013 and 2012, Nejapa generated revenues of $150 million, $147 million and $145 million, respectively, representing 11%, 17% and 25% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2014, Nejapa generated 376 GWh of energy, representing 6% of the national interconnected electrical system of El Salvador. Nejapa has committed to sell over 50% of its available energy (in MWh) in every year up to 2017.

The following table sets forth certain information for Nejapa's plant for each of the periods presented:

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| Nejapa | 1995 | 140 | 376 | 97 | 458 | 95 | 561 | 94 |

Wartsila, MMS Marine Motor and Paul Klaren are Nejapa's principal suppliers of spare parts for its generation facility. Such spare parts are generally readily available and can be obtained from the original manufacturer, as well as from other suppliers.

*Dominican Republic (CEPP)*

CEPP is 97% owned by IC Power; the remaining 3% is held by Basic Energy LTD Bahamas. CEPP owns and operates 12 generation units powered by heavy fuel oil at two plants located in Puerto Plata, Dominican Republic. The CEPP I Plant consists of three Wartsilla V32 diesel generators burning heavy fuel oil on land, and has a capacity of 16 MW. The CEPP II Plant generates power via a barge near the shore, which consists of a barge containing nine Warstilla V32 diesel generators burning heavy fuel oil that is moored at a pier adjacent to the CEPP I Plant and has capacity of 51 MW. In the third quarter of 2013, CEPP purchased a barge with a capacity of approximately 37 MW, consisting of seven engines, five with 5.5 MW of capacity and two with 5 MW of capacity. CEPP completely refurbished this barge and, in November 2014, sold the barge to Kanan for $16 million.

Excluding the capacity associated with the newly-refurbished barge that has been sold to Kanan, CEPP has a capacity of 67 MW, representing approximately 2% of the total capacity in the Dominican Republic. The CEPP I Plant and the CEPP II Plant also have fuel storage tanks on-site with an aggregate storage capacity of 55,000 barrels.

During the years ended December 31, 2014, 2013 and 2012, CEPP generated revenues of $72 million, $92 million and $88 million, respectively, representing 5%, 11% and 15% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2014, CEPP generated 242 GWh of energy, representing 2% of the national interconnected electrical system of the Dominican Republic's energy requirements.

The following table sets forth certain information for each of CEPP's plants for the periods presented:

| Plant | Year of Commission | As of December 31, 2014 Effective Capacity (MW) | Years Ended December 31, 2014 Gross Energy Generated (GWh) | 2014 Availability Factor (%) | 2013 Gross Energy Generated (GWh) | 2013 Availability Factor (%) | 2012 Gross Energy Generated (GWh) | 2012 Availability Factor (%) |
|---|---|---|---|---|---|---|---|---|
| CEPP I | 1990 | 16 | 51 | 34.3 | 78 | 86.7 | 57 | 77.5 |
| CEPP II | 1994 | 51 | 191 | 42.3 | 261 | 87.3 | 280 | 83.1 |
| Total | | 67 | 242 | | 339 | | 337 | |

Prior to September 2014, CEPP was party to two long-term PPAs, representing 75% of its capacity, with Empresa Distribuidora de Electricidad del Norte S.A., or Empresa, and had experienced significant payment delays with respect to such PPAs. As a result, CEPP's payment cycle spanned three to six months, as compared to the typical payment cycle of IC Power's other business which spans 30 to 45 days. Notwithstanding such significant delays, which characterize Empresa's payment patterns in both the PPA and spot market in the Dominican Republic, Empresa Distribuidora de Electricidad del Norte S.A. historically paid its outstanding obligations, in full, including interest accrued on late payments. To finance its operating activities in light of such payment cycle, CEPP utilized its working capital line of credit with local banks. For further information on CEPP's counterparty risks, see " *Item 3D. Risk Factors – Risks Related to IC Power – IC Power is exposed to certain counterparty risks* ." For further information on CEPP's line of credit with financial institutions in the Dominican Republic, see " *Item 5B. Liquidity and Capital Resources – IC Power's Liquidity and Capital Resources – IC Power's Material Indebtedness – Short-Term Loans* ."

Each of CEPP's PPAs expired in September 2014. These PPAs have not yet been extended or replaced with one or more PPAs on comparable terms. As a result, CEPP sells the previously contracted capacity under such PPAs on the spot market, at the rates dictated by such market, and subject to the aforementioned significant payment delays.

The maintenance on CEPP's engines is performed according to a predefined schedule based upon the running hours of each engine and according to manufacturer specifications. Most of the maintenance is done onsite by employees of CEPP, and the remainder is outsourced to Wartsila and Turbo USA facilities in the Dominican Republic as well as to other third parties.

*Jamaica (JPPC)*

JPPC is 100% owned by IC Power, as a result of IC Power's May 2014 purchase of the remaining 84% of JPPC's outstanding equity interest, which increased IC Power's equity interest in JPPC from 16% to 100%. JPPC owns and operates two diesel generation units burning heavy fuel oil and a combined-cycle steam turbine at a plant located in Kingston, Jamaica. JPPC has capacity of 60 MW, representing approximately 6% of the total capacity of the Jamaican interconnected system. JPPC's plant also has fuel storage tanks on site with an aggregate storage capacity of 50,000 barrels.

During the year ended December 31, 2014, JPPC generated $41 million of consolidated revenues from its operations, representing 3% of IC Power's consolidated revenues (during May-December 2014, the months subsequent to IC Power's purchase of JPPC's outstanding equity interest. During the years ended December 31, 2013 and 2012, which were prior to IC Power's control of JPPC, JPPC generated revenues of $83 million and $85 million, respectively. During the year ended December 31, 2014, JPPC generated 425 GWh of energy, representing 10% of the Jamaican interconnected system's energy requirements. JPPC has committed to sell over 50% of its available energy (in MWh) in every year up to 2018.

The following table sets forth certain information for JPPC's plant for each of the periods presented:

| | | As of December 31, | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2014 | | 2013 | | 2012 | |
| Plant | Year of Commission | Effective Capacity (MW) | Gross Energy Generated (GWh) | Availability Factor (%) | Gross Energy Generated (GWh) | Availability Factor (%) | Gross Energy Generated (GWh) | Availability Factor (%) |
| JPPC | 1998 | 60 | 425 | 85 | 432 | 88 | 422 | 88 |

*Panama*

**Kanan**

Kanan is 100% owned by IC Power. In October 2014, Kanan was awarded a five-year contract in connection with the Panamanian government's call for emergency bids to attempt to cover electricity shortfalls in Panama in the short-term. Panama's contract to supply energy in Panama, with a maximum contractual capacity of 86 MW becomes effective in September 2015. To facilitate its supply of this energy, Kanan has purchased thermal generation units with a total capacity of 92 MW, representing 4% of the total capacity of Panama, at an aggregate purchase price of approximately $40 million. Kanan's 92 MW consists of (i) a 55 MW power barge purchased from Puerto Quetzal in November 2014 and (ii) a 37 MW power barge purchased from CEPP in November 2014. Both barges have been successfully relocated to Panama and are in the process of installation and interconnection to the power system.

Kanan expects to commence commercial operations in September 2015.

**Pedregal**

Pedregal is 21% owned by IC Power; of the remaining 79%, (i) 55% is held by Conduit Capital Partners, LLC, a private equity investment firm focused on the independent electric power industry in Latin America; (ii) 12% is held by Burmeister & Wain Scandinavian Contractor A/S, an operating company of the Mitsui Group; and (iii) 12% is held by The Industrialization Fund for Developing Countries, a fund focusing on promoting economic activities in developing countries. Pedregal owns and operates three generation units powered by heavy fuel oil at a plant located in Pacora, Panama; Although IC Power has a non-controlling interest in Pedregal, IC Power manages Pedregal. Pedregal has a capacity of 54 MW, representing approximately 2% of the total capacity in the Panamanian interconnected system, based on information available from the CND. Pedregal's plant also has fuel storage tanks on site with an aggregate storage capacity of 50,000 barrels.

During the years ended December 31, 2014, 2013 and 2012, Pedregal generated revenues of $80 million, $82 million and $78 million, respectively, and represented 14% of IC Power's share in income of associated companies. During the year ended December 31, 2013, Pedregal generated 404 GWh of energy, representing 4% of the Panamanian interconnected system's energy requirements. Pedregal has committed to sell over 50% of its available energy (in MWh) in every year up to 2016.

*Bolivia (COBEE)*

COBEE is 100% owned by IC Power. COBEE is the third largest generator of electricity in Bolivia, generating power from ten run-of-the-river hydroelectric plants in the Zongo river valley, four run-of-the-river hydroelectric plants in the Miguillas river valley, and two open-cycle natural gas powered generation turbines at a plant located in El Alto-Kenko, adjacent to La Paz, Bolivia. COBEE has capacity of 228 MW, representing 14% of the total capacity of Bolivia.

During the years ended December 31, 2014, 2013 and 2012, COBEE generated revenues of $41 million, $41 million and $42 million, respectively, representing 3%, 5% and 7% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2014, COBEE generated 1,086 GWh of energy, representing 14% of the national interconnected electrical system of Bolivia's energy requirements.

The following table sets forth certain information for each of COBEE's plants for each of the periods presented:

| | | | As of December 31, | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2014 | 2014 | | 2013 | | 2012 | |
| Plant | Year of Commission | Elevation | Effective Capacity | Gross Energy Generated | Availability Factor | Gross Energy Generated | Availability Factor | Gross Energy Generated | Availability Factor |
| | | *(meters)* | *(MW)* | *(GWh)* | *( %)* | *(GWh)* | *(%)* | *(GWh)* | *(%)* |
| ***Zongo Valley plants:*** | | | | | | | | | |
| Zongo | 1997 | 4,264 | 11 | 9 | 99 | 8 | 98 | 9 | 98 |
| Tiquimani | 1997 | 3,889 | 9 | 11 | 99 | 11 | 99 | 12 | 99 |
| Botijlaca | 1938[1] | 3,492 | 7 | 34 | 97 | 38 | 97 | 38 | 98 |
| Cutichucho | 1942[2] | 2,697 | 23 | 91 | 80 | 104 | 85 | 125 | 99 |
| Santa Rosa | 2006 | 2,572 | 18 | 84 | 98 | 82 | 96 | 75 | 92 |
| Sainani [3] | 1956 | 2,210 | 10 | 15 | 17 | 71 | 98 | 68 | 98 |
| Chururaqui | 1966[4] | 1,830 | 25 | 127 | 95 | 144 | 98 | 134 | 96 |
| Harca | 1969 | 1,480 | 26 | 156 | 95 | 166 | 97 | 151 | 96 |
| Cahua | 1974 | 1,195 | 28 | 163 | 95 | 171 | 98 | 134 | 86 |
| Huaji | 1999 | 945 | 30 | 198 | 96 | 205 | 97 | 189 | 95 |
| ***Miguillas Valley plants:*** | | | | | | | | | |
| Miguillas | 1931 | 4,140 | 3 | 9 | 9 | 9 | 99 | 9 | 99 |
| Angostura | 1936[5] | 3,827 | 6 | 19 | 99 | 20 | 99 | 22 | 98 |
| Choquetanga | 1939[6] | 3,283 | 6 | 37 | 98 | 40 | 99 | 39 | 98 |
| Carabuco | 1958 | 2,874 | 6 | 43 | 97 | 45 | 98 | 43 | 98 |
| El Alto-Kenko [7] | 1995 | 4,050 | 19 | 90 | 93 | 45 | 87 | 103 | 96 |
| **Total** | | | **228** | **1,086** | | **1,160** | | **1,158** | |

1. This plant was originally commissioned with an installed capacity of 3 MW in 1938. The installed capacity of this plant was increased by 2 MW in 1941 and 4 MW in 1998.
2. This plant was originally commissioned with an installed capacity of 3 MW in 1942. The installed capacity of this plant was increased by 3 MW in 1943, 3 MW in 1945, 2 MW in 1958 and 15 MW in 1998.
3. Plant is out of service due to damages sustained as a result of landslides. The plant, which will cost approximately $6 million repair, is expected to be operational by the end of 2015.
4. This plant was originally commissioned with an installed capacity of 15 MW in 1966. The installed capacity of this plant was increased by 15 MW in 1967 and 4 MW in 2008.
5. This plant was originally commissioned with an installed capacity of 3 MW in 1936. The installed capacity of this plant was increased by 2 MW in 1958.
6. This plant was originally commissioned with an installed capacity of 3 MW in 1939. The installed capacity of this plant was increased by 6 MW in 1944.
7. Consists of two open-cycle turbines with an aggregate designed capacity of installed capacity of 29 MW that have a capacity of 19 MW as a result of their installed location at 4,050 meters above sea level.

Generally, each of COBEE's hydroelectric plants undergoes annual maintenance according to a pre-defined schedule. COBEE's employees perform any necessary maintenance with the support of third party contractors, primarily for civil works-

related maintenance. COBEE also contracts with third parties to perform road maintenance work in the Zongo and Miguillas valleys. COBEE purchases its principal spare parts from international suppliers, primarily Alstom Brasil Ltda. (through its Bolivian representative Fomento Mercantil Boliviano S.R.L.), Indar Electric S.L., Andritz Hydro S.A.S. (Switzerland) (through its Bolivian representative Intercom Ltda.), General Electric International Inc., ABB and Siemens – Soluciones Tecnológicas S.A.

Although the Government of Bolivia has nationalized entities in its power utility market, as recently as 2012, IC Power is unaware of any steps the Government of Bolivia may take, or is currently taking, with respect to nationalizations within the Bolivian power utility market, generally, or with respect to COBEE, in particular. For further information on the risks related to the Bolivian government's nationalization of certain generation companies, see " *Item 3D. Risk Factors – Risks Related to IC Power – The Government of Bolivia has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized* ."

***ICPI***

*OPC*

ICPI, IC Power's wholly-owned subsidiary, has an 80% stake in OPC; the remaining 20% is held by Dalkia Israel Ltd. In July 2013, OPC commenced commercial operation of its power station, located in Mishor Rotem industrial zone in the south of Israel, which was constructed for an aggregate cost of approximately $550 million. OPC's combined cycle has a capacity of 440 MW, making it one of the largest independent power facilities in Israel, representing approximately 3% of the Israeli installed capacity. In 2014, OPC was connected to a diesel supply line in Israel, increasing its generation flexibility.

During the year ended December 31, 2014, OPC generated $414 million of consolidated revenue from its operations, representing 30% of IC Power's consolidated revenues. OPC generated 3,465 GWh of energy (gross), representing approximately 6% of the total energy generation in Israel (based upon sales of IEC and OPC only and excluding other small independent power producers and cogeneration facilities).

The following table sets forth certain information for OPC's plant for each of the periods presented:

| | | Year Ended December 31, | | | |
|---|---|---|---|---|---|
| | As of December 31, | 2014 | | 2013 | |
| Plant | 2014 Capacity (MW) | Gross Energy Generated (GWh) | Availability Factor (%) | Gross Energy Generated (GWh) | Availability Factor (%) |
| OPC [1] | 440 | 3,465 | 90% | 1,357 | 96% |

1. Commenced commercial operation in July 2013.

Pursuant to the terms of the tender which granted OPC the rights to construct its power plant, on November 2, 2009, OPC entered into a PPA with IEC, the IEC PPA, whereby OPC committed to complete the construction of the power station no later than 52 months after the signing date (i.e., by March 2, 2014). The term of the IEC PPA lasts until twenty years after the start date of commercial operation of the power station (i.e. 20 years from July 2013). The IEC PPA is a "capacity and energy" agreement, committing OPC to provide the entire net available capacity of its power station to IEC and to generate power at such volumes and schedules as required by IEC. In conjunction with the IEC PPA, OPC provided IEC with a NIS 100 million guarantee; NIS 80 million (approximately $20 million) represents IC Power's share.

OPC also supplies energy to 22 end users according to long-term PPAs (generally for a minimum of 10 years). OPC has committed to sell over 50% of its available energy (in MWh) in every year up to 2023.

In June 2010, OPC entered into an agreement with Daewoo International Corporation of Korea, or Daewoo, for turn-key construction of the power station. OPC commenced commercial operations in July 2013. However, the EPC with Daewoo, required delivery of the power plant to OPC on or before January 12, 2013. Daewoo asserts that force majeure events and other factors, such as works performed by IEC, delayed the timeline and its delivery of the power plant, and that such factors should be taken into consideration, thereby substantially reducing the number of its fined days. OPC and Daewoo are continuing to negotiate the resolution of this disagreement.

Mitsubishi Heavy Industries of Japan provides the long-term servicing of the power station, for a term of 100 thousand hours of operation, or 12 years based upon the expected operations of the power station.

In March 2014, a subsidiary of IC Power was awarded a tender published by the Israel Land Authority to lease an approximately 592,000 square foot plot adjacent to the OPC site, which can be utilized to extend OPC's capacity in Israel.

IC Power, through its subsidiary ICPI, has entered into a shareholders agreement which grants protective minority rights to OPC's minority shareholder. For further information on IC Power's shareholder agreements, see *"– IC Power's Shareholder Agreements"* and for further information on the risks related to IC Power's shareholder agreements, see *" Item 3D. Risk Factors – Risks Related to IC Power – IC Power has granted rights to the minority holders of certain of its subsidiaries."*

***IC Power's Customers***

IC Power's customers include governments, local distribution companies, and/or non-regulated customers, depending upon the operating company and the particular country of operation. IC Power's operating companies seek to enter into long-term PPAs with power purchasers. In 2014, approximately 91% of IC Power's capacity and energy sales were pursuant to long-term PPAs, although IC Power operates in challenging jurisdictions that subject it to numerous regulatory or counterparty risks, including risks related to asset nationalizations or delayed payments. Additionally, the majority of IC Power's capacity has been contracted for sale, according to long-term agreements. For example, in 2014, Kallpa signed 61 long-term PPAs with various distribution companies and non-regulated clients for the sale of electricity (which accounts for most of its current generation capacity) and Kallpa has committed to sell over 50% of its available energy (in MWh) in every year through 2021.

In attempting to limit the effects of such counterparty risks, each of IC Power's operating companies analyzes the creditworthiness and financial strengths of its various counterparties during the PPA negotiations as well as during the life of the agreement. Where the creditworthiness of the power purchaser is deemed to be below standard, various contractual agreements and structures are negotiated (such as letters of credit, liquidity facilities, and government guarantees) to provide the credit support.

Under the terms of most of IC Power's PPAs, the power purchaser is contractually obligated to purchase energy, and sometimes capacity and/or ancillary services, from the power generator based upon a base price (denominated either in U.S. Dollars or in the local currency) that is adjusted for (i) fluctuations in exchange rates, (ii) the U.S. inflation index, (iii) a local inflation index, (iv) fluctuations in the cost of operating fuel, (v) supply of natural gas, (v) transmission costs and/or (vi) spot prices in the case of an interruption of the supply or transportation of natural gas. Many of these PPAs differentiate between peak and off-peak periods. Utilizing PPAs allows IC Power's operating companies to lock in gross margins and provides IC Power and its operating companies with earnings stability.

The following table sets forth a summary of the significant IC Power PPAs as of December 31, 2014:

| Company | Principal Customer | Commencement | Expiration | Contracted Capacity Peak/Off-Peak *(MW)* |
|---|---|---|---|---|
| | **Operating Companies (Inkia)** | | | |
| **Kallpa** | Edelnor S.A.A., Luz del Sur S.A.A., Hidrandina S.A., Edecañete S.A.A., Electosureste S.A., Seal S.A. [1] | January 2014 | December 2021 | 350 |
| | Edelnor S.A.A., Luz del Sur S.A.A., Hidrandina S.A., Electosureste S.A., Seal S.A., Electrosur S.A. [2] | January 2014 | December 2023 | 210 |
| | Sociedad Minera Cerro Verde S.A.A. [3] | January 2011 | December 2020 | 140 |
| | Compañía Minera Antapaccay S.A. [4] | November 2011 | October 2021 | 100 |
| | Southern Peru Copper Corporation | April 2017 | April 2027 | 120 |
| **COBEE** | Minera San Cristobal | December 2008 | October 2017 | 43 |
| **Colmito** | ENAP Refinerías S.A. | January 2014 | December 2017 | 35 |
| **Nejapa** | Seven distribution companies | August 2013 | January 2018 | 71 |
| | Seven distribution companies | August 2013 | July 2017 | 39 |
| **JPPC** | Jamaica Public Services Company | January 1998 | January 2018 | 60 |
| **Corinto** | Distribuidora de Electricidad del Norte S.A., Distribuidora de Electricidad del Sur S.A., | June 1999 | December 2018 | 50 |
| **Tipitapa Power** | Distribuidora de Electricidad del Norte S.A., Distribuidora de Electricidad del Sur S.A., | April 1999 | December 2018 | 51 |
| **Amayo I and Amayo II** | Distribuidora de Electricidad del Norte S.A., Distribuidora de Electricidad del Sur S.A., | March 2009<br>March 2013 | March 2024<br>March 2025 | 40 |
| **Surpetroil** | EMGESA | December 2010 | June 2015 | 5 |
| | ENERTOLIMA | December 2014 | October 2015 | 10 |
| | PETROSUD | March 2015 | March 2018 | 2 |

| Company | Principal Customer | Commencement | Expiration | Contracted Capacity Peak/Off-Peak (MW) |
|---|---|---|---|---|
| **Puerto Quetzal** | Distribuidora de Electricidad del Oriente | May 2013 | April 2015 | 20 |
| | Distribuidora de Electricidad de Occidente | May 2013 | April 2015 | 35 |
| | Empresa Electrica de Guatemala | May 2013 | April 2015 | 17 |
| | **Operating Company (ICPI)** | | | |
| **OPC** | PPA with Israel Electric Corporation [5] | July 2013 | June 2032 | 440 |
| | **Investments** | | | |
| **Pedregal** | Empresa de Distribución Eléctrica Metro-Oeste, S.A., Empresa de Distribución Eléctrica Chiriqui, S.A. | February 2013 | December 2016 | 17/32 |
| | Elektra Noreste, S.A. | February 2013 | December 2016 | 2/16 |
| | Empresa de Distribución Eléctrica Metro-Oeste, S.A., Empresa de Distribución Eléctrica Chiriqui, S.A. | January 2014 | December 2016 | 14/5/4 |
| | Elektra Noreste, S.A. | January 2014 | December 2016 | 6/2/2 |
| | **Project Pipeline** | | | |
| **CDA** | ElectroPeru | January 2016 | December 2030 | 200 |
| | Luz del Sur S.A.A. [6] | January 2018 | December 2027 | 202 |
| **Samay I** | Peruvian Investment Promotion Agency [7] | May 2016 | April 2035 | 600 |
| **Kanan** | Empresa de Distribución Electrica Chiriqui (EDECHI) | September 2015 | September 2020 | 7 |
| | Empresa de Distribución Electrica Elektra Nor Este S.A. (ENSA) | September 2015 | September 2020 | 34 |
| | Empresa de Distribución Electrica Metro Oeste S.A. (EDEMET) | September 2015 | September 2020 | 45 |

1. Represents capacity under 14 separate PPAs.
2. Represents capacity under 12 separate PPAs.
3. A subsidiary of Freeport McMoRan Copper and Gold, Inc.
4. A subsidiary of Glencore Xstrata.
5. The terms of the IEC PPA provide OPC with the option to sell the generated electricity in the power station directly to end users. OPC has selected this option and sells its energy and capacity directly to 20 end users. For more information on the IEC PPA, see " *– IC Power's Regulatory, Environmental and Compliance Matters – Regulation of the Israeli Electricity Sector .* "
6. Represents capacity under three separate PPAs.
7. Capacity backup contract.

***IC Power's Raw Materials and Suppliers***

IC Power's power facilities utilize either natural gas, hydroelectric, heavy fuel oil, diesel, wind, or a combination of the aforementioned energy sources. The price volatility, availability and purchase price of these materials (other than wind and hydroelectricity) depend upon the specific fuel and the market in which the fuel is to be used.

Kallpa, IC Power's largest asset, is party to several supply agreements, including natural gas supply agreements and transportation services agreements that are material to its operations. While Nejapa and CEPP purchase the heavy fuel oil necessary for their operations in the El Salvador and Dominican spot markets, respectively, JPPC, Nejapa, Corinto, Tipitapa and Puerto Quetzal purchase the heavy fuel oil necessary for its operations from several fuel suppliers in connection with long-term supply agreements. The sole provider of natural gas in Bolivia is a government-owned company. Therefore, the terms for transmission and delivery of natural gas to COBEE are set by Government decree.

Kallpa purchases its natural gas requirements for its generation facilities from the Camisea Consortium, composed of Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Peru, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Peru S.A.C. and Repsol Exploración Peru Sucursal del Peru, which we collectively refer to as, the Camisea Consortium, pursuant to a natural gas exclusive supply agreement. Under this agreement, the Camisea Consortium has agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount, and Kallpa has agreed to acquire natural gas exclusively from the Camisea Consortium. The Camisea Consortium is obligated to provide a maximum of 4.3 million cubic meters of natural gas per day to Kallpa's plant and Kallpa is obligated to purchase a minimum of 2.2 million cubic meters of natural gas per day. Should Kallpa fail to consume the contractual minimum volume on any given day, it may make up the consumption volume shortage on any day during the following 18 months. The price that

Kallpa pays to the Camisea Consortium for the natural gas supplied is based upon a base price in U.S. dollars set on the date of the agreement, indexed each year based on two producer price indices: Fuels and Related Products Power Index and Oil Field and Gas Field Machinery Index, with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Kallpa's natural gas transportation services are rendered by Transportadora de Gas del Peru S.A., or TGP, pursuant to a natural gas firm transportation agreement dated December 2007, as amended. In April 2014, this agreement was further modified to include the transportation agreement between Duke Energy Egenor S. en C. por A. and Las Flores. Pursuant to the modified agreement, TGP is obligated to transport up to 3.4 million cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This obligation will be reduced, first, by approximately 199,312 cubic meters per day beginning in March 2020 and, second, 206,039 cubic meters per day beginning in April 2030. This agreement expires in December 2033. Additionally, Kallpa is party to two additional gas transportation agreements, to become effective at the completion of the expansion of TGP's pipeline facilities (which is expected to occur between March 2016 and September 2016). Pursuant to these agreements, TGP will be obligated to transport up to 565,130 cubic meters of natural gas per day and 935,000 cubic meters of natural gas per day, respectively, from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. These agreements expire in April 2030 and April 2033, respectively. Additionally, on April 1, 2014, Kallpa entered into an agreement with TGP to cover the period up to the completion of the expansion of TGP's pipeline facilities. Pursuant to this agreement, TGP is obligated to transport up to 120,679 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. Pursuant to the terms of each of these agreements, Kallpa pays a regulated tariff approved by the OSINERGMIN.

OPC purchases natural gas from the Tamar Group, composed of Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership and Dor Gas Exploration Limited Partnership, or collectively, the Tamar Group, pursuant to a natural gas exclusive supply agreement dated November 2012. Under this agreement, the Tamar Group has agreed to supply OPC's natural gas requirements, subject to a contractual maximum amount of 10.6 billion cubic meters, and OPC has agreed to acquire its natural gas exclusively from the Tamar Group. The price that OPC pays to the Tamar Group for the natural gas supplied is based upon a base price in New Israeli Shekels set on the date of the agreement, indexed to changes in the "Production Cost" tariff, which is part of the "Time of Use" tariff and the USD representative exchange rate. For information on the risks associated with the impact of the PUAE's generation tariff on OPC's supply agreement with the Tamar Group, see " *Item 3D. Risk Factors – Risks Related to IC Power – The production and profitability of private power generation companies in Israel may be adversely affected by changes in Israel's regulatory environment* ."

OPC's agreement with the Tamar Group expires upon the earlier of June 2029 or the date on which OPC consumes the entire contractual capacity. This agreement remains subject to approval by Israel's Antitrust Authority, although performance under this contract has begun under temporary relief. For information on the Israeli Natural Gas Council's resolution regarding the pro rata distribution of natural gas in the event of gas shortages in Israel, see " *– IC Power's Regulatory, Environment and Compliance Matters – Regulation of the Israeli Electricity Sector – Capacity Exclusion From PPA Pursuant To Electricity Market Rules* ."

***IC Power's Competition***

IC Power's major competitors in the Latin American and Caribbean countries in which its operating companies operate are generally the large international power utility corporations operating in these countries. Local competitors also exist in each of these countries and account for varying market shares, depending upon the country of interest. Within Israel, IC Power's major competitors are IEC, Dorad Energy Ltd., a private power generator, and other private developers who, as a result of recent government initiatives encouraging investments in the Israeli power generation market, are constructing power stations with significant capacity.

Set forth below is a discussion of competition in certain of Inkia's and ICPI's markets of operation.

*Inkia*

**Peru**

In Peru, power generation companies compete along a number of dimensions, including the ability to (i) source and enter into long-term PPAs with power purchases, (ii) source and secure land for the development or expansion of additional power generation plants and (iii) maintain or increase market share in the growing Peruvian electricity market, particularly in connection with the balance of energy supply and demand within Peru. In Peru, IC Power competes with state-owned generation companies, as well as large international and domestic generators.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Peru for the periods presented:

| Company | Gross Energy Generation For the Year Ended December 31, (GWh) 2014 | 2013 | 2012 |
|---|---|---|---|
| Enersur (a subsidiary of GDF Suez S.A.) | 7,098 | 7,719 | 5,782 |
| Edegel [1] (a subsidiary of Endesa) | 8,848 | 8,700 | 8,837 |
| ElectroPeru (a state-owned generation company) | 7,041 | 7,272 | 7,352 |
| Kallpa | 5,924 | 5,458 | 4,284 |
| Egenor [2] (a subsidiary of Duke Energy Corp) | 2,534 | 2,336 | 3,532 |
| Other generation companies | 10,351 | 8,184 | 7,534 |
| Total | 41,796 | 39,669 | 37,321 |

*Source: COES*

1. Includes Edegel and Chinango.
2. Includes Egenor and Termoselva.

**El Salvador**

The electricity market in El Salvador is served by a variety of generation companies, including (i) Nejapa, (ii) CEL, a state-owned generation company whose primary generation facilities are hydroelectric plants, (iii) Lageo S.A. de C.V., a state-owned generation company whose primary generation facilities are geothermal plants, (iv) Duke Energy International, a subsidiary of Duke, and (v) Inversiones Energéticas, S.A. de C.V.

**Dominican Republic**

The power and electricity market in the Dominican Republic is served by a variety of generation companies, including (i) CEPP, (ii) affiliates of AES Corp., which owns one combined-cycle plant fueled by natural gas and two open-cycle plants fueled by natural gas as well as equity interests in two plants fueled with coal, (iii) Empresa de Generación Hidroeléctrica Dominicana, a state-owned generation company whose primary generation facilities are hydroelectric plants, (iv) Empresa Generadora de Electricidad Haina, S.A., (v) Compañía de Electricidad de San Pedro de Macorís, (vi) Gas Natural Fenosa, (vii) Seaboard TCC and (viii) LAESA.

**Bolivia**

The power and electricity market in Bolivia is primarily served by Guaracachi, COBEE, Valle Hermoso and Corani. Prior to May 2010, Guaracachi was a subsidiary of Rurelec Plc, Valle Hermoso was a subsidiary of the Bolivian Generating Group, and Corani was a subsidiary of Suez. In May 2010, the Bolivian government nationalized each of these generation companies and began negotiations with the owners of these generation companies with respect to the compensation to be paid for these assets. In October 2011, the Bolivian government reached compensation settlements related to the nationalization of Valle Hermoso and Corani, respectively, and in 2014, reached compensation settlements related to the nationalization of Guaracachi.

*ICPI*

Until commercial operation of OPC, IEC operated as the sole power provider of electricity in Israel. As of May 2014, Dorad Energy Ltd., an 860 MW power plant, is the only large-scale private power producer in Israel other than OPC. Several other private producers are in the process of constructing power plants, and are expected to commence operation of such plants in the coming years.

***IC Power's Seasonality***

Within the Latin American and Caribbean countries in which IC Power operates, power is generally generated by hydroelectric or thermal power stations. The hydroelectric stations are an efficient source of power generation due to the cost savings of fuel associated with thermal power generation. The power generated by these hydroelectric power stations varies in accordance with the rainy seasons and rainfall patterns of each country in each year. For example, greater amounts of

hydroelectric power are dispatched between November and April in Peru – the Peruvian rainy season – than between May and October, when the volumes of rainfall declines and operators have less water available for electricity generation in the reservoirs serving their plants. However, greater amounts of hydroelectric power are dispatched between May and October in El Salvador – the Salvadorian rainy season – than between November and April, when the volumes of Salvadorian rainfall declines and the hydroelectric units have less water available for electricity generation. El Salvador's hydroelectric plant is also subject to annual variations depending on climactic conditions, such as the El Niño phenomenon. For the same reasons, the volume of power generated by thermal power stations is also variable. Accordingly, IC Power's revenues are subject to seasonality, the effects of rainfall, and the type of energy generated in each country of operation (whether hydroelectric, thermal, natural gas, or fuel-generated). IC Power acts to reduce this exposure to seasonality by contracting long-term PPAs for most of its capacity.

Within Israel, the price of energy varies by season and demand period, with tariffs varying based upon the season (summer, winter and transition) and demand (peak, shoulder and off-peak). Generally, the tariffs in the winter and summer seasons are higher than those in the transition season, making OPC more profitable, generally, in the winter and summer months, as compared to other months of the year.

***IC Power's Property, Plants and Equipment***

The following table provides certain information regarding IC Power's power plants that are owned, leased or under construction, as of December 31, 2014:

| Company/Plant | Location | Effective Capacity *(MW)* | Fuel Type |
|---|---|---|---|
| **Operating Companies (Inkia)** | | | |
| **Kallpa:** | | | |
| Kallpa I, II, III and IV | Chilca district, Peru | 870 | Natural gas |
| Las Flores | Chilca district, Peru | 193 | Natural gas |
| **Kallpa Total** | | 1,063 | |
| **CEPP** | Puerto Plata, Dominican Republic | 67 | Heavy Fuel Oil |
| **COBEE:** | | | |
| ***Zongo Valley plants*** : | | | |
| Zongo | Zongo Valley, Bolivia | 11 | Hydroelectric |
| Tiquimani | Zongo Valley, Bolivia | 9 | Hydroelectric |
| Botijlaca | Zongo Valley, Bolivia | 7 | Hydroelectric |
| Cutichucho | Zongo Valley, Bolivia | 23 | Hydroelectric |
| Santa Rosa | Zongo Valley, Bolivia | 18 | Hydroelectric |
| Sainani [1] | Zongo Valley, Bolivia | 11 | Hydroelectric |
| Chururaqui | Zongo Valley, Bolivia | 25 | Hydroelectric |
| Harca | Zongo Valley, Bolivia | 26 | Hydroelectric |
| Cahua | Zongo Valley, Bolivia | 28 | Hydroelectric |
| Huaji | Zongo Valley, Bolivia | 30 | Hydroelectric |
| | | 188 | |
| ***Miguillas Valley plants:*** | | | |
| Miguillas | Miguillas Valley, Bolivia | 3 | Hydroelectric |
| Angostura | Miguillas Valley, Bolivia | 6 | Hydroelectric |
| Choquetanga | Miguillas Valley, Bolivia | 6 | Hydroelectric |
| Carabuco | Miguillas Valley, Bolivia | 6 | Hydroelectric |
| | | 21 | |
| El Alto-Kenko | La Paz, Bolivia | 19 | Natural gas |
| **COBEE Total** | | 228 | |
| **Central Cardones** | Copiapó, Chile | 153 | Diesel |
| **Nejapa** | Nejapa, El Salvador | 140 | Heavy Fuel Oil |
| **Colmito** | Concón, Chile | 58 | Natural gas / Diesel |
| **JPPC** | Kingston, Jamaica | 60 | Heavy fuel oil |
| **Corinto** | Chinandega, Nicaragua | 71 | Heavy fuel oil |

| Company/Plant | Location | Effective Capacity (MW) | Fuel Type |
|---|---|---|---|
| **Tipitapa Power** | Managua, Nicaragua | 51 | Heavy fuel oil |
| **Amayo I** | Rivas, Nicaragua | 40 | Wind |
| **Amayo II** [2] | Rivas, Nicaragua | 23 | Wind |
| **Surpetroil** | | | |
| La Hocha | Huila, Colombia | 5 | Natural gas |
| Purificación | Tolima, Colombia | 10 | Natural gas |
| **Surpetroil Total** | | 15 | |
| **Puerto Quetzal** | Escuintla, Guatemala | 179 | Heavy fuel oil |
| | **Operating Companies (ICPI)** | | |
| **OPC** | Mishor Rotem, Israel | 440 | Natural gas and diesel |
| | **Operating Companies Near Term Projects** | | |
| **CDA** | Huancavelica, Peru | 510 | Hydroelectric |
| **Samay I** | Mollendo, Peru | 600 | Diesel and natural gas |
| **Kanan** | Colon, Panama | 92 | Heavy fuel oil |
| **Entrerios** | Casanare, Colombia | 2 | Natural gas |

1. Plant is out of service due to damage sustained as a result of landslides. Plant is expected to be operational by the end of 2015.
2. Wind farm complex sustained damage in December 2014 in connection with a blackout in the National Interconnection System, which left one wind turbine collapsed and another two wind turbines with severe damage. IC Power has been discussing the commencement of repairs with the relevant insurer and the three turbines are expected to be operational by the end of 2015, subject to the insurer's payment of the repair fees. Such fees are estimated to be between $6 - $10 million.

In addition:

- Cenergica owns three fuel storage tanks on site with an aggregate capacity of 240,000 barrels and maintains a fuel depot and marine terminal located on a 6.5 hectare site that IC Power leases in Acajutla, El Salvador;
- IC Power was awarded a tender published by the Government of Chile for a lease of land in Northern Chile, which is intended for the construction of a power station with a capacity of about 350 MW; and
- IC Power was awarded a tender published by the Israel Land Authority to lease an approximately 592,000 square foot plot adjacent to the OPC site, which can be utilized to extend OPC's capacity in Israel.

For further information regarding IC Power's plants, see " *– IC Power's Description of Operations* ."

IC Power believes that it has satisfactory title to its plants and facilities in accordance with standards generally accepted in the electric power industry, other than title to certain land on which CEPP's facilities are located. With respect to CEPP, the Dominican Corporation of State Electricity Companies ( *Corporación Dominicana de Empresas Eléctricas Estatales* ) has transferred the land titles on which CEPP's facilities are located to CEPP and CEPP is in the process of obtaining the definitive titles documenting CEPP's appointment as the beneficiary.

IC Power leases its principal executive offices in Lima, Peru and various other office space in the markets that it serves. IC Power owns all of its production facilities, other than Kallpa I, Kallpa II, Kallpa III and Las Flores power plant. IC Power leases the Kallpa I, Kallpa II and Kallpa III facilities under capital leases as described in " *Item 5B. – Liquidity and Capital Resources – IC Power's Liquidity and Capital Resources – IC Power's Material Indebtedness – Kallpa Leases.* "

IC Power believes that all of its production facilities are in good operating condition. As of December 31, 2014, the consolidated net book value of IC Power's property, plant and equipment was $2,515 million.

***IC Power's Shareholder Agreements***

IC Power holds a majority stake in certain of its operating companies – Kallpa, OPC, CEPP, Central Cardones, Corinto, Tipitapa Power, Amayo I, Amayo II, JPPC, CDA, and Samay I – and a non-controlling interest in Pedregal. The operations of these companies are subject to shareholder and/or member agreements. Although the terms of each of these shareholder and member agreements vary, they generally provide, in certain circumstances and subject to certain conditions: (i) each shareholder with the right to elect a specified number of directors and/or executive officers; (ii) for the distribution of dividends in proportion to each shareholder's equity interest; (iii) the minority shareholder with veto rights with respect to significant corporate actions (e.g., mergers, share issuances, the amendment of governing documents, and the entry into PPAs or other contracts in excess of a specified value) and certain approval protocol with respect to the budget; (iv) each party with a right of first refusal with respect to any potential sale of the entity's shares; (v) each shareholder with tag-along rights in connection with any potential sale of the entity's shares; and (vi) specifications of additional equity contributions, if any. Additionally, Energía del Pacífico, the non-controlling shareholder in each of Kallpa, Samay I, and CDA, has the right to participate, on a non-controlling basis, in any future projects IC Power may develop in Peru.

***IC Power's Legal Proceedings***

Set forth below is a discussion of significant legal proceedings to which IC Power's subsidiaries are party.

*CDA – Rio Mantaro Claim*

In April 2014, Astaldi S.p.A. and GyM S.A., the contractors under the CDA EPC, delivered a claim to CDA, demanding a six-month extension for the completion of the CDA Project and an approximately $92 million increase in the total contract price of the CDA Project. CDA responded to Rio Mantaro's claim in July 2014, stating that (i) as a condition to making its claim, each of Astaldi S.p.A. and GyM S.A. must demonstrate that (1) the events giving rise to its right to demand an extension in time or an adjustment to the lump sum price were attributable to acts or omissions on the part of CDA, (2) other force majeure events have occurred, or (3) other causes that contractually create the right of such extension of time or adjustment of price have occurred and (ii) Astaldi S.p.A. and GyM S.A. have failed to demonstrate any of the foregoing and that therefore, they are not entitled to the requested adjustment and extension.

In March 2015, CDA and the CDA EPC contractors amended the CDA EPC to address such claims. Pursuant to the amendment, which is subject to CDA's lender's approval, CDA has agreed to pay, subject to the achievement of certain milestones, an additional $40 million, subdivided into 4 payments over the course of the remaining construction period, and has granted the extensions previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit. For further information on the amendment of the CDA EPC, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – IC Power – Settlement Agreement with CDA EPC Contractors* ."

*Nejapa Power Company, LLC – Legal Process With a Minority Shareholder*

Crystal Power, Nejapa's minority shareholder brought claims against Nejapa Holdings and Inkia Salvadorian, Limited, collectively, the Inkia Defendants, as well as against the majority shareholder of Nejapa Holdings, and certain subsidiaries of El Paso Corporation (the former owner of IC's interest in Nejapa Holdings), before the Court of the State of Texas at Brazoria County. The claims against the Inkia Defendants included claims relating to an issuance of new shares to Crystal Power by Nejapa Holdings, and allegations that Crystal Power had taken actions (i) preventing Nejapa Holdings from making distributions into an account opened by a New York Court as a result of an interpleader action filed by Nejapa Holdings, (ii) causing Nejapa to distribute dividends disproportionately and (iv) causing Inkia Salvadorian, Limited to use its majority position to harm Crystal Power. Crystal Power did not specify the amount of monetary damages against the Inkia Defendants.

In November 2014, Inkia and Crystal Power entered into a settlement agreement. The court approved Inkia and Crystal Power's settlement agreement and, pursuant to such agreement, IC Power purchased Crystal Power's 29% stake in Nejapa in January 2015 for cash consideration of $20 million.

*Kallpa – Import Tax Assessments*

Since 2010, the Peru Customs Authority (known as "SUNAT" for its abbreviation in Spanish) has issued tax assessments to Kallpa and its lenders for payment of import taxes allegedly owed by Kallpa in connection with imported equipment for installation and construction of Kallpa I, II, III and IV. The assessments were made on the basis that Kallpa did not include the value of the engineering services rendered by the contractor of the relevant project in the tax base for the import taxes. Kallpa disagrees with these tax assessments on the grounds that the engineering services rendered (for which taxes are payable) include the design of the plant but not the design of the imported equipment. Kallpa appealed the tax assessments before SUNAT and, after SUNAT confirmed the assessments, before the Peruvian Tax Court, or the Tribunal Fiscal. SUNAT and the Peruvian Tax Court are administrative institutions under the Ministry of Economy and Finance.

In January 2015, Kallpa was notified that the Tribunal Fiscal had rejected Kallpa's appeal in respect of the Kallpa I assessment. Kallpa disagreed with the Tribunal Fiscal's decision and appealed this decision to the Peruvian Judiciary. In order to appeal the Kallpa I ruling, Kallpa is required to pay the tax assessment of Kallpa I in the amount of approximately $12.6 million, which amount consists of the tax assessment for Kallpa I, plus related interest and fines. As of the date of this annual report, Kallpa has paid approximately $10 million of the $12.6 million assessment, and expects to pay the remaining amount once SUNAT formally notifies Kallpa of the remaining assessment. To the extent that Kallpa's appeal is successful, it is entitled to seek the return of the amounts paid (under protest) to SUNAT.

As of the end of February 2015, the total amount of import taxes claimed by SUNAT against Kallpa in connection with the import of equipment related to the Kallpa I, II, III and IV projects, equals approximately $34.8 million, including penalty, interest and fines in the amount of $27.6 million.

To avoid further accrual of interest in respect of the other Kallpa assessments (i.e. Kallpa II, II and IV), Kallpa may choose to pay the outstanding amounts under one or more of the other assessments, plus accrued interest and penalties, and in this case Kallpa would be entitled to a return of such payments to the extent that Kallpa's appeals are successful.

***IC Power's Regulatory, Environmental and Compliance Matters***

In Latin America and the Caribbean, where IC Power primarily operates, the electricity market allows for sale and delivery of power from power generators (private or government owned) to distribution companies (private or government owned) and to industrial consumers. In these countries there is typically structural segregation of companies involved in power generation and companies involved in power transmission and distribution. In most of these countries there is a government-owned power grid and transmission services are provided on open access basis, i.e. the transmission company must transmit power through the grid and in exchange, charges a transmission rate set by the supervisory authority or based on a competitive proceeding whereby grid connections are awarded to generation companies, distribution companies and end consumers based on availability. Whereas in these markets private and government-owned entities compete for power generation, its transmission and distribution are conducted subject to exclusive franchises; therefore, the transmission and distribution operations are regulated in markets in which IC Power operates.

In these countries, delivery and sale of power is subject to a regulatory regime (typical of privatized electricity markets) which includes supervision by an independent supervisory entity for the electricity market. For further information on the regulatory risks related to IC Power's operations, see " *Item 3D. Risk Factors – Risks Related to IC Power – IC Power's equipment, facilities and operations are subject to numerous environmental, health and safety laws and regulations that are expected to become more stringent in the future* ."

*Regulation of the Peruvian Electricity Sector*

In Peru, power is generated by companies which primarily operate hydroelectric and natural gas based power stations. The key legislation in Peru concerning the electricity market are the Law to Ensure Effective Development of Power Generation no. 28832 ( *Ley Para Asegurar el Desarrollo Eficiente de la Generación Eléctrica* ) (hereinafter, "Law 28832") and the Electricity Franchise Law no. 25844 ( *Ley de Concesiones Eléctricas* ) (hereinafter, "Law 25844", which we jointly refer to, together with Law 28832, as "the general electricity laws in Peru"). The general electricity laws in Peru form the statutory framework governing the electricity market in Peru and cover, among other things:

- generation, transmission, distribution and trading of electric power;
- operation of the energy market; and
- generation prices, availability fees and other tariffs.

All entities which generate, transmit or distribute power to third parties in Peru operate subject to the general electricity laws in Peru. Power generating companies in Peru, such as IC Power, are impacted, among other things, by regulation applicable to transmission and distribution companies.

Although significant private investment has been made in the electricity market in Peru and independent supervisory entities have been created to supervise and regulate the electricity market, the Government of Peru has remained, in actual fact, in the role of supervisor and regulator. In addition, the Government of Peru owns multiple power generation and distribution companies in Peru.

**Regulatory Entities**

There are five entities in charge of regulation, operation and supervision of the electricity market in Peru in general, and of IC Power's operations in Peru in particular:

*MINEM* – The Ministry of Energy and Mines, responsible for:

(a) setting national energy policy; (b) proposing and adopting laws and regulations to supervise the energy sector; (c) controlling expansion plans for SEIN; (d) approving proposed expansion plans by COES; (e) promoting scientific research and investment in energy; and (f) granting franchises to entities who wish to operate in power generation, transmission or distribution in Peru.

*OSINERGMIN* – the Office of Supervisor over Energy and Mining Investments is an independent entity responsible, among other things, for:

(a) supervising compliance of different entities with laws and regulations concerning power generation, transmission, distribution and trading; (b) setting transmission and distribution tariffs (primarily based on tenders); (c) setting and enforcing price levels in the electricity market in Peru and setting tariffs for customers subject to regulated tariffs; (d) imposing fines and damages for violations of the laws and regulations; (e) handling claims made by, against or between consumers and players in the electricity market; (f) supervising public tenders with regard to PPAs between generation companies and distribution companies; and (g) supervising operations of COES.

Generation tariffs for sale by generation companies to distribution companies are determined based on tender and are limited to a maximum specified by OSINERGMIN. In addition, OSINERGMIN annually specifies energy prices and availability used in agreements between generation companies and distribution companies

*COES* – the Council for Effective Operation is responsible for:

(a) planning and co-ordination of the power generation system for all power generation and transmission units, in order to ensure reliable generation at minimum cost; (b) setting spot market prices based on marginal cost; (c) managing the spot market for availability prices in transactions between generation companies (excess and shortage of actual generation vs. demand pursuant to PPA); (d) allocating fixed availability and energy to generation units; (e) submitting proposals to OSINERGMIN for issuing regulatory standards, including technical standards and procedures used as guidelines for carrying out COES directives; and (f) setting expansion plans for the transmission grid.

*INDECOPI* – the Antitrust Authority in Peru.

*OEFA* – the governmental body responsible for the power stations compliance with the environmental regulations.

**Generation Companies**

Since 1992, the electricity market in Peru has been operating based on marginal cost. COES decides which generation facilities are in operation at any given time, maintaining minimum energy cost. Energy units are activated on real-time basis, with units with a lower variable generation cost being activated first. The variable cost for the most recent generation unit activated in each time period determines the price of electricity in said time period (15 minutes) for generation companies which sell or buy power on the spot market at that time period. Any generation companies with excess generation over energy sold pursuant to PPA in each 15-minute interval, sell their excess at spot prices to generation companies with lower generation than their contractual obligations for that time period. As of the date of this annual report, distribution companies and regulated consumers cannot purchase power off the grid at spot prices, but rather must contract agreements with power generation companies or – for smaller consumers – with distribution companies. Power generation companies are also paid availability fees by SEIN, based on their fixed capacity. Availability transactions are subject to Law 25844. This law stipulates a methodology for allocation of capacity for each generation unit. COES allocates part of the capacity to each generation unit based on pre-determined variables, including capacity for the SEIN grid, expected demand throughout the year, availability of generation unit, variable cost for the generation unit and excess power reserve. Part of the availability allocated to generation units is determined to be the capacity of the generation unit. The availability rate for each generation unit accounts for availability during peak demand hours over the past two years.

PPAs are commercial agreements, independent of actual allocation of generation or actual provision of availability. Generation companies which generate insufficient energy as per their PPAs purchase energy based on COES procedures from other generation companies which has excess generation or availability. The energy price is the spot price, and the availability price is regulated and set by OSINERGMIN.

Pursuant to an ordinance by the Government of Peru dated 2008, COES is required to specify energy spot prices without accounting for limitations due to shortage in supply of natural gas and for limitations on transmission of natural gas. Generation companies with variable cost higher than the spot price, including IC Power, are compensated for their cost by transmission levies imposed on end consumers and collected by distribution companies. As of the date of this annual report, the aforementioned government ordinance is effective through 2017.

**Transmission Companies**

Transmission in the SEIN grid is operated by COES. Expansion plans for the transmission grid are proposed by COES to MINEM for final approval; prior to executing the COES expansion plan, the Government of Peru creates an interim transmission plan. Transmission companies who wish to participate in construction of the transmission system specified in the expansion plan are required to submit their bid for a tender. The transmission company awarded the tender may operate the line over 30 years and would be eligible to receive tariff payments from generation companies, as specified in the tender document. The group of transmission lines created pursuant to such tenders after 2006 are known as “guaranteed transmission lines.” Transmission lines not included in plans such as aforementioned, independently constructed by transmission companies after 2006, are known as “complementary transmission lines”; tariffs for use of these lines are determined by COES, based on tariffs specified by OSINERGMIN.

Transmission lines created prior to 2006 are categorized into two groups. Transmission lines available for use by all generation companies are categorized as primary transmission lines; transmission lines only used by specific generation or distribution companies and only available to these generation companies are categorized as secondary transmission lines. Both Kallpa and Las Flores transmit the power generated by the power stations to the group of secondary transmission lines created prior to 2006.

**Distribution Companies**

According to the general electricity laws in Peru, distribution companies are required to provide energy to customers at regulated prices. Distribution companies may also provide energy to customers not subject to regulated prices – pursuant to PPAs. As of the date of this annual report, the only private distribution companies awarded a distribution franchise are: Luz del Sur, Edelnor, Edecanete, Electro dunas and Coelvisac. These five companies distributed 68% of all energy distributed by distribution companies in Peru in 2013. The remainder of power is sold by Government-owned entities.

Prior to July 2006, pricing in all contracts between generation companies and distribution companies with respect to sale of power to end customers at regulated prices, included energy tariffs composed of payment for availability, energy and transmission – known as cumulative line prices, as determined by OSINERGMIN. Distribution companies sell energy on the regulated market at cost plus an additional distribution charge known as VAD. After July 2006, most of the agreements result from tenders in which generation companies bid prices up to the regulated maximum tariff. Bid prices include payment for availability and energy.

The energy purchased by distribution companies from generation companies at cumulative line prices pursuant to old PPAs accounted for less than 35% of total purchasing in 2013 – and is expected to decrease in coming years.

Since July 2006, pursuant to Law No. 28832, contracts to sell energy to distribution companies for resale to regulated customers may be made at fixed prices based on public bids of generation companies or at the bus bar prices set by the OSINERGMIN. After the bidding process is concluded, a distribution company will be entitled to purchase energy from the winning bidder at the bid price for the life of the relevant PPA. The prices obtained through the public bid process are subject to a maximum energy price set by the OSINERGMIN prior to bidding. If all the bids are higher than the price set by the OSINERGMIN, the public bids are disregarded and no PPA will be awarded. The process may be repeated until the prices that are offered are below the cap set by the OSINERGMIN. Under Law No. 28832, the prices charged to regulated customers under these PPAs are capped at a price based on a weighted average of the bid price of the winning generator and the applicable bus bar prices. As these prices are typically in excess of bus bar prices, these PPAs allow distribution companies to more effectively pass through their operating costs to their end users.

*Regulation of the Chilean Sector*

The electricity market in Chile consists of three sectors: generation, transmission and distribution. Power generation is open to competition, whereas transmission and distribution are conducted by monopolies subject to regulated prices.

The electricity market in Chile uses the marginal generation cost method to determine the sequence of activation of power stations, thereby ensuring that demand for power is satisfied at the minimum system cost. This method, launched in 1982, is used in many countries.

Chile has four power systems, of which two of these are its major systems. The largest system is Central Interconnected System, or SIC, with capacity of 15,151 MW, primarily consisting of hydro-electric, coal-based power stations and dual power stations using liquid natural gas or diesel. SIC serves over 90% of the population and 87% of GDP in this country.

The second largest system is Sistema Interconectado Norte Grande, or SING, with capacity of 4,970 MW. SING covers a 700 kilometer stretch of Chile's North coast line. The system serves 6% of the population and is a major power supplier for the country's copper mining industry.

The two other power systems are relatively smaller, located in the south of the country.

Central Cardones and Colmito are part of the SIC power grid. The National Energy Commission ( *Comisión Nacional de Energía* ) is an independent government regulator which determines distribution tariffs, among other things. Prices used by generation companies to sell power to distribution companies for regulated customers (those customers who consume up to 2 MW) are determined by regulated tenders. Power prices for non-regulated customers are determined by direct negotiations and by tenders, with no intervention by government entities. Tariffs for expansion of the transmission system are determined by international tenders.

*Regulation of the Salvadorian Electricity Sector*

Through July 2011, the electricity market in El Salvador was based on purchase and sale of power by competitive price tenders by generation companies. In August 2011, the electricity market in El Salvador was re-structured and is now essentially similar to electricity markets in other countries in which IC Power operates. Currently, generation units are activated based on the variable cost thereof, and prices are determined by the variable cost of the most recent unit activated. Due to this change, local distribution companies have issued a first tender for purchase of power over a 2-3 year term. In conjunction with this tender, Nejapa was awarded a contract to provide 71 MW over a 4 to 5 years term, through January 2018 and a 39 MW PPA over a 4 year period until July 2017.

*Regulation of the Dominican Republic Electricity Sector*

The regulatory framework in the Dominican Republic is essentially similar to the one in Peru. Power generation in the Dominican Republic is based on free competition among private and government-owned generation companies, whereas the transmission and distribution grid is controlled by government-owned companies. The main source of revenues for generation companies is direct energy sale to distribution companies and from sale of energy and availability on the spot market.

The key issue with the electricity market in the Dominican Republic is the large-scale theft of power in this country; the tariff charged to consumers does not cover in full the generation and distribution costs – requiring a significant government subsidy to make up the difference.

*Regulation of the Bolivian Energy Sector*

The electricity market in Bolivia is subject to Bolivia's Electricity Act and regulations based there upon, which apply to the electricity sector and the wholesale power market in Bolivia and which is subject to supervision by local authorities. The power pricing system in Bolivia is based on a free market where generation companies compete for activation of their generation units, and the spot price is determined based on marginal cost (similar to Peru), with free access to transmission and distribution systems. However, major customers purchase power at regulated tariffs. The price for energy and power generation in this country is based on marginal cost. According to Bolivia's constitution from 2009, all power generation companies in Bolivia are required to obtain a license from the relevant authority for the right to generate and sell power on the national grid. As of the date of this annual report, COBEE operates in accordance with the interim licenses awarded to the company. There is no certainty on obtaining the permanent license.

*Regulation of the Israeli Electricity Sector*

The electricity market in Israel is exclusively controlled by IEC, which owns approximately 92% of the power generation capacity in Israel (according to the IEC financial report for 2013) and also owns 100% of the power transmission and distribution systems. According to the Electricity Market Law, IEC is classified as an "essential service provider"; as such, it is subject to basic obligations and operations for proper management of the electricity market, including filing development plans, management of the power system, management of the power transmission and distribution systems, providing backup and infrastructure services to private power generators and to consumers, and purchasing power from private power generators. OPC is the first large-scale private power plant in Israel. In May 2014, Dorad Energy Ltd. commenced commercial operation in Israel, adding 860 MW of capacity to the Israeli electricity market. In the next few years, OPC also expects additional private producers to enter the market.

**Tariff Structure For Electricity Sale In A Private Transaction**

In transactions between private producers and end users, the price for end users is based on their purchase alternative from IEC, at a certain discount from the production component of the TOU (time of use) tariff. The weighted average generation component, in accordance with the most recent PUAE update dated January 2015, is NIS 301 per MWh (approximately $77 per MWh). This component is in addition to transmission and distribution services, as listed on the tariff tables issued by PUAE. The mechanism of power purchase between private producers, end users and IEC is regulated in the Electricity Market Law, as well as decisions of the PUAE that are published from time to time.

**Capacity Exclusion From PPA Pursuant To Electricity Market Rules**

According to the IEC PPA, OPC may exclude capacity from the IEC PPA in order to be used for sale of power to individual consumers pursuant to electricity market rules, subject to advance notice whose length depends on the excluded capacity.

Additionally, in December 2012, the Israeli Natural Gas Council issued resolution no. 6/2012, or the Gas Authority Resolution, with respect to the regulation of the usage of capacity of the natural gas pipeline from the Tamar rig to the natural gas exit point at the Ashdod receiving station. The Gas Authority Resolution indicates that capacity of the gas pipeline is limited, and is unable to satisfy the full demand expected on the market in coming years. Consequently, the Gas Authority Resolution stipulates, among other things, that in case of a shortage of capacity of the gas pipeline, the pipeline capacity would be divided pro-rata among all consumers connected to the national gas transmission system, based on a formula set forth in the Gas Authority Resolution. In the Gas Authority Resolution, several limited exceptions to this pro-rata mechanism were specified to ensure capacity for the delivery of certain volumes of natural gas to consumers on the distribution network and priority to be given for use of natural gas reserves in the INGL transmission pipeline (linepack) to consumers who had signed agreements with Yam Tethys Group and/or with the Tamar Group prior to August 14, 2012. This regulation of the transmission capacity differs from provisions included in OPC's agreement with the Tamar Group with regard to the allocation of gas pipeline capacity in times of capacity shortage. IC Power and its legal counsel believe that the pro-rata mechanism stipulated in the Gas Authority Resolution may increase the gas volume delivered to OPC in the event of gas pipeline capacity shortages pursuant to OPC's agreement with the Tamar Group. As of the date of this annual report, the manner in which the Gas Authority Resolution would be implemented and/or its effect on OPC's agreement with the Tamar Group remains unknown.

**Capacity Re-Inclusion In The IEC PPA And Reduction Of Availability Fee**

According to the Electricity Market Law, any private power generation company which has excluded capacity from the IEC PPA for sale to individual consumers may inform IEC, subject to 12 month advance notice, of re-inclusion of the excluded capacity (in whole or in part) in the IEC PPA (providing availability and capacity to IEC). In such case, the IEC PPA reiterates provisions of the Electricity Market Law, and sets the capacity price for the re-included capacity, based on the period and capacity re-included.

**Transmission And Backup Appendix In The IEC PPA, Provisions Of The IEC PPA With Regard To Sale Of Power To End Users**

The IEC PPA includes a transmission and backup appendix, which requires IEC to provide transmission and backup services to OPC and its consumers, for private transactions between OPC and its customers, and the tariffs payable by OPC to IEC for these services. Moreover, upon entering a PPA between OPC and an individual consumer, OPC becomes the sole electricity provider for this end user, and IEC is required to supply power to individual end users when, OPC is unable to do so, in exchange for a payment by OPC according to the tariffs set by PUAE for this purpose. It was further stipulated that should the power system administrator fail to request activation of the power station, OPC should monitor the power consumption of its end users and adjust generation levels to consumption fluctuations, or else OPC would be liable to pay excess fees to IEC, based on tariffs specified for such case in the IEC PPA.

**Qoros**

Qoros is a China-based automotive company delivering international standards of quality and safety, as well as innovative features, to the large and fast-growing Chinese market. Qoros' vision is to design, manufacture, distribute, and service (through dealers) high quality cars for young, modern, urban consumers. Qoros has assembled a highly experienced international management team with decades of experience in leading global OEMs and other industry participants, and has established strong relationships with world class suppliers and engineering service providers. Qoros' existing manufacturing facility has an initial technical capacity of 150 thousand units per annum, which can be increased to approximately 220 thousand units per annum through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency) and is located in Changshu, China. As of December 31, 2014, Qoros has launched three vehicle models – the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV – and has sold approximately 7,000 vehicles.

Qoros is seeking to establish a strong position in the Chinese passenger vehicle market, the largest and fastest growing passenger vehicle market in terms of units sold, according to *China Association of Automobile Manufacturers* , or CAAM. In designing its vehicles, Qoros devoted significant time and resources in conducting extensive consumer surveys, including tracking the driving habits of drivers, to ascertain the vehicle features preferred by its targeted consumers: young, modern, urban consumers who have demonstrated a preference for C-segment vehicle models. The C-segment, which primarily includes the sedan, hatchback, SUV, and multi-purpose-vehicle body types, is the largest vehicle segment in China with 9.7 million C-segment vehicles, or 56% of China's total passenger vehicle sales, sold in 2014 according to *China Passenger Car Association* , or CPCA (including exports, and excluding imports). Qoros' strategy is to offer Chinese consumers international standards of quality and safety, as well as innovative features, in a Chinese manufactured and branded vehicle and, having designed such vehicles, Qoros believes that it will be positioned to enter into other markets in the future.

Qoros' vehicles reflect the strong customer preferences identified in Qoros' research, such as vehicle safety, innovative connectivity, and vehicle performance and design features tailored to the Chinese market. The Qoros 3 Sedan was awarded the Best in Class award in Euro NCAP's 2013 safety assessments and was the highest scoring vehicle among vehicles that participated in Euro NCAP's 2013 assessment, which included the assessment of many luxury European brands. Additionally, in 2014, the Qoros 3 Hatch received the Red Dot Award, in recognition of its design. Qoros also received the Telematics Update Award in 2014. Each Qoros vehicle is equipped with a Multi-Media Hub, or MMH, which includes an 8-inch touch screen and interactive human machine interface, or HMI, system. Through the MMH, most of Qoros' vehicles are equipped with the "QorosQloud", an innovative, cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic and parking information) connectivity features.

We have a 50% stake in Qoros, with the remaining 50% interest owned by Wuhu Chery, a subsidiary of Chery, a large state controlled holding enterprise and Chinese automobile manufacturing company that has been producing automobiles since 1999. To date, Kenon and Chery have contributed RMB4.5 billion and RMB4.1 billion, respectively, to Qoros via capital contributions and/or convertible or non-convertible shareholder loans.

Qoros will continue to need to raise significant additional debt financing, and obtain additional shareholder financing, to meet its operating expenses, financing expenses, capital expenditures and liquidity requirements to continue its commercial operations. Qoros' ability to obtain the required financing will depend on a number of factors, including its sales performance, and Qoros may be unable to secure such financing. We expect that a significant portion of our liquidity and capital resources will be used to support the development of Qoros. For example, we recently provided a RMB400 million shareholder loan to Qoros, and Chery has committed to provide RMB400 million shareholder loan to Qoros in connection with the release of Chery's guarantee of up to RMB1.5 billion (approximately $241 million) under Qoros' RMB3 billion credit facility. Kenon has agreed, in the event that Chery provides such loan to Qoros and Chery's guarantee is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities. For further information on our provision of this shareholder loan and our undertaking in respect of Chery's obligations, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros – Provision of RMB400 Million Shareholder Loan* ." For further information on Qoros' liquidity, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros commenced commercial sales at the end of 2013 and will therefore depend on external debt financing and guarantees or commitments from its shareholders to finance its operations "* and " *Item 5B. Liquidity and Capital Resources – Qoros' Liquidity and Capital Resources* ."

***Qoros' Strengths***

**Focus on the Large and Fast Growing Chinese Passenger Vehicle Market** – China is the largest passenger vehicle market in the world in terms of units sold, with 17.9 million passenger vehicles sold in 2014, representing approximately 30% of the global passenger vehicle market, according to CAAM, CPCA and the *International Organization of Motor Vehicle Manufacturing* , or OICA. China is also the fastest growing passenger vehicle market in the world in terms of units sold with a 22% CAGR from 2004 to 2014, based upon information sourced from CAAM and CPCA, with respect to vehicles sold (including imports) during the period. Industry analysts expect the growth of China's passenger vehicle market to continue – for example, the *China State Information Center* , or SIC, indicated in November 2013 that the Chinese passenger vehicle market is expected to experience an annual growth of approximately 10% between 2014 and 2018. Additionally, China's vehicle penetration level as of the end of 2012 (approximately 8%) is significantly lower than those of many other developed automotive markets (79% in the U.S., for example), according to OICA, indicating sustainable growth potential for this market. The C-segment, in which Qoros' initial vehicle models compete, is the largest passenger vehicle segment in China, in terms of units sold. According to CPCA, 9.7 million C-segment vehicles were sold in China in 2014, representing 56% of China's passenger vehicle sales in that year (including exports, and excluding imports). A significant portion of the sales within this segment is generated from foreign joint venture brands, indicating Chinese consumers' preference for vehicles delivering international standards and features.

**Modern, high-quality vehicle models specifically-designed for the Chinese urban consumer** – Based on Qoros' extensive customer and industry research, Qoros' vehicle models were specifically designed to reflect the preferences of young, modern, urban consumers. In designing its C-Segment model, Qoros commissioned more than one hundred primary marketing studies, soliciting input from over 10,000 potential buyers over the course of seven years, including tracking the driving habits of drivers. Qoros has developed a vehicle product concept that Qoros believes satisfies the three "voice of the customer" pillars – Well engineered, Well designed, and Beyond driving – and reflects Chinese consumers' safety, performance, design and connectivity preferences:

- *Well Engineered:* Qoros has engaged global companies in both the automotive (e.g., Magna Steyr, Bosch, Getrag, Valeo) and non-automotive (e.g., Frog Design, Microsoft, China Unicom) industries to facilitate the development and design of its vehicle platform. As evidence of Qoros' successful engineering efforts, the Qoros 3 Sedan has been recognized for its outstanding vehicle safety according to European standards, having received the Euro NCAP's maximum five-star rating. In 2013, the year the Qoros 3 Sedan was launched, the Qoros 3 Sedan was awarded the Best in Class award in Euro NCAP's 2013 safety assessments and was the highest scoring vehicle among vehicles that participated in Euro NCAP's 2013 assessment, which included the assessment of many luxury European brands. Additionally, the Qoros 3 Sedan's vehicle performance is competitive within this segment in China, particularly in terms of fuel economy, acoustics, aerodynamics, climatic comfort and braking performance.
- *Well Designed:* Qoros has an experienced in-house design team, located in its design centers in Munich and Shanghai. The Qoros 3 Sedan's design provides one of the most spacious interiors in the segment. In particular, the large shoulder room and rear leg room reflect important preferences of the Chinese C-segment consumers. Additionally, in 2014, the Qoros 3 Hatch received the Red Dot Award, in recognition of its design.
- *Beyond Driving – Connectivity:* All of Qoros' vehicles are equipped with a MMH, including an intuitive, 8" capacitive touch screen with swipe gestured control HMI, and most Qoros vehicles are equipped with the "QorosQloud," a cutting-edge telematics and cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic, parking information, cloud-enabled map update, and safe drive monitoring) connectivity features. Qoros believes that the features and the services provided by the QorosQloud integrates Qoros' vehicle into the driver's lifestyle, by virtually connecting the vehicle, the driver and the driver's digital world. In 2014, Qoros also received the Telematics Update Award.

**Flexible platform and scalable manufacturing footprint** – Qoros' vehicle platform reflects the results of Qoros' intensive research and collaboration with industry experts, enabling Qoros to efficiently deliver new model variants.

Qoros has developed core competencies within key selected areas (e.g., safety, styling, multimedia, etc.) and outsources many of its non-core operations through relationships that it has developed with various external engineers and suppliers with technical centers located throughout Europe and China. Outsourcing non-core functions allows Qoros to access technology and service suppliers as needed, without incurring the costs associated with maintaining such research and development capacity or capacity expansion on a full-time basis. For example, Qoros has engaged Magna Steyr, a company engaged in automobile design and engineering, in the design and development of Qoros' vehicle platform, and of its individual vehicle models. Qoros also collaborates and sub-contracts with several other engineering firms for its product development activities. Qoros sources the

component parts necessary for its vehicle models from over 100 global suppliers, which are typically European-based, with manufacturing facilities in China. Qoros aims to establish long-term relationships with its suppliers as a means of building loyalty, achieving competitive pricing, and achieving component quality and timeliness of delivery. Qoros' strategic relationships and outsourcing permits it to maintain a lean and relatively flat organizational structure.

Additionally, Qoros' vehicle platform has been designed to support the development and production of each of Qoros' planned C-segment models and can be modified into a D-segment platform with relatively minor adjustments. Qoros has recently completed the construction of its state-of-the-art manufacturing facility in Changshu, China, which it also designed in consultation with various international consultants with extensive experience in the development of automobile production facilities in China and globally. Qoros' manufacturing facility has an initial technical capacity of 150 thousand units per annum, which can be increased to approximately 220 thousand units per annum through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency) and can, subject to Qoros' receipt of government approval, be further increased to up to approximately 440 thousand units per annum through a second stage plant expansion together with an optimized work shift model.

**International management team with significant industry experience** – Qoros is managed by a highly experienced global management team with decades of experience in leading global businesses within the automotive, management consulting and high-tech industries and Qoros' management team is critical to its success. Qoros believes that its management team's experience contributes to Qoros' ability to effectively execute Qoros' current development plan.

***Qoros' Strategies***

**Establish the Qoros brand** – Qoros has deployed an integrated marketing campaign to establish and increase customers' awareness of the Qoros brand, including participation in auto shows and similar events, the use of online, and pay-per-click ads, and the use of traditional advertising, such as television and print ads. Qoros believes its marketing efforts have increased its brand awareness in China. For example, a recent *Auto Motor and Sport China* survey with over 40,000 participants ranked the Qoros 3 Sedan No. 4 on its "Best Domestic Compact Car" list out of 433 car models within the C-segment based upon the percentage of participants choosing Qoros' brand. Qoros also won the "Brand of the Year" award given by *Auto Motor and Sport China.* Additionally, in 2014, the Qoros 3 Hatch received the Red Dot Award, in recognition of its design. Qoros also received the Telematics Update Award in 2014. Qoros intends to continue its brand development efforts, seeking to generate demand for Qoros' vehicles and increasing leads to Qoros' dealerships and sales teams.

**Successfully ramp-up Qoros' commercial sales** – Qoros' commercial launch includes the launch of Qoros' C-segment models, such as the launch of the Qoros 3 Sedan in December 2013, the launch of Qoros' second model, the Qoros 3 Hatch, in June 2014, and the launch of Qoros' third model, the Qoros 3 City SUV, in December 2014. Qoros also intends to continue to expand its dealer network, and build-up of its sales and service infrastructure.

As of December 31, 2014, Qoros has sold approximately 7,000 vehicles. Qoros is continuing to focus on the sales of the Qoros 3 Sedan, the Qoros 3 Hatch, and the Qoros 3 City SUV, and as well as on its customer awareness and outreach efforts. Qoros is also continuing to develop its dealer network, targeting those regions and cities that have been identified by Qoros' extensive research as having high sales potential within the C-segment. Each of Qoros' dealerships is constructed in accordance with a distinctive, Qoros-branded CI, designed to result in consistent appearance and service standards. Qoros' dealers are required to complete rigorous training with respect to Qoros' vehicle models, features and accessories. The construction and operation of Qoros' dealerships are financed by Qoros' dealers themselves, with partial reimbursements received from Qoros, resulting in the financial commitment of dealers to the commercial success of Qoros' vehicle models. As of December 31, 2014, 75 Qoros dealerships (representing 75 points of sales) were fully operational and 20 additional Qoros dealerships (representing 20 points of sales) were under construction.

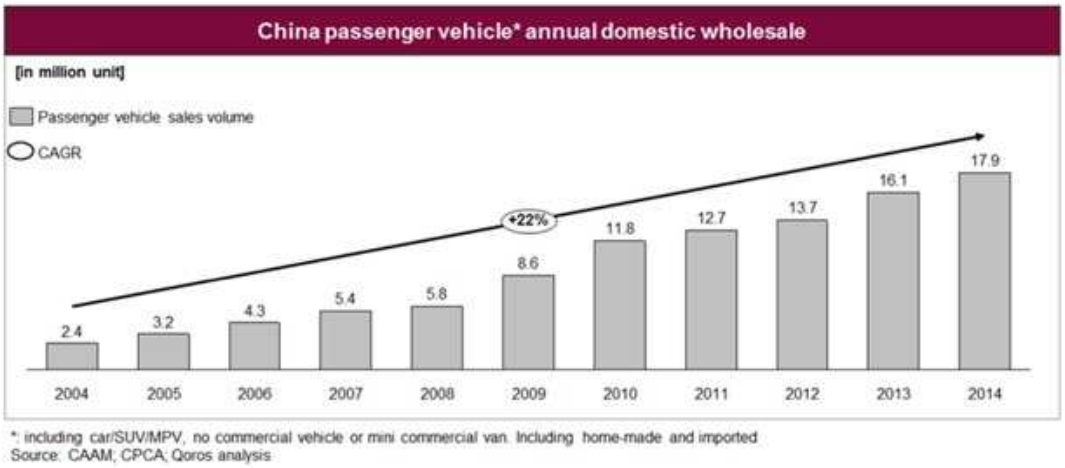
The development of Qoros' sales and service infrastructure includes Qoros' development of an information technology infrastructure connecting Qoros with its dealers and enabling coordination regarding the sales and aftermarket support of Qoros' vehicles. Qoros is also continuing to establish service and diagnostic tools and service manuals across its dealer network and to train technicians to conduct repairs and to provide other after-market support at its various dealer locations.

**Leverage platform to grow Qoros' business, expand its product offerings and expand its sales to other regions in the future** – Qoros' long-term strategy contemplates the expansion of Qoros' vehicle portfolio through the introduction of additional vehicle models, particularly models in the C-segment and at a later stage, the D-segment, using Qoros' existing platform. By using its existing scalable platform, Qoros can develop new models in an efficient manner, as its platform permits Qoros to develop new models with varying and distinctive features, while making only minor adjustments. The Qoros platform, for example, has been used to develop the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV, and is also being used to develop another SUV model, which Qoros intends to launch in the future. Qoros also intends to offer additional services, parts and accessories for its vehicles, including value added services based upon its connectivity platform.

**Efficiently scale production capacity** – Qoros' manufacturing facility has embedded flexibility and has been specifically designed to provide easily expandable capacity. Qoros' manufacturing facility's capacity can be increased from its current 150 thousand vehicles per annum to approximately 220 thousand units per annum, through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency) and, subject to Qoros' receipt of government approval, up to approximately 440 thousand units per annum through a second stage plant expansion together with an optimized work shift model. Qoros has no immediate plans for expansion and has not submitted any expansion plans for regulatory approval. Qoros intends to increase its manufacturing capacity to the extent of increased demand for its vehicles, the success of its brand establishment, and the success of the launch of its C-segment vehicle models.

***Overview of the Chinese Passenger Vehicle Market***

Qoros is currently focused on the Chinese passenger vehicle market, which has experienced rapid growth in recent years driven by significant expansion of the Chinese economy. Today, China is the largest and fastest growing passenger vehicle market in the world in terms of units sold. Based upon information sourced from CAAM and CPCA, the domestic sales volume of passenger vehicles grew from approximately 2.4 million vehicles (including imports) in 2004 to 17.9 million vehicles (including imports) in 2014, representing a CAGR of 22%, and is expected to continue to grow.




*Factors Driving Growth in the Chinese Passenger Vehicle Industry*

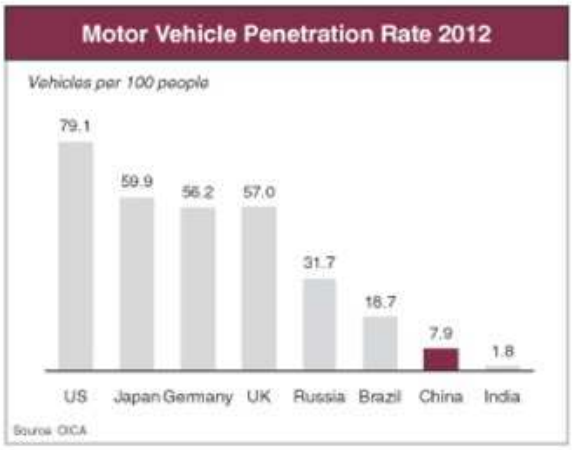
Qoros believes the following factors have contributed to the growth of the Chinese passenger vehicle industry:

**Rapid Economic and Purchasing Power Growth**

High GDP growth in China over the past decade has resulted in increased personal wealth and purchasing power. According to the National Bureau of Statistics of China, or NBSC, China's nominal GDP increased from RMB13,582 billion (approximately $2,186 billion) in 2003 to RMB63,646 billion (approximately $10,242 billion) in 2014. According to the NBSC, the annual disposable income per capita in Chinese urban households increased from RMB24,565 (approximately $3,953) in 2012 to RMB28,844 (approximately $4,641) in 2014, representing an increase of 9%. If the Chinese economy continues to grow, corresponding personal wealth generation will support greater demand for passenger vehicles, which will accelerate the expansion of China's passenger vehicle industry. It should be noted that, in conjunction with recent economic recovery in the United States and within the European Union, the growth rate in China declined in 2014. In April 2014, the NBSC recorded slight reductions in China's industrial production growth and the growth in investment in fixed assets. For information on the risks related to China's economic growth, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – The economic, political and social conditions in China could have a material adverse effect on Qoros* ."

**Low Penetration Rate Implies Long-Term Growth Potential**

Although China's passenger vehicle market is the largest in the world by country (in terms of units sold), China's penetration rate of vehicles as a proportion of its population is still relatively low, at approximately 8% at the end of 2012. According to OICA, the penetration rate of more mature economies, by comparison, typically ranges from 32% (in the case of Russia) to 79% (in the case of the United States), which indicates significant growth potential for the passenger vehicle market in China.




By Brand, including car/SUV/MPV, Russia excluded in East Europe, Germany excluded in West Europe.
Source: OICA

**Increased Urbanization**

Urbanization within China has created significant opportunities for the passenger vehicle industry as urban residents have shown a tendency for greater mobility. China has become increasingly urbanized over the years. According to the World Bank, from 2003 to 2013, China's urbanization rate has increased from approximately 40% to approximately 53%, with an urban resident population of approximately 722 million in 2013. Pursuant to the National New Urbanization Plan (2014-2020) issued in March 2014, the Chinese government set a target of raising the urbanization rate (as measured by urban resident population) to approximately 60% by 2020. Going forward, small and medium-size cities and towns in the central and western areas of China are projected to grow at a faster rate than the national average.

**Increased Investment in Transportation Infrastructure**

China's substantial investment in the construction of transportation infrastructure has fueled demand for passenger automobiles. According to the NBSC, from 2003 to 2013, the total length of China's highways has grown from approximately 1,810,000 kilometers to 4,356,200 kilometers, representing a CAGR of 9.2%. Further highway extensions are expected to promote increased use of automobiles. The increase in the length of highways further facilitates inter-city travel, which in turn has boosted automobile sales as the use of passenger vehicles has increased accordingly.

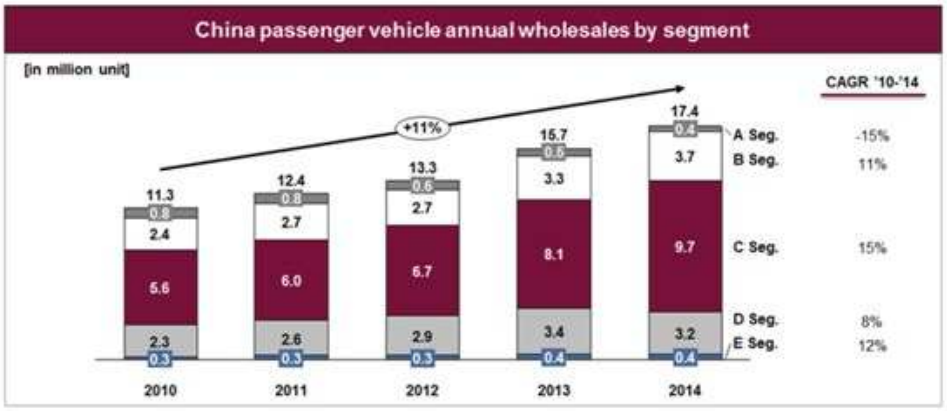
**Market Segmentation of the Chinese Passenger Vehicle Industry**

The Chinese passenger vehicle market, in line with international markets, can be separated into the following segments: large-size and mid- to large-size (D-segment), mid-size (D-segment), compact (C-segment), small-size (B-segment) and mini (A-segment) models based on the size of the vehicles and their typical engine displacement. The following table sets forth the major categories of passenger vehicles and key features.

| Category | Vehicle category | Wheel base (millimeter) | Length of vehicles (millimeter) | Engine displacement (liter) (excluding turbo) |
|---|---|---|---|---|
| **Mini** | A | 2,000 – 2,300 | Below 4,000 | Below 1.0 |
| **Small-size** | B | 2,300 – 2,500 | 4,000 – 4,300 | 1.0 – 1.5 |
| **Compact** | C | 2,500 – 2,700 | 4,200 – 4,600 | 1.6 – 2.0 |
| **Mid-size** | D | 2,700 – 2,900 | 4,500 – 4,900 | 1.8 – 2.4 |
| **Mid- to large-size** | E | 2,800 –3,000 | 4,800 – 5,000 | Above 2.4 |
| **Large-size** | E | Above 3,000 | Above 5,000 | Above 3.0 |

With 9.7 million vehicles (including exports, and excluding imports) sold in 2014, China's C-segment market, which Qoros is initially targeting, is one of the largest C-Segment markets in the world and represents, by far, the largest segment within

the Chinese market. The C-segment has also been one of China's fastest growing segment over the past decade, with a CAGR of 15% from 2010 to 2014 according to CPCA. Qoros believes that the C-segment's primary attractiveness in China results from its delivery of the combination of value for money with sufficient comfort and space for families.




Within the C-segment, Chinese consumers have shown a strong consumer preference for sedans, which, according to CPCA, represented approximately 60% of all C-segment sales in 2014 (including exports, and excluding imports), differing strongly from the preferences of European consumers, who have a strong preference for hatchbacks. An important trend over recent years has been the high growth in SUV demand which, according to CPCA, represented approximately 27% of C-segment sales in China in 2014 (including exports, and excluding imports), as compared to approximately 14% in 2010.

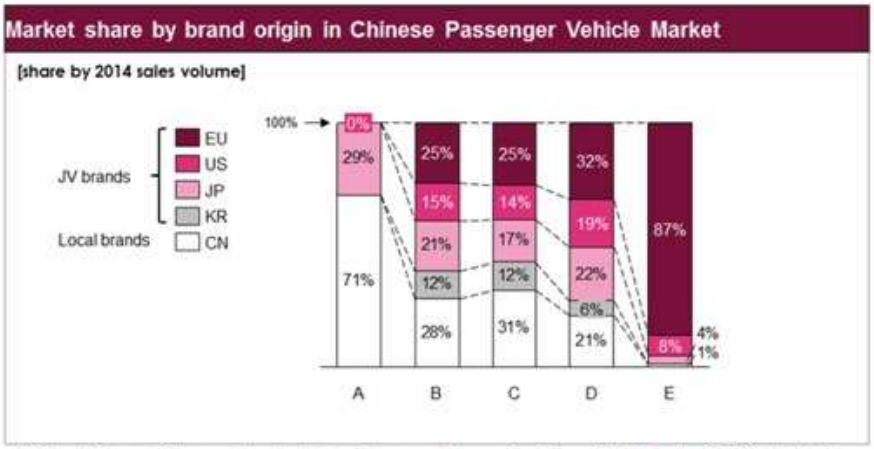

The Chinese passenger vehicle market is typically further divided into categories, as set forth below:

| Segment | Examples of Brands |
|---|---|
| **Joint venture Brands** | |
| Premium | Mercedes Benz, BMW, Audi, Cadillac |
| Mid- to High-end | Volkswagen, Nissan, Buick, Toyota, Honda, Hyundai |
| Economy | Suzuki |
| **Local Chinese Brands** | |
| Mid- to High-end | Roewe, Senova, MG |
| Economy | BYD, Geely, Great Wall |

The role of joint venture brands is particular to the Chinese market, as foreign automotive OEMs are only allowed to establish local production through joint ventures with local manufacturers. Joint venture brands participate in the larger and more expensive market segments of the Chinese passenger vehicle market, and a significant portion of the sales within these segments are generated from foreign joint venture brands. Chinese consumers have indicated a preference for foreign joint venture brands as a

result of their perceived higher quality and technology, as well as their higher prestige. Local brands participate primarily in the economy price range, with demand mainly driven by first-time car buyers, often located in tier 3 (those with populations ranging from 4-10 million, including subsidiary counties and towns) and tier 4 (those with populations ranging from 2-6 million, including subsidiary counties and towns) cities, which typically have lower vehicle penetration rates than the larger tier 1 and tier 2 cities.

The following table sets forth estimated market share in the Chinese market by vehicle segment for joint ventures and local brands:




*US brand C-cars in China are introduced from European units, e.g. Ford Focus, Buick Excelle GT/XT(Opel Astra)
Source: CPCA, Qoros analysis

***Qoros' Description of Operations***

Qoros designs, engineers and manufactures a new brand of automobiles manufactured in China, designed to deliver international standards of quality and safety, as well as innovative features. Qoros launched and commenced commercial sales of the Qoros 3 Sedan at the end of 2013, the Qoros 3 Hatch, in late June 2014 and the Qoros 3 City SUV in December 2014, which it produces at its recently completed state-of-the-art manufacturing facility in Changshu, China.

Qoros commenced commercial operations at the end of 2013 and sold approximately 7,000 cars in 2014. Qoros incurred a net loss of RMB2.1 billion in 2014 and is dependent upon external financing, including shareholder funding, to meet its operating expenses, financing expenses, and capital expenditures.

*Models*

Qoros' current C-segment portfolio consists of the Qoros 3 Sedan, the Qoros 3 Hatch, and the Qoros 3 City SUV and the next vehicle that will be launched from Qoros' pipeline is expected to be another SUV model. Qoros' platform has been designed to enable the efficient introduction of new models in the C- and D-segments. Qoros also intends to introduce new vehicle models over time, including the introduction of models in other segments, such as the D-segment, as it expands its commercial operation in line with demand for its vehicles.

*Well Engineered*

Qoros developed its vehicles in accordance with international standards of quality and safety, as well as innovative features, working in conjunction with global entities from both automotive (e.g., Magna Steyr, Bosch, Getrag, Valeo) and non-automotive (e.g., Frog Design, Microsoft, China Unicom) industries. The Qoros 3 Sedan was awarded the Best in Class award in Euro NCAP's 2013 safety assessments and was the highest scoring vehicle among vehicles that participated in Euro NCAP's 2013 assessment, which included the assessment of many luxury European brands. Qoros 3 Sedan's vehicle performance is competitive in its segment, particularly with respect to fuel economy, acoustics, aerodynamics, climatic comfort, and braking performance. For example, the Qoros 3 Sedan has a powertrain optimized for efficient fuel consumption and engine performance, resulting in competitive highway and city fuel consumptions of 4.9 L/100 km and 8.3 L/100 km, respectively. Additionally, the Qoros 3 Sedan demonstrates competitive braking performance according to Auto Motor and Sports' standards.

*Well Designed*

Qoros has an experienced in-house design team, located in its design centers in Munich and Shanghai. The Qoros 3 Sedan's design provides one of the most spacious interiors in the segment. In particular, the large shoulder room and rear leg room reflect important Chinese C-segment consumer preferences. The Qoros 3 Sedan is also one of the widest vehicles in its segment. Additionally, in 2014, the Qoros 3 Hatch received the Red Dot Award, in recognition of its design.

*Beyond Driving – QorosQloud*

All of Qoros' vehicles are equipped with a MMH, including a user friendly 8-inch capacitive touch screen with swipe gestured control HMI. Most of Qoros vehicles are equipped with the "QorosQloud," a cutting-edge telematics and cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic, parking information, cloud-enabled map update, and safe drive monitoring) connectivity features. Qoros believes the features and the services provided by the QorosQloud integrates Qoros' vehicle into the driver's lifestyle, by virtually connecting the vehicle, the driver and the driver's digital world. QorosQloud creates a digital ecosystem that, among other features, provides the driver with the following free features:

- *guiding services* , offering trip planning, navigation services which, after parking, can continue to provide the user with directions via the use of mobile devices, and smart points of interest;
- *car care services* , offering car status monitoring, booking of appointments for service maintenance, real-time monitoring of service maintenance status from a mobile device, driving behavior monitoring, which may help drivers in connection with their insurance, and monitoring of fuel efficiency; and
- *share services* , offering check-in, shared trips and other social networking features.

The QorosQloud also provides drivers with remote access to their vehicle, providing key information with respect to the vehicle's location, owner's manual, warranty information, and vehicle diagnostics and maintenance, as well as, for an additional fee, enabling drivers to access real-time information such as traffic and surrounding points of interest from the vehicle.

Drivers of Qoros' vehicles may also purchase premium connectivity features, such as access to dynamic, real-time parking and traffic information and live map updates, representing an additional source of revenue for Qoros.

Qoros also received the Telematics Update Award in 2014.

*Models under Development*

Qoros is continuing to leverage its vehicle platform via its development of additional C-segment models, including the other SUV it is developing in addition to the recently launched Qoros 3 City SUV. As of December 31, 2014, the SUV has passed the Concept Confirmation Quality Gateway and its styling has been finalized. Additionally, prototype building, testing, and product sourcing have been initiated and remain ongoing.

*Information Technology*

Qoros has designed a comprehensive IT infrastructure to support its operating model, including product processes, customer order processes, sales & service processes, and enterprise management and support processes. Qoros has implemented all business-critical systems, including its engineering, purchasing, and production control systems. Additionally, to support its commercial sales, Qoros has also launched its marketing and sales systems, including its dealer management system, dealer portal, customer relation management system, and spare part and warranty systems.

In 2014, Qoros expanded and enhanced the functionalities of its existing IT systems to support its product development, sales and marketing, customer quality, information security capabilities and, in particular, Qoros' Customer Quality Audit (CQA) system, went live in 2014.

In 2015, the expansion and enhancement of certain business critical projects – Data Driving Marketing and Customer Quality Project – are expected to continue.

***Qoros' Manufacturing; Property, Plants and Equipment***

Qoros conducts its vehicle manufacturing and assembly operations at its recently completed 150 thousand unit per annum, 790,000 square meter factory by land size in Changshu, China, for which it has a land use right until March 4, 2062.

Qoros' western-standard manufacturing facility incorporates comprehensive, flexible capabilities, including body assembly, state-of-the-art paint shop, final vehicle assembly and end-of-line testing. Qoros' newly constructed paint shop uses cutting edge painting processes, such as TecTalis, a nanoceramic conversion coating process for metals, and the B1B2 compressed painting process, in which two layers of wet-to-wet basecoats are applied instead of the traditional application of a basecoat layer and a primer coating, to achieve production efficiency, improve painting quality, and minimize environmental impact. Qoros' paint shop also utilizes state-of-the-art equipment and robots, to contribute to the overall effectiveness and efficiency of Qoros' painting operations.

Qoros plans to continue to ramp up its production of the Qoros 3 Sedan, the Qoros 3 Hatch and the recently-launched Qoros 3 City SUV, subject to demand, as it continues to deploy its full-scale commercial sales model. Qoros will adjust the manufacturing capacity of its manufacturing facility in accordance with the demand for its vehicles. Currently, the base installed volume of vehicles that can be manufactured, or the "technical capacity", of Qoros' recently completed manufacturing facility is 150 thousand units per annum. Through alterations of operating parameters, such as the utilization of different shift models, the volume of vehicles manufactured can be increased to approximately 220 thousand units per annum (and further increased through additional shift optimizations and improvements in workday efficiency). This represents the manufacturing facility's "shift capacity." Subject to approval from the relevant Chinese government authorities and additional investments in phase two of the manufacturing facility, the production capacity of Qoros' manufacturing facility can subject to Qoros' receipt of government approval, be further increased to up to approximately 440 thousand units per annum through a second stage plant expansion together with an optimized work shift model. Qoros filed an Application for Environmental Impact Assessment with the Ministry of Environmental Protection to obtain final approval for Qoros' production facility. However, there is no assurance that Qoros will receive such approval.

Qoros also has an operational design facility located in Munich, Germany, responsible for creating specific design aspects such as interior/exterior, color and trim, visualization, and graphics, of Qoros' vehicle models. The design center attracts designers that are difficult to recruit in Shanghai, China, results in German-quality design of Qoros' vehicle models, and assists in Qoros' brand building activities. The Qoros design team in Munich is part of the Qoros global design team.

***Qoros' Product Sourcing and Suppliers***

Qoros sources the component parts necessary for its vehicle models from over 100 global suppliers. A majority of Qoros' suppliers are European-based, with manufacturing facilities in China. Qoros aims to establish long-term relationships with its suppliers as a means of building loyalty, achieving competitive pricing, and achieving component quality and prompt delivery. Qoros has implemented enterprise resource planning and management software to automate its procurement and inventory processes and to integrate them with its financial accounting system. This resource management system allows Qoros to reduce and control costs by maintaining minimal inventories of the components and parts needed to conduct its manufacturing operations.

In 2009, Qoros entered into an agreement with Magna Steyr, a company engaged in automobile design and engineering, for the purposes of engaging Magna Steyr in the design and development of Qoros' vehicle platform. Qoros has entered into additional contracts with Magna Steyr for the engineering and styling of its individual vehicle models, including the Qoros 3 Sedan, the Qoros 3 Hatch, and the Qoros 3 City SUV. Qoros also collaborates and sub-contracts with several other engineering firms for its product development activities.

Qoros utilizes a "managed outsourcing" model for the development of its vehicle models, which Qoros believes increases its operational effectiveness and efficiency. Under its "managed outsourcing" model, Qoros utilizes the knowledge it has acquired from its extensive customer research to develop its vehicles, including defining corresponding vehicle and (sub-) system level performance targets, formulating detailed design verification/testing plans, and managing vehicle development programs. The detailed implementation work necessary to develop Qoros' vehicles is then carried out by engineering service providers and/or related suppliers in accordance with Qoros' requirements. For information on Qoros' relationship with, and the risks related to, Qoros' suppliers, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros is dependent upon its suppliers* ."

***Qoros' Commercial Agreements with Chery***

Although Qoros is under no obligation to do so, Qoros sources its engines, and certain spare parts, from Chery in the ordinary course of Qoros' business. Additionally, Qoros has recently entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee. Qoros may also enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future.

For further information on Qoros' commercial arrangements with Chery, see Note 28 to Qoros' consolidated financial statements, included in this annual report.

***Qoros' Patents and Licenses***

Qoros owns the intellectual property rights related to motor vehicles that it has independently developed (including HMI, electric powered motor vehicles and relevant motor vehicles platforms, parts, components and accessories for motor vehicles) and also owns any and all brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of its vehicles.

Qoros has filed more than 900 trademark applications for Qoros major trademarks (e.g., QOROS, Qoros logos) and other trademark related to Qoros business in Asia (including Australia/New Zealand ), Europe, Middle East, North America, South America, Africa, etc. by the end of 2014. "QOROS" has been registered in 543 countries (including 28 EU member countries); "Qoros Auto" has been registered in 40 countries (including 28 EU member countries); and Qoros' logo has been registered in 47 countries (including 28 EU member countries).

For information on the risks related to Qoros' ownership of its intellectual property, including the risks relating to Qoros' potential pledging of its rights in certain of its patents, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros' success depends, in part, upon its ability to protect, and maintain ownership of, its intellectual property* ."

***Qoros' Marketing Channels***

Qoros has implemented an integrated product, marketing and communication strategy, based upon extensive customer research. Since its inception, Qoros has commissioned more than a hundred primary marketing studies focusing upon key vehicle features, purchasing factors and consumer needs. Qoros' centralized, in-house marketing team aims to utilize its market research and:

- generate demand for Qoros' vehicles and drive leads to Qoros' dealerships and sales teams;
- build long-term brand awareness and develop and manage Qoros' reputation; and
- employ effective marketing strategies in a cost-efficient manner.

In 2014, Qoros continued its investments in its marketing and sales efforts, with three waves of marketing campaigns focused upon sustaining the Qoros 3 Sedan's branding and the launching of the Qoros 3 Hatch and the Qoros 3 City SUV. Primary campaign activities in respect of the Qoros 3 Sedan included a Guerrilla Campaign, and a showcase of the Qoros 3 Sedan in the Chinese i-apartment TV series. With respect to the Qoros 3 Hatch, launch activities included an international debut of the Qoros 3 Hatch in the Geneva Auto show, and a national launch event in Shanghai, China. Primary campaign activities in respect of the Qoros 3 City SUV included its debut at the Guangzhou Auto Show in November 2014, national launch event in December 2014, and auto media test drives.

***Qoros' Dealers***

Qoros markets its vehicles in China through a network of independent authorized retail dealers, with whom Qoros enters into non-exclusive relationships. A portion of Qoros' dealerships are 4S dealer stores, providing Qoros' customers with dealers and authorized salesmen, showrooms, and service and parts, under one roof; the remaining portion of Qoros' dealership network comprises only showrooms. Locations of Qoros' dealerships have been identified in Qoros' extensive research, with a view to optimizing and increasing Qoros' market coverage. As of December 31, 2014, 75 Qoros dealerships (representing 75 points of sales) were fully operational and 20 additional Qoros dealerships (representing 20 points of sales) were under construction. Additionally, as of December 31, 2014, Qoros had executed 14 Memorandums of Understanding with respect to the potential development of 14 additional dealerships (representing 14 points of sales). The dealership facilities are based on Qoros' branded construction plans, to ensure consistency and quality, and are constructed by the dealer using its own capital resources, with partial reimbursements received from Qoros.

Qoros enters into a contract with each authorized dealer, agreeing to sell to the dealer all specified vehicle lines at wholesale prices and granting to the dealer the right to sell those vehicles to retail customers from an approved location. It is expected that Qoros' dealers will offer the full vehicle model lineup offered by Qoros. Authorized Qoros dealers also offer parts, accessories, service and repairs for Qoros' vehicles, using genuine Qoros parts and accessories obtained directly from Qoros. Qoros' dealers are authorized to service Qoros' vehicles under Qoros' limited warranty program, and those repairs are required to be made only with Qoros' parts. In addition, most of Qoros' dealers also provide their customers access to retail financing, vehicle insurance and warranty packages.

Because dealers maintain the primary sales and service interface with the end consumer of Qoros' products, the quality of Qoros' dealerships and its relationship with its distributors are critical to its success. Qoros conducts rigorous training for dealers with respect to its vehicle models and ancillary and aftersales products, most of which are required to be completed prior to the opening of a dealer's operations. Qoros' training program for dealers includes (i) a step-by-step course plan, which includes an initial launch training, (ii) a three leveled core curriculum with a final certification test, and (iii) subject-specific training when appropriate (e.g. the launch of a new product, a QorosQloud upgrade, etc.). Dealers are also expected to undergo subject-specific trainings throughout subsequent years. Pursuant to the terms of its standard dealer arrangement, Qoros' dealers are required to periodically participate in ongoing training and educational sessions regarding Qoros, its vehicle models, and the servicing of its vehicles.

For information on the risks related to Qoros' relationship with its dealers, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros depends upon a network of independent dealers to sell its automobiles* ."

*Aftersales and Services*

In connection with the launches of the Qoros 3 Sedan, the Qoros 3 Hatch, and the Qoros 3 City SUV, Qoros is continuing to ramp up the aftersales and services it offers for its vehicle models through its network of authorized dealers. Qoros drivers can utilize their QorosQloud to respond to service invitations, make and secure appointments, and report issues on their vehicle in advance of any servicing appointments. Aftersales and services are provided pursuant to warranties and for a fee where warranty coverage is not available.

***Qoros' Customers***

Qoros' intended target audience consists of Chinese consumers.

Target purchasers of the Qoros 3 Sedan are generally urban residents between the ages of 25 and 35, with an average-to-high level of income, while target purchasers of the Qoros 3 Hatch are generally female customers with higher-than-average education and income.

Qoros is also targeting a diverse group of fleet-sale customers, including car rental companies (including those serving Chinese government agencies), corporate entities, and other large groups.

*Retail Financing Program*

Customer financing is available through dealers and financing packages are also offered by Chery Motor Finance Service, Co. Ltd. a Wuhu Chery affiliate. Qoros does not provide direct financing to customers at this time.

*Warranty Program*

Qoros provides a 36 month or 100,000 km limited warranty with every Qoros vehicle model and also provides 36 months of free, twenty-four hour, 365 days roadside assistance. Qoros' limited warranty, which is similar to those offered by other international OEMs, is subject to certain limitations, exclusions or separate warranties, including certain wear items, such as tires, brake pads, paint and general appearance, and battery performance, and is intended to cover parts and labor to repair defects in material or workmanship in the body, chassis, suspension, interior, electronic systems, battery, powertrain and brake system. As Qoros expands to other countries in the future, Qoros' warranty coverage may vary from country to country in accordance with applicable laws and regulations. In addition to the standard 36 month warranty that is provided with each vehicle model, in the future Qoros also intends to offer an extended warranty package to its customers, covering numerous servicing options over a longer period of time.

***Qoros' Competition***

The passenger vehicle market in China is highly competitive, with competition from many of the largest global manufacturers (acting through joint ventures) and established domestic manufacturers. As the size of the Chinese market continues to increase, Qoros anticipates that additional competitors, both international and domestic, may seek to enter the Chinese market and that market participants will act to maintain or increase their market share. In particular, Qoros expects the European, U.S., Korean and Japanese automakers to be its chief competitors. For information on the risks related to Qoros' competition, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros' business is subject to intense competition.* "

***Qoros' Seasonality***

In general, demand for new cars in the Chinese automobile industry peaks during three periods: March – April, September – October, and December – January. The Chinese automobile industry generally experiences reduction in demand during February, July and August. Although Qoros is an early stage manufacturer, and is still in a ramp-up stage, it is expected that Qoros will experience similar seasonality with respect to its sales once it completes its ramp-up phase.

***Qoros' Joint Venture Agreement***

We are party to a Joint Venture Agreement, entered into on February 16, 2007 (which has been amended, supplemented or otherwise modified since then) that sets forth certain rights and obligations of each of Quantum, the wholly-owned subsidiary through which we own our equity interest in Qoros, and Wuhu Chery with respect to Qoros. The Joint Venture Agreement is governed by Chinese law. Pursuant to the terms of the Joint Venture Agreement, each of Kenon, through Quantum, and Wuhu Chery is required to invest pro rata amounts into Qoros at various and specified intervals. The Joint Venture Agreement also contains provisions regarding (i) the joint approval of "substantial matters" (e.g., changes to Qoros' articles of association; the merger, amalgamation, split or public offering of Qoros) via unanimous approval from Qoros' board of directors; (ii) the selection of Qoros' Board of Directors and senior management; (iii) a prohibition against the sale/assignment/transfer/pledge of either party's interest in Qoros, subject to certain exceptions, and (iv) indemnification, confidentiality, non-competition, and liquidation processes.

Pursuant to the terms of our Joint Venture Agreement, we have the right to appoint three of Qoros' six directors and Wuhu Chery has the right to appoint the remaining three of Qoros' six directors. We also have the right to, together with Wuhu Chery, jointly nominate Qoros' General Manager and Chief Financial Officer. The joint nomination of Qoros' General Manager and Chief Financial Officer are each subject to the approval of Qoros' board of directors by a simple majority vote.

Additionally, Wuhu Chery may, in the event of the termination of the Joint Venture Agreement, purchase our interest in Qoros at an agreed upon price or at the price determined by an independent appraiser selected or appointed as applicable, pursuant to the valuation procedure set forth in the Joint Venture Agreement. The nationalization or confiscation, in whole or in substantial part, of Qoros' assets, or Qoros' bankruptcy, for example, are all termination events that may trigger Wuhu Chery's purchase rights. Furthermore, the Joint Venture Agreement also contains provisions relating to the transfer and pledge of Qoros' shares, the appointment of executive officers and directors, and the approval of "substantial matters," which may prevent us from causing Qoros to take actions that we deem desirable.

Each of Kenon and Chery had committed to provide Qoros with RMB3.74 billion of capital contributions. Kenon and Chery have satisfied their individual committed capital contributions (assuming the conversion of certain convertible shareholder loans), having contributed RMB4.5 billion, and RMB4.1 billion, respectively, to Qoros to date via capital contributions and/or convertible or non-convertible shareholder loans. Chery has agreed to provide an additional RMB400 million to Qoros, subject to certain conditions. For further information on Chery's provision of such loan, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros – Provision of RMB400 Million Shareholder Loan .*"

Kenon and Chery have also guaranteed the full performance and observance by Quantum and Wuhu Chery, respectively, of, and compliance with, all covenants, agreements, obligations and liabilities applicable to Quantum or Chery, as applicable, under and in accordance with the terms and conditions of the Joint Venture Agreement. As a result, Kenon and Chery are effectively subject to the terms of the Joint Venture Agreement.

The Joint Venture Agreement will expire in December 2032 and either we or Chery may terminate the Joint Venture Agreement prior to this date, under certain circumstances, and subject to certain conditions. For further information on the risks related to the Joint Venture Agreement, including the risks related to Chery's status as a state controlled holding enterprise, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros is a joint venture in which our interest is only 50%.* "

***Qoros' Board and Executive Management***

Qoros' board of directors has recently appointed a new General Manager and chairman of the board and Qoros has also made a number of other personnel changes at the executive management level and in the senior management structure.

***Qoros' Legal Proceedings***

*Audi Proceedings*

Audi requested a preliminary injunction, or PI, regarding Qoros' model name "GQ3" at Hamburg Court in Germany in January 2013. The Hamburg Court issued a PI order on January 14, 2013, which prohibited Qoros from using GQ3 as its model name in Germany. Qoros filed an opposition to the PI at the Hamburg Court on June 26, 2013. The Hamburg Court issued a written decision to uphold the PI on January 20, 2014. Qoros appealed the decision in February 2014. Additionally, Audi requested a PI regarding Qoros cars' rear part configuration with Qoros' logo in the middle of the trunk lid and "3" at the right side of the chrome strip (hereinafter "Qoros logo + 3" configuration) at Hamburg Court on March 7, 2013. The Hamburg Court issued a PI order on March 12, 2013, which prohibits Qoros from using "Qoros logo + 3" configuration in its cars in Germany. Qoros filed an opposition to the PI at the Hamburg Court. The Hamburg Court issued a written decision to revoke the PI on September 24, 2013 and Audi appealed the decision.

In August 2014, Qoros and Audi agreed on a settlement of all pending legal disputes.

*V Cars LLC Proceedings*

On each of July 20, 2008, March 17, 2010 and October 16, 2013, V Cars LLC (formerly Visionary Vehicles) filed claims against IC, Quantum, Chery and/or individuals related to Chery in U.S., Hong Kong and Israeli forums. Generally, the claims, which are at various stages of adjudication, allege V Cars LLC conducted negotiations with Chery for the establishment of a joint venture for production of vehicles in China and distribution thereof in the United States and was forcibly removed from such discussions by IC, Quantum Chery and/or individuals related to Chery. With respect to the 2013 suit, V Cars LLC claims it incurred damages of NIS 600 million (approximately $151 million) and asserts it is entitled to NIS 100 million in damages, representing 28% of the value of Qoros as of the filing date of V Cars LLC's claim. Alternatively, V Cars LLC claims it is entitled to a customary fee (amounting to approximately 10% of IC's investment in Qoros). Each of Quantum and Chery have committed to indemnify each other under certain circumstances. Quantum is no longer a party to the single proceeding in which it was initially named. Neither Kenon, any of our subsidiaries, nor Qoros is party to these proceedings.

***Qoros' Regulatory, Environmental and Compliance Matters***

Qoros is subject to regulation, including environmental regulations, in China and the Jiangsu Province. Such regulations are becoming increasingly stringent and focus upon the reduction of emissions, the mitigation of remediation expenses related to environmental liabilities, the improvement of fuel efficiency, and the monitoring and enhancement of the safety features of Chinese vehicles. Qoros' facility, activities and operations are subject to continued monitoring and inspection by the relevant Chinese authorities. Qoros believes that it is in compliance with applicable Chinese government regulations.

Additionally, certain of Qoros' corporate activities are subject to the regulation and approval of the competent authorities in China. Such activities include capital increases by loans to, or investments in Qoros, changes in the structure of Qoros' ownership, increases in the production capacity, construction of Qoros' production facilities, registration and ownership of trademarks, relocation of Qoros' head office, the formation of subsidiaries, and the inclusion of Qoros' products in the national catalogue for purposes of selling them throughout China. For further information on Qoros' regulatory, environmental and compliance risks, see "*Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros is subject to Chinese regulation and its business or profitability may be affected by changes in China's regulatory environment* ."

**ZIM**

We have a 32% stake in ZIM, an international shipping company in which IC held an approximately 99.7% equity interest prior to ZIM's restructuring on July 16, 2014, which reduced ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately $3.4 billion to a remaining balance of approximately $2 billion. As a result of the completion of ZIM's restructuring in July 2014, IC's equity interest in ZIM was reduced from 99.7% to 32% and ZIM is reflected as a discontinued operation in our results of operations for all periods prior to June 30, 2014. ZIM's results of operations for the six month period ended December 31, 2014 is reflected in our share in losses of associated companies, net of tax.

Since its establishment in 1945, ZIM has developed into a large carrier in the global container shipping industry, operating a fleet of container vessels via a complex feeder network that operates from hub ports on all major international trade routes according to a fixed schedule. As of December 31, 2014, ZIM operated 85 vessels (of which 15 were owned and 70 were chartered) with a total shipping capacity of 346,156 TEUs, operating along 55 global and regional lines calling at ports in 103 countries worldwide. ZIM offers proven shipping solutions, including the transportation of out-of-gauge cargo (i.e., cargo that is placed in a "special container" or cargo that is over-dimension in height and/or width and/or length and/or weight that cannot be placed into a regular or "Special" container), perishable goods, or hazardous cargo and also offers "end-to-end" shipping services, including overland transport, distribution, storage, land transportation, customs brokerage and freight services, and an extensive global logistics network that services customers from different industries and complements and supports ZIM's primary transport activities.

Pursuant to ZIM's articles of association, Kenon currently has the right to appoint up to 2 directors to ZIM's board of directors (even if our percentage of holdings in ZIM's share capital entitles us to appoint more than 2 directors to ZIM's board of directors). This right will expire in the event ZIM's board of directors consists of more than 9 directors, in which case Kenon will be entitled (alone or together with others) to appoint a number of directors that corresponds to our holdings percentage in ZIM.

***ZIM's Industry Overview***

ZIM competes with other liner shipping companies to provide transport services to customers worldwide. The market is significantly concentrated with the top three carriers (A.P. Moller-Maersk Group, Mediterranean Shipping Company, and CMA CGM S.A.) accounting for approximately 37% of the global capacity, and the remaining top 20 carriers each controlling less than 6% of the capacity as of January 2015. ZIM controls approximately 2% of the global container shipping capacity and is ranked nineteenth among shipping carriers globally as of January 2015 (in terms of TEU capacity).

Containerships range in size from vessels that carry less than 500 TEUs, to those with capacity of up to approximately 20,000 TEUs. The oversupply of vessel capacity within the container shipping industry is expected to continue in the near future as the global fleet continues to increase (net of scrappings) primarily as a result of the addition of larger and more cost-efficient vessels. To compete in an oversupplied market and to minimize costs, the major containership operators have created, and are continuing to create and enter into, cooperative operational arrangements, which enable rationalization of the activities of the carriers, realization of economies of scale in the operation of vessels and utilization of port facilities, promotion of technical and economic progress and greater, more efficient utilization of container and vessel capacity. ZIM is not a member of an alliance. However, ZIM is party to a wide range of operational partnerships, including vessel sharing agreements, swap agreements, and slot charter agreements with other carriers in most of the trade zones in which it operates. For further information on the risks related to competition within the shipping industry and ZIM's participation in cooperative operational agreements, see " *Item 3D. Risk Factors – Risks Related to Our Other Businesses – Risks Related to Our Interests in ZIM – Operational partnerships within the container shipping industry may adversely impact ZIM's profitability.* "

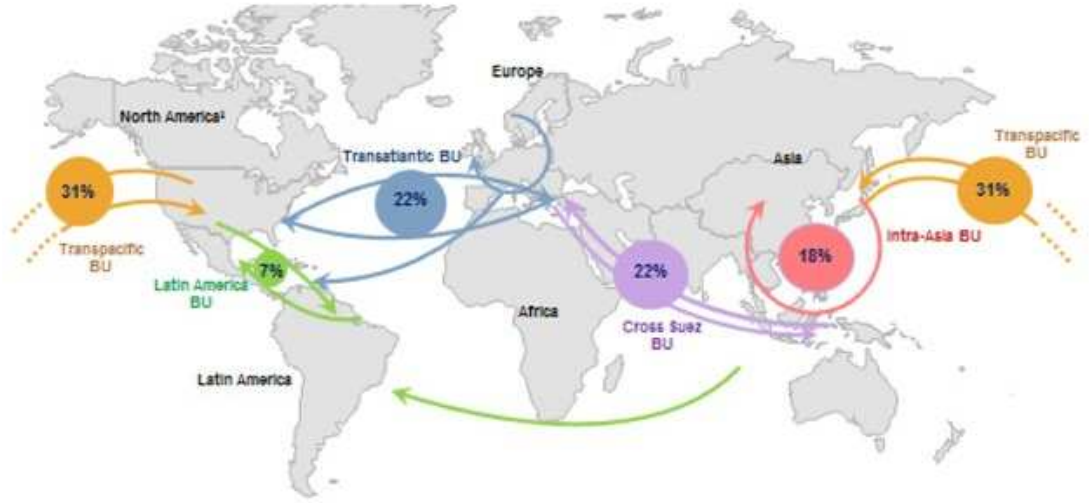
Freight rates are mainly driven by containerized demand and supply balance and have historically been highly volatile. Other factors also affect freight rates, such as changing market sentiment and carrier behavior, as reflected by deviations in freight rates that are sometimes greater than suggested by the existing demand and supply imbalance.

In light of such industry dynamics, ZIM is continuing to revise its operational costs and is striving to implement additional cost reduction practices in order to position itself as a more efficient and profitable carrier. These strategies include (i) focusing ZIM's operations on key trade zones, such as the Trans-Pacific trade zone, the Asia-Black Sea/Mediterranean Sea sub-trade zone, and the Intra-Asia trade zone and (ii) limiting or ceasing operations within certain trade zones, such as lines to North Europe within the Intra-Europe Trade Zone. ZIM is continuing to implement "ZIMpact", its comprehensive strategy that is designed to improve ZIM's commercial and operational processes, and aims to reduce ZIM's operational expenses and improve ZIM's profitability. Since 2010, and its implementation of ZIMpact, ZIM has improved its cost structure and reduced the differential between its profitability level and the industry's average profitability level (as ZIM's profits were lower than the industry average in previous years in terms of EBITDA). Additionally, ZIM generated positive EBITDA in the years ended December 31, 2014 (excluding exceptional costs specific to the restructuring), 2013 and 2012.

***ZIM's Description of Operations***

ZIM operates in the liner shipping sector and provides container space/allocation in connection with its operation of regular routes between fixed destinations, within and between trade zones, according to set schedules and anchoring at ports in accordance with a predetermined schedule and according to either pre-determined or spot rates. ZIM operates globally, although its key operational activities are conducted in the Trans-Pacific trade zone, the Asia-Black Sea/Mediterranean Sea sub-trade zone, and the Intra-Asia trade zone. In 2014, these trade zones accounted for approximately 61% of ZIM's total carried volume (measured in TEUs).

The map below illustrates ZIM's trade zones of operation, as of December 31, 2014, and the percentage of TEUs transported by zone:




The following table sets forth, with respect to major trade zones or sub-trade zones in which ZIM operates, a description of such zone and the distribution of TEUs transported within each zone for each of 2014, 2013 and 2012:

| Business Unit | Description of Business Unit | 2014 Transported (000s TEU) | 2013 Transported (000s TEU) |
|---|---|---|---|
| **Pacific** | The Pacific BU consists of the Trans-Pacific trade zone, which covers trade between Asia (mainly China) and the east coast and west coast of the U.S., Canada, Central America and the Caribbean | 733 | 716 |
| **Cross Suez** | The Cross Suez BU consists of the Asia-Europe trade zone, which covers trade between Asia and Europe through the Suez Canal, primarily through the Asia-Black Sea/Mediterranean Sea sub-trade zone | 512 | 675 |
| **Intra-Asia** | The Intra-Asia BU consists primarily of the Intra-Asia Trade Zone, which covers trade within regional ports in Asia, as well as trade between Asia-Africa | 436 | 471 |
| **Atlantic** | The Atlantic BU consists of the Trans-Atlantic trade zone, which covers trade between North and South America and Europe, including the Mediterranean Sea ports, along with trade between Europe and Africa | 515 | 502 |
| **Latin America** | The Latin America BU consists of the Intra-America trade zone, which covers trade within regional ports in the Americas as well as trade between South American East Coast and Asia | 173 | 156 |
| **Total** | | 2,370 | 2,519 |

***ZIM's Description of Fleet***

ZIM operates in the liner shipping sector and generates revenue from fees paid to it in exchange for transportation services provided by it (through deployment of its fleet of vessels it owns or charters from third-party charterers) to ZIM's customers. As of December 31, 2014, ZIM's fleet included 85 vessels (83 container vessels and 2 vehicle transport vessels), of which 15 vessels are indirectly owned by ZIM (through subsidiaries established for vessel-holding purposes only) and 70 vessels are chartered (5 of these are defined as financial leases). As of the date of this annual report, ZIM had re-delivery dates ranging from 2015 to 2026. As of December 31, 2014, the total capacity of ZIM's fleet of vessels (both owned and chartered) was 346,156 TEU (compared to 346,311 TEU as of December 31, 2013).

The following table sets forth summary information relating to ZIM's vessels as of December 31, 2014, differentiating between owned and chartered vessels, and the remaining period of the charter:

| | Container Vessels | | | |
|---|---|---|---|---|
| | Number | Capacity (TEU) | Other Vessels | Total |
| **Vessels owned by ZIM** | 15 | 58,431 | — | 15[1] |
| **Vessels chartered from parties related to ZIM** | | | | |
| Periods up to 5 years (from December 31, 2014) | 6 | 29,700 | | 6 |
| Periods over 5 years (from December 31, 2014) | 2 | 8,442 | — | 2 |
| **Vessels chartered from third parties** | | | | |
| Periods up to 5 years (from December 31, 2014) | 47 | 166,006 | 2 [2] | 49[3] |
| Periods over 5 years (from December 31, 2014) | 13 | 83,577 | — | 13 |
| **Total** | 83 | 346,156 | 2 [2] | 85 |

1. In connection with the completion of its restructuring in July 2014, ZIM undertook to scrap eight of its owned vessels during the 16 month period commencing on July 16, 2014. In January 2015, ZIM scrapped two vessels in addition to the eight vessels it plans to scrap in the 16 months commencing July 16, 2014.
2. Vehicle transport vessels.
3. ZIM purchased two of these vessels in January 2015 and scrapped one of the purchased vessels in February 2015.

Industry analysts expect shipping companies' deployments of larger vessels to increase and, in particular, to increase in certain of the key trade zones in which ZIM operates and intends to increase its operations. To remain competitive within these trade zones, ZIM may seek to alter its fleet composition accordingly. ZIM operates a number of large container vessels (up to 10,000 TEU) and is considering adding large container vessels to its fleet. Larger vessels increase a vessel's carrying capacity per voyage and have lower slot costs at certain utilization rates, due to, among other reasons, increased fuel efficiency.

*Chartered Vessels*

ZIM charters vessels under charter agreements for varying periods. With the exception of those vessels whose rates were set in connection with ZIM's 2009 debt restructuring, ZIM's charter rates are fixed at the time of entry into the charter, and depend upon market conditions existing at that time. As of December 31, 2014, of the 70 vessels chartered by ZIM under lease arrangements:

- 67 vessels are chartered under a "time charter," which consists of chartering the vessel capacity for a given period of time against a daily charter fee, with the crewing and technical operation of the vessel handled by its owner, including 8 vessels chartered under a time charter from a party related to ZIM; and
- 3 vessels are charted under a "bareboat charter," which consists of the chartering of a vessel for a given period of time against a charter fee, with the operation of the vessel handled by the charterer.

Subject to any restrictions in the applicable lease arrangement, the charterer determines the type and quantity of cargo to be carried as well as the ports of loading and discharging. ZIM's vessels operate worldwide within the trading limits imposed by its insurance terms. The technical operation and navigation of ZIM's vessels remain, at all times, the responsibility of the vessel owner, who is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

*Fleet Management*

ZIM provides its own operational and technical management services for each of the vessels that it owns.

ZIM's ISM Code certification is endorsed every year by Class NKK. In addition to the ISM code, ZIM is certified to the ISO 14001 Environmental code, which is endorsed by Class NKK on a yearly basis.

*Non-Fleet Equipment*

In addition to the vessels that ZIM owns and charters, ZIM owns and charters a significant number of shipping containers. As of December 31, 2014, ZIM held 335,248 container units with a total capacity of 539,399 TEU, of which 54% were owned by ZIM (including under finance leases) and 46% were chartered.

*Utilization Rate*

ZIM's utilization of its carrying capacity, its utilization rate, varies from time to time and generally ranges between 75% and 95% of total active vessels operating on its voyages to western countries (i.e., the dominant leg), with the utilization rates of its voyages in the opposite direction (i.e., the counter-dominant leg) being much lower.

***ZIM's Customers***

In 2014, ZIM had more than 30,000 customers. ZIM's customers are divided into "end users", including exporters and importers, and "forwarders," these being non-vessel operating common carriers (i.e., entities engaged in assembling cargos from various customers and the forwarding thereof through a shipping company). In 2014, 46% of ZIM's customers (in terms of transported volume) were "end" customers, while the remainder were "forwarders", e.g., entities dealing with consolidation cargo from various clients and shipping the cargo by various shipping companies. ZIM does not depend upon any single customer.

***ZIM's Seasonality***

Activity in the marine container shipping industry is affected by various seasonality factors. Generally, the first quarter of the calendar year is marked by a decrease in demand for shipping, primarily due to a decrease in demand from Asia as a result of the Chinese New Year. In the third and fourth quarters, demand for cargo shipping generally increases, primarily due to the holiday periods in the United States. The third quarter is generally the strongest quarter with respect to shipping demand.

Recently, as a result of the continuing crisis within the shipping industry, the seasonality factors have not been as apparent as they have been in the past. The marine shipping market is dynamic and volatile by its very nature and has been marked in recent years by relative instability. As global trends that affect the shipping market have been changing rapidly in recent years, it remains difficult to predict these trends and the shipping industry's activities.

***ZIM's Legal Proceedings***

*Derivative Action Concerning ZIM Restructuring*

On August 5, 2014, a petition was submitted to the District Court in Tel Aviv, to approve the submission of a derivative action against IC, ZIM, certain of IC's independent directors comprising a special committee of the IC board established to consider ZIM's restructuring, Millenium Investments Elad Ltd., or Millenium, which owned approximately 46.9% of IC, and Mr. Idan Ofer. The petitioner alleges that (i) IC's execution of a related party transaction in connection with the completion of ZIM's restructuring deviated from the approval of IC's general assembly, (ii) a condition precedent to such transaction relating to the transferability of IC's equity interest in ZIM was not fulfilled, and (iii) as a result, IC has incurred damages of approximately $27 million. The petitioner requests that the defendants (excluding IC and ZIM) hold a shareholder meeting to approve IC's execution of such related party transaction or the defendants (excluding IC) compensate IC (in an amount not less than $27.4 million), as a result of the lower value of ZIM shares that were issued to IC in connection with the restructuring. Additionally, the petitioner alleges that the defendants wrongfully enriched breached their statutory duties, exceeded their authorization, and/or breached their duty of care and fiduciary duties. The petitioner further claims that the defendants, Millenium and Mr. Idan Ofer, as controlling shareholders of IC, acted to convene additional shareholder meetings. At this stage, ZIM is unable to estimate the probability of an adverse outcome or the effect of an adverse outcome on its business, if any.

*European Commission Antitrust Investigation*

On November 22, 2013, the European Commission published an announcement in respect of the commencement of investigation procedures against several container shipping companies due to a suspicion of them acting in concert. According to the announcement, the European Commission intends to investigate whether public notices of the shipping companies in respect of the future price increase, which were published on the carriers' internet websites, in the press and elsewhere, caused or may have caused any restriction on competition and customers' trading in the maritime shipping market to and from Europe.

On November 21, 2013, an official notice was submitted to ZIM, in which it was clarified that the investigation proceedings involve a substantial number of shipping companies operating from and to the European Union, including ZIM and that the investigation proceedings do not imply that the European Commission has made a definitive finding of an infringement, but only that it intends to give priority to the matter. At this stage, the carriers are engaged in constructive negotiation of commitments with the European Commission.

***ZIM's Regulatory, Environmental and Compliance Matters***

ZIM is subject to many legal provisions relating to the protection of the environment, including with respect to the emissions of hazardous substances, SOx and NOx gas exhaust emissions, the operation of vessels while at anchor by means of generators, and the use of low-sulfur fuel or shore power voltage and double walls for fuel tanks. ZIM could be exposed to high costs in respect of environmental damages (to the extent that the costs are not covered by its insurance policies), criminal charges, and substantive harm to its operations and goodwill, if and to the extent that environmental damages are caused by its operations. ZIM instructs the crews of its vessels on the regulatory requirements relating to the environment and operates in accordance with procedures that ensure its in compliance with the regulatory requirements relevant to the environment. ZIM also insures its activities, where effective for it to do so, in order to hedge its environmental risks.

ZIM is also subject to extensive regulation that changes from time to time and that applies in the jurisdictions in which shipping companies are incorporated, the jurisdictions in which vessels are registered (flag states), the jurisdictions governing the ports at which the vessels anchor, as well as regulations by virtue of international treaties and membership in international associations. Changes and/or amendments to the regulatory provisions applying to ZIM (e.g., the U.S.'s recent policy requiring the scanning of all cargo en route to the United States) could have a significant adverse effect on ZIM's results of operations. Additionally, the non-compliance of a port with any of the regulations applicable to it may also adversely impact ZIM's results of operations, by increasing ZIM's operating expenses.

Additionally, ZIM is subject to regulations against harming competition worldwide. For example, in the European Union, ZIM is subject to articles 101 and 102 of the Consolidated Version of the Treaty on the Functioning of the European Union. ZIM's transport activities serving the U.S. ports are subject to the Shipping Act of 1984, as modified by the Ocean Shipping Reform Act of 1998. With respect to Israel, ZIM is subject to the general competition law established in the Israel Antitrust Law, 1988. Immunity from antitrust laws to certain agreements between ocean carriers that operate in the aforementioned jurisdictions, such as slot exchange agreements and other operational partnerships, are in effect. ZIM is party to certain operational partnerships with other carriers in the industry and each of those operational partnerships, as well as any future operational partnerships it becomes party to, must comply with the applicable antitrust regulations in order to remain protected and enforceable.

ZIM is also subject to Israeli regulation regarding, among other things, national security and the mandatory provision of ZIM's fleet, environmental and sea pollution, and the Israeli Shipping Law (Seamen) of 1973, which regulates matters concerning seamen, and the terms of their eligibility and work procedures.

Finally, ZIM is subject, in the framework of its international activities, to laws, directives, decisions and orders in various countries around the world that prohibit or restrict trade with certain countries, individuals and entities.

For further information on ZIM's regulatory risks, see " *Item 3D. Risk Factors –Risks Related to Our Other Businesses – Risks Related to Our Interest in ZIM – ZIM is subject to environmental regulation and failure to comply with such regulation could have a material adverse impact on ZIM's business"* and *"Item 3D. Risk Factors – Risks Related to Our Other Businesses – Risks Related to Our Interest in ZIM – The shipping industry is subject to extensive government regulation and standards, international treaties and trade prohibitions and sanctions."*

***ZIM's Special State Share***

In connection with the 2004 sale of the holdings of the State of Israel in ZIM to IC, ZIM ceased to be a "mixed company" (as defined in the Government Companies Law of Israel) and issued a Special State Share to the State of Israel. The objectives underlying the Special State Share are to (i) safeguard ZIM's existence as an Israeli company, (ii) ensure ZIM's operating ability and transport capacity, so as to enable the State of Israel to effectively access a minimal fleet in an emergency crisis, or for security purposes and (iii) prevent elements hostile to the State of Israel or elements liable to harm the State of Israel's vital interests or its foreign or security interest or Israel's shipping relations with foreign countries from having influence on ZIM's management. In connection with the completion of ZIM's restructuring plan, certain transferability restrictions imposed by the terms of the Special State Share were revised. Prior to the consummation of ZIM's restructuring plan, the Israeli Supreme Court validated ZIM's articles of association, including the revised terms of the Special State Share. The key terms and conditions of the revised Special State Share include the following requirements:

- ZIM must be, at all times, a company incorporated and registered in Israel, whose headquarters and registered main office are domiciled in Israel;

- at least a majority of the members of ZIM's Board of Directors, including the Chairman of the Board, as well as the Chief Executive Officer or the person serving as its Chief Business Officer, whatever his/her title may be, must be Israeli citizens;
- any transfer of vessels shall be invalid vis-à-vis ZIM, its shareholders and any third party if, as a result thereof, the minimum fleet target mandated by the State of Israel will not be maintained and the holder of the Special State Share has not given prior written consent thereto;
- any holding and/or transfer of shares and/or allocation that confers possession of shares in ZIM at 35% or more of its issued share capital, or that vests the holder thereof with control over ZIM, including as a result of a voting agreement, shall be invalid vis-à-vis ZIM, its shareholders and any third party, if the holder of the Special State Share has not given prior written consent thereto; and
- any transfer of shares granting the owner a holding exceeding 24% but not exceeding 35%, shall require prior notice to the State of Israel, including full information regarding the transferor and the transferee, the percentage of the shares held by the transferee after the transaction will be completed, and the relevant information about the transaction, including voting agreements and agreements for the appointment of directors (if applicable). In any case, if the State of Israel determines that a transfer of such shares shall constitute potential harm to the State of Israel's security, or any of its vital interests, or that it has not received the relevant information in order to make a decision, the State of Israel shall be entitled to notify the parties within 30 days that it opposes the transaction, and will be obligated to justify its opposition. In such a situation, the requestor of the transaction shall be entitled to transfer this matter to the competent court, which shall hear and rule on the subject in question.

Any change, including an amendment or cancellation of the rights afforded to the State of Israel by the Special State Share shall be invalid with respect to ZIM, its shareholders and any third party, unless it is approved in advance and in writing by the State of Israel.

Kenon's ownership of ZIM shares is subject to the terms and conditions of the Special State Share, which restricts Kenon's ability to transfer its equity interest in ZIM to third parties. The terms of the State of Israel's consent of Kenon's and Idan Ofer's status, individually and collectively, as a "Permit Holder" of ZIM's shares, stipulates, among other things, that Kenon's transfer of the means of control of ZIM is limited if the recipient is required to obtain the State of Israel's consent, or is required to notify the State of Israel of its holding of ZIM shares pursuant to the terms of the Special State Share, unless such consent was obtained by the recipient or the State of Israel did not object to the notice provided by the recipient. In addition, the terms of the consent provide that, if Idan Ofer's ownership interest in Kenon is less than 36% or Idan Ofer ceases to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in Idan Ofer's ownership or control. Therefore, if Mr. Ofer sells a portion of his interest in Kenon and owns less than 36% of Kenon, or ceases to be Kenon's controlling shareholder, then Kenon's right to vote and receive dividends in respect of its ZIM shares, for example, will be limited to those available to a holder of 24% of ZIM's shares (even if Kenon holds a greater percentage of ZIM's shares). "Control", for the purposes of this consent, is as defined in the State of Israel's consent, with respect to certain provisions. Additionally, the State of Israel may revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, or upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM. For information on the risks related to the State of Israel's ownership of the Special State Share, including with respect to IC's transfer of its interest in ZIM to us, see " *Item 3D. Risk Factors – Risks Related to Our Other Businesses – Risks Related to Our Interest in ZIM – Israel holds a Special State Share in ZIM, which imposes certain restrictions on ZIM's operations and our equity interest in ZIM.* "

**Tower**

As of March 26, 2015, we owned approximately 18 million shares of Tower (excluding (i) the 1,669,795 shares of Tower underlying 1,669,795 warrants in Tower held by Kenon, exercisable up to July 27, 2017 and (ii) the 2,668 shares of Tower underlying 2,668 options in Tower held by Kenon, as applicable, representing an approximately 22.5% equity interest in Tower, assuming the full conversion of approximately 3.8 million outstanding capital notes issued by Tower and held by Bank Hapoalim. Kenon's equity interest in Tower, based upon the approximately 76 million Tower shares currently outstanding, is approximately 23.7%. Tower generated revenues of $828 million in the year ended December 31, 2014. As of March 26, 2015, Tower had 76,206,922 shares outstanding and a total market capitalization of approximately $1,260 million, based upon the closing price of Tower's shares on NASDAQ on March 25, 2015.

Tower is a pure-play independent specialty foundry dedicated to the manufacture of semiconductors. Typically, pure-play foundries do not offer products of their own, but focus on producing integrated circuits, or ICs, based on the design specifications of their customers. Tower manufactures semiconductors for its customers primarily based on third party designs. Tower currently offers the manufacture of ICs with geometries ranging from 1.0 to 45-nanometers. Tower also provides design support and complementary technical services. ICs manufactured by Tower are incorporated into a wide range of products in diverse markets, including consumer electronics, personal computers, communications, automotive, industrial and medical device products.

Tower is focused on establishing leading market share in high-growth specialized markets by providing its customers with high-value wafer foundry services. Tower's historical focus has been standard digital complementary metal oxide semiconductor, or CMOS, process technology, which is the most widely used method of producing ICs. Tower is currently focused on the emerging opportunities in specialized technologies including CMOS image sensors, mixed-signal, radio frequency CMOS (RFCMOS), RF SOI, bipolar CMOS (BiCMOS), and silicon-germanium BiCMOS (SiGe BiCMOS or SiGe), high voltage CMOS, radio frequency identification (RFID) technologies and power management. To better serve its customers, Tower has developed and is continuously expanding its technology offerings in these fields. Through Tower's experience and expertise gained over twenty years of operation, it differentiates itself by creating a high level of value for its clients through innovative technological processes, design and engineering support, competitive manufacturing indices, and dedicated customer service.

Tower was founded in 1993, with the acquisition of National Semiconductor's 150-mm wafer fabrication facility located in Migdal Haemek, Israel, and commenced operations as an independent foundry. Since then, Tower has significantly upgraded its Fab 1 facility, equipment, capacity and technological capabilities with process geometries ranging from 1.0-micron to 0.35-micron and enhanced our process technologies to include CMOS image sensors, embedded flash, advanced analog, RF (radio frequency) and mixed-signal technologies.

In 2003, Tower commenced production in Fab 2, a wafer fabrication facility Tower established in Migdal Haemek, Israel. Fab 2 supports geometries ranging from 0.35 to 0.13-micron, using advanced CMOS technology, including CMOS image sensors, embedded flash, advanced analog, RF (radio frequency), power platforms and mixed-signal technologies.

In September 2008, Tower merged with Jazz. Jazz focuses on specialty process technologies for the manufacture of analog and mixed-signal semiconductor devices. Jazz's specialty process technologies include advanced analog, radio frequency, high voltage, bipolar and silicon germanium bipolar complementary metal oxide, or SiGe, semiconductor processes. ICs manufactured by Jazz are incorporated into a wide range of products, including cellular phones, wireless local area networking devices, digital TVs, set-top boxes, gaming devices, switches, routers and broadband modems. Jazz operates one semiconductor fabrication facility in Newport Beach, California, or Fab 3.

In June 2011, Tower acquired a fabrication facility in Nishiwaki City, Hyogo, Japan, or Fab 4, from Micron. The assets and related business that Tower acquired from Micron were held and conducted through a wholly owned Japanese subsidiary, TJP. During 2014, the operations of Fab 4 ceased in the course of restructuring activities and business in Japan associated with the transaction detailed below with Panasonic.

In March 2014, Tower completed a strategic transaction with Panasonic to create a new company to manufacture products for Panasonic and potentially other third parties, using Panasonic's three semiconductor manufacturing facilities located in Hokuriku Japan. Pursuant to this transaction, Panasonic formed a new company called TowerJazz Panasonic Semiconductor Co., Ltd., or TPSCo, and transferred its semiconductor wafer manufacturing process and capacity tools (8 inch and 12 inch) at its three fabs located in Hokuriku (Uozu E, Tonami CD and Arai E) to TPSCo, and entered into a five-year manufacturing agreement for the manufacture of products for Panasonic by TPSCo. As part of this transaction, Tower purchased 51% of the shares of TPSCo from Panasonic.

For further information on Tower, see " *Information Regarding Tower.* "

**Remaining Businesses**

We have interests in certain businesses engaged in the development of alternative fuel or solar technologies:

- ***Primus*** , an innovative developer and owner of a proprietary natural gas-to-liquid technology process, in which we maintain a 91% equity interest; and
- ***HelioFocus*** , a developer of dish technologies for solar thermal power fields, in which we maintain a 70% equity interest.

Additionally, until December 24, 2014, we had a 69% equity interest in Petrotec, a European producer of biodiesel generated from used cooking oil, or UCO, whose securities are publicly-traded on the Frankfurt Stock Exchange. On December 24, 2014, REG, a NASDAQ-listed advanced biofuels producer and developer of renewable chemicals, purchased IC Green's holdings in Petrotec. As consideration for REG's purchase of Petrotec's shares, IC Green received approximately $20.9 million, which was paid in the form of newly-issued shares of REG, representing approximately 4.6% of REG's share capital.

***Primus***

*Primus' Description of Operations*

Primus is an innovative developer of a proprietary liquid fuels gasification and pyrolysis technology, the STG+ process, which is designed to produce liquid hydrocarbons from synthesis gas, or syngas, derived from non-edible raw materials (e.g. natural gas, second generation and agricultural biomass and pelletized wood waste, and other feedstocks). Primus' STG+ process converts syngas into "drop-in" high-octane gasoline and, in the future, may be utilized to produce diesel, jet fuel and high-value chemicals. As a result of the availability of large shale gas reserves in the U.S. and the low cost of natural gas in relation to the cost of gasoline, Primus intends to primarily utilize domestically produced natural gas in its STG+ process. Primus seeks to operate as a technology development company and may, in the long-term, operate as a producer of alternative liquid fuels.

Primus' STG+ process improves upon existing gas-to-liquid technologies by integrating all reactors into a single-loop process, thereby reducing capital and operating costs while increasing reliability and yield. Although Primus is still developing its STG+ technology with respect to fuels other than gasoline (e.g., diesel and jet fuel), Primus expects the fuel produced by its STG+ process to be cost-competitive with petroleum-based fuels and expects the STG+ process to operate on a smaller scale than the competing methanol-to-gasoline process utilized by other, non-traditional gasoline producers. Primus expects its customers to be able to distribute, store and pump its gasoline, diesel and jet fuel using existing fuel infrastructures and expects that any gasoline, diesel and jet fuel produced may be utilized in unmodified, conventional vehicles and can be blended 50/50 with standard jet fuel for use in aircraft. Primus' business plan also contemplates licensing, and in some instances constructing, facilities that have been designed to run the STG+ process to, and for, third-parties.

Since mid-2011, Primus has operated pilot scale test facilities at its headquarters in Hillsborough, New Jersey. Primus' pilot plant consists of two major units, the first being a wood pellet gasifier that produces syngas, and the second being the STG+ pilot operation. The STG+ process has been successfully validated at the pilot scale. Primus has conducted over 100 runs at this facility and has used the data obtained from such operations to optimize the design of its demonstration plant, which was completed in August 2013. Primus' demonstration plant generates syngas from natural gas, and converts the syngas into high-octane gasoline. The demonstration plant has a nameplate production capacity of 12.7 gallons per hour, or 100,000 gallons per year, and was designed to replicate the key scale parameters of a larger plant, so as to minimize potential scale-up risks. Over a four year period, Primus has utilized its pilot and demonstration plants to test the STG+ process with more than 10 feedstock and 20 catalyst types, over 5,000 hours of operation.

As of December 31, 2014, Primus has not recognized any revenues from its operations and we have invested approximately $65 million into Primus' operations.

In connection with Primus' further development and our efforts to maximize its value, we may provide additional capital to Primus, in the form of debt or equity financing, if deemed necessary to facilitate Primus' operational and development capital requirements. For example, pursuant to an investment agreement entered into with Primus in October 2014, we may lend Primus up to $25 million via a series of convertible notes through December 31, 2015; As of December 31, 2014, Primus has issued to IC Green an aggregate principal amount of $3.5 million under the terms of the investment agreement. The amounts, and timing, of any additional convertible notes issued by Primus to IC Green under the terms of the investment agreement shall be determined exclusively by IC Green.

We own 91% of Primus and the remaining 9% is primarily held by Primus' founders.

*Primus' Principal Markets; Customers*

The U.S. transportation fuels market presents an attractive opportunity for Primus and other alternative fuel providers in the gas-to-liquid technologies market. Unlike ethanol and other biofuels that are limited by blending or infrastructure constraints, Primus' drop-in fuels can be utilized throughout the entire liquid transportation fuels market, which includes the gasoline, diesel and jet fuel markets. Primus' STG+ process:

- produces a direct substitute for petroleum-derived gasoline, which generated an estimated $359 billion in sales in the United States in 2014 (based upon the average 2014 wholesale gasoline price of $2.62/gallon and, according to the U.S. Energy Information Administration, or EIA, estimated consumption of 137 billion gallons of gasoline);
- is expected to be utilized to produce diesel. In particular, Primus seeks for its diesel to be sold for commercial transportation and maritime fuel application and thereby access the U.S. diesel market, which generated an estimated $173 billion in 2014 (based upon the average 2014 wholesale diesel price of $2.83/gallon and, according to the EIA, estimated consumption of 61 billion gallons of diesel); and

- is expected to be utilized to produce jet fuel which, in turn, can be blended 50/50 with standard jet fuel. Primus seeks for its jet fuel to be sold as conventional aviation fuel and thereby access the U.S. aviation fuel market, which generated an estimated $64 billion in 2014 (based upon the average 2014 jet fuel price of $2.77/gallon and, according to the EIA, estimated consumption of 23 billion gallons of jet fuel).

The demand for transportation fuel derived from natural gas is expected to continue to increase over the next decade as a result of numerous factors, including a U.S. focus on reducing its dependence on foreign oil and the increasing role of alternative transportation fuels as a result of environmental impact and fuel-efficiency. For example, the production of oil results in the "flaring" of natural gas – a method disposing of, rather than utilizing, any excess natural gas. Such flaring has become a concern for certain countries as a result of the associated emissions in greenhouse gases and the subsequent decrease in the availability of natural gas. As Primus' STG+ process converts syngas into "drop-in" high-octane gasoline, Primus provides its customers with the technological tools to transform the natural gas inadvertently produced by oil production and flaring into gasoline.

Primus' potential customers are existing refiners of crude oil, purchasers of oil-based fuels, and blenders of transportation fuels, who market 137 billion gallons of gasoline per year (based upon estimated 2014 sales) and direct end-users, such as airlines or retailers. Additionally, both commercial airline regulators and certain branches of the military have developed goals for alternative fuel use and greenhouse gas emissions reductions that will generally increase market demand for cleaner fuels. Reductions in the price of crude oil, which increases the cost-effectiveness of petrol-fueled machines (e.g., cars, planes, etc.), may adversely impact providers of alternative fuels, including Primus and its customers, as pricing discrepancies between alternative and traditional sources of fuel partially incentivizes the purchase of alternative fuel products. For further information on the risks related to the demand of renewable energy products in light of the fluctuating costs of traditional sources of fuel, see " *Item 3B. Risk Factors – Risks Related to Our Other Businesses – Risks Related to Our Other Businesses – The decrease in the cost of fuel or electricity generated by traditional sources may cause the demand for the services provided by our renewable energy businesses to decline* ."

*Primus' Raw Materials and Suppliers*

In connection with the operation of Primus' demonstration plant in the year ended December 31, 2014, a single supplier provided Primus with its natural gas requirements, representing an immaterial amount of Primus' operating expenses in the year ended December 31, 2014.

*Primus' Competition*

Primus seeks to operate as a technology development company and may, in the long-term, operate as a producer of alternative liquid fuels. Its competitors in both spaces include other gas-to-liquids companies and companies using other feedstocks to produce syngas, such as ExxonMobil MTG, Haldor Topsøe TIGAS or other newly-established ventures, that provide a different technological approach to the production of syngas. Primus also competes with traditional producers of gasoline (e.g., oil refineries utilizing crude oil). As Primus' STG+ process is further developed to produce diesel and jet fuel in addition to gasoline, Primus also expects to compete with the traditional and alternative producers of these fuels. Primus believes that its (i) direct synthesis of the desired fuel product, (ii) high yield and cost-effective results; and (iii) selective process allows it to remain competitive with its competitors in both areas.

*Primus' Patents, Licenses, Etc.*

Primus' intellectual property portfolio includes: two issued patents on its core technology, the "Single Loop Process", to produce liquid fuels from syngas; one issued patent on its first commercial product, specifically the "Fuel Composition"; and several additional patent applications and trade secrets that are generally categorized into the following areas: liquid fuel synthesis, liquid fuel composition, incremental improvements and customization, and biomass gasification.

Primus has also filed corresponding patent applications under the Patent Cooperation Treaty and has filed national phase applications in 16 countries for its base process patent. Primus actively evaluates its intellectual property portfolio so as to optimize its intellectual property strategy and to protect the authenticity and commercial value of its STG+ process.

*Primus' Property, Plants and Equipment*

Primus' fully operational 300 gallon-per-day integrated industrial demonstration plant located in Hillsborough, New Jersey, was successfully constructed in August 2013. The demonstration plant converts natural gas feedstock into syngas which is, in turn, converted into high-octane, drop-in gasoline. The demonstration plant has a nameplate production capacity of 12.7 gallons per hour, or 100,000 gallons per year. Primus expects this demonstration plant to provide the performance data necessary for the design and development of other plants. Primus also expects to incorporate diesel production lines in this demonstration plant as Primus further develops its STG+ process. There are currently no formal plans, however, to incorporate a jet fuel line in the demonstration plant.

*Primus' Regulatory, Environmental and Compliance Matters*

Primus' operations are affected by various local and foreign laws, rules, regulations and authorities with respect to environmental protection.

Motor fuels in the U.S. are primarily regulated by the EPA as a result of the Clean Air Act, which regulates air pollution and requires the EPA to develop and enforce regulations to that end. The 1990 amendments to the Clean Air Act mandated the use of oxygenated compounds (such as ethanol) in gasoline to improve combustion and meet air quality standards and places limits on the quantity of sulfur in conventional gasoline. Primus is subject to these regulations and, in compliance with such regulations, expects to design and develop plants that deliver gasoline to an existing petroleum refinery or a blender where it, like petroleum-based gasoline, will be blended with oxygenates to meet federal and state environmental regulations.

Additionally, Section 211 of the Clean Air Act establishes testing requirements for any new fuel or additive and requires refiners and importers to register their gasoline, diesel and fuel additives products that are produced and commercially distributed for use in highway motor vehicles before those products are offered for sale. The EPA uses such registration as a gatekeeper program and will require that it be satisfied before any regulated fuel can be dispensed. In connection with the registration program, manufacturers are required to analyze the combustion and evaporative emissions generated by their fuel and fuel additive products, survey existing scientific information for each product and, where adequate information is not available, conduct tests to screen for potential adverse health effects of these emissions. These regulations establish the testing requirements for any new fuel or fuel additive. Although Primus' fuel is similar to existing approved fuels, Primus still needs to satisfy group membership criteria or satisfy FFARs regulation in some other manner. Primus is reviewing the EPA's RFSs and the testing provisions and requirements of other Clean Air Act programs (e.g., the Toxic Substances Control Act, UL storage issues, warranty issues with vehicle manufacturers and state and federal fuel taxation issues) to determine whether it is subject to, and in compliance with, these regulations. Primus expects its gasoline product to meet or exceed the basic specifications, such that it can be considered a "drop-in" blendstock, functionally equivalent or superior to conventional petroleum gasoline.

While, to date, Primus' compliance with these requirements has not materially adversely affected its financial condition and/or results of operations, we cannot provide any assurance that existing and new laws or regulations will not materially and adversely affect it. In the future, local or foreign governmental entities or competitors may seek to change existing regulations or impose additional regulations. Any modified or new government regulation applicable to the services or technologies offered by Primus, whether at the local or international level, may negatively impact the technical specifications, production, servicing and marketing of its products and increase its costs and the price of its services or technologies, which could adversely impact its liquidity.

***HelioFocus***

HelioFocus is a developer of dish technologies for solar thermal solutions and is in the process of developing a full system solution for the provision of solar heat using air as a heat transfer mechanism. HelioFocus' third-generation technology aims to generate energy (e.g., electricity) from solar energy (i.e. "green steam" that can be used by power plants to drive steam turbines to generate electricity). HelioFocus' product consists of a unique receiver located at the focal of a large parabolic dish that reflects sun rays. The receiver then converts the sun rays into steam with temperatures of up to approximately 1,000 degrees centigrade. HelioFocus has one dish located, and an additional four dishes under construction, in Israel. HelioFocus also operates as a technology provider for eight dishes under commissioning in Inner Mongolia, China. HelioFocus has not commenced commercial operation. In addition **,** HelioFocus owns 15 patent families, including 8 issued patents, 4 allowed patent applications and 49 pending patent applications. HelioFocus also owns 2 registered trademarks.

We own 70% of HelioFocus, Zhejiang Sanhua Co., Ltd. holds 21% and HelioFocus' founders and key executives hold the remaining 9%. Notwithstanding our majority equity interest in HelioFocus during the course of 2014, as a result of veto rights held by Zhejiang Sanhua Co., Ltd. until May 31, 2014, we did not consolidate HelioFocus' results of operations with our own until June 30, 2014.

As of December 31, 2014, we have invested approximately $31 million of equity financing into HelioFocus' operations, including $1.5 million of intercompany debt, which was converted into additional equity interests in HelioFocus in June 2014 and which consequently increased our equity interest in HelioFocus. HelioFocus' board of directors has decided to reduce HelioFocus' activities and maintain only a minimum number of personnel. This decision was made in response to HelioFocus' expectation of insufficient financing during the 2015 fiscal year. HelioFocus has also determined that its operations and personnel will remain at such levels until new investors have been retained, and if HelioFocus is unable to find new investors, it may cease to conduct business. As a result of the HelioFocus' board decision, Kenon recorded an impairment charge in the amount of approximately $13 million in the year ended December 31, 2014 in respect of HelioFocus' assets.

***Petrotec***

Petrotec, in which we held a 69% interest until December 2014, is a European producer of biodiesel generated from UCO and other waste. Biodiesel can be used as a direct substitute for petrodiesel and can be stored, transported and distributed using the existing petrodiesel infrastructure. Biodiesel can be sold either as pure biodiesel directly, to oil companies for blending with petrodiesel, and to fuel traders who either also use it for blending or resell the product as pure biodiesel. Petrotec produces sustainable and climate-friendly biodiesels via the processing of UCOs and other waste oils and fats (primarily to large European – in particular, German – oil distributors), and also operates its own UCO collection business and blending facility. Petrotec owns an annual nameplate capacity of approximately 185,000 tons through its two production facilities located in Oeding and Emden, Germany.

On December 24, 2014, REG, a NASDAQ-listed advanced biofuels producer and developer of renewable chemicals, purchased IC Green's holdings in Petrotec. As consideration for REG's purchase of Petrotec's shares, IC Green received approximately $20.9 million, which was paid in the form of newly-issued shares of REG, representing approximately 4.6% of REG's share capital. In addition, REG purchased the 12.5 million Euro shareholder loan provided to Petrotec by IC Green; the $15.8 million consideration for the purchase of the shareholder loan was paid in cash.

IC Green is subject to a lock-up restriction with respect to the shares of REG it received as consideration in connection with the sale of Petrotec, and such lock-up prohibits sales by IC Green for six months and limits sales by IC Green over the six months following the date of the sale.

## C. Organizational Structure

The chart below represents a summary of our organizational structure, excluding intermediate holding companies. This chart should be read in conjunction with the explanation of our ownership and organizational structure above.


## D. Property, Plants and Equipment

For information on our property, plants and equipment, see " *Item 4B. Business Overview* . "

## ITEM 4A. Unresolved Staff Comments

Not Applicable.

## ITEM 5. Operating and Financial Review and Prospects

*This information should be read in conjunction with our audited combined carve-out financial statements, and the related notes thereto, as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012, and the related notes thereto, included elsewhere in this annual report. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. The financial information below also includes certain non-IFRS measures used by us to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate our performance. In addition, all financial information below relating to Tower has been prepared in accordance with U.S. GAAP.*

*The following discussion has been prepared assuming that Kenon had operated as a separate entity prior to the consummation of the spin-off, which had not yet occurred as of December 31, 2014. Therefore, references in this discussion to the historical results of our businesses refer to businesses that had not been, but were expected to be, contributed to us in connection with the spin-off. The historical financial statements for the periods under review have been carved out of the consolidated financial statements of IC, which held each of our businesses during the periods under review. References in this discussion to our historical results of operations refer to the carved out historical results of operations of IC. The financial position, results of operations and cash flows reflected in our combined carve-out financial statements include all expenses attributable to our business and each of our businesses, but may not be indicative of those that would have been achieved had we operated as a separate public entity for all periods presented, or of our future results.*

*Certain information included in this discussion and analysis includes forward-looking statements that are subject to risks and uncertainties, and which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. For further information on important factors that could cause our actual results to differ materially from the results described in the forward-looking statements contained in this discussion and analysis, see "Special Note Regarding Forward-Looking Statements" and "Item 3D. Risk Factors."*

### Business Overview

We are a holding company that operates dynamic, primarily growth-oriented, businesses. The companies we own, in whole or in part, are at various stages of development, ranging from established, cash generating businesses to early stage development companies.

Our primary focus will be to continue to grow and develop our primary businesses, IC Power and Qoros, by:

- in the case of IC Power, continuing to invest in projects that IC Power expects to generate attractive, risk-adjusted returns, using operating cash flows, project or other financing at the IC Power level, as well as proceeds resulting from IC Power's selective dispositions of assets. As part of our business development strategy, we will seek to provide investors with direct access to IC Power when we believe it is in the best interests of IC Power's development and our shareholders to do so. For example, as an interim step, we may pursue an IPO or listing of IC Power's equity. Should we pursue such IPO or listing, we believe it could occur in the near- to medium-term, subject to business and market conditions and other relevant factors; and
- in the case of Qoros, potentially providing additional equity capital or loans, as we deem appropriate, to assist Qoros in its development and, until it achieves significant sales, its operating expenses, financing expenses and capital expenditures, as Qoros continues to pursue its commercial growth strategy. We expect that a significant portion of our liquidity and capital resources will be used to support Qoros.

Following the growth and development of IC Power and Qoros, we intend to provide our shareholders with direct access to these businesses, when we believe it is in the best interests of our shareholders based on factors specific to each business, market conditions and other relevant information. Given their industries and respective stages of development, we expect to provide our shareholders with direct access to IC Power and Qoros in the near- to medium and medium- to long-term, respectively.

In furtherance of our strategy, we intend to support the development of our non-primary businesses, and to act to realize their value for our shareholders by distributing our interests in our non-primary businesses to our shareholders or selling our interests in our non-primary businesses, rationally and expeditiously, and distributing the proceeds derived from such sales in accordance with the principles set forth below.

As we execute our strategy, we intend to operate under disciplined capital allocation principles designed to ensure the prudent use of our capital. We intend to refrain from acquiring interests in new companies outside our existing businesses. We do not intend to materially "cross-allocate" proceeds received in connection with distributions from / sales of our interests in, any of our businesses, among our other businesses. Instead, we intend to distribute such proceeds to our shareholders or to use such proceeds to repay amounts owing under our credit facility with IC, as discussed in more detail below. In addition, we will not make further investments in ZIM.

The disciplined capital allocation principles set forth above are designed to promote the growth and development of our primary businesses, maximize value for our shareholders and ensure the prudent use of our capital. However, we will be required to make determinations over time that will be based on the facts and circumstances prevailing at such time, as well as continually evolving market conditions and outlook, none of which are predictable at this time. As a result, we will be required to exercise significant judgment while seeking to adhere to these capital allocation principles in order to maximize value for our shareholders and further the development of our businesses.

As Qoros is an early stage company, it will require additional third-party and shareholder funding to support its development. As such, we expect that a significant portion of our liquidity and capital resources will be used to support Qoros' development and, until it achieves significant sales, its operating expenses, financing expenses, and capital expenditures. Should we decide that providing Qoros with additional funding is in the best interests of our shareholders, we will first seek to approve Qoros' incurrence of additional third-party debt that is non-recourse to Kenon or the issuance of equity in Qoros to third-party investors. However, to the extent that such third-party funding is not available, we may, if we deem it in the best interests of our shareholders for us to do so, source such funding from other sources, which could include cross-allocating proceeds received in connection with dispositions of or distributions from our other businesses. Alternatively, Kenon may choose not to provide such financing, which may adversely impact Qoros' ability to obtain financing from Chery or other third parties, in which case Qoros may be unable to meet its operating expenses and Kenon may not recoup its investment in Qoros. Furthermore, in connection with the release of IC's outstanding back-to-back guarantee in respect of certain of Qoros' debt, and Kenon's related reimbursement obligations of up to RMB888 million to IC, Kenon has given an undertaking to restore equality in respect of Chery's RMB1.5 billion (approximately $241 million) guarantee, which may result in Kenon providing additional capital to, or in respect of, Qoros. Such capital would be in addition to Kenon's current investment plans with respect to Qoros, which Kenon expects to use a significant portion of its liquidity and capital resources to fund. As a result, this undertaking may require Kenon to seek additional liquidity, including seeking funding from its other business. For further information on the risks related to the significant capital requirements of our businesses, particularly Qoros, see "*Item 3D. Risk Factors – Risks Related to Our Diversified Strategy and Operations – Some of our businesses, particularly Qoros, have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.*"

**Overview of Financial Information Presented**

As a holding company, Kenon's results of operations are impacted by the financial results of each of its businesses. To effectively assess our results of operations, we supply detailed information on the financial results of our individual businesses and the impact such results have had on our consolidated results of operations. The analysis of each business' impact on our results of operations depends upon the method of accounting applicable to it during the periods under review as set forth in the following table:

| | Six Months Ended December 31, 2014 | | | All Periods Prior to June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Ownership Percentage | Method of Accounting | Treatment in Combined Carve-Out Financial Statements | Ownership Percentage | Method of Accounting | Treatment in Combined Carve-Out Financial Statements |
| **IC Power** | 100% | Consolidated [1] | Consolidated | 100% | Consolidated [1] | Consolidated |
| **Qoros** | 50% | Equity | Share in losses of associated companies, net of tax | 50% | Equity | Share in losses of associated companies, net of tax |
| **ZIM** [2] | 32% | Equity | Share in losses of associated companies, net of tax [3] | 99.7% [2] | Consolidated – Discontinued Operations | Income (loss) for the year from discontinued operations (after taxes) |
| **Tower** | 29% [3] | Equity | Share in losses of associated companies, net of tax | 29% [3] | Equity | Share in losses of associated companies, net of tax [4] |
| **Other** | | | | | | |
| *Primus* | 91% | Consolidated | Consolidated | 91% | Consolidated | Consolidated |
| *Petrotec* | — [5] | Equity – Discontinued Operations | Income (loss) for the year from discontinued operations (after taxes) | 69% [5] | Consolidated – Discontinued Operations | Income (loss) for the year from discontinued operations (after taxes) |
| *HelioFocus* | 70% | Consolidated | Consolidated | 70% [6] | Equity [7] | Share in losses of associated companies, net of tax |

1. IC Power's consolidated results of operations include income/loss from associated companies relating to IC Power's non-controlling interests in each of Generandes and Pedregal, which IC Power accounts for pursuant to the equity method of accounting.

2. On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM's results of operations for the six months ended December 31, 2014 are reflected in Kenon's share in losses of associated companies, net of tax and ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations.

3. Represents Kenon's equity interest in Tower as of December 31, 2014, assuming the full conversion of approximately 4.5 million outstanding capital notes

issued by Tower and held by Bank Hapoalim, which conversion would result in approximately 63 million Tower shares outstanding. Kenon's equity interest in Tower, based upon the approximately 58 million Tower shares outstanding as of December 31, 2014 and Kenon's ownership of approximately 18 million of such shares (excluding (i) the 1,669,795 shares of Tower underlying 1,669,795 warrants in Tower held by Kenon, exercisable up to June 27, 2017 and (ii) the 2,668 shares of Tower underlying 2,668 options in Tower held by Kenon), was approximately 31%.

Kenon may experience additional dilution of its equity interest in Tower if the holders of Tower's outstanding bonds, options and warrants also choose to convert their bonds and exercise their options or warrants, as applicable. For further information, see "Information Regarding Tower."

4. To the extent the cumulative net loss equals the total investment, as was the case for Tower as of the year ended December 31, 2013, the book value of our investment will be reduced to zero. Losses beyond the cumulative investment will not be reflected and the book value will only change with positive net income received in connection with an investment that is higher than the previously accumulated net losses. In 2013, a $6 million loss in Tower's results of operations was not reflected in the Kenon's Combined Carve-Out Statement of Income.

5. For further information on IC Green's December 2014 sale of its equity interest in Petrotec, see " *Item 4B. Business Overview – Our Businesses – Remaining Businesses – Petrotec* ."

6. For further information on IC Green's December 2014 investment in HelioFocus, which increased IC Green's interest in HelioFocus from 53% to 70%, see " *Item 4B. Business Overview – Our Businesses – Remaining Businesses – HelioFocus* ."

7. Notwithstanding our majority equity interest in HelioFocus, as a result of veto rights held by HelioFocus' other major shareholder until May 31, 2014, we did not consolidate HelioFocus' results with our own until June 30, 2014.

The following tables set forth selected financial data for Kenon's reportable segments for the periods presented:

| | Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [1] | Other [2] | Adjustments [3] | Combined Carve-Out Results |
| | (in millions of USD, unless otherwise indicated) | | | | |
| Revenue | $ 1,358 | $ — | $— | $ 14 | $ 1,372 |
| Depreciation and amortization | (108) | — | — | — | (108) |
| Asset write-off | (35) | — | (13) | — | (48) |
| Gain from disposal of investee | 157 | — | — | — | 157 |
| Gain from bargain purchase | 68 | — | — | — | 68 |
| Financing income | 9 | — | 39 | (32) | 16 |
| Financing expenses | (132) | — | (10) | 32 | (110) |
| Share in losses (income) of associated companies | 14 | (175) | (10) | — | (171) |
| Income (loss) before taxes | $ 321 | (175) | $ (37) | $ — | $ 109 |
| Taxes on income | 87 | — | 4 | — | 91 |
| **Income (loss) from continuing operations** | **$ 234** | **$(175)** | **$ (41)** | $ — | **$ 18** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 209 | (175) | (34) | — | — |
| Non-controlling interests | 25 | — | (7) | — | 18 |
| Segment assets [4] | $ 3,849 | $ — | $837[5] | $ (785) | $ 3,901 |
| Investments in associated companies | 10 | 221 | 205 | — | 436 |
| Segment liabilities | 2,860 | — | 806[6] | (785) | 2,881 |
| Capital expenditure | 593[7] | — | 12 | — | 605 |
| EBITDA | $ 348[8] | $ — | $ (43) [9] | $ — | $ 305 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 89% | — | 23% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 99% | — | 21% | (20)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Associated company.
2. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014), and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
4. Excludes investments in associates.
5. Includes Kenon's and IC Green's assets.
6. Includes Kenon's and IC Green's liabilities.
7. Includes the additions of PP&E and intangibles based on an accrual basis.
8. For a reconciliation of IC Power's net income to its EBITDA, see " *Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
9. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see " *Item 3A. Selected Financial Data* ."

| | Year Ended December 31, 2013 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | *(in millions of USD, unless otherwise indicated)* | | | | |
| Revenue | $ 866 | $ — | $ — | $ 7 | $ 873 |
| Depreciation and amortization | (75) | — | (5) | — | (80) |
| Financing income | 5 | — | 32 | (32) | 5 |
| Financing expenses | (86) | — | (15) | 32 | (69) |
| Share in losses (income) of associated companies | 32 | (127) | (32) | — | (127) |
| Income (loss) before taxes | $ 123 | (127) | $ (50) | $ — | $ (54) |
| Taxes on income | 42 | — | — | — | 42 |
| **Income (loss) from continuing operations** | **$ 81** | **$(127)** | **$ (50)** | **$ —** | **$ (96)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 66 | (127) | (48) | — | (109) |
| Non-controlling interests | 15 | — | (2) | — | 13 |
| Segment assets [5] | $ 2,749 | $ — | $3,832[6] | $ (1,136) | $ 5,444 |
| Investments in associated companies | 286 | 226 | 28 | — | 540 |
| Segment liabilities | 2,237 | — | 3,933[7] | (1,136) | 5,033 |
| Capital expenditure | 351[8] | — | — | — | 351 |
| EBITDA | $ 247[9] | $ — | $ (30) [10] | $ — | $ 217 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 51% | — | 65% | (16)% | 100% |
| Percentage of combined assets excluding associated companies | 50% | — | 70% | (21)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income to its EBITDA, see " *Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see " *Item 3A. Selected Financial Data* ."

| | Year Ended December 31, 2012 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | *(in millions of USD)* | | | | |
| Revenue | $ 576 | $— | $ 1 | $ — | $ 577 |
| Depreciation and amortization | (55) | — | (4) | — | (59) |
| Financing income | 5 | — | 24 | (26) | 3 |
| Financing expenses | (50) | — | (15) | 26 | (39) |
| Share in losses (income) of associated companies | 33 | (54) | (31) | — | (52) |
| Income (loss) before taxes | $ 87 | $ (54) | $ (42) | $ — | $ (9) |
| Taxes on income (tax benefit) | 21 | — | 1 | — | 22 |
| **Income (loss) from continuing operations** | **$ 66** | **$ (54)** | **$ (43)** | **$ —** | **$ (31)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 57 | (54) | (41) | — | (38) |
| Non-controlling interests | 9 | — | (2) | — | 7 |
| Segment assets [5] | $ 2,145 | $— | $4,215[6] | $ (959) | $ 5,401 |
| Investments in associated companies | 312 | 207 | 58 | — | 577 |
| Segment liabilities | 1,709 | — | 3,780[7] | (959) | 4,530 |
| Capital expenditures | 391 | — | — | — | 391 |
| EBITDA | $ 154[8] | $— | $ (16) [9] | $ — | $ 138 |
| Percentage of Combined Revenues | 99% | — | 1% | — | 100% |
| Percentage of Combined Assets | 41% | — | 71% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 40% | — | 78% | (18)% | 100% |
| Percentage of Combined EBITDA | 112% | — | (12)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. For a reconciliation of IC Power's net income to its EBITDA, see " *Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
9. For a reconciliation of our "Other" reporting segment's net income to its EBITDA, see " *Item 3A. Selected Financial Data* ."

The following tables set forth summary information regarding each of our equity-method accounting businesses for the periods presented. On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM is only reflected as an associated company in Kenon's results of operations for the six months ended December 31, 2014:

| | Year Ended December 31, 2014 | | | |
|---|---|---|---|---|
| | Qoros | ZIM [1] | Tower | Total |
| Income (loss) (100% of results) | (350) | (73) | 25 | (400) |
| Share of Income from Associates | $(175) | $ (13) | $ 18 | $(170) |
| Book Value | 221 | 191 | 14 | 426 |
| Market Capitalization | — | — | $ 774[1] | 774 |
| Kenon Share of Market Capitalization | — | — | $ 224 | 224 |

1. Reflects ZIM's results of operations for the six months ended December 31, 2014.
2. Market capitalization is based upon 58,033,049 shares outstanding, as of December 31, 2014, at $13.33 per share, the closing price of Tower's shares on NASDAQ on December 31, 2014.

| | Year Ended December 31, 2013 | | | |
|---|---|---|---|---|
| | Qoros | Tower | Generandes [1] | Total |
| Income (loss) (100% of results) | (255) | (109) | 86 | (278) |
| Share of Income from Associates | $(127) | $ (31) | $ 30 | $(118) |
| Book Value | $ 226 | — | $ 276 | $ 502 |
| Market Capitalization | — | $ 280[2] | — | 280 |
| Kenon Share of Market Capitalization | | $ 103 | — | 103 |

1. Kenon's interest in Generandes was sold in September 2014, in connection with Kenon's sale of its interest in Edegel.
2. Market capitalization is based upon 47,869,150 shares outstanding, as of December 31, 2013 at $5.84 per share, the closing price of Tower's shares on NASDAQ on December 31, 2013.

| | Year Ended December 31, 2012 | | | |
|---|---|---|---|---|
| | Qoros | Tower | Generandes [1] | Total |
| Income (loss) (100% of results) | (108) | (66) | 79 | (95) |
| Share of Income from Associates | $ (59) | $ (22) | $ 31 | $ (50) |
| Book Value | $ 207 | $ 19 | $ 298 | $524 |
| Market Capitalization | — | 177[2] | — | 177 |
| Kenon Share of Market Capitalization | — | $ 111[3] | — | 111 |

1. Kenon's interest in Generandes was sold in September 2014, in connection with Kenon's sale of its interest in Edegel.
2. Market capitalization is based upon 48,138,955 number of shares outstanding, as of December 31, 2012 at $7.95 per share, the closing price of Tower's shares on NASDAQ on December 31, 2012.
3. Includes the market value of shares and shares that will derive from conversion of capital notes.

***ZIM***

On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations and ZIM's results of operations for the six months ended December 31, 2014 are reflected in Kenon's share in losses of associated companies, net of tax.

Set forth below are our results attributable to ZIM for the six months ended June 30, 2014 and the years ended December 31, 2013 and 2012, during which ZIM's results of operations were reflected in our financial statements as discontinued operations:

| | Six Months Ended | Year Ended December 31, | |
|---|---|---|---|
| | June 30, 2014 | 2013 | 2012 |
| | | *(in millions of USD)* | |
| Sales | $ 1,741 | $ 3,682 | $ 3,960 |
| Cost of sales | (1,681) | (3,770) | (4,053) |
| **Gross profit (loss)** | **60** | **(88)** | **(93)** |
| **Operating loss** | **(18)** | **(191)** | **(206)** |
| **Loss before taxes on income** | **(119)** | **(497)** | **(393)** |
| Taxes on income | (10) | (23) | (19) |
| **Loss after taxes on income** | **(129)** | **(519)** | **(412)** |
| Income from realization of discontinued operations | 609 | — | — |
| **Income (loss) for the period from discontinued operations** | **$ 480** | **$ (519)** | **$ (412)** |

ZIM's results of operations for the six months ended December 31, 2014 are reflected in Kenon's share in losses of associated companies, net of tax.

***Qoros***

We have a 50% equity interest in Qoros. As a result, we account for Qoros pursuant to the equity method of accounting and discuss Qoros' results of operations in our discussion of our share in losses of associated companies, net of tax. Additional detail on Qoros' historic financial performance can be found in Qoros' separate financial statements for the years ended December 31, 2014, 2013 and 2012, which are included in this annual report.

***Tower***

For information on Tower's results of operations, see " *Information Regarding Tower.* "

**Material Factors Affecting Results of Operations**

***Kenon***

*Certain Singapore Tax Implications for Kenon*

As a Singapore-resident company, Kenon would be subject to income tax in Singapore on its income accruing in or derived from Singapore, and foreign-sourced income received in Singapore from outside Singapore unless otherwise exempt. The corporate tax rate in Singapore is currently 17%, unless reduced under an applicable concession or incentive, and is chargeable on income less allowable deductions and allowances. However, as each of the businesses that were transferred to Kenon in connection with the spin-off intends to continue to conduct its operations outside of Singapore, Kenon does not expect to be subject to tax in Singapore on any income generated by such businesses.

Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Kenon (as a Singapore tax-resident company) would also be exempt from tax in Singapore, provided certain conditions, including the following, are satisfied:

- such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received; and
- at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore, or IRAS, with respect to the above conditions.

To the extent that the conditions set out above are fulfilled in relation to foreign-sourced dividends and branch profits received in Singapore by Kenon, Kenon should not be subject to Singapore tax on such income.

As a result, Kenon does not expect to pay any taxes in Singapore on its foreign-sourced income, as such income (i) is expected to be exempt from tax when remitted into Singapore (based upon the conditions outlined above), (ii) may be maintained outside of Singapore and utilized by Kenon to make dividend payments to shareholders outside of Singapore or (iii) may be maintained outside of Singapore and utilized by Kenon to make further investments outside of Singapore. No material Singapore corporate taxes have therefore been accounted for, or are expected to be accounted for, in Kenon's financial statements.

The corporate tax rate in Singapore is currently 17% unless reduced under an applicable concession or incentive, and is chargeable on income less allowable deductions and allowances. Pursuant to Singapore's one-tier corporate tax system, the tax on corporate profits is final and dividends paid by a Singapore-resident company to its shareholders, regardless of their legal form or tax residence, would be exempt from tax in Singapore. No withholding tax would be payable on such dividends.

Singapore does not impose taxes on disposal gains, which are considered to be capital in nature, but imposes tax on income and gains of a trading nature. As such, whenever a gain is realized on the disposal of an asset, the practice of the IRAS is to rely upon a set of commonly-applied rules in determining the question of capital (not taxable) or revenue (taxable). Under Singapore tax laws, any gains derived by a divesting company from its disposal of ordinary shares in an investee company between June 1, 2012 and May 31, 2017 are generally not taxable if, immediately prior to the date of such disposal, the divesting company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months.

***IC Power***

Set forth below is a discussion of the material factors affecting the results of operations of IC Power for the periods under review.

*Capacity Growth*

IC Power's capacity, excluding the capacity attributable to IC Power's pipeline, was 2,642 MW as of December 31, 2014, representing a 115% growth in capacity since January 1, 2012, as set forth below [1]:

| Entity | Country | Energy used to operate power station | Completion of Development/Date of Acquisition | Capacity (MW) |
|---|---|---|---|---|
| **Capacity at January 1, 2012** | | | | **1,229** |
| Kallpa | Peru | Natural gas | Development Completed –August 2012 | 293 |
| **Total increase in capacity during the year ended December 31, 2012** | | | | **293** |
| **Capacity at January 1, 2013** | | | | **1,522** |
| OPC | Israel | Natural gas and diesel | Development Completed – July 2013 | 440 |
| Colmito | Chile | Diesel | Acquired – October 2013 | 58 |
| **Total increase in capacity during the year ended December 31, 2013** | | | | **498** |
| **Capacity at January 1, 2013** | | | | 2,020 |
| Corinto | Nicaragua | Heavy fuel oil | Acquired – March 2014 | 71 |
| Tipitapa Power | Nicaragua | Heavy fuel oil | Acquired – March 2014 | 51 |
| Amayo I | Nicaragua | Wind | Acquired – March 2014 | 40 |
| Amayo II | Nicaragua | Wind | Acquired – March 2014 | 23 |
| Surpetroil | Colombia | Natural gas | Acquired – March 2014 | 15 |
| Kallpa – Las Flores | Peru | Natural gas | Acquired – April 2014 | 193 |
| JPPC | Jamaica | Heavy fuel oil | Acquired – May 2014 | 50 |
| Puerto Quetzal | Guatemala | Heavy fuel oil | Acquired – September 2014 | 179 [2] |
| **Total increase in capacity during the year ended December 31, 2014** | | | | **622** |
| **Capacity at December 31, 2014** | | | | **2,642** |

1. Does not reflect 1,540 MW of capacity attributable to Edegel, which IC Power sold in September 2014.
2. In November 2014, Puerto Quetzal sold one of its three power barges, representing 55 MW of Puerto Quetzal's 234 MW of capacity, to Kanan. As a result, Puerto Quetzal now operates two power barges with an aggregate capacity of 179 MW.

As a result of IC Power's capacity expansion, its consolidated revenues, operating income, finance expenses and net income during the periods under review substantially increased.

*Macroeconomic Conditions in the Countries in which IC Power Operates*

IC Power's portfolio of power generation assets is located in a number of geographic regions across the globe. As a result, IC Power's business and operating results are affected by worldwide political and economic conditions, particularly those affecting Latin America, the Caribbean and Israel.

Macroeconomic conditions impact the consumption of electricity by industrial and individual consumers. For instance, countries experiencing sustained economic growth generally experience an increase in their consumption of electricity. Additionally, macroeconomic conditions are also likely to affect foreign exchange rates, domestic interest rates and inflation, which each has an effect on IC Power's financial and operating costs. Fluctuations in the exchange rates between local currencies in the countries in which IC Power operates and the U.S. dollar, which is IC Power's functional currency, will generate either gains or losses on monetary assets and liabilities denominated in these local currencies and can therefore affect IC Power's profitability. Fluctuations in inflation rates may increase labor costs and other local expenses of IC Power's operating companies, and IC Power may be unable to pass such increases on to its customers (e.g., in the context of customers who purchase energy or capacity from IC Power pursuant to a long-term PPA).

For further information on the risks associated with currency fluctuations, see *"Item 3D Risk Factors – Risks Related to our Diversified Strategy and Operations – Foreign exchange rate fluctuations and controls could have a material adverse effect on our earnings and the strength of our balance sheet."*

The following table sets forth the average local currencies per dollar exchange rates and the annual inflation rate for the periods presented for each of the countries in which IC Power has material operations:

| | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| | Exchange Rate (per $1) | Inflation Rate (%) | Exchange Rate (per $1) | Inflation Rate (%) | Exchange Rate (per $1) | Inflation Rate (%) |
| Peru | 3.0 | 3.2 | 2.7 | 2.8 | 2.6 | 3.7 |
| Israel | 3.9 | (0.2) | 3.6 | 1.5 | 3.9 | 1.7 |
| Nicaragua | 26.0 | 6.4 | 24.7 | 5.7 | 23.8 | 6.6 |
| Chile | 606.8 | 4.6 | 495.3 | 1.8 | 486.5 | 3.0 |
| Colombia | 2,000.0 | 3.7 | 1,869.0 | 1.9 | 1,798.0 | 2.4 |
| Guatemala | 7.6 | 3.4 | 7.9 | 4.3 | 7.8 | 3.8 |
| El Salvador | 8.8 | 0.5 | 8.8 | 0.8 | 8.8 | 1.7 |
| Dominican Republic | 44.4 | 3.0 | 41.8 | 4.8 | 39.3 | 3.7 |
| Jamaica | 111.2 | 6.4 | 100.8 | 9.5 | 89.0 | 8.0 |
| Panama | 1.0 | 2.1 | 1.0 | 5.9 | 1.0 | 7.2 |
| Bolivia | 6.9 | 5.2 | 6.9 | 5.7 | 6.9 | 4.6 |

*Sources: Exchange Rates – World Bank*
*Inflation Rates – World Bank/Central Bank of each of the above countries*

For further information on the macroeconomic conditions of those key countries in which IC Power operates, see *" Item 4B. Business Overview – Our Businesses – IC Power – IC Power's Industry Overview."*

*Availability and Dispatch*

The regulatory frameworks in Peru, Nicaragua, Chile, Colombia, Guatemala, El Salvador, the Dominican Republic, Panama, and Bolivia establish marginal cost systems, and the relevant regulatory agencies determine which generation units are to be dispatched, so as to minimize the cost of energy supplied.

Availability refers to the percentage of time that a plant is available to generate energy. For example, hydroelectric plants are unavailable when they are removed from operation to conserve water in the associated reservoirs or river basins, for maintenance or when there are unscheduled outages. Thermal plants are unavailable when they are removed from operation for maintenance or when there are unscheduled outages. IC Power's average availability in 2014 was 97% in Peru, 90% in Israel, 95% in Nicaragua, 96% in Chile, 84% in Colombia, 97% in El Salvador, 97% in Guatemala, 89% in the Dominican Republic, 85% in Jamaica, 93% in Panama and 91% in Bolivia. Each of the relevant regulatory agencies considers the average availability of generation plants when it allocates firm capacity.

A substantial portion of the capacity in Peru, Chile, Colombia, Guatemala, El Salvador, the Dominican Republic, Panama and Bolivia is comprised of hydroelectric plants. The marginal cost of production by these plants is almost nil. As a result, these plants are generally the first to be dispatched, when available. However, the availability of these plants is subject to annual and seasonal variations based on the hydrology of the reservoirs and river basins that provide the water to operate these plants. When hydroelectric plants are unavailable or have been fully dispatched, generation plants are generally dispatched on the basis of cost, with lower cost units generally dispatched first. Kallpa's units, for example, are among the first generation units to be dispatched in Peru after the hydroelectric plants, since Kallpa is among the lowest-cost thermal generation units in Peru. COBEE's hydroelectric plants are among the first generation units to be dispatched in Bolivia as a result of the low variable costs associated with these units. IC Power seeks to ensure that its hydroelectric units are available to be dispatched when necessary, as such availability is important to IC Power's positioning, its ability to capture the benefits of marginal cost dispatch, and the maximization of its margins.

If IC Power's generation plants are available for dispatch and are not dispatched, or are partially dispatched, by the system operator and if IC Power's obligations to deliver energy exceed the energy dispatched from its own generation units at any particular time, IC Power purchases energy in the spot market to satisfy its obligations under its PPAs, usually at prices that are lower than its own generation costs resulting in a higher margin. To the extent that IC Power's generation plants are not available for dispatch, IC Power purchases energy in the spot market to satisfy its obligations under its PPAs, and there is a risk that the price of such energy may be higher than the price for energy that IC Power receives under its PPAs.

Although Kallpa has adopted a commercial strategy under which it generally enters into PPAs under which it sells more capacity than it is allocated by the COES, Kallpa reviews the anticipated load curves of its customers prior to entering into such PPAs in order to determine whether its contracting strategy will present a risk that the total energy demanded under its PPAs will exceed its capacity. The following table sets forth the amount of energy sold under PPAs and in the spot market, and the amount of energy dispatched and purchased during the year ended December 31,2014 by those operating companies that were owned by IC Power as of December 31, 2014 [1]:

| Year Ended December 31, | Sales under PPAs | Sales in Spot Market | Energy Generated | Energy Purchased |
|---|---|---|---|---|
| | | (GWh) | | |
| **Kallpa:** | | | | |
| 2014 | 6,324 | 235 | 5,698 | 861 |
| 2013 | 6,268 | 84 | 5,265 | 1,087 |
| 2012 | 4,321 | 162 | 4,133 | 350 |
| **OPC:** | | | | |
| 2014 | 3,916 | 57 | 3,400 | 573 |
| 2013 (since July 2013) | 1,742 | 71 | 1,332 | 481 |
| **ICPNH:** | | | | |
| 2014 | 1,063 | 21 | 1,057 | 27 |
| 2013 | 1,045 | 44 | 1,042 | 47 |
| 2012 | 1,123 | 20 | 1,119 | 24 |
| **Central Cardones:** | | | | |
| 2014 | — | — | — | 1 |
| 2013 | — | — | — | 1 |
| 2012 | — | — | — | 1 |
| **Colmito:** | | | | |
| 2014 | 250 | 6 | 4 | 252 |
| 2013 | — | — | — | — |
| 2012 | — | — | — | — |
| **Surpetroil:** | | | | |
| 2014 | 45 | — | 23 | — |
| 2013 | 45 | — | 22 | — |
| 2012 | 45 | — | 22 | — |
| **Puerto Quetzal:** | | | | |
| 2014 | 822 | 53 | 455 | 603 |
| 2013 | 1,162 | 24 | 490 | 839 |
| 2012 | 1,358 | 82 | 577 | 1,007 |
| **Nejapa:** | | | | |
| 2014 | 622 | 97 | 376 | 343 |
| 2013 | 511 | 164 | 458 | 249 |
| 2012 | 437 | 244 | 561 | 131 |
| **CEPP:** | | | | |
| 2014 | 253 | — | 236 | 17 |
| 2013 | 325 | 7 | 332 | — |
| 2012 | 316 | 15 | 330 | — |
| **JPPC:** | | | | |
| 2014 | 75 | — | 410 | — |
| 2013 | 83 | — | 432 | — |
| 2012 | 85 | — | 422 | — |

| Year Ended December 31, | Sales under PPAs | Sales in Spot Market | Energy Generated | Energy Purchased |
|---|---|---|---|---|
| **Pedregal:** | | | | |
| 2014 | 269 | 135 | 405 | 14 |
| 2013 | 200 | 206 | 420 | — |
| 2012 | 120 | 250 | 385 | — |
| **COBEE:** | | | | |
| 2014 | 268 | 762 | 1,030 | — |
| 2013 | 276 | 827 | 1,103 | — |
| 2012 | 277 | 826 | 1,103 | — |

1. The information included within the table reflects 100% of the capacity of the sales under PPAs, sales in the spot market, energy generated and energy purchased of all of IC Power's operating companies and investments, regardless of IC Power's ownership interest in the company.

*Cost of Sales*

IC Power's principal costs of sales are heavy fuel oil, natural gas and lubricants, purchases of capacity and energy on the spot market, transmission costs, personnel, third party services and maintenance costs.

IC Power's costs for natural gas, which include transportation costs, vary primarily based on the quantity of natural gas consumed, the variation of market prices of heavy fuel oil and whether IC Power consumes all of the natural gas that it is obligated to purchase under its natural gas supply contracts. The price adjustment mechanisms in IC Power's Peruvian PPAs act as a natural hedge against the price of natural gas. IC Power's costs for heavy fuel oil, which include transportation costs, vary primarily based on the quantity of heavy fuel oil consumed and the variation of market prices of heavy fuel oil. For example, IC Power generates electricity using heavy fuel oil in the Dominican Republic and El Salvador. The price adjustment mechanisms in IC Power's Dominican and Salvadorian PPAs also act as a natural hedge against the price of fuel oil. As fuel is a significant cost for most of IC Power's operating companies, the price of various fuels (e.g., gas, diesel, or heavy oil) has a significant effect on IC Power's costs and revenues. However, as prices in the spot market tend to reflect current fuel prices and, as most of IC Power's PPAs contain a fuel price adjustment mechanism, to reflect increases or decreases in the price of fuel, changes in fuel prices generally do not affect IC Power's margins or EBITDA. Accordingly, the decline in global oil prices, which occurred during 2014 is expected to result in a decline in IC Power's 2015 revenues, but is not expected to have a corresponding effect on IC Power's EBITDA.

IC Power's costs for transmission vary primarily according to the quantity of energy that IC Power sells and the specific nodes in the SEIN through which its customers withdraw energy from the SEIN. Under IC Power's PPAs and the regulatory regimes under which it sells energy in the spot market, most transmission costs are passed on to its customers.

IC Power incurs personnel and third party services costs in the operation of its plants. These costs are usually independent of the volumes of energy produced by its plants. IC Power incurs maintenance costs in connection with the ongoing and periodic maintenance of its generation plants. These costs are usually correlated to the volumes of energy produced and running hours by its plants.

*Results from Associates*

IC Power's net income, cash flows from operations and statement of financial condition are affected by the results of Pedregal, in which IC Power holds a 21% indirect equity interest, and, for the historical periods under review, Edegel, in which IC Power held a 21% indirect equity interest until September 2014.

With respect to IC Power's associates, IC Power records its proportional share in the net income of Pedregal, and recorded its proportional share in the net income of Generandes (the entity through which IC Power held its equity interest in Edegel), in IC Power's statement of income as share of profit in associates. During the years ended December 31, 2014, 2013 and 2012, IC Power's share of profit in associated companies was $14 million, $32 million and $33 million, respectively. IC Power records dividends received from these companies as cash flow from operations in its statement of cash flows. During the years ended December 31, 2014, 2013 and 2012, IC Power received dividends from these companies in the aggregate amount of $32 million, $31 million and $16 million, respectively. The book value that IC Power records for these investments in its statement of financial position is adjusted to reflect its proportional share in the net income of these companies and the dividends received from these companies and the cumulative translation adjustment to the value of its investment in Generandes are netted from the result.

Although IC Power seeks to exert a degree of influence with respect to the management and operation of its investments by exercising certain limited governance rights, IC Power's ability to control the development and operation of these companies may be limited. IC Power may be dependent on the majority shareholders to operate such businesses, and the approval of the majority shareholders is required for distributions of funds to IC Power. IC Power periodically evaluates its investments in companies that it does not consolidate and considers whether it would be in its interests to increase its investments in these companies or reduce or divest its interests in the companies. To that end, in September 2014, IC Power completed the sale of its interest in Edegel for $413 million (which resulted in IC Power's recognition of approximately $110 million of net profit). Edegel contributed $128 million and $28 million to IC Power's net income for the years ended December 31, 2014 and 2013, respectively. Inkia is required to utilize the net proceeds received from the sale of its interest in Edegel within 30 months of Inkia's receipt of such net proceeds (i.e., prior to March 2017).

*Effects of Outstanding Indebtedness, including Financial Leases*

As of December 31, 2014 and 2013, IC Power's total outstanding consolidated indebtedness was $2,348 million and $1,669 million, respectively. As of December 31, 2014, IC Power had no outstanding loans and notes owed to its parent company.

IC Power financed its acquisition of the Kallpa I, II and III turbines, and Las Flores terminal, through financial leases. As a result, IC Power has recognized these turbines and the terminal as property, plant and equipment and has recognized the related lease obligations as loans from banks and others, but does not recognize any cash flow from financing activities. Payments under these leases are recognized in IC Power's statement of cash flows as cash flows from financing activities at the time that these payments are made.

*Negative Goodwill*

IC Power's development strategy contemplates the acquisition of power generation assets in attractive markets, from time to time, in connection with IC Power's capacity expansion efforts. Based upon the book values recorded by IC Power in connection with its acquisition of such assets, IC Power may recognize negative goodwill in the relevant period, and such recognition would result in an increase in IC Power's net income for the relevant period.

For the year ended December 31, 2014, IC Power recorded a one-time gain of $24 million, $24 million and $20 million in connection with its acquisitions of ICPNH in March 2014, JPPC in May 2014 and Puerto Quetzal in September 2014, respectively.

*Income Taxes*

IC Power operates through various subsidiaries in several countries and, as a result, is subject to income tax in each jurisdiction in which it has operations including in Israel, its country of incorporation. Set forth below is a summary of the tax rates applicable to IC Power in its country of incorporation, and other key countries of operation.

As of January 2014, the corporate income tax rate in Israel applicable to each of IC Power and OPC is 26.5% (prior to such date, the corporate income tax rate was 25% in 2013).

In December 2014, a tax reform law was enacted in Peru. Among other changes, the law decreases corporate income tax rates and increases withholding tax rates on dividends. The corporate income tax rate will reduce the tax rate from 30% in 2014 to 28% in 2015 and 2016; 27% in 2017 and 2018; and 26% starting in 2019. The withholding tax rates will increase from 4.1% in 2014 to 6.8% in 2015 and 2016; 8.0% in 2017 and 2018; and 9.3% starting in 2019. Kallpa and CDA have signed tax stability agreements that expire in 2020 and 2022, respectively. Only after these tax agreements expire will Kallpa and CDA be affected by the changes in income tax and withholding tax rates described above.

Nejapa's branch in El Salvador and Cenergica are subject to corporate income tax in El Salvador at a rate of 30% and non-resident shareholders are subject to a 5% withholding tax on dividend distributions.

In the Dominican Republic, the corporate income tax rate is 28% (27% from 2015 thereafter). Prior to its expiration in April 2012, CEPP had an exemption from all direct Dominican Republic taxes, including income tax. Distributions made to non-resident shareholders are subject to withholding taxes at a rate of 10%.

***Qoros***

Set forth below is a discussion of the material factors affecting the results of operations of Qoros for the periods under review.

Qoros has had net losses in almost every quarter since its inception, as it invests heavily in product research and development and its commercial operations. In December 2013, Qoros began sales on a limited scale and, as a result, generated revenues for the first time during the fiscal year ended December 31, 2013.

During 2014, Qoros launched two vehicle models – the Qoros 3 Hatch and the Qoros 3 City SUV – and incurred significant expenses, including financing costs, in connection therewith, including expenses relating to the development and marketing of these vehicle models.

As Qoros continues to deploy its full-scale commercial model, Qoros will remain subject to those risks inherent in the establishment of a new business enterprise in the short-term, including risks relating to possible cost overruns due to cost increases in services and supply materials, and uncertain and unpredictable revenues. Additionally, if Qoros is unable to ramp up sales and develop an effective dealership network to drive its commercial sales, Qoros' operations may continue to generate net losses. Qoros' ability to eliminate its operating losses and to generate positive cash flow from its operations will depend upon a variety of factors, many of which Qoros will be unable to control, such as the ability to sell its vehicles within its targeted price range. If Qoros is unable to substantially increase its production volume, or increase its production capacity in tandem with increased demand in its vehicle models, Qoros may not be able to eliminate its operating losses, generate positive cash flow or achieve or sustain profitability, any of which may result in an increase in Qoros' reported expenses, continued net losses, or an inability to continue its commercial operations altogether.

Qoros commenced commercial operations at the end of 2013 and sold approximately 7,000 cars in 2014. Qoros incurred a net loss of RMB2.1 billion in 2014 and is dependent upon external financing, including shareholder funding, to meet its operating expenses, financing expenses, and capital expenditures. As the volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity and future success, Qoros revised its business plan during the third quarter of 2014. Qoros' financing needs may increase as Qoros continues to adjust its business plan and/or experiences a reduction in operating cash flows as a result of low sale volumes.

***ZIM***

On July 16, 2014, ZIM completed its financial restructuring, reducing ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately $3.4 billion to approximately $2 billion. As a result, Kenon received a 32% equity interest in ZIM upon the consummation of the spin-off.

ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations and ZIM's results of operations for the six months ended December 31, 2014 are reflected in Kenon's share in losses of associated companies, net of tax, pursuant to the equity method of accounting.

***Remaining Businesses***

Set forth below is a discussion of the material factors affecting the results of operations of our remaining businesses for the periods under review.

*Supply and Demand Pricing and Trends*

The market for the manufacture, marketing and sale of bio-diesel, heating and other alternative fuels, and the technologies related thereto, is highly competitive. Sustained competition could increase the costs associated with feedstock supply, plant construction, raw materials, attracting and retaining qualified engineers, chemists and other key employees, and other operating expenses. Decreasing oil prices, or an increase in feedstock supply that significantly reduces the differential between such feedstock and oil, could also negatively affect demand for alternative fuels and the competitive position of bio-fuel, which is critical to Primus' platforms. Crude oil prices, for example, fell considerably during the second half of 2014, with prices continuing to decline during the first quarter of 2015. Reductions in the price of crude oil, which increases the cost-effectiveness of petrol-fueled machines (e.g., cars, planes, etc.), may adversely impact developers of alternative / bio fuels technologies, such as Primus, as the demand for its services and technologies may be impacted by the pricing discrepancies between alternative / bio and traditional sources of fuel and the incentives they provide for the purchase of alternative / bio technologies or products.

Additionally, increased competition from other alternative energy providers will likely occur if prices of energy on the commodities markets, including oil and bio-diesel, rise as they did in recent years. Additionally, if production capacity within the industry increases faster than the demand for bio-diesel or other alternative energies, the prices for Primus' services or technologies could be depressed, which could negatively affect Primus' business model, credit profile, or results of operations.

The market supply and demand for renewable energy solutions depends substantially upon the availability of government incentives. Various governments have used policy initiatives to encourage or accelerate the development of alternative fuel generation solutions and the adoption of solar power and other renewable energy sources.

Governments may reduce or eliminate existing incentive programs for political, financial or other reasons, and such reductions will be difficult to predict. Reductions in any such programs may result in a significant decline in the demand and, therefore, price of renewable energy solutions.

*Government Subsidies, Political/Economic Incentives and Environmental Regulation*

Additionally, the market supply and demand for renewable energy solutions are affected by government regulation, whether at the local or international level, which may negatively impact the technical specifications, production, servicing and marketing of renewable energy products or services and/or increase the costs of, or the prices of, such products and services.

*Project Development and Operational Capabilities*

The financial condition and results of operations of Primus and HelioFocus depend upon the ability of each of Primus and HelioFocus to successfully commercialize their renewable energy technologies. Primus expects to design and develop a number of commercial facilities in the future, if and when requested by third parties, and HelioFocus expect to build and manage a number of dishes in the future. Such developments are expected to present additional challenges to Primus' and HelioFocus' internal processes, external construction management, working capital management, and financing capabilities, as applicable. Significant project development may result in increased expenses (e.g., financing and operating expenses) which will likely not be offset, in the short-term, by increases in revenues or net income.

**Critical Accounting Policies and Significant Estimates**

In preparing our financial statements, we make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are reviewed on an ongoing basis and are based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements.

***Impairment Analysis***

For each reporting period, Kenon examines whether there have been any events or changes in circumstances which would indicate an impairment of one or more non-monetary assets or cash generating units, or CGUs. Additionally, when there are indications of an impairment, a review is made as to whether the carrying amount of the non-monetary assets or CGUs exceeds the recoverable amount and, if so, an impairment loss is recognized. An assessment of the impairment of the goodwill in a consolidated company is performed once a year or when signs of an impairment exist.

Under IFRS, the recoverable amount of the asset or CGU is determined based upon the higher of (i) the fair value less costs of disposal and (ii) the present value of the future cash flows expected from the continued use of the asset or CGU in its present condition, including cash flows expected to be received upon the retirement of the asset from service and the eventual sale of the asset (value in use). The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time-value of money and the risk specific to the asset or CGU.

The estimates regarding future cash flows are based upon past experience with respect to this asset or similar assets (or CGUs), and on Kenon's businesses best possible assessments regarding the economic conditions that will exist during the remaining useful life of the asset or CGU. Such estimates rely on the particular business' current development plans and forecasts. As the actual cash flows may differ, the recoverable amount determined could change in subsequent periods, such that an additional impairment loss may need to be recognized or a previously recognized impairment loss may need to be reversed.

*Impairment Test for IC Power*

At the end of each reporting period, Kenon assesses whether there is any indication that any of the CGUs relating to IC Power may be impaired and considers, among other things, whether there are indications of any of the following:

- Significant changes in the technological, economic or legal environment in which the CGUs relating to IC Power operate, taking into account the country in which each CGU operates;
- Increases in interest rates or other market rates of return, which are likely to affect the discount rates used in calculating the CGUs' recoverable amount;
- Evidence of obsolescence or physical damage of the CGUs' assets;
- Actual performance of the CGU that does not meet expected performance indicators (e.g., the budget);
- Declines in tariffs agreed upon in PPAs and/or in current energy prices;
- Increases in fuel and/or gas prices and other power generation costs; and
- New laws and regulations, or changes in existing laws and regulations, that could have an adverse effect on the power generation industry.

As of the years ended December 31, 2013 and 2012, the CGUs relating to IC Power were performing according to budget, were profitable, and none of the aforementioned indications were present, so as to suggest that the CGUs relating to IC Power may be impaired. Therefore, Kenon determined that there was no need to measure the recoverable amount of the CGUs relating to IC Power as of such dates.

During 2014, a subsidiary of Inkia updated its five-year budget as a result of a downward trend in its results combined with anticipated impacts of recent political changes in the country in which the subsidiary operates, which affects the power generation business therein, and expectations of an increase in operating costs and unchanged electricity prices, which will lead to a decrease in its profitability. As a result, Inkia considered a potential impairment in this subsidiary and conducted an impairment analysis using the value in use method and a discount rate of 7.6%. Accordingly, Inkia determined that the book value of the subsidiary's assets exceeded its recoverable amount and therefore recorded an impairment loss of $35 million in the year ended December 31, 2014.

*Impairment Test of HelioFocus*

Kenon recorded an impairment charge in the amount of approximately $13 million in the year ended December 31, 2014 in respect of HelioFocus' assets, as a result of HelioFocus' board of directors' decision to reduce HelioFocus' activities and maintain only a minimum number of personnel. This decision was made by HelioFocus' board of directors in response to HelioFocus' expectation of insufficient financing during the 2015 fiscal year. HelioFocus has also determined that its operations and personnel will remain at such levels until new investors have been procured, failing which HelioFocus may cease to operate its business.

*Impairment Test of Qoros*

In September 2014, Qoros' board of directors approved a five-year business plan, which reflected lower forecasted sales volumes and assumed the minimal level of capital expenditure necessary for such sales volumes. As a result of the lower forecasted sales volume, Qoros' management performed an impairment test of Qoros' operating assets (primarily its PP&E and intangible assets) as of September 30, 2014 and December 31, 2014. A discussion of the impairment test of Qoros' assets as of December 31, 2014, including its key assumptions, is set forth below.

For the purposes of IAS 36, Qoros, which develops, manufactures and distributes passenger vehicles, has one CGU, which consists of all of Qoros' assets. The carrying amount of the CGU's assets (adjusted for depreciation and amortization) was approximately RMB9 billion as of December 31, 2014.

Qoros estimated its recoverable amount based upon the fair value of Qoros' assets less the costs to sell, using the discounted cash flow method. In developing the estimates of Qoros' future cash flows for the next 10 years, including terminal value, assumptions were made relating to future sales volume and sale price, utilization capacity of Qoros' manufacturing facility,

timing and nature of investments related to the expansion of Qoros' manufacturing facility, timing for launch of new models, inventory volumes, operating expenses, capital expenditures, availability of funding, taxes, the discount rate (based on a WACC that is consistent with WACCs used by other development stage companies in Qoros' industry), and a terminal growth rate, in each case over the course of the 10-year period upon which Qoros' revised business plan is based. Assumptions in respect of Qoros' funding include assumptions related to Qoros' receipt of certain subsidies from local Chinese governments. Although Qoros has not received such subsidies from the local Chinese governments to date, Qoros may be entitled to receive such subsidies during the projection period.

Qoros concluded that the recoverable amount of its CGU was approximately 25% higher than the carrying amount of its CGU (adjusted for depreciation and amortization), based upon the mid-point of the analysis. Therefore, no impairment was recognized in Qoros' December 31, 2014 financial statements in respect of its CGU.

In conducting the impairment test, Qoros made a number of key assumptions which were based upon the assumptions outlined in Qoros' five-year business plan and, with respect to the impairment test performed as of December 31, 2014, Qoros' January 2015 adoption of a new budget (which was based upon Qoros' September 2014 business plan), including a significant increase in the volumes of cars manufactured and sold by Qoros from current levels to a level that reflects full utilization of the maximum production capacity of the existing manufacturing facility (i.e. assuming the implementation of full shifts and working days), and the number of dealers in Qoros' dealer network from current levels of points of sales to hundreds by the end of Qoros' revised 10-year business plan. Qoros also assumed sufficient funding being available to it, either from its shareholders or from third party lenders.

Although Qoros believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to future levels of cars produced or sold by Qoros, the development of Qoros' distribution and dealer network, and Qoros' utilization of its facility and availability of funding.

The analysis for the impairment test is sensitive to variances in each of the assumptions used and if the assumptions used by Qoros to evaluate the potential impairment of its assets proves incorrect, Qoros may recognize significant impairment charges in its financial statements in the future. Qoros' management has determined that the forecasted volume of sales is the most important element of Qoros' business plan and accordingly is the most sensitive key assumption for which there reasonably could be a possible change that could cause the carrying amount of Qoros' CGU to exceed the recoverable amount.

*Impairment Test of ZIM*

In connection with the completion of ZIM's restructuring in July 2014, IC's equity interest in ZIM (which was transferred to Kenon in connection with Kenon's spin-off from IC) was reduced to 32%. Although there were no triggering events for Kenon's impairment of its equity investment in ZIM during the six month period ended December 31, 2014, Kenon performed a valuation of its 32% equity investment in ZIM as of December 31, 2014 in accordance with IAS 36 and IAS 28. Kenon concluded that, as of December 31, 2014, the recoverable amount of its investment in ZIM exceeded the carrying amount and, therefore, Kenon did not recognize an impairment in its financial statements in respect of its investment in ZIM.

Additionally, following the recent global economic crisis, which materially impacted the shipping industry and ZIM's results of operations, and the July 2014 restructuring of ZIM's debt, ZIM conducted an impairment test of its operating assets as of December 31, 2014.

For the purposes of IAS 36, ZIM, which operates integrated network liner activity, has one CGU, which consists of all of ZIM's assets. ZIM estimated its recoverable amount based upon the fair value of its assets less the costs of disposal, using the discounted cash flow method.

ZIM's assumptions were made for a 4-year period starting in 2015 and a representative year intended to reflect a long-term, steady state. The key assumptions are set forth below:

- A detailed cash flow forecast for 4 years based upon ZIM's business plan;
- *Bunker price* : according to the future price curve of fuel;
- *Freight rates* : a compound annual negative growth rate of 1.4% over the projection period, reflecting a change in cargo mix;
- *Increase in aggregate TEU shipped* : a compound annual growth rate of 3.7% over the projection period, which assumes an increase in the leasing of very large container vessels in ZIM's fleet during 2017;
- *Charter hire rates* : contractual rates in effect as of December 31, 2014, and assuming anticipated market rates for renewals of charters expiring in the projection period;
- *Discount rate of* 10.5%;
- *Long-term nominal growth rate* of 1.5%, which is consistent with the expected industry average;
- *Capital expenditures* that are less than or equal to ZIM's expected vessel depreciation; and
- *Payment of tax* at ZIM's corporate tax rate of 26.5%; also assumes expected use of tax losses.

ZIM concluded that the recoverable amount of its CGU was higher than the carrying amount of the CGU, and therefore, no impairment was recognized in ZIM's financial statements in respect of its CGU.

Although ZIM believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long bunker prices and freight rates will remain consistent with their current levels or whether they will increase or decrease by any significant degree. Freight rates may remain at depressed levels for some time, which could adversely affect ZIM's revenue and profitability. For further information on recent trends relating to bunker prices and freight rates, see " *Item 5D. Trend Information – ZIM* ."

The analysis for the impairment test is sensitive to variances in several of the assumptions used, including growth rate, the discount rate, future freight rates and bunker prices. Historical 5-year and 10-year freight rates averages were 10% higher than the rates used in the representative year in the impairment test. Historical 5-year and 10-year bunker prices were 9% higher and 12% lower than the price used in the representative year in the impairment test, respectively.

A change of 100 bps in the main assumptions will result in the following increase (decrease) in the fair value of the recoverable amount as follows:

| | Increase | Decrease |
|---|---|---|
| | By 100 bps | |
| | *(US$ million)* | |
| Discount rate | (169) | 207 |
| Terminal growth rate | 157 | (126) |

***Revenue Recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow Kenon and the revenue can be reliably measured. Revenue comprises the fair value for the sale of electricity, net of value-added-tax, rebates and discounts and after eliminating sales within the Company.

Revenues from the sale of energy are recognized in the period during which the sale occurs. Revenues from the power generation are recorded based upon output delivered and capacity provided at rates specified under contract terms.

***Capitalized Development Costs***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in Qoros' profit (loss) as incurred.

Qoros is required to make judgments about whether development expenses may be capitalized as intangible assets if certain conditions are met, as described in IAS 38, Intangible Assets. Qoros performs an assessment of its development costs with respect to its new vehicle models to determine whether such costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and it intends to and has sufficient resources to complete development and to use or sell the asset and accordingly, capitalizes these development costs. The expenditures that are capitalized include engineering design and development costs, and costs related to the production of prototypes. Qoros determined all other research and development costs incurred were expended in the research phase and were therefore expensed. Capitalized development costs are amortized on a systematic basis based upon the quantity of related products produced.

Qoros measures its capitalized development expenditure at cost less accumulated amortization and accumulated impairment losses.

For further information on the estimates, assumptions and judgments involved in our accounting policies, see Note 2 to our combined carve-out financial statements included in this annual report.

***Provisions for contingent liabilities***

A provision for claims is recognized if it is more likely than not that a liability has been incurred and the amount can be estimated reasonably. Provisions in general are highly judgmental, especially in cases of legal disputes. Kenon, and each of its operating companies, assess the probability of an adverse event and, if the probability is evaluated to be more likely than not, is required to fully provide for the total amount of the estimated contingent liability. Kenon and its operating companies continually evaluate their pending provisions to determine if accruals are required. It is often difficult to accurately estimate the ultimate outcome of a contingent liability. Different variables can affect the timing and amounts Kenon and/or its operating companies provide for certain contingent liabilities. These assessments, therefore, are subject to estimates made by Kenon and its legal counsel, and adverse revisions in these estimates of the potential liability could materially impact Kenon's, or any of its operating companies' financial condition, results of operations or liquidity. For further information on litigation related to our operating companies, see " *Item 4B. Business Overview "* and, in particular, " *Item 4B. Business Overview – Our Businesses – IC Power – IC Power's Legal Proceedings – Kallpa – Import Tax Assessments* ."

**Recent Developments**

***Kenon***

*$45 Million Drawdown Under Credit Facility With IC*

In February 2015, Kenon drew down $45 million under its $200 million credit facility with IC and, in connection therewith, pledged an additional 6.5% of its equity interest in IC Power to IC. As of the date of this annual report, Kenon has pledged 46.5 % of its equity interest in IC Power to IC and $155 million remains available for drawing under this credit facility.

*Board Decision With Respect to Tower Shares*

In March 2015, consistent with Kenon's strategy, Kenon's board of directors approved in-principal the distribution of all, or a portion, of Kenon's interest in Tower to Kenon's shareholders as a dividend-in-specie or otherwise, a sale of Kenon's interest in Tower, and/or a combination of the two transactions. Kenon has not made any final determination as to the means of disposal of its interest in Tower (i.e., via a distribution or sale) and will make an announcement when this is determined. The timing for any such transaction has not been determined, and while Kenon's board has approved Kenon's completion of any, or all, of these transactions in-principal, there is no assurance that a distribution or sale of Kenon's interest in Tower will occur or when any such transaction will occur.

***IC Power***

*Acquisition of 29% Stake in Nejapa*

In November 2014, Inkia and Crystal Power entered into a settlement agreement and, pursuant to such agreement, IC Power purchased Crystal Power's entire 29% stake in Nejapa in January 2015 for cash consideration of $20 million. As a result, Nejapa is 100% owned by IC Power.

*Peruvian Tax Court (Tribunal Fiscal) Payment*

In January 2015, Kallpa was notified that the Tribunal Fiscal had rejected Kallpa's appeal in respect of the Kallpa I assessment. Kallpa disagrees with the Tribunal Fiscal's decision and will appeal this decision to the Peruvian Judiciary. In order to appeal the Kallpa I ruling, Kallpa is required to pay the tax assessment of Kallpa I in the amount of approximately $12.6 million, which amount consists of the tax assessment for Kallpa I, plus related interest and fines. As of the date of this annual report, Kallpa has paid approximately $10 million of the $12.6 million assessment, and expects to pay the remaining amount once SUNAT formally notifies Kallpa of the remaining assessment. To the extent that Kallpa's appeal is successful, it is entitled to seek the return of the amounts paid (under protest) to SUNAT. For further information on the Peruvian Tax Court (Tribunal Fiscal)'s ruling, see " *Item 4B. Business Overview – Our Businesses – IC Power – IC Power's Legal Proceedings – Kallpa – Import Tax Assessments* ."

*Settlement Agreement with CDA EPC Contractors*

In March 2015, CDA and the CDA EPC contractors amended the CDA EPC to address the claim delivered by the EPC contractors to CDA in April 2014, which demanded a six-month extension for the construction of the CDA Project and an approximately $92 million increase in the total contract price of the CDA Project. Pursuant to the amendment, the CDA EPC contractors shall renounce any and all past, existing, or future claims against CDA, based on facts or events that occurred or were known, on or before the date of the amendment, in exchange for CDA's (i) payment of $40 million, subdivided into 4 payments over the course of the remaining construction period and subject to the achievement of certain milestones, and (ii) grant of the extensions of the CDA Project construction schedule that were previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit.

The amendment to the CDA EPC is subject to the approval of the lenders under the CDA Project Finance Facility. Upon the receipt of such approval, CDA will pay the first of the four $10 million payments owed to the CDA EPC Contractors under the amendment. The payment of the remaining $30 million will be contingent upon the CDA EPC contractors' satisfaction of certain construction milestones specified in the amendment to the CDA EPC.

CDA is expected to commence commercial operation in the second half of 2016. As a result of the settlement with the CDA EPC contractors, the estimated cost of the CDA Project is not expected to exceed $950 million, depending upon CDA's final utilization of the $50 million contingency incorporated with the original $910 million budgeted for the completion of the CDA Project.

***Qoros***

*Provision of RMB400 Million Shareholder Loan*

In February 2015, we provided a RMB400 million shareholder loan to Qoros in connection with the release of IC's outstanding RMB888 million back-to-back guarantee in respect of Qoros' RMB3 billion syndicated credit facility. In connection with Kenon's provision of such loan, IC was released from all obligations related to Chery's back-to-back guarantees in respect of Qoros' RMB3 billion syndicated credit facility and Kenon has satisfied its obligations, as set forth in the outline approved by IC in September 2014.

Chery has agreed to make a loan in equal amount, in connection with the release of its guarantee of up to RMB1.5 billion (approximately $241 million) under Qoros' RMB3 billion syndicated credit facility. We have agreed, in the event that Chery provides such shareholder loan to Qoros and Chery's guarantee is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

*Board and Executive Management Changes*

For information on the recent changes to Qoros' board of directors and executive management, see " *Item 4B. Business Overview – Our Businesses – Qoros – Qoros' Board and Executive Management* ."

*Platform Sharing Agreement*

In March 2015, Qoros entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee.

***Tower***

*Accelerated Conversion of Series F Convertible Bonds*

In March 2015, Tower completed an acceleration process in respect to its outstanding Series F convertible bonds issued in 2010 and 2012, or the Series F Bonds, pursuant to which Tower converted approximately $80 million of Series F Bonds, representing approximately 67% of the outstanding Series F Bonds as of such date, into ordinary shares of Tower. As a result, Kenon's ownership percentage in Tower's ordinary shares has decreased from 31.1% as of December 31, 2014 to 23.7%, in each case not assuming the conversion of certain capital notes held by Bank Hapoalim. For further information on Tower's conversion of the Series F Bonds, see " *Information Regarding Tower* ."

## A. Operating Results

Our consolidated financial statements for the years ended December 31, 2014, 2013, and 2012 are comprised of the consolidating components of IC Power, Primus, HelioFocus, and the results of the associated companies within each of our segments. Our consolidated results of operations for the periods under review are largely impacted by IC Power, which generated net income of $234 million, $81 million and $66 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As a result of the completion of ZIM's restructuring in July 2014, IC's equity investment in ZIM was reduced from 99.7% to 32% and ZIM is reflected as a discontinued operation for all periods prior to June 30, 2014. ZIM's results of operations for the six month period ended December 31, 2014 is reflected in our share in losses of associated companies, net of tax for the relevant period. As a result of the completion of the sale of Petrotec in December 2014, Petrotec is reflected as a discontinued operation for the three years ended December 31, 2014.

***Year Ended December 31, 2014 Compared to Year Ended December 31, 2013***

Set forth below are our combined carve-out statements of income data for the years ended December 31, 2014 and 2013:

| | Year Ended December 31, (in millions of USD) | | % Change |
|---|---|---|---|
| | 2014 | 2013 [1] | |
| **Revenues from sale of electricity** | **$ 1,372** | **$ 873** | **57%** |
| Cost of sales and services | (981) | (594) | 65% |
| Depreciation and amortization | (100) | (70) | 43% |
| **Gross profit** | **$ 291** | **$ 209** | **39%** |
| General and administrative expenses | (131) | (73) | 80% |
| Gain from disposal of investees | 157 | — | — |
| Asset write-off | (48) | — | — |
| Gain on bargain purchase | 68 | 1 | — |
| Other expenses | (14) | (5) | 180% |
| Other income | 51 | 5 | 920% |
| **Operating profit** | **$ 374** | **$ 137** | **174%** |
| Financing expenses | (110) | (69) | 59% |
| Financing income | 16 | 5 | 220% |
| **Financing expenses, net** | **$ (94)** | **$ (64)** | **47%** |
| Share in losses of associated companies, net of tax | (171) | (127) | 35% |
| **Profit/(Loss) before income taxes** | **$ 109** | **$ (54)** | **302%** |
| Tax expenses | (91) | (42) | 117% |
| **Profit /(Loss) for the year from continuing operations** | **$ 18** | **$ (96)** | **119%** |
| Income (loss) for the year from discontinued operations (after taxes) | 471 | (513) | 192% |
| **Profit /(Loss) for the year** | **$ 489** | **$ (609)** | **124%** |
| **Attributable to:** | | | |
| Kenon's shareholders: | $ 468 | $ (626) | 175% |
| Non-controlling interests | $ 21 | $ 17 | 25% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.

The following tables set forth summary information regarding our results of operations by our principal business segments for the periods presented. For further information on the results of our discontinued operations for the periods presented, see " - *Income (Loss) For the Year From Discontinued Operations (After Taxes)* ."

| | Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [1] | Other [2] | Adjustments [3] | Combined Carve-Out Results |
| | *(in millions of USD, unless otherwise indicated)* | | | | |
| Revenue | $ 1,358 | $ — | $— | $ 14 | $ 1,372 |
| Depreciation and amortization | (108) | — | — | — | (108) |
| Asset write-off | (35) | — | (13) | — | (48) |
| Gain from disposal of investee | 157 | — | — | — | 157 |
| Gain from bargain purchase | 68 | — | — | — | 68 |
| Financing income | 9 | — | 39 | (32) | 16 |
| Financing expenses | (132) | — | (10) | 32 | (110) |
| Share in losses (income) of associated companies | 14 | (175) | (10) | — | (171) |
| Income (loss) before taxes | $ 321 | $(175) | $ (37) | $ — | $ 109 |
| Taxes on income | 87 | — | 4 | — | 91 |
| **Income (loss) from continuing operations** | **$ 234** | **$(175)** | **$ (41)** | $ — | **$ 18** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 209 | (175) | (34) | — | — |
| Non-controlling interests | 25 | — | (7) | — | 18 |
| Segment assets [4] | $ 3,849 | $ — | $837[5] | $ (785) | $ 3,901 |
| Investments in associated companies | 10 | 221 | 205 | — | 436 |
| Segment liabilities | 2,860 | — | 806[6] | (785) | 2,881 |
| Capital expenditure | 593[7] | — | 12 | — | 605 |
| EBITDA | $ 348[8] | $ — | $ (43) [9] | $ — | $ 305 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 89% | — | 23% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 99% | — | 21% | (20)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Associated company.
2. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014), and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
4. Excludes investments in associates.
5. Includes Kenon's and IC Green's assets.
6. Includes Kenon's and IC Green's liabilities.
7. Includes the additions of PP&E and intangibles based on an accrual basis.
8. For a reconciliation of IC Power's net income to its EBITDA, see " *Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
9. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see " *Item 3A. Selected Financial Data* ."

| | Year Ended December 31, 2013 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | (in millions of USD, unless otherwise indicated) | | | | |
| Revenue | $ 866 | $ — | $ — | $ 7 | $ 873 |
| Depreciation and amortization | (75) | — | (5) | — | (80) |
| Financing income | 5 | — | 32 | (32) | 5 |
| Financing expenses | (86) | — | (15) | 32 | (69) |
| Share in losses (income) of associated companies | 32 | (127) | (32) | — | (127) |
| Income (loss) before taxes | $ 123 | (127) | $ (50) | $ — | $ (54) |
| Taxes on income | 42 | — | — | — | 42 |
| **Income (loss) from continuing operations** | **$ 81** | **$(127)** | **$ (50)** | **$ —** | $ (96) |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 66 | (127) | (48) | — | (109) |
| Non-controlling interests | 15 | — | (2) | — | 13 |
| Segment assets [5] | $ 2,749 | $ — | $3,832[6] | $ (1,136) | $ 5,444 |
| Investments in associated companies | 286 | 226 | 28 | — | 540 |
| Segment liabilities | 2,237 | — | 3,933[7] | (1,136) | 5,033 |
| Capital expenditure | 351[8] | — | — | — | 351 |
| EBITDA | $ 247[9] | $ — | $ (30) [10] | $ — | $ 217 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 51% | — | 65% | (16)% | 100% |
| Percentage of combined assets excluding associated companies | 50% | — | 70% | (21)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income to its EBITDA, see "Item 3A. Selected Financial Data – Information on Business Segments – IC Power."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see " *Item 3A. Selected Financial Data* ."

The following table sets forth summary information regarding the results of operations of our equity-method businesses for the periods presented:

| | Six Months Ended December 31, | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2014 | | 2013 | | |
| | ZIM | Qoros | Tower | Qoros | Tower | Generandes [1] |
| | (in millions of USD) | | | (in millions of USD) | | |
| **Revenues** | **$ 1,667** | **$ 138** | **$ 828** | **$ 2** | **$ 505** | **$ 513** |
| Income/(Loss) | (72) | (350) | 25 | (255) | (109) | (86) |
| Other comprehensive income/(loss) | 2 | — | (9) | 22 | (13) | — |
| **Total comprehensive income/(loss)** | **$ (70)** | **$ (350)** | **$ 16** | **$ (233)** | **$(122)** | **$ 86** |
| **Share of Kenon in total comprehensive income/(loss)** | **$ (23)** | **$ (175)** | **$ 5** | **$ (127)** | **$ (39)** | **$ 33** |
| Adjustments | 10 | — | 13 | — | 8 | (3) |
| **Share of Kenon in total comprehensive income/(loss) presented in the books** | **$ (13)** | **$ (175)** | **$ 18** | **$ (127)** | **$ (31)** | **$ 30** |
| **Dividends received** | — | — | — | — | — | 26 |
| **Total assets** | $ 2,156 | $ 1,810 | $ 874 | $ 1,531 | $ 694 | $ 1,653 |
| **Total liabilities** | (2,077) | (1,670) | (738) | (1,127) | (632) | (710) |
| **Book value of investment** | 191 | 221 | 14 | 226 | — | 276 |

1. Kenon's equity interest in Generandes was sold in September 2014, in connection with Kenon's sale of its interest in Edegel

**Revenues From Sale of Electricity**

Our revenues from sale of electricity increased 57% to approximately $1,372 million for the year ended December 31, 2014, compared to approximately $873 million in revenues for the year ended December 31, 2013, as a result of an increase in IC Power's consolidated revenues. This increase was primarily driven by (i) an increase in revenues of $227 million as a result of the

first full year of operations of OPC, which commenced commercial operations in July 2013; (ii) an increase in revenues as a result of the acquisition of ICPNH (in March 2014), Surpetroil (in March 2014), and Puerto Quetzal (in August 2014); and (iii) the increased sales of capacity and energy under its PPAs due to the operations of Kallpa's combined cycle.

OPC's revenue increased in 2014 principally as a result of a 112% increase in revenue from energy sales. Revenues from energy sales increased to $369 million in 2014 as compared to $174 million in 2013 as a result of a 119% increase in energy sales to 3,973 GWh in 2014 from 1,813 GWh in 2013, due to OPC's first full year of operations in 2014. OPC commenced commercial operations in July 2013.

ICPNH, Puerto Quetzal, JPPC and Surpetroil generated $125 million, $33 million, $41 million and $9 million in revenues, respectively, during the year ended December 31, 2014, and during the months subsequent to IC Power's acquisition of them.

Kallpa's revenue increased in the year ended December 31, 2014 principally as a result of a 9% increase in revenue from energy sales and a 7% increase in revenue from capacity sales. Revenues from energy sales increased to $291 million in the year ended December 31, 2014 as compared to $267 million in the year ended December 31, 2013 as a result of a 3% increase in energy sales to 6,559 GWh in the year ended December 31, 2014 from 6,352 GWh in the year ended December 31, 2013 and a 6% increase in average energy prices in 2013 compared to 2014, due to the commencement of some PPAs with distribution companies at higher prices and the inclusion of the cost of the distribution gas as part of the tariff. Revenues from capacity sales increased to $73 million in the year ended December 31, 2014, as compared to $68 million in the year ended December 31, 2013 as a result of a 5% increase in capacity sales to an average of 929 MW from an average of 881 MW in the year ended December 31, 2013, primarily due to the results of the Las Flores Power Plant, which commenced commercial operations in 2014.

**Cost of Sales**

Our cost of sales increased 65% to approximately $981 million for the year ended December 31, 2014, compared to $594 million for the year ended December 31, 2013, as a result of the increase in IC Power's costs of sales. This increase was primarily driven by increased power generation from 2013 to 2014, resulting from the additional capacity of OPC and the acquired companies as discussed above. IC Power's cost of sales increased 65% to $983 million for the year ended December 31, 2014, compared to $594 million for the year ended December 31, 2013. This increase was primarily driven by:

- a 29% increase in energy and capacity purchases to $204 million in the year ended December 31, 2014 as compared to $158 million in the year ended December 31, 2013, primarily as a result of a (i) $44 million increase in energy purchases as a result of the incorporation of Colmito's, ICPNH's, and Puerto Quetzal's operations, since their acquisitions in October 2013, March 2014 and September 2014, respectively; (ii) $11 million increase in energy purchases by Nejapa, primarily as a result of Nejapa's import of lower priced energy (which reduced Nejapa's own generation); partially offset by (iii) an $11 million reduction in energy purchases by OPC, which was largely a result of energy purchases made during OPC's commissioning period in 2013;
- a 47% increase in transmission costs during the year ended December 31, 2014, primarily as a result of a $24 million transmission cost increase incurred by OPC in connection with its first full year of commercial operations and a $13 million increase in the costs incurred by Kallpa, as a result of an increase in the volumes of energy generated and sold; and
- a 76% increase in fuel, gas and lubricants to $504 million in the year ended December 31, 2014 as compared to $286 million in the year ended December 31, 2013, primarily as a result of a (i) $132 million increase in expenses as a result of the consolidation of ICPNH's, Surpetroil's, and Puerto Quetzal's expenses, since their acquisitions in 2014; (ii) $86 million increase in such costs at OPC as a result of its first full-year of commercial operations; and (iii) $28 million increase in Kallpa's natural gas consumption as a result of higher generation during the year ended December 31, 2014 and the application of the gas distribution tariff since January 1, 2014. Such increases were partially offset by (i) a $17 million decline in CEPP's fuel costs, which reduced CEPP's costs and resulted in an increase in CEPP's energy purchases, a reduction in CEPP's own generation and fuel consumption; and (ii) Nejapa's $12 million decline in fuel purchases as a result of its importation of lower priced energy, which reduced its own generation activities and, accordingly, its fuel consumption.

**Depreciation and Amortization**

Our depreciation expenses relate primarily to IC Power.

IC Power's depreciation and amortization increased 44% to $108 million in 2014 as compared to $75 million in 2013, primarily as a result of the increase in IC Power's depreciable property, plant and equipment as a result of depreciation expenses related to (i) the first full year of OPC's commercial operations, which increased the depreciation expense in OPC from $12 million to $25 million, (ii) the acquisitions of ICPNH, Surpetroil, JPPC, and Puerto Quetzal, which accounted for $15 million, and (iii) the acquisition of Las Flores Power Plant in April 2014, which increased Kallpa's depreciation expense from $40 million in 2013 to $46 million in 2014.

**General and Administrative Expenses**

Our general and administrative expenses consist of payroll and related expenses, bad/doubtful debts, depreciation and amortization, and other expenses. Our general and administrative expenses increased 80% to $131 million for the year ended December 31, 2014, compared to approximately $73 million for the year ended December 31, 2013. This increase was primarily driven by an increase in Kenon's and IC Power's administrative expenses during the period, for the reasons discussed below.

Kenon's administrative expenses increased 171% to approximately $38 million for the year, compared to approximately $14 million for the year ended December 31, 2013. This increase was primarily driven by expenses incurred in connection with our spin-off from IC and the listing of our ordinary shares, as well as expenses related to the adoption and implementation of Kenon's share incentive plans.

IC Power's administrative expenses increased 68% to approximately $62 million (including depreciation expenses) for the year ended December 31, 2014, compared to approximately $37 million for the year ended December 31, 2013. This increase was primarily driven by (i) an $8 million increase in legal fees from $3 million to $11 million, primarily due to a $7 million increase in Inkia's legal fees in respect of litigation relating to Crystal Power; (ii) an $8 million increase in administrative expenses resulting from the consolidation of ICPNH's, Surpetroil's, JPPC's and Puerto Quetzal's expenses, since their acquisitions in March 2014, March 2014, May 2014 and September 2014, respectively; and (iii) a $5 million increase in OPC's expenses from $2 million in 2013 to $7 million in 2014 as OPC's commercial operations commenced in July 2013 (part of the expenses were capitalized in 2013).

**Gain from Disposal of Investees**

Our gain from disposal of investees is primarily comprised of capital gains recognized from IC Power's sale of its investment in Edegel for $413 million. IC Power recognized approximately $110 million of net profit as a result of its sale of its interest in Edegel ($(157) million of capital gains, which were offset by $47 million of income tax expenses).

**Asset Write-Off**

Our $48 million asset write-off in 2014 is comprised of (i) an approximately $35 million impairment charge in respect of Inkia's impairment of one if its subsidiaries and (ii) an approximately $13 million impairment charge in respect of HelioFocus' assets. For further information, see " *Item 5. Operating and Financial Review and Prospects – Critical Accounting Policies and Significant Estimates – Impairment Analysis – Impairment Test for IC Power* " and " *Item 5. Operating and Financial Review and Prospects – Critical Accounting Policies and Significant Estimates – Impairment Analysis – Impairment Test of HelioFocus* ", respectively.

**Gain on Bargain Purchase**

Our gain on bargain purchase increased significantly to approximately $68 million for the year ended December 31, 2014, compared to approximately $1 million for the year ended December 31, 2013. This increase was driven by the negative goodwill generated in connection with IC Power's acquisition of:

- ICPNH in March 2014, which resulted in IC Power's recognition of a one-time gain of $24 million;
- the outstanding stake in JPPC in May 2014, which resulted in IC Power's recognition of a one-time gain of $24 million; and
- Puerto Quetzal in September 2014, which resulted in IC Power's recognition of a one-time gain of $20 million.

**Other Expenses**

Our other expenses increased significantly to approximately $14 million for the year ended December 31, 2014, compared to approximately $5 million for the year ended December 31, 2014. This increase was primarily driven by a $7 million charge as a result of IC Power's retirement of certain of Amayo II's assets.

**Other Income**

Our other income increased significantly to approximately $51 million for the year ended December 31, 2014, compared to approximately $5 million for the year ended December 31, 2013. In 2014, our "other income" consisted primarily of (i) $18 million in dividend income from Edegel, (ii) $17 million as a result of changes in Kenon's interests in Tower, and (iii) $7 million related to insurance claims, primarily related to Amayo II's claims in respect of three wind turbines, which were damaged in December 2014. In 2013, our "other income" consisted of (i) $4 million of non-operating income and (ii) $1 million of dividends received from JPPC.

**Financing Expenses, Net**

Our financing expenses, net increased 47% to $94 million for the year ended December 31, 2014, compared to $64 million for the year ended December 31, 2013. This increase was primarily driven by an increase in IC Power's net finance expenses, for the reasons discussed below.

IC Power's net finance expenses increased 58% to $126 million for the year ended December 31, 2014, compared to $80 million for the year ended December 31, 2013. This increase was primarily driven by a 44% increase in interest expense to banks and others to $115 million in the year ended December 31, 2014 as compared to $80 million in the year ended December 31, 2013, primarily as a result of:

- an increase in Inkia's interest expense of $9 million to $21 million in the year ended December 31, 2014 as compared to $12 million in the year ended December 31, 2013, which was primarily the result of a full year of interest expense on Inkia's incremental $150 million senior notes;
- the recognition of $8 million interest expense on ICPNH's debt, as a result of IC Power's acquisition of ICPNH in March 2014;
- interest expense of $6 million in the year ended December 31, 2014, as a result of the expenses related to Inkia's $125 million Credit Suisse facility (facility which was fully paid in August 2014);
- an increase in OPC's interest expense as a result of the commencement of operations of OPC's combined cycle plant, which increased OPC's interest expense to $23 million in the year ended December 31, 2014 as compared to $16 million in the year ended December 31, 2013 (interest expense was capitalized prior to the beginning of OPC's commercial operation); and
- interest expense of $3 million in IC Power as a result of the loan received in connection with its NIS 350 million (approximately $93 million) mezzanine financing agreement in June 2014.

IC Power also recognized $13 million in finance expenses after repaying $95 million of capital notes to IC, as a result of the difference between the nominal value of the capital notes ($95 million) and the book value of the capital notes ($82 million). This interest expense is eliminated in Kenon's consolidated statement of income.

**Share In Income (Losses) of Associated Companies, Net of Tax**

Our share in income (losses) of associated companies, net of tax increased 35% to approximately $(171) million for the year ended December 31, 2014, compared to approximately $(127) million for the year ended December 31, 2013. Set forth below is a discussion of income/loss for our material associated companies and the share in income (losses) of associated companies, net of tax, of IC Power.

*Qoros*

Our share in Qoros' comprehensive loss increased to approximately $175 million for the year ended December 31, 2014, compared to losses of approximately $127 million for the year ended December 31, 2013. As we have a 50% equity interest in Qoros, we recognize 50% of the net loss of Qoros in 2014 (RMB2,154 million) and 2013 (RMB1,557 million). A discussion of Qoros' results of operations (on a 100% basis; Kenon's share is 50%) for 2014 and 2013 is set forth below. Qoros' results of operation for 2014 and 2013 reflect the fact that Qoros is an early stage automobile manufacturer which launched commercial sales at the end of 2013. Accordingly, Qoros incurs significant expenses, including expenses relating to the launch of new models, but has not achieved significant revenues.

Qoros had revenues of RMB864.9 million in 2014 compared to revenues of RMB13.1 million, representing a significant increase. Qoros commenced commercial sales at the end of 2013 (with some limited sales in December 2013), so revenues in 2013 were negligible. Qoros' revenues in 2014 reflect sales of approximately 7,000 cars, primarily the Qoros sedan.

Cost of sales increased from RMB29 million in 2013 (when there was only limited commercial operations) to RMB1,019 million in 2014, representing a significant increase. Qoros incurred a gross loss in 2014 (cost of sales exceeded revenues) reflecting the level of sales in 2014 and an increase in inventories, including vehicles.

Qoros had research and development expenses of RMB264 million in 2014 compared to RMB408 million in 2013, representing a decrease of 35%. The decrease in research and development expenses reflects the completion in 2013 of a significant portion of the research and development activities conducted in connection with the launch of Qoros' first three vehicle models at the end of 2013 and in 2014.

Qoros had selling and distribution expenses of RMB927.2 million in 2014 compared to RMB269.7 million in 2013, representing a significant increase. The increase in selling and distribution expenses reflects the significant marketing and related expenses incurred in connection with the launch of Qoros' first three vehicle models.

Qoros had administration expenses of RMB591.6 million in 2014 compared to RMB864.8 million in 2013, representing a decrease of 32%. The decrease in administration expenses was primarily the result of a decrease in personnel expenses and a decrease in consulting expenses reflecting the substantial completion of a research and development work relating to Qoros' first three models and the completion of other projects (e.g., vehicle design) that were completed prior to launch of these three vehicle models.

As a result of the foregoing, Qoros had a loss from operation of RMB1,962 million in 2014 compared to RMB1,545 in 2013, representing an increase of 25%.

Qoros had finance costs of RMB217 million in 2014 compared to finance costs of RMB29.2 million in 2013, representing a significant increase. The increase was due in part to an increase in amounts outstanding under short term and long term loans, including shareholder loans, in 2014 as compared to 2013, with total loans and borrowings (including current loans) of RMB7,303 million as of December 31 2014 as compared to loans and borrowings of RMB4,110 million as of December 31, 2013. In addition, a significant portion of Qoros' interest costs was capitalized as property, plant and equipment in 2013, with a much smaller portion capitalized in 2014 as a result of adjustments made in Qoros' accounting method in 2014.

As a result of the foregoing, Qoros reported a loss for the year of RMB2.1 billion for the year ended December 31, 2014, compared to RMB1.6 billion for the year ended December 31, 2013.

*ZIM*

Our share in ZIM's income (loss) for the period was approximately $13 million, which represented our share in ZIM's income (loss) for the six months ended December 31, 2014, the period in which Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting.

*Tower*

Our share in Tower's comprehensive income increased to approximately $18 million for the year ended December 31, 2014, compared to an approximately $(31) million share in Tower's comprehensive loss for the year ended December 31, 2013. A portion ($6 million) of Tower's loss in 2013 was not reflected in our share in losses of associated companies, net of tax, for that period, since the cumulative losses incurred in our investment in Tower exceeded the value of our investment, and the book value of an equity method investee cannot be less than zero.

*IC Power*

IC Power's share in profits in associates decreased 56% to $14 million for the year ended December 31, 2014, compared to $32 million for the year ended December 31, 2013. This decrease was primarily driven by IC Power's sale of its interest in Edegel. IC Power accounted for Edegel as an equity-method investee, and included Edegel in IC Power's share in profits in associates, for only the first four months in 2014, up to IC Power's entry into an agreement to sell its interest in Edegel, at which point IC Power began accounting for Edegel as an investment held for sale. Edegel contributed $12 million to IC Power's share in profits in associates in 2014, as compared to $30 million in 2013.

**Tax Expenses**

Our tax expenses increased 117% to approximately $91 million for the year ended December 31, 2014, compared to approximately $42 million for the year ended December 31, 2013. This increase was primarily driven by IC Power's $47 million income tax expense on its gain on the sale of Edegel for $413 million.

**Income (Loss) For the Year From Discontinued Operations (After Taxes)**

Our income (loss) for the year from discontinued operations (after taxes) is comprised of (i) ZIM's results of operations for the six months ended June 30, 2014 and (ii) Petrotec's results of operations for the year ended December 31, 2014.

Our income for the year from discontinued operations (after taxes) increased to approximately $471 million for the year ended December 31, 2014, compared to approximately $513 million losses for the year ended December 31, 2013, primarily as a result of (i) ZIM's results of operations during the six months ended June 30, 2014, the period in which Kenon accounted for ZIM as a discontinued operation in the amount of $480 million of net income from the realization of discontinued operations in the amount of $609 million and (ii) the net results of Petrotec as a discontinued operation in the amount of $(9) million.

**Profit For the Year**

As a result of the above, our profit for the year amounted to $489 million for the year ended December 31, 2014, compared to a loss of $(609) million for the year ended December 31, 2013.

***Year Ended December 31, 2013 Compared to Year Ended December 31, 2012***

Set forth below are our combined carve-out statements of income data for the years ended December 31, 2013 and 2012:

| | Year Ended December 31, (in millions of USD) | | |
|---|---|---|---|
| | 2013 | 2012 | % Change |
| **Revenues from sale of electricity** | **$ 873** | **$ 577** | **51%** |
| Cost of sales and services | (594) | (395) | 50% |
| Depreciation and amortization | (70) | (51) | 37% |
| **Gross profit** | **$ 209** | **$ 131** | **60%** |
| General and administrative expenses | (73) | (69) | 5% |
| Gain from disposal of investees | — | 5 | 100% |
| Gain on bargain purchases | 1 | — | — |
| Other expenses | (5) | — | — |
| Other income | 5 | 12 | 58% |
| **Operating profit** | **$ 137** | **$ 79** | **73%** |
| Financing expenses | (69) | (39) | 77% |
| Financing income | 5 | 3 | 67% |
| **Financing expenses, net** | **$ (64)** | **$ (36)** | **78%** |
| Share in losses of associated companies, net of tax | (127) | (52) | 143% |
| **Loss before income taxes** | **$ (54)** | **$ (9)** | **500%** |
| Tax expenses | (42) | (22) | 91% |
| **Loss for the year from continuing operations** | **$ (96)** | **$ (31)** | **210%** |
| Loss for the year from discontinued operations (after taxes) | (513) | (409) | 23% |
| **Loss for the year** | **$ (609)** | **$ (440)** | **25%** |
| **Attributable to:** | | | |
| Kenon's shareholders: | $ (626) | $ (452) | 38% |
| Non-controlling interests | $ 17 | $ 12 | 39% |

The following tables set forth summary information regarding our results of operations by our principal business segments for the periods presented. For further information on the results of our discontinued operations for the periods presented, see " - *Income (Loss) For the Year From Discontinued Operations (After Taxes)* ."

| | Year Ended December 31, 2013 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | *(in millions of USD, unless otherwise indicated)* | | | | |
| Revenue | $ 866 | $ — | $ — | $ 7 | $ 873 |
| Depreciation and amortization | (75) | — | (5) | — | (80) |
| Financing income | 5 | — | 32 | (32) | 5 |
| Financing expenses | (86) | — | (15) | 32 | (69) |
| Share in losses (income) of associated companies | 32 | (127) | (32) | — | (127) |
| Income (loss) before taxes | $ 123 | (127) | $ (50) | $ — | $ (54) |
| Taxes on income | 42 | — | — | — | 42 |
| **Income (loss) from continuing operations** | **$ 81** | **$(127)** | **$ (50)** | **$ —** | **$ (96)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 66 | (127) | (48) | — | (109) |
| Non-controlling interests | 15 | — | (2) | — | 13 |
| Segment assets [5] | $ 2,749 | $ — | $3,832[6] | $ (1,136) | $ 5,444 |
| Investments in associated companies | 286 | 226 | 28 | — | 540 |
| Segment liabilities | 2,237 | — | 3,933[7] | (1,136) | 5,033 |
| Capital expenditure | 351[8] | — | — | — | 351 |
| EBITDA | $ 247[9] | $ — | $ (30) [10] | $ — | $ 217 |
| Percentage of combined revenues | 99% | — | — | 1% | 100% |
| Percentage of combined assets | 51% | — | 65% | (16)% | 100% |
| Percentage of combined assets excluding associated companies | 50% | — | 70% | (21)% | 100% |
| Percentage of combined EBITDA | 114% | — | (14)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income to its EBITDA, see *"Item 3A. Selected Financial Data – Information on Business Segments – IC Power* ."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its EBITDA, see " *Item 3A. Selected Financial Data* ."

| | Year Ended December 31, 2012 [1] | | | | |
|---|---|---|---|---|---|
| | IC Power | Qoros [2] | Other [3] | Adjustments [4] | Combined Carve-Out Results |
| | *(in millions of USD unless otherwise indicated)* | | | | |
| Revenue | $ 576 | $— | $ 1 | $ — | $ 577 |
| Depreciation and amortization | (55) | — | (4) | — | (59) |
| Financing income | 5 | — | 24 | (26) | 3 |
| Financing expenses | (50) | — | (15) | 26 | (39) |
| Share in losses (income) of associated companies | 33 | (54) | (31) | — | (52) |
| Income (loss) before taxes | $ 87 | $ (54) | $ (42) | $ — | $ (9) |
| Taxes on income (tax benefit) | 21 | — | 1 | — | 22 |
| **Income (loss) from continuing operations** | **$ 66** | **$ (54)** | **$ (43)** | **$ —** | **$ (31)** |
| **Attributable to:** | | | | | |
| Kenon's shareholders | 57 | (54) | (41) | — | (38) |
| Non-controlling interests | 9 | — | (2) | — | 7 |
| Segment assets [5] | $ 2,145 | $— | $4,215[6] | $ (959) | $ 5,401 |
| Investments in associated companies | 312 | 207 | 58 | — | 577 |
| Segment liabilities | 1,709 | — | 3,780[7] | (959) | 4,530 |
| Capital expenditures | 391 | — | — | — | 391 |
| EBITDA | $ 154[8] | $— | $ (16) [9] | $ — | $ 138 |
| Percentage of Combined Revenues | 99% | — | 1% | — | 100% |
| Percentage of Combined Assets | 41% | — | 71% | (12)% | 100% |
| Percentage of combined assets excluding associated companies | 40% | — | 78% | (18)% | 100% |
| Percentage of Combined EBITDA | 112% | — | (12)% | — | 100% |

1. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our combined carve-out financial statements included in this annual report.
2. Associated company.
3. Includes financing income from parent company loans to Kenon's subsidiaries; the results of Primus; the results of ZIM, Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. Excludes investments in associates.
6. Includes Kenon's, IC Green's and ZIM's assets.
7. Includes Kenon's, IC Green's and ZIM's liabilities.
8. For a reconciliation of IC Power's net income to its EBITDA, see *"Item 3A. Selected Financial Data – Information on Business Segments – IC Power ."*
9. For a reconciliation of our "Other" reporting segment's net income to its EBITDA, see " *Item 3A. Selected Financial Data* ."

The following table sets forth summary information regarding the results of operations of our equity-method businesses for the periods presented:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Qoros | Tower | Generandes [1] | Qoros | Tower | Generandes [1] |
| | (in millions of USD) | | | (in millions of USD) | | |
| **Revenues** | **$ 2** | **$ 505** | **$ 513** | **$ —** | **$ 639** | **$ 598** |
| Income/(Loss) | (255) | (109) | (86) | (108) | (66) | 79 |
| Other comprehensive income/(loss) | 22 | (13) | — | 4 | (6) | — |
| **Total comprehensive income/(loss)** | **$(233)** | **$(122)** | **$ 86** | **$(104)** | **$ (72)** | **$ 79** |
| **Share of Kenon in total comprehensive income/(loss)** | **$(127)** | **$ (39)** | **$ 33** | **$ (52)** | **$ (22)** | **$ 31** |
| Adjustments | — | 8 | (3) | (7) | — | — |
| **Share of Kenon in total comprehensive income/(loss) presented in the books** | **$(127)** | **$ (31)** | **$ 30** | **$ (59)** | **$ (22)** | **$ 31** |
| **Dividends received** | **—** | **—** | **26** | **—** | **—** | **15** |

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Qoros | Tower | Generandes [1] | Qoros | Tower | Generandes [1] |
| | (in millions of USD) | | | (in millions of USD) | | |
| **Total assets** | $ 1,531 | $ 694 | $ 1,653 | $ 786 | $ 801 | **$ 1,780** |
| **Total liabilities** | (1,127) | (632) | (710) | (420) | (677) | (768) |
| **Book value of investment** | 226 | — | 276 | 207 | 19 | (479) |

1. Kenon's equity interest in Generandes was sold in September 2014, in connection with Kenon's sale of its interest in Edegel

**Revenues From Sale of Electricity**

Our revenues increased 51% to approximately $873 million for the year ended December 31, 2013, compared to approximately $577 million in revenues for the year ended December 31, 2012, as a result of the increase in IC Power's consolidated revenues. This increase was primarily driven by a 43% increase in Kallpa's revenues to $394 million in 2013 as compared to $276 million in 2012 due to a full year of operations of its combined cycle, as compared to 2012, when Kallpa's combined cycle only operated for approximately four months. In addition, OPC commenced commercial operation in July 2013, increasing IC Power´s consolidated revenues by $187 million for the year 2013.

Kallpa's revenue increased in 2013 principally as a result of a 41% increase in revenue from energy sales and a 36% increase in revenue from capacity sales. Revenues from energy sales increased to $267 million in 2013 as compared to $190 million in 2012 as a result of a 42% increase in energy sales to 6,352 GWh in 2013 from 4,483 GWh in 2012. Revenues from capacity sales increased to $68 million in 2013 as compared to $50 million in 2012 as a result of a 36% increase in capacity sales to an average of 881 MW from an average of 643 MW in 2012, primarily due to a full year of operations subsequent to the conversion and expansion of Kallpa's facilities. OPC commenced commercial operation in July 2013. Revenues from energy sales equaled $187 million as a result of energy sales equal to 1,813 GWh in 2013.

**Cost of Sales**

Our cost of sales increased 50% to approximately $594 million for the year ended December 31, 2013, as compared to $395 million for the year ended December 31, 2012, as a result of the increase in IC Power's costs of sales. This increase was primarily driven by the increased power generation from 2012 to 2013 resulting from additional capacity of Kallpa and OPC as discussed above. IC Power's cost of sales increased 50% to $594 million for the year ended December 31, 2013, compared to $395 million for the year ended December 31, 2012. This increase was primarily driven by:

- a 222% increase in energy and capacity purchases to $158 million in 2013 as compared to $49 million in 2012, primarily as a result of a (i) $66 million increase in energy purchases by OPC, which was largely a result of the energy purchases resulting from the diesel oil commissioning tests performed during September 2013; (ii) $25 million increase in energy and capacity purchases by Kallpa, primarily as a result of the increase in capacity sold by Kallpa under its PPAs and the energy purchases necessitated by an unplanned stoppage of one of its turbines in the first half of 2013; and (iii) a $13 million increase in energy purchases by Nejapa, primarily as a result of Nejapa's import of lower priced energy (which reduced Nejapa's own generation);
- a 93% increase in transmission costs to $85 million in 2013 as compared to $44 million in 2012, primarily as a result of the $16 million transmission costs incurred by OPC after the beginning of its commercial operation in July 2013 and a $26 million increase in the volumes of energy generated and sold by Kallpa; and
- a 13% increase in fuel, gas and lubricants to $286 million in 2013 as compared to $253 million in 2012, primarily as a result of a $51 million increase in such costs at OPC as a result of the commencement of its commercial operation in July 2013, which was partially offset by Nejapa's $19 million decline in fuel purchase as a result of its importation of lower priced energy, which reduced its own generation activities and, accordingly, its fuel consumption.

**Depreciation and Amortization**

Our depreciation expenses increased 37% to approximately $70 million for the year ended December 31, 2013, compared to $51 million for the year ended December 31, 2012. This increase was primarily driven by IC Power's depreciation and amortization expenses, which increased 36% to $75 million in 2013 as compared to $55 million in 2012, primarily as a result of the increase in IC Power's depreciable property, plant and equipment as a result of the commencement of OPC's commercial operation in July 2013 and a full year of operating Kallpa's combined cycle plant.

**General and Administrative Expenses**

Our general and administrative expenses consist of payroll and related expenses, bad/doubtful debts, depreciation and amortization, and other expenses. Our general and administrative expenses increased 5% to $73 million for the year ended December 31, 2013, compared to approximately $69 million for the year ended December 31, 2012. This increase was primarily driven by an increase in our payroll and related expenses, in particular at IC Power as it continued to grow its operations during the year.

IC Power's administrative expenses increased 12% to approximately $37 million for the year ended December 31, 2013, compared to approximately $33 million for the year ended December 31, 2012. This increase was primarily driven by: a 25% increase in payroll and related expenses to $20 million in 2013 from $16 million in 2012, primarily as a result of a $2 million increased profit sharing provision for Kallpa's employees, a $0.3 million increase in OPC's salaries and a $0.8 million increased stock option expense. These effects were partially offset by a 40% decline in consultant and other professional services to $3 million in 2013 from $5 million in 2012, primarily as a result of one-time expenses incurred in 2012.

**Gain from Disposal of Investees**

We had no gains from the disposal of investees for the year ended December 31, 2013, compared to approximately $5 million for the year ended December 31, 2012. Our gains from the disposal of investees for the year ended December 31, 2012 were primarily driven by a capital gain of $5 million in respect of transactions related to IC Green.

**Other Expenses**

Our other expenses increased significantly to approximately $5 million for the year ended December 31, 2013, compared to approximately $509 thousand for the year ended December 31, 2012. This increase was primarily driven by a $4.6 million increase in losses associated with the sale of interest in subsidiaries, associations and dilution.

**Other Income**

Our other income decreased 58% to approximately $5 million for the year ended December 31, 2013, compared to approximately $12 million for the year ended December 31, 2012. In 2013, our "other income" consisted of (i) $4 million of non-operating income and (ii) $1 million of dividends received from JPPC. In 2012, our "other income" consisted primarily of gains from changes in interests held in associates.

**Financing Expenses, Net**

Our financing expenses, net increased 78% to $64 million for the year ended December 31, 2013, compared to $36 million for the year ended December 31, 2012. This increase was primarily driven by an increase in interest expense on loans and bonds of IC Power of $28 million, or 67%, as it commenced certain commercial operations and expanded its operations during the year.

IC Power's net finance expenses increased 82% to $80 million for the year ended December 31, 2013, compared to $44 million for the year ended December 31, 2012. This increase was primarily driven by:

- a 78% increase in interest expense to banks and others to $80 million in 2013 as compared to $45 million in 2012, primarily as a result of (i) the expense recognition of the interest on Kallpa's syndicated loan agreement and bond following the commencement of operations of Kallpa's combined cycle plant in 2012, which increased Kallpa's interest expense to $30 million in 2013 as compared to $19 million in 2012 (interest on these loans was capitalized prior to the completion of this project); (ii) the expense recognition of the interest on OPC's debt following the commencement of operations of OPC's combined cycle plant in July 2013, which increased OPC's interest expense to $16 million in 2013 as compared to $120 thousand in 2012 (interest expense was capitalized prior to the beginning of OPC's commercial operation); (iii) the expense recognition of the interest on capital notes from IC related to OPC, which increased the interest expense in loans and capital notes from IC to $12 million in 2013 as compared to $7 million in 2012 (interest expense was capitalized prior to the beginning of OPC's commercial operation). This interest expense (as well as interest expense on IC Power's loan owed to its parent) is eliminated in Kenon's consolidated statement of income through the Adjustments column noted above; and (iv) an increase in Inkia's interest expense to $12 million in 2013 as compared to $9 million in 2012, which was primarily the result of interest expense related to Inkia's $150 million senior note offering completed in September 2013; and
- a $6 million increase in exchange rate losses to $4 million in 2013 as compared to $2 million exchange rate gains in 2012, primarily as a result of the depreciation of the Peruvian Nuevos Soles against the U.S. Dollar during 2013.

The effects of these factors were partially offset by a $6 million increase in gains from the net change in fair value of derivative instruments, to a $3 million gain in 2013 as compared to a $3 million loss in 2012, primarily as a result of the increase in the LIBOR rate during 2013 compared to 2012.

**Share In Income (Losses) of Associated Companies, Net of Tax**

Our share in (losses) of associated companies, net of tax increased 143% to approximately $(127) million for the year ended December 31, 2013, compared to approximately $(52) million for the year ended December 31, 2012. Set forth below is a discussion of income/loss for our material associated companies and the share in income (losses) of associated companies, net of tax, of IC Power.

*Qoros*

Our share in Qoros' comprehensive loss increased to approximately $127 million for the year ended December 31, 2013, compared to losses of approximately $52 million for the year ended December 31, 2012. The increased loss was driven by an increase in expenses as a result of the commencement of Qoros' commercial operations. Consistent with our 50% equity interest in Qoros, we recognize 50% of the net loss that was recorded by Qoros on a standalone basis. Set forth below is a description of Qoros' standalone results of operations.

Qoros' increased loss was primarily driven by:

- an increase in Qoros' research and development expenses of 19% to RMB408 million for the year ended December 31, 2013, compared to RMB342 million for the year ended December 31, 2012;
- an increase in Qoros' selling and distribution expenses to RMB270 million for the year ended December 31, 2013, after incurring no such selling and distribution expenses for the year ended December 31, 2012;
- an increase in Qoros' administration expenses of 154% to RMB865 million for the year ended December 31, 2013, compared to RMB341 million for the year ended December 31, 2012; and
- an increase in Qoros' net finance (cost)/income to RMB(11) million for the year ended December 31, 2013, compared to RMB38 million for the year ended December 31, 2012; and was partially offset by an increase in Qoros' other income of 46% to RMB19 million for the year ended December 31, 2013, compared to RMB13 million for the year ended December 31, 2012, as a result of government subsidies received by Qoros.

As a result of the foregoing, Qoros reported a loss of RMB1.6 billion for the year ended December 31, 2013, compared to RMB635 million for the year ended December 31, 2012.

*Tower*

Our share in Tower's comprehensive loss increased by 29% to approximately $(31) million for the year ended December 31, 2013, compared to an approximately $(24) million share in Tower's comprehensive loss for the year ended December 31, 2012. A portion ($6 million) of Tower's loss in 2013 was not reflected in our share in losses of associated companies, net of tax, since the cumulative losses incurred in our investment in Tower exceeded the value of our investment, and the book value of an equity method investee cannot be less than zero.

*IC Power*

IC Power's share in profits in associates decreased 4% to $32 million for the year ended December 31, 2013, compared to $33 million for the year ended December 31, 2012. This decrease was primarily driven by the decline in the results of Edegel to $30 million in 2013 as compared to $31 million in 2012 as a result of certain exchange rate adjustments.

**Tax Expenses**

Our tax expenses increased 91% to approximately $42 million for the year ended December 31, 2013, compared to approximately $22 million for the year ended December 31, 2012. This increase was primarily driven by an increase in IC Power's current taxes on income in the current year as a result of a 40% increase in IC Power's income before taxes.

**Income (Loss) For the Year From Discontinued Operations (After Taxes)**

Our income (loss) for the year from discontinued operations (after taxes) is comprised of ZIM's and Petrotec's results of operations for the years ended December 31, 2013 and 2012.

Our (loss) for the year from discontinued operations (after taxes) increased to approximately $(513) million for the year ended December 31, 2013, compared to approximately $(409) million for the year ended December 31, 2012, primarily as a result of ZIM's results of operations during the relevant periods. Set forth below is a summary of ZIM's results during the relevant periods.

| | Year Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | *(in millions of USD)* | |
| Sales | $ 3,682 | $ 3,960 |
| Cost of sales | (3,770) | (4,053) |
| Gross loss | (88) | (93) |
| Operating loss | (191) | (206) |
| Loss before taxes on income | (497) | (393) |
| Taxes on income | (23) | (19) |
| **Loss after taxes on income** | **(519)** | **(412)** |
| **Loss for the period from discontinued operations** | **$ (519)** | **$ (412)** |

ZIM had sales of $3,682 million and costs of sales of $3,770 million, resulting in a gross loss of $(88) million, which resulted in losses after taxes on income of $(519) million, in the year ended December 31, 2013. ZIM had sales of $3,960 million and costs of sales of $4,053 million, resulting in a gross loss of $(93) million, which resulted in losses after taxes on income of $(412) million, in the year ended December 31, 2012.

**Loss For the Year**

As a result of the above, our loss for the year from continuing operations increased 38% to approximately $(609) million for the year ended December 31, 2013, compared to $(440) million for the year ended December 31, 2012.

**B. Liquidity and Capital Resources**

**Kenon's Liquidity and Capital Resources**

We are a newly-incorporated holding company and, as such, references in this discussion to our historical sources and uses of cash refer to the historical sources and uses of cash for the carve-out businesses when they were consolidated in the results of IC during the periods under review.

We received $35 million in cash in connection with the spin-off, and entered into a $200 million credit facility with IC, each of which we will use to execute our business strategy. We expect that a significant portion of our liquidity and capital resources will be used to support the development of Qoros and, to a lesser extent, Primus. We rely on cash flows received from our operating activities, generally in the form of distributions received from our businesses or payments received in connection with a monetization of our equity interests in any of our businesses, to provide our liquidity. As of the date of this annual report, Kenon had approximately $9 million in cash in hand and $155 million available for drawing under its $200 million credit facility with IC.

Other than our credit facility with IC, for which the aggregate principal amount outstanding is $45 million, and our undertaking in respect of Chery's guarantee of certain of Qoros' indebtedness, each as described below, we have no outstanding indebtedness or financial obligations and are not party to any credit facilities or other committed sources of external financing. Other than expenses related to our day-to-day operations, our principal needs for liquidity are expected to be expenditures related to investments in our businesses. Our businesses are at various stages of development, ranging from early stage development companies to established, cash generating businesses, and some of these businesses will require significant financing, via equity contributions or debt facilities, to further their development, execute their current business plans, and become or remain fully-funded. We may, in furtherance of the development of our businesses, and other than with respect to ZIM, make further investments, via debt or equity financings, in our remaining businesses.

In particular, Qoros will continue to need to raise significant additional debt financing, and obtain additional shareholder financing, to meet its operating expenses, financing expenses, capital expenditures and liquidity requirements to continue its commercial operations. Qoros' business plan contemplates debt financing of approximately RMB9 billion. Qoros has secured RMB4.2 billion of long-term debt financing.

Qoros commenced commercial operations at the end of 2013 and sold approximately 7,000 cars in 2014. Qoros incurred a net loss of RMB2.1 billion in 2014 and is dependent upon external financing, including shareholder funding, to meet its operating expenses, financing expenses, and capital expenditures. As the volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity and future success, Qoros revised its business plan during the third quarter of 2014. Qoros' financing needs may increase as Qoros continues to adjust its business plan and/or experiences a reduction in operating cash flows as a result of low sales volumes.

As Qoros continues to pursue its commercial growth strategy, we expect that a significant portion of our liquidity and capital resources will be used to support its development, as Qoros may be unable to secure the necessary third-party debt financing. For example, in connection with our recent provision of a RMB400 million shareholder loan to Qoros, Kenon has agreed, in the event that Chery provides a RMB400 million shareholder loan to Qoros, as set forth above, and Chery's guarantee of up to RMB1.5 billion (approximately $241 million) in respect of Qoros' RMB3 billion syndicated credit facility is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

We intend to adhere to our capital allocation principles which, as set forth above, seek to limit cross-allocation of funds and capital contributions to our businesses, via debt or equity financings or the provisions of guarantee. Nevertheless, the cash resources currently on Kenon's balance sheet (approximately $9 million as of the date of this annual report), together with the $155 million available under our $200 million credit facility from IC, may not, however, be sufficient to fund additional investments that we deem appropriate in Qoros or other businesses. Alternatively, Kenon may choose not to provide such financing, which may adversely impact Qoros' ability to obtain financing from Chery or other third parties, in which case Qoros may be unable to meet its operating expenses and Kenon may not recoup its investment in Qoros. Furthermore, in connection with the release of IC's outstanding back-to-back guarantee in respect of certain of Qoros' debt, and Kenon's related reimbursement obligations of up to RMB888 million to IC, Kenon has given an undertaking to restore equality in respect of Chery's RMB1.5 billion (approximately $241 million) guarantee, which may result in Kenon providing additional capital to, or in respect of, Qoros. Such capital would be in addition to Kenon's current investment plans with respect to Qoros, which Kenon expects to use a significant portion of its liquidity and capital resources to fund. As a result, this undertaking may require Kenon to seek additional liquidity, including seeking funding from its other businesses.

For a description of our capital allocation principles, see " *Item 4B. Business Overview.* " For further information on the risks related to the significant capital requirements of our businesses, particularly Qoros, see " *Item 3D. Risk Factors – Risks Related to Our Diversified Strategy and Operations – Some of our businesses, particularly Qoros, have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.* " For a discussion of our outstanding commitments and obligations, see *"– Kenon's Commitments and Obligations* ." For a discussion of the capital requirements of each of our businesses, see below.

**Consolidated Cash Flow Statement**

***Year Ended December 31, 2014 Compared to Year Ended December 31, 2013***

Cash and cash equivalents decreased 9% to approximately $610 million for the year ended December 31, 2014, compared to approximately $671 million in cash and cash equivalents for the year ended December 31, 2013. The following table sets forth our cash flows from our operating, investing and financing activities for the years ended December 31, 2014 and 2013:

| | Year Ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of USD)* | |
| Cash flows provided by operating activities | | |
| IC Power | 413 | 272 |
| Adjustments and Other | (3) | (15) |
| Total | 410 | 257 |

| | Year Ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of USD)* | |
| Cash flows used in investing activities | (883) | (278) |
| Cash flows provided by financing activities | 430 | 281 |
| Net change in cash in period | (42) | 260 |
| Cash – opening balance | 671 | 411 |
| Effect of exchange rate fluctuations on balances of cash and cash equivalents | (19) | — |
| Cash – closing balance | 610 | 671 |

*Consolidated Cash Flows Provided by Operating Activities*

Cash flows provided by our operating activities, which includes income received as dividends from associated companies, are a significant source of liquidity for our subsidiaries and increased 60% to approximately $410 million for the year ended December 31, 2014, compared to approximately $257 million for the year ended December 31, 2013. This increase was primarily driven by an increase in cash flows provided by IC Power's operating activities, as set forth in " *– IC Power's Liquidity and Capital Resources* " below. As our businesses are legally distinct from us and will generally be required to service their debt obligations before making distributions to us, our ability to access such cash flow from our businesses may be limited in some circumstances. For further information on the risks related to such limitations, see " *Item 3D. Risk Factors – Risks Related to Our Diversity Strategy and Operations – We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations* ."

*Consolidated Cash Flows Used in Investing Activities*

Cash flows used in our investing activities, which include our investments in our associated companies, increased significantly to approximately $(883) million for the year ended December 31, 2014, compared to approximately $(278) million for the year ended December 31, 2013. This increase was primarily driven by (i) IC Power's acquisition of property, plant and equipment (in particular, the acquisitions of ICPNH, AEI Jamaica, Surpetroil and Puerto Quetzal) and development of the CDA, Samay I and Kanan projects during 2014, as set forth in " *– IC Power's Liquidity and Capital Resources* " below, (ii) IC's $180 million investment in Qoros in December 2014, and (iii) IC's $200 million investment in ZIM in connection with the completion of its restructuring.

*Consolidated Cash Flows Provided by Financing Activities*

Cash flows provided by the financing activities of our businesses are a significant source of liquidity for their operations and increased 58% to approximately $430 million for the year ended December 31, 2014, compared to approximately $281 million for the year ended December 31, 2013. This increase was primarily driven by (i) an increase in ZIM's receipt of long-term loans, capital lease, and other long-term liabilities during the six months ended June 30, 2014, (ii) a decrease in ZIM's repayment of borrowing during the six months ended June 30, 2014, and (iii) an increase in IC Power's receipt of long-term loans during the year ended December 31, 2014.

***Year Ended December 31, 2013 Compared to Year Ended December 31, 2012***

Cash and cash equivalents increased 63% to approximately $671 million for the year ended December 31, 2013, compared to approximately $411 million in cash and cash equivalents for the year ended December 31, 2012. The following table sets forth our cash flows from our operating, investing and financing activities for the years ended December 31, 2013, and 2012:

| | Year Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | *(in millions of USD)* | |
| Cash flows provided by operating activities | | |
| IC Power | 272 | 114 |
| Adjustments and Other | (15) | 55 |
| Total | 257 | 169 |
| Cash flows used in investing activities | (278) | (320) |
| Cash flows provided by financing activities | 281 | 122 |
| Net change in cash in period | 260 | (29) |
| Cash – opening balance | 411 | 438 |
| Effect of exchange rate fluctuations on balances of cash and cash equivalents | — | 2 |
| Cash – closing balance | 671 | 411 |

*Consolidated Cash Flows Provided by Operating Activities*

Cash flows provided by our operating activities, which includes income received as dividends from associated companies, are a significant source of liquidity for our subsidiaries and increased 52% to approximately $257 million for the year ended December 31, 2013, compared to approximately $169 million for the year ended December 31, 2012. This increase was primarily driven by IC Power, whose operating cash flows increased by 131% as a result of increased sales of capacity and energy under its PPAs due to the full year of operations of its Kallpa combined cycle in 2013, the commencement of OPC's operations and an increase in dividends received from associates to $31 million in 2013 as compared to $17 million in 2012. This increase was partially offset by a $81 million decrease in ZIM's operating cash flows as a result of an increased loss for the year of $103 million, which was partially offset by an increase of $15 million in dividends received from associated companies. As our businesses are legally distinct from us and will generally be required to service their debt obligations before making distributions to us, our ability to access such cash flow from our businesses may be limited in some circumstances. For further information on the risks related to such limitations, see " *Item 3D. Risk Factors – Risks Related to Our Diversity Strategy and Operations – We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations* ."

*Consolidated Cash Flows Used in Investing Activities*

Cash flows used in our investing activities, which includes our investments in our associated companies, decreased 13% to approximately $(278) million for the year ended December 31, 2013, compared to approximately $(320) million for the year ended December 31, 2012. This decrease was primarily driven by an increase in cash provided by investing activities at ZIM.

*Consolidated Cash Flows Provided by Financing Activities*

Cash flows provided by the financing activities of our businesses are a significant source of liquidity for their operations and increased 130% to approximately $281 million for the year ended December 31, 2013, compared to approximately $122 million for the year ended December 31, 2012. This increase was primarily driven by an increase in cash flows provided by financing activities at IC Power which was offset, in part, by an increase in cash flows used in financing activities at ZIM.

***Kenon's Commitments and Obligations***

As of December 31, 2014, Kenon had liabilities of $155 million, representing the nominal value of the maximum amount of Kenon's reimbursement obligations in respect of IC's back-to-back guarantee of Chery's direct guarantee of certain of Qoros' indebtedness. However, in February 2015, IC's guarantee was released in connection with our provision of a RMB400 million shareholder loan to Qoros and we no longer have reimbursement obligations in respect of Qoros' indebtedness. In connection with the provision of the shareholder loan, we made certain undertakings in respect of Chery's outstanding guarantee of certain of Qoros' indebtedness. For further information on the release of IC's back-to-back guarantee and our undertaking in respect of Chery's guarantee of certain of Qoros' indebtedness, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros—Provision of RMB400 Million Shareholder Loan* ."

As of the date of this annual report, other than amounts outstanding under our credit facility with IC and our undertaking in respect of Chery's guarantee of certain of Qoros' indebtedness, we have no outstanding indebtedness or financial obligations and are not party to any credit facilities or other committed sources of external financing.

Set forth below is a summary of the key terms of our credit facility with IC.

*IC Credit Facility*

In connection with the consummation of the spin-off, IC provided us with a $200 million credit facility. As of the date of this annual report, the aggregate amount outstanding under this facility was $45 million.

**Interest**

The credit facility bears interest at a rate of 12-Month LIBOR + 6% per annum, which, during the initial five-year term of the credit facility, will be capitalized as a payment-in-kind and added to the aggregate outstanding amount of the credit facility. If we decide to extend the repayment schedule in accordance with the terms of the credit facility, as set forth below, and we do not repay the aggregate outstanding amount owed under the credit facility within the initial five-year term, additional interest accruing on the aggregate outstanding amount as of such date will become payable in cash on an annual basis.

**Repayment Date**

The aggregate amount outstanding under the credit facility (including interest or commitment fees that have accrued and been capitalized as payments-in-kind during the initial five-year term) is due five years from the date of the credit facility, unless extended as set forth below. In the event an initial listing or offering of IC Power's shares has been effected, the aggregate amount outstanding under the credit facility, including any interest or commitment fees accrued and capitalized to date, will be due within 18 months from such date. However, we are entitled, at each repayment date, to extend the repayment date for two-year periods if, as of the date of our delivery of our notice of repayment extension, an initial listing or offering of IC Power's shares has not yet been effected. Notwithstanding the above, the final repayment date may not, under any circumstances, be more than ten years from the date of the credit facility.

**Commitment Fee**

During the initial five-year term, we will pay IC an annual commitment fee equal to 2.1% of the undrawn amount of the credit facility, which will be capitalized as a payment-in-kind and added to the outstanding amount of the credit facility. We may voluntarily reduce the available $200 million credit limit, thereby decreasing the annual commitment owed to IC, without premium or penalty. Additionally, we may voluntarily prepay the outstanding principal amount of the credit facility at any time without premium or penalty.

**Pledge of Equity Interest in IC Power**

We have pledged 46.5%, and may pledge up to 66%, of IC Power's issued capital on a first priority basis, in favor of IC, as set forth below:

- in connection with our entry into the credit facility, we pledged 40% of IC Power's issued capital; and
- in connection with *each* $50 million drawdown (or any part thereof) under the credit facility, we are required to pledge an additional 6.5% of IC Power's issued capital, so that any use of the credit line that exceeds $150 million will require the pledge of 66% of IC Power's share capital.

The pledges will be released in connection with a listing or offering of IC Power's issued capital.

**Obligations in Respect of IC's Back-to-Back Guarantee**

The credit facility provides for our payment to IC of any payments made by IC in respect of IC's back-to-back guarantee of Chery's direct guarantee of certain of Qoros' indebtedness. However, as a result of (i) a RMB350 million shareholder loan provided to Qoros by IC in connection with Chery's release of IC's back-to-back guarantee of 50% of Chery's obligations under Chery's back-to-back guarantee of the Changshu Port's guarantee and (ii) a RMB400 million shareholder loan provided by us to Qoros in connection with the release of IC's outstanding RMB888 million back-to-back guarantee in respect of Qoros' RMB3 billion syndicated credit facility, IC has been released from all obligations related to Chery's back-to-back guarantees in respect of Qoros' RMB3 billion syndicated credit facility and Kenon's reimbursement obligations are no longer outstanding.

**Restrictive Covenants**

The credit facility contains incurrence covenants restricting our ability to encumber certain assets and distribute dividends.

For example, prior to a listing or offering of IC Power's equity, the credit facility prohibits us from distributing dividends to our shareholders, unless such dividends consist of all, or a portion of, our equity interests in ZIM, Tower or REG.

There are further restrictions on dividends following an IPO or listing of IC Power's equity. If, any time after a listing of IC Power's equity, we seek to (i) distribute a dividend to our shareholders (in cash or in kind), (ii) incur additional debt, (iii) sell, transfer, or allocate a portion, or all, of our interest in IC Power, or (iv) sell all of IC Power's assets, the credit facility will require the value of Kenon's remaining interest in IC Power to be equal to at least two times Kenon's net debt (which shall be equal to the outstanding principal amount of the credit facility *plus* the outstanding principal amount of any additional debt owed by Kenon to third-parties *minus* Kenon's cash on hand), in each case plus interest and fees. Although a failure to comply with any of the aforementioned covenants will not constitute an event of default under the terms of the credit facility, Kenon will be restricted from distributing dividends or incurring additional debt and, should Kenon distribute dividends or incur additional indebtedness notwithstanding such restrictions, such actions will constitute an event of default under the terms of the credit facility. If the value of Kenon's remaining interest in IC Power is less than such amount, Kenon may not make distributions to its shareholders or incur additional indebtedness.

Additionally, following an IPO or listing of IC Power's equity, we will not engage in certain transactions, as set forth in the credit facility, which would result in a de-listing of IC Power's shares from the exchange on which such shares are trading.

**Assignability**

We may not assign or delegate our rights and obligations under the credit facility without IC's prior written consent, except that we may assign our rights and obligations under the credit facility to an affiliate, *provided* that we remain jointly and severally liable for all such obligations with such affiliate, and *further provided* that such assignment or delegation shall not serve to prejudice any of IC's rights under the terms of the credit facility.

IC is entitled to assign or delegate its rights and obligations under the credit facility according to its sole discretion, and without our prior written consent.

For information on the risks related to Kenon's ability to repay, or maintain compliance with, the credit facility from IC, see " *Item 3D. Risk Factors – Risks Related to Our Diversified Strategy and Operations – Kenon has obligations owing to IC, which could be substantial.* "

*Undertaking in Respect of Chery's Outstanding Guarantee*

For further information on Kenon's undertaking in respect of Chery's guarantee of certain of Qoros' indebtedness, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros—Provision of RMB400 Million Shareholder Loan* ."

***Debt Owed to Kenon from Subsidiaries***

Prior to the spin-off, some of our businesses borrowed funds from, or issued capital notes to, IC. These loans and capital notes are described below. IC's interest in each of the outstanding loans and capital notes was transferred to Kenon in connection with the spin-off.

*Quantum Capital Notes*

Quantum issued a series of capital notes to IC in connection with each of IC's equity contributions to Qoros. The capital notes issued by Quantum bear no interest and are not linked to the CPI. As of December 31, 2014, the outstanding balance of these capital notes was $626 million.

*RMB500 Million Shareholder Loan*

In June 2014, IC contributed an additional RMB500 million to Qoros via a shareholder loan, bearing interest at a rate of 3%.

We expect this loan to convert into additional equity in Qoros upon the satisfaction of certain conditions, including the approval of the relevant Chinese authority. As Chery made a similar convertible contribution, and as Chinese regulations prevent our ownership interest in Qoros from exceeding 50%, our ownership percentage in Qoros will not increase after Qoros' conversion of this loan. If approval for the conversion of the full amount of the shareholder loan is not, or cannot be, obtained, Qoros has undertaken to repay the convertible loan, with interest, as set forth in the terms of the shareholder loan. In connection with IC's transfer of its equity interests in Qoros to us, IC's interest in the convertible loan was also transferred to us.

In December 2014, Qoros converted RMB50 million of each shareholder's RMB500 million shareholder loan into equity. As a result, both Kenon and Chery have provided the required capital contributions set forth in the Joint Venture Agreement, and neither Kenon or Chery are obligated to provide additional capital or shareholder loans to Qoros under the terms of the Joint Venture Agreement.

As of December 31, 2014, the outstanding balance of the shareholder loan was RMB450 million.

*RMB350 Million Shareholder Loan*

In December 2014, IC provided a RMB350 million shareholder loan to Qoros in connection with Chery's release of IC's back-to-back guarantee of 50% of Chery's obligations under Chery's back-to-back guarantee of the Changshu Port's guarantee. IC's interest in the loan was transferred to us in connection with IC's transfer of its equity interests in Qoros to us.

We expect RMB25 million loan to convert into additional equity in Qoros upon the satisfaction of certain conditions, including the approval of the relevant Chinese authority.

As of December 31, 2014, the outstanding balance of the shareholder loan was RMB350 million.

*Other Capital Notes and Loans*

In 2012, IC Green issued a five-year NIS 42 million capital note to IC. The capital note bears no interest and is not linked to the CPI. As of December 31, 2014, the outstanding balance of the capital note issued was NIS475 million.

IC Green also borrowed 18 million Euro from IC in 2012. The loan bears interest at a rate of 10% per annum. As of December 31, 2014, the outstanding balance of this loan was 22 million Euro.

Additionally, in October 2014, IC Green issued a $7.5 million capital note to IC to fund any investments made by IC Green in Primus, in connection with the investment agreement IC Green entered into with Primus in October 2014. This capital note bears no interest and is not linked to the CPI. The $7.5 million outstanding has been added to the aggregate amount owed under the capital notes.

The following discussion sets forth the liquidity and capital resources of each of our businesses.

**IC Power's Liquidity and Capital Resources**

As of December 31, 2014, IC Power had cash and cash equivalents of $583 million and short-term deposits and restricted cash of $208 million.

IC Power's principal sources of liquidity have traditionally consisted of cash flows from operating activities, including dividends received from entities in which it owns non-controlling interests; short-term and long-term borrowings; and sales of bonds in domestic and international capital markets.

IC Power's principal needs for liquidity generally consist of capital expenditures related to the development and construction of generation projects and the acquisition of other generation companies; working capital requirements (e.g., maintenance costs that extend the useful life of its plants); and dividends on its shares. As part of IC Power's growth strategy, it expects to develop, construct and operate greenfield development projects in the markets that it serves as well as acquire controlling interests in operating assets within and outside Latin America. IC Power's development of greenfield development projects and its acquisition activities in the future may require it to make significant capital expenditures and/or raise significant capital.

IC Power is developing numerous generation assets and projects, including:

- *CDA* , a run-of-the-river hydroelectric plant on the Mantaro River in central Peru, representing an expected 510 MW of capacity at an estimated cost of $910 million, including a $50 million budget for contingencies. This project is financed by a $591 million syndicated credit facility (for 65% of the estimated project cost) which was entered into in 2012 and equity contributions (for the remaining 35% of the project cost), which contributions have been made. As of December 31, 2014, CDA has invested $647 million into the development of the CDA Project and has drawn $462 million under the CDA Project Finance Facility. IC Power estimates that, as of December 31, 2014, construction of the CDA Project was approximately 2/3 completed;
- *Samay I* , an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), representing an expected 600 MW of capacity at an approximate cost of $380 million, excluding any related cost overruns. This project is to be financed by a $311 million seven-year syndicated secured loan agreement (for approximately 80% of the estimated project cost), which was entered into in December 2014, and equity contributions (for the remaining approximately 20% of the project cost), which contributions have been made. As of December 31, 2014, Samay I has invested $110 million into the development of the facility and has drawn $153 million under its credit facility. IC Power estimates that, as of December 31, 2014, construction of Samay I was approximately 1/3 completed; and
- *Kanan* thermal generation units, representing an expected 92 MW of capacity at an approximate cost of $70 million (including $40 million that Kanan has already spent on the acquisition of its barges). The capital required for this project will be sourced from a combination of cash generated from operating activities and cash generated by financing activities.

In 2014, IC Power spent $353 million on capital expenditures relating to its committed projects. IC Power anticipates that it will be required to spend approximately $445 million on capital expenditures relating to its committed projects in 2015, excluding the additional $10 million it will pay to CDA's EPC contractors upon CDA's lenders approval of the March 2015 amendment of the CDA EPC, and approximately $5 million - $20 million in additional capital expenditures relating to projects for which IC Power has not contractually committed capital. IC Power expects that it will meet these cash requirements through a

combination of cash generated from operating activities and cash generated by financing activities, including drawing down, or receiving disbursements from, the $591 million or the $380 million financing agreements, relating to its construction of the CDA and the Samay I projects, respectively, new debt financings, as appropriate, and the refinancing of any existing indebtedness as it becomes due.

***Year Ended December 31, 2014 Compared to Year Ended December 31, 2013***

IC Power's cash and cash equivalents increased 13% to $583 million for the year ended December 31, 2014, compared to $517 million in cash and cash equivalents for the year ended December 31, 2013. The following table sets forth IC Power's cash flows from its operating, investing and financing activities for the years ended December 31, 2014 and 2013:

| | Year Ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of USD)* | |
| Cash flows provided by operating activities | $ 413 | $ 272 |
| Cash flows used in investing activities | (378) | (258) |
| Cash flows provided by financing activities | 47 | 320 |
| Net change in cash in period | 82 | 334 |
| Cash – opening balance | 517 | 184 |
| Effect of exchange rate on the cash | (16) | (1) |
| Cash – closing balance | 583 | 517 |

*IC Power's Cash Flows Provided by Operating Activities*

Cash flows provided by IC Power's operating activities are IC Power's primary source of liquidity and increased 52% to approximately $413 million for the year ended December 31, 2014, compared to approximately $272 million for the year ended December 31, 2013. This increase was primarily driven by (i) first full-year of OPC's commercial operations; (ii) an increase in collections from customers (primarily as a result of the acquisitions of ICPNH, Surpetroil, JPPC and Puerto Quetzal); and (iii) the increased sales of capacity and energy under its PPAs due to the addition of Las Flores' plant capacity.

*IC Power's Cash Flows Used in Investing Activities*

Cash outflows used in IC Power's investing activities increased by 47% to approximately $378 million for the year ended December 31, 2014, compared to approximately $258 million for the year ended December 31, 2013. This increase was primarily driven by IC Power's acquisition of property, plant and equipment (in particular, higher disbursements related to the CDA Project during 2014, the beginning of the Samay I and Kanan projects and the acquisitions of ICPNH, AEI Jamaica, Surpetroil and Puerto Quetzal).

During 2014, investing activities for which IC Power used cash primarily consisted of acquisitions of property, plant and equipment of $496 million, of which $270 million was used in connection with the construction of the CDA Project, $89 million was used in connection with the construction of the Samay I Project, and $70 million (net of cash received) was used to complete the acquisitions of ICPNH, Surpetroil, JPPC, and Puerto Quetzal. The effects of these capital expenditures were partially offset by $360 million net proceeds received by IC Power in connection with its sale of its indirect interest in Edegel.

During 2013, investing activities for which IC Power used cash primarily consisted of acquisitions of property, plant and equipment of $322 million, of which $195 million was used in connection with the construction of the CDA Project, $56 million was used to complete the construction of OPC's combined cycle, and $28 million was used to complete the acquisition of Colmito. The effects of these capital expenditures were partially offset by the maturity of $74 million in time deposits.

*IC Power's Cash Flows Provided by Financing Activities*

Net cash inflows provided by IC Power's financing activities decreased 85% to $47 million for the year ended December 31, 2014, compared to approximately $320 million for the year ended December 31, 2013. This change was primarily driven by IC Power's financing activities, which involved the receipt of long-term loans and issuance of debentures, and the receipt of short-term credit from banks and the payments made to IC.

Net cash inflows in 2014 included proceeds from the following borrowing arrangements:

- $319 million under CDA's credit facility;
- $153 million under Samay I's credit facility;

- $102 million under ICPI's credit facility;
- $43 million from the issuance of the COBEE bonds;
- $25 million from the issuance of the CEPP bonds;
- $23 million under Colmito's credit facility; and
- $20 million from the investment of Energía del Pacífico in Samay I.

In addition, in 2014, IC Power made payments of approximately $300 million to IC. In May 2014, IC Power repaid $168 million of intercompany debt owed to IC. In June 2014, IC Power repaid $95 million of capital notes owed to IC and declared and distributed dividends of $37 million to IC. As a result of such repayment, no debt between IC Power and IC is owed. In June 2014, IC Power declared and distributed dividends of $37 million to IC.

Net cash flows from financing activities in 2014 and 2013 included $111 million and $67 million repayments of long-term loans and debentures, respectively.

Net cash inflows in 2013 included proceeds from the following borrowing arrangements:

- $143 million under CDA's credit facility;
- $163 million from the issuance of the Inkia bonds;
- $125 million from Inkia's Credit Suisse facility;
- $17 million borrowed under OPC's credit facility; and
- $28 million from the investment of Energía del Pacífico in CDA.

***Year Ended December 31, 2013 Compared to Year Ended December 31, 2012***

IC Power's cash and cash equivalents increased 181% to $517 million for the year ended December 31, 2013, compared to $184 million in cash and cash equivalents for the year ended December 31, 2012. The following table sets forth IC Power's cash flows from its operating, investing and financing activities for the years ended December 31, 2013 and 2012:

| | Year Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | *( in millions of USD)* | |
| Cash flows provided by operating activities | $ 272 | $ 114 |
| Cash flows used in investing activities | (258) | (291) |
| Cash flows provided by financing activities | 320 | 137 |
| Net change in cash in period | 334 | (40) |
| Cash – opening balance | 184 | 221 |
| Effect of exchange rate on the cash | (1) | 3 |
| Cash – closing balance | 517 | 184 |

*IC Power's Cash Flows Provided by Operating Activities*

Cash flows provided by IC Power's operating activities are IC Power's primary source of liquidity and increased 139% to approximately $272 million for the year ended December 31, 2013, compared to approximately $114 million for the year ended December 31, 2012. This increase was primarily driven by: (i) a 47% increase in collections from customers to $811 million in 2013 as compared to $552 million in 2012, principally as a result of IC Power's increased sales of capacity and energy under its PPAs due to the full year of operations of its Kallpa combined cycle in 2013 and as a result of the commencement of OPC's operations and (ii) an 82% increase in dividends received from associates to $31 million in 2013 as compared to $17 million in 2012, primarily due to Edegel's operating performance, which resulted in an $11 million increase in dividends paid from Edegel as compared to $15 million 2012 to $26 million in 2013. These effects were partially offset by a 30% increase in payments to suppliers and third parties to $527 million in 2013 as compared to $404 million in 2012 as a result of IC Power's increased production of energy.

*IC Power's Cash Flows Used in Investing Activities*

Cash outflows used in IC Power's investing activities decreased by 11% to approximately $258 million for the year ended December 31, 2013, compared to approximately $291 million for the year ended December 31, 2012.

IC Power's investing activities during 2013 are set forth above.

During 2012, investing activities for which IC Power used cash primarily consisted of acquisitions of property, plant and equipment of $357 million, of which $180 million was used in connection with the construction of the CDA Project, $121 million was used in connection with the construction of OPC's combined cycle project, and $46 million was used in the conversion of Kallpa's plant to combined-cycle operations. The effects of these capital expenditures were partially offset by the maturity of $93 million time deposits.

*IC Power's Cash Flows Provided by Financing Activities*

Net cash inflows provided by IC Power's financing activities increased 134% to $320 million for the year ended December 31, 2013, compared to approximately $137 million for the year ended December 31, 2012.

IC Power's net cash inflows in 2013 are set forth above.

Net cash inflows in 2012 included proceeds from the following borrowing arrangements:

- $135 million under OPC's credit facility;
- $53 million under Kallpa's syndicated loan;
- $13 million from the issuance of bonds by COBEE; and
- $48 million from the investment of Energía del Pacífico in CDA.

Net cash flows from financing activities in 2013 and 2012 included cash outflows for debt service.

***IC Power's Material Indebtedness***

As of December 31, 2014, IC Power's total outstanding consolidated indebtedness, excluding debt owed to its shareholders and related parties, was $2,348 million, consisting of $161 million of short-term indebtedness, including the current portion of long-term indebtedness, and $2,187 million of long-term indebtedness. IC Power had no outstanding loans or notes owed to its shareholder as of December 31, 2014.

The following table sets forth selected information regarding IC Power's principal outstanding short-term and long-term debt, as of December 31, 2014:

| | Outstanding Amount as of December 31, 2014 *(in millions of USD)* | Interest Rate | Final maturity |
|---|---|---|---|
| IC Power: | | | |
| Hapoalim | 12.0 | — | — |
| Inkia: | | | |
| Inkia notes | 447.4 | 8.375% | April 2021 |
| OPC: | | | |
| Lenders consortium [1] | 400.1[2] | 4.85% -5.36% | July 2031 |
| Cerro del Águila: | | | |
| Tranche A | 257.0 | LIBOR + 4.25% | August 2024 |
| Tranche B | 138.4 | LIBOR + 4.25% | August 2024 |
| Tranche 1D | 31.8 | LIBOR + 4.25% | August 2024 |
| Tranche 2D | 17.1 | LIBOR + 2.75% | August 2024 |
| Samay I | 144.6 | LIBOR + 2.125% | December 2021 |
| Kallpa: | | | |
| Kallpa I lease | 11.2 | LIBOR + 3.00% | March 2016 |
| Kallpa II lease | 35.1 | LIBOR + 2.05% | December 2017 |
| Kallpa III lease | 44.9 | 7.57% | July 2018 |

| | Outstanding Amount as of December 31, 2014 (in millions of USD) | Interest Rate | Final maturity |
|---|---|---|---|
| Las Flores lease | 101.1 | 7.15% | October 2023 |
| Kallpa bonds | 159.3 | 8.50% | May 2022 |
| Kallpa syndicated loan | 72.6 | LIBOR + 5.75% | October 2019 |
| IC Power Israel [3]: | | | |
| Tranche A | 39.9 | 4.85%-7.75% | March 2017 |
| Tranche B | 53.2 | 7.75% | 2029 |
| COBEE: | | | |
| COBEE II bonds | 6.8 | 9.40% | September 2015 |
| COBEE III bonds [4] | 23.3[5] | Various | Various |
| COBEE IV bonds [6] | 42.4 | Various | Various |
| CEPP: | | | |
| CEPP bonds | 24.8 | 6.00% | January-March 2019 |
| Central Cardones: | | | |
| Tranche 1 | 28.8 | LIBOR + 1.90% | August 2021 |
| Tranche 2 | 19.4 | LIBOR + 2.75% | February 2017 |
| Colmito: | | | |
| Banco Bice | 19.8 | 7.9% | December 2028 |
| JPPC: | | | |
| Royal Bank of Canada | 7.0 | LIBOR + 5.5% | March 2017 |
| Burmeister & Wain Scandinavian Contractor | 1.2 | 3.6% | August 2018 |
| ICPNH: | | | |
| Amayo I | 51.7 | Various | October 2022 |
| Amayo II | 37.0 | Various | November 2025 |
| Tipitapa Power | 7.7 | 8.35% | November 2018 |
| Corinto | 12.0 | 8.35% | December 2018 |
| Puerto Quetzal : | | | |
| Banco Industrial | 21.8 | LIBOR + 4.5% | September 2019 |
| Surpetroil: | | | |
| Banco Corpbanca Colombia | 0.1 | 3.9% | November 2015 |
| Surpetroil leases | 1.2 | Various | 2015-2017 |
| Debt Owed to Minority Shareholder | | — | |
| Dalkia Israel Ltd. Loan | 19.1 | — | 2016-2019 |
| Short Term Loans from Banks | 58.1 | Various | 2015 |
| **Total** | **2,347.9** | | |

1. The consortium includes Bank Leumi and institutional entities from the following groups: Clal Insurance Company Ltd.; Amitim Senior Pension Funds; Phoenix Insurance Company Ltd.; and Harel Insurance Company Ltd.
2. Represent NIS 1,556 million converted into U.S. Dollars at the exchange rate for Israeli Shekels into U.S. Dollars of NIS 3,889 to $1.00. All debt has been issued in Israeli currency (NIS) linked to CPI.
3. The mezzanine financing agreement also includes a Tranche C, pursuant to which up to NIS 350 million, at an interest rate of 11% per annum, may be drawn, subject to certain conditions, and only to cover shortfall amounts. No Tranche C debt was outstanding under this facility as of December 31, 2014.
4. Represents $3.5 million of 6.50% notes due 2017, $5.0 million of 6.75% notes due 2017, Bs.44.2 million ($6.3 million) of 9.00% notes due 2020, and Bs.42.9 million ($6.2 million) of 7.00% notes due 2022.
5. Includes Bs.44.2 million ($6.3 million), the aggregate principal amount outstanding of COBEE's 9.00% notes due 2020 as of December 31, 2014, and Bs.42.9 million ($6.2 million), the aggregate principal amount outstanding of COBEE's 7.00% notes due 2022, in each case converted into U.S. Dollars at the exchange rate for Bolivianos into U.S. Dollars of Bs.6.96 to $1.00 as reported by the Bolivian Central Bank on December 31, 2014. Excludes premium of $2.3 million.
6. Represents $4.0 million of 6.0% notes due 2018, $4.0 million of 7.0% notes due 2020, Bs.84 million ($12.1 million) of 7.8% notes due 2024, $5.0 million of 6.70% notes due 2019 and Bs.105 million ($15.1 million) of 7.8% notes due 2024.

Some of the debt instruments to which IC Power's operating companies are party require that Inkia, Kallpa, COBEE and CEPP comply with financial covenants, semi-annually or quarterly. Under each of these debt instruments, the creditor has the right to accelerate the debt if, at the end of any applicable period the applicable entity is not in compliance with the defined financial covenants ratios.

The instruments governing a substantial portion of the indebtedness of IC Power's operating companies contain clauses that would prohibit these companies from paying dividends or making other distributions in the event that the relevant entity was in default on its obligations under the relevant instrument.

As of December 31, 2014, substantially all of the assets of Kallpa, other than the Kallpa I, Kallpa II, Kallpa III and Las Flores turbines, which are leased to Inkia, are mortgaged or pledged as security for the financing agreements to which Kallpa is a party.

IC Power has entered into hedging arrangements with respect to a portion of its long term debt, swapping variable interest for fixed rate interest.

*Inkia Bonds*

In April 2011, Inkia issued and sold $300 million aggregate principal amount of its 8.375% Senior Notes due 2021, which are listed on the Global Exchange Market of the Irish Stock Exchange. Interest on these notes is payable semi-annually in arrears in April and October of each year and these notes mature in April 2021. Inkia used the net proceeds of the sale of these notes to finance a portion of its equity contributions to CDA, to repurchase all of its secured indebtedness, and for working capital and general corporate purposes.

In September 2013, Inkia issued and sold $150 million aggregate principal amount of its 8.375% Senior Notes due 2021. Interest on these notes is payable semi-annually in arrears in April and October of each year and these notes mature in April 2021. Inkia used the net proceeds of the sale of these notes to funds its development pipeline of power projects, both through greenfield projects and acquisitions, and for working capital and general corporate purposes.

The consummation of the spin-off would have constituted a change of control under Inkia's bonds, which, subject to additional conditions, may have required Inkia to offer to repurchase all of the outstanding bonds ($450 million principal amount), at a purchase price of 101% of the principal amount, plus accrued interest. However, in September 2014, Inkia received a waiver from its bondholders, which waived, among other things, the "change of control" implications resulting from IC's transfer of its indirect interest in Inkia to us in connection with the spin-off. In addition, IC Power's sale of its indirect interest in Edegel constituted an "asset sale" under the indenture, requiring that the net proceeds from Inkia's sale of its interest in Edegel be used, within 365 days of the sale, to acquire assets useful in Inkia's business, make acquisitions or make capital expenditures, or repay senior debt. If the proceeds were not so applied within such period, Inkia would have been required to offer to repurchase its bonds at 100% of their principal amount, plus accrued interest. However, in September 2014, Inkia amended its indenture, such that Inkia is required to apply the net proceeds received from the sale of its indirect interest in Edegel within 30 months of Inkia's receipt of such net proceeds up to March 2017.

*OPC Financing Agreement*

In January 2011, OPC entered into a financing agreement with a consortium of lenders led by Bank Leumi L'Israel Ltd. for the financing of its power plant project. As part of the financing agreement, the lenders committed to provide OPC a long-term credit facility (including a facility for variances in the construction costs), a working capital facility, and a facility for financing the debt service, in the overall amount of approximately NIS 1,800 million (approximately $460 million). As part of the financing agreement, certain restrictions were provided with respect to distributions of dividends and repayments of shareholders' loans, commencing from the third year after the completion of OPC's power plant. The loans are CPI-linked and is repaid on a quarterly basis beginning in the fourth quarter of 2013 until 2030.

In exchange for IC Power's provision of a guarantee to the lending consortium, IC has been released from its obligations under its guarantee to the lending consortium. IC Power has also made cash collateral available for the benefit of the lending consortium. As of December 31, 2014, the outstanding amount of the loan is NIS 1,556 million (approximately $400 million).

*CDA Project Finance Facility*

In August 2012, CDA, as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, Sumitomo Mitsui Banking Corporation, as SACE agent, the Bank of Nova Scotia, as Offshore Collateral Agent, Scotiabank Peru, S.A.A., as onshore collateral agent, and certain financial institutions, as lenders, entered into a senior secured syndicated credit facility for an aggregate principal amount not to exceed $591 million to finance the construction of CDA's project. Loans under this facility will be disbursed in three tranches.

Tranche A loans under this facility, in an aggregate principal amount of up to $342 million, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 5.50% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche A loans will be payable in 33 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche A loans will be guaranteed by Corporación Financiera de Desarollo S.A., or COFIDE.

Tranche B loans under this facility, in an aggregate principal amount of up to $184 million, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 6.25% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche B loans will be payable on August 17, 2024. Tranche B loans will be will be guaranteed by COFIDE.

Tranche D loans under this facility, in an aggregate principal amount of up to $65 million, will initially bear interest at the rate of LIBOR plus 2.75% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 3.60% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche D loans will be payable in 45 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche D loans will be secured by a credit insurance policy provided by SACE S.p.A. – Servizi Assicurativi del Commercio Estero, or SACE.

All loans under this facility will be secured by:

- pledges of CDA's movable assets and offshore and onshore collateral accounts;
- a pledge of 100% of the equity interests in CDA;
- mortgages of the CDA plant and CDA's generation and transmission concessions;
- a collateral assignment of insurances and reinsurances in respect of the CDA Project; and
- a conditional assignment of CDA's rights under certain contracts, including the CDA EPC Contract and CDA's power purchase agreements.

The consummation of the spin-off may have constituted a change of control under CDA's project finance facility. However, in October 2014, the syndicate of lenders consented to the spin-off and, in connection therewith, CDA amended the credit facility to delete all references to, and obligations of, IC and to replace such references to, and obligations of, IC with references to, and obligations of, IC Power. Additionally, the syndicate of lenders also approved the replacement of IC's guarantee under the credit facility with a guarantee from IC Power, such that IC was released from its obligations and all obligations thereunder were assumed by IC Power. As of December 31, 2014, the aggregate principal amount outstanding under this facility was $462 million ($444 million net of transaction costs).

*Samay I Syndicated Secured Loan Agreement*

In December 2014, Samay I entered into a $311 million, seven-year syndicated secured loan agreement with a syndicate including The Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation and HSBC Bank to build an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600 MW. The loan bears an interest rate of LIBOR plus 2.125%. As of December 31, 2014, the aggregate principal amount outstanding under this facility was $153 million ($145 million net of transaction costs).

*Kallpa Leases*

In March 2006, Kallpa entered into capital lease agreements with Citibank del Peru S.A., Citileasing S.A. and Banco de Crédito del Peru under which the lessors provided financing for the construction of the Kallpa I facility in an aggregate amount of $56 million. Under these lease agreements, Kallpa will make monthly payments to the lessors through the expiration of these leases in March 2016. Upon expiration of these leases, Kallpa has an option to purchase the property related to Kallpa I for a nominal cost. These leases are secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs.

In December 2007, Kallpa entered into a capital lease agreement with Banco de Crédito del Peru under which the lessor provided $82 million for the construction of the Kallpa II turbine. Under this lease agreement, Kallpa will make aggregate monthly payments to the lessors through the expiration of this lease in December 2017. Upon expiration of this lease, Kallpa has an option to purchase the property related to Kallpa II for a nominal cost. This lease is secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs.

In October 2008, Kallpa entered into a capital lease agreement with Scotiabank Peru under which the lessor provided financing for the construction of the Kallpa III turbine in an aggregate amount of $88 million. Under this lease agreement, Kallpa will make monthly payments to the lessors through the expiration of this lease in July 2018. Upon expiration of this lease, Kallpa has an option to purchase the property related to Kallpa III for a nominal cost. This lease is secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs.

In April 2014, Kallpa entered into a capital lease agreement with Banco de Credito del Peru under which the lessor provided financing for the acquisition of Las Flores from Duke Energy in an aggregate amount of approximately $107 million. Under this lease agreement, Kallpa will make quarterly payments to the lessors through the expiration of this lease in October 2023.

*Kallpa Bonds*

In November 2009, Kallpa issued $172 million aggregate principal amount of its 8.50% Bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the date of issue. Kallpa received proceeds of these bonds in the aggregate amount of $19 million, $36 million and $117 million in 2009, 2010 and 2011, respectively. The proceeds of these bonds were used for capital expenditures related to Kallpa's conversion of its open-cycle turbines to a combined-cycle plant. Interest on these bonds is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds commenced in May 2013 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs.

*Kallpa Syndicated Loan*

In November 2009, Kallpa entered into a secured credit agreement with The Bank of Nova Scotia and Banco de Crédito del Peru in the aggregate amount of $105 million to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs. The loans under this credit agreement bear interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in October 2019. Scheduled amortizations of principal are payable monthly commencing in February 2013 through maturity in October 2019.

*IC Power Israel Mezzanine Financing Agreement*

In June 2014, IC Power, through its subsidiary ICPI, entered into a mezzanine financing agreement for NIS 350 million (approximately $93 million as of December 31, 2014) to settle capital notes owed to IC. The agreement was entered into with Mivtachim Social Insurance and Makefet Fund Pension and Mivtachim Insurance Ltd. The loan is guaranteed with all of OPC's assets and is composed of three facilities: Facility A for NIS 150 million (approximately $40 million as of December 31, 2014), Facility B for NIS 200 million (approximately $53 million as of December 31, 2014), and Facility C (only to cover shortfall amounts) for NIS 350 million. All facilities are CPI-linked.

The principal of Facility A will accrue interest at a rate of (i) 4.85% per year until five business days after the third anniversary of the completion of OPC's construction and (ii) 7.75% per year thereafter until March 31, 2017. Facility A's principal together with interest and any linkage differentials thereon will be repaid in full in one instalment on the earlier of: (i) five business days following the issuance of OPC's financial statements for the fiscal year 2016; and (ii) March 31, 2017.

The principal of Facility B Loan will bear interest at a rate of 7.75% per year and accrue annually. Principal and any linkage differentials thereon shall be paid in consecutive equal annual instalments until March 31, 2029, commencing on the earlier of: (i) the final maturity date of Facility A and (ii) the first anniversary after the end of OPC's lock-up period.

*COBEE Bonds*

COBEE II Bonds . In October 2008, COBEE issued and sold $20 million aggregate principal amount of its 9.40% Notes due 2015. COBEE used the proceeds of this offering to refinance existing debt and for capital expenditures. Interest on these bonds is payable semi-annually. Principal on these notes is payable in three equal annual installments commencing in September 2013. As of December 31, 2014, the outstanding amount of these notes was approximately $7 million.

COBEE III Bonds . In February 2010, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to $40 million in multiple series. In March 2010, COBEE issued and sold three series of notes in the aggregate principal amount of $14 million. The aggregate gross proceeds of these notes, which were issued at a premium, were $17 million. COBEE will amortize the premium of these notes over the respective terms of these notes, reducing the interest expense related to these notes. The Series A Notes, in the aggregate principal amount of $4 million pay interest semi-annually at the rate of 5.00% per annum through maturity in February 2014. Principal on these notes is payable at maturity. The Series B Notes, in the aggregate principal amount of $4 million, pay interest semi-annually at the rate of 6.50% per annum through maturity in February 2017. Principal on these notes will be paid in two equal annual installments commencing in February 2016. The Series C Notes, in the principal amount of Bs.44.2 million ($6 million), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

In April 2012, COBEE issued and sold two additional series of notes in the aggregate principal amount of $11 million. The aggregate gross proceeds of these notes, which were issued at a premium, were $13 million. IC Power will amortize the premium of these notes over the respective terms of these notes, reducing the interest expense related to these notes. The first series of these notes, in the aggregate principal amount of $5 million pays interest semi-annually at the rate of 6.75% per annum through maturity in April 2017. Principal on these notes is payable at maturity. The second series of these notes, in the aggregate principal amount of Bs.43 million ($6 million), pays interest semi-annually at the rate of 7% per annum through maturity in February 2022. As of December 31, 2014, the outstanding amount of these notes was approximately $23 million.

COBEE IV Bonds . In May 2013, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to $60 million in multiple series. In February 2014, COBEE issued and sold three series of notes in the aggregate principal amount of $19 million. The aggregate gross proceeds of these notes, which were issued at a premium, were $21 million. The Series A Notes, in the aggregate principal amount of $4 million pay interest semi-annually at the rate of 6.0% per annum through maturity in January 2018. The Series B Notes, in the aggregate principal amount of $4 million pay interest semi-annually at the rate of 7.0% per annum through maturity in January 2020. The Series C Notes, in the aggregate principal amount of BS. 84 million pay interest semi-annually at the rate of 7.8% per annum through maturity in January 2024.

In November 2014, COBEE issued and sold two series of notes in the aggregate principal amount of $20 million. The aggregate gross proceeds of these notes, which were issued at a premium, were $22 million. The first series of these notes, in the aggregate principal amount of $5 million pay interest semi-annually at the rate of 6.70% per annum through maturity in October 2019. The second series of these notes in the aggregate principal amount of Bs.105 million ($15 million), pay interest semi-annually at the rate of 7.80% per annum through maturity in October 2024. As of December 31, 2014, the outstanding amount of these notes is approximately $42 million.

*CEPP Bonds*

In December 2010, CEPP approved a program bond offering under which CEPP is permitted to offer bonds in aggregate principal amount of up to $25 million in multiple series. In 2011 and 2010, CEPP issued and sold $20 million and $5 million of its 7.75% Bonds due 2013. CEPP used the proceeds of this offering to finance its continuing operations and repay intercompany debt. Interest on these bonds is payable monthly and principal of these bonds is due at maturity in May 2014. During the first quarter of 2014, CEPP issued and sold $25 million of its 6.00% bonds due in December 2018. Part of these funds were used to prepay $15 million of its 7.75% Bonds outstanding due in May 2014.

*Central Cardones*

In connection with IC Power's acquisition of Central Cardones in December 2011, IC Power consolidated the amounts outstanding under Central Cardones' credit agreement entered with Banco de Crédito e Inversiones and Banco Itaú Chile. The loans under this credit agreement were issued in two tranches of $37 million and $21 million, respectively. Loans under the first tranche bear interest at the rate of LIBOR plus 1.9% per annum, and the principal of this tranche is payable in 20 semi-annual installments through maturity in August 2021. Loans under the second tranche bear interest at the rate of LIBOR plus 2.75% per annum, interest is payable semi-annually, and the loan matures in February 2017.

*Colmito*

In January 2014, Colmito entered into a 12,579 million Chilean pesos (approximately $23 million) 14-year credit agreement with Banco Bice. The loan under this facility bears interest at a rate of 7.9% Chilean pesos per annum and is paid semi-annually through maturity in December 2028. In February 2014, Colmito entered into a cross-currency swap closing at a fixed interest rate of 6.025% in U.S. Dollars.

*JPPC*

In September 2012, JPPC entered into a 5-year $20.5 million syndicated loan agreement with RBC Royal Bank (Trinidad and Tobago) Limited, RBC Royal Bank (Jamaica) Limited and RBC Merchant Bank (Caribbean) Limited. The loan under this facility bears interest at a rate of LIBOR + 5.5% per annum and is payable in quarterly installments. JPPC entered into an interest rate swap contract to fix its interest at a rate of 6.46% per annum.

*ICPNH*

In October 2007, Amayo I entered into a 15-year $71.25 million loan agreement with Banco Centroamericano de Integracion Economica, or CABEI. The term loan is secured by a first degree mortgage over all of the improvements executed on Amayo I's project site, cessation of all of the project contracts, and the creation and maintenance of a reserve account for $2.4 million, to be controlled by CABEI. The loans under this facility bear interest at a rate of 8.45% or LIBOR + 4.00% per annum and are payable in quarterly installments.

In November 2010, Amayo II entered into a 15-year $45 million syndicated loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. and CABEI. The syndicated loan is secured by a first and second lien mortgage agreement, a first and second lien industrial pledge agreement, and a first and second lien contract pledge agreement. The loans under this facility bears interest at a rate of 10.76%, 8.53%, or LIBOR + 5.75% per annum and are payable in quarterly installments.

In November 2013, Tipitapa Power entered into a 5-year $7.2 million loan agreement with Banco de America Central, or BAC. The term loan is secured by a commercial lien, industrial lien and a mortgage on the barge Margarita II. The loan under this facility bears interest at a rate of 8.35% and is payable in quarterly installments.

In December 2013, Corinto entered into a 5-year $14.5 million loan agreement with BAC. The term loan is secured by a commercial lien and a mortgage on the property. The loan under this facility bears interest at a rate of 8.35% and is payable in quarterly installments.

*Short-Term Loans*

IC Power's consolidated short term debt was $58 million as of December 31, 2014.

Kallpa, CEPP, COBEE and Puerto Quetzal have entered into lines of credit with financial institutions in Peru, the Dominican Republic, Bolivia and Guatemala, respectively, pursuant to which they are permitted to borrow up to $60 million, $37 million, $13 million and $25 million, respectively, expiring between 2015 and 2019, as applicable. Each of these lines of credit are used to finance their operating activities.

**Qoros' Liquidity and Capital Resources**

Qoros' cash and cash equivalents decreased 12% to RMB752 million as of December 31, 2014, compared to approximately RMB858 million in cash and cash equivalents as of December 31, 2013.

Qoros' cash and cash equivalents decreased 14% to RMB858 million as of December 31, 2013, compared to approximately RMB1 billion in cash and cash equivalents as of December 31, 2012.

We have a 50% equity interest in Qoros and, as a result, we account for Qoros' results of operations pursuant to the equity method, reflect our proportional share in Qoros' net income (loss) in our statement of income share in losses of associated companies, net of tax, do not reflect Qoros' cash and cash equivalents in our consolidated statement of financial position, and we do not exercise control over Qoros' cash and cash equivalents.

Qoros' principal sources of liquidity are cash inflows received from financing activities, including loans under its RMB3 billion syndicated credit facility, its RMB1.2 billion syndicated credit facility and other short-term and working capital credit facilities, as well as inflows received in connection with the capital contributions (in the form of equity contributions, or convertible or non-convertible shareholder loans).

Qoros will continue to need to raise significant additional debt financing, and obtain additional shareholder financing, to meet its operating expenses, financing expenses, capital expenditures and liquidity requirements to continue its commercial operations. Qoros' business plan contemplates debt financing of approximately RMB9 billion. Qoros has secured a portion of its expected third-party long-term debt financing needs via (i) a RMB3 billion syndicated credit facility (secured by certain of Qoros' fixed assets and certain guarantees provided by Chery) and (ii) a RMB1.2 billion syndicated credit facility, the proceeds of which are to be used for the research and development of C-platform derivative models (secured by a pledge over a portion of Kenon's and Wuhu Chery's equity interests in Qoros, including dividends therefrom). As of December 31, 2014, Qoros had drawn loans of approximately RMB2.9 billion and RMB1.1 billion under its two long-term facilities, and had also drawn loans under its working capital and short-term credit facilities. Accordingly, there is limited capacity for additional borrowing under existing credit facilities. Qoros is negotiating a new RMB1.2 billion facility, but this facility has not yet been obtained. Qoros' ability to obtain the required financing will depend on a number of factors, including its sales performance.

In September 2014, IC approved an outline to provide Qoros with funding of RMB750 million and, in connection therewith, provided a shareholder loan of RMB350 million in December 2014. Kenon provided to Qoros a RMB400 million in February 2015, using cash on hand and a $45 million drawdown under its credit facility with IC. Chery also provided a RMB350 million shareholder loan in December 2014 and Chery has also agreed to provide a RMB400 million shareholder loan to Qoros in connection with the release of its guarantee of up to RMB1.5 billion (approximately $241 million) in respect of Qoros' RMB3 billion syndicated credit facility. In the event that Chery provides such shareholder loan to Qoros and Chery's guarantee is not subsequently released, Kenon has agreed to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

Qoros commenced commercial operations at the end of 2013. Qoros sold approximately 7,000 cars in 2014 and incurred a net loss of RMB2.1 billion, as revenues were less than costs of sales. As a result, Qoros is dependent upon external financing, including shareholder funding, to meet its operating expenses, financing expenses, and capital expenditures and Qoros will remain dependent on such financing sources until it experiences a significant increase in sales, and there is no assurance that Qoros will experience such an increase in sales. As the volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity and future success, Qoros revised its business plan during the third quarter of 2014. As Qoros continues to pursue its commercial growth strategy, Qoros will need to secure significant additional third-party debt financing to fund its business plan and support its operational expansion and development, and, until it achieves a significant increase in sales, to meet operational expenses, financing expenses and capital expenditures. Qoros may be unable to secure such third-party debt financing, particularly if it does not experience a significant increase in sales.

As of December 31, 2014, Qoros had current liabilities of RMB6.2 billion, including RMB1.6 billion (approximately $257 million) of shareholder loans, and current assets of RMB2.1 billion, including cash and cash equivalents of RMB752 million. Qoros has short term and working capital credit facilities, but amounts available under such facilities are limited, and availability of such funds is subject to lender approval. Accordingly, Qoros is dependent upon external financing (to the extent available), shareholder funding, and other sources of revenue (e.g., revenues derived from the platform sharing agreement it recently entered into with Chery) to meet its liquidity requirements, including its operating expenses, debt service payments and capital expenditures. If Qoros is not able to obtain required financing, it would be unable to meet its operating expenses or service its debt. If so, Qoros may be unable to continue operations and we may not recoup any of the investments that we (or IC) have made in Qoros.

We expect that a significant portion of our liquidity and capital resources will be used to support the development of Qoros. We also intend to adhere to our capital allocation principles which, as set forth above, seek to limit cross-allocation of funds and capital contributions to our businesses, via debt or equity financings or the provisions of guarantees. However, the cash resources currently on Kenon's balance sheet (approximately $9 million as of the date of this annual report), together with the $155 million available under our $200 million credit facility from IC, may not be sufficient to fund additional investments that we deem appropriate in Qoros or other businesses. Alternatively, Kenon may choose not to provide such financing, which may adversely impact Qoros' ability to obtain financing from Chery or other third parties, in which case Qoros may be unable to meet its operating expenses and Kenon may not recoup its investment in Qoros. Furthermore, in connection with the release of IC's outstanding back-to-back guarantee in respect of certain of Qoros' debt, and Kenon's related reimbursement obligations of up to RMB888 million to IC, Kenon has given an undertaking to restore equality in respect of Chery's RMB1.5 billion (approximately $241 million) guarantee, which may result in Kenon providing additional capital to, or in respect of, Qoros. Such capital would be in addition to Kenon's current investment plans with respect to Qoros, which Kenon expects to use a significant portion of its liquidity and capital resources to fund. As a result, this undertaking may require Kenon to seek additional liquidity, including seeking funding from its other businesses. For a description of our capital allocation principles, see " *Item 4B. Business Overview*. "

For information on the risks related to Qoros' liquidity, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Qoros – Qoros commenced commercial sales at the end of 2013 and will therefore depend on external debt financing and guarantees or commitments from its shareholders to finance its operations* ."

As a result of Qoros' adoption of its new business plan in September 2014, impairment tests of Qoros' operating assets were performed as of September 30, 2014 and as of December 31, 2014. For further information on Qoros' impairment tests, including its key assumptions, see " *Item 5. Operating and Financial Review and Prospects – Critical Accounting Policies and Significant Estimates – Impairment Analysis – Impairment Test of Qoros* ."

Qoros' consolidated financial statements have been prepared on a going concern basis, based upon certain assumptions, including the availability of liquidity and funding for Qoros and Qoros is of the opinion that the assumptions which are included in the cash flow forecast are reasonable. For further information, see Note 2(b) to Qoros' consolidated financial statements, included in this annual report.

***Material Indebtedness***

*RMB3 Billion Syndicated Credit Facility*

On July 23, 2012, Qoros entered into a consortium financing agreement with a syndicate of banks for the ability to draw down loans, in either RMB or USD, up to an aggregate maximum principal amount of RMB3 billion. The RMB loans bear interest at the 5-year interest rate quoted by the People's Bank of China from time to time and the USD loans bear interest at LIBOR + 4.8% per annum. Outstanding loans are repayable within ten years from July 27, 2012, the first draw down date. The first scheduled repayment date is July 27, 2015 (or 36 months after the first draw down date), with subsequent repayment dates occurring every six months after the preceding repayment date.

Qoros' RMB/USD dual currency fixed rate credit facility is secured by Qoros' manufacturing facility, the land use right for the premises on which such manufacturing facility is located, and its equipment, and properties, and several guarantees, including a joint, but not several, guarantee from each of Chery and Changshu Port. Loans under this facility are severally guaranteed by (i) Changshu Port for up to 50% of amounts outstanding under this loan, or up to RMB1.5 billion (approximately $241 million), plus related interest and fees and (ii) Chery for up to 50% of amounts outstanding under this loan, or up to RMB1.5 billion (approximately $241 million), plus related interest and fees. Until February 2015, when Kenon provided to Qoros a RMB400 million shareholder loan to Qoros, IC had provided Chery with a back-to-back guarantee of 50% of Chery's obligations under Chery's guarantee. Additionally, until December 2014, when each of Chery and IC provided a RMB350 million shareholder loan to Qoros, Chery had also provided a back-to-back guarantee of 100% of the Changshu Ports' obligations under the Changshu Port's guarantee of Qoros' loans and IC had provided Chery with a back-to-back guarantee of 50% of Chery's obligations under Chery's back-to-back guarantee of the Changshu Port's guarantee. Chery has agreed to provide a RMB400 million shareholder loan to Qoros in connection with the release of its outstanding RMB1.5 billion (approximately $241 million) guarantee in respect of Qoros' RMB3 billion syndicated credit facility. In the event that Chery provides such shareholder loan to Qoros and Chery's guarantee is not subsequently released, Kenon has agreed to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities.

Qoros' syndicated credit facility contains financial, affirmative and negative covenants, events of default or mandatory prepayments for contractual breaches, including certain changes of control, and for material mergers and divestments, among other provisions. Although Qoros' debt-to-asset ratio is currently higher, and its current ratio is lower, than the allowable ratios set forth in the terms of the syndicated credit facility, in 2014 the syndicated consortium recognized Qoros' ongoing transition to commercial sales and operations and waived Qoros' compliance with the financial covenants under this facility through the first half of the 2017 fiscal year. As a result, Qoros will not be required to comply with these financial covenants until July 2017 (or later, if additional waivers are granted). The waiver also provides that, after Qoros enters into a continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the syndicated loan group for its consideration. Should Qoros' debt-to-asset ratio continue to exceed, or its current ratio continue to be less than, the permitted ratio in any period after June 30, 2017, and Qoros' syndicated lenders do not waive such non-compliance or revise such covenants so as to ensure Qoros' compliance, Qoros' lenders could accelerate the repayment of borrowings due under Qoros' syndicated credit facility.

For further information on the risks related to Qoros' indebtedness, see " *Item 3D. Risk Factors — Risks Related to Our Interest in Qoros — Qoros is significantly leveraged* ."

As of December 31, 2014, the aggregate amount outstanding on this loan was approximately RMB2.9 billion, at an interest rate of 6.15%.

*RMB1.2 Billion Syndicated Credit Facility*

In July 2014, Qoros entered into a consortium financing agreement with a syndicate of banks for the ability to draw loans, in either RMB or USD, up to an aggregate maximum principal amount of RMB1.2 billion for the research and development of C-platform derivative models . The RMB loans bear interest at the 5-year interest rate quoted by the People's Bank of China from time to time + 10.0% and the USD loans bear interest at LIBOR + 5.0% per annum. Outstanding loans are repayable within ten years from August 19, 2014, the first draw down date. The first scheduled repayment date is August 19, 2017, (or 36 months after the first draw down date), with subsequent repayment dates occurring every six months after the preceding repayment date.

Up to 50% of the indebtedness incurred under this facility is secured by Quantum's pledge of a portion of its equity interests in Qoros, including dividends deriving therefrom. Wuhu Chery has also pledged a portion of its equity interest in Qoros, including dividends derived therefrom, to secure up to 50% of the indebtedness incurred under this facility. The pledge agreement under which Quantum has pledged its equity interest in Qoros includes provisions setting forth, among other things, (i) minimum ratios relating to the value of Quantum's pledged securities, (ii) Quantum's ability to replace the pledge of its equity interest in Qoros with a pledge of cash collateral or to pledge cash collateral instead of pledging additional shares, representing up to 100% of Quantum's equity interest in Qoros, and (iii) the events (e.g., Qoros' default under the syndicated facility) that entitle the Chinese bank to enforce its lien on Quantum's equity interest.

The syndicated loan agreement includes customary covenants (including financial covenants), and events of default and early payment for violation provisions.

For further information on the risks related to Qoros' indebtedness, see " *Item 3D. Risk Factors — Risks Related to Our Interest in Qoros — Qoros is significantly leveraged .*"

As of December 31, 2014, the aggregate amount outstanding on this loan was approximately RMB1.1 billion, at an interest rate of 6.77%.

*Working Capital Loan*

Qoros is party to various short-term and working capital facilities including an unsecured, unguaranteed working capital loan with Bank of China, a Chinese commercial bank. Loans drawn down under the facility are subject to lender approval, can be drawn for one- or three-year repayment periods from April 24, 2013 (the first draw down date), and accrue interest at the 1- or 3- year interest rate, as applicable, as quoted by the People's Bank of China, from time to time and adjusted annually. Once drawn and repaid, loans may not be redrawn. As of December 31, 2014, no additional drawdowns were permitted under this facility.

Currently, the maximum drawdown amount under the facility is RMB200 million.

The working capital facility contains financial, affirmative and negative covenants. Although Qoros' debt-to-asset ratio is currently higher, and its current ratio is lower, than the allowable ratios set forth in the terms of the working capital loan, in 2014, the commercial bank under the loan arrangement recognized Qoros' ongoing transition to commercial sales and operations and waived Qoros' compliance with the financial covenants under the loan arrangement through the first half of the 2017 fiscal year. As a result, Qoros will not be required to comply with these financial covenants until July 2017 (or later, if additional waivers are granted). The waiver also provides that, after Qoros enters into a continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the commercial bank for its consideration. Should Qoros' debt-to-asset ratio continue to exceed, or its current ratio continue to be less than, the permitted ratio in any period after June 30, 2017, and the arrangement and the commercial bank does not waive such non-compliance or revise such covenants so as to ensure Qoros' compliance, the commercial bank could accelerate the repayment of borrowings under Qoros' working capital loan.

The aggregate amount outstanding under this facility on December 31, 2014 was RMB80 million of three-year loans, bearing interest at a rate of 6.15% per annum.

**ZIM's Liquidity and Capital Resources**

As of December 31, 2014, ZIM had an aggregate amount of $230 million in cash and cash equivalents, as compared to $123 million of cash and cash equivalents as of December 31, 2013.

During the year ended December 31, 2014, ZIM generated $121 million from operating activities, used $92 million in investing activities and generated $82 million from financing activities.

ZIM has a large amount of debt and other liabilities. On July 16, 2014, ZIM completed its financial restructuring, reducing ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately $3.4 billion to a remaining balance of approximately $2 billion, and revising its minimum liquidity, fixed charge coverage ratio, and total leverage ratio covenants. As of December 31, 2014, ZIM had approximately $1,616 million of outstanding loans and liabilities to be repaid between 2015 through 2026, of which $116 million constituted short-term debt.

In connection with the completion of ZIM's restructuring, IC undertook to provide a credit line to ZIM in the amount of $50 million, at commercial terms and conditions for a period of two years from the date of the completion of the restructuring, or the Period, against the debts of ZIM's customers with a coverage ratio of 2:1.

IC has the right to terminate its credit line obligation nine months after the date of the completion of the restructuring (i.e., April 15, 2015) if ZIM has not met certain conditions set forth in the agreement. As of the date of this annual report, ZIM's management believes that it will not be in a position to fulfill such conditions by April 15, 2015, so as to maintain IC's two-year commitment. As a result, IC may terminate its credit line to ZIM on April 15, 2015. Although ZIM is currently negotiating the provision of an alternative facility from a third-party lender, it does not expect such facility to be in place by April 15, 2015. However, ZIM's management believes that the alternative facility will be concluded by September 30, 2015. Therefore, ZIM's Tranche A agreements were amended (after the balance sheet date) to allow ZIM to arrange the alternative credit facility for the Period by September 30, 2015, instead of April 15, 2015. For further information on ZIM's facility with IC, as well as ZIM's financing agreements after the completion of its restructuring, see Note 10C.a.1. to our combined carve-out financial statements included in this annual report.

ZIM expects to finance its debt obligations and other liabilities through expected cash flow generation from operating activities, in addition to cash on hand. ZIM may also obtain funds from additional sources including debt issuance and/or other financing transactions and/or sale of assets and/or fund raising activities, including initial public offerings or listings and/or re-finance its debt obligations by engaging potential new lenders and existing lenders in order to exchange existing maturities to debt vehicles with longer maturities.

In addition to completing its financial restructuring, ZIM is continuing to revise its operational costs and is striving to implement additional cost reduction practices in order to position itself as a more efficient and profitable carrier and to increase its liquidity. ZIM is continuing to implement "ZIMpact", its comprehensive strategy that is designed to improve ZIM's commercial and operational processes, and aims to reduce ZIM's operational expenses and improve ZIM's profitability. Since 2010, and its implementation of ZIMpact, ZIM has improved its cost structure and reduced the differential between its profitability level and the industry's average profitability level (as ZIM's profits were lower than the industry average in previous years in terms of EBITDA). However, there is no assurance as to the extent of the effectiveness such activities or when, if at all, the results of such activities will be reflected in ZIM's liquidity and capital resources. For further information on the risks related to ZIM's liquidity, notwithstanding ZIM's recent restructuring, see " *Item 3D. Risk Factors – Risks Related to Our Business – Risks Related to Our Other Businesses – ZIM's business plan may not be effective in returning ZIM to profitability"* and "*Item 3D. Risk Factors – Risks Related to Our Business – Risks Related to Our Other Businesses – As ZIM operates in the capital-intensive and cyclical marine shipping industry, ZIM may continue to experience losses, working capital deficiencies, negative operating cash flow or shareholders' deficiency in the future, despite the restructuring of its financial obligations and the reduction of its indebtedness and liabilities* ."

**Other Businesses' Liquidity and Capital Resources**

Our "other" segment comprises holding company general and administrative expenses, and the results of Primus and our associates. For information on Kenon's liquidity and capital resources, see " *– Kenon's Liquidity and Capital Resources* ." For information on Qoros' liquidity and capital resources, see " *– Qoros' Liquidity and Capital Resources* ."

***Primus***

As of December 31, 2014, Primus had cash and cash equivalents of approximately $1 million.

As a development stage company, Primus will require significant additional capital and depends upon cash inflows received from financing activities, generally in the form of equity investments previously made by IC, to conduct its operations and further its development. Primus' principal liquidity requirements relate to its operating expenses and investments in various development projects. A lack, or delay, of financing could delay, or prevent completely, Primus' research and commercial development or result in its immediate liquidation or dissolution. Pursuant to an investment agreement entered into with Primus in October 2014, we may lend Primus up to $25 million via a series of convertible notes through December 31, 2015. As of December 31, 2014, Primus has issued to IC Green an aggregate principal amount of $3.5 million under the terms of the investment agreement. The amounts, and timing, of any additional convertible notes issued by Primus to IC Green under the terms of the investment agreement shall be determined exclusively by IC Green. There is no guarantee that Primus will be able to raise capital from third party financing sources, including from shareholders other than Kenon. Additionally, should Primus raise capital via equity issuances in the future, without Kenon's participation in such financing, we would experience a dilution in our existing ownership interest.

***HelioFocus***

As of December 31, 2014, HelioFocus had cash and cash equivalents of approximately $3 million.

As a development stage company that has not yet commenced commercial operation, HelioFocus depends upon cash inflows received from financing activities, generally in the form of equity investments previously made by IC and other of

HelioFocus' shareholders, to conduct its operations and further its development. HelioFocus' principal liquidity requirements relate to investments in various construction and development projects, which will require significant additional capital. In December 2014, IC Green contributed an additional $3 million to HelioFocus' equity capital.

A lack, or delay, of additional financing could delay, or prevent completely, HelioFocus' research and commercial development or result in an immediate liquidation or dissolution. In particular, HelioFocus requires additional financing to conduct its expected operations through 2015 and there is no guarantee that HelioFocus will be able to raise capital from third party financing sources, including from shareholders other than Kenon (in which case Kenon would experience a dilution in its existing ownership interest), or from Kenon, during this timeframe. HelioFocus' board of directors has decided to reduce HelioFocus' activities and maintain only a minimum number of personnel. This decision was made in response to HelioFocus' expectation of insufficient financing during the 2015 fiscal year. HelioFocus has also determined that its operations and personnel will remain at such levels until new investors have been retained, and if HelioFocus is unable to find new investors, it may cease to conduct business. As a result of the HelioFocus board decision, Kenon recorded an impairment charge in the amount of approximately $13 million in the year ended December 31, 2014 in respect of HelioFocus' assets.

*Material Indebtedness*

Neither Primus nor HelioFocus have material indebtedness, other than related party indebtedness. For information on the indebtedness owed us by IC Green and its businesses, see "Kenon's Liquidity and Capital Resources – *Debt Owed to Kenon from Subsidiaries* ."

***Tower***

The following data is derived from Tower's U.S. GAAP financial statements. As of December 31, 2014, Tower had an aggregate amount of $187 million in cash, cash equivalents and interest bearing deposits, as compared to $123 million and $133 million of cash, cash equivalents and interest bearing deposits as of December 31, 2013 and 2012, respectively. The cash, cash equivalent and interest bearing deposit figures as of December 31, 2013 and 2012 each includes $10 million of designated deposits.

The increase in Tower's cash balance during the year was primarily attributed to:

- $125.3 million cash generated from operating activities, including interest payments of $34 million (or $159 million of cash generated, excluding these $34 million interest payments) and excluding Japanese employee retirement related payments;
- investments of $99 million in fixed assets, net;
- $58 million of cash in TPSCo associated with its establishment; repayment of $51 million of debt;
- proceeds from exercise of options and bonds issuance of $20 million;
- and a receipt of an $86 million loan from JA Mitsui Leasing, Ltd. and Bank of Tokyo (BOT) Lease Co., Ltd, two Japanese banks, that was used to repay the bridge loan previously received from Panasonic.

In addition, funds received from Nishiwaki assets sale, net of Japanese employee retirement related payments, amounted to $13 million.

Tower has debt and other liabilities, primarily due in 2015 and 2016. As of December 31, 2014, Tower had approximately $194 million of outstanding secured bank loans to be repaid in quarterly installments between March 2015 through June 2019. In October 2014, Tower re-financed its existing bank debt, replacing a portion of its previous loans with a $111 million term loan maturing by October 2018. The repayment schedule of the $111 million term loan consists of $10 million principal payment during 2015, $14 million during 2016, $56 million during 2017 and approximately $21 million during 2018. The term loan agreement also contains a mechanism for the prepayment of principal based on excess cash flow Tower may generate.

Additionally, as of December 31, 2014, Tower had approximately $312 million of unsecured outstanding debentures to be repaid between June 2015 and December 2018. As of March 26, 2015, following the redemption and/or conversion of certain debentures' into ordinary shares of Tower, the principal amount of the total amount of debentures outstanding is approximately $105 million.

In order to finance Tower's debt obligations and other liabilities, in addition to cash on hand and expected cash flow generation from operating activities, Tower is exploring opportunities and ventures to re-finance its debt obligations by engaging potential new lenders and existing lenders in order to exchange existing maturities to debt vehicles with longer maturities, and/or obtain funds from additional sources including debt issuance and/or other financing transactions and/or sale of assets and/or fund raising activities, as well as exploring additional financing alternatives. For further information on the risks related to Tower's debt obligations and other liabilities, see " *Item 3D. Risk Factors – Risks Related to Our Interest in Tower – Tower has debt and other liabilities, and its business and financial position may be adversely affected if it will not be able to timely fulfill its debt obligations and other liabilities* ."

Tower, as an independent specialty foundry semiconductor manufacturer, operates in the semiconductor industry which has historically been highly cyclical and subject to significant and often rapid increases and decreases in product demand. Traditionally, companies in the semiconductor industry have expanded aggressively during periods of decreased demand in order to have the capacity needed to meet expected demand in future upturns, including through acquiring additional manufacturing facilities. If actual demand does not increase or declines, or if companies in the industry expand too aggressively, the industry may experience a period in which industry-wide capacity exceeds demand. This could result in overcapacity and excess inventories, leading to rapid erosion of average sales prices, as well as to underutilization of manufacturing facilities that as a result are unable to cover their fixed costs and other liabilities, potentially leading to such facilities to cease their operations.

The prices that Tower can charge its customers for its services are significantly related to the overall worldwide supply of integrated circuits and semiconductor products. The overall supply of semiconductor products is based in part on the capacity of other companies, which is outside of Tower's control. In periods of overcapacity, despite the fact that Tower utilizes niche technologies and manufactures specialty products, it may have to lower the prices it charges its customers for its services which may reduce its margins and weaken its financial condition and results of operations. Tower cannot give assurance that an increase in the demand for foundry services in the future will not lead to under-capacity, which could result in the loss of customers and materially adversely affect its revenues, earnings and margins. Analysts believe that such patterns may repeat in the future. The overcapacity, underutilization and downward price pressure characteristic of a downturn in the semiconductor market and/or in the global economy, as experienced several times in the past, may negatively impact consumer and customer demand for Tower's products, the end products of Tower's customers and the financial markets, which may affect its ability to raise funds and/or re-structure and/or re-finance our debt. This may harm Tower's financial results, financial position and business, unless it is able to take appropriate or effective actions in a timely manner in order to serve its debt and other liabilities and cover its fixed costs.

Tower is exploring various activities and ways to promote and fund its growth plans and the ramp-up of its business, technological capabilities and manufacturing capacity and capabilities, increase its utilization rates, efficiently manage the operations of the fabs, achieve and maintain high utilization rates in all of its manufacturing facilities, and fulfill its debt obligations and other liabilities. However, there is no assurance as to the extent of such activities or when, if at all, such activities will be available to Tower. Such activities may include, among other things, mergers and acquisitions, joint ventures, debt restructuring and/or refinancing, possible financing transactions, sales of assets, intellectual property licensing, possible sale and lease-backs of real estate assets and improving cash flow from operations through operating efficiencies.

For implications on Tower's operations if it does not generate increased levels of cash from operations and/or does not raise additional funding, see " *Item 3D. Risk Factors – Risks Related to Our Other Businesses – Risks Related to our Interest in Tower* ."

**Quantitative and Qualitative Disclosures about Market Risk**

For quantitative and qualitative information on our market risk, see " *Item 11. Quantitative and Qualitative Disclosures about Market Risk.* "

**C. Research and Development, Patents and Licenses, Etc.**

Kenon did not have significant research and development expenses during the years ended December 31, 2014, 2013 and 2012.

**D. Trend Information**

The following key trends contain forward-looking statements and should be read in conjunction with " *Special Note Regarding Forward-Looking Statements* " and " *Item 3D. Risk Factors* ." We believe these trends will aid us in our objective to achieve consistent growth and profitability in each of the industries in which our businesses operate. Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition. For further information on the recent developments of Kenon and our businesses, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments*" and " *Information Regarding Tower* ."

**IC Power**

IC Power operates electricity generation assets in Peru, the Dominican Republic, Bolivia, El Salvador, Chile, Jamaica, Nicaragua, Colombia, Guatemala and Israel, and has investments and pipeline projects in Peru and Panama. IC Power is therefore subject to a wide range of conditions that may result in variability in its earnings and cash flows from year to year. In general, IC Power's net income is a result of its operating income from its generation businesses, as well as other factors, such as foreign currency exchange rate effects, tax expenses, and income from unconsolidated related companies.

Operating income varies in each of the countries in which IC Power conducts operations due to numerous factors, such as hydrological conditions, the price / kind of fuel used to generate electricity, and the prevailing spot market and regulated prices for electricity. IC Power expects to continue evidencing a reasonably good operating performance over the coming years, given the favorable macroeconomic outlooks for each of the countries in which it operates, many of which are emerging markets. In particular, the Dominican Republic, which is characterized by high electricity theft and delayed electricity payments, has forecasted positive economic growth, which may result in a reduction in an increase in international reserves, less volatility in exchange rates, and a direct reduction in IC Power's accounts receivable.

With respect to its operations, as fuel is a significant cost for most of IC Power's operating companies, the price of various fuels (e.g., gas, diesel, or heavy oil) has a significant effect on IC Power's costs, revenues and results of operations. However, as prices in the spot market tend to reflect current fuel prices and, as most of IC Power's PPAs contain a fuel price adjustment mechanism to reflect increases or decreases in the price of fuel, changes in fuel prices generally do not affect IC Power's margins or EBITDA. Crude oil prices, for example, fell considerably during the second half of 2014, with prices continuing to decline during the first quarter of 2015. Although the decline in global oil prices is expected to result in a decline in IC Power's 2015 revenues, such a decline is not expected to have a corresponding effect on IC Power's EBITDA as a result of the relatively stable margins that are achieved by the fuel price adjustment mechanisms included in many of IC Power's PPAs.

As IC Power continues to develop its projects by (i) drawing down on its credit facilities with third parties or (ii) securing additional third party to financing to fund its capital expenditures, IC Power may experience an increase in interest costs. Many of the debt agreements of IC Power's operating companies have floating interest rates (e.g., many of the debt instruments are tied to LIBOR) and a continued increase in interest rates could increase the cost of the capital required to continue to fund IC Power's development and expansion efforts.

Finally, due to growing environmental restrictions, transmission line saturation, obstacles for fuel transportation and a scarcity of places in which new plants may be located, new development projects in the countries in which IC Power operates – such as CDA, Samay I and Kanan – involve higher development costs than in the past. Should average electricity prices adjust to recognize these increased costs, IC Power's revenues and the value of its assets in this markets would increase, especially in the case of hydroelectric power plants (such as CDA), of which only a few are in the process of being developed, and which have lower production costs and therefore benefit from greater profitability if prices to end users are increased.

**Qoros**

Qoros commenced commercial sales at the end of 2013. Qoros launched its first vehicle model, the Qoros 3 Sedan, in December 2013, and launched its second model, the Qoros 3 Hatch, in late June 2014, and its third vehicle, the Qoros 3 City SUV, in mid-December 2014. As a result of the recent launch of these models and the continued development of Qoros' remaining vehicle models, Qoros expects to continue to incur a significant costs in connection with the launch of these models. For example, Qoros expects to incur significant marketing expenses in the future in order to promote the sales and launch of the Qoros 3 Sedan, the Qoros 3 Hatch, the Qoros 3 City SUV, or any other vehicle model that Qoros launches. Qoros also expects to incur significant expenses if it decides to commence with the second stage construction of its production facilities.

As an early stage car manufacturer, Qoros is incurring significant costs, including costs in connection with the launch of its vehicles as well as operating and debt service costs, but has not achieved significant revenues. In 2014, Qoros incurred a net loss of RMB2.1 billion. As of December 31, 2014, Qoros' current liabilities, excluding RMB1.6 billion (approximately $257 million) of shareholder loans, were significantly higher than its current assets, and Qoros does not have sufficient cash or amounts available under credit facilities to meet its current liabilities. Accordingly, Qoros is dependent on external financing (to the extent available), shareholder funding, and other sources of revenue (e.g. revenues derived from the platform sharing agreement it recently entered into with Chery) to meet its liquidity requirements, including its operating expenses, debt service payments and capital expenditures. See " *Item 5B. Liquidity and Capital Resources – Qoros' Liquidity and Capital Resources* ."

Qoros sold approximately 7,000 cars in 2014. Qoros' sales in the first two months of 2015 were 1,423 vehicle models. As an early stage car manufacturer, Qoros believes that its sales in the first two months of 2015, and its estimated sales in March 2015, are not necessarily indicative of meaningful trends and that sales figures will continue to fluctuate in the near term.

As of December 31, 2014, 75 dealerships (representing 75 points of sales) were fully operational, 20 additional dealerships (representing 20 points of sales) were under construction, and Qoros had signed 14 Memorandums of Understanding with respect to the development of 14 additional dealerships (representing 14 points of sales). As of the date of this annual report, 78 dealerships (representing 78 points of sales) were fully operational.

Qoros is continuing to focus its efforts on the expansion of its dealer network in key areas in China.

Similar to other early stage car manufacturers, Qoros estimates that it will continue to accumulate operating losses and net losses every quarter, until significant sales of vehicles to agents begins, up to the point when large sale volumes are achieved.

In September 2014, Qoros' board of directors reviewed a new business plan for the next ten years, and approved a five-year business plan, which reflected lower forecasted sales volumes and assumed the minimal level of capital expenditure necessary for such sales volumes. As a result of Qoros' adoption of its new business plan in September 2014, impairment tests of Qoros' operating assets were performed as of September 30, 2014 and as of December 31, 2014. Qoros did not record an impairment as a result of either impairment test. For further information, see " *Item 5. Operating and Financial Review and Prospects – Critical Accounting Policies and Significant Estimates – Impairment Analysis – Impairment Test of Qoros.* "

Qoros' board of directors has recently appointed a new General Manager and chairman of the board and Qoros has also made a number of other changes at the executive management level.

Qoros is also seeking to optimize its cost structure, and may undertake cost-cutting measures, including workforce optimizations to align its operations with its business plan.

In March 2015, Qoros entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee.

**ZIM**

Bunker prices fell considerably during the second half of 2014, with prices continuing to decline during the first quarter of 2015. Industry experts expect this trend to stimulate demand for the transportation of containerized goods and thereby result in an increase in container volume growth, notwithstanding the current oversupply of vessel capacity within the container shipping industry. Lower bunker prices are also expected to result in a decrease in operating costs and an increase in revenues, which is reflected in the forecast earnings upgrades across the liner shipping sector.

Notwithstanding such forecasts, the decline in bunker prices may not impact shipping margins significantly in the long-term, as the competitive nature of the shipping industry may require liner shippers to pass on any cost savings to their customers in the form of lower freight rates. Freight rates, which are mainly driven by containerized demand and supply balance, have historically been highly volatile. Although they fluctuated significantly, freight rates declined overall in 2013 and 2014.

Finally, sulfur regulations, which became effective in January 2015, will require liner shipping companies to utilize more expensive, low sulfur fuel in their operations, partially offsetting any gains realized as a result of the decline in bunker prices.

### E. Off-Balance Sheet Arrangements

In February 2015, in connection with our recent provision of a RMB400 million shareholder loan to Qoros, Kenon has agreed in the event that Chery provides a RMB400 million shareholder loan to Qoros, and Chery's guarantee of up to RMB1.5 billion (approximately $241 million) in respect of Qoros' RMB3 billion syndicated credit facility is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This undertaking may involve Kenon guaranteeing Qoros' debt in the future (e.g., Kenon may assume, or otherwise support, a portion of Chery's guarantee) or share in the amount of the payment obligations under Chery's guarantee, among other possibilities. For further information, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments – Qoros – Provision of RMB400 Million Shareholder Loan* ."

Other than with respect to Kenon's obligations, as set forth above, neither Kenon nor any of its businesses are party to off-balance sheet arrangements.

### F. Tabular Disclosure of Contractual Obligations

**IC Power**

The following table sets forth IC Power's contractual obligations and commercial commitments (including future interest payments) as of December 31, 2014, on a consolidated basis, which reflects the contractual obligations and commercial commitments of Kenon and its consolidated subsidiaries.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than One Year | One to Two Years | Two to Five Years | More than Five Years |
| | | | *(in millions of USD)* | | |
| Credit from banks and others | 59 | 59 | — | — | — |
| Loans from banks and others, and debentures [1] | 3,271 | 251 | 249 | 868 | 1,903 |
| Shareholder loan | — | — | — | — | — |
| Trade payables | 144 | 144 | — | — | — |
| Other payables and credit balances | 90 | 90 | — | — | — |
| Purchase obligations [2] | 2,905 | 215 | 545 | 579 | 1,566 |
| Operating and maintenance agreements [3] | 160 | 19 | 45 | 44 | 52 |
| Obligations under EPC Contract Retirement [4] | 418 | 381 | 37 | — | — |
| Cash payments under stock option plan [5] | 1 | 1 | — | — | 1 |
| **Total contractual obligations and commitments** | **7,048** | **1,160** | **876** | **1,491** | **3,521** |

1. Consists of estimated future payments of principal, interest and premium on loans from banks and others, and debentures, calculated based on interest rates and foreign exchange rates applicable as of December 31, 2014 and assuming that all amortization payments and payments at maturity on loans from banks and others, and debentures will be made on their scheduled payment dates.
2. Consists of purchase commitments for natural gas and gas transportation pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices as of December 31, 2014.
3. Consists of future payments to be made under services contract with Siemens based on its projections of the hours of service of Kallpa's turbines.
4. Consists of future payments to be made under EPC Contract, assuming that all progress and completion payments will be made on their scheduled payment dates.
5. Consists of payments to be made to repurchase shares issued upon the exercise of outstanding options under stock option plan based on its projections regarding its EBITDA for 2014 and assuming that all holders of these options will exercise them prior to the relevant expiration date.

Additionally, IC Power is obligated to make up to $44 million of additional equity contributions to CDA in the event that CDA incurs certain cost overruns. This amount is backed up by a customary letter of credit.

**Qoros**

The following table sets forth Qoros' contractual obligations and commercial commitments as of December 31, 2014:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less Than One Year | One to Two Years | Two to Five Years | More than Five Years |
| | | | *(in millions of RMB)* | | |
| Loans and borrowings | 8,991 | 3,712 | 332 | 1,940 | 3,007 |
| Trade and other payables | 2,833 | 2,833 | — | — | — |
| Finance lease liabilities | 2 | 1 | — | — | — |
| **Total contractual obligations** | 11,826 | 6,547 | 332 | 1,940 | 3,007 |

## G. Safe Harbor

See " *Special Note Regarding Forward-Looking Statements* ."

## ITEM 6. Directors, Senior Management and Employees

## A. Directors and Senior Management

**Board of Directors**

The following table sets forth information regarding our board of directors:

| Name | Age | Function | Date Appointed | Term Expires |
|---|---|---|---|---|
| Kenneth Cambie | 52 | Chairman of the Board,<br>Chairman of the Nominating and Corporate Governance Committee<br>Compensation Committee Member | 2014 | 2015 |
| Laurence N. Charney | 67 | Chairman of the Audit Committee<br>Compensation Committee Member | 2014 | 2015 |
| Cyril Pierre-Jean Ducau | 35 | Board Member | 2014 | 2015 |
| N. Scott Fine | 57 | Audit Committee Member | 2014 | 2015 |
| Aviad Kaufman [1] | 44 | Board Member | 2015 | 2016 |
| Ron Moskovitz | 51 | Chairman of the Compensation Committee | 2014 | 2015 |
| Elias Sakellis | 37 | Nominating and Corporate Governance Committee Member | 2014 | 2015 |
| Vikram Talwar | 65 | Audit Committee Member<br>Nominating and Corporate Governance Committee Member | 2014 | 2015 |

1. Membership on the Kenon board of directors is effective as of April 1, 2015

Our articles of association provide that, unless otherwise determined by a general meeting, the minimum number of directors is five and the maximum number is 12.

**Senior Management**

| Name | Age | Position |
|---|---|---|
| Yoav Doppelt | 45 | Chief Executive Officer |
| Robert Rosen | 42 | General Counsel |
| Tzahi Goshen | 39 | Interim Chief Financial Officer and VP Finance |
| Barak Cohen | 33 | Vice President of Business Development and Investor Relations |

**Biographies**

***Directors***

*Kenneth Cambie.* Mr. Cambie is the Chief Financial Officer of Quantum Pacific Shipping Services PTE Ltd. From 2007 to 2013, Mr. Cambie was an Executive Director and the Chief Financial Officer of Orient Overseas Container Liner ("OOCL"). During this time, Mr. Cambie also chaired OOCL's Finance and Share Committee and was a member of OOCL's Executive Committee and Compliance Committee. Prior to joining OOCL, Mr. Cambie held various positions at Citibank from 1986 to 2007, including as Director, Transportation, Asia Pacific Corporate Banking in Hong Kong, where Mr. Cambie was responsible for meeting the banking and financing needs of a range of shipping, port, airline and airport companies in the Asia and Pacific regions. Prior to moving to Hong Kong in mid-2001, Mr. Cambie was the corporate banking head for Citibank, New Zealand for seven years and had also spent several years with the bank in Australia in corporate banking and leveraged finance roles. Mr. Cambie served as a market manager at Broadbank from 1985 to 1986 and as an auditor in Touche Ross from 1984 to 1985. Mr. Cambie is a member of the New Zealand Institute of Chartered Accountants and holds a Master of Commerce degree (first class honors) from Auckland University in New Zealand.

*Laurence N. Charney.* Mr. Charney retired from Ernst & Young LLP ("Ernst & Young") in June 2007, where, over the course of his more than 35-year career, he served as Partner, Practice Leader and Senior Advisor. Since his retirement from Ernst & Young, Mr. Charney has served as a business strategist and financial advisor to boards, senior management and investors of early stage ventures, private businesses and small to mid-cap public corporations across the consumer products, energy, real estate, high-tech/software, media/entertainment, and non-profit sectors. His most recent affiliations have included board tenures with Pacific Drilling S.A., Marvel Entertainment, Inc., Pure BioFuels, Inc., Mrs. Fields Original Cookies and Iconix Brand Group, Inc. He was appointed to the board of TG Therapeutics, Inc. in April 2012. Mr. Charney is a graduate of Hofstra University with a Bachelor's Degree in Business Administration (Accounting), and has also completed an Executive Master's program at Columbia University. Mr. Charney maintains active membership with the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

*Cyril Pierre-Jean Ducau* . Mr. Ducau is the Managing Director of Quantum Pacific Ventures Limited and a member of the board of directors of each of Pacific Drilling S.A., Quantum Pacific Shipping Services Pte. Ltd., Ansonia Holdings B.V. and Jelany Corporation N.V. He was previously Head of Business Development of Quantum Pacific Advisory Limited in London from 2008 to 2012. Prior to joining Quantum Pacific Advisory Limited, Mr. Ducau was Vice President in the Investment Banking Division of Morgan Stanley & Co. International Ltd. in London and, during his tenure there from 2000 to 2008, he held various positions in the Capital Markets, Leveraged Finance and Mergers and Acquisitions teams. Prior to that, Mr. Ducau gained experience in consultancy working for Arthur D. Little in Munich and investment management with Credit Agricole UI Private Equity in Paris. Mr. Ducau graduated from ESCP Europe Business School (Paris, Oxford, Berlin) and holds a Master of Science in business administration and a Diplom Kaufmann.

*N. Scott Fine* . Mr. Fine has been an investment banker for over 35 years, and formerly served as the Vice Chairman and Lead Director of Central European Distribution Corporation ("CEDC"), a multi-billion dollar alcohol and beverage company domiciled in Delaware with the majority of its operations in Eastern Europe. Mr. Fine served as a director of CEDC for over a decade, during which time he co-managed its IPO and listing on NASDAQ, and led the CEDC Board's successful efforts in 2013 to restructure the company through a pre-packaged Chapter 11 process whereby CEDC was acquired by the Russian Standard alcohol group. Mr. Fine has been involved in corporate finance for over 30 years and has considerable experience in the medical and medical device sectors, having served as an advisor for companies such as Research Medical, Derma Sciences, and Interleukin Genetics, among many others. Mr. Fine also acts as Chairman and Lead Director of CTD Holdings, Inc., a specialty biopharmaceutical manufacturing and marketing company. Mr. Fine is the sole director of Better Place, Inc., an electric car company, where he was brought in to design, oversee and manage the orderly liquidation of the Delaware holding company of the Better Place group. He is also a director of Operation Respect, an anti-bullying education non-profit organization.

*Aviad Kaufman* . Mr. Kaufman is the Chief Financial Officer of Quantum Pacific (UK) LLP and is also a board member of IC (TASE: ILCO) and Israel Chemicals Ltd. (NYSE: ICL, TASE: ICL), each of which are members of a group of companies associated with the same ultimate beneficiary, Mr. Idan Ofer. From 2008 until 2012, Mr. Kaufman served as Chief Financial Officer of Quantum Pacific Advisory Limited. From 2002 until 2007, Mr. Kaufman served as Director of International Taxation and fulfilled different senior corporate finance roles at Amdocs Ltd. (NYSE:DOX). Previously, Mr. Kaufman held various consultancy positions with KPMG. Mr. Kaufman is a certified public accountant and holds a BA in Accounting and Economics from the Hebrew University in Jerusalem (with distinction), and a MBA majoring in Finance from Tel Aviv University.

*Ron Moskovitz.* Mr. Moskovitz is the Chief Executive Officer of Quantum Pacific (UK) LLP and the Chairman of IC and Pacific Drilling S.A., which is also a member of a group of companies associated with the same ultimate beneficiary, Idan Ofer. From July 2008 until December 2012, Mr. Moskovitz served as Chief Executive Officer of Quantum Pacific Advisory Limited.

From July 2002 until November 2007, Mr. Moskovitz served as Senior Vice President and Chief Financial Officer of Amdocs Limited. From 1998 until July 2002, he served as Vice President of Finance at Amdocs. Between 1994 and 1998, Mr. Moskovitz held various senior financial positions at Tower and served on Tower's board of directors from 2007 to September 2011. Mr. Moskovitz is a CPA in Israel and holds a BA in Accounting and Economics from Haifa University and a Master of Business Administration from Tel Aviv University.

*Elias Sakellis* . Mr. Sakellis is the Managing Director of Quantum Pacific (UK) LLP and a member of the board of directors of Pacific Drilling S.A. From May 2012 until December 2012, Mr. Sakellis served as Managing Director of Quantum Pacific Advisory Limited. Prior to joining Quantum Pacific Advisory Limited, Mr. Sakellis worked at Goldman, Sachs & Co. in London from 2000 to 2012. During his tenure at Goldman, Sachs & Co., he held various positions, including Executive Director of Leveraged Finance & Restructuring in the Investment Banking Division, Executive Director and Business Unit Manager in the Investment Banking Division, and Financial Analyst and Associate in the Equities Division. Prior to joining Goldman, Sachs & Co., Mr. Sakellis gained experience in the banking sector by working as an analyst for Lehman Brothers in London from 1999 to 2000. Mr. Sakellis is a graduate of Imperial College London with a Master of Science in Finance and a Master of Engineering in Mechanical Engineering. He also holds a Master of Business Administration from INSEAD.

*Vikram Talwar* . In 1999, Mr. Talwar founded EXL Service Holdings, Inc. ("EXL Service"), a leading global Business Process Outsourcing company, in the US. EXL Service was listed on NASDAQ in 2006. Mr. Talwar was the CEO of EXL Service until May 2008 when he was elevated to the position of Executive Chairman of the Board. In April 2011, Mr. Talwar relinquished all his executive responsibilities and became the Non-Executive Chairman of the Board. After having served 13 years on the Board, Mr. Talwar retired in December 2013. Prior to founding Exl Service, Mr. Talwar served as the Chief Executive Officer and Managing Director of Ernst and Young Consulting India from 1998 to 1999. Earlier, Mr. Talwar had served in various senior capacities at Bank of America, including Country Manager in India and other Asian countries from 1970 to 1996. In the past five years, Mr. Talwar has served on the boards of directors of a public company in India and the U.K. and several private companies.

***Senior Management***

*Yoav Doppelt.* Yoav Doppelt has served as the Chief Executive Officer of XT Investments Group (formerly known as Ofer Investments Group) since its inception in 2007 and as the Chief Executive Officer of XT Capital (formerly known as Ofer Hi-Tech) since 2001. Mr. Doppelt joined the XT Group (formerly known as Ofer Group) in 1996 and has been with XT Capital (formerly known as Ofer Hi-Tech) since its inception in 1997, defining the vision and operational methodology of its private equity and high-tech investments. Mr. Doppelt has held various finance and managerial positions in the XT Group since joining it. Mr. Doppelt currently serves as a member of the board of directors of a number of public companies, including Lumenis Ltd and TowerJazz Ltd., and was actively involved in numerous investments within the private equity and high-tech arenas.

He has extensive operational and business experience in growth companies and has successfully led several private equity exit transactions. Recently, Mr. Doppelt was actively involved in the public offering of equity and debt instruments in the U.S. Mr. Doppelt holds a bachelor's degree in economics and management from the Faculty of Industrial Management at the Technion—Israel Institute of Technology, Haifa, Israel and an MBA degree from Haifa University, Israel.

*Robert Rosen* . Prior to joining Kenon as General Counsel, Robert Rosen spent 15 years in private practice with top tier law firms, including Linklaters LLP and Milbank, Tweed, Hadley and McCloy LLP. During his time in private practice, Mr. Rosen was primarily involved in cross-border public and private capital markets offerings and other securities transactions, as well as with the purchase and sale of US and international distressed assets, private equity investments, structured finance transactions and SEC filings and related advice. Mr. Rosen is admitted to the Bar in the state of New York, holds a Bachelor's degree with honors from Boston University and a JD and MBA, both from the University of Pittsburgh, where he graduated with high honors.

*Tzahi Goshen* . Prior to joining Kenon as Interim Chief Financial Officer and VP Finance, Tzahi Goshen served as the Controller of IC since 2008 and as the Controller of Gemini Israel Funds Ltd., a venture capital fund, from 2006 to 2008. Mr. Goshen was responsible for all aspects of IC's financial reporting as a public company. Mr. Goshen has vast experience in overseeing the corporate financial activities of traded companies, including acquisitions, tax planning, accounting and reporting, and internal auditing. Mr. Goshen holds a bachelor's degree in accounting from the College of Management and is a certified public accountant in Israel.

*Barak Cohen* . Prior to joining Kenon as Vice President of Business Development and Investor Relations, Mr. Cohen worked in various capacities at IC since 2008, most recently as IC's Senior Director of Business Development and Investor Relations. In this capacity, Mr. Cohen supported and monitored the development of key growth companies throughout various stages of their lifecycles, contributed to the development of IC's corporate investment strategy, evaluated new investment

opportunities, assisted in transaction execution. Additionally, Mr. Cohen headed IC's global investor relations activity. Prior to joining IC, Mr. Cohen held positions at Lehman Brothers (UK) and Ernst & Young (Israel). Mr. Cohen holds bachelor's degrees in Economics, summa cum laude, and Accounting & Management, magna cum laude, both from Tel Aviv University.

## B. Compensation

For the year ended December 31, 2014, the aggregate compensation paid (comprising remuneration and the aggregate fair market value of equity awards granted) to our directors and executive officers was approximately $5.7 million. No amounts in respect of pensions, retirement or similar benefits have been accrued in any of the periods presented in this annual report.

For further information on Kenon's Share Incentive Plan 2014 and Share Option Plan 2014, see " *Item 6E. Share Ownership* ."

## C. Board Practices

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE's rules for domestic U.S. issuers, provided that we disclose which requirements we are not following and describe the equivalent home country requirement. However, notwithstanding our ability to follow the corporate governance practices of our home country Singapore, we have elected to apply the corporate governance rules of the NYSE that are applicable to U.S. domestic registrants that are not "controlled" companies.

### Board of Directors

Our articles of association gives our board of directors general powers to manage our business. The board of directors, which consists of seven directors, and of which Kenneth Cambie serves as our Chairman, oversees and provides policy guidance on our strategic and business planning processes, oversees the conduct of our business by senior management and is principally responsible for the succession planning for our key executives.

#### *Director Independence*

Pursuant to the NYSE's listing standards, listed companies are required to have a majority of independent directors. Under the NYSE's listing standards, (i) a director employed by us or that has, or had, certain relationships with us during the last three years, cannot be deemed to be an independent director, and (ii) directors will qualify as independent only if our board of directors affirmatively determines that they have no material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with either us or IC. Ownership of a significant amount of our shares, by itself, does not constitute a material relationship.

Although we are permitted to follow home country practice in lieu of the requirement to have a board of directors comprised of a majority of independent directors, we have determined that we are in compliance with this requirement and that a majority of our board of directors is independent according to the NYSE's listing standard. Our board of directors has affirmatively determined that each of Kenneth Cambie, Laurence N. Charney, Cyril Pierre-Jean Ducau, N. Scott Fine, Ron Moskovitz, Elias Sakellis and Vikram Talwar, representing all of our seven directors, are currently "independent directors" as defined under the applicable rules and regulations of the NYSE.

#### *Election and Removal of Directors*

See " *Item 10B. Memorandum and Articles of Association – Election and Re-election of Directors* ."

#### *Director Retirement Age*

Under Sections 153(2) and (6) of the Singapore Companies Act, the office of a director of a public company or its subsidiary becomes vacant at the conclusion of the annual general meeting of shareholders first held after such director attains the age of 70 years, and any re-appointment of such director must be approved by our shareholders by ordinary resolution.

#### *Service Contracts*

None of our board members have service contracts with us or any of our businesses providing for benefits upon termination of employment.

***Indemnifications and Limitations on Liability***

For information on the indemnification and limitations on liability of our directors, see " *Item 10B. Memorandum and Articles of Association.* "

**Committees of our Board of Directors**

We have established three committees, which report regularly to our board of directors on matters relating to the specific areas of risk the committees oversee: the audit committee, the nominating and corporate governance committee, and the compensation committee. Although we are permitted to follow home country practices with respect to our establishment of audit, nominating and corporate governance and compensation committees, we have determined that we are in compliance with the NYSE's requirements in these respects.

***Audit Committee***

We have established an audit committee to review and discuss with management significant financial, legal and regulatory risks and the steps management takes to monitor, control and report such exposures; our audit committee also oversees the periodic enterprise-wide risk evaluations conducted by management. Specifically, our audit committee oversees the process concerning:

- the quality and integrity of our financial statements and internal controls;
- the appointment, compensation, retention, qualifications and independence of our independent registered public accounting firm;
- the performance of our internal audit function and independent registered public accounting firm;
- our compliance with legal and regulatory requirements; and
- related party transactions.

The members of our audit committee, Laurence N. Charney, N. Scott Fine and Vikram Talwar, are independent directors and meet the requirements for financial literacy as defined under the applicable rules and regulations of each of the SEC and the NYSE. Our board of directors has determined that Laurence N. Charney is an audit committee financial expert, as defined under the applicable rules of the SEC, and that each of our audit committee members has the requisite financial sophistication as defined under the applicable rules and regulations of the NYSE. Our audit committee operates under a written charter that satisfies the applicable standards of each of the SEC and the NYSE.

***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee oversees the management of risks associated with board governance, director independence and conflicts of interest. Specifically, our nominating and corporate governance committee is responsible for identifying qualified candidates to become directors, recommending to the board of directors candidates for all directorships, overseeing the annual evaluation of the board of directors and its committees and taking a leadership role in shaping our corporate governance.

Our nominating and corporate governance committee will consider candidates for director who are recommended by its members, by other board members and members of our management, as well as those identified by any third-party search firms retained by it to assist in identifying and evaluating possible candidates. The nominating and corporate governance committee will also consider recommendations for director candidates submitted by our shareholders. The nominating and corporate governance committee will evaluate and recommend to the board of directors qualified candidates for election, re-election or appointment to the board, as applicable.

When evaluating director candidates, the nominating and corporate governance committee seeks to ensure that the board of directors has the requisite skills, experience and expertise and that its members consist of persons with appropriately diverse and independent backgrounds. The nominating and corporate governance committee will consider all aspects of a candidate's qualifications in the context of our needs, including: personal and professional integrity, ethics and values; experience and expertise as an officer in corporate management; experience in the industry of any of our portfolio businesses and international business and familiarity with our operations; experience as a board member of another publicly traded company; practical and mature business judgment; the extent to which a candidate would fill a present need on the board of directors; and the other ongoing commitments and obligations of the candidate. However, the nominating and corporate governance committee does not have any minimum criteria for director candidates. Consideration of new director candidates will typically involve a series of internal discussions, review of information concerning candidates and interviews with selected candidates.

As a foreign private issuer, we are permitted to follow home country practice in lieu of the requirement to have a nominating and corporate governance committee comprised entirely of independent directors. Nonetheless, we have determined that we are in compliance with this requirement and that the members of our nominating and corporate governance committee, Kenneth Cambie, Elias Sakellis and Vikram Talwar, are independent directors as defined under the applicable rules and regulations of the NYSE. Our nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the NYSE.

***Compensation Committee***

Our compensation committee assists our board in reviewing and approving the compensation structure of our directors and officers, including all forms of compensation to be provided to our directors and officers. The compensation committee is responsible for, among other things:

- reviewing and determining the compensation package for our Chief Executive Officer and other senior executives;
- reviewing and making recommendations to our board with respect to the compensation of our non-employee directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other senior executive, including evaluating their performance in light of such goals and objectives; and
- reviewing periodically and approving and administering stock options plans, long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans for all employees, including reviewing and approving the granting of options and other incentive awards.

As a foreign private issuer, we are permitted to follow home country practice in lieu of the requirement to have a compensation committee comprised entirely of independent directors. Nonetheless, we have determined that we are in compliance with this requirement and that the members of our compensation committee, Kenneth Cambie, Laurence N. Charney and Ron Moskovitz, are independent directors as defined under the applicable rules and regulations of the NYSE. Our compensation committee operates under a written charter that satisfies the applicable standards of the NYSE.

**Code of Ethics and Ethical Guidelines**

Our board of directors has adopted a code of ethics that describes our commitment to, and requirements in connection with, ethical issues relevant to business practices and personal conduct.

## D. Employees

As of December 31, 2014, we, and our consolidated businesses, employed 1,379 individuals as follows:

| Company | Number of Employees |
|---|---|
| IC Power | 1,326 |
| Other | 53 |

**IC Power**

As of December 31, 2014, IC Power employed approximately 1,326 employees, of which 95% and 5% were located within Latin America and Israel, respectively.

**Qoros**

As of December 31, 2014, Qoros employed 2,458 employees, consisting of 837 headquarter and 1,621 factory employees within and outside China.

**ZIM**

As of December 31, 2014, ZIM employed approximately 4,315 employees (including employees of its subsidiaries), according to the following distribution:

- *Seamen* – Approximately 218 Israeli officers and approximately 309 "rankings" and foreign officers; and
- *Coast workers* – Approximately 3,788 employees, 833 of which are Israeli and 2,955 of which are foreign.

A significant number of ZIM's Israeli employees are unionized and ZIM is party to numerous collective agreements with respect to its employees. For further information on the risks related to ZIM's unionized employees, see " *Item 3D. Risk Factors – Risks Related to the Industries in Which Our Businesses Operate – Our businesses may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force.* "

**Tower**

As of December 31, 2014, Tower employed 3,911 employees, including 1,291 employees located in Israel, 1,849 employees located in Japan, 760 employees located in the United States, 6 employees located in South Korea, 4 employees located in China and 1 employee located in Taiwan.

**Other**

As of December 31, 2014, Primus employed 45 employees within the U.S.

### E. Share Ownership

**Interests of our Directors and our Employees**

Kenon has established the Share Incentive Plan 2014 and the Share Option Plan 2014 for its directors and management. The Share Incentive Plan 2014 and the Share Option Plan 2014 provide grants of Kenon's shares, and stock options in respect of Kenon's shares, respectively, to management and directors of Kenon, or to officers of Kenon's subsidiaries or associated companies, as well as to officers of IC, pursuant to awards, which may be granted by Kenon from time to time. The total number of shares underlying awards which may be granted under the Share Incentive Plan 2014 or delivered pursuant to the exercise of options granted under the Share Option Plan 2014 shall not, in the aggregate, exceed 3% of the total issued shares (excluding treasury shares) of Kenon. Kenon granted awards of shares to certain members of its management under the Share Incentive Plan 2014 in 2014 and vested in January 2015 upon the satisfaction of certain conditions, which included the recipient's continued employment in a specified capacity and Kenon's listing on the NYSE and the TASE. The aggregate number of shares granted was based upon the aggregate fair market value of the Kenon shares underlying the award granted, as determined in the award documents, divided by the average closing price of Kenon's shares over their first three trading days. The aggregate fair value of the shares granted was $5,443,794.

For further information on the compensation of our directors and executive officers, see " *Item 6B. Compensation* " and for further information on our shareholders and related party transactions policy, see " *Item 7. Major Shareholders and Related Party Transactions* ."

**Equity Awards to Certain Executive Officers – Subsidiaries and Associated Companies**

Kenon is a party to consulting agreements for executives of some of its subsidiaries and associated companies, which provide for cash payments or equity compensation based on equity of the relevant business or associated company. Additionally, Kenon's subsidiaries and associated companies may, from time to time, adopt equity compensation arrangements for officers and directors of the relevant entity. Kenon expects any such arrangements to be on customary terms and within customary limits (in terms of dilution).

## ITEM 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 30, 2015, by each person or entity known to us to beneficially own 5% or more of our ordinary shares, based upon the 53,629,200 ordinary shares outstanding as of such date, which represents our entire issued and outstanding share capital as of the date of this annual report. Other than with respect to Kenon's directors and executive officers, the persons or entities received their ordinary shares in Kenon in connection with the spin-off, as set forth below.

To our knowledge, as of March 30, 2015, we had one shareholder of record in the United States holding approximately 99% of our outstanding ordinary shares. Such numbers are not representative of the portion of our shares held in the United States nor are they representative of the number of beneficial holders residing in the United States, since such ordinary shares (which includes the ordinary shares held by the TASE for trading on the TASE) were held of record by one U.S. nominee company, CEDE & Co, which holds all of our shares traded on the NYSE and the TASE indirectly.

| Beneficial Owner (Name/Address) | Ordinary Shares Owned | Percentage of Ordinary Shares |
|---|---|---|
| Ansonia Holdings B.V. [1] | 24,491,492 | 45.7% |
| Bank Leumi Le-Israel B.M. | 9,679,614 | 18.0% |
| XT Investments Ltd. [2] | 5,727,128 | 10.7% |
| Directors and Executive Officers [3] | — | — |

1. On January 9, 2015, or the Acquisition Date: (i) Millenium, in which Ansonia indirectly owns an 80% equity interest, transferred 20,235,298 of the ordinary shares it received from IC in connection with the spin-off, to Ansonia, (ii) Kirby Enterprises Inc., which is indirectly held by the discretionary trust that is the indirect ultimate owner of Ansonia, transferred 399,378 ordinary shares, representing all of the shares it received from IC in connection with the spin-off, to Ansonia, (iii) Mr. Idan Ofer transferred 2,076,193 ordinary shares, representing all of the shares he received from IC in connection with the spin-off, to Ansonia, and (iv) XT Investments Ltd. agreed to transfer 1,780,623 ordinary shares (the "Ansonia Shares") to Ansonia. The Ansonia Shares have been placed in escrow, to be released to Ansonia upon satisfaction of a condition, as set forth in the share purchase agreement (the "Ansonia Share Purchase Agreement"). Pursuant to the terms of the Ansonia Share Purchase Agreement, Ansonia has the right to vote the Ansonia Shares while the Ansonia Shares are held in escrow. Although the Ansonia Shares are still in escrow as of the date of this annual report, as a result of Ansonia's power to direct the voting of the Ansonia Shares, Ansonia is deemed to be a beneficial owner of the Ansonia Shares and the Ansonia Shares are therefore reflected in Ansonia's ownership interest in the above table. A discretionary trust in which Mr. Idan Ofer is the beneficiary is the indirect ultimate owner of Ansonia.
2. XT Investments Ltd., or XT Investments, received 668,304 shares from IC in connection with the spin-off. On the Acquisition Date: (i) Millenium transferred 5,058,824 of the ordinary shares it received from IC in connection with the spin-off, to XT Investments, (ii) XT Investments agreed to transfer the Ansonia Shares to Ansonia (as set forth above), and (iii) XT Investments agreed to transfer 1,780,623 ordinary shares (the "A.A.R. Shares") to A.A.R. Kenon Holdings Ltd. The A.A.R Shares have been placed in escrow, to be released to A.A.R. upon satisfaction of a condition, as set forth in the share purchase agreement (the "A.A.R. Share Purchase Agreement"). Pursuant to the terms of the A.A.R. Share Purchase Agreement, A.A.R. has the right to vote the A.A.R Shares while the A.A.R. Shares are held in escrow. Although each of Ansonia and A.A.R. have the power to direct the voting of the Ansonia Shares and the A.A.R. Shares, respectively, while such shares are held in escrow, XT Investments may still be deemed to be a beneficial owner of such shares as well. This beneficial interest is reflected in XT Investment's ownership interest in the above table. Upon the satisfaction of the aforementioned condition, XT Investment's beneficial interest in Kenon will decrease by an aggregate of 3,561,246 ordinary shares. XT Investments is owned by XT Holdings Group Ltd., or XT Holdings; 50% of the ordinary shares of XT Holdings are owned by Orona Investments Ltd. (which is indirectly controlled by Mr. Ehud Angel) and the remaining 50% of the ordinary shares of XT Holdings are owned by Lynav Holdings Ltd. (which is controlled by a discretionary trust in which Mr. Idan Ofer is a prime beneficiary).
3. Each individual beneficially owns less than 1% of Kenon's ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that such person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

We are not aware of any arrangement that may, at a subsequent date, result in a change of our control.

## B. Related Party Transactions

### Kenon

Pursuant to its charter, the audit committee must review and approve all related party transactions. The audit committee has a written policy with respect to the approval of related party transactions. In addition, we have undertaken that, for so long as we are listed on the NYSE, to the extent that we or our subsidiaries will enter into transactions with related parties, such transactions will be considered and approved by us or our wholly-owned subsidiaries in a manner that is consistent with customary practices followed by companies incorporated in Delaware and shall be reviewed in accordance with the requirements of Delaware law.

We are party to numerous related party transactions with certain of our affiliates. Set forth below is a summary of these transactions.

#### *IC Credit Facility*

In connection with the consummation of the spin-off, IC will provide a $200 million credit facility to us, bearing interest at a rate of 12-Month LIBOR+ 6% per annum. For further information on the terms of the credit facility from IC to Kenon, see " *Item 5B. Liquidity and Capital Resources – Kenon's Commitments and Obligations – IC Credit Facility.* " For information on the risks related to Kenon's ability to repay, and compliance with, the credit facility from IC, see " *Item 3D. Risk Factors – Risks Related to Our Diversified Strategy and Operations – Kenon has obligations owing to IC, which may be substantial.* "

***Separation and Distribution Agreement***

In connection with the spin-off, we entered into a Separation and Distribution Agreement with IC which set forth, among other things, our agreements with IC regarding the principal transactions necessary to separate our businesses from IC and its other businesses.

*Transfer of Assets and Assumption of Liabilities*

The Separation and Distribution Agreement identifies the assets transferred, the liabilities retained by IC or assumed by Kenon, and the contracts retained by IC or assigned to Kenon in connection with the spin-off. IC also assigned and transferred to Kenon, IC's full rights and obligations according to, and in connection with, certain loans it provided to, and certain undertakings it made in respect of, the businesses it transferred to Kenon in connection with the spin-off.

*Release of Claims*

Except with respect to (i) those legal proceedings pending against IC at the time of the consummation of the spin-off, and relating to any of the businesses transferred to Kenon, and (ii) certain other exceptions set forth in the Separation and Distribution Agreement, Kenon assumed liability for the claims of each of the businesses transferred to it, including such claims that arose out of, or relate to events, circumstances or actions occurring or failing to occur, or with respect to any conditions existing prior to, the spin-off.

*Indemnification and Legal Matters*

Kenon and IC agreed to indemnify each other against certain liabilities incurred in connection with their respective businesses, and as otherwise allocated in the Separation and Distribution Agreement. Additionally, Kenon agreed to indemnify IC for any liabilities arising after the consummation of the spin-off as a result of legal matters relating to the businesses Kenon received in the spin-off.

*Other Matters Governed by the Separation and Distribution Agreement*

Other matters governed by the Separation and Distribution Agreement include access to financial and other information, access to and provision of records, intellectual property, confidentiality, treatment of outstanding guarantees and similar credit support and dispute resolution procedures.

The foregoing summary of the Separation and Distribution Agreement is subject to, and is qualified in its entirety by, the full text of the Separation and Distribution Agreement, a copy of which was filed as Exhibit 4.1 to Kenon's Registration Statement Form 20-F filed in connection with this spin-off and is incorporated by reference herein.

***Registration Rights Agreements***

In connection with the spin-off, we entered into registration rights agreements with certain significant shareholders with regard to the shares that will be owned by such shareholders, as well as in respect of any shares they may purchase in the future (all such shares, the "Registrable Securities"). Under the registration rights agreements, these significant shareholders will have the right to cause us to register under the Securities Act and applicable state securities laws the offer and sale of the Registrable Securities. Subject to the terms and conditions of our registration rights agreements, these registration rights allow these significant shareholders or certain qualified assignees holding any Registrable Securities to require registration of such Registrable Securities and to include any such Registrable Securities in a registration by us of common shares, including common shares offered by us or by any shareholder. In connection with any registration of common shares held by these significant shareholders or certain qualified assignees, we have agreed to indemnify each shareholder participating in the registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act or any applicable state securities laws arising from the registration statement or prospectus. We have agreed to bear all costs and expenses incidental to any registration, excluding any underwriting discounts.

The foregoing summary of the registration rights agreements is subject to, and is qualified in its entirety by, the full text of each registration rights agreement, copies of which were filed as Exhibits 2.2, 2.3 and 2.4 to Kenon's Registration Statement Form 20-F filed in connection with this spin-off and are incorporated by reference herein.

**IC Power**

Bank Leumi, which holds approximately 18% of our ordinary shares, is the arranger of, and lender under, OPC's NIS 1,800 million financing agreement. Additionally, OPC makes deposits in the ordinary course of its business in a deposit account maintained at Bank Leumi on commercially reasonable terms.

For further information on OPC's financing agreement, see " *Item 5B. Liquidity and Capital Resources – IC Power's Liquidity and Capital Resources – IC Power's Material Indebtedness – OPC Financing Agreement* " and the full text of OPC's financing agreement, a copy of which is attached hereto as Exhibit 4.10 and is incorporated by reference herein.

**Qoros**

Qoros sources its engines, and certain spare parts, from Chery in the ordinary course of Qoros' business. Additionally, Qoros has recently entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with a license to utilize Qoros' platform in exchange for a fee.

For further information on Qoros' commercial arrangements with Chery, see Note 28 to Qoros' consolidated financial statements, included in this annual report.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

For a list of all financial statements filed as a part of this annual report, see " *Item 17. Financial Statements* ." For information on export sales as well as our legal proceedings, see " *Item 4B. Business Overview* ." For information on our dividend policy, see " *Item 10B. Memorandum and Articles of Association.* "

**B. Significant Changes**

For information on any significant changes that may have occurred since the date of our annual financial statements, see " *Item 5. Operating and Financial Review and Prospects – Recent Developments . "*

**ITEM 9. The Offer and Listing**

**A. Offer and Listing Details.**

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of our ordinary shares on the NYSE.

| | Price per ordinary share | |
|---|---|---|
| | High | Low |
| **Monthly Since January 6, 2015 Listing:** | | |
| January 2015 (since January 6, 2015) | $ 21.00 | $ 16.24 |
| February 2015 | $ 18.43 | $ 16.01 |
| March 2015 (through March 30, 2015) | $ 19.51 | $ 17.72 |

**Location**

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of our ordinary shares on the TASE.

| | Price per ordinary share | |
|---|---|---|
| | High | Low |
| **Monthly Since January 6, 2015 Listing:** | | |
| January 2015 (since January 6, 2015) | NIS81.99 | NIS64.20 |
| February 2015 | NIS72.35 | NIS63.00 |
| March 2015 (through March 30, 2015) | NIS76.87 | NIS70.92 |

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ordinary shares are listed on each of the NYSE and the TASE under the symbol "KEN".

**D. Selling Shareholders**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

The information required by Item 10.B of Form 20-F is incorporated by reference to our Registration Statement on Form 20-F (No. 001-36761), filed with the SEC on January 5, 2015.

**C. Material Contracts**

For information concerning our material contracts, see " *Item 4. Information on the Company* " and " *Item 5. Operating and Financial Review and Prospects* . "

**D. Exchange Controls**

There are currently no exchange control restrictions in effect in Singapore.

**E. Taxation**

The following summary of the United States federal income tax and Singapore tax consequences of ownership of our ordinary shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this annual report. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of our ordinary shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of our ordinary shares. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of our ordinary shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this annual report, and of any actual changes in applicable tax laws after such date.

**U.S. Federal Income Tax Considerations**

The following summarizes U.S. federal income tax considerations of owning and disposing of our ordinary shares. This summary applies only to U.S. Holders that hold our ordinary shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency.

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder and on judicial and administrative interpretations of the Code and the Treasury regulations, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not purport to be a complete description of the consequences of the transactions described in this annual report, nor does it address the application of estate, gift or other non-income federal tax laws or any state, local or foreign tax laws. The tax treatment of a holder of our ordinary shares may vary depending upon that holder's particular situation. Moreover, this summary does not address certain holders that may be subject to special rules not discussed below, such as (but not limited to):

- persons that are not U.S. Holders;
- persons that are subject to alternative minimum taxes;
- insurance companies;
- tax-exempt entities;
- financial institutions;
- broker-dealers;
- persons that hold our ordinary shares through partnerships (or other entities classified as partnerships for U.S. federal income tax purposes);
- pass-through entities;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- traders in securities that elect to apply a mark-to-market method of accounting, holders that hold our ordinary shares as part of a "hedge," "straddle," "conversion," or other risk reduction transaction for U.S. federal income tax purposes; and
- individuals who receive our ordinary shares upon the exercise of compensatory options or otherwise as compensation.

Moreover, no advance rulings have been or will be sought from the U.S. Internal Revenue Service, or IRS, regarding any matter discussed in this annual report, and counsel to Kenon has not rendered any opinion with respect to any of the U.S. federal income tax consequences relating to the transactions addressed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

**HOLDERS AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES.**

For purposes of this summary, a "U.S. Holder" is a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity taxable as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our ordinary shares, you should consult your tax advisor.

***Taxation of Dividends and Other Distributions on the Ordinary Shares***

The gross amount of any distribution made to a U.S. Holder with respect to our ordinary shares, including the amount of any non-U.S. taxes withheld from the distribution, generally will be includible in income on the day on which the distribution is actually or constructively received by a U.S. Holder as dividend income to the extent the distribution is paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. A distribution in excess of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), including the amount of any non-U.S. taxes withheld from the distribution, will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted basis in our ordinary shares and as a capital gain to the extent it exceeds the U.S. Holder's basis. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, therefore, U.S. Holders should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction generally allowed to U.S. corporations.

Distributions treated as dividends that are received by a non-corporate U.S. Holder (including an individual) from "qualified foreign corporations" generally qualify for a reduced maximum tax rate so long as certain holding period and other requirements are met. Dividends paid on our ordinary shares, should qualify for the reduced rate if we are treated as a "qualified foreign corporation." For this purpose, a qualified foreign corporation means any foreign corporation provided that: (i) the corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC (as discussed below), (ii) certain holding period requirements are met and (iii) either (A) the corporation is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules or (B) the stock with respect to which such dividend was paid is readily tradable on an established securities market in the United States. The United States does not currently have a comprehensive income tax treaty with Singapore. The ordinary shares should be considered to be readily tradable on established securities markets in the United States if they are listed on the NYSE. Therefore, we expect that our ordinary shares should generally be considered to be readily tradable on an established securities market in the United States, and we expect that dividends with respect to such ordinary shares should qualify for the reduced rate. U.S. Holders are encouraged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ordinary shares.

If the dividends with respect to our ordinary shares are paid in foreign currency, such dividends will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency received calculated by reference to the spot exchange rate in effect on the date the dividend is actually or constructively received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of actual or constructive receipt. Any gain or loss recognized by a U.S. Holder on a subsequent conversion or other disposition of the foreign currency generally will be foreign currency gain or loss, which is treated as U.S. source ordinary income or loss, and will not be treated as a dividend. If dividends paid in foreign currency are converted into U.S. dollars on the day they are actually or constructively received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the disposition of the foreign currency.

Dividends on our ordinary shares received by a U.S. Holder will generally be treated as foreign source income for U.S. foreign tax credit purposes. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances.

***Taxation of Dispositions of the Ordinary Shares***

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of our ordinary shares in an amount equal to the difference between the amount realized on such sale or other taxable disposition and such U.S. Holder's adjusted tax basis in our ordinary shares. The initial tax basis of our ordinary shares to a U.S. Holder that received such ordinary shares in the distribution generally will equal the fair market value (in U.S. dollars) of such ordinary shares on the distribution date. Such gain or loss generally will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders) or loss if, on the date of sale or disposition, such ordinary shares were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source gain or loss, as the case may be for foreign tax credit purposes.

The amount realized on a sale or other disposition of our ordinary shares for foreign currency generally will equal the U.S. dollar value of the foreign currency at the spot exchange rate in effect on the date of sale or other disposition or, if the ordinary shares are traded on an established securities market (such as the NYSE or the TASE), in the case of a cash method or electing accrual method U.S. Holder of our ordinary shares, the settlement date. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a subsequent conversion or other disposition of the foreign currency will be foreign currency gain or loss, which is treated as U.S. source ordinary income or loss for foreign tax credit purposes.

***Passive Foreign Investment Company***

In general, a non-U.S. corporation will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year in which either (i) 75% or more of its gross income consists of certain types of "passive" income or (ii) 50% or more of the fair market value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and our unbooked intangibles will be taken into account and generally treated as non-passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the shares.

We do not believe that we were a PFIC for the taxable year ended December 31, 2014. We do not anticipate being a PFIC for our current taxable year or in the foreseeable future, although we can make no assurances in this regard. Our status as a PFIC in any year depends on our assets and activities in that year. We have no reason to believe that our assets or activities will change in a manner that would cause us to be classified as a PFIC for the current taxable year or for any future year. Because, however, PFIC status is factual in nature and generally cannot be determined until the close of the taxable year, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, the U.S. Holder will generally be subject to imputed interest taxes, characterization of any gain from the sale or exchange of our ordinary shares as ordinary income, and other disadvantageous tax treatment with respect to our ordinary shares unless the U.S. Holder makes a mark-to-market election (as described below). Further, if we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-U.S. subsidiary classified as a PFIC (each such subsidiary, a lower tier PFIC) for purposes of the application of these rules. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election. A mark-to-market election may be made with respect to our ordinary shares, provided they are actively traded, defined for this purpose as being traded on a "qualified exchange," other than in de minimis quantities, on at least 15 days during each calendar quarter. We anticipate that our ordinary shares should qualify as being actively traded, but no assurances may be given in this regard. If a U.S. Holder of our ordinary shares makes this election, the U.S. Holder will generally (i) include as income for each taxable year the excess, if any, of the fair market value of our ordinary shares held at the end of the taxable year over the adjusted tax basis of such ordinary shares and (ii) deduct as a loss the excess, if any, of the adjusted tax basis of our ordinary shares over the fair market value of such ordinary shares held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in our ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. In addition, any gain such U.S. Holder recognizes upon the sale or other disposition of our ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. In the case of a U.S. Holder who has held our ordinary shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ordinary shares (or any portion thereof) and has not previously made a mark-to-market election, and who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ordinary shares. Because a mark-to-market election cannot be made for any lower tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide the information necessary for U.S. Holders of our ordinary shares to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns our ordinary shares during any taxable year that we are a PFIC, such U.S. Holder may be subject to certain reporting obligations with respect to our ordinary shares, including reporting on IRS Form 8621.

Each U.S. Holder should consult its tax adviser concerning the U.S. federal income tax consequences of purchasing, holding, and disposing of our ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

**Material Singapore Tax Considerations**

The following discussion is a summary of Singapore income tax, goods and services tax, or GST, stamp duty and estate duty considerations relevant to the acquisition, ownership and disposition of our ordinary shares by an investor who is not tax resident or domiciled in Singapore and who does not carry on business or otherwise have a presence in Singapore. The statements made herein regarding taxation are general in nature and based upon certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date hereof and are subject to any changes in such laws or administrative guidelines or the interpretation of such laws or guidelines occurring after such date, which changes could be made on a retrospective basis. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to acquire, own or dispose of our ordinary shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective shareholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of our ordinary shares, taking into account their own particular circumstances. The statements below are based upon the assumption that Kenon is tax resident in Singapore for Singapore income tax purposes. It is emphasized that neither Kenon nor any other persons involved in this annual report accepts responsibility for any tax effects or liabilities resulting from the acquisition, holding or disposal of our ordinary shares.

***Income Taxation Under Singapore Law***

*Dividends or Other Distributions with Respect to Ordinary Shares*

Under the one-tier corporate tax system which currently applies to all Singapore tax resident companies, tax on corporate profits is final, and dividends paid by a Singapore tax resident company will be tax exempt in the hands of a shareholder, whether or not the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

*Capital Gains upon Disposition of Ordinary Shares*

Under current Singapore tax laws, there is no tax on capital gains. There are no specific laws or regulations which deal with the characterization of whether a gain is income or capital in nature. Gains arising from the disposal of our ordinary shares may be construed to be of an income nature and subject to Singapore income tax, if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore. However, under Singapore tax laws, any gains derived by a divesting company from its disposal of ordinary shares in an investee company between June 1, 2012 and May 31, 2017 are generally not taxable if immediately prior to the date of the relevant disposal, the investing company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months.

*Goods and Services Tax*

The issue or transfer of ownership of our ordinary shares should be exempt from Singapore GST. Hence, the holders would not incur any GST on the subscription or subsequent transfer of the shares.

***Stamp Duty***

Where our ordinary shares evidenced in certificated forms are acquired in Singapore, stamp duty is payable on the instrument of their transfer at the rate of 0.2% of the consideration for or market value of our ordinary shares, whichever is higher.

Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of our ordinary shares. However, stamp duty may be payable if the instrument of transfer is executed outside Singapore and is received in Singapore. The stamp duty is borne by the purchaser unless there is an agreement to the contrary.

On the basis that any transfer instruments in respect of our ordinary shares traded on the NYSE and the TASE are executed outside Singapore through our transfer agent and share registrar in the United States for registration in our branch share register maintained in the United States (without any transfer instruments being received in Singapore), no stamp duty should be payable in Singapore on such transfers.

***Tax Treaties Regarding Withholding Taxes***

There is no comprehensive avoidance of double taxation agreement between the United States and Singapore which applies to withholding taxes on dividends or capital gains.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We are subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers, and under those requirements will file reports with the SEC. Those other reports or other information and this annual report may be inspected without charge at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192 and inspected and copied at the public reference facilities of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at http://www.sec.gov from which certain filings may be accessed.

As a foreign private issuer, we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, for so long as we are listed on the NYSE, or any other U.S. exchange, and are registered with the SEC, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and will submit to the SEC, on a Form 6-K, unaudited quarterly financial information for the first three quarters of each year.

We maintain a corporate website at *http://www.kenon-holdings.com* . Information contained on, or that can be accessed through, our website does not constitute a part of this annual report on Form 20-F. We have included our website address in this annual report solely as an inactive textual reference.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. Quantitative and Qualitative Disclosures about Market Risk**

Our multinational operations expose us to a variety of market risks, which embody the potential for changes in the fair value of the financial instruments or the cash flows deriving from them. Our risk management policies and those of each of our businesses seek to limit the adverse effects of these market risks on the financial performance of each of our businesses and, consequently, on our consolidated financial performance. Each of our businesses bear responsibility for the establishment and oversight of their financial risk management framework and have adopted individualized risk management policies to address those risks specific to their operations.

Our primary market risk exposures are to:

- currency risk, as a result of changes in the rates of exchange of various foreign currencies (in particular, the Euro and the New Israeli Shekel) in relation to the U.S. Dollar, our functional currency and the currency against which we measure our exposure;

- index risk, as a result of changes in the Consumer Price Index;
- interest rate risk, as a result of changes in the market interest rates affecting certain of our businesses' issuance of debt and related financial instruments; and
- price risk, as a result of changes in market prices, such as the price of certain commodities (e.g., natural gas and heavy fuel oil).

For further information on our market risks and the sensitivity analyses of these risks, see Note 29 – Financial Instruments to our combined carve-out financial statements included in this annual report.

**ITEM 12. Description of Securities Other than Equity Securities**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares**

Not applicable.

## PART II

### ITEM 13. Defaults, Dividend Arrearages and Delinquencies

None.

### ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### ITEM 15. Controls and Procedures

Our management, with the participation of our chief executive officer and interim chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our chief executive officer and interim chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and interim chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to the transition period established by rules of the Securities and Exchange Commission for a registrant's first annual report required to be filed under the Exchange Act.

### ITEM 16. [RESERVED]

### ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Laurence N. Charney is an "audit committee financial expert" as defined in Item 16A. of Form 20-F under the Exchange Act. Our board of directors has also determined that Mr. Laurence N. Charney satisfies the NYSE's listed company "independence" requirements.

### ITEM 16B. Code of Ethics

We have adopted a Code of Ethics that applies to all our employees, officers and directors, including our chief executive officer and our interim chief financial officer. Our Code of Conduct is available on our website at *www.kenon-holdings.com* .

### ITEM 16C. Principal Accountant Fees and Services

Somekh Chaikin, a member firm of KPMG International, was appointed as our independent registered public accounting firm, on February 16, 2015, for the audit of the fiscal year ending December 31, 2014, for which audited financial statements appear in this annual report.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Somekh Chaikin, and other member firms within the KPMG network, for the period ended December 31, 2014:

| | |
|---|---|
| Audit Fees [1] | $ 930,000 |
| Audit-Related Fees | — |
| Tax Fees [2] | $ 158,000 |
| All Other Fees | — |
| **Total** | **$1,088,000** |

1. The aggregate audit fees include fees billed or accrued for professional services rendered by the principal accountant, and member firms in their respective network, for the audit of our annual financial statements, and those of our consolidated subsidiaries, as well as additional services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements, except for those not required by statute or regulation. The above audit fees do not include fees of $150,000 billed or accrued in connection with the principal accountant's PCAOB audit of ZIM for the years 2012-2014 in connection with Kenon's statutory and regulatory filings or engagements.
2. Tax fees consist of fees for professional services rendered during the fiscal year by the principal accountant mainly for tax compliance and assistance with tax audits and appeals.

**ITEM 16D. Exemptions from the Listing Standards for Audit Committees**

None.

**ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**ITEM 16F. Change in Registrant's Certifying Accountant**

None.

**ITEM 16G. Corporate Governance**

None.

**ITEM 16H. Mine Safety Disclosure**

Not applicable.

## PART III

### ITEM 17. Financial Statements

Not applicable.

### ITEM 18. Financial Statements

The consolidated financial statements and the related notes required by this Item 18 are included in this annual report beginning on page F-1.

### ITEM 19. Exhibits

Index to Exhibits

| Exhibit Number | Description of Document |
|---|---|
| 1.1 | Kenon Holdings Ltd.'s Memorandum and Articles of Association (Incorporated by reference to Exhibit 1.1 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014) |
| 2.1* | Form of Specimen Share Certificate for Kenon Holdings Ltd.'s Ordinary Shares |
| 2.2 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Millenium Investments Elad Ltd. (Incorporated by reference to Exhibit 99.5 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 2.3 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Bank Leumi Le-Israel B.M. (Incorporated by reference to Exhibit 99.6 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 2.4 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and XT Investments Ltd. (Incorporated by reference to Exhibit 99.7 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.1 | Sale, Separation and Distribution Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.2 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.2 | Loan Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.3 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.3 | English translation of Natural Gas Supply Agreement, dated as of January 2, 2006, as amended, among Kallpa Generación S.A., Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Peru, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Peru S.A.C. and Repsol Exploración Peru Sucursal del Peru (Incorporated by reference to Exhibit 4.3 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.4 | English translation of Natural Gas Transportation Agreement, dated as of December 10, 2007, as amended, between Kallpa Generación S.A. and Transportadora de Gas del Peru S.A. (Incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.5 | Turnkey Engineering, Procurement and Construction Contract, dated as of November 4, 2011, among Cerro del Águila S.A., Astaldi S.p.A. and GyM S.A. (Incorporated by reference to Exhibit 4.5 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.6 | English translation of Contract of Concession, dated as of October 23, 2010, as amended, between the Government of Peru and Kallpa Generación S.A., relating to the provision of electric energy services to the public (Incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.7† | Joint Venture Contract, dated as of February 16, 2007, as amended, between Wuhu Chery Automobile Investment Co., Ltd. and Quantum (2007) LLC (Incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014) |

| | |
|---|---|
| 4.8 | Pledge Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.4 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.9* | Indenture, dated as of April 4, 2011, between Inkia Energy Limited, as issuer, and Citibank, N.A.as trustee, relating to Inkia Energy Limited's 8.375% Senior Notes due 2021 |
| 4.10* | Facility Agreement, dated as of January 2, 2011, among O.P.C. Rotem Ltd., as borrower, Bank Leumi Le-Israel B.M., as arranger and agent, Bank Leumi Le-Israel Trust Company Ltd., as security trustee, and the senior lenders named therein |
| 4.11* | Credit Agreement, dated as of August 17, 2012, among Cerro del Águila S.A., as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and other parties party thereto |
| 8.1* | List of significant subsidiaries of Kenon Holdings Ltd. |
| 12.1* | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 12.2* | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer |
| 13.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1* | Consent of Somekh Chaikin, a Member Firm of KPMG International, Independent Registered Public Accounting Firm of Kenon Holdings Ltd. |
| 15.2* | Consent of Brightman Almagor Zohar & Co., a Member Firm of Deloitte Touche Tohmatsu, independent auditor of Tower Semiconductor Ltd. |
| 15.3* | Consent of KPMG Huazhen (Special General Partnership), independent auditor of Qoros Automotive Co., Ltd. |

* Filed herewith.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Exchange Act. Omitted information has been filed separately with the SEC.

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## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Kenon Holdings Ltd.**

By: /s/ Yoav Doppelt
Name: Yoav Doppelt
Title: Chief Executive Officer

Date: March 31, 2015

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**Kenon Holdings Carve-out**

**Combined Carve-out Financial Statements**

**As at December 31, 2014**

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**Kenon Holdings**
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**December 31, 2014, 2013 and 2012**



**Affiliate Financial Statements Filed Pursuant to Rule 3-09 of Regulation S-X**
**Qoros Automotive Co., Ltd.**
**Consolidated Financial Information for the Years Ended December 31, 2014, 2013 and 2012**

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Kenon Holdings Ltd.:

We have audited the accompanying combined carve-out statements of financial position of the carved-out operations of certain holdings of Israel Corporation Ltd. ("Kenon Holdings, Carve-out") as of December 31, 2014 and 2013 and the related combined carve-out statements of income, other comprehensive income, changes in parent company investment and cash flows for each of the years in the three-year period ended December 31, 2014. These combined carve-out financial statements are the responsibility of Kenon Holdings, Carve-out's management. Our responsibility is to express an opinion on these combined carve-out financial statements based on our audits.

We did not audit the financial statements of Tower Semiconductor Ltd., (Tower) (a 29%, 32% and 30% owned unconsolidated associated company as of December 31, 2014, 2013 and 2012, respectively). Kenon Holdings, Carve-out's investment in Tower at December 31, 2014 and 2013, was $14 million and $0 million, respectively, and its equity in profit of Tower was $18.3 million for the year 2014, and its equity in losses in the amount of $31 million and $22 million for the years 2013 and 2012, respectively. The financial statements of Tower were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for Tower, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined carve-out financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the report of the other auditors, the combined carve-out financial statements referred to above present fairly, in all material respects, the financial position of Kenon Holdings, Carve-out, as defined in Note 1C, as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Somekh Chaikin
Certified Public Accountants (Isr)
A member firm of KPMG International

Tel Aviv, Israel
March 31, 2015

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and the shareholders of
Tower Semiconductor Ltd.

We have audited the accompanying consolidated balance sheets of Tower Semiconductors Ltd. ("the Company") and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, the consolidated financial statements include a reconciliation of the Company's financial statements from the accounting principles generally accepted in the United States of America to International Financial Reporting Standards.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel
March 4, 2015

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**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Financial Position**

| | Note | As at December 31 2014 | 2013 |
|---|---|---|---|
| | | US$ thousands | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 610,056 | 670,976 |
| Short-term investments and deposits | 6 | 226,830 | 29,808 |
| Trade receivables | 7 | 181,358 | 357,428 |
| Other receivables and debit balances | 8 | 59,064 | 98,387 |
| Income tax receivable | | 3,418 | 7,025 |
| Inventories | 9 | 55,335 | 150,234 |
| **Total current assets** | | 1,136,061 | 1,313,858 |
| **Non-current assets** | | | |
| Investments in associated companies | 10 | 435,783 | 540,463 |
| Deposits, loans and other debit balances, including derivative instruments | 12 | 74,658 | 80,044 |
| Deferred taxes, net | 26 | 42,609 | 28,235 |
| Property, plant and equipment | 13 | 2,502,787 | 3,860,475 |
| Intangible assets | 14 | 144,671 | 161,583 |
| **Total non-current assets** | | 3,200,508 | 4,670,800 |
| **Total assets** | | 4,336,569 | 5,984,658 |

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Financial Position**

| | Note | As at December 31 2014 | 2013 |
|---|---|---|---|
| | | US$ thousands | |
| **Current liabilities** | | | |
| Credit from banks and others | 15 | 161,486 | 620,439 |
| Long-term liabilities reclassified to short-term | 15 | — | 1,505,000 |
| Trade payables | 16 | 144,488 | 510,337* |
| Other payables and credit balances, including derivative instruments | 17 | 114,165 | 248,054 |
| Provisions | 18 | 69,882 | 21,573* |
| Income tax payable | | 6,766 | 14,805 |
| **Total current liabilities** | | 496,787 | 2,920,208 |
| **Non-current liabilities** | | | |
| Loans from banks and others | 15 | 1,528,930 | 1,289,447 |
| Debentures | 15 | 686,942 | 637,140 |
| Derivative instruments | 17 | 21,045 | 10,097 |
| Deferred taxes, net | 26 | 130,983 | 79,935 |
| Employee benefits | 19 | 6,219 | 90,911 |
| Other non-current liabilities | | 10,072 | 5,736 |
| **Total non-current liabilities** | | 2,384,191 | 2,113,266 |
| **Total liabilities** | | 2,880,978 | 5,033,474 |
| **Parent company investment** | 21 | 1,243,893 | 713,655 |
| **Non-controlling interests** | | 211,698 | 237,529 |
| **Total parent company investment and non-controlling interests** | | 1,455,591 | 951,184 |
| **Total liabilities and parent company investment and non-controlling interests** | | 4,336,569 | 5,984,658 |

| | | |
|---|---|---|
| **Kenneth Cambie** | **Yoav Doppelt** | **Tzahi Goshen** |
| **Chairman of the Board of Directors** | **CEO** | **Interim CFO** |

Approval date of the financial statements: March 31, 2015

(*) Reclassified – See Note 2E

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Income**

| | Note | For the year ended December 31 2014 | 2013* | 2012* |
|---|---|---|---|---|
| | | US$ thousands | | |
| Revenues from sale of electricity | | 1,372,230 | 873,394 | 577,266 |
| Cost of sales and services (excluding depreciation and amortization) | 22 | (981,141) | (593,802) | (395,642) |
| Depreciation and amortisation | | (100,434) | (70,404) | (50,728) |
| **Gross profit** | | 290,655 | 209,188 | 130,896 |
| General and administrative expenses | 23 | (131,118) | (72,955) | (69,234) |
| Gains from disposal of investees | 10.C.d | 157,137 | — | 5,290 |
| Asset write off | 11.A.1.i&k | (47,844) | — | — |
| Gain on bargain purchase | 11.A.1.b | 68,210 | 1,320 | — |
| Other expenses | 24 | (13,970) | (5,338) | (509) |
| Other income | 24 | 51,037 | 4,327 | 12,443 |
| **Operating profit** | | 374,107 | 136,542 | 78,886 |
| Financing expenses | 25 | (110,179) | (68,779) | (38,961) |
| Financing income | 25 | 16,243 | 4,789 | 2,998 |
| **Financing expenses, net** | | (93,936) | (63,990) | (35,963) |
| Share in losses of associated companies, net of tax | 10 | (170,897) | (126,690) | (52,185) |
| **Profit/(loss) before income taxes** | | 109,274 | (54,138) | (9,262) |
| Tax expenses | 26 | (90,822) | (41,930) | (21,832) |
| **Profit/(loss) for the year from continuing operations** | | 18,452 | (96,068) | (31,094) |
| Income (loss) for the year from discontinued operations (after taxes) | 28 | 470,421 | (512,489) | (409,038) |
| **Profit/(loss) for the year** | | 488,873 | (608,557) | (440,132) |
| **Attributable to:** | | | | |
| Kenon's shareholders | | 467,538 | (625,627) | (452,378) |
| Non-controlling interests | | 21,335 | 17,070 | 12,246 |
| | | 488,873 | (608,557) | (440,132) |
| **Basic profit/(loss) per share attributable to Kenon's shareholders (in dollars):** | | | | |
| Basic profit/(loss) per share | 27 | 8.76 | (11.72) | (8.47) |
| Basic profit/(loss) per share from continuing operations | 27 | 0.01 | (2.03) | (0.70) |
| Basic profit/(loss) per share from discontinued operations | 27 | 8.75 | (9.69) | (7.77) |

(*) Reclassified due to discontinued operations (See Note 28, Note 3R)

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Other Comprehensive Income**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| **Profit/(loss) for the year** | 488,873 | (608,557) | (440,132) |
| **Items that were or may be reclassified to the Statement of Income** | | | |
| Foreign currency translation differences in respect of foreign operations | (10,782) | (20,624) | 11,654 |
| Foreign currency translation differences in respect of foreign operations recognised in profit or loss | (24,891) | — | — |
| Change in fair value of derivatives used to hedge cash flows | (13,144) | (18,582) | — |
| Group's share in other comprehensive income/(loss) of associated companies | (7,306) | 9,322 | (1,580) |
| Income taxes in respect of components of other comprehensive income | 2,303 | 5,554 | — |
| Components of other comprehensive income/(loss) in respect from discontinued operations | (4,025) | (5,168) | 6,097 |
| **Total** | (57,845) | (29,498) | 16,171 |
| **Items that will never be reclassified to the Statement of Income** | | | |
| Actuarial losses, net, from defined benefit plans | — | — | (545) |
| Group's share in other comprehensive income/(loss) of associate companies | (3,978) | — | — |
| Components of other comprehensive loss that will not be recognized in the statement of income from discontinued operations | — | (3,409) | (148) |
| **Total** | (3,978) | (3,409) | (693) |
| **Total other comprehensive income/(loss) for the year, net of tax** | (61,823) | (32,907) | 15,478 |
| **Total comprehensive income/(loss) for the year** | 427,050 | (641,464) | (424,654) |
| **Attributable to:** | | | |
| Kenon's shareholders | 410,192 | (655,066) | (436,900) |
| Non-controlling interests | 16,858 | 13,602 | 12,246 |
| **Total comprehensive income/(loss) for the year** | 427,050 | (641,464) | (424,654) |

(*) Reclassified due to discontinued operations (See Note 28, Note 3R)

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Changes in Parent Company Investment**

| | Attributable to the Kenon's shareholders | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|
| | Parent company investment | Translation reserve | Capital reserves | Total | | |
| | US$ thousands | | | | | |
| **Balance at January 1, 2012** | 1,335,939 | 76,691 | (13,000) | 1,399,630 | 178,447 | 1,578,077 |
| Contribution from parent company | 212,092 | — | — | 212,092 | — | 212,092 |
| Dividend to holders of non-controlling interests in a subsidiary | — | — | — | — | (3,358) | (3,358) |
| Issuance of shares of a subsidiary to holders of non-controlling interests | — | — | — | — | 47,617 | 47,617 |
| Transactions with holders of non-controlling interests | — | — | — | — | 2,443 | 2,443 |
| Loss of control in a subsidiary | — | — | — | — | (1,585) | (1,585) |
| Transactions with controlling shareholder | 37,986 | — | — | 37,986 | — | 37,986 |
| Income/(loss) for the year | (452,378) | — | — | (452,378) | 12,246 | (440,132) |
| Other comprehensive income for the year, net of tax | 1,169 | 14,309 | — | 15,478 | — | 15,478 |
| **Balance at December 31, 2012** | **1,134,808** | **91,000** | **(13,000)** | **1,212,808** | **235,810** | **1,448,618** |
| **Balance at January 1, 2013** | 1,134,808 | 91,000 | (13,000) | 1,212,808 | 235,810 | 1,448,618 |
| Share-based payments in a subsidiary | — | — | — | — | 1,340 | 1,340 |
| Contribution from parent company | 154,482 | — | — | 154,482 | — | 154,482 |
| Dividend to holders of non-controlling interests in a subsidiary | — | — | — | — | (28,250) | (28,250) |
| Loss of control in subsidiary | — | — | — | — | (12,575) | (12,575) |
| Issuance of shares of subsidiary to holders of non-controlling interests | — | — | — | — | 27,602 | 27,602 |
| Transactions with controlling shareholder | 1,431 | — | — | 1,431 | — | 1,431 |
| Income/(loss) for the year | (625,627) | — | — | (625,627) | 17,070 | (608,557) |
| Other comprehensive loss for the year, net of tax | (2,415) | (18,819) | (8,205) | (29,439) | (3,468) | (32,907) |
| **Balance at December 31, 2013** | **662,679** | **72,181** | **(21,205)** | **713,655** | **237,529** | **951,184** |
| **Balance at January 1, 2014** | 662,679 | 72,181 | (21,205) | 713,655 | 237,529 | 951,184 |
| Share-based payments in a subsidiary | — | — | — | — | 428 | 428 |
| Share-based payments in Kenon | — | — | 5,444 | 5,444 | — | 5,444 |
| Payment to parent company (See Note 11.h) | (300,047) | — | — | (300,047) | — | (300,047) |
| Contribution from parent company (See Note 21) | 414,649 | — | — | 414,649 | — | 414,649 |
| Dividend to holders of non-controlling interests in a subsidiary | — | — | — | — | (17,518) | (17,518) |
| Acquisition of shares of subsidiary from holders of rights not conferring control | — | — | — | — | 5,550 | 5,550 |
| Loss of control in a subsidiary | — | — | — | — | (86,743) | (86,743) |
| Non-controlling shareholder contribution | — | — | — | — | 19,577 | 19,577 |
| Non-controlling interest in respect of business combination | — | — | — | — | 35,800 | 35,800 |
| Transactions with controlling shareholder | — | — | — | — | 217 | 217 |
| Income for the year | 467,538 | — | — | 467,538 | 21,335 | 488,873 |
| Other comprehensive loss for the year, net of tax | (4,092) | (43,741) | (9,513) | (57,346) | (4,477) | (61,823) |
| **Balance at December 31, 2014** | **1,240,727** | **28,440** | **(25,274)** | **1,243,893** | **211,698** | **1,455,591** |

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Cash Flows**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | 488,873 | (608,557) | (440,132) |
| Adjustments: | | | |
| Depreciation and amortization | 188,171 | 238,621 | 234,721 |
| Impairment of tangible assets and other investments | 47,844 | 7,000 | 5,223 |
| Derecognition of payments on account of vessels | — | 71,646 | 132,700 |
| Financing expenses, net | 195,405 | 377,157 | 231,975 |
| Share in losses of associated companies, net | 168,044 | 116,715 | 43,008 |
| Capital gains, net | (767,216) | (67,230) | (42,945) |
| Share-based payments | 8,413 | 4,463 | 4,099 |
| Gain on bargain purchase (Negative goodwill) | (68,210) | (1,320) | — |
| Taxes on income | 100,306 | 63,342 | 40,374 |
| | 361,630 | 201,837 | 209,023 |
| Change in inventories | 21,991 | 16,932 | (14,894) |
| Change in trade and other receivables | (21,523) | (122,186) | (62,575) |
| Change in trade and other payables | 29,830 | 128,682 | 66,733 |
| Change in provisions and employee benefits | 49,872 | 26,030 | (6,124) |
| | 441,800 | 251,295 | 192,163 |
| Income taxes paid, net | (66,198) | (47,441) | (47,268) |
| Dividends received from investments in associates | 34,774 | 53,111 | 23,822 |
| **Net cash provided by operating activities** | 410,376 | 256,965 | 168,717 |

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings, Carve-Out**
**Combined Carve-Out Statements of Cash Flows**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| **Cash flows from investing activities** | | | |
| Proceeds from refund of payments on account vessels | — | 30,000 | — |
| Proceeds from sale of property, plant and equipment and intangible assets | 17,449 | 95,934 | 88,929 |
| Short-term deposits and loans, net | (253,097) | 62,112 | 93,900 |
| Business combinations less cash acquired | (67,180) | (27,850) | — |
| Disposal of subsidiary, net of cash disposed of and exit from consolidation | 1,758 | 2,405 | 3,454 |
| Proceeds from sale of operations | — | — | 3,549 |
| Investment in associates | (179,355) | (154,492) | (71,070) |
| Acquisition of property, plant and equipment | (425,184) | (311,517) | (399,987) |
| Acquisition of intangible assets | (11,496) | (9,135) | (17,451) |
| Provision of long-term loans | — | (628) | — |
| Interest received | 3,934 | 3,949 | 6,637 |
| Collection of long-term loans from associated company | — | — | 3,340 |
| Exit from the consolidation and transition to associate company less cash eliminated (See Note 28 (a)) | (310,918) | — | — |
| Proceeds from sale of associate company | 359,891 | 49,780 | — |
| Payments for derivative investments used for hedging, net | (16,100) | (7,575) | (734) |
| Settlement of derivatives | (2,038) | (10,615) | (30,956) |
| **Net cash used in investing activities** | (882,336) | (277,632) | (320,389) |
| **Cash flows from financing activities** | | | |
| Dividend paid to non-controlling interests | (17,518) | (28,250) | (19,840) |
| Acquisition of shares not conferring control in subsidiary | — | — | (650) |
| Proceeds from issuance of shares to holders of non-controlling interests in subsidiaries | 19,577 | 27,602 | 47,617 |
| Receipt of long-term loans and issuance of debentures | 744,183 | 360,552 | 376,480 |
| Repayment of long-term loans and debentures | (173,868) | (213,758) | (338,710) |
| Short-term credit from banks and others, net | (86,072) | 171,637 | 4,082 |
| Contribution from parent company | 414,649 | 154,482 | 212,092 |
| Payments for transactions in derivative (for hedging), net | (427) | (126) | — |
| Payment to the parent company | (300,047) | — | — |
| Interest paid | (170,885) | (191,199) | (158,776) |
| **Net cash provided by financing activities** | 429,592 | 280,940 | 122,295 |
| **Increase (decrease) in cash and cash equivalents** | (42,368) | 260,273 | (29,377) |
| Cash and cash equivalents at beginning of the year | 670,976 | 411,079 | 437,967 |
| Effect of exchange rate fluctuations on balances of cash and cash equivalents | (18,552) | (376) | 2,489 |
| **Cash and cash equivalents at end of the year** | 610,056 | 670,976 | 411,079 |

**The accompanying notes are an integral part of the combined carve-out financial statements.**

**Kenon Holdings Ltd.**
**Notes to the Combined Carve-Out Financial Statements**
**As at December 31, 2014**

## Note 1 – Financial Reporting Principles and Accounting Policies

### A. The Reporting Entity

The combined carve-out financial statements include certain entities (subsidiaries and associates) (hereinafter – "the Group") whose shares are held by Israel Corporation Ltd. (hereinafter – "IC").

### B. The split- up of Israel Corporation's holdings

The split-up of Israel Corporation's holdings on January 7, 2015 involved the contribution of IC's holdings in I.C. Power Ltd., (hereinafter – "I.C. Power"), Qoros Automotive Co. Ltd. (hereinafter – "Qoros"), ZIM Integrated Shipping Services Ltd. (hereinafter – "ZIM"), Tower Semiconductor Ltd. (hereinafter – "Tower") and other assets and entities, to Kenon Holdings Ltd. (hereinafter – "Kenon"), a Singapore corporation that was incorporated on March 7, 2014, in exchange for shares of Kenon. Kenon's shares were, in turn, distributed on January 9, 2015 to the shareholders of IC as a "dividend in kind". IC's debt to banks and debenture holders remain in IC, and were not transferred to Kenon.

The split-up was completed on January 7, 2015 and from that day onwards Kenon shares have been traded on New York Stock Exchange (NYSE) and on Tel Aviv Stock Exchange (TASE) (NYSE and TASE: KEN).

After the split-up the primary subsidiary that kenon hold is I.C. Power. I.C. Power, through its operating subsidiaries and associates, provides electricity generation using different technologies such as hydroelectric, natural gas and diesel turbines and heavy fuel oil engines, in Peru, Chile, Colombia, Dominican Republic, Bolivia, El Salvador, Jamaica, Nicaragua, Guatemala, and Israel.

The split- up includes:

(A) IC's undertaking in a separation agreement (as detailed in Note 30G) with its wholly owned subsidiary, Kenon, which includes (among other things): (i) transfer of the holdings in the companies being transferred to Kenon, as stated above, and transfer of certain rights and liabilities in connection with the companies being transferred from IC to Kenon; (ii) execution of an investment in the capital of Kenon in the amount of $35 million and (iii) issuance of shares of Kenon to IC in respect of the assets and rights to be transferred from IC to Kenon and

(B) IC's undertaking in a loan agreement whereby, among other things, IC will provide Kenon a credit framework in an aggregate amount of up to $200 million, Kenon will pay an annual commitment fee equal to 2.1% of the undrawn amount of the credit facility and an annual interest of LIBOR + 2% interest on the drawn amount, and in the framework thereof it will be provided that in a case of realization of guarantees that IC will remain responsible for with respect to Qoros, the amount for which IC will be liable in a case of realization of these guarantees will be considered a debt of Kenon to IC and the provisions of the loan agreement will apply to it. Kenon did not use this credit facility in the reporting period. In 2015 Kenon drawdown $45 million under its credit facility from IC and IC's back-to-back guarantee of Qoros' debt was released in full; and

(C) Distribution to IC's shareholders as a dividend in kind of the shares of Kenon; including registration of these shares for trading, both on a New York Stock Exchange and on the Tel Aviv Stock Exchange.

### C. The combined carve-out financial statements

The combined carve-out financial statements have been derived from the consolidated financial statements of IC. The combined financial statements reflect the assets, liabilities, revenues and expenses directly attributable to the Group, as well as allocations deemed reasonable by management, to present the combined financial position, results of operations, changes in parent company investment and cash flows of the Group.

Outstanding balances, investments, transactions and cash flows between Group entities have been eliminated. Certain balances that were eliminated in the consolidation of the financial statements of IC were reinstated in the combined financial statements when they relate to transactions with entities held by IC that were not transferred to the Group.

The Combined Carve-out Financial Statements may not necessarily be indicative of Kenon's financial position, results of operating activities or cash flows had it operated as a separate entity throughout the period presented or for future periods.

**Note 1 – Financial Reporting Principles and Accounting Policies (Cont'd)**

Significant allocation and assumptions:

The assumptions in this report are based on the terms of the separation agreement between IC and Kenon with respect to the assets and liabilities that were transferred to Kenon. Management has used the following assumptions in developing the carve-out financial statements.

*Allocation of expenses* – Management allocated IC general and administrative expenses to the Group for the years ended December 31, 2014, 2013 and 2012 based on the time invested by IC management in the Group's respective holdings. In addition, the general and administrative expenses includes specific split expenses such as registration expenses were allocated to Kenon.

*Debt and financial instruments* – IC's outstanding debt at the holding company level, other financial instruments and related finance expenses will not be transferred to Kenon and therefore were not reflected in the combined Carve-out Financial Statements.

*Guarantees, Loans and Capital notes from IC* – Guarantees and loans (including capital notes) from IC to the Group companies that were transferred to Kenon, were reflected in the combined Carve-out Financial Statements. Kenon did not use this credit facility in the reporting period.

*Contingent Liabilities* – Existing IC contingent liabilities, including those related to litigation, were not transferred to Kenon.

*Associates* – Investments in associates which were will be transferred to Kenon are included in the Carve-out Financial Statements.

*Investments* – Investments that have been made by IC in investee companies that were transferred to Kenon, and the financing of the Group, including holding company expenses, for the periods shown, were treated as Contributions from Parent Company in the statement of changes in parent company investment.

*Profit (loss) per share* – On January 7, 2015 the split-up was completed and 53,383,015 ordinary shares were issued by Kenon. Therefore, the Profit (loss) per share in the combined carve-out financial statements is based on this number of shares (in 2014, 2013 and 2012).

*Operating segments* – The operating segments disclosures are based on the reporting to IC's CODM. However, in light of Kenon's future expected reporting practices to its CODM, Qoros is voluntarily presented as a separate segment.

**D. Definitions**

In these carve-out financial statements -

1. Subsidiaries – Companies whose financial statements are fully consolidated with those of Kenon, directly or indirectly.
2. Associates – Companies in which Kenon has significant influence and Kenon's investment is stated, directly or indirectly, on the equity basis.
3. Investee companies – subsidiaries and/or associated companies.
4. Related parties – within the meaning thereof in International Accounting Standard 24 "Related Parties".

**Note 2 – Basis of Preparation of the Financial Statements**

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

The combined carve-out financial statements ("consolidated financial statements") were prepared by the Group in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved for publication by the Company's Board of Directors on March 31, 2015.

**B. Functional and presentation currency**

These consolidated financial statements are presented in US dollars, which is Kenon's functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The US dollar is the currency that represents the principal economic environment in which Kenon and most of its investees operate.

**C. Basis of measurement**

The statements were prepared on the historical cost basis, with the exception of the following assets and liabilities:

- Derivative financial instruments.
- Inventory measured at the lower of cost or net realizable value.
- Deferred tax assets and liabilities.
- Provisions.
- Assets and liabilities in respect of employee benefits.
- Investments in associates.

For additional information regarding measurement of these assets and liabilities – see Note 3 "Significant Accounting Policies".

**D. Use of estimates and judgment**

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

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

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

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

**1. Useful life of property, plant and equipment**

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life.

At every year-end, or more often if necessary, the Group examines the estimated useful life of the property, plant and equipment by comparing it to the benchmark in the relevant industry, taking into account the level of maintenance and functioning over the years. If necessary, on the basis of this evaluation, the Group adjusts the estimated useful life of the property, plant and equipment. A change in estimates in subsequent periods could materially increase or decrease depreciation expenses.

**Note 2 – Basis of Preparation of the Financial Statements (Cont'd)**

**2. Recoverable amount of non-financial assets and Cash Generating Units**

Each reporting date, the Group examines whether there have been any events or changes in circumstances which would indicate impairment of one or more of its non-financial assets or Cash Generating Units (CGUs). When there are indications of impairment, an examination is made as to whether the carrying amount of the non-financial assets or CGUs exceeds their recoverable amount, and if necessary, an impairment loss is recognized. Assessment of the impairment of goodwill and of other intangible assets having an indeterminable life is performed at least once a year or when signs of impairment exist.

The recoverable amount of the asset or CGU is determined based on the higher of the fair value less selling costs of the asset or CGU and the present value of the future cash flows expected from the continued use of the asset or CGU in its present condition, including the cash flows expected upon retiring the asset from service and its eventual sale (value in use).

The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The estimates regarding future cash flows are based on past experience with respect to this asset or similar assets (or CGUs), and on the Group's best possible assessments regarding the economic conditions that will exist during the remaining useful life of the asset or CGU.

The estimate of the future cash flows relies on the Group's budget and other forecasts. Since the actual cash flows may differ, the recoverable amount determined could change in subsequent periods, such that an additional impairment loss needs to be recognised or a previously recognized impairment loss needs to be reversed.

**3. Fair value of derivative financial instruments**

The Group is a party to derivative financial instruments used to hedge foreign currency risks, interest risks and price risks. The derivatives are recorded based on their fair values. The fair value of the derivative financial instruments is determined using acceptable valuation techniques that characterize the different derivatives, maximizing the use of observable inputs. Fair value measurement of long-term derivatives takes into account the counterparties credit risks. Changes in the economic assumptions and/or valuation techniques could give rise to significant changes in the fair value of the derivatives.

**4. Separation of embedded derivatives**

The Group exercises significant judgment in determining whether it is necessary to separate an embedded derivative from a host contract. If it is determined that the embedded derivative is not closely related to the host contract and that it is necessary to separate the embedded derivative, this component is measured separately from the host contract as a financial instrument at fair value through profit or loss. Otherwise, the entire instrument is measured in accordance with the measurement principles applicable to the host contract.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss, as financing income or expenses.

**5. Taxes on Income**

Deferred tax assets are recorded in connection with unutilized tax losses, as well as with respect to deductible temporary differences. Since such deferred tax assets may only be recognized where it is probable that there will be future taxable income against which said losses may be utilized, use of discretion by Management is required in order to assess the probability that such future taxable income will exist. Management's assessment is re-examined on a current basis and deferred tax assets are recognized if it is probable that future taxable income will permit recovery of the deferred tax assets.

**Note 2 – Basis of Preparation of the Financial Statements (Cont'd)**

**E. Reclassification**

Reclassifications were made in the combined carve-out statements of Financial Position as at December 31, 2013, and for the year ended on that date regarding: provisions and trade payables are presented in the statement of Financial Position, this presentation is more appropriate for our companies.

| | $ thousands | | |
|---|---|---|---|
| | Original | Reclassifications | Modified |
| **As at December 31, 2013:** | | | |
| Statement of Financial Position | | | |
| Current liabilities: | | | |
| Trade payables | 531,910 | (21,573) | 510,337 |
| Provisions | — | 21,573 | 21,573 |

**Note 3 – Significant Accounting Policies**

The accounting policies detailed below were applied consistently in all the periods included in these consolidated statements by the Group entities.

**A. Basis for consolidation**

**(1) Business combinations**

The Group accounts for all business combinations according to the acquisition method.

The acquisition date is the date on which the Group obtains control over an acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the fair value of identifiable assets acquired less the fair value of liabilities assumed.

If the Group pays a bargain price for the acquisition (meaning including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date.

Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

Costs associated with acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

**(2) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**(3) Non-controlling interests**

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company, and they include additional components such as: share-based payments that will be settled with equity instruments of subsidiaries and options for shares of subsidiaries.

**Note 3 – Significant Accounting Policies (Cont'd)**

*Transactions with non-controlling interests, while retaining control*

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the directly in parent company investment.

*Allocation of comprehensive income to the shareholders*

Profit or loss and any part of other comprehensive income are allocated to the owners of the Group and the non-controlling interests. Total comprehensive income is allocated to the owners of the Group and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Furthermore, when the holding interest in the subsidiary changes, while retaining control, the Group re-attributes the accumulated amounts that were recognized in other comprehensive income to the owners of the Group and the non-controlling interests.

Cash flows deriving from transactions with holders of non-controlling interests while retaining control are classified under "financing activities" in the statement of cash flows.

**(4) Loss of control**

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. The difference between the sum of the proceeds and fair value of the retained interest, and the derecognized balances is recognized in profit or loss under other income or other expenses. Subsequently the retained interest is accounted for as an equity-accounted investee or as an available-for-sale asset depending on the level of influence retained by the Group in the relevant company.

The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities.

**(5) Investments in associates**

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. 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 significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero. When the Group's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Group continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests, after the aforesaid interests were reduced to zero. The recognition of further losses is discontinued except to the extent that the Group has an obligation to support the investee or has made payments on behalf of the investee.

**Note 3 – Significant Accounting Policies (Cont'd)**

**(6) Loss of significant influence**

The Group discontinues applying the equity method from the date it loses significant influence in an associate and it accounts for the retained investment as a financial asset or subsidiary, as relevant.

On the date of losing significant influence, the Group measures at fair value any retained interest it has in the former associate. The Group recognizes in profit or loss any difference between the sum of the fair value of the retained interest and any proceeds received from the partial disposal of the investment in the associate or joint venture, and the carrying amount of the investment on that date.

Amounts recognized in equity through other comprehensive income with respect to such associates are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself disposed the related assets or liabilities.

**(7) Change in interest held in equity accounted investees while retaining significant influence**

When the Group increases its interest in an equity accounted investee while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains the same.

When there is a decrease in the interest in an equity accounted investee while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale under other income or other expenses.

Furthermore, on the same date, a proportionate part of the amounts recognized in equity through other comprehensive income with respect to the same equity accounted investee are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself realized the same assets or liabilities.

**(8) Intra-group Transactions**

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 losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**B. Foreign currency**

**(1) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in denominated a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss, except for differences relating to qualifying cash flow hedges to the extent the hedge is effective which are recognized in other comprehensive income.

**(2) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at exchange rates at the dates of the transactions.

Foreign operation translation differences are recognized in other comprehensive income.

When the foreign operation is a non-wholly-owned subsidiary of the Group, then the relevant proportionate share of the foreign operation translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

Furthermore, when the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reattributed to non-controlling interests.

**Note 3 – Significant Accounting Policies (Cont'd)**

The Group disposes of only part of its investment in an associate that includes a foreign operation, while retaining significant influence, the proportionate part of the cumulative amount of the translation difference is reclassified to profit or loss.

Generally, foreign currency differences from a monetary item receivable from or payable to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

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

**C. Financial instruments**

**(1) Non-derivative financial assets**

Initial recognition of financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase, are recognized initially on the trade date on which the Group becomes a party to the contractual provisions of the instrument, meaning on the date the Group undertook to purchase or sell the asset. Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables and cash and cash equivalents.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Sales of financial assets are recognized on a trade date basis.

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

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

The Group classifies its financial assets according to the following categories:

*Loans and receivables*

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

*Cash and cash equivalents*

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Note 3 – Significant Accounting Policies (Cont'd)**

**(2) Non-derivative financial liabilities**

Non-derivative financial liabilities include loans and credit from banks and others, debentures, trade and other payables and finance lease liabilities.

Initial recognition of financial liabilities

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

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

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

Change in terms of debt instruments

An exchange of debt instruments having substantially different terms, between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Furthermore, a substantial modification of the terms of the existing financial liability, or part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are considered to be substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, varies by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforesaid quantitative criterion, the Group examines, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments.

Upon the swap of debt instruments with equity instruments, equity instruments issued are regarded as a part of "consideration paid" for purposes of calculating the gain or loss from de-recognition of the financial liability. The equity instruments are initially recognized at fair value, unless fair value cannot be reliably measured – in which case the issued instruments are measured at the fair value of the derecognized liability. Any difference between the amortized cost of the financial liability and the initial measurement amount of the equity instruments is recognized in profit or loss under financing income or expenses.

Offsetting of financial instruments

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

**(3) Derivative financial instruments, including hedge accounting**

The Group companies hold derivative financial instruments for purposes of reducing the exposure to commodity price risks, foreign currency risks, interest risks, and prices of inputs, including separable embedded derivatives.

Hedge accounting

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), 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.

**Note 3 – Significant Accounting Policies (Cont'd)**

Measurement of derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*Cash flow hedges*

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognized through other comprehensive income directly in a hedging reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss. The amount recognized in the hedging reserve is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of income as 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 prospectively. The cumulative gain or loss previously recognized through other comprehensive income and presented in the hedging reserve in equity remains there until the forecasted transaction occurs or is no longer 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 is recognized immediately in profit or loss. When the hedged item is a non-financial asset, the amount recognized in the hedging reserve is transferred to the carrying amount of the asset when it is recognized. 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.*

*Economic hedges*

*Hedge accounting* is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss.

Derivatives that do not serve hedging purposes

The changes in fair value of these derivatives are recognized immediately in profit or loss, as financing income or expense.

Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if (a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (c) the combined instrument is not measured at fair value through profit or loss.

If an instrument has more than one underlying variable, with one underlying variable being a non-financial variable specific to one of the parties, the Group determines whether the instrument is a derivative or not based on its predominant characteristics. If the dominant variable is the non-financial variable specific to one of the parties, the instrument is not a derivative, and therefore is not separated from the host contract. However, if the dominant variable is the financial variable (or non-financial variable that is not specific to one of the parties), the instrument is separated from the host contract and accounted for as a derivative.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

**(4) Financial guarantees**

A financial guarantee is initially recognized at fair value. In subsequent periods a financial guarantee is measured at the higher of the amount recognized in accordance with the guidelines of IAS 37 and the liability initially recognized after being amortized in accordance with the guidelines of IAS 18. Any resulting adjustment of the liability is recognized in profit or loss.

**Note 3 – Significant Accounting Policies (Cont'd)**

**D. Property, plant and equipment**

**(1) . Recognition and measurement**

Property plant and equipment items, including the fleet of vessels, are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure 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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is recognized as part of that equipment. In addition, payments on account of acquisition of property, plant and equipment are presented as part of the property, plant and equipment.

Spare parts, servicing equipment and stand-by equipment are to be classified as property, plant and equipment assets when they meet the definition in IAS 16, and are otherwise to be classified as inventory.

When major parts of a property, plant and equipment item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Changes in the obligation to dismantle and remove the items and to restore the site on which they are located, other than changes deriving from the passing of time, are added to or deducted from the cost of the asset in the period in which they occur. The amount deducted from the cost of the asset does not exceed the balance of the carrying amount, and any balance is recognized immediately in profit or loss.

Gains and losses on disposal of a property, plant and equipment item are determined by the difference between the net proceeds from disposal and the carrying amount of the asset.

**(2) Subsequent costs**

The cost of replacing part of a property, plant and equipment item and other subsequent expenses 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 property, plant and equipment item is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

Significant improvements that extend the useful lives of property, plant and equipment are capitalized as part of the cost of the property, plant and equipment.

**(3) . Depreciation**

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss (unless the amount is included in the carrying amount of another asset) over the estimated useful lives of each part of the Property, plant and equipment item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance lease agreements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | Years |
|---|---|
| Buildings | 23-43 |
| Thermal power plants | 10-35 |
| Wind power plants | 25 |
| Power generation and electrical | 20 |
| Facilities, machinery and equipment | 8-25 |
| Office furniture and equipment, motor vehicles, computer equipment and other | 3-20 |
| Power plants | 25-35 |
| Hydro-electric power plants | 70-90 |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

**Note 3 – Significant Accounting Policies (Cont'd)**

**E. Intangible Assets**

**(1) Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on measurement of goodwill at initial recognition, see Paragraph A (1) of this note.

In subsequent periods goodwill is measured at cost less accumulated impairment losses.

**(2) Research and development**

Expenditures for research activities are recognized in profit or loss when incurred. A development expenditure is capitalized only if the development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

In subsequent periods, capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

**(3) Other intangible assets**

Other intangible assets, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets having an indefinite useful life or not yet available for use are measured at cost less accumulated impairment losses.

**(4) Customer relationships**

Customer relationships acquired as part of a business combination are recognized outside of goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably.

**(5) Subsequent expenditure**

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

**(6) Amortization**

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset.

Amortization is recognized in profit or loss on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use, since these methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset. Goodwill and intangible assets having an indefinite useful life are not systematically amortized but are tested for impairment at least once a year.

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

| | Years |
|---|---|
| Software costs | 5 |
| Capitalized software development costs | 5-8 |
| License | 22-27 |
| Customer relationships | 1-12 |

Amortization methods, useful lives are reviewed at the end of each reporting year and adjusted if appropriate.

The Group examines the useful life of an intangible asset that is not periodically amortized at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

**Note 3 – Significant Accounting Policies (Cont'd)**

**F. Leases**

**(1) Leased assets**

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

**(2) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis, over the term of the lease. Minimum lease payments made under operating leases are recognized in profit or loss as incurred.

Minimum lease payments made under finance leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Determining whether an arrangement contains a lease*

At inception or upon reassessment of an arrangement, the Group determines whether such an arrangement is or contains a lease. An arrangement is a lease or contains a lease if the following two criteria are met:

- Fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains rights to use the asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

*Sale and leaseback*

In sale and operating lease back transactions, gains from the sale are recognized in profit and loss where the sales price is equal to the fair value of the asset disposed. In sale and finance lease back transactions any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

**G. Inventories**

Inventories are measured at the lower of cost and net realizable value. Inventories consist of fuel, spare parts, materials and supplies. Cost is determined by using the average cost method.

**H. Trade Receivable**

Trade receivables are amounts due from customers for the energy and capacity in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

**I. Borrowing costs**

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

**Note 3 – Significant Accounting Policies (Cont'd)**

**J. Impairment**

**(1) Non-derivative financial assets**

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

*Evidence of impairment of debt instruments*

The Group considers evidence of impairment for loans, trade receivables and other receivables per specific asset. All individually significant trade receivables, loans and other receivables are assessed for specific impairment.

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a provision for loss against the balance of the financial asset measured at amortized cost.

*Reversal of 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, the reversal is recognized in profit or loss.

**(2) Non-financial assets**

*Timing of impairment testing*

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

Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill, or intangible assets that have indefinite useful lives or not yet available for use.

*Determining cash-generating units*

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

*Measurement of recoverable amount*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset or cash-generating unit, for which the estimated future cash flows from the asset or cash-generating unit were not adjusted.

*Allocation of goodwill to cash generating units*

Subject to an operating segment ceiling test (before the aggregation of similar segments), for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. When goodwill is not monitored for internal reporting purposes, it is allocated to operating segments (before the aggregation of similar segments) and not to a cash-generating unit (or group of cash-generating units) lower in level than an operating segment.

**Note 3 – Significant Accounting Policies (Cont'd)**

Goodwill acquired in a business combination is allocated to groups of cash-generating units, including those existing in the Group before the business combination, that are expected to benefit from the synergies of the combination.

For purposes of goodwill impairment testing, when the non-controlling interests were initially measured according to their relative share of the acquiree's net assets, the carrying amount of the goodwill is adjusted according to the rate the Group holds in the cash-generating unit to which the goodwill is allocated.

*Recognition of impairment loss*

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. With respect to cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after including the balance of goodwill, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

*Reversal of impairment loss*

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

**(3) Investments in associates**

An investment in an associate is tested for impairment when objective evidence indicates there has been impairment (as described in Paragraph (1) above).

If objective evidence indicates that the value of the investment may have been impaired, the Group estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price. In assessing value in use of an investment in an associate, the Group either estimates its share of the present value of estimated future cash flows that are expected to be generated by the associate, including cash flows from operations of the associate and the consideration from the final disposal of the investment, or estimates the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount, and it is recognized in profit or loss. An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

**K. Employee Benefits**

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 they are classified as defined contribution plans and as defined benefit plans.

1. Defined contribution plans

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

**Note 3 – Significant Accounting Policies (Cont'd)**

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.
The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (assets). The discount rate is the yield at the reporting date on Government debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a net asset for the Group, an asset is recognized up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realized over the life of the plan or after settlement of the obligation.

Gains or losses resulting from settlements of a defined benefit plan are recognized in profit or loss. Such gains or losses include any resulting change in the present value of the obligation; any resulting change in the fair value of plan assets and any unrecognized actuarial gains and losses and past service cost.

The Group recognizes immediately, directly in other comprehensive income, all actuarial gains and losses arising from defined benefit plans.

3. Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value. The discount rate is the yield at the reporting date on Government debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligations.

4. Other long-term benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on long-term government bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

5. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. 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.

**L. Provisions**

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 probable that an outflow of economic benefits will be required to settle the obligation. The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Group settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

Legal claims

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

**Note 3 – Significant Accounting Policies (Cont'd)**

**M. Revenue recognition**

**(1) Revenue from sale of electricity**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue comprises the fair value for the sale of electricity, net of value-added-tax, rebates and discounts and after eliminating sales within the Group.

Revenues from the sale of energy are recognized in the period during which the sale occurs. Revenues from the power generation are recorded based upon output delivered and capacity provided at rates specified under contract terms.

**(2) Revenue from voyages and accompanying services**

Revenue from cargo traffic is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed for each cargo by reference to the time-based proportion.

The operating expenses related to cargo traffic are recognized immediately as incurred. If the incremental expenses related to the cargo exceed the related revenue, the loss is recognized immediately in the income statement.

**(3) Revenue from sale of vehicles (in associate company)**

(i) Sales of vehicles

Revenue from the sale of vehicles in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT") or other sales taxes, returns or allowances, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of vehicles can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rendering of services

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(iii) Rental income of vehicles

Rental income from operating leases is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

**(4) Revenue from sale of biodiesel**

Revenues are recorded if the material risks and rewards associated with ownership of the goods/merchandise sold have been assigned to the buyer. This usually occurs upon the delivery of products and merchandise.

Revenue is recorded to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenues can be reliably measured.

**N. Lease payments**

**(1) Operating lease payments**

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**(2) Finance lease payments**

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**O. Financing Income and Expenses**

Financing income includes income from interest on amounts invested and gains from exchange rate differences. Interest income is recognized as accrued, using the effective interest method.

Financing expenses include interest on loans received, changes in the fair value of derivatives financial instruments presented at fair value through profit or loss, and exchange rate losses. Borrowing costs, which are not capitalized, are recorded in the income statement using the effective interest method.

**Note 3 – Significant Accounting Policies (Cont'd)**

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Dividends received are presented as part of cash flows from operating activities. Interest paid and dividends paid are presented as part of cash flows from financing activities. Accordingly, financing costs that were capitalized to qualifying assets are presented together with interest paid as part of cash flows from financing activities. Gains and losses from exchange rate differences and gains and losses from derivative financial instruments are reported on a net basis as financing income or expenses, based on the fluctuations on the rate of exchange and their position (net gain or loss).

**P. Taxes on Income**

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, 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.

*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 any tax arising from dividends.

*Uncertain tax positions*

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

*Deferred taxes*

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. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill,
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- Differences relating to investments in subsidiaries, joint arrangements and associates, 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.

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.

*Offsetting of deferred tax assets and deferred tax liabilities*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized concurrently.

*Additional tax on dividend distribution*

The Group may be required to pay additional tax if a dividend is distributed by Group companies. This additional tax was not included in the financial statements, since the policy of the Group companies is to not distribute a dividend which creates an additional tax liability for the recipient company in the foreseeable future.

In such cases that an investee company is expected to distribute a dividend from profits involving additional tax for the Group, the Group creates a tax provision in respect of the additional tax it may be required to pay in respect of the dividend distribution.

Additional income taxes that arise from the distribution of dividends by the Group are recognized in profit or loss at the same time that the liability to pay the related dividend is recognized.

**Note 3 – Significant Accounting Policies (Cont'd)**

**Q. Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary share capital. The basic earnings per share are calculated by dividing income or loss allocable to the Group's ordinary equity holders by the weighted-average number of ordinary shares outstanding during the period. The diluted earnings per share are determined by adjusting the income or loss allocable to ordinary equity holders and the weighted-average number of ordinary shares outstanding for the effect of all potentially dilutive ordinary shares including options for shares granted to employees.

**R. Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

In the cash flow, the cash balance from discontinued operation is disclosed in a separate line. The changes based on operating, investing and financing activities are reported in Note 28.

**S. Transactions with a Controlling Shareholder**

Assets, liabilities and benefits with respect to which a transaction is executed with a controlling shareholder are measured at fair value on the transaction date. The Group records the difference between the fair value and the consideration in the transactions with the parent company investment.

**T. First-Time Application of New Standards**

The following standards have been adopted by the group for the first time for the financial year beginning on 1 January 2014:

Amendment to IAS 32 Financial instruments: Presentation on offsetting financial assets and financial liabilities. The amendment to IAS 32 clarifies that an entity currently has a legally enforceable right to set-off amounts that were recognized if that right is not contingent on a future event; and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all its counterparties. The amendment did not have a significant effect on the group financial statements.

Amendment to IAS 36 Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets. This amendment includes new disclosure requirements for situations in which impairment is recognized and the recoverable amount is determined on the basis of fair value less costs of disposal and also it removes the requirement to provide disclosure of the recoverable amount of material cash-generating units if no impairment was recognized in their respect. As a result of the amendments to IAS 36, the group has expanded its disclosures of recoverable amounts, see Note 14.

Amendment to IAS 39 Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the financial statements.

**Note 3 – Significant Accounting Policies (Cont'd)**

IFRIC 21 Levies: sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The group is not currently subjected to significant levies so the impact on the group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

**U. Standards required to be Applied in Later Periods**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

**1)** **International Financial Accounting Standard IFRS 15 "Revenues from Contracts with Customers"** – the Standard replaces the presently existing guidelines regarding recognition of revenue from contracts with customers and provides two approaches for recognition of revenue: at one point in time or over time. The model includes five stages for analysis of transactions in order to determine the timing of recognition of the revenue and the amount thereof. In addition, the Standard provides new disclosure requirements that are more extensive that those currently in effect.

The Standard is to be applied for annual periods commencing on January 1, 2017, with the possibility of early adoption. The Standard includes various alternatives with respect to the transitional rules, such that companies may choose one of the following alternatives when applying the Standard for the first time: full retroactive application, full retroactive application with practical relaxations or application of the Standard commencing from the initial application date, while adjusting the balance of the retained earnings as at this date for transactions that have not yet been completed. The Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

**2)** **International Financial Accounting Standard IFRS 9 (2014) "Financial Instruments"** – a final version of the Standard, which includes updated provisions for classification and measurement of financial instruments, as well as a new model for measurement of impairment in value of financial assets. These provisions are added to the Section regarding Hedge Accounting – General, which was published in 2013.

The Standard is to be applied for annual periods commencing on January 1, 2018, with the possibility of early adoption. The Standard is to be applied retroactively, except in a number of circumstances. The Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

**V. Indices and Exchange Rates**

Balances in foreign currency or linked thereto are included in the financial statements based on the representative rates of exchange as at the balance sheet date. Balances linked to the Consumer Price Index (CPI) are included based on the index applicable to each linked asset or liability.

Set forth below is detail regarding the representative exchange rates and the Consumer Price Index:

| | "Known" Consumer Price Index | Dollar–RMB Exchange Rate | Dollar–Shekel Exchange Rate | Dollar–Euro Exchange Rate |
|---|---|---|---|---|
| **As at December 31, 2014** | 119.77 | 6.21 | 3.889 | 0.823 |
| As at December 31, 2013 | 119.89 | 6.05 | 3.471 | 0.726 |
| As at December 31, 2012 | 117.64 | 6.23 | 3.733 | 0.759 |
| The change for the year ended: | | | | |
| **December 31, 2014** | (0.1%) | 2.64% | 12.0% | 1.1% |
| December 31, 2013 | 1.9% | (2.9%) | (7.0%) | (4.3%) |
| December 31, 2012 | 1.4% | (1.2%) | (2.3%) | (1.9%) |

**Note 4 – Determination of Fair Value**

As part of its accounting policies and disclosure requirements, the Group is required to determine the fair value of both financial and non-financial assets and liabilities. The fair values have been determined for purposes of measurement and/or disclosure based on the following methods. Additional information regarding the assumptions used in determining the fair values is disclosed in the notes relating to that asset or liability.

**A. Cash Generating Unit for impairment testing**

See Note 14C.

**B. Derivatives**

See Note 31 regarding "Financial Instruments".

**C. Non-derivative financial liabilities**

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each reporting date. Fair value for disclosure purposes, is determined based on the quoted trading price in the market for traded debentures, whereas for non-traded loans, debentures and other financial liabilities is determined by discounting the future cash flows in respect of the principal and interest component using the market interest rate as at the date of the report.

**Note 5 – Cash and Cash Equivalents**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Cash in banks | 420,391 | 559,276 |
| Demand deposits | 189,665 | 111,700 |
| Cash and cash equivalents for purposes of the statement of cash flows | 610,056 | 670,976 |

The Group's exposure to credit risk, interest rate risk and currency risk and a sensitivity analysis with respect to the financial assets and liabilities is detailed in Note 31 "Financial Instruments".

**Note 6 – Short-Term Investments and Deposits**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Short-term bank deposits * | 208,245 | 27,409 |
| Other | 18,585 | 2,399 |
| | 226,830 | 29,808 |

* Includes deposits and restricted accounts in the amount of $88,330 thousands on December 31, 2014 (December 31, 2013 – $26,241 thousands).

**Note 7 – Trade Receivables**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Open accounts | 194,337 | 364,655 |
| Less – allowance for doubtful debts | (12,979) | (7,227) |
| | 181,358 | 357,428 |

In connection with business combination of AEI Nicaragua Holding, AEI Jamaica Holding, AEI Guatemala Holding and Surpetroil, the Group increased its account receivable by $67,909 thousands. This amount is shown net of $12,247 thousands of allowance for doubtful debts.

**Note 8 – Other Receivables and Debit Balances**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Government agencies* | 31,848 | 22,478 |
| Insurance recoveries | 8,040 | 19,778 |
| Advances to suppliers | 26 | 5,624 |
| Prepaid expenses | 10,922 | 25,302 |
| Other receivables | 8,228 | 25,205 |
| | 59,064 | 98,387 |

* The balance corresponds mainly to the VAT incurred in the construction of Cerro del Aguila and Samay I (“Puerto Bravo”) projects. Both projects have the tax benefit of recovering the VAT incurred during the construction stage on a regular basis.

**Note 9 – Inventories**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Fuel * | 11,873 | 107,133 |
| Finished goods, work in progress and raw materials | — | 20,785 |
| Maintenance materials and spare parts ** | 43,462 | 22,316 |
| | 55,335 | 150,234 |

* As of December 31, 2014, $7,425 thousand corresponds to fuel inventories related to the subsidiaries acquired during 2014.

The plants in El Salvador, Nicaragua, Guatemala and Dominican Republic consume heavy fuel and the plants in Chile consume diesel in the generation of electric energy. These plants must purchase fuel in the international market and import it into the respective countries. The plants must take into consideration demand for the electric energy, available supply and transportation cost and timing when purchasing fuel.

** Corresponds to spare parts held in storage to be used in maintenance work. As of December 31, 2014, $19,861 thousand corresponds to spare parts related to the subsidiaries purchased.

During 2014, the Group recorded an expense of $1,992 thousands in cost of sales to present its fuel inventories at net realizable value.

**Note 10 – Associated Companies**

**A. Condensed information regarding significant associated companies**

1. Condensed financial information with respect to the statement of financial position

| | ZIM** | Tower | | Qoros | | Generandes**** |
|---|---|---|---|---|---|---|
| | As at December 31 | | | | | |
| | 2014 | 2014 | 2013 | 2014 | 2013 | 2013 |
| | US$ thousands | | | | | |
| Principal place of business | International | International | | China | | Peru |
| Proportion of ownership interest | 32% | 29%* | 32%* | 50% | 50% | 39% |
| Current assets | 762,507 | 394,084 | 290,414 | 342,357 | 303,355 | 199,368 |
| Non-current assets | 1,393,767 | 479,650 | 403,734 | 1,467,668 | 1,228,044 | 1,454,035 |
| Current liabilities | (788,626) | (325,947) | (139,916) | (1,005,603) | (627,507) | (209,464) |
| Non-current liabilities | (1,288,258) | (412,335) | (491,782) | (664,034) | (499,450) | (500,359) |
| Non-controlling interests | (7,118) | 9,418 | — | — | — | (444,906) |
| Total net assets attributable to the Group | 72,272 | 144,870 | 62,450 | 140,388 | 404,442 | 498,674 |
| Share of Group in net assets | 23,127 | 42,012 | 19,984 | 70,194 | 202,221 | 194,483 |
| Adjustments: | | | | | | |
| Excess cost | 167,942 | 4,524 | 5,024 | — | — | — |
| Loans | — | — | — | 129,134 | — | — |
| Non-controlling interests | — | (32,475) | (25,008) | — | — | — |
| Others | — | — | — | 21,710 | 23,677 | 82,055*** |
| Book value of investment | 191,069 | 14,061 | — | 221,038 | 225,898 | 276,538 |

* The ownership percentage assumes the impact of the conversion of convertible capital notes and shares.
** Became an associate in 2014, hence, no comparatives (See Note 10.C.a).
*** Primarily reflects goodwill associated with the purchase of Generandes.
**** Sold in 2014 and hence no current year balances (See Note 10.C.d).

**Note 10 – Associated Companies (Cont'd)**

2. Condensed financial information with respect to results of operations

| | ZIM** | Tower | | | Qoros | | | Generandes | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31 | | | | | | | | | |
| | 2014 | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | US$ thousands | | | | | | | | | |
| Revenues | 1,667,107 | 828,008 | 505,009 | 638,831 | 138,260 | 2,170 | — | 193,000 | 512,685 | 597,936 |
| Income (loss) | (72,515) | 24,723 | (108,786) | (65,910) | (349,612) | (255,420) | (108,125) | 29,628 | 85,855 | 79,130 |
| Other comprehensive income (loss) | 2,399 | (8,287) | (12,651) | (5,567) | (25) | 21,990 | 3,842 | — | — | — |
| Total comprehensive income (loss) | (70,116) | 16,436 | (121,437) | (71,477) | (349,637) | (233,430) | (104,283) | 29,628 | 85,855 | 79,130 |
| Kenon's share of comprehensive income (loss) | (22,437) | 4,696 | (38,860) | (21,800) | (174,818) | (116,715) | (52,142) | 11,554 | 33,483 | 30,861 |
| Adjustments | 9,665 | 13,687 | 7,852 | — | 12 | — | (7,306) | (12) | (3,394) | (152) |
| Kenon's share of comprehensive income (loss) presented in the books | (12,772) | 18,383 | (31,008) | (21,800) | (174,806) | (116,715) | (59,448) | 11,542 | 30,089 | 30,709 |
| Dividends received | — | — | — | — | — | — | — | 11,827 | 25,890 | 15,153 |

* The ownership percentage assumes the impact of the conversion of convertible capital notes and shares.
** Became an associate in 2014, hence, no comparatives (See Note 10.C.a).

**Note 10 – Associated Companies (Cont'd)**

**B. Associated companies that are individually immaterial**

| | Associated Companies As at December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| Book value of investments as at December 31 | 9,614 | 38,027 | |
| Share of Group in income/(loss) | 8,334 | 2,348 | (8,881) |
| Share of Group in other comprehensive income/(loss) | (10,398) | 2,375 | (1,803) |
| Share of Group in total comprehensive income/(loss) | (2,064) | 4,723 | (10,684) |

(*) Reclassified due to discontinued operations (See Note 28)

**C. Additional information**

**a. ZIM**

1. Upon completion of the debt arrangement in ZIM, on July 16, 2014, the Group declined to a rate of holdings of 32% of ZIM's equity and as a result it ceased to control ZIM. Commencing from this date, IC presents its investment in ZIM as an associated company (for details with respect to the debt arrangement – see Note10.C.a.1.(a) to (l) below). ZIM's results up to the completion date of the debt arrangement, together with the income due to loss of control and the loss due to waiving all ZIM's debts, were presented separately in the statements of income in the category "income (loss) from discontinued operations (net of tax)".

   As at December 31, 2013, ZIM had a negative equity attributable to its owners in the amount of $583 million. ZIM's deficit in its working capital amounts to $1,927 million, mainly due to the reclassification of long term loans, debentures and liabilities in an amount of $1,505 million to short term, as detailed below. ZIM's results from operating activities for the year ended December 31 2013 amount to a loss of $191 million compared with a loss of $206 million for the year ended December 31, 2012.

   In 2013 ZIM (a) reached agreements with its vessel lenders according to which the repayments of loans, in an aggregate amount of $111 million, originally due during 2013, would be deferred to July 1, 2015, (b) reached agreements with certain ship owners regarding reductions in charter hire fees and (c) was granted waivers from, and amended its financial covenants with, its financial creditors.

   Due to, among other things, substantial doubt regarding ZIM's ability to continue operating as a "going concern", the aforesaid agreements were terminated and all waivers and amendments granted to ZIM in March 2013 and thereafter, were terminated. Therefore, the financial covenants applicable as at December 31, 2013 are those which were in force prior to March 31, 2013. ZIM did not comply with those financial covenants.

   As a result, ZIM was in default in respect of most of its loan agreements and the lenders had the right to demand immediate repayment of these loans and the respective deferred amounts were considered to be past due. Also, ZIM's ship owners had the right to terminate the aforesaid agreements and to demand that ZIM pay the original contractual charter rates rather than the current reduced charter rates and also to demand the immediate repayment of accrued deferred charter hire.

   As further described below, ZIM finalized the restructuring of its equity and debt, which annulled its pre-existing covenants. However, in accordance with IAS 1, since the breach of the covenants and the default under the various arrangements occurred as at the end of the 2013 financial report, ZIM classified on December 31, 2014 the long-term loans, debentures and liabilities in an amount of $1,505 million as current, notwithstanding that the lenders have not demanded repayment.

**Note 10 – Associated Companies (Cont'd)**

Furthermore, during 2013, ZIM paid charter hire fees which have been further reduced according to the principles set out in the Term Sheet (a non-binding agreement between ZIM and representatives of most of the groups of the financial creditors and other entities relevant to the arrangement, which outlined the restructuring of ZIM's capital and debt structure), and did not make principal amortization payments of the vessel lender loans, or of the ship yard loan due during the period beginning January 1, 2014, each of which constitutes a non-payment default under the applicable arrangements.

In order to cope with its financial position, during 2013, ZIM entered into negotiations with its financial creditors and other parties in an attempt to reach a consensual restructuring agreement, structured so as to provide long term stability to ZIM. The restructuring was completed, and all conditions precedent were satisfied, on July 16, 2014 (hereinafter: the "effective date of the restructuring").

The negotiations in respect of ZIM's debt restructuring involved representatives of the majority of ZIM's financial creditors, related parties and additional stakeholders. As a result of the restructuring, among other things, ZIM's outstanding indebtedness and liabilities (face value, including future commitments in respect of operating leases, and with regard to those parties participating in the restructuring) were reduced from approximately $3.4 billion to approximately $2 billion.

The main provisions contained in ZIM's restructuring agreements are:

(a) Partly secured creditors (other than those who elected to enter into the VesselCo arrangement detailed at (c) below) are entitled to new fully secured loans in an amount equal to an agreed value of the assets securing the current existing debt (hereinafter: "Tranche A"). Tranche A debt bears interest at an annual rate of LIBOR + 2.8% and is to be repaid on the earlier of: (i) seven years from the effective date of the restructuring; or (ii) the contractual date of repayment of the original loan with respect to each secured creditor plus approximately sixteen and a half months. The original security shall continue to serve as a first ranking security to the new loan.

As a general rule, if ZIM disposes of a secured vessel at any time prior to the applicable maturity date, all Tranche A debt for that vessel is to be repaid (see also (b) below).

(b) ZIM undertook to scrap eight vessels during the period of sixteen months from the effective date of the restructuring. Accordingly, as at the effective date of the restructuring, such vessels will be classified as held for sale and, as a result, impairment in an amount of $110 million will be recorded in ZIM's 2014 financial statements under other operating expenses However, such impairment loss will not have an impact on IC's financial statements since the loss will be recorded by ZIM immediately prior to the restructuring and will be accounted for by IC as part of the restructuring transaction gain, as further described below.

(c) Certain vessel loan creditors purchased, either directly or indirectly, the vessels secured in their favor, and undertook to lease them back to ZIM on such terms and conditions as agreed in the restructuring agreements (hereinafter: "VesselCo"). Upon the lease-back of these vessels, five of the vessels will be classified as capital leases and three of the vessels will be classified as operating leases.

(d) The unsecured portion of the current existing debt (hereinafter: "the deficiency claim") entitles creditors to new unsecured debt comprising Series C Notes and, for certain creditors, Series D Notes (hereinafter: "Series C Notes" and "Series D Notes", respectively), and equity in ZIM (other than with respect to the shipyard's loan, see (e) below). Both the Series C Notes and the Series D Notes shall bear interest at an annual rate of 3%, and the Series D Notes shall further be entitled to an additional payment in kind (PIK) interest at a rate of 2% per annum. Repayment of the Series C Notes is due on June 20, 2023 and repayment of the Series D Notes is due on June 21, 2023 (the "bullet"). In the event of excess cash, as defined in the restructuring agreement, a mechanism for mandatory prepayments using excess cash flows will be provided for each of the Series C Notes and the Series D Notes. Each of the Series C Notes and the Series D Notes has priority in early repayments resulting from excess cash flow over Tranche A. The Series C Notes have priority in such early repayments over the Series D Notes.

(e) The amount outstanding of the shipyard's loan, which originally entitled the creditor to a portion in the allocation of ZIM's shares, has now been converted into an unsecured loan (hereinafter: "Tranche E"). Tranche E will bear interest at an annual rate of 2%, with 1.75% thereof accruing as PIK interest during the first nine years of the loan and, after the first nine years until the end of the twelfth year subject to the full settlement of Tranche A, the Series C Notes and the Series D Notes, interest thereafter will be payable in cash.

**Note 10 – Associated Companies (Cont'd)**

(f) New reduced charter hire floor rates and rate adjustment mechanisms were agreed with the ship owners, including related party ship owners. In addition, the ship owners (excluding certain related parties as described in (i) below) are also entitled to ZIM's Series C and D Notes and ZIM's equity.

(g) Five leased vessels currently classified as capital leases are reclassified, in light of the change in lease terms, as operating leases.

(h) The financial creditors and ship owners received shares amounting, in aggregate, to 68% of ZIM's issued share capital (post-restructuring, after IC's investment in ZIM as set forth in (i) below).

(i) All of ZIM's existing shares and options, including any such shares held by IC, became null and void.

(j) IC's participation in the restructuring is as follows:

1. IC invested an amount of $200 million in ZIM's share capital, such that following the completion of the restructuring IC holds approximately 32% of ZIM's issued share capital. This investment will be transferred to Kenon; and

2. IC waived and discharged all ZIM's liabilities towards it. Such liabilities arose mainly from the 2009 restructuring of ZIM and comprised subordinated debt with a nominal face value of $240 million.

   A waiver in the amount of approximately $12 million (NIS 45 million) deferred debt owed by IC to ZIM in connection with a certain derivative claim shall be terminated, although the debt will be reinstated if the court determines that the waiver was not valid. In such an event, the debt would be repaid following the full repayment of debts under the restructuring (Tranche A, the Series C Notes, the Series D Notes and Tranche E); and

3. IC has further agreed to provide a receivable-backed credit line of $50 million ("IC's credit line obligation") for a period of two years as of the restructuring date. It was also agreed that IC has the right to terminate IC's credit line obligation following the lapse of nine months from the restructuring date (i.e., April 15, 2015) if certain conditions set forth in the respective agreement were not met. This credit line will not be transferred to Kenon.

   In addition, certain related parties waived debt owed to them by ZIM (see also (k) below).

(k) Certain related parties, which have chartered vessels to ZIM, agreed to receive a charter rate which, in general, will be $1,000 per day less than that paid to the ship owners who are not related parties for similar vessels.

Also, certain related parties waived their rights to receive their part of the Series C Notes and the Series D Notes and ZIM's equity, which was primarily attributable to the reduction of the charter hire (see (f) above) in favour of certain third party creditors.

(l) All previous covenants were cancelled and a new set of financial covenants was agreed as follows:

(i) *Minimum Liquidity* : ZIM is required to meet monthly minimum liquidity (including amounts held in the reserve account available for general corporate purposes) in an amount of at least $125 million (tested on the last business day of each calendar month);

(ii) *Fixed Charge Cover* : ZIM is required to have a certain Fixed Charge Cover ratio, which is defined as Consolidated EBITDAL to Fixed Charges. EBITDAL means Consolidated EBITDA (the Group's Consolidated EBITDA after certain adjustments as specifically defined in the facility agreements), after adding back charter hire lease costs. Fixed Charges mean mainly cash interest, scheduled repayments of indebtedness and charter hire lease costs.

This ratio will gradually increase from 1.02:1 on December 31, 2015 to 1.07:1 on December 31, 2018 (based on the previous twelve-month periods). Ratio levels will be tested quarterly from December 31, 2015;

(iii) *Total Leverage* : ZIM is required to have a certain Total Leverage ratio, which is defined as Total Debt to Consolidated EBITDA. This ratio will gradually decrease from 8.8:1 on June 30, 2015 to 4.9:1 on December 31, 2018 (based on the previous twelve-month periods). Ratio levels will be tested quarterly from June 30, 2015.

Furthermore, ZIM is obligated under the Tranche A agreements to have a committed receivable-backed credit facility either from IC (as mentioned in Note 10.(j).3 above) or from an alternative source for a period of two years as of the restructuring date ("the period"). For the past few months ZIM has been holding negotiations with a third party financial institution to put in place an alternative facility. As at the approval date of the Financial Statements, ZIM's Management believes that by April 15, 2015 it will not be in a position to fulfill the required conditions which have to be met by the said date as set forth in the agreement with IC, in order to maintain the IC commitment for the period, and therefore, IC may terminate its commitment. ZIM's Management also believes that the alternative facility will not be concluded by April 15, 2015. However, the management of ZIM believes that the alternative facility will be concluded by September 30, 2015. Therefore, Tranche A agreements were amended (after the balance sheet date) to allow ZIM to arrange the alternative credit facility for the period by September 30, 2015 instead of April 15, 2015. In addition, ZIM committed to certain limitations and restrictions, relating to, among others, dividend distributions and incurrence of debt.

**Note 10 – Associated Companies (Cont'd)**

In the opinion of ZIM's management and its Board of Directors, the completion of the restructuring, as detailed above and ZIM's expected performance in accordance with its business plan, enables ZIM to meet its liabilities and operational needs and to comply with the new set of financial covenants for a period of at least 12 months after the balance sheet date.

Execution of IC's part in the restructuring (as described in (j) above) was subject, inter alia, to updating the terms of the Special State Share, such that it will not restrict the transfer of ZIM's shares and will not prevent completion of the restructuring with all its conditions due to the restrictions provided by the Special State Share relating to the holding of a minimum fleet of ships owned by ZIM (see note 11.C.1).

Upon completion of the debt arrangement in ZIM, on July 16, 2014, IC ceased to control ZIM and, therefore, in the third quarter of 2014 IC recorded income in the amount of $796 million as a result of loss of control of ZIM and presentation of its investment in ZIM as an associated company based on its fair value as derived from the amount of IC's investment in ZIM's equity in accordance with the arrangement, and also recorded a loss of $187 million due to IC's waiver of all of ZIM's debts, as noted above. The resulting amount of the income created, in the amount of $609 million, as stated, was presented in the statement of income in the category "gain (loss) from discontinued operations (after taxes)".

As part of the debt arrangement, as stated above, IC invested $200 million in the shareholders' equity of ZIM. Based on a PPA (purchase price allocation) study made by an external appraiser, the excess cost was allocated, primarily, as follows: negative excess cost to ships, in the amount of $104 million, negative excess cost in respect of unfavorable operating lease contracts, in the amount of $39 million, positive excess cost in respect of containers and equipment, in the amount of $30 million, positive excess cost in respect of a brand name, in the amount of $80 million, and goodwill, in the amount of $219 million.

2. In 2014, ZIM had decided to sell two ships for purposes of scrap. As a result, ZIM recorded a loss of about $17 million with an impact of $5 million on Kenon.

3. Although there were no triggering events for Kenon's impairment of its equity investment in ZIM as of December 31, 2014, Kenon performed a valuation of its 32% equity investment in ZIM as of December 31, 2014 in accordance with IAS 36 and IAS 28. Kenon concluded that, as of December 31, 2014, the recoverable amount of its investment in ZIM exceeded the carrying amount and, therefore, Kenon did not recognize an impairment in its financial statements in respect of its investment in ZIM.

   Additionally, following the recent global economic crisis, which materially impacted the shipping industry and ZIM's results of operations, and the July 2014 restructuring of ZIM's debt, ZIM conducted an impairment test of its operating assets as of December 31, 2014.

   For the purposes of IAS 36, ZIM, which operates integrated network liner activity, has one CGU, which consists of all of ZIM's assets. ZIM estimated its recoverable amount based upon the fair value of its assets less the costs of disposal, using the discounted cash flow method.

   ZIM's assumptions were made for a 4-year period starting in 2015 and a representative year intended to reflect a long-term, steady state. The key assumptions are set forth below:

   - A detailed cash flow forecast for 4 years based upon ZIM's business plan;
   - Bunker price: according to the future price curve of fuel;
   - Freight rates: a compound annual negative growth rate of 1.4% over the projection period, reflecting a change in cargo mix;
   - Increase in aggregate TEU shipped: a compound annual growth rate of 3.7% over the projection period, this assumes an increase in the leasing of very large container vessels in ZIM's fleet during 2017;
   - Charter hire rates: contractual rates in effect as of December 31, 2014, and assuming anticipated market rates for renewals of charters expiring in the projection period;
   - Discount rate of 10.5%;
   - Long-term nominal growth rate of 1.5%, which is consistent with the expected industry average;
   - Capital expenditures that are less than or equal to ZIM's expected vessel depreciation; and
   - Payment of tax at ZIM's corporate tax rate of 26.5%; also assumes expected use of tax losses.

   ZIM concluded that the recoverable amount of its CGU was higher than the carrying amount of the CGU, and therefore, no impairment was recognized in ZIM's financial statements in respect of its CGU.

   Although ZIM believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long bunker prices and freight rates will remain consistent with their current levels or whether they will increase or decrease by any significant degree. Freight rates may remain at depressed levels for some time, which could adversely affect ZIM's revenue and profitability.

4. Associated and investee companies of ZIM

   (i.) During the second quarter of 2013, ZIM signed an agreement with an unrelated third party for transfer (by means of sale or dilution) of about 25% of the shares of an equity method investee, which was held by ZIM. Prior to the sale, ZIM held 50% of the shares of the company being sold. A gain of $10 million was recognized due to sale of the shares.

   (ii.) During the third quarter of 2013, ZIM signed an agreement with an unrelated third party for sale of ZIM's holdings in two companies resulting in a capital gain of $33 million that was recognized in 2013.

**b. Qoros Automotive Co. Ltd. (hereinafter – "Qoros")**

1. As at December 31, 2014, the Group holds, through a wholly-owned and controlled company, Quantum (2007) LLC ("Quantum") the shares of Qoros in a 50/50 agreement with a Chinese vehicle manufacturer – Chery Automobiles Limited (hereinafter – "Chery"), which is engaged in manufacture of vehicles using advanced technology, and marketing and distribution of the vehicles worldwide under a quality brand name.

2. In July 2012, Chery provided a guarantee to the banks, in the amount of 1.5 billion RMB ($242 million), in connection with an agreement with the banks to provide Qoros a loan, in the amount of 3 billion RMB ($482 million). In a back-to-back arrangement IC committed to Chery to pay half of every amount it will be required to pay with respect to the above-mentioned guarantee (hereinafter – "the 2012 Guarantee"). IC and Kenon agree that Kenon will assume any liabilities to IC in respect of back-to-back guarantees in connection with the spinoff. The fair value of the guarantee has been recorded in the financial statements. Subsequent to the reporting period, the guarantee was released.

3. In 2013, IC (through a subsidiary) and Chery, each invested $137,988 thousand, respectively, in the shares of Qoros as part of the business plan.

4. On January 16, 2014, IC (through a subsidiary) and Chery, each invested $41,021 thousand, in the capital of Qoros as part of the business plan.

**Note 10 – Associated Companies (Cont'd)**

5. On June 9, 2014, IC transferred to Qoros $81,205 thousand, by means of convertible shareholders' loans, and thus completed its obligation to invest in Qoros in accordance with the business plan, except for an amount of $4 million that has not yet been transferred. The loan will be converted into equity of Qoros, among other things, at the request of Qoros, and after receipt of the required approvals from the authorities in China. If the above mentioned approvals are not received, Qoros has undertaken to repay the loan with interest. In December 2014, $16,241 thousand were converted into equity of Qoros.

6. On July 31, 2014, IC provided an irrevocable guarantee for the benefit of Chery (hereinafter – "the 2014 Guarantee"), in respect of half of every amount that Chery will pay under a guarantee provided by Chery. The 2014 Guarantee is up to an aggregate amount of RMB 750 million plus accompanying expenses and interest (in the aggregate amount of about $155 million), on the basis of the terms Chery committed to (back to back) and subject to the terms of the guarantee.

7. On December 11, 2014, IC transferred to Qoros $57,229 million, by means of shareholders' loans. Qoros has undertaken to repay the loan with interest. This loan is against release of the total amount of 2014 Guarantee (about $155 million) as mentioned above.

8. Prior to Kenon's spin-off from IC, IC provided the 2012 Guarantee to Qoros. This guarantee by IC is a back-to-back guarantee of Chery's guarantee of up to RMB1.5 billion ($242 million) under this credit facility, and the obligation of IC under this back-to-back guarantee is up to RMB888 million ($142 million), including related interest and fees. In connection with Kenon's spin-off from IC, IC continued to provide this guarantee and Kenon entered into a $200 million credit facility with IC, and to the extent that IC is required to make payments under its back-to-back guarantee in respect of Qoros' credit facility, the amount of the loans owed by Kenon to IC under the credit facility will be increased accordingly.

   Subsequent to the reporting period, on February 12, 2015, Kenon provided a RMB400,000 thousand ($64,360 thousand) loan to Qoros to support its ongoing development, and in connection with the provision of this loan, IC's back-to-back guarantee of Qoros' debt was released in full. Kenon funded its loan to Qoros through a combination of cash on hand and a $45 million drawdown under its credit facility from IC. Chery's guarantee under the Qoros facility of up to RMB1.5 billion ($242 million) is not being released in connection with the release of IC's back-to-back guarantees. However, Chery has separately committed to provide a shareholder loan of RMB400 000 thousand ($64,360 thousand) to Qoros in connection with the release of its guarantees in relation to Qoros' credit facility. Kenon has agreed, in the event that Chery provides such shareholder loan to Qoros and Chery's guarantee is not subsequently released, to work with Chery and Qoros' lenders to find an appropriate mechanism to restore equality between Chery and Kenon in respect of Chery's guarantee of Qoros' debt by the end of 2015, and in any event, prior to any required payments by Chery under its guarantee. This solution may involve a future guarantee of Qoros' debt by Kenon (i.e., Kenon may assume or otherwise support a portion of Chery's guarantee) or Kenon's sharing in the amount of the payment obligations under Chery's guarantee (RMB1.5 billion), among other possibilities.

9. On July 31, 2014, in order to secure additional funding for Qoros of approximately RMB 1.2 billion ($200 million as of August 7, 2014) IC pledged a portion of its shares (including dividends derived therefrom) in Qoros, in proportion to its share in Qoros's capital, in favor of the Chinese bank providing Qoros with such financing. Simultaneously, the subsidiary of Chery that holds Chery's rights in Qoros also pledged a proportionate part of its rights in Qoros. Such financing agreement includes, inter alia, liabilities, provisions regarding covenants, events of immediate payment and/or early payment for violations and/or events specified in the agreement. The lien agreement includes, inter alia, provisions concerning the ratio of securities and the pledging of further securities in certain circumstances, including pledges of up to all of Quantum's shares in Qoros (or cash), provisions regarding events that would entitle the Chinese Bank to exercise the lien, certain representations and covenants, and provisions regarding the registration and approval of the lien.

**Note 10 – Associated Companies (Cont'd)**

10. As at December 31, 2014, the balance of IC's investment in Qoros amounts to $220,968 thousand (December 31, 2013 – $224,898 thousand).

11. In September 2014, Qoros board of directors approved a revised business plan which adopted a lower sales volume than was previously adopted, as a result, an asset impairment test was performed in October 2014 and updated in February 2015. An impairment loss is recognized if the carrying amount of an asset or its related cash – generation unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of the CGU, to which the fixed assets and intangible assets belong, was based on the greater of its value in use and its fair value less costs to sell and was determined with the assistance of an independent valuer.

    As the result of the impairment test showed the recoverable amount of the CGU higher than its book value as at December 31, 2014, no impairment loss is recognized.

**Note 10 – Associated Companies (Cont'd)**

12. Qoros incurred a net loss of RMB 2.2 billion and had net current liabilities in the amount of RMB4.1 billion (approximately $663 million) as of and for the year ended December 31, 2014.

    Qoros has given careful consideration to the future liquidity of Qoros and its available sources of finance in assessing whether Qoros will have sufficient financial resources to continue as a going concern.

    Qoros had unused bank loan facilities of RMB 824 million ($133 million) as at 31 December 2014. In addition, Qoros plans to refinance most of its short-term loans in 2015.

    Qoros included in the current liabilities loans from shareholders of RMB 1.6 billion ($258 million) as at 31 December 2014. Shareholders also plan to lend additional loans of RMB 800 million ($129 million) to Qoros in 2015, of which, RMB 400 million ($65 million) was received in February 2015 and the rest RMB 400 million ($65 million) is expected to be received in the second quarter of 2015.

    Based on Qoros' 2015 business plan, cash flow forecast, unutilized bank loan facilities and the plan to refinance the existing short-term loans, Qoros believes they will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months from December 31, 2014. In preparing the cash flow forecast, Qoros took into account the unused bank loan facilities of RMB 824 million ($133 million), the roll forward of its short-term loans from banks and additional RMB 800 million ($133 million) from Qoros' shareholders. Qoros is of the opinion that the assumptions which are included in the cash flow forecast are reasonable. Accordingly, the consolidated financial statements of Qoros have been prepared on a going concern basis. If for any reason Qoros is unable to continue as a going concern, then this would have an impact on the Qoros' ability to realize assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements of Qoros and accordingly could have an impact on Kenon investment in Qoros.

**c. Tower**

1. Tower is a publicly traded company (NASDAQ/TASE) engaged in the manufacture of semi-conductors, and integrated circuits spread.

   In June 2013, IC acquired 333,974 rights units in Tower, at a cost of $7 million. Every rights unit may be converted into 4 Tower shares, 6 Tower options (Series 8) (each option may be exercised for one share, with an exercise premium of $5 up to July 22, 2013) and 5 Tower options (Series 9) (each option may be exercised for one share, with an exercise premium of $7.33 up to June 27, 2017). In July 2013, IC exercised all the options (Series 8) it held for shares of Tower in exchange for a consideration of $10 million. As a result of the above-mentioned acquisition and exercise of the options, the share of IC's holdings in Tower increased from about 30% to about 32%, assuming conversion of all the capital notes held by the banks.

**Note 10 – Associated Companies (Cont'd)**

As of December 31, 2014, the Group own 18 million shares of Tower, representing a 29% equity interest in Tower, assuming the full conversion of Tower's approximately 4.5 million outstanding capital notes which conversion would result in approximately 62.5 million shares outstanding. Group's equity interest in Tower, based upon the approximately 58 million Tower shares currently outstanding, is 31%. The Group may experience additional dilution of its equity interest in Tower if the holders of Tower's outstanding convertible bonds, options and warrants convert their bonds and exercise their options or warrants, as applicable. Should all outstanding convertible bonds, options and warrants be converted and exercised, Group's equity interest in Tower, which we refer to as Group's fully-diluted equity interest, would decrease to 18.9%.

2. Subsequent to the period of the report, in March 2015, Kenon's board of directors approved in-principal the distribution of all, or a portion, of Kenon's interest in Tower to Kenon's shareholders as a dividend-in-specie or otherwise, a sale of Kenon's interest in Tower, and/or a combination of the two transactions. Kenon has not made any final determination as to the means of disposal of its interest in Tower and will make an announcement when this is determined. The timing for any such transaction has not been determined, and while Kenon's board has approved Kenon's completion of any, or all, of these transactions in-principal, there is no assurance that a distribution or sale of Kenon's interest in Tower will occur or when any such transaction will occur.

**d. Generandes Peru S.A**

In 2013, Inkia (fully consolidated company under IC Group) announced its decision to sell its 39.01% direct equity in Generandes Peru S.A. (Holding of Edegel S.A.A.)

In April 2014, the board of directors of I.C. Power approved the sale of Generandes Peru S.A. I.C. Power recorded its investment in Generandes Peru S.A. as an associate, applying the equity method until April 30, 2014. Since such date.

On April 30, 2014, Inkia Americas Holdings Ltd. (the "Seller") and IC Power Ltd as guarantor of the Seller, signed a share purchase agreement with Enersis SA (Enersis) for the sale of its shares in Inkia Holdings (Acter) Limited that owns 21.14% indirect equity in Edegel S.A.A. for a sale price of $413,000 thousand.

On September 3, 2014, Inkia Americas Holdings Ltd. completed the sale of its shares in Inkia Holdings (Acter) Limited, that has directly the equivalent of 39.01% of Generandes Peru S. A., see note 5.

As a result of this sale the Group recorded a capital gain of $132,246 thousands (net of tax $84,981 thousands). In addition, the Group recorded a gain from recycling of foreign exchange of $24,891 thousands.

**D. Details regarding securities registered for trading**

| | As at December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| | Book value | Market value | Book value | Market value | Book value | Market value |
| | US$ thousands | | | | | |
| Shares of Tower | 14,061 | 240,340 | — | 102,694 | 18,940 | 116,837 |

**E. Details regarding dividends received from associated companies**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| From associated companies | 32,227 | 45,217 | 25,667 |

**F. Restrictions**

Qoros

Qoros has restrictions with respect to distribution of dividends and sale of assets deriving from legal and regulatory restrictions, restrictions under the joint venture agreement and the Articles of Association and restrictions stemming from credit received.

**Note 10 – Associated Companies (Cont'd)**

ZIM

The holders of ordinary shares of ZIM are entitled to receive dividends when declared and are entitled to one vote per share at meetings of ZIM. All shares rank equally with regard to the ZIM's residual assets, except as disclosed below.

In the framework of the process of privatizing ZIM, all the State of Israel's holdings in ZIM (about 48.6%) were acquired by IC pursuant to an agreement from February 5, 2004. As part of the process, ZIM allotted to the State of Israel a special State share so that it could protect the vital interests of the State (preserving ZIM as an Israeli company, ensuring that at no time the operating and transportation ability of ZIM fall below a minimum specified capacity so that the State may have effective use of a minimum fleet in times of emergency or for security purposes and in order to prevent the influence of harmful or hostile elements on ZIM's management).

On July 14, 2014 the State and ZIM have reached a settlement agreement (the "Settlement Agreement") that has been validated as a judgment by the Supreme Court. The Settlement Agreement provides, inter alia, the following arrangement shall apply: State's consent is required to any transfer of the shares in ZIM which confers on the holder a holding of 35% and more of the ZIM's share capital. In addition, any transfer of shares which confers on the holders a holding exceed 24% but not exceed 35%, shall require a prior notice to the State. To the extent the State determines that the transfer involves a potential damage to the State's security or any of its vital interests or if the State did not receive the relevant information in order to formulate a decision regarding the transfer, the State shall be entitled to inform, within 30 days, that it objects to the transfer, and it will be required to reason its objection. In such an event, the transferor shall be entitled to approach a competent court on this matter.

The Special State Share is non-transferable. Except for the rights attached to the said share, it does not confer upon its holder voting rights or any share capital related rights.

The Special State Share, and the permit which accompanies it, also imposes transferability restrictions on our equity interest in ZIM. Furthermore, although there are no contractual restrictions on any sales of our shares by our controlling shareholders, if Idan Ofer's ownership interest in Kenon (controlling shareholders of Kenon) is less than 36%, or Idan Ofer ceases to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM (e.g., Kenon's right to vote and receive dividends in respect of its ZIM shares),will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in Idan Ofer's ownership or "control" (as defined in the State of Israel consent received by IC in connection with the spin-off). The State of Israel may also revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM, or if the cancellation of the provisions of the Special State Share with respect to a person holding shares in ZIM contrary to the Special State Share's provisions apply (without limitation).

**Note 11 – Subsidiaries**

**A. Investments**

**1. I.C. Power**

a. On September 5, 2013, I.C. Power through its subsidiaries IC Power Inversiones Limitada and IC Power Chile SpA entered into an agreement with Inversiones Pacific Hydro Tinguiririca Ltda and SN Power Chile Tinguiririca y Compañía ("the sellers") to acquire all of the outstanding capital stock of Thermoelectrica Colmito Ltda ("Colmito"), for a consideration of US$ 27,850 thousand: At such date, this amount was contributed into an escrow account until certain conditions related to the sale were fulfilled. Colmito owns and operates a 58MW dual fuel open cycle generation plant located in Concón, Chile that commenced operations in August 2008. The closing of this acquisition was completed on October 29, 2013. At such date, I.C. Power took control of Colmito and released the funds held in the escrow account.

The total fair values of acquired net assets (in thousands of U.S. Dollars) were as follows:

| | Book value | Fair value adjustment on acquisition | Fair value |
|---|---|---|---|
| Intangibles | 2,327 | 163 | 2,490 |
| Property, plant and equipment | 27,015 | (378) | 26,637 |
| Deferred tax assets | — | 43 | 43 |
| Total net assets at fair value | 29,342 | (172) | 29,170 |
| Consideration paid | 27,850 | — | 27,850 |
| Negative goodwill | 1,492 | (172) | 1,320 |

Consequently, Inkia recorded a bargain purchase gain of US$ 1,320 thousand.

**Note 11 – Subsidiaries (Cont'd)**

b. During 2014, I.C. Power acquired the following companies:

AEI Nicaragua Holdings Ltd., AEI Jamaica Holdings Ltd.

On February 18, 2014, I.C. Power entered into an agreement with AEI Power Ltd. to acquire all of the shares of AEI Nicaragua Holdings Ltd. and AEI Jamaica Holdings Ltd. for a purchase price of $54,144 thousand. On March 12, 2014, Inkia took control of AEI Nicaragua Holdings and paid $36,644 thousand to AEI Power Ltd. in connection with the acquisition. As a result of the post-closing purchase price adjustments, AEI Power Ltd. refunded $6,523 thousand to I.C. Power on April 14, 2014, therefore, the final purchase price of AEI Nicaragua Holdings was $30,121 thousand.

On May 30, 2014, I.C. Power took control of AEI Jamaica Holdings and paid $17,500 thousand to AEI Power Ltd. in connection with the acquisition. As a result of the post-closing purchase price adjustments, I.C. Power paid an additional $3,177 thousand to AEI Power Ltd. on July 1, 2014; therefore, the final purchase price of AEI Jamaica Holdings was $20,677 thousand.

As of result of this transaction, I.C. Power increased its ownership from 15.57% to 100% in Jamaica Private Power Company (a subsidiary of AEI Jamaica Holdings). The measurement to fair value of I.C. Power's pre-existing share in Jamaica Power Company resulted in a gain of $2,674 thousand ($6,044 thousand less $3,370 thousand carrying amount of such investment at the acquisition date).

Surpetroil

On March 12, 2014, I.C. Power through its subsidiary Samay III signed a share purchase agreement to acquire a 60% stake of Surpetroil, a company involved in power generation, natural gas transport and distribution using Colombia's stranded gas, as well as a 60% stake in two companies: Surenergy S.A.S. E.S.P. (Colombia) and Surpetroil S.A.S. (Peru) for a total purchase price of $18,000 thousand. On March 28, 2014, I.C. Power took control of Surpetroil and paid $12,000 thousand at closing. The remaining $6,000 thousand has been retained by I.C. Power to be reinvested by the minority shareholders in new projects.

AEI Guatemala Holdings Ltd.

On August 13, 2014, I.C. Power entered into an agreement with AEI Power Ltd. to acquire all of the shares of AEI Guatemala Holdings Ltd for a purchase price of $29,000 thousand. On September 17, 2014, I.C. Power completed the acquisition of AEI Guatemala Holdings and paid $29,000 thousand to AEI Power Ltd.

On October 22, 2014, I.C. Power paid an additional of $5,568 thousand as a result of the post-closing purchase price adjustments, and $350 thousand for reorganization costs. Therefore, the final purchase price of AEI Guatemala Holdings was $34,918 thousand.

**Note 11 – Subsidiaries (Cont'd)**

c. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

| | AEI Nicaragua | AEI Jamaica | Surpetroil | AEI Guatemala | Total |
|---|---|---|---|---|---|
| | | | US$ thousands | | |
| Property, plant and equipment | 157,211 | 39,585 | 15,173 | 60,896 | 272,865 |
| Intangible | 20,783 | 3,305 | 5,168 | 925 | 30,181 |
| Deferred income tax assets | 2,375 | 179 | 201 | 76 | 2,831 |
| Trade receivables, net | 29,072 | 5,998 | 900 | 31,939 | 67,909 |
| Other assets | 40,716 | 24,325 | 1,835 | 38,777 | 105,653 |
| Short-term borrowings | — | (1,722) | (2,361) | (17,500) | (21,583) |
| Long-term debt | (115,241) | (10,199) | (2,390) | (23,021) | (150,851) |
| Deferred income tax liabilities | (33,722) | (1,102) | (2,671) | (7,550) | (45,045) |
| Other liabilities | (16,804) | (9,532) | (2,901) | (29,181) | (58,418) |
| Non-controlling interest | (30,618) | — | (5,182) | — | (35,800) |
| Total net assets | 53,772 | 50,837 | 7,772 | 55,361 | 167,742 |
| Fair value of pre-existing share | — | (6,044) | — | — | (6,044) |
| Total consideration | (30,121) | (20,677) | (18,000) | (34,918) | (103,716) |
| Gain on bargain purchase | 23,651 | 24,116 | — | 20,443 | 68,210 |
| Goodwill | — | — | 10,228 | — | 10,228 |
| Cash consideration | 30,121 | 20,677 | 12,000 | 34,918 | 97,716 |
| Consideration retained by I.C. Power | — | — | 6,000 | — | 6,000 |
| Total consideration transferred | 30,121 | 20,677 | 12,000 | 34,918 | 97,716 |
| Cash and cash equivalent acquired | (19,310) | (5,371) | (168) | (2,881) | (27,730) |
| Net cash flow on acquisition | 10,811 | 15,306 | 11,832 | 32,037 | 69,986 |

d. Measurement of fair values

I.C. Power has established the value of the acquired assets, liabilities, and contingent liabilities considering the fair value basis on March 12, 2014; March 28, 2014; May 30, 2014; and on September 17, 2014, dates in which I.C. Power took control of AEI Nicaragua Holdings, Surpetroil, AEI Jamaica Holdings and AEI Guatemala Holdings, respectively. The criteria considered to establish the fair value of the main items were the following:

- Fixed assets were valued considering the market value established by an appraiser;
- Intangibles consider the valuation of its Power Purchase Agreements ("PPAs");
- Contingent liabilities were determined over the average probability established by third party legal processes;
- Deferred tax was valued over the temporary differences between the accounting and tax basis of the business combination; and,
- Non-controlling interest was calculated over a proportional basis of the net assets identified on the acquisition date.

**Note 11 – Subsidiaries (Cont'd)**

e. Gain of bargain purchase

After reviewing and analyzing the fair values of the Nicaraguan, Jamaican and Guatemalan assets and compare them to the carrying value, a gain on bargain purchase of $23,651 thousand, $24,116 thousand and $20,443 thousand, respectively, was determined. The differences between fair value and carrying value are derived in principal:

- Seller's need to complete transaction.
- Lack of alternative buyers.
- Regions low interest from international power players.

f. Recognition of Revenues and Profit or Loss

During the period from the acquisition date to December 31, 2014 the revenues and profit or loss contributed by these acquired companies to the consolidated results are as follows:

| Companies acquired | Control Date | Revenues | Profit (loss)* |
|---|---|---|---|
| | | US$ thousands | |
| AEI Nicaragua Holdings Ltd | March 12, 2014 | 124,578 | 5,874 |
| Surpetroil S.A.S. | March 28, 2014 | 9,263 | 1,759 |
| AEI Jamaica Holdings Ltd. | May 30, 2014 | 40,752 | (2,242) |
| AEI Guatemala Holdings Ltd. | September 17, 2014 | 33,302 | (1,028) |
| Total | | 207,895 | 4,363 |

* These figures do not include any effect arising from the purchase price allocation adjustments and from non-controlling interest.

g. On September 3, 2014, Inkia Americas Holdings Ltd. (the "Seller"), and IC Power as guarantor of the Seller, closed the sale of its shares in Inkia Holdings (Acter) Limited ("Acter"), that has indirectly the equivalent of 39.01% of Generandes Peru SA, the holding company of Edegel SAA for a total consideration of $413,000 thousand in cash.

As a consequence of the sale of Acter, I.C. Power transferred all the following companies to Enersis: Southern Cone Power Ltd.; Latin America Holding I Ltd.; Latin America Holding II Ltd. and Southern Cone Power Peru S.A.A.

Pursuant to the terms of the Share Purchase Agreement, prior to the consummation of the Acter Disposition, Acter was required to repay the outstanding indebtedness (the "Acter Debt") held with Credit Suisse AG, Cayman Islands Branch. In order to repay the Acter Debt, the Company received a short-term loan from IC Power on August 26, 2014 in an amount of $125,000 thousand (the "Acter Contribution"), and used the proceeds to repay the Acter Debt on September 22, 2014.

Pursuant to the terms of the debentures issued by Inkia, Inkia is subject to restriction with respect to the proceeds of the sale. On September 16, 2014, Inkia received the consent to reinvest the Net Cash Proceeds related to the Acter Disposition within 30 months (originally was 365 days) of such asset sale.

Inkia expects to reinvest the net proceeds in cash deriving from sale of Edegel.

h. In May and June 2014, I.C. Power repaid $167,811 thousand of intercompany debt owed to IC, repaid $94,865 thousand of capital notes to IC, and made a dividend distribution to IC of $37,324 thousand. As a result of I.C. Power's $167,811 thousand repayment of loans and $94,865 thousand repayment of capital notes to IC, no debt currently exists between I.C. Power and IC. In this report this amount (approximately $300 million) was recorded as a payment to parent company.

i. In September 2014, a subsidiary of Inkia updated its five-year budget as a result of a downward trend in its results combined with anticipated impacts of recent political changes in the country in which the subsidiary operates, which affects the power generation business therein, and expectations of an increase in operating costs and unchanged electricity prices, which will lead to a decrease in its profitability. As a result, Inkia considered a potential impairment in this subsidiary and conducted an impairment analysis using the value in use method and a discount rate of 7.6%. Accordingly, Inkia determined that the book value of the subsidiary's assets exceeded its recoverable amount and therefore recorded an impairment loss of $34,673 thousand.

**Note 11 – Subsidiaries (Cont'd)**

j. On December 9, 2014, IC Green signed an agreement for sale of all its holdings (about 69%) in the shares of Petrotec AG (hereinafter – "Petrotec"), a public company traded on the Frankfurt stock exchange, to the Renewable Energy Group (hereinafter – "REG"), a public company traded on the NASDAQ. As part of the agreement, REG paid ICG in exchange for Petrotec's shares, the amount of about $20.9 million, by means of an issuance of shares of REG, along with payment of an additional amount in cash, of $15.8 million, in respect of the balance of loans and accrued interest ICG granted to Petrotec. The number of shares REG issued to IC Green is 2 million shares (about 4.6% of REG's capital). The shares issued will be restricted for trading and will be released in three equal portions after six, nine and twelve months from the issuance date.

On December 24, 2014 (hereinafter – "the Closing Date"), all the approvals required for execution of the agreement were received and the Group ceased to control Petrotec.

The fair value of the restricted shares as at the date of the report is $18.5 million.

As a result of the sale, the Group reported a capital loss in its financial statements, in the amount of $5 million.

k. Subsequent to the date of the report and due a lack of sufficient sources of financing for 2015, the Board of Directors of HelioFocus decided to reduce the company's activities and to maintain only a minimum number of personnel until new investors are recruited.

As a result of that stated, the Group examined the amount of its investment in HelioFocus and decided to write down the balance to the amount of about $1.5 million, representing the cash equivalents less the pension liabilities. As a result of the write down, the Group recorded a capital loss of $13,171 thousand.

**Note 11 – Subsidiaries (Cont'd)**

**B. The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI):**

| | As at and for the year ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2013 | | 2012 | |
| | Samay I.S.A | Nicaragua Energy Holding | Kallpa Generacion S.A. | Cerro del Aguila S.A. | Kallpa Generacion S.A. | Cerro del Aguila S.A. | Kallpa Generacion S.A. | Cerro del Aguila S.A. |
| | US$ thousands | | | | | | | |
| NCI percentage | 25.10% | 35.42% | 25.10% | 25.10% | 25.10% | 25.10% | 25.10% | 25.10% |
| Current assets | 138,153 | 52,850 | 83,954 | 128,242 | 71,948 | 72,670 | 109,750 | 9,176 |
| Non-current assets | 102,668 | 172,240 | 645,927 | 662,055 | 541,079 | 378,012 | 557,136 | 221,225 |
| Current liabilities | (18,713) | (23,376) | (153,302) | (25,138) | (113,532) | (30,767) | (80,881) | (21,754) |
| Non-current liabilities | (144,679) | (131,327) | (405,360) | (460,081) | (352,515) | (114,864) | (391,308) | — |
| Net assets | 77,429 | 70,387 | 171,219 | 305,078 | 146,980 | 305,051 | 194,697 | 208,647 |
| Carrying amount of NCI | 19,435 | 24,931 | 42,976 | 76,575 | 36,892 | 76,568 | 48,869 | 52,365 |
| Revenues | — | 124,578 | 436,673 | — | 394,055 | — | 276,341 | — |
| Profit/(loss) | (311) | 4,472 | 53,090 | 6,964 | 43,665 | 264 | 34,798 | 374 |
| Other comprehensive income (loss) | (245) | — | 1,150 | (6,938) | 1,396 | (13,805) | — | — |
| Profit attributable to NCI | (78) | 1,584 | 13,326 | 1,748 | 10,960 | 66 | 8,734 | 94 |
| OCI attributable to NCI | (62) | — | 289 | (1,742) | 350 | (3,465) | — | — |
| Cash flows from operating activities | — | 16,605 | 116,915 | — | 142,495 | — | 54,534 | — |
| Cash flows from investing activities | (88,644) | 19,522 | (26,259) | (247,724) | (16,566) | (178,664) | (41,257) | (166,904) |
| Cash flows from financing activities excluding dividends paid to non-controlling interests | 195,135 | (20,445) | (78,982) | 296,868 | (135,043) | 235,090 | 16,792 | 166,649 |
| Dividends paid to non-controlling interests | — | — | — | — | (23,266) | — | — | — |
| Effect of changes in the exchange rate on cash and cash equivalents | (265) | 411 | (824) | — | (1,245) | — | 1,080 | — |
| Net increase (decrease) in cash equivalents | 106,226 | 16,093 | 10,850 | 49,144 | (33,625) | 56,426 | 31,149 | (255) |

**Note 11 – Subsidiaries (Cont'd)**

**C. Restrictions**

I.C. Power

Inkia's subsidiaries have no restrictions to transfer cash or other assets to the parent company as long as each subsidiary is in compliance with the financial covenants deriving from receipt of credit – see Note 15.

OPC has restrictions to transfer cash or other assets to the parent company up to the third anniversary of Construction Completion occur.

Inkia has restrictions to transfer cash or other assets to the parent company. Pursuant to its senior notes agreement, dividend payments are treated as restricted payments and are subject to mainly the following conditions:

- Inkia is able to incur at least $1.00 of additional indebtedness pursuant to the incurrence covenant test (unconsolidated interest coverage ratio is equal or greater than 2.0 to 1.0); and
- The amount (dividend payments) cannot exceed the sum of: 100% of cumulative consolidated net income of the company accrued on a cumulative basis, beginning on January 1, 2011 to the end of the most recent fiscal quarter for which financial statements have been provided to the Trustee, deducting any non-cash charges or expense (other than depreciation and amortization), non-cash gains and the cumulative effect of changes in accounting principles.

**Note 12 – Deposits, Loans and Other Debit Balances, including Derivative Instruments**

**Composition:**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Deposits in banks and others – restricted cash | 29,700 | 3,963 |
| Financial derivatives not used for hedging | 322 | — |
| Tower-series 9 options (1) | 10,056 | 1,706 |
| Long-term loans (2) | — | 33,767 |
| Other receivables (3) | 34,580 | 40,608 |
| | 74,658 | 80,044 |

(1) 1,669,795 series 9 options of Tower are held by Kenon to purchase 1,699,795 shares of Tower exercisable up to June 27, 2017 at an exercise price of $7.35 per option.
(2) As of December 31, 2013, mainly ZIM's loans to associated companies regarding which the repayment terms have not been determined, bearing PIK interest (mainly Belgium prime + 2%). The interest and the principal will be repaid at the same time.
(3) As of December 31, 2014 and 2013, other receivables correspond mainly to non-current prepaid expenses (connecting to high voltage and gas contract) in O.P.C.

**Note 13 – Property, Plant and Equipment**

**A. Composition**

| | As at December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of year | Additions | Disposals | Impairment | Differences in translation reserves | Companies entering the consolidation | Companies exiting the consolidation | Balance at end of year |
| | US$ thousands | | | | | | | |
| **Cost** | | | | | | | | |
| Land, land development, roads, buildings and leasehold improvements | 297,115 | 24,991 | (511) | — | (4,935) | 7,062 | (43,104) | 280,618 |
| Installations, machinery and equipment | 1,513,921 | 110,413 | (8,704) | — | (58,677) | 259,194 | (36,671) | 1,779,476 |
| Dams | 138,538 | — | (278) | — | — | — | — | 138,260 |
| Office furniture and equipment, motor vehicles and other equipment | 90,788 | 6,803 | (3,129) | — | (1,651) | 3,707 | (53,137) | 43,381 |
| Vessels | 2,317,153 | 3,545 | — | — | — | — | (2,320,698) | — |
| Containers | 683,311 | 3,208 | (11,891) | — | — | — | (674,628) | — |
| | 5,040,826 | 148,960 | (24,513) | — | (65,263) | 269,963 | (3,128,238) | 2,241,735 |
| Plants under construction | 387,773 | 405,771 | (314) | — | (23) | 480 | (4,006) | 789,681 |
| Spare parts for installations | 17,438 | 28,677 | (861) | — | (1,099) | 3,004 | (20,075) | 27,084 |
| | 5,446,037 | 583,408 | (25,688) | — | (66,385) | 273,447 | (3,152,319) | 3,058,500 |
| **Accumulated depreciation** | | | | | | | | |
| Land, land development, roads, buildings and leasehold improvements | 81,719 | 7,538 | (222) | 2,229 | (193) | 52 | (26,650) | 64,473 |
| Installations, machinery and equipment | 360,101 | 94,657 | (2,205) | 17,356 | (3,596) | — | (36,814) | 429,499 |
| Dams | 28,944 | 1,674 | (30) | 14,901 | — | — | — | 45,489 |
| Office furniture and equipment, motor vehicles and other equipment | 58,959 | 5,154 | (1,328) | 187 | (95) | 267 | (42,315) | 20,829 |
| Vessels | 714,828 | 44,017 | — | — | — | — | (758,845) | — |
| Containers | 341,011 | 23,266 | (8,886) | — | — | — | (355,391) | — |
| | 1,585,562 | 176,306 | (12,671) | 34,673 | (3,884) | 319 | (1,220,015) | 560,290 |
| | 3,860,475 | 407,102 | (13,017) | (34,673) | (62,501) | 273,128 | (1,932,304) | 2,498,210 |
| Prepayments on account of property, plant & equipment | — | | | | | | | 4,577 |
| | 3,860,475 | | | | | | | 2,502,787 |

**Note 13 – Property, Plant and Equipment (Cont'd)**

| | As at December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of year | Additions | Disposals | Transfers and reclassifications | Differences in translation reserves | Companies entering the consolidation | Companies exiting the consolidation | Balance at end of year |
| | US$ thousands | | | | | | | |
| **Cost** | | | | | | | | |
| Land, land development, roads, buildings and leasehold improvements | 292,559 | 10,278 | (62) | 35,129 | 3,792 | 1,618 | (46,199) | 297,115 |
| Installations, machinery and equipment | 993,760 | 58,561 | (5,366) | 408,362* | 34,893 | 23,711 | — | 1,513,921 |
| Dams | 138,538 | — | — | — | — | — | — | 138,538 |
| Office furniture and equipment, motor vehicles and other equipment | 102,240 | 22,570 | (8,605) | — | 590 | 49 | (26,056) | 90,788 |
| Vessels | 2,341,404 | 645 | (24,896) | — | — | — | — | 2,317,153 |
| Containers | 797,413 | 9,773 | (123,875) | — | — | — | — | 683,311 |
| | 4,665,914 | 101,827 | (162,804) | 443,491 | 39,275 | 25,378 | (72,255) | 5,040,826 |
| Plants under construction | 615,514 | 196,674 | — | (424,415)* | — | — | — | 387,773 |
| Spare parts for installations | 7,896 | 27,056 | (26) | (19,076) | 234 | 1,354 | — | 17,438 |
| | 5,289,324 | 325,557 | (162,830) | — | 39,509 | 26,732 | (72,255) | 5,446,037 |
| **Accumulated depreciation** | | | | | | | | |
| Land, land development, roads, buildings and leasehold improvements | 83,307 | 7,997 | (584) | — | 356 | — | (9,357) | 81,719 |
| Installations, machinery and equipment | 291,900 | 68,201 | (1,924) | — | 1,924 | — | — | 360,101 |
| Dams | 27,206 | 1,738 | — | — | — | — | — | 28,944 |
| Office furniture and equipment, motor vehicles and other equipment | 69,897 | 6,035 | (2,174) | — | (62) | — | (14,737) | 58,959 |
| Vessels | 639,755 | 89,528 | (14,455) | — | — | — | — | 714,828 |
| Containers | 355,972 | 50,782 | (65,743) | — | — | — | — | 341,011 |
| | 1,468,037 | 224,281 | (84,880) | — | 2,218 | — | (24,094) | 1,585,562 |
| | 3,821,287 | 101,276 | (77,950) | — | 37,291 | 26,732 | (48,161) | 3,860,475 |
| Prepayments on account of property, plant & equipment | 101,685 | | | | | | | — |
| | 3,922,972 | | | | | | | 3,860,475 |

(*) Reclassification

**Note 13 – Property, Plant and Equipment (Cont'd)**

**B. Depreciated balances**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Land, land development, roads, buildings and leasehold improvements | 216,145 | 215,396 |
| Installations, machinery and equipment | 1,349,977 | 1,153,820* |
| Dams | 92,771 | 109,594 |
| Office furniture and equipment, motor vehicles and other equipment | 22,552 | 31,829 |
| Vessels | — | 1,602,325 |
| Containers | — | 342,300 |
| Plants under construction | 789,681 | 387,773* |
| Spare parts for installations | 27,084 | 17,438 |
| | 2,498,210 | 3,860,475 |

(*) Reclassification

**C.** During the period ended December 31, 2014, I.C.Power acquired assets with a cost of $576,588 thousand, mainly for the construction of the Cerro del Aguila and Samay I projects, the acquisition of Las Flores power plant, and $272,865 thousand in connection with AEI Nicaragua Holdings Ltd, AEI Jamaica Holdings Ltd, AEI Guatemala Holdings Ltd and Surpetroil business combinations, see note 11.A.1.6.

Cerro del Aguila (CDA) is a run-of-the-river hydroelectric project on the Mantaro River located in Huancavelica, in central Peru. The plant will have an installed capacity of 510 MW. Construction of the hydroelectric plant is underway (approximately 64% advanced as of December 31, 2014). It is expected that CDA will commence commercial operation during the second half of 2016 and it is estimated to cost approximately $910,000 thousand, including a $50,000 thousand budget for contingencies. The CDA Project is financed with a $591,000 thousand syndicated credit facility, representing 65% of the total estimated cost of the project, with export credit agencies, development banks and private banks, and is collateralized by the assets of the project. The remaining 35% of the CDA Project's cost has been financed with equity from each of Inkia and Energía del Pacífico, in proportion to their ownership interests in CDA.

On November 29, 2013, Samay I won a public bid auction conducted by the Peruvian Investment Promotion Agency to build an open cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600 MW at an estimated cost of $380,000 thousand, approximately 80% of which is to be financed with a $311,000 thousand seven-year syndicated secured loan agreement with Bank of Tokyo, Sumitomo and HSBC and approximately 20% of which has been financed with equity from each of Inkia and Energía del Pacífico. Samay I's agreement with the Peruvian government is for a 20-year period, with fixed monthly capacity payments and pass-through of all variable costs. Construction of Samay I's thermoelectric plant is in its early stages and it is expected that Samay I will commence commercial operations in mid-2016, in accordance with the terms of its agreement with the Peruvian government.

In April 2014, Kallpa Generacion S.A., a subsidiary of Inkia, completed its $114,000 thousand purchase of the 193 MW single turbine natural gas fired plant "Las Flores", located in Chilca, Peru. Las Flores, which commenced its commercial operation in May 2010, permits for a future 190 MW gas-fired expansion and has sufficient space to locate such a facility, as well as a combined cycle expansion, on its existing premises.

**D.** In I.C. Power, property, plant and equipment includes assets acquired through financing leases. As at December 31, 2014 and 2013, the cost and corresponding accumulated depreciation of such assets are as follows:

| | US$ thousands | | | | | |
|---|---|---|---|---|---|---|
| | As of December 31, 2014 | | | As of December 31, 2013 | | |
| | Cost | Accumulated depreciation | Net cost | Cost | Accumulated depreciation | Net cost |
| Land and buildings | 42,280 | (4,488) | 37,792 | 29,880 | (3,509) | 26,371 |
| Plant and equipment | 277,272 | (88,679) | 188,593 | 178,516 | (72,409) | 106,107 |
| | 319,552 | (93,167) | 226,385 | 208,396 | (75,918) | 132,478 |

**Note 14 – Intangible Assets**

**A. Composition:**

| | Goodwill | Customer relationship* | Technology* | Software | Others ** | Total |
|---|---|---|---|---|---|---|
| | US$ thousands | | | | | |
| **Cost** | | | | | | |
| Balance as at January 1, 2013 | 88,028 | 16,601 | 50,476 | 107,954 | 28,618 | 291,677 |
| Acquisitions as part of business combinations | — | — | — | — | 2,503 | 2,503 |
| Acquisitions – self development | — | — | 12 | 7,026 | 8,757 | 15,795 |
| Sales | — | — | — | (28) | (2,194) | (2,222) |
| Exit from consolidation | — | — | — | (109) | — | (109) |
| Translation differences | (2,378) | — | 46 | 12 | 1 | (2,319) |
| Balance as at December 31, 2013 | 85,650 | 16,601 | 50,534 | 114,855 | 37,685 | 305,325 |
| Acquisitions as part of business combinations | 25,765 | 24,473 | — | 137 | 5,708 | 56,083 |
| Acquisitions – self development | — | — | — | 2,939 | 15,537 | 18,476 |
| Sales | — | — | — | (196) | — | (196) |
| Exit from consolidation | (28,367) | — | (50,534) | (116,142) | (5,472) | (200,515) |
| Translation differences | (1,564) | — | — | (71) | 1 | (1,634) |
| Balance as at December 31, 2014 | 81,484 | 41,074 | — | 1,522 | 53,459 | 177,539 |
| **Amortization and impairment** | | | | | | |
| Balance as at January 1, 2013 | 12,927 | 7,781 | 46,023 | 56,752 | 7,171 | 130,654 |
| Amortization for the year | 4 | 1,415 | 631 | 11,226 | 1,319 | 14,595 |
| Eliminations | — | — | — | (80) | (2,194) | (2,274) |
| Translation differences | — | — | 782 | (15) | — | 767 |
| Balance as at December 31, 2013 | 12,931 | 9,196 | 47,436 | 67,883 | 6,296 | 143,742 |
| Amortization for the year | — | 3,395 | 843 | 5,513 | 747 | 10,498 |
| Acquisitions – business combination | — | — | — | 109 | — | 109 |
| Sales | — | — | — | (196) | — | (196) |
| Exit from consolidation | (12,931) | — | (48,986) | (72,582) | (3,012) | (137,511) |
| Impairment | 15,537 | — | — | — | — | 15,537 |
| Translation differences | — | — | 707 | (18) | — | 689 |
| Balance as at December 31, 2014 | 15,537 | 12,591 | — | 709 | 4,031 | 32,868 |
| **Carrying value** | | | | | | |
| As at January 1, 2013 | 75,101 | 8,820 | 4,453 | 51,202 | 21,447 | 161,023 |
| As at December 31, 2013 | 72,719 | 7,405 | 3,098 | 46,972 | 31,389 | 161,583 |
| As at December 31, 2014 | 65,947 | 28,483 | — | 813 | 49,428 | 144,671 |

* Comprise mainly identified intangible assets as a result of the business combination such as the acquisition of “customer relationships” and others in the purchase of its subsidiaries and associates.

** The 2014 and 2013 additions in the caption “others” include mainly development cost. Expenditures incurred in the design and evaluation of future power plant facilities in the countries in which the Company currently operates. These projects have different level of advance such as: temporal concessions, environmental impact studies in process and others.

As of December 31, 2014, balance of “others” intangible assets mainly corresponds to cost incurred in the construction and improvements of public access roads in connection with CDA project.

**Note 14 – Intangible Assets (Cont'd)**

**B. The total carrying amounts of intangible assets with a finite useful life and with an indefinite useful life or not yet available for use**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Intangible assets with a finite useful life | 30,002 | 58,929 |
| Intangible assets with an indefinite useful life or not yet available for use | 114,669 | 102,654 |
| | 144,671 | 161,583 |

**C. Examination of impairment of cash generating units containing goodwill**

For the purpose of testing impairment goodwill is allocated to the Group's cash-generating units that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to the cash-generating units is as follows:

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| **Goodwill** | | |
| I.C. Power and its subsidiaries | 60,029* | 51,627 |
| ZIM and its subsidiaries | — | 15,174 |
| Other | 5,918 | 5,918 |
| | 65,947 | 72,719 |

* Goodwill arises from the following Group entities in I.C Power (cash generating unit):

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Nejapa Power Company LLC and Compañia de Energía de Centroamerica S.A. de C.V. | 40,693 | 40,693 |
| Kallpa Generación S.A. | 10,934 | 10,934 |
| Surpetroil S.A.C. | 8,402 | — |
| | 60,029 | 51,627 |

The recoverable amount of each CGU is based on the estimated value in use using discounted cash flows. The cash flows are derived from the 5-year budget approved by the Board of Directors and its Shareholders.

The key assumptions used in the estimation of the recoverable amount are set below. The values assigned to key assumptions represent management's assessment of future trends in the power sector and have been based on historic data from external and internal sources.

| | 2014 | 2013 |
|---|---|---|
| **Discount rate** | In percent | |
| Peru | 6.9 | 7.6 |
| El Salvador | 9.2 | 9.7 |
| Colombia | 11.1 | — |
| Terminal value growth rate | 2.0 | 2.0 |

The discount rate is a post-tax measure based on the characteristics of each CGU with a possible debt leveraging of 43% in 2014 and of 40% in 2013.

**Note 14 – Intangible Assets (Cont'd)**

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long term inflation.

In addition to the discount and growth rates, the key assumptions used to estimate future cash flows, based on past experience and current sector forecasts, are as follows:

- Existing power purchase agreements (PPAs) signed
- Investment schedule - The management has used the updated investment schedule in countries in which those companies operate, in order that the supply satisfies the demand growth in an efficient manner.
- The production mix of each country was determined using specifically-developed internal forecast models that consider factors such as prices and availability of commodities, forecast demand of electricity, planned construction or the commissioning of new capacity in the country's various technologies.
- Fuel prices have been calculated based on existing supply contracts and on estimated future prices including a price differential adjustment specific to every product according to local characteristics.
- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models for each country.
- Demand - Demand forecast has taken into consideration the best economic performance as well as growth forecasts of different sources.
- Technical performance- The forecast take into consideration that the power plants have an appropriate preventive maintenance that permits their proper functioning.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

**Note 15 – Loans and Credit from Banks and Others**

This Note provides information regarding the contractual conditions of the Group's interest bearing loans and credit, which are measured based on amortized cost. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risk is provided in Note 30, in connection with financial instruments.

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013** |
| | US$ thousands | |
| **Current liabilities** | | |
| Short-term credit: | | |
| Short-term loans from financial institutions | 58,137 | 228,475 |
| Long-term liabilities reclassified to short-term* | — | 1,505,000 |
| | 58,137 | 1,733,475 |
| Current maturities of long-term liabilities: | | |
| Loans from financial institutions | 56,757 | 181,027 |
| Non-convertible debentures | 17,010 | 32,584 |
| Liability in respect of financing lease | 29,582 | 81,421 |
| Other | — | 96,932 |
| | 103,349 | 391,964 |
| Total current liabilities | 161,486 | 2,125,439 |
| **Non-current liabilities** | | |
| Non-convertible debentures | 703,952 | 669,724 |
| Loans from banks and financial institutions | 1,373,245 | 882,606 |
| Other long-term balances | 48,486 | 325,061 |
| Liability in respect of financing lease | 193,538 | 441,160 |
| Total other long-term liabilities | 2,319,221 | 2,318,551 |
| Less current maturities | (103,349) | (391,964) |
| Total non-current liabilities | 2,215,872 | 1,926,587 |

* Long-term loans and other liabilities that were reclassified from long-term to short-term (see Note 15.C.1) are presented in Section A below based on the expected repayment dates, which would have been required if they had not been reclassified to short-term.

** ZIM's debentures and unsecured debt were annulled as part of ZIM's debt restructuring.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

**Composition of I.C. Power loans from Banks and Others**

| | Nominal Annual Interest rate | Maturity | As at December 31, 2014 US$ thousands Current | As at December 31, 2014 US$ thousands Non-Current | As at December 31, 2013 US$ thousands Current | As at December 31, 2013 US$ thousands Non-Current |
|---|---|---|---|---|---|---|
| **Short-term loans from banks** | | | | | | |
| Ceep | | | | | | |
| Various entities | 3.25 - 4.00% | 2014/2015 | 5,000 | — | 22,850 | — |
| Kallpa Generación | | | | | | |
| Banco de Crédito del Perú | 1.15% | 2015 | 29,107 | — | — | — |
| Cobee | | | | | | |
| Various entities | 5.00%-7.00% | 2014/2015 | 12,503 | — | 7,601 | — |
| Acter | | | | | | |
| Credit Suisse (D) | LIBOR + 4% | 2014 | — | — | 122,073 | — |
| Surpetroil | | | | | | |
| Various entities | 3.10 - 3.93% | 2015 | 1,527 | — | — | — |
| PQP | | | | | | |
| Banco Industrial Guatemala | 4.75% | 2015 | 10,000 | — | — | — |
| Subtotal | | | 58,137 | — | 152,524 | — |
| **Loans from Banks and others** | | | | | | |
| Financial institutions: | | | | | | |
| Cobee | | | | | | |
| Various entities | TRE+4.75-TRE+6.0% | 2014 | — | — | 678 | — |
| Kallpa Generación (E) | | | | | | |
| Syndicated Loan – Various entities | LIBOR+5.75% | 2019 | 13,895 | 58,663 | 13,788 | 72,559 |
| Central Cardones (F) | | | | | | |
| Tranche One | | | | | | |
| BCI / Banco Itaú | LIBOR+1.9% | 2021 | 3,276 | 25,536 | 3,024 | 28,812 |
| Tranche Two | | | | | | |
| BCI / Banco Itaú | LIBOR+2.8% | 2017 | — | 19,384 | — | 19,384 |
| Cerro del Aguila (G) | | | | | | |
| Tranch A | LIBOR+4.25% | 2024 | — | 257,022 | — | 62,792 |
| Tranche B | LIBOR+4.25% | 2024 | — | 138,396 | — | 33,811 |
| Tranche 1D | LIBOR+4.25% | 2024 | — | 31,766 | — | 7,761 |
| Tranche 2D | LIBOR+2.75% | 2024 | — | 17,105 | — | 4,179 |
| Samay I (H) | | | | | | |
| Sumitomo /HSBC / Bank of Tokyo | LIBOR+2.125% | 2021 | — | 144,636 | — | — |
| Colmito (I) | | | | | | |
| Banco Bice | 7.90% | 2028 | 622 | 19,176 | — | — |
| Empresa Energética Corinto, Ltd. | | | | | | |
| Banco de América Central (BAC) | 8.35% | 2018 | 2,634 | 9,392 | — | — |
| Tipitapa Power Company, Ltd. | | | | | | |
| Banco de América Central (BAC) | 8.35% | 2018 | 1,951 | 5,781 | — | — |
| Consorcio Eólico Amayo, S.A.(J) | | | | | | |
| Banco Centroamericano de Integración Económica | 8.45% - LIBOR+4% | 2023 | 4,533 | 47,147 | — | — |
| Consorcio Eólico Amayo (Fase II), S.A.(K) | | | | | | |
| Various entities | LIBOR+5.75, 8.53%, 10.76% | 2025 | 2,838 | 34,209 | — | — |
| Jamaica Private Power Company | | | | | | |
| Royal Bank of Canada | LIBOR + 5.50% | 2017 | 2,983 | 3,990 | — | — |
| Burmeister & Wain Scandinavian Contractor A/S | 3.59% | 2018 | 315 | 897 | — | — |
| Surpetroil S.A.S. | | | | | | |
| Banco Corpbanca Colombia S.A. | DTF + 3.9% | 2015 | 135 | — | — | — |

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

| | Nominal Annual Interest rate | Maturity | As at December 31, 2014 US$ thousands Current | As at December 31, 2014 US$ thousands Non-Current | As at December 31, 2013 US$ thousands Current | As at December 31, 2013 US$ thousands Non-Current |
|---|---|---|---|---|---|---|
| PQP (i) | | | | | | |
| Banco Industrial | LIBOR + 4.50% | 2019 | 4,757 | 17,034 | — | — |
| OPC Rotem Ltd | | | | | | |
| Lenders Consortium (M) | 4.85% - 5.36% | 2030 | 18,818 | 381,246 | 19,459 | 448,681 |
| Dalkia Israel Ltd. (N) | | 2016 | — | 19,060 | — | 19,012 |
| IC Israel Ltd (O) | | | | | | |
| Facility A - Amitim and Menora | | | | | | |
| Pension Funds | 4.85%/7.75% | 2017 | — | 39,902 | — | — |
| Facility B - Amitim and Menora | | | | | | |
| Pension Funds | 7.75% | 2029 | — | 53,203 | — | — |
| IC Power Ltd | | | | | | |
| Bank Hapoalim New York | 1.25% | 2016 | — | 12,003 | — | — |
| | | | 56,757 | 1,335,548 | 36,949 | 696,991 |
| Liabilities in respect of finance leases: | | | | | | |
| Kallpa Generación | | | | | | |
| Banco de Crédito del Perú/ Citibank (P) | LIBOR+3.00% | 2016 | 8,901 | 2,335 | 8,242 | 11,235 |
| Banco de Crédito del Perú (Q) | 6.55% | 2017 | 6,473 | 28,667 | 6,399 | 35,141 |
| Scotiabank Perú (R) | 7.57% | 2018 | 7,140 | 37,755 | 7,065 | 44,895 |
| Banco de Crédito del Perú (S) | 7.15% | 2023 | 6,624 | 94,440 | — | — |
| Surpetroil S.A.S. | | | | | | |
| Banco de Occidente S.A. | DTF + 3.5% | 2017 | 444 | 759 | — | — |
| | | | 29,582 | 163,956 | 21,706 | 91,271 |
| Subtotal | | | 86,339 | 1,499,504 | 58,655 | 788,262 |
| Debentures | | | | | | |
| Cobee | | | | | | |
| Bonds Cobee II (T) | 9.40% | 2015 | 6,803 | — | 6,800 | 6,803 |
| Bonds Cobee III-1A (U) | 5.00% | 2014 | — | — | 4,000 | — |
| Bonds Cobee III-1B (U) | 6.50% | 2017 | — | 3,500 | — | 3,500 |
| Bonds Cobee III-1C (bolivianos) (U) | 9.00% | 2020 | — | 6,343 | — | 6,344 |
| Bonds Cobee III-2 (U) | 6.75% | 2017 | — | 5,000 | — | 5,000 |
| Bonds Cobee III-3 (U) | 7.00% | 2022 | — | 6,160 | — | 6,160 |
| Bonds Cobee IV – 1A (V) | 6.00% | 2018 | — | 3,967 | — | — |
| Bonds Cobee IV – 1B (V) | 7.00% | 2020 | — | 3,964 | — | — |
| Bonds Cobee IV – 1C (V) | 7.80% | 2024 | — | 12,020 | — | — |
| Cobee Bonds- IV Issuance 3 (V) | 6.70% | 2019 | — | 4,950 | — | — |
| Cobee Bonds- IV Issuance 4 (V) | 7.80% | 2024 | — | 15,029 | — | — |
| Kallpa Generación | | | | | | |
| Kallpa Bonds (W) | 8.50% | 2022 | 10,207 | 149,105 | 6,768 | 159,311 |
| Inkia Energy Ltd | | | | | | |
| Inkia Bonds (X) | 8.38% | 2021 | — | 447,357 | — | 447,014 |
| Cepp | | | | | | |
| Cepp Bonds (Z) | 6.00 - 7.75% | 2014/2019 | — | 24,755 | 15,000 | — |
| | | | 17,010 | 682,150 | 32,568 | 634,132 |
| Cobee | | | | | | |
| Cobee Bonds (Premium) | | 2014 - 2024 | — | 4,792 | 16 | 3,008 |
| Subtotal | | | 17,010 | 686,942 | 32,584 | 637,140 |
| **Total** | | | **161,486** | **2,186,446** | **243,763** | **1,425,402** |

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

**A. Classification based on currencies and interest rates**

| | Weighted-average interest rate 12/31/14 % | As at December 31 2014 US$ thousands | As at December 31 2013 US$ thousands |
|---|---|---|---|
| **Current liabilities (without current maturities)** | | | |
| **Short-term loans from financial institutions** | | | |
| In dollars | 4.43 | 15,000 | 194,948 |
| In euro | — | — | 8,838 |
| In other currencies | 2.59 | 43,137 | 24,689 |
| | | 58,137 | 228,475 |
| **Long-term liabilities (including current maturities)** | | | |
| **Non-convertible debentures** | | | |
| In CPI-linked shekels (ZIM) | — | — | 191,607 |
| In dollars | 8.17 | 661,200 | 694,659 |
| In other currencies | 6.12 | 42,752 | 14,620 |
| | | 703,952 | 900,886 |
| **Loans from financial institutions** | | | |
| In dollars | 5.10 | 860,145 | 1,541,087 |
| In unlinked shekels | 5.69 | 493,169 | 468,275 |
| In other currencies | 7.87 | 19,931 | 1,438 |
| | | 1,373,245 | 2,010,800 |
| | | 2,077,197 | 2,911,686 |

**B. Liability in respect of financing lease**

Information regarding the financing lease liability broken down by payment dates is presented below: [1]

| | As at December 31, 2014 | | | As at December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Minimum future lease rentals | Interest component | Present value of minimum lease rentals | Minimum future lease rentals | Interest component | Present value of minimum lease rentals |
| | US$ thousands | | | | | |
| Less than one year | 40,722 | 11,140 | 29,582 | 115,558 | 34,137 | 81,421 |
| From one year to five years | 153,396 | 33,122 | 120,274 | 388,998 | 87,428 | 301,570 |
| More than five years | 48,725 | 5,043 | 43,682 | 171,335 | 32,965 | 138,370 |
| | 242,843 | 49,305 | 193,538 | 675,891 | 154,530 | 521,361 |

[1] Long-term financing leases in ZIM, in the amount of $80 million, which were classified as at December 31, 2013, as short-term, are presented based on the repayment dates provided in the agreements that would have been required if they had not been reclassified to short-term.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

Under the terms of the lease agreements, no contingent rents are payable.

ZIM signed lease contracts classified as a finance lease in respect of vessels and containers. The lease term for the containers ranges between 5 and 15 years. Based on most of the lease contracts for containers, ZIM has an option to acquire the containers at a price expected to be lower than the fair value on the date the option may be exercised.

**C. Restrictions on the entity due to receipt of credit**

**1. ZIM**

As at December 31, 2013, ZIM was not in compliance with the relevant financial covenants. As a result, long-term debentures, loans and liabilities, in the amount of $1,505 million, were reclassified to short term, in accordance with IAS 1 "Presentation of Financial Statements". As described in Note 10.C.a., ZIM finalized the restructuring of its equity and debt, and, in connection therewith, its previous covenants were annulled.

**2. I.C. Power**

Set forth below is information regarding the main financial covenants determined for I.C. Power and its subsidiaries, as part of the loan agreements:

| I.C. Power companies | Debt service to coverage ratio | Minimum leverage | Hedge of interest rate |
|---|---|---|---|
| Kallpa Generacion S.A. | Not less than 1.2 | Not more than 3.0 | Required |
| COBEE (Bonds) | Greater than or equal to 1.2 | Less than or equal to 1.2 | Not required |
| Central Cardones | Greater than or equal to 1.1 | Not required | Not required |
| JPPC | Not less than 1.1 | Not more than 0.4 | Not required |
| Amayo (Nicaragua) | Not less than 1.25 | Not more than 3.33 | Not required |
| Corinto (Nicaragua) | Not required | Not less than 3.25 until December 31, 2014, than 3.00 until December 31, 2015, than 2.50 until December 31, 2016 and 2.00 thereafter. | Not required |
| Tipitapa (Nicaragua) | Not required | Not less than 3.00 until December 31, 2014, than 2.75 until December 31, 2015 and 2.00 thereafter | Not required |
| O.P.C Rotem | Greater than or equal to 1.10 (for distribution of a dividend – greater than or equal to 1.25 and restriction of 3 years from the construction completion) | Not required | Not required |

As at December 31, 2014 and December 31, 2013, I.C. Power and its subsidiaries were in compliance with the required financial covenants as stated above.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

**D. Debentures**

a. *Bonds Cobee II* - In October 2008, COBEE a consolidated company of IC Group issued and sold in the Bolivian market $20,403 thousand aggregate principal amount of its 9.40% notes due 2015 Interest is escrowed monthly by the trustee and is paid semiannually. Principal on these notes is payable in three equal installments in 2013, 2014 and 2015. As of December 31, 2014, the aggregate outstanding principal amount under these bonds was $6,803 thousand ($13,603 thousand as of December 31, 2013).

b. *Bonds Cobee III* - In February 2010, COBEE approved a bond program under which it is permitted to offer bonds in aggregate principal amounts of up to $ 40,000 thousand in multiple series. On March 12, 2010, COBEE issued and sold in the Bolivian market three series of notes in the aggregate principal amount of $13,844 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were $17,251 thousand. The Series A Notes, in the aggregate principal amount of $4,000 thousand pay interest semi-annually at the rate of 5.00% per annum through maturity in February 2014. Principal on these notes is payable at maturity. The Series B Notes, in the aggregate principal amount of $3,500 thousand, pay interest semi-annually at the rate of 6.50% per annum through maturity in February 2017. Principal on these notes will be paid in two equal annual installments commencing in February 2016. The Series C Notes, in the principal amount of Bs.44.2 million ($6,343 thousand), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

In April 2012, COBEE issued and sold two additional series of notes in the aggregate principal amount of $11,160 thousand. The aggregate gross proceeds of these notes, which were issued at premium, were $12,919 thousand. COBEE will amortize the premium reducing the interest expense related to these notes. The first series of these notes, in the aggregate of $5,000 thousand pays interest semi-annually at the rate of 6.75% per annum through maturity in April 2017. Principal on these notes is payable at maturity. The second series of these notes in the aggregate principal amount of Bs.43 million ($6,160 thousand), pays interest semi-annually at the rate of 7% per annum through maturity in February 2022. These funds were used mainly to pay a tranche of Bolivian bonds due in June 2012.

c. *Bonds Cobee IV* - In May 2013, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to $60,000 thousand in multiple series. In February 2014, COBEE issued and sold three series of notes in the aggregate principal amount of $19,934 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were $20,617 thousand. The Series A Notes, in the aggregate principal amount of $3,967 thousand pay interest semi-annually at the rate of 6.0% per annum through maturity in January 2018. The Series B Notes, in the aggregate principal amount of $3,964 thousand pay interest semi-annually at the rate of 7.0% per annum through maturity in January 2020. The Series C Notes, in the aggregate principal amount of Bs.84 million ($12,020 thousand) pay interest semi-annually at the rate of 7.8% per annum through maturity in January 2024.

In November 2014, COBEE issued and sold two series of notes in the aggregate principal amount of $20,086 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were $22,100. The first series of these Notes, in the aggregate principal amount of $4,950 thousand pay interest semi-annually at the rate of 6.70% per annum through maturity in October 2019. The second series of these notes in the aggregate principal amount of Bs.105 million ($15,029 thousand) pay interest semi-annually at the rate of 7.80% per annum through maturity in October 2024.

d. *Kallpa Bonds* - In November 2009, Kallpa issued $172,000 thousand aggregate principal amount of its 8.5% Bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the date of issue. Kallpa received proceeds of these bonds in the aggregate amount of $36,120 thousand and $116,960 thousand in 2010 and 2011, respectively. The proceeds of these bonds are being used for capital expenditures related to Kallpa's combined-cycle plant. Interest on these bonds accrues based on the principal received by Kallpa and is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds commenced in May 2014 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and related assets. As of December 31, 2014, the aggregate outstanding principal amount of these bonds was $159,312 thousand ($166,079 thousand as of December 31, 2013).

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

e. *Inkia Bonds* - On April 4, 2011, Inkia issued senior unsecured notes for an aggregate principal amount of $300,000 thousand in the international capital market under the rule 144A Regulation S. These notes accrue interest at a rate of 8.375% and will be payable semi-annually with final maturity in April 2021 and were recognized initially at fair value plus any directly attributable transaction costs. The proceeds from this issue were used mainly to finance Inkia's equity contribution in the development of Cerro del Aguila Project and to repurchase all of the Inkia Bonds.

On September 9, 2013, Inkia reopened its 8.375% senior notes due 2021 for an aggregate principal amount of $ 150,000 thousand. The new notes have terms and conditions identical to the initial $300,000 thousand notes issued on April 4, 2011 and were issued at 104.75% plus accrued interest from April 4, 2013, resulting in gross proceeds of $ 157,125 thousand plus $5,653 thousand of accrued interest. The proceeds from this issue will be used mainly for working capital and general corporate purposes. Subsequent to initial recognition, these notes are measured at amortized cost using the effective interest method. As of December 31, 2014, the outstanding principal amount under these notes was $447,357 thousand ($447,014 thousand as of December 31, 2013).

On September 16, 2014, Inkia received the consents from holders of a majority of its outstanding US$450,000 thousand Senior Notes due 2021, in connection with its previously announced solicitation of Consents to certain proposed amendments to the Indenture, dated as of April 4, 2011.

f. In December 2010, CEPP approved a program bond offering under which CEPP is permitted to offer bonds in aggregate principal amount of up to $25,000 thousand in multiple series. In 2011 and 2010, CEPP issued and sold $ 20,326 thousand and $4,674 thousand of its 7.75% Bonds. CEPP used the proceeds of this offering to finance its continuing operations and repay intercompany debt. Interest on these bonds is payable monthly and principal of these bonds is due at maturity in May 2014. During the first quarter of 2014, CEPP issued and sold $25,000 thousand of its 6.00% Bonds due in December 2018. Part of these funds was used to prepay $15,000 thousand of its 7.75% Bonds outstanding due in May 2014. As of December 31, 2014, the outstanding principal amount net of transaction costs under these notes was $24,755 thousand ($15,000 thousand as of December 31, 2013).

**E. Loans**

Short-term loans from banks

*Credit Suisse* - On December 20, 2013, Inkia Holdings Acter, together with certain of its subsidiaries, executed a one-year secured credit agreement with Credit Suisse AG in an aggregate principal amount of $ 125,000 thousand. The loan under this facility bears interest on a quarterly basis at LIBOR plus a margin of 4% per annum and was secured with the shares of certain of Inkia's subsidiaries: Latin America Holding I, Ltd., Latin America Holding II, Ltd. and Southern Cone Power Ltd.

As of December 31, 2013, the outstanding balance under this facility was $125,000 thousand. ($122,073 thousand. net of transaction costs). In August 2014, in connection with Inkia's recent sale of its indirect equity interest in Edegel, Inkia repaid $126,028 thousand to Credit Suisse, representing the aggregate principal amount of debt outstanding under this facility, plus accrued interest.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

Loans from banks and others

a. *Kallpa Syndicated Loan* - In November 2009, Kallpa entered into a secured credit agreement in the aggregate amount of $105,000 thousand to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs. The loan under this credit agreement bear interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in October 2019. Scheduled amortizations of principal are payable monthly commencing in February 2013 through maturity in October 2019. As of December 31, 2014, the outstanding principal amount under this credit agreement was $72,558 thousand.

b. In connection with Inkia´s acquisition of Central Cardones in December 2011, Inkia consolidated the amounts outstanding under Central Cardones' credit agreement entered with Banco de Crédito e Inversiones and Banco Itaú Chile. The loans under this credit agreement were issued in two tranches of $37,296 thousand and $20,884 thousand, respectively. Loans under the first tranche bear interest at the rate of LIBOR plus 1.9% per annum, and the principal of this tranche is payable in 20 semi-annual installments through maturity in August 2021. Loans under the second tranche bear interest at the rate of LIBOR plus 2.75% per annum, interest is payable semi-annually, and the loan matures in February 2017. As of December 31, 2014, the outstanding principal amount under these loans was $48,196 thousand.

c. In August 2012, CDA, as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, Sumitomo Mitsui Banking Corporation, as SACE agent, the Bank of Nova Scotia, as Offshore Collateral Agent, Scotiabank Peru, S.A.A., as onshore collateral agent, and certain financial institutions, as lenders, entered into a senior secured syndicated credit facility for an aggregate principal amount not to exceed $591,000 thousand to finance the construction of CDA's project. Loans under this facility will be disbursed in three tranches.

The loans under this credit agreement are secured by CDA's power plant and related assets, comprise three tranches and bear interest payable on quarterly basis in arrears at a rate of LIBOR plus a margin. The margin applicable to each tranche is as follows:

| Tranche | Amount* US$ thousands | From July 2014 To August 2017 | From August 2017 To August 2020 | From august 2020 To august 2023 | From august 2023 To august 2024 |
|---|---|---|---|---|---|
| A | 341,843 | 4.25% | 4.75% | 5.25% | 5.50% |
| B | 184,070 | 4.25% | 5.00% | 5.75% | 6.25% |
| D | 65,000 | 2.75% | 3.25% | 3.60% | 3.60% |

* Up to

Tranche A loans under this facility, in an aggregate principal amount of up to $381,843 thousand, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 5.50% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche A loans will be payable in 33 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche A loans will be guaranteed by Corporación Financiera de Desarollo S.A. (COFIDE).

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

Tranche B loans under this facility, in an aggregate principal amount of up to $184,070 thousand, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 6.25% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche B loans will be payable on August 17, 2024. Tranche B loans will be guaranteed by COFIDE.

Tranche D loans under this facility, in an aggregate principal amount of up to $65,000 thousand, are divided in two parts: Tranche 1D, in an aggregate principal amount of up to $42,250 thousand and Tranche 2D, in an aggregate principal amount of up to $22,750 thousand. Both parts will initially bear interest at the rate of LIBOR plus 2.75% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 3.60% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of Tranche 1D and Tranche 2D will be payable in 33 and 12 quarterly installments, respectively. Tranche 1D payments will commence on the first quarterly payment date occurring after the project acceptance by CDA and Tranche 2D payments will commence 33 quarters after project acceptance by CDA. All Tranche D loans will be secured by a credit insurance policy provided by SACE S.p.A. – Servizi Assicurativi del Commercio Estero, or SACE.

CDA received proceeds from these facilities in the aggregate amount of $462,000 thousand ($319,000 thousand and $143,000 during 2014 and 2013, respectively). This amount is shown net of $17,711 thousand of transaction costs.

d. In December 2014, Samay I S.A. signed a project finance credit agreement with The Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation and HSBC Bank in order to finance $311,000 thousand, approximately 80% of the total cost of the project. This loan bears an interest rate of LIBOR plus 2.125%. On December 18, 2014 Samay entered into an interest rate swap closing at a fixed interest rate of 0.794% for 40% of total notional and only during the construction period. During 2014, Samay received $153,000 thousand under this facility. This amount is shown net of $8,364 thousand of transaction costs.

e. In January 2014, Colmito Spa signed a credit agreement with Banco Bice in an aggregate amount of Chilean pesos 12,579,160 thousand ($22,600 thousand). This loan bears an interest rate of 7.9% in Chilean pesos and is paid semiannually. In February 2014 Colmito entered into a cross currency swap closing at a fixed interest rate of 6.025% in U.S. Dollars. As of December 31, 2014, the outstanding principal amount under this loan was $20,226 thousand.

As of result of the business combinations described in Note 11.A.1.6., Inkia assumed the following main long-term loans:

f. *Consorcio Eolico Amayo S.A.* – In October 2007, Amayo I entered into a 15 year $71,250 thousand loan agreement with Banco Centroamericano de Integración Economica (CABEI). This loan is secured by a first degree mortgage over all the improvements executed on Amayo I´s project site, cessation of all the project contracts and the creation and maintenance of a reserve account for $2,400 thousand, to be controlled by CABEI. Part of this loan ($50,343 thousand) bears an interest rate of 8.45% and the other part ($20,907 thousand) an interest rate of LIBOR+4%, and is payable in quarterly installments.

g. *Consorcio Eolico Amayo (Fase II) S.A.* – In November 2010, Amayo II entered into a 15 year $45,000 thousand loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO) and Central American Bank for Economic Integration (CABEI). This syndicated loan is secured by a list of guarantees. These loans under this credit agreement bear interest rates of 10.76%, 8.53% and LIBOR+5.75%. All three loans are payable in quarterly installments.

h. *Puerto Quetzal Power LLC* – In March 2012, Puerto Quetzal Power LLC ("PQP") signed a loan agreement with seven financial institutions for an amount of $35.0 million. The loan is payable in quarterly installments until September 2019. Interest is accrued at LIBOR plus 4.5% annually. PQP entered into an interest rate swap contract to fix its interest at a rate of 6.0% per annum. The loan is secured by a pledge of substantially all of the assets of PQP and Poliwatt Ltd ("Poliwatt"), including PQP and its subsidiaries shares.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

i. *OPC Lenders Consortium* – In January 2011, OPC entered into a financing agreement with a consortium of lenders led by Bank Leumi L'Israel Ltd. for the financing of its power plant project. The financing consortium includes Bank Leumi and institutional entities from the following groups: Clal Insurance Company Ltd.; Amitim Senior Pension Funds; Phoenix Insurance Company Ltd.; and Harel Insurance Company Ltd (hereinafter – "OPC's lenders"). As part of the financing agreement, the lenders committed to provide OPC a long-term credit facility (including a facility for variances in the construction costs), a working capital facility, and a facility for financing the debt service, in the overall amount of approximately NIS 1,800 million. As part of the financing agreement, certain restrictions were provided with respect to distributions of dividends and repayments of shareholders' loans, commencing from the third year after the completion of OPC's power plant. The loans are CPI linked and is repaid on a quarterly basis beginning in the fourth quarter of 2013 until 2031.

As part of the Facility Agreement, OPC is required to keep a Debt Service Reserve equivalent to the following two quarterly debt payments (hereinafter- "the reserve") within the period of two years following power plant construction completion. As of December 31, 2014 the amount of the reserve is NIS 72,150 thousand (equivalent to US$ 18,552 thousand).

j. *Dalkia Israel Ltd.* – It corresponds to equity contributions made by Dalkia (OPC´s minority shareholder) and presented as a capital note. In July 2013, Dalkia paid the loan to the bank.

The date of the repayment shall be no earlier than March 2017, bearing no interest or linkage differences. As of December 31, 2014 and 2013 the balance of the capital notes is NIS 71,649 thousands ($ 19,060 thousand) and NIS 65,993 thousands ($ 19,012 thousand), respectively.

k. *IC Power Israel Ltd. ("ICPI")* - On June 22, 2014, ICPI entered into a mezzanine financing agreement with Mivtachim Social Insurance and Makefet Fund Pension ("Amitim Pension Funds") and Menora Mivtachim Insurance Ltd in the aggregate amount of NIS 350,000 thousand ($93,105 thousand), consisting of three Facilities: (i) Tranche A bridge loan for NIS 150,000 thousand, bearing interest of 4.85% p.a. to be repaid until March 31, 2017; (ii) Tranche B long-term loan for NIS200,000 thousand, bearing interest of 7.75% p.a., repayable on annual basis until March 2029; and (iii) Tranche C (only to cover shortfall amounts) for NIS350,000 thousand. As of December 31, 2014, no disbursements have been made under Tranche C. These loans are linked to CPI.

Liabilities in respect of finance leases

l. *Citibank Perú and Banco de Crédito del Perú* - In March 2006, Kallpa entered into a capital lease agreement with Citibank del Peru S.A., Citileasing S,A. and Banco de Credito del Perú under which the lessors provided financing for the construction of the Kallpa I facility at Chilca in an aggregate amount of $56,000 thousand. Under the lease agreements, Kallpa will make monthly payments beginning in December 2007 until the expiry of the lease in March 2016. These leases are secured by the assets of Kallpa in Peru. As of December 31, 2014, the aggregate outstanding principal amount under this lease was $11,236 thousand. The lease bears an interest rate of 90 day LIBOR plus 3.00%. Kallpa entered into an interest rate swap to fix the interest rate, see note 17(b).

m. *Banco de Crédito del Perú* - In December 2007, Kallpa entered into a capital lease agreement with Banco de Credito del Perú under which the lessor provided financing for the construction of the Kallpa II turbine in an aggregate amount of $81,500 thousand. Under the lease agreement, Kallpa will make monthly payments beginning in December 2009 until the expiry of the lease in December 2017. These leases are secured by the assets of Kallpa in Peru. As of December 31, 2014, the aggregate outstanding principal amount under this lease was $35,140 thousand. The lease bears an interest rate of 90 day LIBOR plus 2.05%. Kallpa entered into an interest rate swap to fix the interest rate.

n. *Scotiabank* - In October 2008, Kallpa entered into a capital lease agreement with Scotiabank Peru under which the lessor provided financing for the construction of the Kallpa III turbine in an aggregate amount of $88,000 thousand. Under the lease agreement, Kallpa will make monthly payments beginning in September 2010 until the expiry of the lease in July 2018. As of December 31, 2014, the aggregate outstanding principal amount under this lease was $44,895 thousand. The lease bears a fixed interest rate of 7.57% p.a.

o. In April 2014, Kallpa entered into a capital lease agreement with Banco de Credito del Peru for $ 107,688 thousand in order to finance the acquisition of the 193MW single turbine natural gas fired plant Las Flores from Duke Energy. Under the lease agreement, Kallpa will make quarterly payments beginning in July 2014 until the expiry of the lease in October 2023. The lease bears a fixed interest rate of 7.15% p.a.

**Note 15 – Loans and Credit from Banks and Others (Cont'd)**

**F.** Regarding commitments secured by liens – see Note 20.D.

**G.** The split-up of IC's holdings may result in a change of control under debt instruments on Group's subsidiaries or associated companies, which required such companies to obtain a waiver, or failing that, may result in an event of default under such instruments which could permit the lenders to declare all amounts thereunder to be due and payable. As a result, and to avoid any change of control or event of default implications, some of our subsidiaries or associated companies received waivers from their creditors.

**Note 16 – Trade Payables**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Open accounts | 144,333 | 504,556 |
| Checks payable | 155 | 5,781 |
| | 144,488 | 510,337 |

**Note 17 – Other Payables and Credit Balances, including Derivative Instruments**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| **Current liabilities:** | | |
| Financial derivatives not used for hedging | 1,318 | 2,006 |
| Financial derivatives used for hedging | 14,868 | 15,476 |
| The State of Israel and government agencies | 562 | 11,642 |
| Employees and payroll-related agencies | 3,039 | 13,377 |
| Customer advances and deferred income | 1,526 | 25,489 |
| Accrued expenses | 16,369 | 77,640 |
| Employee benefits | 1,750 | 24,537 |
| Interest payable | 17,260 | 13,626 |
| Other(a) | 57,473 | 64,261 |
| | 114,165 | 248,054 |
| **Non-current liabilities:** | | |
| Financial derivatives not used for hedging | 2,798 | 3,182 |
| Financial derivatives used for hedging | 18,247 | 6,915 |
| | 21,045 | 10,097 |

(a) It corresponds mainly to payables related to CDA and Puerto Bravo projects in the amount of $29,697 thousand and $16,173 thousand in 2014 and 2013 respectively.

**Note 18 – Provisions**

It corresponds mainly to a provision made by an IC Power´s subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of $51,875 thousand and $20,742 thousand in 2014 and 2013 respectively.

**Note 19 – Employee Benefits**

**A. Composition**

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Present value of obligations (see section (F) below) | — | 60,752 |
| Fair value of the plan assets (see section (F) below) | — | (24,502) |
| Recognized liability for defined benefit obligations | — | 36,250 |
| Termination benefit – liability for early retirement | 6,219 | 37,544 |
| Other long-term benefits | — | 17,117 |
| Short-term benefits: | | |
| Liability for annual leave | — | 7,549 |
| Current portion of liability for early retirement | 1,750 | 7,153 |
| Other | — | 9,835 |
| Total employee benefits | 7,969 | 115,448 |
| Presented in the statements of financial position as follows: | | |
| Short-term – see Note 17 | 1,750 | 24,537 |
| Long-term | 6,219 | 90,911 |
| | 7,969 | 115,448 |

**B. Defined contribution pension plans**

According to the Israeli Severance Pay Law – 1963, an employee who is dismissed, or who reaches retirement age, is entitled to severance payments, in a sum equal, in essence, to 8 1/3% of his last monthly salary multiplied by the actual months of employment (hereinafter – Severance Obligation).

The Severance Pay Law allows employers to be relieved from part or all of the Severance Obligation by making regular deposits to pension funds and insurance companies, if it is approved (beforehand) by a relevant regulation or Collective Agreement. Some companies make regular deposits to pension funds and insurance companies.

With respect to some of its employees, the companies make such payments replacing their full Severance Obligation regarding those employees and, therefore, treat those payments as if they were payments to a defined contribution pension plan. With respect to most of the other employees, the companies make such payments replacing only (6%)/(8 1/3%) of the respective Severance Obligation. Therefore, the Group treats those payments as payments to a defined contribution pension plan and treats the remainder (2 1/3%)/(8 1/3%) as payments to a defined benefit pension plan.

**C. Defined benefit pension plan**

(i) The post-employment liability included in the statement of financial position represents the balance of liabilities not covered by deposits and/or insurance policies in accordance with the existing labor agreements, the Severance Pay Law and the salary components which Management believes entitle the employees to receipt of compensation.

In order to cover their pension and severance liabilities, certain subsidiaries make regular deposits with recognized pension and severance pay funds in the employees' names and purchase insurance policies.

The reserves in compensation funds include accrued linkage differentials (for Israeli CPI), interest accrued and deposited in compensation funds in banks and insurance companies. Withdrawal of the reserve monies is contingent upon fulfilment of detailed provisions in the Severance Pay Law.

(ii) ZIM retirees receive, in addition to the pension payments, benefits which consist mainly of a holiday gift and vouchers. The liability in respect of these costs accumulates during the service period. The contractual costs are in respect of the post-employment period, and are based on an actuarial calculation for existing retirees and for the serving employees entitled to this benefit according to their contractual retirement age.

**Note 19 – Employee Benefits (Cont'd)**

**D. Other long-term employee benefits**

Provision for annual absence

Under the labor agreements, employees retiring with pension benefits are entitled to certain compensation in respect of unutilized annual absence. The provision was calculated on the basis of actuarial calculations. The assumptions in connection with this section based on the experience according to the likelihood of payment of annual absence pay at retirement age and utilization of days by the LIFO method.

**E. Movement in the present value of the defined benefit pension plan obligation**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| Defined benefit obligation at 1 January | 60,752 | 61,204 | 56,278 |
| Benefits paid by the plan | (3,554) | (5,436) | (1,556) |
| Current service cost and interest | 1,576 | 3,032 | 5,502 |
| Foreign currency exchange rate changes in plan of which the relevant functional currency is different from the entity's functional currency recognized directly in other comprehensive income | — | — | (1,380) |
| Foreign currency exchange rate changes in plan measured in a currency different from the entity's functional currency | 453 | 3,177 | 1,255 |
| Exit from the consolidation | (63,462) | (1,869) | — |
| Actuarial losses recognized in other comprehensive income | 4,235 | 644 | 1,105 |
| Defined benefit obligation at 31 December | — | 60,752 | 61,204 |

**Movement in the present value of plan assets**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| Fair value of plan assets at 1 January | 24,502 | 26,671 | 23,364 |
| Contribution paid into the plan | 793 | 1,245 | 1,729 |
| Benefits paid by the plan | (2,901) | (3,670) | (1,273) |
| Return on plan assets | 486 | 916 | 998 |
| Foreign currency exchange rate changes in plan of which the relevant functional currency is different from the entity's functional currency recognized directly in other comprehensive income | — | 137 | (1,380) |
| Foreign currency exchange rate changes in plan measured in a different from the entity's functional currency | 184 | 1,203 | 2,821 |
| Exit from the consolidation | (23,064) | (2,000) | 412 |
| Fair value of the plan assets at 31 December | — | 24,502 | 26,671 |

**Note 20 – Contingent Liabilities, Commitments and Concessions**

**A. Guarantees**

**1. Non-financial guarantees**

Pursuant to the terms of the tender for the power plant construction, OPC provided a bank guarantee in favor of the Ministry of Infrastructures, in the amount of $1 million (approx. NIS 3.9 million), that was collateralized by Israel Corporation and Dalkia in accordance with their proportionate interests.

According to the PPA, on February 2014, I.C. Power issued two guarantees in favor of Israel Electric Company ("IEC") in the amount of NIS 52 million ($13 million) and NIS 48 million ($12 million) (linked to CPI). These guarantees were collateralized by IC Power and Dalkia in accordance with their proportionate interests. These guarantees replaced the previous guarantee in the amount of NIS 125 million ($31 million) as of December 31, 2013.

In 2011, I.C. Power together with IC and Dalkia, provided an owner's guarantees of NIS 80,000 thousand ($20,571 thousand) and NIS 20,000 thousand ($5,143 thousand), respectively, as part of the Facility Agreement. These guarantees are linked to the CPI of November 2010. As of December 31, 2014, the amount of the guarantees was NIS 106,000 thousand ($27,256 thousand).

In December 2014, in light of Israel Corporation spinoff, OPC replaced IC guarantee with one from I.C. Power as well as NIS 45,000 thousand ($ 11,571 thousand) cash deposit as collateral.

**2. Financial guarantees**

IC has provided financial guarantees to Chery, in respect of an obligation of Qoros, in the amount of $142 million (see Note 10.C.6.8.).

**B. Claims**

**1. ZIM**

a. On August 5, 2014, a request was filed in the District Court in Tel-Aviv–Jaffa (the Economics Division) for certification of a claim as a derivative claim (hereinafter – "the Request for Certification"), by a IC's shareholder that allegedly holds 19 of IC's shares (hereinafter – "the Requesting Party") against the IC, ZIM, Messrs. Gideon Langholtz, Oded Dagani, Zahavit Cohen and Michael Bricker (who serve as Corporation directors) and against Millennium Investments Elad Ltd. (hereinafter – "Millennium") and Mr. Idan Ofer (hereinafter – "the Respondents"). A copy of the statement of claim is attached to the Request for Certification.

In brief, the Requesting Party contends that the Corporation's undertaking and its execution of an interested party transaction as part of ZIM's debt arrangement were made in violation of the authorization and contrary to the approval of the General Meeting of IC's shareholders, and also that the precondition for IC's undertaking in this transaction was not fulfilled. In this context, the Requesting Party refers to the condition for transfer of ZIM's shares by virtue of the Special State Share, which the Requesting Party claims was not fulfilled. The Requesting Party further argues that as a result of this undertaking and its execution, the Corporation suffered damage, which in the Requesting Party's estimation amounts to tens of millions of dollars. As part of the Request for Certification, the Court is requested to require the Respondents (except for the Corporation and ZIM) to convene an additional meeting of the shareholders whereat it will be decided whether to approve IC's undertaking in ZIM's debt arrangement, or alternatively to instruct the Respondents (except for IC) to compensate IC in an amount of not less than $27.4 million, as a result of the lower value of the ZIM shares issued to IC due to non-compliance with the precondition, as contended. In addition, the Requesting Party claims various causes of action against the directors noted above, the members of the Special Committee of the Board of Directors for Accompaniment of ZIM's Debt Arrangement, including breach of a legislative duty, violation of an authorization, breach of the duty of caution and the duty of trust, as well as that they, Millenium and Mr. Ofer, as the controlling shareholders of IC, were required to act to convene an additional General Meeting of the shareholders.

Concurrently, the Requesting Party filed a request that the parties shall submit their contentions in writing with short timeframes and that a close date be set for hearing the Request for approval of the claim as a derivative claim (hereinafter – "the Request to Set Dates").

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

After all the responses (objections) were filed on behalf of the respondents and after the Requesting Party replied to these responses, the Court determined, in its decision dated August 26, 2014, that no grounds were found for specially accelerating the proceedings.

On October 5, 2014, IC filed a request for postponement of the dates for submission of statements of claims and dates. After the reply (objection) of the Requesting Party was filed, the Court decided, in its decision dated October 7, 2014, that the responses to the request for approval are to be filed no later than November 9, 2014, the reply of the Requesting Party is to be filed no later than November 30, 2014 and the hearing is to be held on December 15, 2014.

On November 9, 2014, the Requesting Party filed a request with the Court to instruct IC and ZIM to disclose various documents, pursuant to Section 198(A) of the Companies Law, 1999. On the same date, the Court instructed IC and ZIM to respond to the request no later than November 26, 2014 and the Requesting Party to reply to the response no later than December 3, 2014.

On November 11, 2014, (after an agreed postponement) the response (objection) was filed on behalf of IC to the request for approval (concurrent with the filing of the responses of ZIM and the directors and the short notice on behalf of the controlling shareholders). In brief, IC contends that the request for approval of the claim as a derivative claim must be rejected, both summarily (due to incongruity between the main relief requested therein – issuance of an Order instructing convention of another General Meeting of IC's shareholders – and the hearing course of a derivative claim), as well as substantively, since the claim does not show a cause having a chance against any of the respondents; is not for the benefit of IC; suffers from delay and is directed against "an act already committed"; indicates the impropriety of the Requesting Party, along with other defects in the request for approval, as detailed in the response. On November 18, 2014, the Requesting Party filed a request to cancel the request for disclosure of documents to the extent it relates to ZIM. On November 19, 2014, the Requesting Party filed a request to instruct IC to deliver the documents requested for disclosure without blacking out the restricted parts. On the same date, the Court instructed IC to make reference to this request as part of its response to the request for disclosure of documents. On November 23, 2014, IC responded to the request for disclosure of documents.

On January 20, 2015, the Court notified that the Securities Authority decided to assist in paying the expenses of the proceeding.

On February 16, 2015, an agreed to request was submitted for approval of the schedule of hearings, and on the same date the Court determined that the Requesting Party is to submit its summations no later than March 12, 2015, the Respondents (including the Corporation) are to submit their summations no later than April 18, 2015, and the Requesting Party is to submit reply summations within 12 days from the date on which the summations of the Respondents are received.

At this stage of the proceedings, it is difficult for IC to estimate the chances of the claim and its risks. In any event, the derivative claim does not pose a significant threat of a liability for a monetary amount on the part of IC.

b. On May 22, 2014 ZIM filed with the District Court in Haifa an urgent motion under Section 350(a) of the Israeli Companies Law, 1999 (the "Companies Law") for convening of a meeting of ZIM's shareholders and holders of rights to receive and/or acquire shares from ZIM ("options"). The subject matter of the said motion is the convening of the said meeting which shall vote on an arrangement under Section 350 of the Companies Law according to which on the closing of the creditors' arrangement by and among ZIM and its financial creditors and others, all ZIM's shares and rights to receive and\or acquire ZIM's shares shall be declared null and void (other than rights to convert debts thereof into its shares which will be cancelled under agreements with the relevant creditors by the said closing). In addition, under the said proceedings the Court is requested to revise the Special State Share under ZIM's Articles of Association, while cancelling limitations on the transferability of the Special State Share and other revisions with respect to certain aspects of the said share, or alternatively, declare it null and void and to approve the cancellation of ZIM's memorandum and the adoption of new Articles of Association. On May 26, 2014, the Court ruled, among others, to convene a meeting of ZIM's ordinary shareholders' and option holders, to appoint a trustee in connection with the proposed arrangement and, with respect to the Special State Share, that in the event ZIM and the State would not reach an agreement on this issue, the Court will conduct a hearing on this matter. On July 15, 2014, the Court confirmed the restructuring arrangement by and among ZIM, its shareholders, and holders of rights to receive and/or acquire shares of ZIM. According to this arrangement, on the closing of ZIM's debt restructuring, all of ZIM's shares (other than the Special State Share) and options shall become null and void. In addition, pursuant to the Court's ruling, ZIM's memorandum has been cancelled, and ZIM's articles of association were also replaced by new articles of association. On July 16, 2014, ZIM completed its restructuring. See Note 10.C.a.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

**2. I.C. Power**

a. Nejapa Power Company, LLC

Legal process with a Minority shareholder

Crystal Power, Nejapa's minority shareholder brought claims against Nejapa Holdings and Inkia Salvadorian, Limited, collectively, the Inkia Defendants, as well as against the majority shareholder of Nejapa Holdings, and certain subsidiaries of El Paso Corporation (the former owner of Inkia's interest in Nejapa Holdings), before the Court of the State of Texas at Brazoria County. The claims against the Inkia Defendants included claims relating to an issuance of new shares to Crystal Power by Nejapa Holdings, and allegations that Crystal Power had taken actions (i) preventing Nejapa Holdings from making distributions into an account opened by a New York Court as a result of an interpleader action filed by Nejapa Holdings, (ii) causing Nejapa to distribute dividends disproportionately and (iii) causing Inkia Salvadorian, Limited to use its majority position to harm Crystal Power. Crystal Power did not specify the amount of monetary damages against the Inkia Defendants.

The Inkia Defendants have asserted defenses in respect of these claims.

The plaintiff filed a request for partial summary judgment before the Texas State District Court of Brazoria County. The Brazoria Court denied the motion. The Inkia Defendants filed a claim against the plaintiff in the Texas State District Court of Harris County requesting the court to order the plaintiff to withdraw its claims pursuant to contractual undertakings under a settlement agreement entered into with El Paso Corporation.

The Parties were ordered by the Brazoria Court to assist a mediation hearing during July 2014. No settlement resulted from such hearing. A second mediation session was ordered by the Brazoria Court on October 30th, 2014.

On December 31, 2014 the parties reached a settlement agreement in application of which the Inkia Defendants bought the shares of Crystal in Nejapa Holdings for a consideration of $20,000 thousand which become effective on January 6, 2015. The parties agreed to file the dismissal motions and judgments to the courts for filing and entry. The parties had agreed to release, discharge and forever hold harmless the other party and each of their present and former parents, subsidiaries, affiliates, predecessors, managing agents, employees, among others. As a result of this agreement, Inkia owns 100% of the shares in Nejapa Power LLC.

b. Cerro del Aguila (CDA)

Rio Mantaro Claim

In April 2014, Astaldi S.p.A. and GyM S.A. delivered a claim to CDA. The claim requested a six-month extension for the completion of the CDA project and an approximately $92,000 thousand increase in the total contract price of the CDA project. CDA responded to Rio Mantaro's claim in July 2014. The response stated that the EPC Contract stipulates that as a condition to making a claim, each of Astaldi S.p.A. and GyM S.A. has to demonstrate that (i) the events giving rise to its right to demand an extension in time or an adjustment to the lump sum price were attributable to acts or omissions on the part of CDA, (ii) other force majeure events have occurred, or (iii) other causes that contractually create the right of such extension of time or adjustment of price have occurred and that Astaldi S.p.A. and GyM S.A. have failed to demonstrate any such thing and that therefore, they were not entitled to the requested adjustment and extension.

Subsequent to the date of the report, in March 2015, CDA and the CDA EPC contractors amended the CDA EPC to address such claims. Pursuant to the amendment, which is subject to CDA's lender's approval, CDA has agreed to pay an additional $40 million, subdivided into 4 payments over the course of the remaining construction period, and has granted the six-month extension previously requested.

c. Compañía Boliviana de Energía Electrica ("COBEE")

Energy Tariff Adjustment in Bolivia

As a result of a tariff review conducted by *Autoridad de Fiscalización y Control Social* ("AE"), the Bolivian electricity supervisory authority, the AE concluded that COBEE had collected excessive electricity tariffs equal to an amount of $7,300 thousand and as a result, the AE determined COBEE's account in the electricity price stabilization fund (the "Stabilization Account") should be debited with said excess.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

After several filings, the amount of the excess was reduced to approximately $5,219 thousand and the Stabilization Account was credited in proportion to said reduction. COBEE continues to challenge this conclusion.

In September 2013, the AE issued Resolution 498-2014 ("Resolution VIII"), revoking resolutions V and VII and calculating an aggregate adjustment amount of $5,400 thousand. Cobee challenged this last ruling, claiming review and recognition of $500 thousand as last discussion item.

As of the date herein, the AE has issued Resolution 20-2014 ("Resolution IX"), accepting COBEE's petition, in part, and ruling a $5,000 thousand as aggregate adjustment amount for the tariffs period 2006-2008.

Management considers that the result of these proceedings is uncertain. However, the risk derived from this process in immaterial because COBEE has not recorded the net revenues assigned in the stabilization account due to COBEE's inability to collect such balances. These revenues offset the contingency described above.

d. Kallpa Generación S.A.

Import Tax Assessment against Kallpa.

Since 2010, the Peru Customs Authority (known as "SUNAT" for its abbreviation in Spanish) issued tax assessments to Kallpa and its lenders for payment of import taxes allegedly owed by Kallpa in connection with imported equipment for installation and construction of Kallpa I, II, III and IV. The assessments were made on the basis that Kallpa did not include the value of the engineering services rendered by the contractor of the project in the tax base of import taxes. Kallpa disagrees with this tax assessment on the grounds that the engineering services rendered include the design of the plant and not the design of the imported equipment. Kallpa appealed the tax assessments before SUNAT in first instance and before the Peruvian Tax Court (known as "Tribunal Fiscal") in second instance. SUNAT and the Peruvian Tax Court are administrative institutions under the Ministry of Economy and Finance. As of December 31, 2014, the decisions of the Peruvian Tax Court on this matter were pending.

In January 2015, Kallpa was notified that the Tax Court rejected Kallpa's appeal regarding the Kallpa I assessment. Kallpa disagrees with the court´s decision and will appeal this decision to the Peruvian Judiciary. In order to appeal, Kallpa is required to pay the tax assessment of Kallpa I in the amount of approximately $12.6 million, including interests and fines. As of the date of this annual report, Kallpa has paid approximately $10 million of the $12.6 million assessment, and expects to pay the remaining amount once SUNAT formally notifies Kallpa of the remaining assessment.

As of the end of February 2015, the total amount of import taxes claimed by SUNAT against Kallpa in connection with the import of equipment related to Kallpa I, II, II and IV projects, equals approximately $34.8 million, subsequent penalties, fines and interest in the amount of $ 27.6 million.

Management and the Company´s legal advisors are of the opinion that Kallpa´s appeal should be more likely than not be successful, accordingly, no provision was recorded in the financial statements.

**3. Quantum**

On each of July 20, 2008, March 17, 2010 and October 16, 2013, V Cars LLC (formerly Visionary Vehicles) filed claims against IC, Quantum, Chery and/or individuals related to Chery in U.S., Hong Kong and Israeli forums. Generally, the claims, which are at various stages of adjudication, allege V Cars LLC conducted negotiations with Chery for the establishment of a joint venture for production of vehicles in China and distribution thereof in the United States and was forcibly removed from such discussions by IC, Quantum Chery and/or individuals related to Chery. With respect to the 2013 suit, V Car LLC asserts it is entitled to approximately NIS 600 million in damages, or 28% of the value of Qoros as of the filing date of V Car LLC's claim. Alternatively, V Car LLC claims it is entitled to a customary fee (amounting to approximately 10% of IC's investment in Qoros).

At the Court's recommendation, the parties are carrying on talks with respect to submitting the matter to a reconciliation proceeding, without this delaying the timetables set for hearing the case before the Court.

IC believes and IC's legal advisors are of the opinion that the chances the claim will be accepted are low, and in any event, in IC's estimation, the chances IC will be held liable to pay the Plaintiff a significant amount are weak.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

**C. Commitments**

**I.C. Power**

a. Inkia Energy Ltd

As of December 31, 2014, Inkia has issued standard by letters of credit for a total amount of $ 79,925 thousand for guarantee, as follows:

| Guarantee party | Description | Amount (In thousand) | Cash Collateral |
|---|---|---|---|
| Kanan overseas I, Inc | Bid Process in Panama | 1,100 | 1,100 |
| Kanan overseas I, Inc | Power Purchase agreement | 18,334 | 9,200 |
| Lihuen S.A. | Bid Process in Chile | 1,300 | — |
| Samay I S.A. | Bond performance | 15,000 | — |
| Cerro del Aguila | Contigent equity for over costs | 44,191 | — |

b. Cobee, Bolivia

Concession from the Bolivia Government

As of December 2010, COBEE was engaged in the generation of electricity under a concession granted to it by the Government of Bolivia, in October 1990 for a period of 40 years. The Bolivian government unilaterally transformed by supreme decree, all concessions to generate, transmit and distribute electricity to special temporary licenses. However, to date, the government has not issued regulations nor approved any procedure or guideline to convert such special temporary licenses into permanent licenses.

The Bolivian government under the mandate of Evo Morales has nationalized companies that were privatized during President Gonzalo Sánchez de Lozada's 1993-1997 administration and some other companies that were never owned by the Bolivian government. In addition, Evo Morales s announced that the government intends to control the electricity market and it intends to hold an open discussion regarding the conditions under which the process will take place. As of the date of this report, the Bolivian government has not taken any specific action nor threatened to take any specific action against COBEE. Currently, Inkia has full control of COBEE´s operations and maintains all the associated economic rights and risks.

Power Purchase Agreement (PPA)

In March 2008, COBEE signed a long-term PPA agreement with Minera San Cristobal. Pursuant to the agreement, COBEE will supply 43 MW of availability and energy, commencing from December 22, 2008. The PPA agreement provides a fixed price for availability, and an energy price that is linked to the price of natural gas for production of electricity in Bolivia. Surplus energy and availability are sold in the spot market. The PPA agreement is scheduled to expire in 2017.

c. Kallpa, Peru

Power Purchase Agreements (PPA)

As of December 31, 2014, Kallpa has entered into twenty three PPAs with unregulated consumers to provide capacity and the associated energy of 510 MW (twenty seven PPAs of 509 MW as of December 31, 2013). These contracts have various commencement dates, and vary in duration between 2013 and 2028. Also, as of December 31, 2014, the Company has signed twenty six PPAs with 7 distribution companies for 580 MW (thirteen PPAs with 4 distribution companies for 570 MW as of December 31, 2013).

The Peruvian market functions on the marginal cost method in which the generators bid their marginal cost to the market regulator who instructs the most efficient generators to produce electricity for the system. In the event the Company is not capable to meet its commitments under the contracts, the Company will be required to purchase energy in the spot market.

Gas Supply and Transportation

Kallpa purchases natural gas for its generation facilities from the Camisea consortium under an exclusive natural gas supply agreement dated January 2, 2006, as amended. Under this agreement, the Camisea Consortium agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount and Kallpa agreed to acquire natural gas exclusively from the Camisea Consortium.

The Camisea consortium is obligated to provide a maximum of 4.3 million cubic meters of natural gas per day to our Kallpa plant and Kallpa is obligated to purchase a minimum of approximately 2.2 million cubic meters of natural gas per day. In the event that Kallpa does not consume the contracted minimum on any given day, Kallpa is permitted to use that lacking quantity on any day during the course of the following 18 months from the day of under-consumption.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

The price that Kallpa pays to the Camisea consortium for the natural gas supplied is based on a base price in U.S. dollars set on the date of the agreement, indexed monthly based on a basket of market prices for heavy fuel oil, with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Kallpa's natural gas transportation services are rendered by Transportadora de Gas del Peru S.A.(TGP) pursuant to a natural gas firm transportation agreement dated December 2007, as amended. In April 2014, this agreement was further modified to include the transportation agreement between Duke Energy Egenor S. en C. por A. and Las Flores. Pursuant to the modified agreement, TGP is obligated to transport up to 3.4 million cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This obligation will be reduced, first, by approximately 199,312 cubic meters per day beginning in March 2020 and, second, 206,039 cubic meters per day beginning in April 2030. This agreement expires in December 2033. Additionally, Kallpa is party to two additional gas transportation agreements, to become effective at the completion of the expansion of TGP's pipeline facilities (which is currently expected to occur during the second half of 2016). Pursuant to the first agreement, TGP will be obligated to transport up to 565,130 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This agreement expires in April 2030. Pursuant to the second agreement, TGP will be obligated to transport up to 935,000 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This agreement expires in April 2033. Additionally on April 1, 2014, Kallpa entered into an agreement with TGP to cover the period up to the completion of the expansion of TGP's pipeline facilities. Pursuant to this agreement, TGP is obligated to transport up to 120,679 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. Pursuant to the terms of each of these agreements, Kallpa pays a regulated tariff approved by the OSINERGMIN.

d. Samay I, Peru

Power Node Bid Awarded

On November 29, 2013, Samay I won one of the public bid auctions promoted by the Peruvian Investment Promotion Agency ("Proinversion") to build an open cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru) , with an installed capacity of approximately 600MW. The project has two operational stages: (i) cold reserve plant operating in diesel until natural gas becomes available in the area; and (ii) natural gas-fired power plant operating once a new natural gas pipeline is built and natural gas is available. The agreement with the Peruvian government is for a 20-year period with fixed monthly capacity payments and pass- through of all variable costs during the cold reserve phase.

The total investment for this plant is expected to be around $380 million and to be funded with around 80% of debt and the remaining 20% with equity. The power plant is required to enter into commercial operation no later than April 30, 2016.

e. CDA, Peru

Power Purchase Agreements (PPA)

As of December 31, 2014 and 2013, CDA has entered into PPA with three distributions companies and a PPA with Electroperu to provide capacity and the associated energy of 402 MW. The PPA with distributions companies is for 200MW, with 10-year terms, starting from January 2018 with final expiration in December 2027. The PPA with Electroperu is for 202MW, with 15-year terms, starting from January 2016 with final expiration in December 2030.

f. OPC, Israel

Power Purchase Agreements (PPA)

On November 2, 2009, O.P.C. signed a "power purchase agreement" (hereinafter – "the PPA") with Israel Electric Company Ltd. (hereinafter – "IEC") whereby O.P.C. undertook to construct a power plant within 49-52 months from the PPA signing date, and IEC undertook to purchase capacity and energy from O.P.C., over a period of twenty (20) years from the commencement date of commercial operation ("COD") of the plant. The PPA is a "capacity and energy" agreement, meaning, a right of O.P.C. to provide the plant's entire production capacity to IEC, and to produce electricity in the quantities and on the dates as required by IEC.

Pursuant to the PPA, O.P.C. bears the responsibility for obtaining all the approvals and permits required for construction of the power plant within 23 months from the PPA signing date, executing the financial closing within 24 months from the PPA signing date, starting commercial operation of the project within 49-52 months from the PPA signing date, and construction and operation of the power plant.

In March 2013 O.P.C. received a letter from IEC, claiming a breach of the PPA due to the delay in COD. O.P.C responded that it rejects the aforementioned claim. No legal claim has been filed by IEC. Based on the legal consultants,O.P.C. does not consider that it is more likely than not that IEC claim will be successful and therefore no provision was made in the financial statements.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

Natural supply gas agreement

On November 25, 2012, O.P.C. signed an agreement with Tamar Partners regarding the natural gas supply to the power plant for a period commencing from the start of natural gas flowing to the power plant and ending 16 years later or the date on which O.P.C. will consume the total contractual quantity, whichever is earlier. In addition, each party has the right to extend the period of the agreement for a period of up two additional years under certain conditions or until the date of consuming the total contract quantity by O.P.C., whichever is earlier (hereinafter – the Agreement). According to the Agreement, O.P.C. will purchase natural gas from the Tamar Partners, and the total contractual quantity of the Agreement is 10.6 BCM (billions of cubic meters).

The Agreement is subject to receipt of the approval of the Antitrust Authority, which to date, has not been received yet.

On September 3, 2013 the Tamar Partners informed O.P.C that the contract price for the natural gas should be updated. O.P.C. rejects such position based on its legal consultants and following a clarification published by the PUA on October 20, 2013, stating that the definition replacing the "Production Cost" reflects a tariff equal to 33.32 Agurot/KWh. O.P.C. considers that the lower tariff in amount of 33.32 Agurot/KWh shall apply for calculating the natural gas contract price under the natural gas supply agreement and therefore, does not include provision in the financial statements.

Israeli Electricity Reform

In July 2013, the Government of Israel appointed a steering committee for the execution of a reform in IEC and in the Israeli electricity industry (hereinafter – "the Committee"). The Committee, which is headed by the Supervisor of the Government Companies Authority, includes Ministry representatives from the National Infrastructures, Energy and Water Resources and Finance sectors. The Committee's main tasks include among others: the evaluation of the optimum structure for the electricity industry and for IEC and a proposal of an efficiency plan for IEC, and of an overall reform plan for the electricity industry and for IEC. In March 2014, a draft of the recommendations was issued, however these recommendations are still under discussion. Until these recommendations are not certain, O.P.C. is not able to estimate the impacts of the reform on its activities.

The tariff (TAOZ)

In January 2015, the Public Utility Authority - Electricity (hereinafter – "PUA") updated the generation component of the time of use electricity tariff (TAOZ). This tariff is the basis for the price calculation between OPC and the end users, and for the natural gas price indexation according to the gas purchase agreement. According to the tariff update, the generation component will be divided into a number of different tariffs. In this decision, the PUA clarified that the generation component that replaces the former component is 33.32 Agurot/Kwh. The weighted average generation component according the update is 30.09 Agurot/Kwh.

g. CEPP, The Dominican Republic

CEPP had a contract with the distribution companies for the delivery of 50MW of capacity that expired on September 30, 2014.

h. Nejapa El Salvador

Power Purchase Agreement

In May 2013, Nejapa entered into two PPAs that were awarded as a result of two tenders for 71.2 MW and 38.8 MW of capacity, with 54-month and 48-month terms, respectively. Each PPA was divided among the seven distribution companies that conducted the tenders. The term of each PPA commenced in August 2013.

i. Poliwatt, Guatemala

Power Purchase Agreements (PPA)

As of December 31, 2014, Poliwatt has entered into twelve PPA to provide capacity and energy of 193 MW. These contracts have various commencement dates, and vary in duration between 2013 and 2017.

j. IC Power Nicaragua, Nicaragua

Power Purchase Agreements (PPA)

As of December 31, 2014, Tipitapa Power Company and Empresa Energetica Corinto have entered into two PPAs with Distribuidora de Electricidad del Norte ("DISNORTE") and Distribuidora de Electricidad del Sur ("DISSUR") to supply and sell firm power and energy.

In addition, Consorcio Eólico Amayo and Consorcio Eólico Amayo (Fase II) also entered into PPAs with these distribution companies, and are committed to supply and sell all the energy at the supply node as part of the wholesale market.

**Note 20 – Contingent Liabilities, Commitments and Concessions (Cont'd)**

These contracts have various commencement dates, and vary in duration, as follows:

| Company | Commencement | Expiration | Contracted Capacity *(MW)* |
|---|---|---|---|
| Tipitapa Power Company | June 1999 | December 2018 | 50.9 |
| Empresa Energetica Corinto | April 1999 | December 2018 | 50.0 |
| Consorcio Eólico Amayo | March 2009 | March 2024 | 39.9 |
| Consorcio Eólico Amayo (Fase II) | March 2010 | March 2025 | 23.1 |

k. Kanan Overseas I, Inc, Panama

Power Purchase Agreement

In October 2014, Kanan was awarded a contract to supply energy with a maximum contractual capacity of 86 MW with distributions companies for a 5 year term that will be effective starting in July, 2015. For such purpose, Kanan will be developing a project to install and operate thermal generation units with a total capacity of 92 MW.

**D. Liabilities secured by liens**

**I.C. Power**

The majority of I.C. Power's loans are secured by I.C. Power's power plant and related assets.

**Note 21 – Parent Company Investment**

**A. Contribution from Parent Company**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| ICPower | — | (14,000) | 4,690 |
| Qoros | 179,455 | 136,988 | 59,523 |
| Zim | 200,000 | 786 | 99,282 |
| Other | 7,500 | 16,708 | 31,211 |
| General and administrative funding | 27,694 | 14,000 | 17,386 |
| | 414,649 | 154,482 | 212,092 |

* Upon consummation of the spin-off, as describe in Note 1.B, Kenon has 53,383,015 ordinary shares, no par value, issued and outstanding.

**B. Translation reserve of foreign operations**

The translation reserve includes all the foreign currency differences stemming from translation of financial statements of foreign activities as well as from translation of items defined as investments in foreign activities commencing from January 1, 2007 (the date IC first adopted IFRS).

**C. Capital reserves**

Capital reserves reflect the unrealized portion of the effective part of the accrued net change in the fair value of hedging derivative instruments that have not yet been recorded in the statement of income.

**Note 21 – Parent Company Investment (Cont'd)**

**D. Kenon's shares plan**

Kenon has established a share incentive plan for its directors and management. The plan provides grants of Kenon shares, as well as stock options in respect of Kenon's shares, to management and directors of Kenon or to officers of the Group and IC pursuant to awards, which may be granted by Kenon from time to time, representing up to 3% of the total issued shares (excluding treasury shares) of Kenon. As of the approval date of these financial statements, Kenon has granted awards of shares to certain members of its management. Such shares are vested upon the satisfaction of certain conditions, including the recipient's continued employment in a specified capacity and Kenon's listing on each of the New York Stock Exchange and the Tel Aviv Stock Exchange. The aggregate number of shares that will vest will be determined based upon the aggregate fair market value of the Kenon shares underlying the award granted the grants, as determined in the award documents, divided by the average closing price of Kenon's shares over the first three trading days commencing upon the listing date. The aggregate fair value of the shares granted is $5,444 thousand. Kenon recognized $5,444 thousand as general and administrative expenses in 2014.

**Note 22 – Cost of Sales and Services**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| Payroll and related expenses | 31,369 | 21,817 | 16,486 |
| Manufacturing, operating expenses and subcontractors | 276,652 | 243,410 | 92,868 |
| Fuel, gas and lubricants | 502,170 | 286,484 | 253,213 |
| Other | 170,950 | 42,091 | 33,075 |
| | 981,141 | 593,802 | 395,642 |

(*) Reclassification due to discontinued operation (see Note 28)

**Note 23 – General and Administrative Expenses**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| Payroll and related expenses | 57,669 | 38,161 | 34,170 |
| Depreciation and amortization | 7,724 | 4,202 | 4,156 |
| Professional fees | 37,944 | 8,598 | 9,041 |
| Other expenses | 27,781 | 21,994 | 21,867 |
| | 131,118 | 72,955 | 69,234 |

(*) Reclassification due to discontinued operation (see Note 28)

**Note 24 – Other Income and Expenses**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| **Other Income** | | | |
| Gain on sale of property, plant and equipment | — | 43 | 980 |
| From changes in interest held in associate (See Note 10) | 19,553 | — | 5,487 |
| Insurance claims (a) | 7,452 | — | — |
| Dividend income from other companies (b) | 18,178 | — | — |
| Other | 5,854 | 4,284 | 5,976 |
| | 51,037 | 4,327 | 12,443 |
| **Other expenses** | | | |
| Loss from sale of interest in subsidiaries, associates and dilution | — | 4,630 | — |
| Other | 13,970 | 708 | 509 |
| | 13,970 | 5,338 | 509 |

(a) Corresponds mainly to Consorcio Eolico Amayo (Fase II) claim in relation to three wind towers damaged.
(b) In 2014, it corresponds to dividends received from Edegel/ Generandes.
(*) Reclassification due to discontinued operation (see Note 28)

**Note 25 – Financing Income (Expenses), Net**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| **Financing income** | | | |
| Interest income from bank deposits | 2,226 | 438 | 103 |
| Net changes in fair value of options series 9 Tower | 8,350 | 1,706 | — |
| Net change in fair value of derivative financial instruments | — | 2,645 | — |
| Other income | 5,667 | — | 2,895 |
| Financing income | 16,243 | 4,789 | 2,998 |
| **Financing expenses**** | | | |
| Interest expenses to banks and others | (108,224) | (67,741) | (35,864) |
| Net change in fair value of derivative financial instruments | (592) | — | (3,097) |
| Other expenses | (1,363) | (1,038) | — |
| Financing expenses | (110,179) | (68,779) | (38,961) |
| Net financing expenses recorded in the statement of income | (93,936) | (63,990) | (35,963) |

* Reclassification due to discontinued operation (see Note 28)
** Regarding group capitalized financing expenses to property, plant and equipment. The Group capitalized financing expenses to property, plant and equipment, in the amount of approximately $52,124 thousands and $17,381 thousands in 2014 and 2013, respectively.

**Note 26 – Taxes on Income**

**A. Components of the taxes on income**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| **Current taxes on income** | | | |
| In respect of current year | 93,734 | 36,075 | 15,673 |
| **Deferred tax income** | | | |
| Creation and reversal of temporary differences | (2,912) | 5,855 | 6,159 |
| **Total taxes on income** | 90,822 | 41,930 | 21,832 |

**Note 26 – Taxes on Income (Cont'd)**

**B. Reconciliation between the theoretical tax on the pre-tax income and the tax expenses**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013* | 2012* |
| | US$ thousands | | |
| Profit/(loss) before taxes on income | 109,274 | (54,138) | (9,262) |
| Statutory tax rate | 26.5% | 25% | 25% |
| Tax computed at the principal tax rate applicable to the Group | 28,958 | (13,535) | (2,316) |
| Increase (decrease) in tax in respect of: | | | |
| Elimination of tax calculated in respect of the Group's share in losses of associated companies | 45,288 | 34,051 | 14,313 |
| Income subject to tax at a different tax rate | 12,846 | 8,023 | 5,773 |
| Non-deductible expenses | 8,442 | 8,522 | 5,653 |
| Tax in respect of foreign dividend | 8,047 | — | — |
| Exempt income | (21,145) | (422) | (2,115) |
| Taxes in respect of prior years | (1,518) | 61 | 69 |
| Impact of change in tax rate | (3,131) | 50 | — |
| Changes in temporary differences in respect of which deferred taxes are not recognized | (3,795) | — | — |
| Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded | 16,183 | 81 | (156) |
| Other differences | 647 | 5,099 | 611 |
| Taxes on income included in the statement of income | 90,822 | 41,930 | 21,832 |

(*) Reclassification due to discontinued operation (see Note 28)

**C. Deferred tax assets and liabilities**

**1. Deferred tax assets and liabilities recognized**

The deferred taxes in respect of companies in Israel are calculated based on the tax rate expected to apply at the time of the reversal as detailed below. Deferred taxes in respect of subsidiaries operating outside of Israel were calculated based on the tax rates relevant for each country.

The deferred tax assets and liabilities are allocated to the following items:

| | Property plant and equipment* | Employee benefits | Carryforward of losses and deductions for tax purposes | Other | Total |
|---|---|---|---|---|---|
| | US$ thousands | | | | |
| **Balance of deferred tax asset (liability) as at January 1, 2013** | (333,697) | 21,243 | 283,931 | (17,227) | (45,750) |
| Changes recorded on the statement of income | 6,884 | 4,706 | (13,936) | (2,809) | (5,155) |
| Changes recorded to equity reserve | — | (2,443) | — | 5,839 | 3,396 |
| Translation differences | (324) | 28 | 349 | (2,720) | (2,667) |
| Business combination | 43 | — | — | — | 43 |
| Impact in change in tax rates | (15,968) | 1,262 | 14,625 | 80 | (1) |
| Exit from the consolidation | (12) | 21 | (1,453) | (122) | (1,566) |
| **Balance of deferred tax asset (liability) as at December 31, 2013** | (343,074) | 24,817 | 283,516 | (16,959) | (51,700) |
| Changes recorded on the statement of income | (24,081) | (27) | 26,493 | 5,015 | 7,400 |
| Changes recorded to equity reserve | — | — | — | 2,303 | 2,303 |
| Translation differences | 4,576 | (46) | (2,481) | (44) | 2,005 |
| Reclassification | (5,276) | — | — | 5,276 | — |
| Changes in respect of business combinations | (35,243) | 76 | 34 | (7,082) | (42,215) |
| Exit from the consolidation | 263,557 | (23,996) | (260,791) | 15,063 | (6,167) |
| **Balance of deferred tax asset (liability) as at December 31, 2014** | (139,541) | 824 | 46,771 | 3,567 | (88,374) |

**Note 26 – Taxes on Income (Cont'd)**

**2. The deferred taxes are presented in the statements of financial position as follows:**

| | As at December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| As part of non-current assets | 42,609 | 28,235 | 25,621 |
| As part of non-current liabilities | (130,983) | (79,935) | (71,672) |
| | (88,374) | (51,700) | (46,051) |

**D. Taxation of companies in Israel**

On August 5, 2013, the plenary Knesset approved the Budget Law and the Law for Change of National Priorities (Legislative Changes for Achieving the Budget Targets for 2013 and 2014), 2013. As part of the legislation, the Company Tax rate was increased to 26.5% effective from January 1, 2014 (25% in 2013).

As defined in the Law for Encouragement of Industry, OPC's power station constitute an "Industrial Enterprise" upon fulfillment of the all the conditions provided by the Taxes Authority in Israel. "Industrial Companies" are entitled to benefits of which the most significant ones are as follows:

(a) Higher rates of depreciation.

(b) Amortization in three equal annual portions of issuance expenses when registering shares for trading as from the date the shares of the company were registered.

(c) An 8-year period of amortization for patents and know-how serving in the development of the enterprise.

(d) The possibility of submitting consolidated tax returns by companies in the same line of business.

**E. Taxation of companies outside of Israel**

Non-Israeli subsidiaries are assessed based on the tax laws in their resident countries.

I.C. Power

Current income tax from operations in El Salvador includes income tax from the consolidated subsidiaries of Nejapa Power Company Sucursal and Cenergica,. Income tax rate in El Salvador is 30% effectively as of January 1, 2012. In addition, a 5% to 25% withholding tax has been approved depending on whether the payments are to countries with preferential tax regimes or nil taxes.

In the Dominic Republic, Compañía de Electricidad de Puerto Plata (CEPP) was tax exempt from the payment of all direct taxes, including income tax and withholding tax until April 2012, under the provisions of the National Development Incentives Law. Up to November 2012, the Dominican Statutory tax rate was 29% and the withholding tax rate was 25%. This withholding tax was applicable against future income taxes. From November 2012, the Dominican government introduced significant changes in the current tax regulations. As a result of this, income tax rate was set at 28% for 2014 (27% from 2015 thereafter) and withholding tax will be 10% with no credit against future taxes.

In Bolivia the company has 25% income tax and a 12.5% withholding tax on the Bolivian branch profits credited to the shareholder.

In December 2014, a tax reform Law was enacted in Peru. Among other changes, the Law decreases corporate income tax rates and increases withholding tax rates on dividends. The corporate income tax rate will reduce from 30% in 2014 to: 28%, in 2015 and 2016, to 27%, in 2017 and 2018 and to 26% starting 2019. The withholding tax rates will increase from 4.1% in 2014 to: 6.8% in 2015 and 2016, 8.0% in 2017 and 2018; and 9.3% starting 2019. Kallpa and CDA have signed tax stability agreements that expire in 2020 and 2022, respectively. Only after these tax agreements expire, Kallpa and CDA will be affected by the changes in income tax and withholding tax rates described above.

**Note 26 – Taxes on Income (Cont'd)**

In September 2014, a tax reform in Chile was enacted, which makes substantial changes to the Chilean tax system, including two alternative methods for computing shareholder-level income taxation (attribution-basis and cash-basic methods), additional corporate tax rate increases, and other substantial modifications. As a result, the corporate income tax rate will increase gradually from 20% in 2013 to: 21% in 2014; 22.5% in 2015, 24% in 2016; and 25% in 2017 for shareholders on the attribution method, and 25.5% for shareholders on the cash-basis method. Starting 2018 onwards, the income tax rate will be 25% for shareholders on the attribution method and 27% for shareholders on the cash-basis method.

In Nicaragua, Empresa Energética Corinto and Tipitapa Power Company are subject to 25% income tax, based on a Foreign Investment Agreement signed in June 2000, which protect the companies from any unfavorable changes in the tax Law. In addition, Consorcio Eólico Amayo S.A and Consorcio Eólico Amayo Fase II, are tax exempt from income tax payments, in accordance with Law No. 532 for Electric Power Generation with Renewable Sources Incentive, up to a period of seven years since the beginning of operations of the plants.

In Guatemala, PQP is subject to a 28% income tax rate and a 5% withholding tax on distributions. Income tax rate will reduce to 25% starting 2015.

In Colombia, Surpetroil and Surenergy are subject to a 34% income tax rate (25% income tax and a 9% income tax for equality). Dividends distributed by Colombian companies, paid from the profits that have been taxed at the corporate level, are not subject to taxes at shareholder's level.

**Note 27 – Earnings per Share**

**Data used in calculation of the basic earnings per share**

**A. Income (loss) allocated to the holders of the ordinary shareholders**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| Income (loss) for the year attributable to Kenon's shareholders | 467,538 | (625,627) | (452,378) |
| Income (loss) for the year from discontinued operations (after tax) | 470,421 | (512,489) | (409,038) |
| Less: Non-controlling interests | (3,495) | (4,724) | (5,672) |
| Income (loss) for the year from discontinued operations (after tax) attributable to Kenon's shareholders | 466,926 | (517,213) | (414,710) |
| Income (loss) for the year from continuing operations attributable to Kenon's shareholders | 612 | (108,414) | (37,668) |

**B. Number of ordinary shares**

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | Thousands of ordinary shares | | |
| Number of shares used in calculation of basic earnings per share (See Note 1C) | 53,383 | 53,383 | 53,383 |

**Note 28 – Discontinued Operations**

(a) ZIM

Upon completion of the debt arrangement in ZIM, on July 16, 2014, Kenon declined to a rate of holdings of 32% of ZIM's equity and as a result it ceased to control ZIM. Commencing from this date, Kenon presents its investment in ZIM as an associated company (for details with respect to the debt arrangement – see Note 10.c.a.l. above). ZIM's results up to the completion date of the debt arrangement, together with the income due to loss of control and the loss due to waiving all ZIM's debts, were presented separately in the statements of income in the category "income (loss) from discontinued operations (after tax)".

**Set forth below are the results attributable to the discontinued operations**

| | Six Months Ended June 30, | Year Ended December 31, | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | US$ thousands | |
| Sales | 1,741,652 | 3,682,241 | 3,960,370 |
| Cost of sales | (1,681,333) | (3,770,354) | (4,053,212) |
| Gross profit (loss) | 60,319 | (88,113) | (92,842) |
| Operating loss | (17,694) | (190,610) | (206,297) |
| Loss before taxes on income | (119,168) | (496,554) | (393,306) |
| Taxes on income | (9,735) | (22,861) | (18,788) |
| Loss after taxes on income | (128,903) | (519,415) | (412,094) |
| Income from realization of discontinued operations | 608,603 | — | — |
| Income (loss) for the period from discontinued operations | 479,700 | (519,415) | (412,094) |
| Net cash flows provided by operating activities | 41,031 | 11,753 | 92,847 |
| Net cash flows provided by (used in) investing activities | (24,104) | 134,007 | 40,088 |
| Net cash flows used in financing activities | (28,480) | (208,967) | (139,410) |
| Impact of fluctuations in the currency exchange rate on the balances of cash and cash equivalents | (801) | (1,061) | 208 |
| Cash and cash equivalents used in discontinued operations | (12,354) | (64,268) | (6,267) |

**Set forth below is the impact on the statement of financial position**

| | July 1, 2014 |
|---|---|
| | US$ thousands |
| Cash and cash equivalents | 110,918 |
| Short-term investments, deposits and loans | 50,817 |
| Trade receivables and other receivables and debit balances | 290,969 |
| Inventory | 106,266 |
| Vessels, containers, property, plant and equipment and intangible assets | 1,962,434 |
| Other assets | 65,103 |
| Credit from banks and others | (1,968,475) |
| Trade payables | (515,825) |
| Long-term loans from banks and others | (498,603) |
| Other liabilities | (131,600) |
| Holders of non-controlling interests | (79,775) |
| Net liabilities | (607,771) |
| Payment made in cash | (200,000) |
| Balance of cash eliminated | (110,918) |
| Exit from the consolidation, less cash eliminated | (310,918) |

**Note 28 – Discontinued Operations (Cont'd)**

(b) Petrotec AG

In December 2014, IC Green sold its equity interest (69%) in Petrotec, IC Green received shares of REG, a NASDAQ-listed entity. Petrotec's results up to the completion date of the sale, together with the loss from the sale were presented separately in the statements of income in the category "income (loss) from discontinued operations (after tax).

**Set forth below are the results attributable to the discontinued operations**

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Sales | 221,791 | 256,816 | 213,525 |
| Expenses | (226,323) | (251,339) | (210,715) |
| Operating results before taxes on sales | (4,532) | 5,477 | 2,810 |
| Taxes on sales | 252 | 1,449 | 246 |
| Results after taxes | (4,280) | 6,926 | 3,056 |
| Loss from realisation of discontinued operation | (4,999) | — | — |
| Income (loss) for the period from discontinued operations | (9,279) | 6,926 | 3,056 |
| Net cash flows provided by (used in) operating activities | 15,214 | 15,498 | (6,544) |
| Net cash flows used in investing activities | (3,263) | (1,884) | (1,452) |
| Net cash flows provided by (used in) financing activities | (8,644) | (7,267) | 5,097 |
| Impact of fluctuations in the currency exchange rate on the balances of cash and cash equivalents | (1,753) | 571 | 183 |
| Cash and cash equivalents used in discontinued operations | 1,554 | 6,918 | (2,716) |

In addition to the cash, IC Green received shares of Renewable Energy Group Ltd ("REG") in value of US$18,400 thousands. IC Green is subject to a lock-up restriction with respect to the REG shares.

**Set forth below is the impact on the statement of financial position**

| | December 31, 2014 US$ thousands |
|---|---|
| Cash and cash equivalents | 13,501 |
| Trade and other receivables | 9,718 |
| Inventory | 9,254 |
| Tangible and intangible assets | 25,414 |
| Trade payables | (8,158) |
| Accounts payables | (19,774) |
| Assets and liabilities, net | 29,955 |
| Consideration received in cash and cash equivalents | 15,259 |
| Subtracted balance of cash and cash equivalents | (13,501) |
| Positive cash flow, net | 1,758 |

**Note 29 – Segment Information**

**A. General**

Commencing from July 16, 2014, upon completion of the debt arrangement in ZIM, The Group ceased controlling ZIM, and commencing from this date, ZIM is accounted for using the equity method of accounting in the financial statements. Upon completion of the debt arrangement and loss of the control, the marine shipping lines by means of containers that are incorporated under ZIM, which were previously included as a separate reportable segment, are presented, commencing from the period of the report, as part of other segments.

The Group has two reportable segments, as described below, which form the Group's strategic business units. The strategic business units are comprised of different legal entities, and the allocation of resources and evaluation of performance are managed separately. For each of the strategic business units, the Group's chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. However, in light of Kenon's future expected reporting practices to its CODM, Qoros is voluntarily presented as a separate segment. The following summary describes the legal entities in each of the Group's operating segments:

1) **I.C. Power Ltd.** – I.C. Power through its subsidiary companies, is engaged in the production, operation and sale of electricity in countries in Latin America, the Caribbean region and Israel. It also is engaged in the construction and operation of power stations in Latin America.

2) **Qoros Automotive Co., Ltd** – A China-based automotive company that is jointly-owned with a subsidiary of Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company. Qoros seeks to deliver international standards of quality and safety, as well as innovative features, to the large and fast-growing Chinese market. Qoros' vision is to build high quality cars for young, modern, urban consumers based upon extensive research and product tailoring. Qoros launched and sold its first car, the Qoros 3 Sedan, in December 2013. Qoros is an associated company.

3) **Other** – In addition to the segments detailed above, the Group has other activities, such as a shipping services, a semi-conductor business and renewable energy businesses.

Evaluation of the operating segments performance is based on the EBITDA.

Information regarding the results of the activity segments is detailed below. Inter-segment pricing is determined based on transaction prices during the ordinary course of business.

**Note 29 – Segment Information (Cont'd)**

**B. Information regarding reportable segments**

Information regarding activities of the reportable segments is set forth in the following table.

| | I.C. Power | Qoros * | Other | Adjustments | Total |
|---|---|---|---|---|---|
| | | | US$ thousands | | |
| **2014:** | | | | | |
| Sales to external customers | 1,358,174 | — | — | — | 1,358,274 |
| Inter-segment sales | 14,056 | — | — | — | 14,056 |
| | 1,372,230 | — | — | — | 1,372,230 |
| Elimination of inter-segment sales | (14,056) | — | — | 14,056 | — |
| Total sales | 1,358,174 | — | — | 14,056 | 1,372,230 |
| EBITDA | 347,937 | — | (43,175) | — | 304,762 |
| Depreciation and amortization | 108,413 | — | (255) | — | 108,158 |
| Asset write-off | 34,673 | — | 13,171 | — | 47,844 |
| Gain from disposal of investee | (157,137) | — | — | — | (157,137) |
| Gain on bargain purchase | (68,210) | — | — | — | (68,210) |
| Financing income | (8,858) | — | (38,622) | 31,237 | (16,243) |
| Financing expenses | 131,883 | — | 9,533 | (31,237) | 110,179 |
| Share in losses (income) of associated companies | (13,542) | 174,806 | 9,633 | — | 170,897 |
| | 27,222 | 174,806 | (6,540) | — | 195,488 |
| Income (loss) before taxes | 320,715 | (174,806) | (36,635) | — | 109,274 |
| Taxes on income | (86,335) | — | (4,487) | — | (90,822) |
| Income (loss) from continuing operations | 234,380 | (174,806) | (41,122) | — | 18,452 |
| Segment assets | 3,848,878 | — | 836,596 | (784,688) | 3,900,786 |
| Investments in associated companies | 9,625 | 221,038 | 205,120 | — | 435,783 |
| | | | | | 4,336,569 |
| Segment liabilities | 2,859,331 | — | 806,335 | (784,688) | 2,880,978 |
| Capital expenditure | 592,388 | — | 12,377 | — | 604,765 |

* Associated Company – See Note 10.H.2, 10.C.b

**Note 29 – Segment Information (Cont'd)**

| | I.C. Power | Qoros * | Other | Adjustments | Total |
|---|---|---|---|---|---|
| | | | US$ thousands | | |
| **2013:** | | | | | |
| Sales to external customers | 866,370 | — | — | — | 866,370 |
| Inter-segment sales | 7,000 | — | — | — | 7,000 |
| | 873,370 | — | — | — | 873,370 |
| Elimination of inter-segment sales | (7,000) | — | — | 7,000 | — |
| Total sales | 866,370 | — | — | 7,000 | 873,370 |
| EBITDA | 247,064 | — | (30,624) | — | 216,440 |
| Depreciation and amortization | 75,081 | — | 4,817 | — | 79,898 |
| Financing income | (5,543) | — | (31,307) | 32,061 | (4,789) |
| Financing expenses | 85,694 | — | 15,146 | (32,061) | 68,779 |
| Share in losses (income) of associated companies | (32,018) | 127,012 | 31,696 | — | 126,690 |
| | 123,214 | 127,012 | 20,352 | — | 270,578 |
| Income (loss) before taxes | 123,850 | (127,012) | (50,976) | — | (54,138) |
| Taxes on income | 42,037 | — | (107) | — | 41,930 |
| Income (loss) from continuing operations | 81,813 | (127,012) | (50,869) | — | (96,068) |
| Segment assets | 2,748,676 | — | 3,831,625 | (1,136,106) | 5,444,195 |
| Investments in associated companies | 286,385 | 225,898 | 28,180 | — | 540,463 |
| | | | | | 5,984,658 |
| Segment liabilities | 2,236,651 | — | 3,932,928 | (1,136,106) | 5,033,473 |
| Capital expenditure | 351,143 | — | — | — | 351,143 |

| | I.C. Power | Qoros * | Other | Adjustments | Total |
|---|---|---|---|---|---|
| | | | US$ thousands | | |
| **2012:** | | | | | |
| Sales to external customers | 576,256 | — | 1,010 | — | 577,266 |
| Inter-segment sales | — | — | — | — | — |
| | 576,256 | — | 1,010 | — | 577,266 |
| Elimination of inter-segment sales | — | — | — | — | — |
| Total sales | 576,256 | — | 1,010 | — | 577,266 |
| EBITDA | 154,238 | — | (16,485) | — | 137,753 |
| Depreciation and amortization | 55,279 | — | 3,588 | — | 58,867 |
| Financing income | (5,137) | — | (23,817) | 25,956 | (2,998) |
| Financing expenses | 49,629 | — | 15,288 | (25,956) | 38,961 |
| Share in losses (income) of associated companies | (33,196) | 54,063 | 31,318 | — | 52,185 |
| | 66,575 | 54,063 | 26,377 | — | 147,015 |
| Income (loss) before taxes | 87,663 | (54,063) | (42,862) | — | (9,262) |
| Taxes on income | 21,205 | — | 627 | — | 21,832 |
| Income (loss) from continuing operations | 66,458 | (54,063) | (43,489) | — | (31,094) |
| Capital expenditure | 390,808 | — | — | — | 390,808 |

* Associated company – See Note 10.A.2, 10.C.B.

**Note 29 – Segment Information (Cont'd)**

**C. Information at the entity level**

**Information based on geographic areas**

In presentation of the information on the basis of geographic areas, the segment revenues are based on the geographic location of the assets. The segment's assets are based on the geographic location of the assets.

The Group's revenues from sales to external customers on the basis of the geographic location of the assets are as follows:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| America | 958,652 | 685,973 | 576,256 |
| Israel | 413,578 | 187,421 | 1,010 |
| Total revenues | 1,372,230 | 873,394 | 577,266 |

The Group's non-current assets on the basis of geographic area:

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Europe | — | 28,471 |
| America | 2,185,612 | 1,432,786 |
| Israel | 461,936 | 530,325 |
| ZIM – Discontinued operations | — | 2,030,476 |
| Total assets | 2,647,548 | 4,022,058 |

Composed of property, plant and equipment and intangible assets.

**Note 30 – Related-party Information**

**A. Identity of related parties:**

The Group's related parties are as defined in IAS 24 (2009) – Related Party Disclosures and included: IC, IC's beneficial owners and IC's subsidiaries, affiliates and associates companies.

In the ordinary course of business, some of the Group's subsidiaries and affiliates engage in business activities with each other.

Ordinary course of business transactions are aggregated in this Note. This Note also includes detailed descriptions of material related party transactions.

**B Transactions with directors and officers (Kenon's directors and officers):**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | US $ thousands | | |
| Directors fees | 124 | — | — |
| Directors – share plan | 418 | — | — |
| Officers fees | 185 | — | — |
| Officers – share plan | 5,026 | — | — |

**Note 30 – Related-party Information (Cont'd)**

**C. Regarding the ZIM's restructuring and IC's part in restructuring, see Note 10.c.a.**

**D. Transactions with related parties (excluding associates):**

All the transactions are at market terms unless otherwise indicated.

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| Sales from shipping* | 7,138 | 20,126 | 22,887 |
| Sales of electricity | 124,636 | 90,216 | — |
| Operating expenses of voyages and services* | 37,511 | 189,525 | 214,494 |
| Administrative expenses | 2,000 | 2,081 | 1,808 |
| Other income, net | 33 | 1,962 | 76 |
| Financing expenses, net | 17,443 | 31,957 | 37,042 |

* Presented under discontinued operations.

**E. Transactions with associates:**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | US$ thousands | | |
| Sales of electricity | 14,056 | 7,300 | — |
| Operating expenses of voyages and services | — | 12,572 | 11,386 |

**Note 30 – Related-party Information (Cont'd)**

**F. Balances with related parties:**

| | As at December 31 | | | | |
|---|---|---|---|---|---|
| | 2014 | | | | 2013 |
| | Bank Leumi Group | Associates | Other related parties * | Total | Total |
| | US$ thousands | | | | |
| Cash and short-term deposit | 214,557 | — | 22,859 | 237,416 | 93,929 |
| Trade receivables | — | 1,250 | 16,667 | 17,917 | 116,278 |
| Trade and other payables | — | — | — | — | 21,114 |
| Long-term credit | | | | | |
| In dollars or linked thereto | — | — | — | — | 275,615 |
| In CPI-linked Israeli currency | 62,228 | — | — | 62,228 | 121,051 |
| Weighted-average interest rates (%) | 5% | — | — | | |
| CPI-linked shekel debentures | — | — | — | — | 3,704 |

| Repayment years | |
|---|---|
| Current maturities | 2,925 |
| Second year | 2,560 |
| Third year | 3,155 |
| Fourth year | 3,348 |
| Fifth year | 2,686 |
| Sixth year and thereafter | 47,554 |
| | 62,228 |

* Bank Mizrahi Group, IC, ICL, ORL.
** Mainly effective interest of financing leases.

Regarding commitments with related parties in respect of operating leases of vessels and the equipping thereof – see Note 19.C.1.

**G. The separation agreement**

The following discussion summarizes the material provisions of the Separation and Distribution Agreement between Kenon and IC in connection with the consummation of the spin-off. The Separation and Distribution Agreement sets forth, among other things, Kenon agreements with IC in respect of the principal transactions necessary to separate Kenon's businesses from IC and its other businesses. The Separation and Distribution Agreement also sets forth other agreements that govern the distribution, as well as certain aspects of our relationship with IC after the consummation of the spin-off.

*Transfer of Assets and Assumption of Liabilities*

The Separation and Distribution Agreement identifies the assets to be transferred, the liabilities to be retained by IC or assumed by Kenon, and the contracts to be retained by IC or assigned to Kenon in connection with the spin-off and transfer of IC's transfer of its interests, direct or indirect, in each of IC Power, Quantum (the holder of IC's 50% equity interest in Qoros), ZIM, Tower and IC Green to Kenon.

**Note 30 – Related-party Information (Cont'd)**

Concurrently with IC's transfer of the aforementioned business to Kenon, IC shall assign and transfer to Kenon, IC's full rights and obligations according to, and in connection with, certain loans it has provided to, and certain undertakings it has made in respect of, these businesses. Set forth below is a summary of the material rights and obligation that IC will transfer to Kenon in connection with the spin-off:

| Business | Instrument | Outstanding Amount as of December 31, 2014 |
|---|---|---|
| | **Financial Instruments** | |
| Qoros | Capital note issued by Quantum to IC | $626 million |
| IC Green | Capital note issued by IC Green to IC<br>Loan borrowed by IC Green | NIS 508 million<br>22 million Euro |
| Qoros | Shareholder loan to be provided to Qoros | In February 2015, Kenon provided RMB400 million as a shareholder loan to Qoros, subject to the release of IC's back-to-back guarantees in respect of certain of Qoros' indebtedness. |

Additionally, certain guarantees and undertakings made by IC in connection with OPC's financing agreement shall not be transferred to Kenon and, instead, have been replaced with guarantees or undertakings of IC Power, as well as a provision of cash collateral, so that IC is released from its obligations under the existing guarantee or undertaking, as applicable.

*Representations and Warranties*

Other than certain limited corporate representations and warranties made by Kenon and IC, neither Kenon nor IC make any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may be required in connection with such transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents, or any other matters. Except as expressly set forth in the Separation and Distribution Agreement or in any ancillary agreement, all assets were transferred on an "as is," "where is" basis.

*Termination*

The Separation and Distribution Agreement provides that it may be terminated by IC at any time in its sole discretion prior to the consummation of the spin-off.

*Release of Claims*

Except with respect to (i) those legal proceedings pending against IC at the time of the consummation of the spin-off, and that relate to any of the businesses to be transferred to Kenon, and (ii) certain other exceptions set forth in the Separation and Distribution Agreement, Kenon shall be liable for the claims of each of the businesses being transferred to it as part of the spin-off, including such claims that arose out of, or relate to events, circumstances or actions occurring or failing to occur, or with respect to any conditions existing prior to, the distribution date.

*Indemnification*

Kenon and IC agree to indemnify each other against certain liabilities incurred in connection with Kenon respective businesses, and as otherwise allocated to each of us in the Separation and Distribution Agreement. These indemnities are principally designed to place financial responsibility for the obligations and liabilities of our business, and each of our businesses, with us and financial responsibility for the obligations and liabilities of IC and its business with IC. The Separation and Distribution Agreement also specifies procedures with respect to claims subject to indemnification and related matters.

*Legal Matters*

Kenon agrees to indemnify IC for any liabilities arising after the consummation of the spin-off as a result of legal matters relating to the businesses Kenon will receive in the spin-off.

*Allocation of Spin-Off Expenses*

The Separation and Distribution Agreement provides that IC will be responsible for all fees, costs and expenses relating to it and will finance all fees, costs and expenses related to Kenon, in each case as incurred prior to the distribution date in connection with the spin-off.

**Note 30 – Related-party Information (Cont'd)**

*Other Matters Governed by the Distribution Agreement*

Other matters governed by the Separation and Distribution Agreement include access to financial and other information, access to and provision of records, intellectual property, confidentiality, treatment of outstanding guarantees and similar credit support and dispute resolution procedures.

*Conditions*

The Separation and Distribution Agreement provides that the distribution of our ordinary shares is subject to several conditions that must be satisfied or waived prior to the distribution. Each of IC and Kenon may, in their sole discretion, waive the conditions precedent applicable to their entry into the Separation and Distribution Agreement. IC may, in its sole discretion, at any time prior to the record date of the distribution, decide to abandon the distribution.

**Note 31 – Financial Instruments**

**A. General**

The Group has extensive international activity in which it is exposed to credit, liquidity and market risks (including currency, interest, inflation and other price risks). In order to reduce the exposure to these risks, the Group holds derivative financial instruments, (including forward transactions, SWAP transactions, and options) for the purpose of economic (not accounting) hedging of foreign currency risks, inflation risks, commodity price risks, interest risks and risks relating to the price of inputs. Furthermore, the Company holds derivative financial instruments to hedge its risk in respect of changes in the cash flows of issued bonds, and such instruments are accounting hedges.

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

The risk management of the Group companies is executed by them as part of the ongoing current management of the companies. The Group companies monitor on a regular basis. The hedge policies with respect to all the different types of exposures are discussed by the boards of directors of the companies.

The comprehensive responsibility for establishing the base for the Group's risk management and for supervising its implementation lies with the Board of Directors and the senior management of the Group.

**B. Credit risk**

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on their obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-offs exist and also includes the fair values of contracts with individual counterparties which are included in the financial statements. The maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets mentioned in this note.

**(1) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for trade receivables, as of the date of the report, by geographic region was as follows:

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | US$ thousands | |
| Israel | 41,260 | 82,064 |
| Euro-zone countries | — | 54,851 |
| India | — | 2,486 |
| The Far East | — | 47,999 |
| South America | 52,809 | 40,260 |
| North America | — | 57,021 |
| Other regions | 87,289 | 72,747 |
| | 181,358 | 357,428 |

**Note 31 – Financial Instruments (Cont'd)**

**(2) Aging of debts and impairment losses**

Set forth below is an aging of the trade receivables:

| | As at December 31, 2014 | | | As at December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | For which impairment was not recorded | For which impairment was recorded | | For which impairment was not recorded | For which impairment was recorded | |
| | | Gross | Impairment | | Gross | Impairment |
| | US$ thousands | | | | | |
| Not past due | 133,443 | 8,057 | (8,057) | 247,292 | 65 | (65) |
| Past due up to 3 months | 25,445 | 127 | (127) | 93,475 | 307 | (307) |
| Past due 3 – 9 months | 22,188 | 293 | (293) | 14,568 | 383 | (382) |
| Past due more than one year | 282 | 4,502 | (4,502) | 2,223 | 6,342 | (6,473) |
| | 181,358 | 12,979 | (12,979) | 357,558 | 7,097 | (7,227) |

**C. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and adverse credit and market conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity risk by means of holding cash balances, short-term deposits, other liquid financial assets and credit lines.

As of December 31, 2013, the Group has a deficit in the working capital. The deficit in the working capital derives from classification of long-term loans, liabilities and debentures in ZIM, in the amount of $1,505 million, which were reclassified from long-term to short-term, in accordance with the accounting treatment under IAS 1. For additional information – see Note 15.C.1.

Set forth below are the anticipated repayment dates of the financial liabilities, including an estimate of the interest payments. This disclosure does not include amounts regarding which there are offset agreements:

| | As at December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | Projected cash flows | Up to 1 year | 1–2 years | 2–5 years | More than 5 years |
| | US$ thousands | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Credit from banks and others * | 58,137 | 58,646 | 58,646 | — | — | — |
| Trade payables | 144,488 | 144,488 | 144,488 | — | — | — |
| Other payables and credit balances | 90,618 | 90,618 | 90,618 | — | — | — |
| Non-convertible debentures ** | 703,952 | 1,058,547 | 74,800 | 71,816 | 259,191 | 652,740 |
| Loans from banks and others ** | 1,373,245 | 1,950,227 | 134,568 | 141,343 | 520,034 | 1,154,282 |
| Liabilities in respect of financing lease | 193,538 | 242,842 | 40,722 | 35,529 | 89,425 | 77,166 |
| Loans and capital notes from the parent company | 592 | 592 | 592 | — | — | — |
| **Financial liabilities – hedging instruments** | | | | | | |
| Interest SWAP contracts | 27,713 | 27,713 | 10,105 | 7,018 | 7,164 | 3,426 |
| Forward exchange rate contracts | 5,402 | 5,402 | 4,763 | 639 | — | — |
| **Financial liabilities not for hedging** | | | | | | |
| Interest SWAP contracts and options | 4,116 | 4,116 | 1,318 | 985 | 1,390 | 423 |
| | 2,601,801 | 3,583,191 | 560,607 | 257,330 | 877,204 | 1,888,037 |

* Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.
** Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

**Note 31 – Financial Instruments (Cont'd)**

| | As at December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | Projected cash flows | Up to 1 year | 1–2 years | 2–5 years | More than 5 years |
| | US$ thousands | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Credit from banks and others * | 228,475 | 239,285 | 239,285 | — | — | — |
| Trade payables | 510,337 | 510,337 | 510,337 | — | — | — |
| Other payables and credit balances | 145,645 | 145,645 | 145,645 | — | — | — |
| Non-convertible debentures ** | 901,886 | 1,722,673 | 112,176 | 96,244 | 301,681 | 1,213,572 |
| Loans from banks and others ** | 2,333,398 | 3,040,534 | 342,759 | 454,539 | 834,635 | 1,409,601 |
| Liabilities in respect of financing lease | 521,360 | 676,460 | 117,263 | 108,823 | 280,522 | 169,852 |
| **Financial liabilities – hedging instruments** | | | | | | |
| Interest SWAP contracts | 8,867 | 8,867 | 6,386 | 8,835 | 5,347 | (11,701) |
| Forward exchange rate contracts | 11,524 | 11,524 | 7,090 | 3,919 | 515 | — |
| **Financial liabilities not for hedging** | | | | | | |
| Interest SWAP contracts and options | 5,005 | 5,005 | 1,999 | 1,226 | 1,623 | 157 |
| Derivatives on exchange rates | 550 | 550 | 550 | — | — | — |
| Forward contracts on commodity prices | 7 | 7 | 7 | — | — | — |
| Derivatives from debt restructure | 176 | 176 | — | 8 | 160 | 8 |
| | 4,667,230 | 6,361,063 | 1,483,497 | 672,594 | 1,423,483 | 2,781,489 |

* Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.
** Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

**D. Market risks**

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and prices of capital products and instruments will affect the fair value of the future cash flows of a financial instrument.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Boards of Directors of the companies. For the most part, the Group companies enter into hedging transactions for purposes of avoiding economic exposures that arise from their operating activities. Most of the transactions entered into do not meet the conditions for recognition as an accounting hedge and, therefore, differences in their fair values are recorded on the statement of income.

**(1) CPI and foreign currency risk**

Currency risk

The Group's functional currency is the U.S. dollar. The exposures of the Group companies are measured with reference to the changes in the exchange rate of the dollar vis-à-vis the other currencies in which it transacts business.

The Group is exposed to currency risk on sales, purchases, assets and liabilities that are denominated in a currency other than the respective functional currencies of the Group entities. The primary exposure is to the shekel, euro, pound, Peruvian nevo and yuan (RMB).

The Group uses options and forward exchange contracts on exchange rates for purposes of hedging short-term currency risks, usually up to one year, in order to reduce the risk with respect to the final cash flows in dollars deriving from the existing assets and liabilities and sales and purchases of goods and services within the framework of firm or anticipated commitments, including in connection with future operating expenses.

The Group is exposed to currency risk in connection with loans it has taken out and debentures it has issued in currencies other than the dollar. The principal amounts of these bank loans and debentures have been hedged by swap transactions the repayment date of which corresponds with the payment date of the loans and debentures.

Inflation risk

The Group has CPI-linked loans. The Group is exposed to high payments of interest and principal as the result of an increase in the CPI. It is noted that part of the Group's anticipated revenues will be linked to the CPI. The Group does not hedge this exposure beyond the expected hedge included in its revenues.

**Note 31 – Financial Instruments (Cont'd)**

**(a) Exposure to CPI and foreign currency risks**

The Group's exposure to CPI and foreign currency risk, based on nominal amounts, is as follows:

| | As at December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency | | | |
| | | Shekel | | | |
| | Dollar | Unlinked | CPI linked | Euro | Other |
| | US$ thousands | | | | |
| **Non-derivative instruments** | | | | | |
| Cash and cash equivalents | 411,274 | 157,940 | — | 230 | 40,639 |
| Short-term investments, deposits and loans | 191,015 | 30,124 | — | — | 5,691 |
| Trade receivables | 90,277 | 41,260 | — | — | 49,821 |
| Other receivables and debit balances | 10,301 | 1,249 | — | — | 36,592 |
| Long-term deposits, loans and debit balances | 2,379 | — | — | — | 27,321 |
| Total financial assets | 705,246 | 230,573 | — | 203 | 160,064 |
| Credit from banks and others | 15,000 | — | — | — | 43,137 |
| Trade payables | 62,875 | 55,237 | — | — | 26,376 |
| Other payables and credit balances | 57,377 | 1,935 | — | 58 | 31,248 |
| Long-term loans from banks and others and debentures | 1,713,683 | — | 493,168 | — | 63,884 |
| Loans and capital notes from the parent company | — | 592 | — | — | — |
| Total financial liabilities | 1,848,935 | 57,764 | 493,168 | 58 | 164,645 |
| Total non-derivative financial instruments, net | (1,143,689) | 172,809 | (493,168) | 145 | (4,581) |
| Derivative instruments | (37,231) | — | — | — | — |
| Net exposure | (1,180,920) | 172,809 | (493,168) | 145 | (4,581) |

| | As at December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency | | | |
| | | Shekel | | | |
| | Dollar | Unlinked | CPI linked | Euro | Other |
| | US$ thousands | | | | |
| **Non-derivative instruments** | | | | | |
| Cash and cash equivalents | 492,607 | 106,422 | — | 27,884 | 44,063 |
| Short-term investments, deposits and loans | 24,255 | 130 | — | 1,387 | 4,036 |
| Trade receivables | 169,980 | 43,522 | — | 49,029 | 94,898 |
| Other receivables and debit balances | 36,750 | 1,346 | — | 6,305 | 18,198 |
| Long-term deposits, loans and debit balances | 9,384 | 1,078 | — | 26,407 | 8,058 |
| Total financial assets | 732,976 | 152,498 | — | 111,012 | 169,253 |
| Credit from banks and others | 1,888,452 | 1,003 | 211,066 | 14,979 | 9,939 |
| Trade payables and provisions | 291,008 | 108,031 | — | 41,568 | 91,303 |
| Other payables and credit balances | 73,022 | 19,156 | — | 8,681 | 23,284 |
| Long-term loans from banks and others and debentures | 1,416,782 | 19,880 | 448,681 | 1,693 | 39,551 |
| Total financial liabilities | 3,669,264 | 148,070 | 659,747 | 66,921 | 164,077 |
| Total non-derivative financial instruments, net | (2,936,288) | 4,428 | (659,747) | 44,091 | 5,176 |
| Derivative instruments | (27,146) | — | — | (5) | 245 |
| Net exposure | (2,963,434) | 4,428 | (659,747) | 44,086 | 5,421 |

**Note 31 – Financial Instruments (Cont'd)**

**(b) Sensitivity analysis**

A strengthening of the dollar exchange rate by 5%–10% against the following currencies and change of the CPI in rate of 5%–10% would have increased (decreased) the net income or net loss and the equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

| | As at December 31, 2014 | | | |
|---|---|---|---|---|
| | 10% increase | 5% increase | 5% decrease | 10% decrease |
| | US$ thousands | | | |
| Non-derivative instruments | | | | |
| Shekel/dollar | 40,110 | 21,286 | (25,237) | (50,865) |
| CPI | (57,731) | (28,865) | 28,865 | 57,731 |
| Dollar/other | (2,813) | (1,333) | (1,206) | 2,302 |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | 10% increase | 5% increase | 5% decrease | 10% decrease |
| | US$ thousands | | | |
| Non-derivative instruments | | | | |
| Shekel/dollar | 75,258 | 39,327 | (43,257) | (91,102) |
| CPI | (72,223) | (36,111) | 36,111 | 72,223 |

**(2) Interest rate risk**

The Group is exposed to changes in the interest rates with respect to loans bearing interest at variable rates, as well as in connection with swap transactions of liabilities in foreign currency for dollar liabilities bearing a variable interest rate.

The Group has not set a policy limiting the exposure and it hedges this exposure based on forecasts of future interest rates.

The Group enters into transactions mainly to reduce the exposure to cash flow risk in respect of interest rates. The transactions include interest rate swaps and "collars". In addition, options are acquired and written for hedging the interest rate at different rates.

**Type of interest**

Set forth below is detail of the type of interest borne by the Group's interest-bearing financial instruments:

| | As at December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | Carrying amount | |
| | US$ thousands | |
| **Fixed rate instruments** | | |
| Financial assets | 239,629 | 321,738 |
| Financial liabilities | (1,479,700) | (2,163,305) |
| | (1,240,071) | (1,841,567) |
| **Variable rate instruments** | | |
| Financial assets | 26,682 | 23,453 |
| Financial liabilities | (849,172) | (1,773,240) |
| | (822,490) | (1,749,787) |

The Group's assets and liabilities bearing fixed interest are not measured at fair value through the statement of income. Therefore, a change in the interest rates as at the date of the report would not be expected to affect the income or loss with respect to changes in the value of fixed – interest assets and liabilities.

**Note 31 – Financial Instruments (Cont'd)**

**E. Fair value**

**(1) Fair value compared with book value**

The Group's financial instruments include mainly non-derivative assets, such as: cash and cash equivalents, investments, deposits and short-term loans, receivables and debit balances, investments and long-term receivables; non-derivative liabilities: such as: short-term credit, payables and credit balances, long-term loans, finance leases and other liabilities; as well as derivative financial instruments.

Due to their nature, the fair value of the financial instruments included in the Group's working capital is generally identical or approximates the book value.

The following table shows in detail the carrying amount and the fair value of financial instrument groups presented in the financial statements not in accordance with their fair value.

| | As at December 31, 2014 | | |
|---|---|---|---|
| | Carrying amount | Level 2 | Discount Rate (range) |
| | | US$ thousands | |
| **ICP** | | | |
| Non-convertible debentures | 703,952 | 819,572 | 5% - 8% |
| Long-term loans from banks and others | 1,643,980 | 1,772,052 | 1% - 9% |

| | As at December 31, 2013 | | |
|---|---|---|---|
| | Carrying amount | Level 2 | Discount Rate (range) |
| | | US$ thousands | |
| **ZIM** | | | |
| Non-convertible debentures | 231,162 | 290,095 | 16%-19% |
| Long-term loans from banks and others | 1,985,607 | 1,101,644 | 14%-67% |
| **ICP** | | | |
| Non-convertible debentures | 669,724 | 712,591 | 6%-8% |
| Long-term loans from banks and others | 1,009,972 | 1,044,898 | 3%-10% |

* The fair value is measured using the technique of discounting the future cash flows with respect to the principal component and the discounted interest using the market interest rate on the measurement date.

**Note 31 – Financial Instruments (Cont'd)**

**(2) Hierarchy of fair value**

The following table presents an analysis of the financial instruments measured at fair value, using an evaluation method. The various levels were defined as follows:

- Level 1: Quoted prices (not adjusted) in an active market for identical instruments.
- Level 2: Observed data, direct or indirect, not included in Level 1 above.
- Level 3: Data not based on observed market data.

| | As at December 31, 2014 Level 2 US$ thousands |
|---|---|
| **Assets** | |
| Marketable securities held for trade | 18,515 |
| Derivatives not used for accounting hedge | 322 |
| | 18,837 |
| **Liabilities** | |
| Derivatives used for accounting hedge | 33,115 |
| Derivatives not used for accounting hedge | 4,116 |
| | 37,231 |

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | US$ thousands | | | |
| **Liabilities** | | | | |
| Derivatives used for accounting hedge | — | 22,390 | — | 22,390 |
| Derivatives not used for accounting hedge | — | 5,013 | 176 | 5,189 |
| | — | 27,403 | 176 | 27,579 |

**(3) Data regarding measurement of the fair value of financial instruments at Level 2**

Level 2

The fair value of forward contracts on foreign currency is determined using trading programs that are based on market prices. The market price is determined based on a weighting of the exchange rate and the appropriate interest coefficient for the period of the transaction along with an index of the relevant currencies.

The fair value of contracts for exchange (SWAP) of interest rates and fuel prices is determined using trading programs which incorporate market prices, the remaining term of the contract and the credit risks of the parties to the contract.

The fair value of currency and interest exchange (SWAP) transactions is valued using discounted future cash flows at the market interest rate for the remaining term.

The fair value of transactions used to hedge inflation is valued using discounted future cash flows which incorporate the forward CPI curve, and market interest rates for the remaining term.

**Note 32 – Events Occurring Subsequent to the Period of the Report**

A. Regarding the split-up of IC's investments on January 7, 2015 – see Note 1.B and Note 30.G.

B. Regarding an investment in Qoros, in the amount of $65 million and the release of the 2012 guarantee – see Note 10.C.b.8.

C. Regarding the distribution of all, or a portion, of Kenon's interest in Tower to Kenon's shareholders as a dividend-in-specie or otherwise, a sale of Kenon's interest in Tower, and/or a combination of the two transactions – see Note 10.C.c.2.

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**Qoros Automotive Co., Ltd.**

Consolidated financial statements

31 December 2014

**Independent Auditors' Report**

The Board of Directors
Qoros Automotive Co., Ltd.:

We have audited the accompanying consolidated financial statements of Qoros Automotive Co., Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as of 31 December 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended 31 December 2014, and the related notes to the consolidated financial statements.

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

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Qoros Automotive Co., Ltd. and its subsidiaries as of 31 December 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended 31 December 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG Huazhen (SGP)
Shanghai, China
30 March 2015

**Consolidated statement of profit or loss and other comprehensive income**
for the year ended 31 December

| In thousands of RMB | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Revenue | 6 | 864,957 | 13,135 | — |
| Cost of sales | | (1,019,264) | (29,256) | — |
| **Gross loss** | | (154,307) | (16,121) | — |
| Other income | | 37,349 | 19,073 | 12,672 |
| Research and development expenses | 7 | (264,019) | (408,196) | (342,508) |
| Selling and distribution expenses | 8 | (927,211) | (269,696) | — |
| Administration expenses | 9 | (591,611) | (864,813) | (341,058) |
| Other expenses | | (62,716) | (6,113) | (1,759) |
| **Operation loss** | | (1,962,515) | (1,545,866) | (672,653) |
| Finance income | 10(a) | 25,822 | 18,125 | 38,003 |
| Finance costs | 10(a) | (217,337) | (29,190) | — |
| **Net finance (cost)/income** | 10(a) | (191,515) | (11,065) | 38,003 |
| Share of profit of equity-accounted investee, net of nil tax | 16 | (123) | — | — |
| **Loss before tax** | | (2,154,153) | (1,556,931) | (634,650) |
| Income tax expense | 11 | (533) | (196) | — |
| **Loss for the year** | | (2,154,686) | (1,557,127) | (634,650) |
| **Other comprehensive income** | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | |
| Foreign operations – foreign currency translation differences | | (154) | (19) | — |
| Available-for-sale financial assets – net change in fair value | | — | — | 5,158 |
| Available-for-sale financial assets – reclassified to profit or loss | | — | — | (5,158) |
| Related tax | | — | — | — |
| **Other comprehensive income, net of nil tax** | | (154) | (19) | — |
| **Total comprehensive income for the year** | | (2,154,840) | (1,557,146) | (634,650) |

The notes on pages F-105 to F-148 form part of these financial statements.

**Consolidated statement of financial position**
as at 31 December

| In thousands of RMB | Note | 2014 | 2013 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 4,039,948 | 3,728,190 |
| Intangible assets | 13 | 4,638,364 | 3,423,933 |
| Prepayments for purchase of equipment | | 117,922 | — |
| Lease prepayments | 14 | 208,128 | 212,541 |
| Trade and other receivables | 15 | 96,533 | 106,239 |
| Equity-accounted investees | 16 | 2,025 | — |
| **Non-current assets** | | 9,102,920 | 7,470,903 |
| Inventories | 17 | 197,522 | 167,216 |
| Available-for-sale financial assets | | — | 32,000 |
| Trade and other receivables | 15 | 729,906 | 482,721 |
| Prepayments | | 154,655 | 103,539 |
| Pledged deposits | 18 | 290,840 | 193,136 |
| Cash and cash equivalents | 19 | 752,088 | 857,900 |
| **Current assets** | | 2,125,011 | 1,836,512 |
| **Total assets** | | 11,227,931 | 9,307,415 |

The notes on pages F-105 to F-148 form part of these financial statements.

**Consolidated statement of financial position (continued)**
as at 31 December

| In thousands of RMB | Note | 2014 | 2013 |
|---|---|---|---|
| **Equity** | | | |
| Paid-in capital | 20 | 6,531,840 | 5,931,840 |
| Reserves | | (26) | 105 |
| Accumulated losses | | (5,660,541) | (3,505,855) |
| **Total equity** | | 871,273 | 2,426,090 |
| **Liabilities** | | | |
| Loans and borrowings | 21 | 3,928,224 | 2,856,000 |
| Finance lease liabilities | | 479 | 2,251 |
| Deferred income | 22 | 179,982 | 190,570 |
| Provisions | 23 | 12,971 | — |
| **Non-current liabilities** | | 4,121,656 | 3,048,821 |
| Loans and borrowings | 21 | 3,374,660 | 1,254,468 |
| Trade and other payables | 24 | 2,833,459 | 2,551,077 |
| Finance lease liabilities | | 1,541 | 1,567 |
| Deferred income | 22 | 25,342 | 25,392 |
| **Current liabilities** | | 6,235,002 | 3,832,504 |
| **Total liabilities** | | 10,356,658 | 6,881,325 |
| **Total equity and liabilities** | | 11,227,931 | 9,307,415 |

Approved and authorised for issue by the Board of Directors.

| | | |
|---|---|---|
| Chen Anning | Phil Murtaugh | John Meng |
| *Chairman* | *CEO* | *CFO* |

The notes on pages F-105 to F-148 form part of these financial statements.

**Consolidated statement of changes in equity**
for the year ended 31 December

| In thousands of RMB | Paid-in capital | Capital reserve | Translation reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2012** | 3,481,840 | 74 | — | (1,314,078) | 2,167,836 |
| Loss for the year | — | — | — | (634,650) | (634,650) |
| Other comprehensive income | — | — | — | — | — |
| **Total comprehensive income** | — | — | — | (634,650) | (634,650) |
| Capital injection from investors | 750,000 | — | — | — | 750,000 |
| Total contributions | 4,231,840 | — | — | — | 750,000 |
| **Balance at 31 December 2012** | 4,231,840 | 74 | — | (1,948,728) | 2,283,186 |
| **Balance at 1 January 2013** | 4,231,840 | 74 | — | (1,948,728) | 2,283,186 |
| Loss for the year | — | — | — | (1,557,127) | (1,557,127) |
| Other comprehensive income | — | — | (19) | — | (19) |
| **Total comprehensive income** | — | — | (19) | (1,557,127) | (1,557,146) |
| Capital injection from investors | 1,700,000 | 50 | — | — | 1,700,050 |
| Total contributions | 1,700,000 | 50 | — | — | 1,700,050 |
| **Balance at 31 December 2013** | 5,931,840 | 124 | (19) | (3,505,855) | 2,426,090 |
| **Balance at 1 January 2014** | 5,931,840 | 124 | (19) | (3,505,855) | 2,426,090 |
| Loss for the year | — | — | — | (2,154,686) | (2,154,686) |
| Other comprehensive income | — | — | (154) | — | (154) |
| **Total comprehensive income** | — | — | (154) | (2,154,686) | (2,154,840) |
| Capital injection from investors | 600,000 | 23 | — | — | 600,023 |
| Total contributions | 600,000 | 23 | — | — | 600,023 |
| **Balance at 31 December 2014** | 6,531,840 | 147 | (173) | (5,660,541) | 871,273 |

The notes on pages F-105 to F-148 form part of these financial statements.

**Consolidated statement of cash flows**
for the year ended 31 December

| In thousands of RMB | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss for the year | | (2,154,686) | (1,557,127) | (634,650) |
| Adjustments for: | | | | |
| Depreciation | | 143,586 | 34,871 | 15,185 |
| Amortisation of | | | | |
| - intangible assets | | 52,315 | 8,940 | 2,583 |
| - lease prepayments | | 4,413 | 4,413 | 5,072 |
| Impairment losses on inventories | | — | 5,654 | — |
| Net finance cost/(income) | | 200,600 | 3,264 | (27,401) |
| Tax expense | | 533 | 196 | — |
| Loss on disposal of property, plant, and equipment | | 172 | — | — |
| Gain on disposal of lease prepayments | | — | — | (10,586) |
| | | **(1,753,067)** | **(1,499,789)** | **(649,797)** |
| Changes in: | | | | |
| - inventories | | (30,306) | (172,870) | — |
| - other receivables | | (235,444) | (221,610) | (184,786) |
| - prepayments | | (51,116) | (86,398) | (8,969) |
| - trade and other payables | | 504,561 | 525,310 | 73,207 |
| - deferred income | | (10,638) | 4,218 | 211,744 |
| **Net cash used in operating activities** | | **(1,576,010)** | **(1,451,139)** | **(558,601)** |
| **Cash flows from investing activities** | | | | |
| Interest received | | 15,771 | 16,479 | 29,180 |
| Proceeds from disposal of available-for-sale financial assets | | 32,000 | 23,000 | 2,460,000 |
| Proceeds from disposal of lease prepayment | | | — | 258,393 |
| Collection of pledged deposits | | 60,393 | 162,259 | 5,608 |
| Placement of pledged deposits | | (190,840) | (296,714) | (18,536) |
| Acquisition of property, plant and equipment and intangible assets | | (497,891) | (1,517,499) | (1,448,430) |
| Acquisition of lease prepayment | | — | — | (220,631) |
| Acquisition of available-for-sale financial assets | | — | (55,000) | (2,020,000) |
| Acquisition of equity in associate | | (2,025) | — | — |
| Development expenditures | | (1,446,012) | (851,090) | (874,480) |
| **Net cash used in investing activities** | | **(2,028,604)** | **(2,518,565)** | **(1,828,896)** |

The notes on pages F-105 to F-148 form part of these financial statements.

**Consolidated statement of cash flows (continued)**
for the year ended 31 December

| In thousands of RMB | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| Capital injection from investors | | — | 1,700,050 | 750,000 |
| Proceeds from borrowings | | 5,442,286 | 2,577,342 | 1,935,993 |
| Repayment of borrowings | | (1,649,847) | (369,440) | (113,427) |
| Interest paid | | (325,157) | (174,782) | (37,821) |
| Collection of guarantee deposit | | 31,520 | — | — |
| Placement of guarantee deposit | | | — | (100,000) |
| **Net cash from financing activities** | | **3,498,802** | **3,733,170** | **2,434,745** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(105,812)** | **(236,534)** | **47,248** |
| Cash and cash equivalents at 1 January | | 857,900 | 1,094,434 | 1,047,186 |
| **Cash and cash equivalents at 31 December** | | **752,088** | **857,900** | **1,094,434** |

The notes on pages F-105 to F-148 form part of these financial statements.

**Notes to the financial statements**

## 1 Reporting entity

Qoros Automotive Co., Ltd. ("the Company") is a sino-foreign joint equity enterprise established on 24 December 2007 in the People's Republic of China ("PRC") by Wuhu Chery Automobile Investment Co., Ltd ("Wuhu Chery") and Quantum (2007) LLC. The Company's registered office is Changshu, Jiangsu Province, PRC. The Company has two direct wholly-owned subsidiaries, Qoros Automotive Europe GmbH incorporated in Germany and Qoros Car Sales Co., Ltd. incorporated in Changshu ("the Subsidiaries"). These consolidated financial statements comprise the Company and the Subsidiaries (collectively the "Group" and individually "Group companies").

The Group's principal activities are research and development, manufacture and sale of automobiles and related fittings and spare parts.

## 2 Basis of preparation

### *(a) Basis of accounting*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective terms includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). They were authorised for issue by the Company's board of directors on 26 March 2015.

### *(b) Going concern basis of accounting*

The Group incurred a net loss of RMB 2.2 billion and had net current liabilities of approximately RMB 4.1 billion as of and for the year ended 31 December 2014.

We have given careful consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

***Bank Financing***

The Company had unused bank loan facilities of RMB 824 million as at 31 December 2014 (Note 21). In addition, the Company plans to refinance most of its short-term loans in 2015.

***Shareholders' loans***

Included in the current liabilities were loans from shareholders of RMB 1.6 billion as at 31 December 2014. Shareholders also plan to lend additional loans of RMB 800 million to the Company in 2015, of which, RMB 400 million was received in February 2015 and the rest RMB 400 million is expected to be received in the second quarter of 2015.

## 2 Basis of preparation

### *(b) Going concern basis of accounting*

Based on the Group's 2015 business plan, cash flow forecast, unutilised bank loan facilities and the plan to refinance the existing short term loans, we believe the Group will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months from 31 December 2014. In preparing the cash flow forecast, we took into account unused bank loan facilities of RMB824 million, the roll forward of its short term loans from banks and the additional RMB800 million from the shareholders, and they are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

### *(c) Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except that the financial instruments classified as available-for-sale are measured at their fair value (see note 4 (l)(ii)).

### *(d) Functional and presentation currency*

These consolidated financial statements are presented in Renminbi ("RMB", the "presentation currency"), which is also the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

## 3 Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

A. IFRIC 21 Levies.

B. Recoverable Amount Disclosures for Non-Financial Assets(Amendments to IAS 36)

The nature and effects of the changes are explained below.

A. Levies

The group has adopted IFRIC 21 Levies with a date of initial application of 1 January 2014. The Group operates in two countries where it is subject to government levies. As a result of the adoption of IFRIC 21, the Group has reassessed the timing of when to accrue environment taxes imposed by legislation at the end of the year on the entity that manufactures cars.

The interpretation clarifies that levy is not recognised until obligating event specified in the legislation occur, even if there is no realistic opportunity to avoid the obligation.

There is no material impact on the Group’s net loss and no impact on the total operating, investing or financing cash flows for the years ended 31 December 2014 and 2013.

B. Disclosure of recoverable amount for non-financial assets

As a result of the amendments to IAS 36, the Group has expanded its disclosures of recoverable amount when they are based on fair value less costs of disposals and recognised an impairment.

## 4 Significant accounting policies

Except for the changes described in Note 3, the accounting polices set out below have been applied consistently to all periods presented in these financial statements.

### *(a) Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of the entity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**4 Significant accounting policies (continued)**

***(a) Basis of consolidation (continued)***

(iv) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

***(b) Revenue***

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT") or other sales taxes, returns or allowances, trade discounts and rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rental income

Rental income from operating leases is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**4 Significant accounting policies (continued)**

***(c) Government grants***

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

***(d) Finance income and finance costs***

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and gains on the disposal of available-for-sale financial assets.

Finance costs comprise interest expense on borrowings and losses on disposal of available-for-sale financial assets.

Interest income is recognised using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

***(e) Foreign currency***

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and
- qualifying cash flow hedges to the extent that the hedges are effective.

**4 Significant accounting policies (continued)**

***(e) Foreign currency (continued)***

(ii) Foreign operations

The assets and liabilities of foreign operations, are translated into RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve.

***(f) Employee benefits***

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligations to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Contributions to defined contribution retirement plans in the PRC

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

**4 Significant accounting policies (continued)**

***(f) Employee benefits (continued)***

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

***(g) Income tax***

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

**4 Significant accounting policies (continued)**

***(g) Income tax (continued)***

(ii) Deferred tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised, such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

***(h) Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct labour and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**4 Significant accounting policies (continued)**

***(i) Property, plant and equipment***

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the followings:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

If significant 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

**4 Significant accounting policies (continued)**

***(i) Property, plant and equipment (continued)***

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Except for toolings, depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on construction in progress.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings 30 years
- Equipment 3-20 years
- Leasehold improvements 3 years

Toolings are depreciated on a systematic basis based on the quantity of related products produced.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

***(j) Intangible assets***

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred subsequent to initial recognition. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**4 Significant accounting policies (continued)**

***(j) Intangible assets (continued)***

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values from the date they are available for use using the straight-line method over their estimated useful lives or other systematic basis, and is generally recognised in profit or loss.

Except for capitalised development costs, the estimated useful lives of intangible assets are as follows:

- Software 10 years

Capitalised development costs are amortised on a systematic basis based on the quantity of related products produced.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

***(k) Lease prepayments***

All land in PRC is state-owned and no private land ownership exists. The Group acquired the right to use certain land and the premiums paid for such right are recorded as lease prepayment. Lease prepayment is carried at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the respective periods of the rights.

**4 Significant accounting policies (continued)**

***(l) Financial instruments***

The Group classified non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

(ii) Non-derivative financial assets - measurement

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, pledged deposits and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

**4 Significant accounting policies (continued)**

***(l) Financial instruments (continued)***

(ii) Non-derivative financial assets - measurement (continued)

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(ii) Non-derivative financial liabilities - measurement

All non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

**4 Significant accounting policies (continued)**

***(m) Impairment***

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group 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 or issuers;
- the disappearance of an active market for a security;
- observable date indicating that there is measureable decrease in expected cash flows from a group of financial assets.

  For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

*Financial assets measured at amortised costs*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed. Collective assessment is carried out by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

**4 Significant accounting policies (continued)**

***(m) Impairment (continued)***

(i) Non-derivative financial assets (continued)

An impairment loss of an asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the asset. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

*Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the loss accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment losses recognised previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Otherwise, it is reversed through other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

**4 Significant accounting policies (continued)**

***(m) Impairment (continued)***

(ii) Non-financial assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***(n) Warranty costs***

A provision for warranties is recognised when the underlying products or services are sold, based on estimate by the Group's technicians and by reference to industrial data.

***(o) Provision and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

***(p) Leases***

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**4 Significant accounting policies (continued)**

***(p) Leases (continued)***

(ii) Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**4 Significant accounting policies (continued)**

***(q) Related parties***

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent or ultimate controlling shareholders.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group;

(ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**4 Significant accounting policies (continued)**

***(r) Standards and interpretation issued but not yet adopted***

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

| | Effective annual financial periods beginning on or after |
|---|---|
| • IFRS 9 Financial Instruments | 1 January 2018 |
| • IFRS 15 Revenue from Contracts with Customers | 1 January 2017 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial position and results of operations.

The following new or amended standards are not expected to have significant impact of the Group's consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendment to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (Amendments to IFRS 11)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

## 5 Use of estimates and judgements

In preparing these consolidated financial statements, the management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

***(a) Judgements***

(i) Research and development costs

Determining capitalisation of development costs involves management judgements in assessing whether a product is technically and commercially feasible, and whether the Group has sufficient resources to complete development and to use or sell the asset.

(ii) Lease classification

Lease classification is made at the inception of the lease. Determining the lease classification involves management judgements in assessing whether all the risks and rewards incidental are substantially transferred to ownership. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

***(b) Assumptions and estimation uncertainties***

(i) Research and development costs

During the process of formulation of relevant cash flow forecasts for quantifying the future economic benefits generated from the development costs for the new product, a variety of assumptions, bases and estimations including market popularity of the products, the pricing trend of raw materials acquired, and etc. would have to be made by the management. Thus, any significant deviations from these assumptions, bases as well as estimations made by the management would have impact on determining whether the related development costs incurred should be capitalised or expensed.

(ii) Depreciation and amortisation

Property, plant and equipment, intangible assets and lease prepayments are depreciated/amortised on a straight-line basis over the estimated useful lives or other systematic basis, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the management's knowledge and historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

**5 Use of estimates and judgements (continued)**

***(b) Assumptions and estimation uncertainties (continued)***

(iii) Net realisable value of inventories

The management reviews the carrying amounts of the inventories at each reporting period end date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and their historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(iv) Impairment for non-current assets

If circumstances indicate that the carrying value of property, plant and equipment, lease prepayments, intangible assets may not be recoverable, their recoverable amounts are estimated. An impairment loss is recognised when the recoverable amount has declined below the carrying amounts in accordance with IAS 36, " *Impairment of assets* ". In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is an indication of impairment.

Determining the recoverable amount requires an estimation of the fair value less costs of disposal or the value in use of these assets or the CGU to which these assets belong. It is difficult to precisely estimate fair value of these assets because quoted market prices for most of these assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(v) Deferred taxation

Determining recognition of deferred tax assets in respect of accumulated tax losses and deductible temporary differences involves judgement on whether it is probable that future taxable profits against which these losses can be utilised within the unexpired period and which the temporary differences can be deducted under current tax legislation will be available. In assessing the need to recognise a deferred tax asset, management considers all available evidence, including projected future taxable income, tax planning strategies, historical taxable income, and the expiration period of the losses carried forward.

## 6 Revenue

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Sales of goods | 822,630 | 7,416 | — |
| Others | 42,327 | 5,719 | — |
| Total | 864,957 | 13,135 | — |

## 7 Research and development expenses

Research and development expenses are the expenses incurred for the research and development activities of car platform and models as follows:

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| CF1X | 8,964 | 145,440 | 274,473 |
| CF11 | 123,721 | 41,492 | 1,663 |
| CF14 and CF14K | 30,490 | 3,807 | 801 |
| CF16 | 74,776 | 195,043 | 65,571 |
| Others | 26,068 | 22,414 | — |
| **Total** | 264,019 | 408,196 | 342,508 |

## 8 Selling and distribution expenses

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Advertising | 453,586 | 130,860 | — |
| Marketing and promotion | 120,872 | 73,166 | — |
| Consulting fees | 192,292 | 34,379 | — |
| Personnel expenses | 117,958 | 19,243 | — |
| Others | 42,503 | 12,048 | — |
| **Total** | 927,211 | 269,696 | — |

## 9 Administration expenses

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Personnel expenses | 194,943 | 336,003 | 202,765 |
| Consulting fees | 84,856 | 280,749 | 13,451 |
| Office expenses | 15,451 | 57,649 | 9,201 |
| Depreciation and amortisation | 74,221 | 33,666 | 22,758 |
| Rental expenses | 46,403 | 41,028 | 24,763 |
| Travelling expenses | 16,076 | 17,691 | 12,326 |
| Low-valued consumables | 2,076 | 17,877 | 982 |
| Recruiting expenses | 13,593 | 19,410 | 18,665 |
| Taxes and duties | 14,287 | 4,749 | 17,315 |
| Testing expenses | 21,281 | 699 | — |
| IT expense | 64,462 | 25,158 | 10,675 |
| Others | 43,962 | 30,134 | 8,157 |
| **Total** | 591,611 | 864,813 | 341,058 |

## 10 Loss before income tax

Loss for the year is arrived at after charging/(crediting):

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| **(a) Net finance (cost)/income:** | | | |
| Interest income from available-for-sale financial assets | 720 | 2,079 | 5,158 |
| Interest income from bank deposits | 16,583 | 16,046 | 22,243 |
| Net foreign exchange gain | 8,519 | — | 10,602 |
| Finance income | 25,822 | 18,125 | 38,003 |
| Net foreign exchange loss | — | (7,801) | — |
| Interest expense | (217,337) | (21,389) | — |
| Finance costs | (217,337) | (29,190) | — |
| Net finance (cost)/income | (191,515) | (11,065) | 38,003 |

Interest expenses of RMB 84,571 thousand (2013: RMB 192,066 thousand; 2012: RMB 42,840 thousand) incurred on borrowings were capitalised in property, plant and equipment and intangible assets (see Note 12 and 13).

**(b) Personnel expenses**

| | | | |
|---|---|---|---|
| Contributions to defined contribution retirement plan | (36,710) | (21,498) | (9,545) |
| Salaries, wages and other benefits | (490,120) | (341,341) | (193,220) |
| | (526,830) | (362,839) | (202,765) |

**(c) Other items:**

| | | | |
|---|---|---|---|
| Amortisation | | | |
| - lease prepayment | (4,413) | (4,413) | (5,072) |
| - intangible assets | (52,315) | (8,940) | (2,583) |
| | (56,728) | (13,353) | (7,655) |
| Depreciation | | | |
| - property, plant and equipment | (143,586) | (34,871) | (15,185) |
| Operating lease charges | | | |
| - hire of office rentals | (53,340) | (45,006) | (24,763) |
| - hire of cars | (4,714) | (4,312) | (4,870) |
| | (58,054) | (49,318) | (29,633) |
| Write down of inventory to the net realisable value | — | (5,654) | — |

## 11 Income taxes

### Amounts recognised in profit or loss

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Current tax expense – Germany Income Tax | | | |
| Current year | 533 | 196 | — |

The statutory corporate income tax rate of the Company is 25% (2012: 25%). The statutory corporate income tax rate of Qoros Automotive Europe GmbH, the Company's subsidiary incorporated in Germany, is 15%.

### Reconciliation of effective tax rate

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Loss before tax | (2,154,153) | (1,556,931) | (634,650) |
| Income tax credit at the applicable PRC income tax rate of 25% | (538,538) | (389,233) | (158,663) |
| Effect of tax rate differential | 91 | 15 | — |
| Effect of tax losses not recognised | 448,814 | 314,590 | 28,587 |
| Effect of other temporary differences not recognised | 89,857 | 40,735 | 129,606 |
| Non-deductible expenses | 309 | 34,089 | 470 |
| Income tax expense | 533 | 196 | — |

**11 Income taxes (continued)**

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom:

| | As at 31 December | | |
|---|---|---|---|
| **In thousands of RMB** | **2014** | **2013** | **2012** |
| Tax losses | 3,373,796 | 1,690,380 | 516,085 |
| Other temporary differences | 2,121,104 | 1,761,674 | 1,598,735 |
| Total | 5,494,900 | 3,452,054 | 2,114,820 |

Under current tax legislation, the above deductible tax losses will expire in the following years:

| *In thousands of RMB* | **As at 31 December 2014** |
|---|---|
| 2015 | 92,479 |
| 2016 | 158,364 |
| 2017 | 114,346 |
| 2018 | 1,213,347 |
| 2019 | 1,795,260 |
| | 3,373,796 |

## 12 Property, plant and equipment

| *In thousands of RMB* | Leasehold improvements | Equipment | Building | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2013 | 11,283 | 59,277 | — | 1,630,621 | 1,701,181 |
| Additions | 6,793 | — | — | 2,182,562 | 2,189,355 |
| Transfer | — | 1,509,771 | 1,258,439 | (2,865,566) | (97,356) |
| Disposal | — | (239) | — | — | (239) |
| Balance at 31 December 2013 | 18,076 | 1,568,809 | 1,258,439 | 947,617 | 3,792,941 |
| Additions | 4,914 | — | — | 714,922 | 719,836 |
| Transfer | — | 933,383 | 24,841 | (1,222,544) | (264,320) |
| Disposal | — | (352) | — | — | (352) |
| Balance at 31 December 2014 | 22,990 | 2,501,840 | 1,283,280 | 439,995 | 4,248,105 |
| **Depreciation** | | | | | |
| Balance at 1 January 2013 | (8,639) | (21,477) | — | — | (30,116) |
| Depreciation for the year | (3,323) | (26,032) | (5,516) | — | (34,871) |
| Written off on disposal | — | 236 | — | — | 236 |
| Balance at 31 December 2013 | (11,962) | (47,273) | (5,516) | — | (64,751) |
| Depreciation for the year | (8,045) | (95,959) | (39,582) | — | (143,586) |
| Written off on disposal | — | 180 | — | — | 180 |
| Balance at 31 December 2014 | (20,007) | (143,052) | (45,098) | — | (208,157) |
| **Carrying amount** | | | | | |
| Balance at 31 December 2012 | 2,644 | 37,800 | — | 1,630,621 | 1,671,065 |
| Balance at 31 December 2013 | 6,114 | 1,521,536 | 1,252,923 | 947,617 | 3,728,190 |
| Balance at 31 December 2014 | 2,983 | 2,358,788 | 1,238,182 | 439,995 | 4,039,948 |

**Leased plant and machinery**

The Group leases pressing machinery as a lessor under operating leases. As at 31 December 2014, the net carrying amount of leased machinery was RMB 82,083 thousand (31 December 2013: 90,776 thousand; 31 December 2012: nil).

**Property, plant and equipment under construction**

Included in additions of construction in progress is an amount of RMB 24,432 thousand representing borrowing costs capitalised during 2014, (2013: RMB 112,303 thousand; 2012: RMB 21,689 thousand), using a capitalisation rate of 7.56% per annum (2013: 4.64%; 2012: 1.88%).

As at 31 December 2014, all equipment, properties and construction in progress were pledged to bank as security for a consortium financing agreement. (Note 21)

## 13 Intangible assets

| *In thousands of RMB* | Software | Development costs | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2013 | 43,415 | 1,230,956 | 1,274,371 |
| Additions | 13,611 | 2,051,066 | 2,064,677 |
| Transfer from construction in progress | 97,356 | — | 97,356 |
| Balance at 31 December 2013 | 154,382 | 3,282,022 | 3,436,404 |
| Additions | 14,491 | 987,935 | 1,002,426 |
| Transfer from construction in progress | 264,320 | — | 264,320 |
| Balance at 31 December 2014 | 433,193 | 4,269,957 | 4,703,150 |
| **Amortisation** | | | |
| Balance at 1 January 2013 | (3,531) | — | (3,531) |
| Amortisation for the year | (6,527) | (2,413) | (8,940) |
| Balance at 31 December 2013 | (10,058) | (2,413) | (12,471) |
| Amortisation for the year | (30,439) | (21,876) | (52,315) |
| Balance at 31 December 2014 | (40,497) | (24,289) | (64,786) |
| **Carrying amount** | | | |
| Balance at 31 December 2012 | 39,884 | 1,230,956 | 1,270,840 |
| Balance at 31 December 2013 | 144,324 | 3,279,609 | 3,423,933 |
| Balance at 31 December 2014 | 392,696 | 4,245,668 | 4,638,364 |

The amortisation of software and capitalised development cost is included in administration expenses and cost of sales, respectively, in the consolidated statement of profit or loss and other comprehensive income.

See Note 24 for payables for research and development activities as at reporting date.

Included in capitalised development costs is an amount of RMB 60,138 thousand representing borrowing costs capitalised during 2013, (2013: RMB 79,763 thousand, 2012: RMB 21,151 thousand), using a capitalisation rate of 7.56% (2013: 4.64%; 2012: 1.88%).

## 13 Intangible assets (continued)

On 11 September 2014, the Board of Directors of the Company approved a revised business plan which adopted a lower sales volume than was previously adapted, as a result, an asset impairment test was performed in October 2014 and updated in February 2015. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of the CGU, to which the fixed assets and intangible assets belong, was based on the greater of its value in use and its fair value less costs to sell and was determined with the assistance of an independent valuer.

As the result of the impairment test showed the recoverable amount of the CGU higher than its book value as at 31 December 2014, no impairment loss is recognised.

## 14 Lease prepayments

| *In thousands of RMB* | 2014 | 2013 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 220,631 | 220,631 |
| Addition for the year | — | — |
| Disposal for the year | — | — |
| Balance at 31 December | 220,631 | 220,631 |
| **Amortisation** | | |
| Balance at 1 January | (8,090) | (3,677) |
| Amortisation for the year | (4,413) | (4,413) |
| Written back on disposal | — | — |
| Balance at 31 December | (12,503) | (8,090) |
| **Carrying amount** | | |
| Balance at 1 January | 212,541 | 216,954 |
| Balance at 31 December | 208,128 | 212,541 |

As at 31 December 2014 and 2013, the Group's lease prepayments represented the lease prepayments of land use rights located in Changshu, Jiangsu Province. Such lease prepayments were pledged to bank as security for a consortium financing agreement (Note 21).

## 15 Trade and other receivables

| *In thousands of RMB* | *At 31 December* 2014 | 2013 |
|---|---|---|
| Trade receivables | 12,558 | — |
| Value-added tax recoverable | 662,391 | 428,845 |
| Deposits | 70,270 | 72,940 |
| Deferred expenses | 35,829 | 40,607 |
| Receivables due from employees | 28,196 | 36,810 |
| Receivables due from related parties 28(c) | 5,065 | 1,325 |
| Others | 12,526 | 8,829 |
| | 826,835 | 589,356 |
| Less: allowance for doubtful debts | (396) | (396) |
| | 826,439 | 588,960 |
| Non-current | 96,533 | 106,239 |
| Current | 729,906 | 482,721 |
| | 826,439 | 588,960 |

## 16 Equity-accounted investees

On 30 July 2014, a car rental company, Fond&Liberty Car Rental/Leasing Co., Ltd (the “investee” or “Fond”), was established by Qoros Europe, Changshu Port Development and Construction Co., Ltd. (“CPDC”) and Daqian Investment Co., Ltd. ( “Daqian”).

The registered capital of the investee is USD 10 million, with Qoros Europe, CPDC and Daqian holding 25%, 25% and 50% of the equity interests in the investee, respectively. Qoros Europe injected an initial capital contribution of USD 375,000, equivalent of RMB 2.2 million.

The main business scope of the investee includes vehicle rental, sales of car parts and components, and designated driving service, with an operation period of 12 years.

The Group has a significant influence on Fond, as it holds 25% of the voting power of the investee. The Group accounts for the investment by using equity method, under which the carrying amount of investment is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The investor’s share of the investee’s profit or loss is recognised in the investor’s profit or loss.

## 17 Inventories

| *In thousands of RMB* | *At 31 December* 2014 | 2013 |
|---|---|---|
| Raw materials and consumables | 44,484 | 34,112 |
| Work in progress | 3,279 | 28,465 |
| Finished goods | 149,759 | 104,639 |
| Total | 197,522 | 167,216 |

During the period, raw materials and consumables, and changes in work in progress and finished goods included in “cost of sales” amounted to RMB 999,439 thousand.

There were no inventory write-downs recognised as at 31 December 2014.

## 18 Pledged deposits

Bank deposits of RMB 290,840 thousand (31 December 2013: RMB 193,136 thousand) have been pledged as security for bank guarantees and a letter of credit facility. The pledge in respect of the bank deposits will be released with the expiration of the relevant bank guarantees and the letter of credit facilities, which is less than one year.

## 19 Cash and cash equivalents

| *In thousands of RMB* | *At 31 December* 2014 | 2013 |
|---|---|---|
| Bank deposits with maturity of 3 months or less | 1,566 | 82,970 |
| Cash at bank | 750,522 | 774,930 |
| | 752,088 | 857,900 |

## 20 Paid-in capital

| *In thousands of RMB* | *At 31 December* 2014 | 2013 |
|---|---|---|
| Wuhu Chery | 3,265,920 | 2,965,920 |
| Quantum (2007) LLC. | 3,265,920 | 2,965,920 |
| | 6,531,840 | 5,931,840 |

## 21 Loans and borrowings

| *In thousands of RMB* | *At 31 December* 2014 | 2013 |
|---|---|---|
| Denominated in: | | |
| RMB | 5,946,000 | 3,673,000 |
| USD | 1,356,884 | 379,715 |
| EUR | — | 57,753 |
| | 7,302,884 | 4,110,468 |
| Non-current | 3,928,224 | 2,856,000 |
| Current | 3,374,660 | 1,254,468 |
| | 7,302,884 | 4,110,468 |

Details of non-current loans and borrowings are set out below.

(1) On 23 July 2012, the Company entered into a consortium financing arrangement with a Group of banks. Under the arrangement, the Company can draw down loans in either RMB or USD, up to an aggregate maximum principal amount of RMB 3 billion. The RMB loan bears the 5-year interest rate quoted by the People's Bank of China from time to time and the USD loan bears interest rate of LIBOR+4.8% per annum. The repayment schedule of loans is based on the instalments schedule as set out in the agreement within 10 years from the first draw down date. The arrangement is secured by the Company's land use right, equipment, properties and construction in progress and is guaranteed by Wuhu Chery and Changshu Port Development and Construction Co., Ltd ("CPDC") respectively. Each party provides guarantee to an aggregate principal amount of no more than RMB 1.5 billion or its equivalent. The guarantee from Wuhu Chery and CPDC are several but not joint. In connection with Wuhu Chery's guarantee, Israel Corporation Ltd. provided a counter-guarantee up to the aggregate principal amount of no more than RMB 750 million or its equivalent. In connection with CPDC's guarantee, the Company made a guarantee deposit of RMB 100 million to CPDC and Wuhu Chery also entered into an agreement to provide a counter-guarantee to CPDC in September 2012. The guarantee deposit was treated as deferred expenses and carried at amortised cost.

As at 31 December 2014, the Company has drawn down RMB loans of RMB 2,866 million (31 December 2013: RMB 2,856 million) with an interest rate of 6.15%.

**21 Loans and borrowings (continued)**

The loans are repayable within 10 years from 23 July 2012. The first repayment date is set as 36 months after the first draw down date 27 July 2012. On 27 July 2015 and every 6 months after the preceding repayment date, payments are due based on the following schedule:

| | *Repayment of loan principal as a % of the outstanding loan balance on 23 July 2015* |
|---|---|
| 27 July 2015 | 1.667% |
| 27 January 2016 | 1.667% |
| 27 July 2016 | 1.667% |
| 27 January 2017 | 6.667% |
| 27 July 2017 | 6.667% |
| Remaining | 81.665% |

The loans drawn down from this consortium arrangement contains financial related covenants. In 2013, the Company obtained a confirmation from the banks that compliance of the financial covenants is not required for 2013 and 2014. In September 2014, the banks further extended the covenant waiver to July 2017.

(2) On 29 November 2012, the Company entered into a loan arrangement with Bank of China, a PRC commercial bank. Under this arrangement, the Company can draw down loans in RMB to an aggregate maximum principal amount of RMB 800 million, including a working capital loan of RMB 200 million. The arrangement is unsecured and unguaranteed. The loan bears either 1-year, 3-year or 5-year interest rate quoted by the People's Bank of China due to specific loan duration and the latter rate is adjusted annually after the first draw down date 24 April 2013.

As of 31 December 2014, the Company has cumulatively drawn down loans of RMB 160 million (31 December 2013: RMB 160 million) with the interest rate of 6.15%. The loan is repayable in 3 years after the first draw down date of 24 April 2013, and was divided into four instalments which are repayable in May 2014, November 2014, May 2015 and November 2015 respectively. The loan contains financial covenants. In February 2014, the Company obtained a confirmation from the bank that compliance of the financial covenants is not required for 2013 and 2014. After the Company enters into continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the bank for consideration. The Company repaid the loan of RMB 80 million out of the RMB 160 million in 2014, with an outstanding loan balance of RMB 80 million.

(3) On 31 July 2014, the Company entered into an additional consortium financing arrangement with a bank consortium. Under this arrangement, the Company can draw down loans in either RMB or USD, up to an aggregate maximum principal amount of RMB 1.2 billion. The RMB loan bears the 5-year interest rate quoted by the People's Bank of China with 10% mark-up and the USD loan bears interest rate of LIBOR+5% per annum. The repayment schedule of loans is based on the installments schedule as set out in the agreement within 10 years from the first draw down date.

**21 Loans and borrowings (continued)**

Wuhu Chery Automobile Investment Co., Ltd. and Quantum (2007) LLC, shareholders of the Company, have each pledged 17.5% of its equity interest in the Company, which is currently being equivalent to a registered capital of RMB 1.1 billion respectively to the bank consortium.

As of 31 December 2014, the Company has drawn down loans of RMB 1.11 billion with the interest rate of 6.765%.

Current loans and borrowings represented unsecured bank loans with maturity period within one year with the interest rates from 1.28% to 7.32% and shareholder loans from Wuhu Chery and Quantum (2007) totalling RMB1.6 billion.

As at 31 December, 2014, the Company has unutilised loan facilities of RMB 824 million (31 December 2013: RMB 784 million). An additional loan facility of RMB 120 million can be released if the Company repay the outstanding loan of RMB 80 million as mentioned in Note 21 (2) above.

**22 Deferred income**

In November 2012, the Group received RMB 213.5 million from the Management Committee of Changshu Economic & Technology Development Zone, as a result of the Group's investment in the Development Zone. Such government grant was initially recognised as "deferred income" upon receipt and is amortised and recognized as "other income" over the Group's expected remaining period of operation.

**23 Provision**

The provision balance as at 31 December 2014 mainly represents warranties related to cars sold as of 31 December 2014. As no historical warranty data associated with cars sold is available, the Group accrues warranty provisions based on the estimation made by the Group's technical department taking into account available warranty data of similar cars in the market.

## 24 Trade and other payables

| In thousands of RMB | At 31 December 2014 | 2013 |
|---|---|---|
| Trade payables | 321,258 | 219,102 |
| Note payables | 217,208 | — |
| Other payables for | | |
| -research and development activities | 825,309 | 1,343,524 |
| -property, plant and equipment | 624,545 | 511,827 |
| -services | 673,004 | 301,100 |
| Accrued payroll | 64,952 | 104,702 |
| Interest payable | 17,606 | 40,856 |
| Others | 89,577 | 29,966 |
| | 2,833,459 | 2,551,077 |

All the balances are repayable on demand.

## 25 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

***(a) Credit risk***

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 receivables from counterparties and the Group's deposits with banks (including available-for-sale financial assets).

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The Group limits its exposure to credit risk by investing only in liquid investment products issued by financial institutions. Management actively monitors credit ratings and given that the Group only has invested in investment products with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The carrying amounts of cash and cash equivalents, pledged deposits, other receivables and available-for-sale financial assets represent its maximum credit exposure on these assets.

**25 Financial risk management and fair values of financial instruments (continued)**

***(b) Liquidity risk***

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 policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions and/or from other group companies to meet the liquidity requirements in the short and long term.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Contractual undiscounted cash flow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount at balance sheet date |
| *As at 31 December 2014* | | | | | | |
| Trade and other payables | 2,833,459 | — | — | — | 2,833,459 | 2,833,459 |
| Loans and borrowings | 3,712,075 | 331,812 | 1,940,001 | 3,007,045 | 8,990,933 | 7,302,884 |
| Finance lease liabilities | 1,541 | 479 | — | — | 2,020 | 2,020 |
| Total | 6,547,075 | 332,291 | 1,940,001 | 3,007,045 | 11,826,412 | 10,138,363 |
| *As at 31 December 2013* | | | | | | |
| Trade and other payables | 2,551,077 | — | — | — | 2,551,077 | 2,551,077 |
| Loans and borrowings | 1,474,257 | 258,344 | 1,344,938 | 2,127,887 | 5,205,426 | 4,110,468 |
| Finance lease liabilities | 1,629 | 1,630 | 655 | — | 3,914 | 3,818 |
| Total | 4,026,963 | 259,974 | 1,345,593 | 2,127,887 | 7,760,417 | 6,665,363 |

**25 Financial risk management and fair values of financial instruments (continued)**

***(c) Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 optimising the return.

- Currency risk

The Group is exposed to currency risk on purchases relating to research and development activities, bank borrowings as well as normal productions that are denominated in currencies other than the functional currencies of Group companies. The currencies in which these transactions primarily are denominated are RMB, US dollars and Euro. The functional currency of Group companies is primarily the RMB.
In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

*Exposure to currency risk*

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

| | At 31 December | |
|---|---|---|
| EUR | 2014 RMB' 000 | 2013 RMB' 000 |
| Cash and cash equivalent | 612 | — |
| Prepayments | 854 | 3,653 |
| Trade and other payables | (16,170) | (94,413) |
| Loans and borrowings | — | — |
| Net statement of financial position exposure | (14,704) | (90,760) |

| | At 31 December | |
|---|---|---|
| USD | 2014 RMB' 000 | 2013 RMB' 000 |
| Cash and cash equivalent | 395,034 | — |
| Prepayments | 25,848 | 9,313 |
| Trade and other payables | (6,420) | (634) |
| Loans and borrowings | (995,132) | (379,709) |
| Net statement of financial position exposure | (580,670) | (371,030) |

**25 Financial risk management and fair values of financial instruments (continued)**

***(c) Market risk (continued)***

- Currency risk (continued)

The following significant exchange rates have been applied during the year:

| | Average rate | | Year end spot rate | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| EUR | 7.9373 | 8.3683 | 7.4556 | 8.4189 |
| USD | 6.1080 | 6.1912 | 6.1190 | 6.0969 |

A reasonably possible strengthening (weakening) of the Euro and US dollar against RMB at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | *At 31 December* | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Strengthening RMB'000 | Weakening RMB'000 | Strengthening RMB'000 | Weakening RMB'000 |
| EUR (10% movement) | (1,470) | 1,470 | (9,076) | 9,076 |
| USD (10% movement) | (58,067) | 58,067 | (37,103) | 37,103 |

- Interest rate risk

*Profile*

The Group's interest rate risk arises primarily from bank deposits and bank loans. The Group's policy is to obtain the most favourable interest rates available in respect of its bank deposits. The Group has not used any derivatives to mitigate its interest rate risk exposure.

Bank deposits are with fixed interest rates ranging from 0.35%~3.30%, 0.35%~3.25%, 0.35%~3.25% per annum as at 31 December 2014, 2013 and 2012 respectively.

The Group's interest-bearing borrowings and interest rates as at 31 December 2014 and 2013 are set out as follows:

| | | **At 31 December** | |
|---|---|---|---|
| | Interest rate | 2014 RMB'000 | 2013 RMB'000 |
| Borrowings | 1.28%-7.32% | 7,302,884 | 4,110,468 |

Loan interest rates are disclosed in Note 21.

**25 Financial risk management and fair values of financial instruments (continued)**

***(c) Market risk (continued)***

- Interest rate risk (continued)

*Sensitivity analysis*

A change of 100 basis points in interest rates would have increased or decreased equity by RMB 92,915 thousand (2013: RMB 31,922; 2012: RMB 3,356 thousand).

***(d) Fair value***

The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

If the input used to measure the fair value of an assets or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at 31 December 2014, the Company had no financial instruments carried at fair value.

During the years ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

***(e) Capital management***

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of paid in capital and retained earnings.

There were no changes in the Group’s approach to capital management during the year.

## 26 Operating leases

***(a)*** Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| *In thousands of RMB* | At 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Within 1 year | 22,638 | 43,771 |
| After 1 year but within 5 years | 341 | 18,138 |
| | 22,979 | 61,909 |

***(b)*** Leases as lessor

The Group leases out its part of machinery.

As at 31 December, the future minimum lease payments under non-cancellable leases are receivable as follows:

| *In thousands of RMB* | At 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Within 1 year | 15,389 | 48,844 |
| After 1 year but within 5 years | 9,367 | 24,756 |
| | 24,756 | 73,600 |

## 27 Capital commitments

Capital commitments outstanding not provided for in the financial statements:

| *In thousands of RMB* | At 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Contracted for | 954,515 | 758,622 |
| Authorised but not contracted for* | 23,309 | 54,799 |
| | 977,824 | 813,421 |

* The authorised but not contracted for capital commitment represented the research and development costs and construction costs for the factories in Changshu to be incurred. The Board of Directors has approved these commitments but the related written approval document is still under preparation.

## 28 Related parties

### *(a) Parent and ultimate controlling party*

As at 31 December 2014, 2013 and 2012, the Company was jointly-controlled by Wuhu Chery and Quantum (2007) LLC. Chery Automobile Co., Ltd. ("Chery Auto") is the ultimate parent company of Wuhu Chery and Israel Corporation Ltd. is the ultimate parent company of Quantum (2007) LLC.

The following is a summary of principal related parties transactions carried out by the Group with the related parties for the year presented.

### *(b) Transactions with key management personnel*

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Salaries, benefit and contribution to the defined contribution retirement plan | 10,941 | 13,215 | 10,607 |

### *(c) Other related party transactions*

The Group entered into the following material related party transactions:

| *In thousands of RMB* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Loan from Wuhu Chery | 800,000 | — | — |
| Loan from Quantum (2007) | 800,000 | — | — |
| Car sales to Fond & Liberty Car Rental/Leasing Co., Ltd. ("Fond") | 4,520 | — | — |
| Rental expenses paid to Chery Auto's subsidiary | 80 | — | 62 |
| Service fee payable to Chery Auto | 8,495 | 12,863 | 3,385 |
| Service fee payable to Shanghai SICAR Vehicle Technology Development Co., Ltd. ("SICAR") | 13,182 | 13,395 | 17,490 |
| Purchase from Chery Auto | 90,306 | 13,856 | 3,436 |
| Travel expense paid on behalf of Chery Auto and SICAR | — | — | 334 |
| Other expense charged to | | | |
| -Israel Corporation Ltd. | 1,321 | 1,292 | 1,039 |
| -Chery Huiyin Motor Finance Service Co., Ltd. ("Huiyin") | 1,777 | — | — |

In addition to the above transactions, guarantees provided by Wuhu Chery and Israel Corporation Ltd. in respect of the consortium financing agreement were disclosed in Note 21.

**28 Related parties (continued)**

***(c) Other related party transactions (continued)***

The outstanding balances arising from the above transactions at the end of the reporting periods are as follows:

| *In thousands of RMB* | At 31 December 2014 | At 31 December 2013 |
|---|---|---|
| Amounts due from related parties | | |
| - trade receivables from Fond | 3,664 | — |
| - other receivables from Chery Auto | 75 | 75 |
| - other receivables from Chery Auto's subsidiary | 5 | 5 |
| - other receivables from Israel Corporation Ltd. | 1,321 | 1,245 |
| | 5,065 | 1,325 |
| - prepayments to Chery Auto | 86,000 | 1,675 |
| - prepayments to Huiyin | 1,645 | — |
| - prepayments to SICAR | — | 2,430 |
| | 87,654 | 4,105 |
| | 92,719 | 5,430 |
| Amounts due to related parties | | |
| -loan payable to Wuhu Chery | 800,000 | — |
| -loan payable to Quantum (2007) LLC | 800,000 | — |
| -payables to Chery Auto | 22,523 | 598 |
| -payables to Chery Auto's subsidiary | 7 | — |
| -payables to SICAR | 1,557 | 2,176 |
| | 1,624,087 | 2,774 |

**28 Related parties (continued)**

***(c) Relationship with the related parties under the transactions stated in 28(c) above***

| Name of the entities | Relationship with the Group |
|---|---|
| Wuhu Chery | Parent Company |
| Quantum (2007) LLC | Parent Company |
| Wuhu Chery Car Rental Co., Ltd | Chery Auto's subsidiary |
| Huiyin | Chery Auto's subsidiary |
| SICAR | Joint venture invested by Chery Auto |
| Fond | Associate invested by the Group |

Index to Exhibits

| Exhibit Number | Description of Document |
|---|---|
| 1.1 | Kenon Holdings Ltd.'s Memorandum and Articles of Association (Incorporated by reference to Exhibit 1.1 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014) |
| 2.1* | Form of Specimen Share Certificate for Kenon Holdings Ltd.'s Ordinary Shares |
| 2.2 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Millenium Investments Elad Ltd. (Incorporated by reference to Exhibit 99.5 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 2.3 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Bank Leumi Le-Israel B.M. (Incorporated by reference to Exhibit 99.6 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 2.4 | Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and XT Investments Ltd. (Incorporated by reference to Exhibit 99.7 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.1 | Sale, Separation and Distribution Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.2 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.2 | Loan Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.3 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.3 | English translation of Natural Gas Supply Agreement, dated as of January 2, 2006, as amended, among Kallpa Generación S.A., Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Peru, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Peru S.A.C. and Repsol Exploración Peru Sucursal del Peru (Incorporated by reference to Exhibit 4.3 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.4 | English translation of Natural Gas Transportation Agreement, dated as of December 10, 2007, as amended, between Kallpa Generación S.A. and Transportadora de Gas del Peru S.A. (Incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.5 | Turnkey Engineering, Procurement and Construction Contract, dated as of November 4, 2011, among Cerro del Águila S.A., Astaldi S.p.A. and GyM S.A. (Incorporated by reference to Exhibit 4.5 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.6 | English translation of Contract of Concession, dated as of October 23, 2010, as amended, between the Government of Peru and Kallpa Generación S.A., relating to the provision of electric energy services to the public (Incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014) |
| 4.7† | Joint Venture Contract, dated as of February 16, 2007, as amended, between Wuhu Chery Automobile Investment Co., Ltd. and Quantum (2007) LLC (Incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014) |
| 4.8 | Pledge Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.4 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015) |
| 4.9* | Indenture, dated as of April 4, 2011, between Inkia Energy Limited, as issuer, and Citibank, N.A.as trustee, relating to Inkia Energy Limited's 8.375% Senior Notes due 2021 |
| 4.10* | Facility Agreement, dated as of January 2, 2011, among O.P.C. Rotem Ltd., as borrower, Bank Leumi Le-Israel B.M., as arranger and agent, Bank Leumi Le-Israel Trust Company Ltd., as security trustee, and the senior lenders named therein |
| 4.11* | Credit Agreement, dated as of August 17, 2012, among Cerro del Águila S.A., as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and other parties party thereto |
| 8.1* | List of significant subsidiaries of Kenon Holdings Ltd. |
| 12.1* | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 12.2* | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer |
| 13.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1* | Consent of Somekh Chaikin, a Member Firm of KPMG International, Independent Registered Public Accounting Firm of Kenon Holdings Ltd. |
| 15.2* | Consent of Brightman Almagor Zohar & Co., a Member Firm of Deloitte Touche Tohmatsu, independent auditor of Tower Semiconductor Ltd. |
| 15.3* | Consent of KPMG Huazhen (Special General Partnership), independent auditor of Qoros Automotive Co., Ltd. |

* Filed herewith.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Exchange Act. Omitted information has been filed separately with the SEC.


KENON
HOLDINGS
KENON HOLDINGS LTD.
INCORPORATED IN THE REPUBLIC OF SINGAPORE UNDER THE COMPANIES ACT, CHAPTER 50
(Company Registration No. 201406588W)
COMPUTERSHARE TRUST COMPANY, N.A., 250 ROYALL STREET, CANTON, MA 02021
THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA, JERSEY CITY, NJ AND COLLEGE STATION, TX
ORDINARY SHARES
CUSIP Y46717 10 7
SEE REVERSE FOR CERTAIN DEFINITIONS
THIS CERTIFIES that
IS THE REGISTERED HOLDER OF
FULLY PAID, NON-ASSESSABLE ORDINARY SHARES, NO PAR VALUE PER SHARE, OF
KENON HOLDINGS LTD.
and the amount paid on the shares is recorded in the return(s) of allotment lodged pursuant to Section 63 of the Companies Act, Cap. 50, subject to the Memorandum and Articles of Association of the Corporation and transferable on the Branch Register of Members of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate and the form of share transfer on this reverse side properly endorsed. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.
GIVEN UNDER the official seal of the Corporation for use in the United States of America and the facsimile signatures of its duly authorized officers.
Dated:
DIRECTOR
KENON HOLDINGS LTD.
OFFICIAL SEAL
UNITED STATES
OF AMERICA
DIRECTOR
COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR
BY:
AUTHORIZED SIGNATURE

Exhibit 2.1

**KENON HOLDINGS LTD.**

THE CORPORATION WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND SUBJECT TO A PAYMENT OF $5 OR SUCH LESSER SUM AS MAY BE FIXED BY THE DIRECTORS OF THE CORPORATION, A COPY OF THE CORPORATION'S MEMORANDUM AND ARTICLES OF ASSOCIATION.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM – as tenants in common
TEN ENT – as tenants by the entireties
JT TEN – as joint tenants with right of survivorship and not as tenants in common

UNIF GIT MIN ACT- _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

UNIF TRF MIN ACT- _____ Custodian (until age _____)
(Cust)
_____ under Uniform Transfers
(Minor)
to Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list.

In consideration of the sum of $ _____, for value received, _____ ("Transferor") hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEREE

| |
|---|
| |

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF TRANSFEREE)

_____ ("Transferee")
fully paid, non-assessable Ordinary Shares of Kenon Holdings Ltd. represented by the within Certificate, does hold unto the said Transferee, its Executors, Administrators, and Assign, subject to several conditions on which the Transferor held the same immediately before the execution hereof; and the said Transferee, does hereby agree to accept the said Ordinary Shares, subject to the conditions aforesaid and does hereby irrevocably constitute and appoint

_____ Attorney
to transfer and register the said shares on the Branch Register of Members of the within named Corporation maintained by Computershare Trust Company, N.A. in Massachusetts, the United States of America.

Dated: _____

As Witness our Hands this day of in the year of our Lord Two Thousand .

Signed, sealed and delivered by the above named

**Transferor** _____
in the presence of

_____
(Signature)
Address _____
Occupation _____

**If the Transferor is a corporation**

Signed, sealed and delivered by _____
For and on behalf of

**Transferor** _____

Name: _____
Designation: _____
in the presence of

_____
(Signature)
Address _____
Occupation _____

Signed, sealed and delivered by the above named

**Transferee** _____
in the presence of

_____
(Signature)
Address _____
Occupation _____

**If the Transferee is a corporation**

Signed, sealed and delivered by _____
For and on behalf of

**Transferee** _____

Name: _____
Designation: _____
in the presence of

_____
(Signature)
Address _____
Occupation _____

NOTICE: THE SIGNATURE(S) TO THIS TRANSFER INSTRUMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

**Exhibit 4.9**

**EXECUTION VERSION**

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**INKIA ENERGY LIMITED**

**8.375% SENIOR NOTES DUE 2021**

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**INDENTURE**

**Dated as of April 4, 2011**

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**Citibank, N.A., as Trustee**

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TABLE OF CONTENTS

INDENTURE dated as of April 4, 2011, among Inkia Energy Limited, an exempted limited liability company organized under the laws of Bermuda, and Citibank, N.A., as trustee.

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the 8.375% Senior Notes due 2021 (the " *Notes* "):

ARTICLE 1
DEFINITIONS AND INCORPORATION
BY REFERENCE

*Section 1.01 Definitions.*

" *144A Global Note* " means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

" *Acquired Indebtedness* " means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

" *Additional Amounts* " has the meaning set forth under Section 4.20 hereof.

" *Additional Notes* " means additional Notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

" *Affiliate* " means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meaning.

" *Affiliate Transaction* " has the meaning set forth under Section 4.11 hereof.

" *Agent* " means any Registrar, co-registrar, Paying Agent or additional paying agent.

" *Applicable Procedures* " means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

" *Asset Acquisition* " means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary or Project Finance Subsidiary.

" *Asset Sale* " means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer (other than a Lien or Sale and Leaseback Transaction incurred in accordance with this Indenture) (each, a "disposition"), by the Company or any Restricted Subsidiary of:

(1) any Capital Stock of any Restricted Subsidiary; or

(2) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary not in the ordinary course of business.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under Section 5.01 hereof or any disposition which constitutes a Change of Control;

(2) any transaction or series of related transactions involving assets with a Fair Market Value not in excess of U.S.$10.0 million;

(3) the sale, lease, sublease, license, sublicense, consignment, conveyance or other disposition of real property, capital assets or equipment, inventory, indefeasible right of uses, accounts receivable or other assets in the ordinary course of business;

(4) the making of a Restricted Payment permitted under Section 4.07 hereof and any Permitted Investment;

(5) a disposition to the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary), including a Person that is or will become a Restricted Subsidiary (other than a Project Finance Subsidiary) immediately after the disposition;

(6) a disposition to a Project Finance Subsidiary by another Project Finance Subsidiary, including a Person that is or will become a Project Finance Subsidiary immediately after the disposition;

(7) a disposition of the Capital Stock of an Unrestricted Subsidiary;

(8) the sale or disposition of cash or Cash Equivalents;

(9) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) any issuance of Disqualified Capital Stock otherwise permitted under Section 4.09 hereof; and

(11) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person.

" *Asset Sale Offer* " has the meaning set forth under Section 4.10 hereof.

" *Asset Sale Offer Amount* " has the meaning set forth under Section 4.10 hereof.

" *Asset Sale Offer Payment Date* " has the meaning set forth under Section 3.09 hereof.

" *Asset Sale Transaction* " means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary or Project Finance Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (5) of that definition.

" *Authentication Order* " has the meaning set forth under Section 2.02 hereof.

" *Bankruptcy Law* " means the Bermuda Bankruptcy Act 1989, the relevant provisions of the Companies Act 1981 and the Companies (Winding-Up) Rules 1982, or any similar laws for the relief of debtors.

" *beneficial owner* " has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

" *Board of Directors* " means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof; *provided* that, if such Person has a dual board structure, the term "Board of Directors" shall refer to the board body responsible for the oversight of the business operations of such Person unless the members of such body may be replaced by action taken by the other board body (a "senior board"), in which case the term "Board of Directors" shall refer to the senior board.

" *Board Resolution* " means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

" *Business Day* " means any day other than a Legal Holiday.

" *Bolivian Indebtedness* " means any Indebtedness issued by a Subsidiary incorporated in Bolivia.

" *Capital Expenditures* " means, for any Person, the aggregate amount of all expenditures of such Person for fixed or capital assets made during such period which, in accordance with IFRS, would be classified as capital expenditures.

" *Capital Stock* " means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase or acquire any of the instruments or interests referred to in clause (1) or (2) above, but excluding Indebtedness convertible into equity.

" *Capitalized Lease Obligations* " means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under IFRS, including any Refinancing of such obligations that does not increase the aggregate principal amount thereof as of the date of Refinancing. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

" *Cash Equivalents* " means at any time, any of the following:

(1) United States dollars or money in other currencies received in the ordinary course of business;

(2) direct obligations of, or unconditionally guaranteed by any country or a state thereof (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the government of such country or a state thereof), maturing not more than one year after such time of purchase, that is rated A2 or higher by Moody's or A or higher by S&P;

(3) commercial paper maturing no more than one year from the date of purchase thereof and, at the time of acquisition, having an Investment Grade Rating from Moody's and S&P;

(4) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any member State of the European Union, (c) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than U.S.$250.0 million, (d) with respect to Cash Equivalents made by any Person whose principal place of business is in a jurisdiction other than the United States or such member state of the European Union, a bank operating in such other jurisdiction that either (A) has a long-term local currency rating of A2 or higher from Moody's, A or higher from S&P or A or higher from Fitch, or (B) is ranked (by any applicable governmental regulatory authority or by any reputable, non-governmental ranking organization) as one of the top three banks in such jurisdiction (ranked by total assets), or (e) any bank to the extent the Company or any of its Subsidiaries maintains any deposits with such bank in the ordinary course of business, so long as no such deposit is outstanding for longer than 14 days;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (3) above; and

(6) investments in money market funds which invest substantially all of their assets in securities of the types described in clauses (1) through (4) above.

" *Cerro del Aguila Project* " means, the project to be developed pursuant to the Peruvian government's Supreme Resolution No. 064-2010-EM, as such resolution may be amended or replaced from time to time.

" *Change of Control* " means the occurrence of one or more of the following events:

(1) prior to the first underwritten Public Equity Event, Israel Corp. ceases to be, directly or indirectly, the beneficial owner (as defined below) of more than a majority of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable);

(2) at the time of, or subsequent to, the first underwritten Public Equity Event, the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than one or more Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 35% or more of the total voting power of the Voting Stock of the Company and the Permitted Holders shall own, directly or indirectly, less than such Person or group of the total voting power of the Voting Stock of the Company;

(3) if at any time, individuals who at the beginning of such period constituted the Company's Board of Directors (together with any new members whose election to such Board of Directors, or whose nomination for election by our shareholders, was approved by a vote of at least a majority of the members of the Company's Board of Directors then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the members of the Company's Board of Directors then in office;

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of this Indenture; or

(5) the Company ceases to be, directly or indirectly, the beneficial owner of more than (x) a majority of the total voting power of the Voting Stock of Kallpa (including a Surviving Entity, if applicable) or (y) a majority of the economic value of the outstanding Capital Stock of Kallpa (including a Surviving Entity, if applicable); *provided* , that this clause (5) shall only be applicable if Kallpa constitutes more than 30% of the Company's Consolidated EBITDA at the time the Company ceases to beneficially own more than (x) a majority of the total voting power of the Voting Stock of Kallpa (including a Surviving Entity, if applicable) or (y) a majority of the economic value of the outstanding Capital Stock of Kallpa (including a Surviving Entity, if applicable).

For purposes of this definition:

(a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act; and

(b) "Person" will have the meanings for "person" as used in Sections 13(d) and 14(d) of the Exchange Act.

" *Change of Control Offer* " has the meaning set forth under Section 4.15 hereof.

" *Change of Control Payment* " has the meaning set forth under Section 4.15 hereof.

" *Change of Control Payment Date* " has the meaning set forth under Section 4.15 hereof.

" *Clearstream* " means Clearstream Banking, S.A.

" *COES* " means the Committee for the Efficient Operation of the System ( *Comité de Operación Económica del Sistema* ), an independent and private Peruvian entity composed of all of the members of the national interconnected electrical system of Peru ( *Sistema Eléctrico Interconectado Nacional* ) which is responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the national interconnected electrical system of Peru ( *Sistema Eléctrico Interconectado Nacional* ).

" *Common Stock* " of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

" *Company* " means Inkia Energy Limited, an exempted limited liability company organized under the laws of Bermuda, and any and all successors thereto.

" *Comparable Treasury Issue* " means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

" *Comparable Treasury Price* " means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

" *Consolidated EBITDA* " means, for any period:

(1) consolidated revenue; *minus*

(2) consolidated cost of sales; *minus*

(3) consolidated administrative expenses; *plus*

(4) consolidated other non-operating income, net; *plus*

(5) non-cash or non recurring losses or expenses included in any of the foregoing; *plus*

(6) any dividends, distributions or cash received by the Company or any of its Restricted Subsidiaries from an Unrestricted Subsidiary or any Person in which the Company owns a minority interest;

as each such item is reported on the most recent consolidated financial statements delivered by the Company to the Trustee and prepared in accordance with IFRS.

" *Consolidated Net Leverage Ratio* " means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination.

For purposes of this definition, Consolidated Total Net Indebtedness and Consolidated EBITDA will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such period or at any time subsequent to the last day of such period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the such period or at any time subsequent to the last day of such period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such period.

For purposes of making such *pro forma* computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such period; or

(b) if such facility was created after the end of such period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation, in each case giving *pro forma* effect to any borrowings related to any transaction referred to in clause (2) above.

" *Consolidated Net Income* " means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries for such period on a consolidated basis, determined in accordance with IFRS; *provided* , that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) the net income (or loss) of any Person that is (i) not a Restricted Subsidiary, (ii) accounted for by the equity method of accounting or (iii) a Project Finance Subsidiary, except, in each case, to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person (other than a Project Finance Subsidiary);

(2) any non-cash charges or expense (other than depreciation, depletion or amortization) and non-cash gains; and

(3) the cumulative effect of changes in accounting principles.

" *Consolidated Total Assets* " means the aggregate amount of total assets of the Company and its Restricted Subsidiaries, all determined on a consolidated basis in accordance with IFRS, based (i) on the Company's most recent annual or quarterly balance sheet which are available, (ii) in accordance with IFRS and (iii) on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

" *Consolidated Total Net Indebtedness* " means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company) outstanding at such time *less* the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (including the net proceeds from the issuance of the Notes so long as such proceeds are invested in cash and Cash Equivalents and/or consolidated marketable securities recorded as current assets), except for any Capital Stock in any Person, in all cases determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries (excluding any Project Finance Subsidiaries).

" *Corporate Trust Office of the Trustee* " means (i) for purposes of transfer of Notes and, presentment and surrender of Notes for the final distributions thereon, Citibank, N.A., 111 Wall Street, 15th Floor, New York, New York, 10005, Attention: 15th Floor Window, and (ii) for all other purposes, Citibank, N.A., 388 Greenwich Street, 14th Floor, New York, New York, 10013, Attention: Global Transaction Services—Inkia Energy Limited; or any other address that the Trustee may designate with respect to itself from time to time by notice to the Company and the Holders.

" *Covenant Defeasance* " has the meaning set forth under Section 8.03 hereof.

" *Covenant Suspension Event* " has the meaning set forth under Section 4.22 hereof.

" *Currency Agreement* " means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

" *Custodian* " means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

" *Default* " means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

" *Definitive Note* " means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

" *Depositary* " means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

" *Designation* " and " *Designation Amount* " have the meanings set forth under Section 4.19 hereof.

" *Disqualified Capital Stock* " means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the 91st day after the final maturity date of the Notes.

" *DTC* " has the meaning set forth under Section 2.03 hereof.

" *Edegel* " means Edegel S.A.A.

" *Equity Event* " means a public or private offering of Qualified Capital Stock of the Company that yields gross proceeds in excess of U.S.$25.0 million.

" *Euroclear* " means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

" *EU Country* " means any member state of the European Union.

" *Event of Default* " has the meaning set forth under Section 6.01 hereof.

" *Exchange Act* " means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

" *Existing Committed Financing* " means each of: (1) Import Credit Facility Agreement (for the issuance of letters of credit), dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú; (2) Bond ( *Fianza* ) Agreement for U.S.$5,500,000, dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú; (3) Bond ( *Fianza* ) Agreement for U.S.$19,000,000, dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú; (4) Bond ( *Fianza* ) Agreement for U.S.$6,500,000, dated April 8, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú; (5) Master Bond Issuance Agreement (with financing), dated January 26, 2010, between Kallpa Generación S.A. and Scotiabank Perú S.A.A.; (6) U.S.$5,000,000 short-term Credit Facility Approval from Banco Citibank de El Salvador, S.A. to Nejapa Power Co. LLC and Cenérgica S.A. de C.V.; (7) U.S.$20,000,000 Letter of Credit Facility Approval from Scotiabank El Salvador S.A. to Nejapa Power Company LLC; (8) Bank Bond, dated March 12, 2010, from Banco Bisa S.A. to COBEE for the benefit of Empresa Minera San Cristobal; (9) Letter of Credit Agreement, dated July 20, 2010, between Banco Bisa S.A. and COBEE; (10) Letter of Credit Agreement, dated October 21, 2010, between Banco Bisa S.A. and COBEE; (11) Amendment and Extension, dated December 29, 2010, between Banco Mercantil Santa Cruz S.A. and COBEE, to a U.S.$1,500,000 Letter of Credit Agreement, dated December 3, 2008; (12) U.S.$300,000 Bank Bond, dated December 14, 2010, from Banco Union S.A. to COBEE for the benefit of Yacimientos Petrolíferos Fiscales Bolivianos; (13) U.S.$308,400 Bank Bond, dated December 14, 2010, from Banco Union S.A. to COBEE for the benefit of Yacimientos Petrolíferos Fiscales Bolivianos; (14) Revolving Credit Facility Agreement, dated December 16, 2008, between Banco Union S.A. and COBEE; (15) Secured Credit Facility (for the issuance of Letters of Credit), dated July 2, 2010, between Citibank, N.A. and Compañia de Electricidad de Puerto Plata, S.A.; (16) Credit Agreement, dated as of November 13, 2009, among Kallpa Generación S.A., as borrower, the lenders named therein, as lenders, The Bank of Nova Scotia, as co-lead arranger & co-bookrunner, Banco de Crédito del Perú S.A., as co-lead arranger & co-bookrunner, and The Bank of Nova

Scotia, as administrative agent; (17) Line of Credit, dated as of December 30, 2010, among Nejapa Power Company, LLC and Cenérgica, S.A. de C.V., as borrowers, and Banco Citibank de El Salvador, S.A., as lender; (18) Letter of Credit Agreement, dated April 16, 2009, between Southern Cone Power Peru S.A. and Banco de Crédito del Peru; (19) Letter of Credit Agreement, dated July 28, 2010, between Cenérgica, S.A. de C.V. and Banco HSBC Salvadoreño, S.A.; and (20) Revolving Line of Credit, dated as of December 31, 2010, between Nejapa Power Company, LLC, as borrower, and Scotiabank El Salvador, S.A., as lender.

" *Existing Management Incentive Plan* " means the management incentive plan in existence of the Issue Date as described in the Offering Memorandum under the heading "Management—Stock Option Plan."

" *Fair Market Value* " means the value that would be paid by a buyer to an unaffiliated seller, determined in good faith by the Board of Directors of the Company (unless otherwise provided in this Indenture) and evidenced by a Board Resolution; *provided* , that with respect to any price less than U.S.$2.0 million (or the equivalent in other currencies) only a good faith determination by the Company's senior management will be required.

" *Fitch* " means Fitch Ratings Ltd. and its successors.

" *Fuel Agreement* " of any Person means any fuel price protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge fuel price risk of such Person. For the avoidance of doubt, the term "Fuel Agreement" does not include long-term fuel supply purchase agreements.

" *Global Note Legend* " means the legend set forth in Section 2.06(f)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

" *Global Notes* " means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4) or 2.06(d)(2) hereof.

" *Governmental Authority* " means the government of the Bermuda, Peru or any other nation or any political subdivision of any thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

" *Government Securities* " means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

" *Guarantee* " means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

*provided* , that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

" *Hedging Obligations* " means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Fuel Agreement.

" *Holder* " means a Person in whose name a Note is registered.

" *Holding Company Permitted Liens* " means any of the following:

(1) Liens securing Acquired Indebtedness Incurred in accordance with Section 4.09 hereof not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided , that* :

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company and

(b) such Liens do not extend to or cover any property of the Company other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company;

(2) Liens for taxes, assessments or other governmental charges not yet subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(3) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired; and

(4) Liens for the purpose of securing the payment of all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business, *provided* that:

(a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred in accordance with Section 4.09 hereof and does not exceed the cost of the assets or property so acquired or constructed; and

(b) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto.

" *IFRS* " means International Financial Reporting Standards as issued by the International Accounting Standards Board.

" *Incur* " means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding). For the avoidance of doubt, any completion guarantee entered into by a Person that qualifies as Indebtedness of such Person shall be Incurred on the date the completion guarantee becomes a legal, valid and binding obligation of such Person.

" *Indebtedness* " means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person, other than power purchase agreements and fuel supply and transportation agreements that are treated as such;

(4) Purchase Money Indebtedness;

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person (other that the Capital Stock of such Person, if any such Person is a Project Finance Subsidiary or an Unrestricted Subsidiary), the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person to the extent such Hedging Obligations appear as a liability on the balance sheet of such Person, prepared in accordance with IFRS;

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* , that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to this Indenture, and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof; and

(10) all liabilities recorded on the balance sheet of such Person in connection with any equity commitments made to a Project Finance Subsidiary.

Notwithstanding anything to the contrary contained herein, Indebtedness shall not include: (a) any intercompany loan provided by Israel Corp. or any of its Affiliates that is subordinated, in the event of a total or partial liquidation or a total or partial dissolution of the Company or in a bankruptcy, insolvency or receivership, to the prior payment in full in cash of all obligations with respect to the Notes; *provided* , that any future intercompany loan provided by Israel Corp. or any of its Affiliates shall be subordinated, in the event of a total or partial liquidation or a total or partial dissolution of the Company or in a bankruptcy, insolvency or receivership, to the prior payment in full in cash of all obligations with respect to the Notes, and shall contain subordination provisions that are not more disadvantageous to the Holders in any material respect, taken as a whole, than the subordination provisions in the intercompany loans provided by Israel Corp. or any of its Affiliates as of the Issue Date, (b) any liabilities recorded on the balance sheet of the Company or any Restricted Subsidiary in connection with any equity contribution commitments for the Cerro del Aguila Project or (c) completion guarantees or equity commitments that are treated as Restricted Payments at the election of the Company.

" *Indenture* " means this Indenture, as amended or supplemented from time to time.

" *Independent Financial Advisor* " means an accounting firm, appraisal firm, investment banking firm or consultant that is, in the reasonable judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

" *Independent Investment Banker* " means one of the Reference Treasury Dealers appointed by the Company.

" *Indirect Participant* " means a Person who holds a beneficial interest in a Global Note through a Participant.

" *Initial Notes* " means the first U.S.$300,000,000 in aggregate principal amount of Notes issued under this Indenture on the date hereof.

" *Interest Rate Agreement* " of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

" *Intermediate Holding Company* " means Inkia Americas Holdings Limited, Inkia Americas Limited and any other Restricted Subsidiary of the Company that owns directly or indirectly at least 25% of the Capital Stock of Edegel or Kallpa; *provided* , that such Restricted Subsidiary shall be a "passive" holding company.

" *Investment* " means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business or any debt or extension of credit by a bank deposit other than a time deposit),

(2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

The Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

" *Investment Grade Rating* " means BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

" *Issue Date* " means the first date of issuance of Notes under this Indenture.

" *Judgment Currency* " has the meaning set forth under Section 7.07 hereof.

" *Kallpa* " means Kallpa Generación S.A.

" *Kallpa Completion Date* " means the commercial operation date of the Kallpa combined cycle plant, as determined by COES.

" *Legal Defeasance* " has the meaning set forth under Section 8.02 hereof.

" *Legal Holiday* " means a Saturday, a Sunday or a day on which banking institutions in the City of New York or Bermuda or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

" *Lien* " means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

" *Moody's* " means Moody's Investors Service, Inc. and its successors.

" *Net Cash Proceeds* " means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, brokerage commissions, sales commissions and other direct costs);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness including premiums and accrued interest that are either (a) secured by a Lien permitted under this Indenture that is required to be repaid in connection with such Asset Sale or (b) otherwise required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

" *Non-U.S. Person* " means a Person who is not a U.S. Person.

" *Notes* " has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

" *Obligor* " on the Notes means the Company and any successor obligor upon the Notes.

" *Offering Memorandum* " means the offering memorandum for the Notes dated March 29, 2011.

" *Officer* " means the Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, General Counsel, Chief Accounting Officer, the Treasurer, the Controller or the Secretary of the Company.

" *Officers' Certificate* " means a certificate signed by two Officers.

" *Opinion of Counsel* " means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in this Indenture), and who shall be reasonably acceptable to the Trustee, containing customary exceptions and qualifications and which shall not be at the expense of the Trustee.

" *Participant* " means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

" *Paying Agent* " has the meaning set forth under Section 2.03 hereof.

" *Payor* " has the meaning set forth under Section 4.20 hereof.

" *Permitted Business* " means (i) the business or businesses conducted by the Company, its Subsidiaries and other operating businesses described in the Offering Memorandum as of the Issue Date , and (ii) any business reasonably ancillary, complementary, similar or related to the business or businesses provided for in clause (i) above.

" *Permitted Holders* " means Israel Corp., any fund managed by Israel Corp. or any Affiliate thereof.

" *Permitted Indebtedness* " has the meaning set forth under Section 4.09 hereof.

"Permitted Investments" means:

(1) Investments by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary (other than a Project Finance Subsidiary) or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary (other than a Project Finance Subsidiary);

(2) Investments in the Company (including purchases by the Company or any Restricted Subsidiary of the Notes or any other Indebtedness of the Company or any wholly-owned Restricted Subsidiary);

(3) Investments in cash and Cash Equivalents;

(4) any Investment existing on, or made pursuant to written agreements existing on, the Issue Date and any extension, modification or renewal of such Investments (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof (unless a binding commitment therefore has been entered into on or prior to the Issue Date), other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(5) Investments permitted pursuant to clause (2)(c) or (d) of Section 4.11 hereof;

(6) any Investments received in compromise or resolution of (A) obligations of Persons that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any Persons; or (B) litigation, arbitration or other disputes;

(7) Investments by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under Section 4.10 hereof;

(8) Investments permitted under clause 2(d) of Section 4.09 hereof,

(9) loans and advances to officers, directors and employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed U.S.$2.0 million at any one time outstanding;

(10) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;

(11) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Capital Stock) of the Company; and

(12) Investments in Project Finance Subsidiaries and in Edegel in the aggregate not to exceed the aggregate of (i) U.S.$100.0 million plus (ii) the net proceeds from this offering that is not used to repay existing Indebtedness, at any one time outstanding

" *Person* " means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

" *Preferred Stock* " of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

" *Private Placement Legend* " means the legend set forth in Section 2.06(f)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

" *Project Finance Subsidiary* " means any Restricted Subsidiary and any Restricted Subsidiary thereof that is a special purpose vehicle established to finance a project for the acquisition, construction, development and exploitation of any power plant, transmission facility, distribution facility, fuel shipment receiving facility, gas pipeline or other related facility.

" *Public Equity Event* " means a public offering of Qualified Capital Stock of the Company in excess of U.S.$100.0 million.

" *Purchase Money Indebtedness* " means all obligations of a Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement due more than six months after such property is acquired and excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted.

" *QIB* " means a "qualified institutional buyer" as defined in Rule 144A.

" *Qualified Capital Stock* " means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock or that are not convertible into or exchangeable into Disqualified Capital Stock.

" *Rating Agency* " means any of S&P, Fitch or Moody's; or if, at the relevant time of determination, S&P, Fitch or Moody's do not have a public rating in effect on the Notes, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Company, which will be substituted for S&P, Fitch or Moody's, as the case may be.

" *Rating Event* " means that at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) after the earlier of the date of public notice of a Change of Control and of the Company's intention or that of any Person to effect a Change of Control, (i) in the event the Notes are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by any Rating Agency shall be below an Investment Grade Rating; (ii) in the event the Notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by any Rating Agency shall be decreased by one or more categories, or (iii) the Notes shall not be, or cease to be, rated by at least one of the Rating Agencies; *provided* that, in each case, any such Rating Event is in whole or in part in connection with a Change of Control.

" *Reference Treasury Dealers* " means Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated or their affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Company; *provided , however* , that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

" *Reference Treasury Dealer Quotation* " means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

" *Refinance* " means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part or, in the case of a revolving credit facility, any re-borrowing of amounts previously advanced and re-paid thereunder. "Refinanced" and "Refinancing" will have correlative meanings.

" *Refinancing Indebtedness* " means Indebtedness of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary) so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable fees, expenses and defeasance costs, if any, incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced;

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,

(b) Indebtedness of a Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Restricted Subsidiary, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

" *Registrar* " has the meaning set forth under Section 2.03 hereof.

" *Regulation S* " means Regulation S promulgated under the Securities Act.

" *Regulation S Global Note* " means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 903 of Regulation S.

" *Relevant Taxing Jurisdiction* " has the meaning set forth under Section 4.20 hereof.

" *Responsible Officer* ," when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and who shall, in each case, have direct responsibility for the administration of this Indenture.

" *Restricted Definitive Note* " means a Definitive Note bearing the Private Placement Legend.

" *Restricted Global Note* " means a Global Note bearing the Private Placement Legend.

" *Restricted Investment* " means any Investment other than a Permitted Investment.

" *Restricted Payment* " has the meaning set forth under Section 4.07 hereof.

" *Restricted Subsidiary* " means any Subsidiary of the Company or any Restricted Subsidiary which at the time of determination is not an Unrestricted Subsidiary.

" *Restricted Subsidiary Permitted Liens* " means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, material-men, repairmen and other Liens imposed by law (including tax Liens) incurred in the ordinary course of business;

(2) Liens Incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security (including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith) or (ii) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(4) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company, including rights of offset and set-off;

(5) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with Section 4.09 hereof;

(6) Liens existing on the Issue Date and any extension, renewal or replacement thereof or of any Lien in clauses (7), (8) or (9) below; *provided, however* , that the total amount of Indebtedness so secured is not increased plus any premiums, fees and expenses in connection with such extension, renewal or replacement;

(7) Liens on any property or assets (including Capital Stock of any person) securing Indebtedness Incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the Issue Date; *provided* that (a) the aggregate principal amount of Indebtedness secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Company or any Restricted Subsidiary; and *provided , further* , that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(8) any Lien securing Indebtedness for the purpose of financing all or part of cost of the acquisition, construction or development of a project; *provided* that the Liens in respect of such Indebtedness are limited to assets (including Capital Stock of the project entity) and/or revenues of such project; and *provided, further* , that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of the Company or any Restricted Subsidiary;

(9) any Lien existing on any property or assets of any person before that person's acquisition (in whole or in part) by, merger into or consolidation with the Company or any Restricted Subsidiary after the Issue Date; *provided* that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;

(10) Liens for taxes, assessments or other governmental charges not yet subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(11) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(12) Liens constituting any interest of title of a lessor, a licensor or either's creditors in the property subject to any lease (other than a capital lease);

(13) any Lien securing Indebtedness Incurred pursuant to clauses (2)(i) or (2)(l) under Section 4.09 hereof.

(14) Liens securing Indebtedness Incurred by a Subsidiary that was a Project Finance Subsidiary at the time of such Incurrence and the granting of such Liens that continue to exist after the date that the Company revokes the designation of such Subsidiary as a Project Finance Subsidiary; and

(15) Liens securing an amount of Indebtedness outstanding at any one time not to exceed 10.0% of Consolidated Total Assets.

" *Reversion Date* " has the meaning set forth under Section 4.22 hereof.

" *Revocation* " has the meaning set forth under Section 4.19 hereof.

" *Rule 144* " means Rule 144 promulgated under the Securities Act.

" *Rule 144A* " means Rule 144A promulgated under the Securities Act.

" *Rule 903* " means Rule 903 promulgated under the Securities Act.

" *Rule 904* " means Rule 904 promulgated under the Securities Act.

" *S&P* " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

" *Sale and Leaseback Transaction* " means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

" *SEC* " means the U.S. Securities and Exchange Commission.

" *Securities Act* " means the Securities Act of 1933, as amended.

" *Senior Indebtedness* " means the Notes and any other Indebtedness of the Company that ranks equal in right of payment with the Notes.

" *Significant Subsidiary* " means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule l-02(w) of Regulation S-X under the Securities Act in effect on the date hereof; *provided* , that for the purposes of Event of Default (7) with respect to a Project Finance Subsidiary only, the significance of such Subsidiary shall be calculated with respect to the Company's (i) investment in and advances to, and (ii) equity in the income from continuing operations before income taxes, extraordinary items and the cumulative effect of changes in accounting principles in, such Subsidiary.

" *Stated Maturity* " means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

" *Subordinated Indebtedness* " means any Indebtedness of the Company which is expressly subordinated in right of payment to the Notes.

" *Subsidiary* " means, with respect to any Person (the "parent") at any date, any Person the account of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date.

" *Surviving Entity* " has the meaning set forth under Section 5.01 hereof.

" *Suspended Covenants* " has the meaning set forth under Section 4.22 hereof.

" *Suspension Period* " has the meaning set forth under Section 4.22 hereof.

" *Taxes* " has the meaning set forth under Section 4.20 hereof.

" *Treasury Rate* " means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

" *Trustee* " means Citibank, N.A., until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

" *Unconsolidated Interest Coverage Ratio* " means, for any Person , for the most recently ended period of four consecutive fiscal quarters for which financial statements of such Person have been provided to the Trustee pursuant to this Indenture, the ratio of Unconsolidated Operating Cash Flow to Unconsolidated Interest Expense for such period; *provided* that:

(1) if the Company has

(a) Incurred any Indebtedness since the beginning of such period that remains outstanding on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio or if the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio is an Incurrence of Indebtedness, Unconsolidated Operating Cash Flow and Unconsolidated Interest Expense for such period will be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such period, except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the day of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such period or such shorter period for which such facility was outstanding; or (ii) if such facility was created after the end of such period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility, unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio, Unconsolidated Operating Cash Flow and Unconsolidated Interest Expense for such period will be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company had not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Indebtedness; and

(2) if since the beginning of such period or on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio, the Company has made or makes any Asset Sale Transaction or Asset Acquisition, then Unconsolidated Operating Cash Flow for such period will be calculated on a pro forma basis as if such Asset Sale Transaction or Asset Acquisition had occurred on the first day of such period.

For purposes of this definition, whenever Unconsolidated Interest Expense or Unconsolidated Operating Cash Flow is to be calculated on a pro forma basis, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and the effects of such Indebtedness are to be calculated on a pro forma basis, the interest expense related to such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate agreement applicable to such Indebtedness if such interest rate agreement has a remaining term as at the date of determination in excess of twelve months).

" *Unconsolidated Interest Expense* " means, for any Person, for any period, such Person's aggregate accrued interest expense for such period (determined on an unconsolidated basis, without duplication), including the portion of any payments made in respect of Capitalized Lease Obligations allocable to interest expense, but excluding any interest expense incurred in connection with any intercompany loan provided by Israel Corp. or any of its Affiliates.

" *Unconsolidated Operating Cash Flow* " means, for any period, for any Person, the sum of the following amounts (determined on an unconsolidated basis, without duplication), but only to the extent received in cash by the Company from a Person during such period:

(1) dividends paid to the Company by its Subsidiaries during such period;

(2) consulting and management fees paid to the Company for such period;

(3) interest and other distributions paid during such period with respect to cash and Cash Equivalents of the Company;

(4) distributions arising from any capital reduction;

(5) interest payments made with respect to any intercompany loans provided to any Subsidiary; and

(6) loans made or repaid to the Company from Subsidiaries in anticipation of the payment of dividends which funds for the payment of such dividends have been set aside for such period,

less the sum of the following expenses (determined on an unconsolidated basis without duplication), in each case to the extent paid by the Company during such period and regardless of whether any such amount was accrued during such period:

(1) income tax expenses of the Company, and

(2) Unconsolidated Operating Expenses.

" *Unconsolidated Operating Expenses* " means the expenses paid in cash in conducting normal business operations, including wages, salaries, administrative expenses, professional expenses, insurance and rent, of any Person, for any period, determined on an unconsolidated basis.

" *Unrestricted Definitive Note* " means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

" *Unrestricted Global Note* " means a Global Note that does not bear and is not required to bear the Private Placement Legend.

" *Unrestricted Subsidiary* " means any Subsidiary of the Company or a Restricted Subsidiary Designated as such pursuant to Section 4.19 hereof; any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

" *U.S. Person* " means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

" *Voting Stock* " with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

" *Weighted Average Life to Maturity* " means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

b) the sum of the products obtained by multiplying:

1. the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

2. the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

*Section 1.02 Rules of Construction.*

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with IFRS;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

## ARTICLE 2
## THE NOTES

*Section 2.01 Form and Dating.*

(a) *General* . The Notes and the Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, and the Holders by their acceptance of the Notes, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes* . Notes issued in global form will be substantially in the form of Exhibit A hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) *Euroclear and Clearstream Procedures Applicable* . The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream will be applicable to transfers of beneficial interests in the Regulation S Global Note that are held by Participants through Euroclear or Clearstream.

*Section 2.02 Execution and Authentication.*

Two Officers must sign the Notes for the Company by manual, facsimile or electronic (including ".pdf") signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Company signed by an Officer (an " *Authentication Order* "), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes, up to the aggregate principal amount of the Initial Notes, plus Additional Notes issued pursuant to this Section 2.02 and Section 4.09 hereof; *provided* , that if such Additional Notes will bear the same CUSIP number or otherwise will be indistinguishable from the Notes, no such Additional Notes may be issued unless the Company delivers to the Trustee an Opinion of Counsel to the effect that such Additional Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes and that all conditions precedent in this Indenture to such issuance have been complied with. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Company pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof. Such Authentication Order shall specify the principal amount of the Notes to be authenticated, the date on which the issue of the Notes is to be authenticated, the number of separate Notes certificates to be authenticated, the registered Holder of each such Note and delivery instructions, and, in the case of an issuance of Additional Notes after the Issue Date, shall certify that such issuance is in compliance with Section 4.09 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

*Section 2.03 Registrar and Paying Agent.*

The Company will maintain an office or agency where Notes may be presented for registration of transfer or for exchange (" *Registrar* ") and an office or agency where Notes may be presented for payment (" *Paying Agent* "). The Registrar will keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company (" *DTC* ") to act as Depositary with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

*Section 2.04 Paying Agent to Hold Money in Trust.*

The Company will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee of all amounts that it is obligated to pay, the Paying Agent (if other than the Company or a Subsidiary) will have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee will serve as Paying Agent for the Notes.

*Section 2.05 Holder Lists.*

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Registrar, the Company will furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes.

*Section 2.06 Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes* . A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. The Global Notes shall be exchanged by the Company for Definitive Notes only in the following limited circumstances:

(1) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act at a time when it is required to be so registered in order to act as depository, and in each case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary;

(2) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1), (2) or (3) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) or (c) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes* . The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. None of the Company, the Trustee, the Paying Agent, nor any agent of the Company shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note, or for maintaining, supervising or reviewing any

records relating to such beneficial ownership interests. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note* . Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in Section 2.06(b)(1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note* . A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to this clause (4) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to this clause (4).

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) *Reserved* .

(E) *Reserved* .

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) *Reserved* .

(E) *Reserved* .

(F) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(1) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) *Private Placement Legend* .

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

(i) If a Rule 144A Note:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT; (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS (IN THE FORM ATTACHED AS EXHIBITS TO THE INDENTURE), OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF INKIA ENERGY LIMITED."

(ii) if a Regulation S Global Note:

"PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN"

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(2), (c)(3), (d)(2), (d)(3), (e)(2) or (e)(3) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend* . Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF INKIA ENERGY LIMITED.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(g) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(h) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Company will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.09, 4.10, 4.15 and 9.04 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Company will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary. So long as the Depositary or its nominee is the registered owner of a Global Note, the Depositary or such nominee, as the case may be, will be considered the sole owner or Holder represented by the Global Note for all purposes under this Indenture. Owners of beneficial interests in respect of a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder, except as provided under Section 13.02 hereof. Accordingly, each Holder owning a beneficial interest in respect of a Global Note must rely on the procedures of the Depositary and, if such Holder is not a participant or an indirect participant, on the procedures of the participant through which such Holder owns its interest, to exercise any rights of a Holder of Notes under this Indenture or such Global Note.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile or electronically by ".pdf".

(9) The Trustee shall be entitled to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and the transferee. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture, Applicable Procedures or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary Participants or beneficial

owners of interests in any certificated Note or Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

*Section 2.07 Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss or liability that any of them may suffer if a Note is replaced. The Company and the Trustee may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

*Section 2.08 Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note; however, Notes held by the Company or an Affiliate of the Company shall not be deemed to be outstanding for purposes of Section 3.07(c) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless a Responsible Officer of the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser (as defined in Section 8.03 of the Uniform Commercial Code).

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

*Section 2.09 Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned will be so disregarded. Notes so owned which have been pledged in good faith shall not be disregarded if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to deliver any such direction, waiver or consent with respect to the Notes and that the pledgee is not the Company or any Affiliate of the Company.

*Section 2.10 Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Company considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Company will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

*Section 2.11 Cancellation.*

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will dispose of such canceled Notes in accordance with its customary procedures. Certification of disposal of such Notes will be delivered to the Company upon its request therefor. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

*Section 2.12 Defaulted Interest.*

If the Company defaults in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company will fix or cause to be fixed each such special record date and payment date and shall provide two Business Day's written notice thereof to the Trustee; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

*Section 2.13 CUSIP/ISIN Numbers.*

The Company in issuing the Notes may use CUSIP and ISIN numbers (in each case, if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will as promptly as practicable notify the Trustee in writing of any change in the CUSIP and ISIN numbers.

## ARTICLE 3
## REDEMPTION AND PREPAYMENT

*Section 3.01 Notices to Trustee.*

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

*Section 3.02 Selection of Notes to Be Redeemed or Purchased.*

In the event that less than all of the Notes are to be redeemed or purchased at any time, selection of Notes for redemption shall be made (i) in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed and any applicable depository procedures, (ii) by lot or such other similar method in accordance with the applicable procedures of DTC (if the Notes are global notes), or (iii) if there are no such requirements of such exchange or the Notes are not then listed on a national securities exchange or DTC, on a *pro rata* basis or by such other method the Trustee deems fair and reasonable. No Notes of a principal amount of U.S.$200,000 or less may be redeemed in part and Notes of a principal amount in excess of U.S.$200,000 may be redeemed in part in multiples of U.S.$1,000 only.

The Trustee shall promptly (and in any event, within 5 Business Days) notify the Company in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased.

*Section 3.03 Notice of Redemption.*

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before the redemption date (except that with respect to a redemption described in Section 3.07(c) hereof, notice shall be given within 120 days after the date of the closing of the Equity Event), the Company shall mail or cause to be mailed, by first-class mail, postage prepaid, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 12 hereof.

The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price;

(3) if any Definitive Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the Holder thereof upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) the CUSIP number, together with a statement that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's written request, the Trustee will give the notice of redemption in the Company's name and at its expense; *provided, however* , that the Company has delivered to the Trustee, at least 45 days prior to the redemption date, or such shorter period agreed to by the Company and the Trustee, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

*Section 3.04 Effect of Notice of Redemption.*

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price together with accrued and unpaid interest thereon through the date of redemption. A notice of redemption may not be conditional.

*Section 3.05 Deposit of Redemption or Purchase Price.*

At or before the close of business one Business Day prior to the redemption or purchase date, the Company will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof. Upon redemption or purchase of any Notes by the Company, such redeemed or purchased Notes will be cancelled.

*Section 3.06 Notes Redeemed or Purchased in Part.*

Upon surrender of a Note that is redeemed or purchased in part, the Company will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered, subject to the minimum denomination set forth in Section 2.01 hereof.

*Section 3.07 Optional Redemption.*

(a) At any time prior to April 4, 2016, the Company shall have the right, at its option, to redeem any of the Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (1) 101% of the principal amount of such Notes and (2) the present value to be calculated by an Independent Investment Banker at such redemption date of (i) the redemption price of such Notes at April 4, 2016 (such redemption price being set forth in the table below) plus (ii) all required interest payments thereon through April 4, 2016 on such Notes (excluding accrued but unpaid interest to the redemption date), in each case, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued and unpaid interest on the principal amount of such Notes to, but excluding, the date of redemption.

(b) At any time, or from time to time, after April 4, 2016, the Company may redeem the Notes, at its option, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on April 4 of any year set forth below:

| Year | Percentage |
|---|---|
| 2016 | 104.188% |
| 2017 | 102.792% |
| 2018 | 101.396% |
| 2019 and thereafter | 100.000% |

(c) At any time, or from time to time, on or prior to April 4, 2014, the Company may, at its option, use the net cash proceeds of one or more Equity Events to redeem in the aggregate up to 35% of the aggregate principal amount of the Notes originally issued (calculated after giving effect to the issuance of Additional Notes, if any) at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however* , that at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (calculated after giving effect to the original issuance of Additional Notes, if any) shall remain outstanding immediately after giving effect to each such redemption (excluding any Notes held by the Company or any of its Subsidiaries). Notice of any such redemption shall be given within 120 days after the date of the closing of the relevant Equity Event.

(d) If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) or treaties of (i) Bermuda, (ii) any other jurisdiction in which the Company is organized, (iii) any other Relevant Taxing Jurisdiction or (iv) any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, treaties, rules or regulations becomes effective on or after the date on which the Notes are issued (or in the case of (ii) after the date when the Company becomes organized in such jurisdiction), a Payor would be obligated, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts (it being understood that changing the jurisdiction of incorporation of the Company shall not be a reasonable measure), then, at the Payor's option, all, but not less than all, of the Notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but excluding, the date of redemption; *provided* , *however* , that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this Section 3.07(d), the Payor will deliver to the Trustee:

(1) an Officer's Certificate stating that the Payor is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to such redemption have occurred; and

(2) an Opinion of Counsel of the Relevant Taxing Jurisdiction of recognized standing to the effect that no later than the next succeeding date on which interest is to be paid, the Payor has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

As long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to this Indenture, interest will cease to accrue on Notes or portions thereof called for redemption on and after the applicable redemption date.

(e) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

*Section 3.08 Repurchase.*

The Company or any of its Affiliates may at any time purchase Notes at any price or prices in the open market or otherwise. Notes redeemed pursuant to the terms of this Indenture or so purchased may be held or resold or, at the Company or any of its Affiliates' discretion, surrendered to the Trustee for cancellation.

*Section 3.09 Offer to Purchase by Application of Net Cash Proceeds.*

In the event that, pursuant to Section 4.10 hereof, the Company is required to commence an Asset Sale Offer, it will follow the procedures specified below.

To the extent there exist remaining Net Cash Proceeds, pursuant to Section 4.10 hereof, the Company shall purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis (with such adjustments made so that no Notes will be purchased in an unauthorized denomination), and, at the Company's option, on a *pro rata* basis with the Holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such Net Cash Proceeds. The purchase date shall be no earlier than 30 days nor later than 60 days from the date notice of such Asset Sale Offer is mailed, other than as may be required by law (the " *Asset Sale Offer Payment Date* ").

If the Asset Sale Offer Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Within 30 days following an Asset Sale Offer, the Company shall send, electronically or by first class mail, a notice to the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer, including the Asset Sale Offer Payment Date. The notice, which will govern the terms of the Asset Sale Offer, shall state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the remaining Net Cash Proceeds, Asset Sale Offer Amount and the Asset Sale Offer Payment Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Asset Sale Offer Payment Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in whole or in part in integral multiples of U.S.$1,000 only in exchange for cash, *provided* that the principal amount of such tendering Holder's Note shall not be less than U.S.$200,000;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Asset Sale Offer Payment Date;

(7) that Holders will be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other *pari passu* Senior Indebtedness surrendered by holders thereof exceeds the amount of remaining Net Cash Proceeds, the Company will select the Notes and other *pari passu* Senior Indebtedness to be purchased on a *pro rata* basis based on amounts tendered as set forth above (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of U.S.$1,000, or integral multiples thereof, will be purchased, *provided* that the principal amount of such tendering Holder's Note shall not be less than U.S.$200,000); and

(9) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the portion thereof not purchased upon cancellation of the original Notes (or appropriate adjustments to the amount and beneficial interests in Global Notes, as appropriate)

On or before the Asset Sale Offer Payment Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Sale Offer Amount of Notes or portions thereof properly tendered and not withdrawn pursuant to the Asset Sale Offer, or if less than the Asset Sale Offer Amount has been tendered, all Notes properly tendered and not withdrawn, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary, the Trustee or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Asset Sale Offer Payment Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company will promptly issue a new Note, and the Trustee, upon receipt of an Authentication Order from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer on the Asset Sale Offer Payment Date. By the close of business on the Business Day prior to the Asset Sale Offer Payment Date, the Company shall deposit with the Trustee or with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered and not withdrawn.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

## ARTICLE 4
## COVENANTS

*Section 4.01 Payment of Notes.*

The Company will pay or cause to be paid the principal of, premium, if any, and interest on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest will be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds at or before the close of business one Business Day prior to the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due.

*Section 4.02 Maintenance of Office or Agency.*

The Company will maintain an office or agency (which may be an office of the Trustee or an Affiliate of the Trustee, Registrar or co-registrar) required under Section 2.03 hereof, where Notes may be surrendered for registration of transfer or for exchange. If such office or agency is other than an office of the Trustee or an Affiliate of the Trustee, the Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations and surrenders, may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.

*Section 4.03 Reports.*

So long as any Notes remain outstanding:

(a) The Company shall provide the Trustee with annual consolidated financial statements audited by an internationally recognized firm of independent public accountants within 180 days after the end of the Company's fiscal year, and, commencing with the first full quarter after the Issue Date, unaudited quarterly financial statements (including a balance sheet, income statement and cash flow statement for the fiscal quarter and year-to-date period then ended and the corresponding fiscal quarter and year-to-date period from the prior year, except that the comparison of the balance sheet will be as of the end of the previous fiscal year) within 90 days of the end of each of the first three fiscal quarters of each fiscal year. Such annual and quarterly financial statements will be prepared in accordance with IFRS and be accompanied by a "management discussion and analysis" of the results of operations and liquidity and capital resources of the Company and its Subsidiaries on a consolidated basis for the periods presented in a level of detail comparable to the management discussion and analysis of the results of operations and liquidity and capital resources of the Company and its Subsidiaries contained in the Offering Memorandum. All of the foregoing documents will be in English.

(b) The Company will provide the Trustee copies (including English translations of documents prepared in another language) of all public filings made with any securities exchange or securities regulatory agency or authority within thirty (30) Business Days of such filing.

(c) The Company will make available, upon request, to any Holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or any other Person's compliance with any of the covenants hereunder or the Notes (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

*Section 4.04 Compliance Certificate.*

(a) The Company shall deliver to the Trustee, within 135 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has complied with its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as any of the Notes are outstanding, the Company shall deliver to the Trustee upon becoming aware of any Default or Event of Default as promptly as practicable (and in any event within 5 Business Days) written notice of any event that would constitute a Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In the absence of any such notice of Default or Event of Default from the Company and any description of Default or Event of Default in such Officers' Certificate, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default.

*Section 4.05 Taxes.*

The Company will pay, and will cause each of its Restricted Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate negotiations or proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

*Section 4.06 Stay, Extension and Usury Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

*Section 4.07 Restricted Payments.*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a " *Restricted Payment* "):

(a) declare or pay any dividend or make any distribution or return of capital on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

(i) dividends or distributions payable in Qualified Capital Stock of the Company,

(ii) dividends, distributions or returns of capital payable to the Company and/or a Restricted Subsidiary (other than a Project Finance Subsidiary, except to the extent that the dividend, distribution or return of capital is made by a Project Finance Subsidiary to another Project Finance Subsidiary), or

(iii) dividends, distributions or returns of capital made on a pro rata basis to the Company and its Restricted Subsidiaries (other than a Project Finance Subsidiary, except to the extent that the dividend, distribution or return on of capital is made by a Project Finance Subsidiary to another Project Finance Subsidiary), on the one hand, and the other holders of Capital Stock of such Restricted Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company except for Capital Stock held by the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary, except to the extent that the purchase, redemption, acquisition or retirement is made by a Project Finance Subsidiary from another Project Finance Subsidiary):

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness except (i) a payment of interest, (ii) a repayment, redemption, repurchase, defeasance or acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such repurchase, defeasance or acquisition or retirement and (iii) Subordinated Indebtedness permitted to be Incurred under clause (e) of the definition of "Permitted Indebtedness";

(d) make any Restricted Investment; or

(e) pay any interest, principal or other amount on any intercompany loan provided by Israel Corp. or any of its Affiliates (other than the Company or any Restricted Subsidiary);

if immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clause (1)(a) of Section 4.09 hereof,

(3) if such Restricted Payment is a Restricted Payment described in clauses (a), (b) or (e) of the definition thereof, the Kallpa Completion Date shall not have occurred, or

(4) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof shall exceed the sum of:

(A) 100% of cumulative Consolidated Net Income of the Company (or, if Consolidated Net Income shall be a deficit, minus 100% of such deficit) accrued on a cumulative basis during the period, treated as one accounting period, beginning on January 1, 2011 to the end of the most recent fiscal quarter for which financial statements of the Company have been provided to the Trustee pursuant to this Indenture; *plus*

(B) 100% of the aggregate net cash proceeds and the Fair Market Value of property other than cash received by the Company from any Person from any:

(1) (i) contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock and, (ii) issuance and sale of Qualified Capital Stock of the Company subsequent to January 1, 2011, or

(2) issuance and sale subsequent to January 1, 2011 (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness included in clauses (1), (2), (3), (4) and (9) of the definition thereof of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) that has been converted into or exchanged for Qualified Capital Stock of the Company;

excluding, in each case, any net cash proceeds:

(w) received from a Restricted Subsidiary of the Company; or

(x) applied in accordance with clause (2) or (3) of the second paragraph of this Section 4.07; *plus*

(C) to the extent that any Restricted Investment is sold for cash or otherwise liquidated or repaid for cash or Designated as a Restricted Subsidiary, the cash proceeds with respect to such Restricted Investment (less the cost of disposition, if any) in the case of any sale, liquidation or repayment and the Fair Market Value of the Company's Restricted Investments as of the date of Designation in the case of any Designation; *provided* , that if such Restricted Investment was made prior to the Issue Date, such amount shall not be included in determining if the Company can make a Restricted Payment provided for in clauses (a), (b) and (c) of the first paragraph of this Section 4.07; *plus*

(D) to the extent that:

(1) any Unrestricted Subsidiary of the Company Designated as such on or after the Issue Date is redesignated as a Restricted Subsidiary and not as a Project Finance Subsidiary, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation; and

(2) any Project Finance Subsidiary of the Company Designated as such on or after the Issue Date has such Designation revoked and such Project Finance Subsidiary remains a Restricted Subsidiary after the Issue Date, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such revocation; plus

(E) to the extent that the Company or a Restricted Subsidiary terminates all or any part of any commitment to make an Investment that was previously accounted for as a Restricted Payment under clause (7) of the next succeeding paragraph, the amount of the terminated commitment; plus

(F) to the extent not included above under this clause, 100% of any dividends, distributions or cash received by the Company or any of its Restricted Subsidiaries from an Unrestricted Subsidiary, Project Finance Subsidiary or any Person in which the Company or a Restricted Subsidiary owns a minority interest.

Notwithstanding the preceding paragraph, this Section 4.07 does not prohibit:

(1) the payment of any dividend or other distribution or redemption within 60 days after the date of declaration of such dividend or call for redemption if such payment would have been permitted on the date of declaration or call for redemption pursuant to the preceding paragraph;

(2) any Restricted Payment either (i) in exchange for Qualified Capital Stock of the Company or (ii) through the application of the net cash proceeds received by the Company from (x) a substantially concurrent sale of Qualified Capital Stock of the Company or (y) a contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock, in each case, not received from a Restricted Subsidiary of the Company; *provided* that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net cash proceeds will be excluded from clause (3)(B) of the first paragraph of this Section 4.07 (and were not included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Restricted Subsidiary of the Company, of:

(x) Qualified Capital Stock of the Company or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

*provided* , that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net cash proceeds referred to above shall be excluded from clause (3)(B) of the first paragraph of this Section 4.07 (and were not included therein at any time);

(4) repurchases of Capital Stock deemed to occur upon exercise of stock options, warrants or other similar rights if such Capital Stock represents a portion of the exercise price of such options, warrants or other similar rights or nominal cash payments in lieu of issuances of fractional shares;

(5) (i) the payment of dividends, distributions or other amounts to fund the repurchase, redemption or other acquisition or retirement for value of any of the Company's Capital Stock under the Existing Management Incentive Plan and (ii) the payment of other dividends, distributions or other amounts to fund the repurchase, redemption or other acquisition or retirement for value of any of the Company's

Capital Stock or any Capital Stock of any of its Restricted Subsidiaries held by any then-existing or former director, officer, employee, independent contractor or consultant of the Company, its direct or indirect parent or any of its Restricted Subsidiaries or their respective assigns, estates or heirs; *provided, however* , that with respect to clause (ii) only, the price paid for all repurchased, redeemed, acquired or retired Capital Stock, other than as a result of death or disability, does not exceed U.S.$15.0 million in the aggregate in any fiscal year; *provided, further* , that the amounts in any fiscal year may be increased by an amount not to exceed: (A) the cash proceeds received by the Company from the sale of Capital Stock of the Company to any present or former employees, directors, officers or consultants (or their respective permitted transferees) of the Company or any of its Restricted Subsidiaries following the Issue Date; plus (B) the cash proceeds of "key man" life insurance policies received by the Company or any of its Restricted Subsidiaries since the Issue Date;

(6) the payment at any time of all or any part of a Restricted Investment, if at the time of the entering into the commitment to make the Restricted Investment, the making of such Restricted Investment would have been permitted under any provision of this Indenture; *provided* , that at the time of entering into such commitment to make the Restricted Investment (i) the entire amount of such commitment was permitted to be made as a Restricted Payment under this Indenture as if the entire amount was made on the date of such commitment and (ii) the entire amount of such commitment is included in the calculation required under clause (3) of the first paragraph above;

(7) repurchases of Subordinated Indebtedness at a purchase price not greater than (a) 101% of the principal amount or accreted value, as applicable, of such Subordinated Indebtedness and accrued and unpaid interest thereon in the event of a Change of Control or (b) 100% of the principal amount or accreted value, as applicable, of such Subordinated Indebtedness and accrued and unpaid interest thereon in the event of an Asset Sale, in connection with any Change of Control Offer or Asset Sale Offer required by the terms of such Subordinated Indebtedness, but only if: (i) in the case of a Change of Control, the Company has first complied with and fully satisfied its obligations under Section 4.15 hereof; or (ii) in the case of an Asset Sale, the Company has first complied with and fully satisfied its obligations under Section 4.10 hereof; and

(8) Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (8), does not exceed U.S.$20.0 million (or the equivalent in other currencies).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, only amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (5) and (6) (without duplication of the original commitment) above shall be included in the calculation required by clause (3) of the first paragraph above and amounts expended pursuant to clauses (2), (3), (4), (7) and (8) above shall not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

*Section 4.08 Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.*

(a) Except as provided in paragraph (b) below, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to the Company or any other Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order (including, without limitation, (i) by any national stock exchange on which any Restricted Subsidiary has its Capital Stock listed and (ii) pursuant to any fiduciary obligations imposed by law);

(2) this Indenture or the Notes;

(3) the terms of any Indebtedness or other agreement existing on the Issue Date and any extensions, renewals, replacements, amendments or refinancings thereof; *provided* , that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions in contracts, agreements, leases, permits and licenses;

(5) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary; *provided* , that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(6) customary restrictions imposed on the transfer of copyrighted or patented materials;

(7) Purchase Money Indebtedness and Capitalized Lease Obligations for assets acquired in the ordinary course of business and pursuant to the covenant described under Section 4.09 hereof that impose encumbrances and restrictions only on the assets so acquired or subject to lease;

(8) customary provisions in a joint venture or other similar agreement with respect to a Restricted Subsidiary that was entered into in the ordinary course of business;

(9) any agreement governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(10) restrictions on the transfer of assets subject to any Holding Company Permitted Lien or Restricted Subsidiary Permitted Lien;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;

(12) the terms of any Indebtedness of any Project Finance Subsidiary;

(13) with respect to any agreement governing Indebtedness of any Restricted Subsidiary that is permitted to be Incurred in accordance with Section 4.09 hereof and any extensions, renewals, replacements, amendments or refinancings thereof; *provided that* (i) the encumbrance or restriction is not materially disadvantageous to the Holders of the Notes than is customary in comparable financings and (ii) the Company determines that on the date of the Incurrence of such Indebtedness, that such encumbrance or restriction would not be expected to materially impair the Company’s ability to make principal or interest

payments on the Notes; *provided , further* , that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence in such agreement being extended, renewed, amended or refinanced; and

(14) Refinancing Indebtedness; *provided* , that the restrictions contained in the agreements governing such Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being Refinanced.

*Section 4.09 Incurrence of Additional Indebtedness.*

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, except that the Company and any Restricted Subsidiary may Incur Indebtedness if immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom:

- with respect to Indebtedness Incurred by the Company or any Intermediate Holding Company, the Company's Unconsolidated Interest Coverage Ratio is equal to or greater than 2.0 to 1.0, and
- with respect to Indebtedness Incurred by a Restricted Subsidiary (other than an Intermediate Holding Company):

(a) the Company's Unconsolidated Interest Coverage Ratio is equal to or greater than 2.0 to 1.0, and

(b) the Company's Consolidated Net Leverage Ratio is equal to or less than (i) 4.5 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2013, and (ii) 4.0 to 1.0, if such Indebtedness is incurred thereafter.

The foregoing restrictions on the Incurrence of Indebtedness shall not be applicable with respect to Project Finance Subsidiaries.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness (" *Permitted Indebtedness* "):

(a) Indebtedness in respect of the Notes and guarantees thereof, excluding Additional Notes and guarantees thereof;

(b) Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;

(c) Guarantees by any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) permitted under this Indenture *provided* , that if any such Guarantee is of Subordinated Indebtedness, then the Guarantee of the Company of such Subordinated Indebtedness shall be subordinated to the Notes;

(d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries not for speculative purposes;

(e) intercompany Indebtedness between the Company and any Restricted Subsidiary (other than a Project Finance Subsidiary) or between any Restricted Subsidiaries (other than a Project Finance Subsidiary); *provided* that:

(1) such Indebtedness must be (i) unsecured and (ii) if the Company is the Obligor and the obligee is a Restricted Subsidiary, expressly subordinated to the prior payment in full of all obligations under the Notes and this Indenture, and

(2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred by the Company or the applicable Restricted Subsidiary, as the case may be, and not permitted by this clause (e) at the time such event occurs;

(f) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* , that such Indebtedness is extinguished within five Business Days of Incurrence;

(g) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of performance bonds, bankers' acceptances, workers' compensation claims, bid, surety or appeal bonds, payment obligations in connection with, insurance premiums or similar obligations, security deposits and bank overdrafts (and letters of credit in connection with, in lieu of or in respect of each of the foregoing);

(h) Refinancing Indebtedness in respect of:

(1) Indebtedness Incurred pursuant to clause (1) above; or

(2) Indebtedness Incurred pursuant to clause (a), (b), (h) and (m) hereof;

(i) Indebtedness represented by existing or undrawn amounts as of the Issue Date, under any Existing Committed Financing permitted to be Incurred under such Existing Committed Financing;

(j) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds (including non-cash proceeds) actually received by the Company or any Restricted Subsidiary thereof in connection with such disposition;

(k) Indebtedness constituting reimbursement obligations in respect of trade or performance letters of credit entered into in the ordinary course of business;

(l) Indebtedness Incurred by the Company or any Restricted Subsidiary in the ordinary course of business to finance working capital; *provided* , that the aggregate amount of all such Indebtedness in respect of the Restricted Subsidiaries shall not exceed (x) U.S.$50.0 million, if such Indebtedness is incurred prior to the Kallpa Completion Date, and (y) the greater of (i) U.S.$75.0 million and 5.0% of the Company's Consolidated Total Assets, if such Indebtedness is incurred thereafter;

(m) Indebtedness consisting of debt securities of, or financing Incurred by, Compañia de Electricidad de Puerto Plata S.A. and/or Nejapa Power Company LLC in an aggregate principal amount not to exceed U.S.$60.0 million;

(n) Indebtedness in the form of equity contribution commitments to a Project Finance Subsidiary;

(o) performance or other similar Guarantees by the Company or any Restricted Subsidiary (including any contingent liabilities all calculated in accordance with IFRS) supporting the obligations of a Project Finance Subsidiary under construction management agreements, construction agreements, fuel supply agreements, operation and maintenance agreements, fuel handling agreements and other similar agreements relating to the business of such Project Finance Subsidiary (and letters of credit in connection with, in lieu of or in respect of each of the foregoing);

(p) Indebtedness to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge the Notes in accordance with this Indenture; and

(q) in addition to Indebtedness referred to in clauses (a) through (p) above, Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed (x) U.S.$50.0 million, if such Indebtedness is incurred prior to the Kallpa Completion Date, and (y) the greater of (i) U.S.$75.0 million and (ii) 5.0% of the Company's Consolidated Total Assets, if such Indebtedness is incurred thereafter.

(3) The Company will not Incur any Indebtedness that is contractually subordinate in right of payment to any other Indebtedness, unless such Indebtedness is expressly subordinate in right of payment to the Notes to the same extent and on the same terms as such Indebtedness is subordinate to such other Indebtedness; *provided* , *however* , that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

(4) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this Section 4.09:

(a) the outstanding principal amount of any item of Indebtedness will be counted only once (without duplication for guarantees or otherwise);

(b) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (a) through (q) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this Section 4.09;

(c) the amount of Indebtedness Incurred by a Person on the Incurrence date thereof shall equal the amount recognized as a liability on the balance sheet of such Person in accordance with IFRS and the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of liability in respect thereof determined in accordance with IFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; and

(d) with respect to any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* , that if such Indebtedness is incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Company may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such Refinancing.

*Section 4.10 Asset Sales.*

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or a Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of, and

(b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale shall be in the form of (1) cash or Cash Equivalents, (2) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business, (3) Capital Stock in a Person engaged primarily in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale, (4) Indebtedness assumed pursuant to a customary novation agreement or (5) a combination of any of the foregoing.

The Company and one or more Restricted Subsidiaries, as the case may be, may apply within 365 days of any Asset Sale an amount equal to the Net Cash Proceeds from any such Asset Sale to:

(a) repay any Senior Indebtedness of the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary) for borrowed money (including any such Indebtedness represented by bonds, notes, debentures or other similar instruments)or constituting a Capitalized Lease Obligation, or

(b) purchase or enter into a binding contract to purchase (or within such 365-day period, the Board of Directors shall have made a good faith determination to purchase; *provided* , that the Company or one or more Restricted Subsidiaries shall have purchased or entered into a binding contract to purchase within 365 days of such good faith determination to purchase):

(1) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary) in a Permitted Business, or

(2) Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary);

from a Person other than the Company and its Restricted Subsidiaries; or

(c) to make Capital Expenditures.

Notwithstanding the foregoing, if an Asset Sale is the result of an involuntary expropriation, nationalization, taking or similar action by or on behalf of any Governmental Authority, such Asset Sale need not comply with clauses (a) and (b) of the first paragraph of this covenant. In addition, the proceeds of any such Asset Sale shall not be deemed to have been received (and the 365-day period in which to apply any Net Cash Proceeds shall not begin to run) until the proceeds to be paid by or on behalf of the Governmental Authority have been paid in cash to the Company or the Restricted Subsidiary making such Asset Sale and if any litigation, arbitration or other action is brought contesting the validity of or any other matter relating to any such expropriation, nationalization, taking or other similar action, including the amount of the compensation to be paid in respect thereof, until such litigation, arbitration or other action is finally settled or a final judgment or award has been entered and any such judgment or award has been collected in full.

For the purpose of this Section 4.10, any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee will be deemed to be cash to the extent, and in the amount, that they are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 90 days of the receipt thereof (subject to ordinary settlement periods).

To the extent there are any remaining Net Cash Proceeds that have not been applied as described in clause (a) and (b) of the second preceding paragraph 365 days after the Asset Sale, the Company will make an offer to purchase Notes (an " *Asset Sale Offer* "), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest to, but excluding, the date of purchase (the " *Asset Sale Offer Amount* "). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis and, at the Company's option, on a *pro rata* basis with the Holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such remaining Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the remaining Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

Notwithstanding the foregoing, the Company may defer an Asset Sale Offer until there is an aggregate amount of remaining Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.$25.0 million (or the equivalent in other currencies). At that time, the entire amount of remaining Net Cash Proceeds, and not just the amount in excess of U.S.$25.0 million (or the equivalent in other currencies), will be applied as required pursuant to this Section 4.10.

Each notice of an Asset Sale Offer will be provided to the Holders within 30 days following such 365 th day, with a copy to the Trustee, offering to purchase the Notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than the Asset Sale Offer Payment Date. Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S.$1,000 in exchange for cash; *provided* that the principal amount of such tendering Holder's Note shall not be less than U.S.$200,000.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Asset Sale Offer;

(2) deposit (no later than 9:00 a.m. Eastern time) with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

To the extent Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of remaining Net Cash Proceeds, the Company will purchase the Notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered) as set forth above. If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued, and upon receipt of an Authentication Order the Trustee shall authenticate in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of Section 3.09 hereof or this Section 4.10, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance. If it would be unlawful in any jurisdiction to make an Asset Sale Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under this Indenture by doing so.

Upon completion of an Asset Sale Offer, the amount of remaining Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of remaining Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds in any manner not otherwise prohibited by this Indenture.

*Section 4.11 Transactions with Affiliates.*

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) involving aggregate consideration in excess of U.S.$1.0 million (or equivalent in other currencies) with, or for the benefit of, any of its Affiliates (each, an " *Affiliate Transaction* "), unless:

(a) the terms of such Affiliate Transaction are no less favorable in all material respects to the Company or the applicable Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$5.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof, but only to the extent there are disinterested members with respect to such Affiliate Transaction), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$25.0 million (or the equivalent in other currencies), the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries (other than a Project Finance Subsidiary) and Affiliate Transactions between or among a Project Finance Subsidiary and any other Project Finance Subsidiary;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of (and entering into related agreements with), officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary;

(c) any issuance or sale of Capital Stock of the Company;

(d) Affiliate Transactions undertaken pursuant to (i) any contractual obligations or rights in existence on the Issue Date, (ii) any contractual obligation of any Restricted Subsidiary or any Person that is merged into the Company or any Restricted Subsidiary on the date such Person becomes a Restricted Subsidiary or is merged into the Company or any Restricted Subsidiary and (iii) any amendment or replacement agreement to the obligations and rights described in clauses (i) and (ii), so long as such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect, taken as a whole, than the original agreement;

(e) (i) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms, or (ii) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms;

(f) the provision of administrative services to any joint venture, Unrestricted Subsidiary or Project Finance Subsidiary on substantially the same terms provided to or by Restricted Subsidiaries or other transactions to such entities on terms consistent with generally accepted transfer pricing guidelines;

(g) any Restricted Payments made in compliance with Section 4.07 hereof and Permitted Investments permitted under this Indenture; and

(h) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding U.S.$2.0 million outstanding at any one time.

*Section 4.12 Liens.*

The Company covenants and agrees that:

(a) it will not, and will not permit any Intermediate Holding Company to, Incur any Liens to secure any Indebtedness (except for Holding Company Permitted Liens) against or upon any of their properties or assets whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom; and

(b) it will not permit any Restricted Subsidiary (other than any Project Finance Subsidiary) to Incur any Liens to secure any Indebtedness (except for Restricted Subsidiary Permitted Liens) against or upon any of their properties or assets (other than any Capital Stock of a Project Finance Subsidiary) whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, unless contemporaneously therewith effective provision is made to secure the Notes and all other amounts due under this Indenture in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the Notes, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

*Section 4.13 Conduct of Business.*

The Company and its Restricted Subsidiaries shall not engage in any business other than a Permitted Business.

*Section 4.14 Corporate Existence.*

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of its Significant Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Significant Subsidiary; and

(2) the material rights (charter and statutory), licenses and franchises of the Company and its Significant Subsidiaries; *provided, however,* that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Significant Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Significant Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

*Section 4.15 Offer to Repurchase Upon Change of Control.*

(a) Upon the occurrence of a Change of Control that results in a Rating Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000; *provided* , that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the " *Change of Control Payment* "). Within 30 days following the date upon which a Change of Control that results in a Rating Event occurred, the Company must send, by electronic or first-class mail, a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a " *Change of Control Offer* "). The Change of Control Offer shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed, except as may be required by law (the " *Change of Control Payment Date* ");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed (or with appropriate adjustments to the amount and beneficial interests in a Global Note, as appropriate), to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note will not be less than U.S.$200,000.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.15, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance. If it would be unlawful in any jurisdiction to make a Change of Control Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under this Indenture by doing so.

(b) On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit (no later than 9:00 a.m. Eastern time) with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued, and upon receipt of an Authentication Order the Trustee shall authenticate in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate); *provided* , that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000 and will be in integral multiples of U.S.$1,000 in excess thereof.

(c) The Company is only required to make a Change of Control Offer in the event that a Change of Control results in a Rating Event. Consequently, if a Change of Control were to occur which does not result in a Rating Event, the Company would not be required to offer to repurchase the Notes. In addition, notwithstanding anything to the contrary in this Section 4.15, the Company will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in a manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption for all outstanding Notes has been given pursuant to Section 3.03 hereof unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and/or a Rating Event, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The obligation of the Company to make a Change of Control Offer may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of Holders of a majority in principal amount of the Notes.

*Section 4.16 Reserved.*

*Section 4.17 Reserved.*

*Section 4.18 Reserved.*

*Section 4.19 Designation of Unrestricted Subsidiaries and Project Finance Subsidiaries.*

The Company may designate after the Issue Date any Subsidiary of the Company or any Subsidiary thereof as an "Unrestricted Subsidiary" or a "Project Finance Subsidiary" under this Indenture (a " *Designation* ") only if:

(1) no Event of Default shall have occurred and be continuing at the time of, and no Default or Event of Default shall have occurred and be continuing after giving effect to, such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, are in compliance with Section 4.11 hereof;

(2) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph or clause (8) of the second paragraph of Section 4.07 hereof or, in the case of a Designation of a Project Finance Subsidiary only, clause (12) of the definition of "Permitted Investments" in an amount (the " *Designation Amount* ") equal to the amount of the Company's Investment in such Subsidiary on such date (as determined in accordance with the second paragraph of the definition of "Investment").

Neither the Company nor any Restricted Subsidiary will at any time provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary or Project Finance Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary or Project Finance Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary or Project Finance Subsidiary unless such credit support or Indebtedness was permitted to be Incurred as Indebtedness under Section 4.09 hereof.

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary or Project Finance Subsidiary (a " *Revocation* ") only if:

(1) no Event of Default shall have occurred and be continuing at the time of, and no Default or Event of Default shall have occurred and be continuing, after giving effect to such Revocation; and

(2) all Indebtedness of such Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, outstanding immediately following such Revocation would, if Incurred at such time, be permitted to be Incurred pursuant to this Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a Board Resolution and Officers' Certificate, delivered to the Trustee certifying compliance with the preceding provisions.

*Section 4.20 Additional Amounts.*

All payments made by or on behalf of the Company or a successor thereto (each, a " *Payor* ") under, or with respect to, the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, " *Taxes* ") imposed, levied, collected or assessed by or on behalf of (1) Bermuda or any political subdivision or governmental authority thereof or therein having power to tax, (2) any jurisdiction from or through which payment on the Notes is made on behalf of the Payor, or any political subdivision or governmental authority thereof or therein having the power to tax or (3) any other jurisdiction in which a Payor is organized, resident or deemed to be doing business, or any political or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a " *Relevant Taxing Jurisdiction* "), unless the withholding or deduction of such Taxes is then required by law or the interpretation or administration thereof.

If any deduction or withholding for, or on account of, any Taxes of any Relevant Taxing Jurisdiction will at any time be required from any payments made with respect to the Notes, including payments of principal, premium, if any, redemption price or interest, the Payor will pay (together with such payments) such additional amounts (the " *Additional Amounts* ") as may be necessary in order that the net amounts paid by the Payor or its agent in respect of such payments to each Holder, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been paid to each Holder in respect of such payments in the absence of such withholding or deduction; *provided, however* , that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, limited liability company, partnership or corporation) and the Relevant Taxing Jurisdiction (other than the receipt of such payment or the acquisition or ownership of such Note or enforcement of rights thereunder);

(2) any estate, inheritance, gift, sales, excise, transfer or personal property tax;

(3) any Taxes which are imposed, payable or due because the Notes are held in definitive registered form and are presented (where presentation is required) for payment more than 30 days after the date such payment was due and payable or was provided for, whichever is later, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment on the last day of such 30-day period;

(4) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner of a Note to comply, at our written request, with certification, identification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection of the Holder or such beneficial owner with the Relevant Taxing Jurisdiction or to make, at our written request, any other claim or filing for exemption to which it is entitled if (a) such compliance, making a claim or filing for exemption is required or imposed by a statute, treaty or regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such Taxes, and (b) the Payor has given the Holder or the beneficial owner at least 30 days' notice that the Holder or beneficial owner will be required to provide such certification, identification, documentation or other reporting requirement;

(5) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to EC Council Directive 2003/48/EC on the taxation of savings income which was adopted by the ECOFIN Council (the Council of EU Finance and Economic Ministers) on June 3, 2003, or any law implementing or complying with, or introduced to conform to, such directive, or pursuant to related measures entered into on a reciprocal basis between member states of the European Union and certain non-European Union countries and dependent or associated territories;

(6) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another available Paying Agent of the Payor in a EU Country; or

(7) any combination of the above.

Also such Additional Amounts will not be payable with respect to any payment of principal of (or premium, if any, on) or interest on such Note to any Holder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Note directly.

The Payor will (1) make any required withholding or deduction and (2) remit the full amount deducted or withheld to the applicable taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide to the Trustee certified copies of tax receipts or, if such tax receipts are not reasonably available, such other documentation evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. The Payor will attach to such documentation a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per dollar principal amount of the Notes.

If the Payor will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Payor will deliver to the Trustee, at least three Business Days prior to the relevant payment date, an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to distribute such Additional Amounts to Holders of Notes on the payment date. Each such Officers' Certificate shall be relied upon by the Trustee without further enquiry until receipt of a further Officers' Certificate addressing such matters.

The Payor will pay any stamp, issue, registration, documentary, value added, excise, property or other similar taxes and other duties (including interest and penalties) which are levied by Bermuda, any political subdivision or governmental authority thereof or therein, in respect of the creation, issue, offering, execution or performance of the Notes, this Indenture or any documentation with respect thereto, the receipt of any payments with respect to the Notes or the enforcement of the Notes (including following the occurrence and during the continuance of any Default) and the Company will agree to indemnify each of the Trustee, the Paying Agents and the Holders of the Notes for any such amounts paid by the Trustee, the Paying Agents or such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of this Indenture and will apply mutatis mutandis to any jurisdiction in which any successor Person to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Whenever in this Indenture there is mentioned, in any context, (1) the payment of principal, premium, if any, or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of Notes or (3) any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, deducted or withholding Taxes are, were or would be payable in respect thereof.

*Section 4.21 Currency Indemnity.*

The Company will pay all sums payable under this Indenture or the Notes solely in U.S. dollars. Any amount received or recovered in a currency other than U.S. dollars in respect of any sum expressed to be due to the Trustee or any Holder from the Company will only constitute a discharge of the Company to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which it is possible to do so. If the U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Company will indemnify the recipient against any loss sustained by it as a result. In any event, the Company will indemnify the recipient against the cost of making any purchase of U.S. dollars.

For the purposes of this Section 4.21, it will be sufficient for a Holder or the Trustee to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of U.S. dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which it would have been practicable, and to certify in a satisfactory manner the need for a change of the purchase date.

These indemnities (1) constitute a separate and independent obligation from the other obligations of the Company, (2) will give rise to a separate and independent cause of action, (3) will apply irrespective of any indulgence granted by any Holder and (4) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

*Section 4.22 Suspension of Covenants.*

If on any date following the Issue Date:

(1) the Notes have been assigned an Investment Grade Rating by any two Rating Agencies; and

(2) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (1) and (2) being collectively referred to as a " *Covenant Suspension Event* "), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the " *Suspended Covenants* "):

(a) Section 4.09 hereof;

(b) Section 4.07 hereof;

(c) Section 4.10 hereof;

(d) Section 4.08 hereof;

(e) clause (b) of Section 5.01 hereof; and

(f) Section 4.11 hereof, other than any transaction with any affiliated shareholder of the Company or Affiliate thereof other than the Company or any Subsidiary thereof.

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the " *Reversion Date* "), the Notes cease to have an Investment Grade Rating from any two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to clause (1) of Section 4.09 hereof or one of the clauses set forth in paragraphs (a) through (q) of clause (2) of Section 4.09 hereof (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be permitted to be incurred pursuant to Section 4.09 hereof such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (b) of paragraph (2) of Section 4.09 hereof.

## ARTICLE 5
## SUCCESSORS

*Section 5.01 Merger, Consolidation and Sale of Assets* .

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company shall be the surviving or continuing corporation, or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the " *Surviving Entity* "):

(A) shall be a corporation (or company or similar entity as applicable) organized and validly existing under the laws of (i) Bermuda, (ii) the United States of America, any State thereof or the District of Columbia, (iii) Peru or (iv) any country which is a member country of the Organization for Economic Co-Operation and Development, and

(B) shall expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of every covenant of the Notes and this Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, (i) will be able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clauses (1)(a) and (1)(b) of Section 4.09 hereof or (ii) would have (y) an Unconsolidated Interest Coverage Ratio that is equal to or greater than the Company's Unconsolidated Interest Coverage Ratio immediately prior to such transaction, and (z) a Consolidated Net Leverage Ratio that is equal to or less than the Company's Consolidated Net Leverage Ratio immediately prior to such transaction;

(c) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(d) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to the transaction have been satisfied.

The provisions of this Section 5.01 will not apply to any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of properties and assets, of any Restricted Subsidiary (other than a Project Finance Subsidiary) to the Company, or any merger of the Company into a wholly owned Subsidiary (other than a Project Finance Subsidiary) of the Company created for the purpose of holding the Capital Stock of the Company so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

*Section 5.02 Successor Corporation Substituted.*

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with Section 5.01 hereof, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the Surviving Entity and not to the Company), and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such Surviving Entity had been named as such. Upon such substitution, unless the successor is one or more of the Company's Restricted Subsidiaries, the Company will be released from its obligations hereunder. For the avoidance of doubt, compliance with this Section 5.02 will not affect the obligations of the Company (including a Surviving Entity, if applicable) under Section 4.15 hereof, if applicable.

## ARTICLE 6
## DEFAULTS AND REMEDIES

*Section 6.01 Events of Default.*

The following are "Events of Default":

(1) default in the payment when due of the principal of or premium, if any, on any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest or Additional Amounts on any Notes;

(3) the failure to perform or comply with any of the provisions described under Section 5.01 hereof;

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in this Indenture or in the Notes for 45 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) default by the Company or any Restricted Subsidiary which shall not have been cured or waived under any Indebtedness (other than any Bolivian Indebtedness) which:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity;

and the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time exceeds U.S.$25.0 million individually or in the aggregate (or the equivalent in other currencies) or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay one or more final, non-appealable judgments against any of them, aggregating U.S.$25.0 million (or the equivalent in other currencies) or more (excluding therefrom any amount reasonably expected to be covered by insurance), which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due; and

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary; and the order or decree remains unstayed and in effect for 60 consecutive days.

*Section 6.02 Acceleration.*

If an Event of Default (other than an Event of Default specified in clause (7) or (8) of Section 6.01 hereof with respect to the Company) shall occur and be continuing and has not been cured or waived, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." In the case of an Event of Default specified in clause (7) or (8) of Section 6.01 hereof, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences by written notice to the Company, if:

(1) the rescission would not conflict with any judgment or decree; and

(2) all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration.

No rescission will affect any subsequent Default or impair any rights relating thereto.

*Section 6.03 Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

*Section 6.04 Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes (including in connection with an Asset Sale Offer or a Change of Control Offer); *provided, however,* that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

*Section 6.05 Control by Majority.*

Subject to the provisions of this Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee may refuse to follow any direction that conflicts with any law or this Indenture, that the Trustee determines in good faith may be unduly prejudicial to the rights of another Holder, or that may involve the Trustee in personal liability; *provided* that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

*Section 6.06 Limitation on Suits.*

No Holder of any Notes will have any right to institute any proceeding with respect to this Indenture or for any remedy thereunder, unless:

(1) such Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to pursue the remedy;

(3) such Holders of the Notes provide to the Trustee indemnity satisfactory to it against any cost, liability or expense;

(4) the Trustee does not comply within 60 days after receipt of such notice and offer of indemnity; and

(5) during such 60-day period the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

*provided* , that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

*Section 6.07 Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

*Section 6.08 Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium, if any, and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

*Section 6.09 Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other Obligor upon the Notes), its creditors or its property and shall be entitled and empowered to participate as a member in any official committee of creditors appointed in such matter to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such

payments to the Trustee and its agents and counsel, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

*Section 6.10 Priorities.*

If the Trustee collects any money or property pursuant to this Article 6, it shall distribute out the money in the following order:

*First* : to the Trustee, the Paying Agent, the Registrar and their respective agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

*Second* : to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any and interest, respectively; and

*Third* : to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

*Section 6.11 Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

*Section 6.12 Restoration of Rights and Remedies.*

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceedings, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding has been instituted.

*Section 6.13 Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.07 hereof, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent

permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

*Section 6.14 Delay or Omission Not Waiver*.

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

## ARTICLE 7
## TRUSTEE

*Section 7.01 Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be protected in acting or refraining from acting upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the form required by this Indenture (but need not confirm or investigate mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved in a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) The Trustee shall not be charged with knowledge of (A) the existence of any Change of Control or Asset Sale, or (B) any Default or Event of Default hereunder unless a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or any Holder and such notice references the Notes and this Indenture; *provided* the Trustee shall be deemed to have notice of the failure of the Company to deliver funds.

*Section 7.02 Rights of Trustee.*

(a) The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate or verify any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. No such Officer's Certificate or Opinion of Counsel shall be at the expense of the Trustee. The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its agents, attorneys, custodians and nominees and will not be responsible for the misconduct or negligence of any agent, attorney, custodian or nominee appointed with due care.

(d) The Trustee will not be liable for any action it takes, suffers or omits to take in good faith that it believes to be authorized or within its discretion, rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company will be sufficient if signed by an Officer of the Company.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to it against the losses, costs, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service, accidents; labor disputes; acts of civil or military authority or governmental actions (it being understood that the Trustee shall use commercially reasonable efforts to resume performance as soon as practicable under the circumstances).

(h) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(i) The Trustee shall have no obligation to invest and reinvest any cash held in any account in the absence of timely and specific written investment direction from the Company. In no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its Stated Maturity;

(j) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the Company, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee shall not be responsible for any inaccuracy in the information obtained from the Company or for the any inaccuracy or omission in the records which may result from such information or any failure by the Trustee to perform its duties as set forth herein as a result of any inaccuracy or incompleteness.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder and each agent, custodian, and other person employed to act hereunder.

(l) The Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability for the performance of any of its duties hereunder or the exercise of any of its rights or powers if there is reasonable ground for believing that the repayment of such funds or reasonably adequate indemnity against such risk or liability is not assured to it.

(m) The Trustee shall not have any duty (i) to see to any recording, filing or depositing of this Indenture or any Indenture referred to herein or any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof or (ii) to see to any insurance.

(n) The Trustee shall not be required to give any bond or surety in respect of the execution of the powers granted hereunder.

(o) To the extent not inconsistent herewith, the rights, protections and immunities afforded to the Trustee pursuant to this Indenture also shall be afforded to the Paying Agent and the Registrar;

(p) In accordance with Section 326 of the U.S.A. Patriot Act, to help fight the funding of terrorism and money laundering activities, the Trustee will obtain, verify, and record information that identifies individuals or entities that establish a relationship or open an account with the Trustee. The Trustee will ask for the name, address, tax identification number and other information that will allow the Trustee to identify the individual or entity who is establishing the relationship or opening the account. The Trustee may also ask for formation documents such as articles of incorporation, an offering memorandum, or other identifying documents to be provided.

(q) Notwithstanding anything to the contrary herein, any and all communications (both text and attachments) by or from the Trustee that the Trustee in its sole discretion deems to contain confidential, proprietary, and/or sensitive information and sent by electronic mail will be encrypted. The recipient of the email communication will be required to complete a one-time registration process. Information and assistance on registering and using the email encryption technology can be found at the Trustee's secure website www.citigroup.com/citigroup/citizen/privacy/email.htm or by calling (866) 535-2504 (in the U.S.) or (904) 954-6181 at any time.

*Section 7.03 Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

*Section 7.04 Trustee's Disclaimer*.

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it will not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

*Section 7.05 Notice of Defaults.*

If a Default or Event of Default occurs, is continuing and is actually known to a Responsible Officer of the Trustee, the Trustee must mail to each Holder, a notice of the Default or Event of Default within 90 days after a Responsible Officer acquires actual knowledge or has received written notice of such Default or Event of Default, unless such Default or Event of Default has been cured or waived. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Responsible Officers in good faith determines that withholding notice is in the interests of the Holders.

*Section 7.06 Notice of Listing.*

The Company shall promptly notify the Trustee whenever the Notes become listed on any securities exchange and of any delisting thereof.

*Section 7.07 Compensation and Indemnity.*

(a) The Company will pay to the Trustee from time to time such compensation as shall be agreed upon in writing between the Company and the Trustee for its acceptance of this Indenture and services hereunder. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Company will reimburse the Trustee promptly upon request for all reasonable fees and expenses incurred or made by it in addition to the compensation for its services, except any such fee or expense as may be attributable to the Trustee's misconduct, negligence or bad faith. Such expenses will include the reasonable fees and expenses of the Trustee's agents and counsel.

(b) The Company will indemnify the Trustee and its officers, directors, employees, agents and any predecessor trustee, and its officers, directors, employees and agents and hold each of the foregoing harmless against any and all losses, liabilities, expenses, claims or damages (including reasonable fees and expenses of counsel and taxes other than those based upon the income of the Trustee) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company, any Holder or any other Person) or liability in connection with the acceptance, exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, bad faith or willful misconduct. The Trustee will notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company will not relieve the Company of its obligations hereunder. The Company will defend the claim and the Trustee will, and will cause its officers, directors, employees and agents to, cooperate in the defense. The Trustee may have separate counsel and the Company will pay the reasonable fees and expenses of such counsel; *provided* that the Company will not be required to pay such fees and expenses if they assume the Trustee's defense with counsel acceptable to and approved by the Trustee (such consent not to be unreasonably withheld) and there is no conflict of interest between the Company and the Trustee in connection with such defense. The Company need not pay for any settlement made without its consent, which consent will not be unreasonably withheld, delayed or conditioned. The Company need not make any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct.

(c) The obligations of the Company under this Section 7.07 will survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

(d) To secure the Company's payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to distribute principal, premium, if any, and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(7) or (8) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) Reserved.

(g) All indemnities to be paid under this Indenture, shall be payable promptly when due in U.S. dollars in the full amount due, without deduction for any variation in any rate of exchange. The Company agrees to indemnify the Trustee against any losses incurred by such the Trustee as a result of any judgment or order being given or made for the amount due hereunder and such judgment or order being expressed and paid in a currency (the " *Judgment Currency* ") other than U.S. dollars and as a result of any variation as between (i) the rate of exchange at which the U.S. dollar amount is converted into Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the Trustee is then able to purchase U.S. dollars with the amount of the Judgment Currency actually received by the Trustee. The indemnity set forth in this Section 7.07 shall constitute a separate and independent obligation of the Company and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid.

*Section 7.08 Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign, upon 30 days written notice to the Company, in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property;

(4) the Trustee becomes incapable of acting; or

(5) upon 30 days written notice and upon payment of all amounts owing to the Trustee, it appoints a successor Trustee which is a recognized financial institution that is domiciled in a G-7 Country and has a combined capital and surplus of at least U.S.$50.0 million (or its equivalent in any other currency).

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Company's expense), the Company, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

*Section 7.09 Successor Trustee by Merger, etc.*

Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all the corporate trust business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto. As soon as practicable, the successor Trustee shall mail a notice to the Company and the Holders of Notes informing them of such merger, conversion or consolidation.

*Section 7.10 Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is an entity organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least U.S.$50.0 million as set forth in its most recent published annual report of condition.

## ARTICLE 8
## LEGAL DEFEASANCE AND COVENANT DEFEASANCE

*Section 8.01 Option to Effect Legal Defeasance or Covenant Defeasance.*

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

*Section 8.02 Legal Defeasance and Discharge.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, " *Legal Defeasance* "). For this purpose, Legal Defeasance means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) of this Section 8.02, on the 91st day after the deposit specified in clause (1) of Section 8.04 hereof, and to have satisfied all their other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest (including Additional Amounts) on the Notes when such payments are due;

(2) the Company's obligations with respect to such Notes under Sections 2.03, 2.07, 2.10 and 4.02 hereof;

(3) the rights, powers, trusts, duties and immunities of the Trustee, the paying agent, the registrar, the transfer agent and the Irish listing agent hereunder and the Company's obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

*Section 8.03 Covenant Defeasance.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 3.09, 4.03, 4.05, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.17, 4.18, 4.19, 4.20, 4.21, 4.22 and 4.23 hereof, and any covenant added to this Indenture subsequent to the Issue Date pursuant to Section 9.01 hereof and clauses (a)(2)(A), (b) and (c) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, " *Covenant Defeasance* "), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes will be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(6), hereof will not constitute Events of Default.

*Section 8.04 Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, without reinvestment, in the opinion of a nationally recognized firm of independent public accountants or investment bank, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance under Section 8.02 hereof, the Company must deliver to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee and independent of the Company confirming that:

(A) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance under Section 8.03 hereof, the Company must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this Section 8.04 (other than a Default or Event of Default resulting from the failure to comply with Section 4.09 hereof, as a result of the borrowing of the funds required to effect such deposit);

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under this Indenture or other any material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall not have made the deposit with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(7) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel in the United States, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

*Section 8.05 Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the " *Trustee* ") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(2) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

*Section 8.06 Repayment to Company.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent

with respect to such trust money, and all liability of the Company as trustee thereof, will thereupon cease; *provided, however* , that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

*Section 8.07 Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however* , that, if the Company makes any payment of principal of, premium, if any, or interest on, any Note following the reinstatement of its obligations, the Company will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

## ARTICLE 9
## AMENDMENT, SUPPLEMENT AND WAIVER

*Section 9.01 Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 hereof, from time to time, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of Notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to comply with Article 5 hereof;

(4) to make any change that would provide any additional rights or benefits to Holders or that does not adversely affect in any respect the legal rights hereunder of any Holder;

(5) to evidence and provide for the acceptance of an appointment by a successor trustee;

(6) to conform the text of this Indenture and the Notes to any provision of the "Description of the Notes" section of the Company's Offering Memorandum; or

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof.

*Section 9.02 With Consent of Holders of Notes.*

Except as provided in this Section 9.02, other modifications and amendments of this Indenture or the Notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) issued hereunder, and any existing default or compliance with any provision of this Indenture or the Notes outstanding thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02. However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not:

(1) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(4) waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration)

(5) make any Notes payable in a currency or place of payment other than that stated in the Notes;

(6) make any change in provisions of this Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment;

(7) make any change in the provisions of this Indenture described under Section 4.20 hereof that adversely affects the rights of any Holder; and

(8) make any change to the provisions of this Indenture or the Notes that adversely affect the ranking of the Notes; *provided* that a change to Section 4.12 hereof shall not affect the ranking of the Notes.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture pursuant to this Section 9.02 or Section 9.01 hereof, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, to the extent necessary, and upon receipt by the Trustee of the documents described in Sections 7.02 and 9.05 hereof, the Trustee will join with the Company in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture. In connection with executing an amendment pursuant to this Section 9.02 or Section 9.01 hereof, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate.

The consent of the Holders of Notes is not necessary to approve the particular form of any proposed amendment, supplement or waiver under this Section 9.02 or Section 9.01 hereof. It is sufficient if such consent approves the substance thereof. After an amendment, supplement or waiver under this Section 9.02 or Section 9.01 hereof becomes effective, the Company will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes.

*Section 9.03 Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note.

However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at the close of business on such record date (or their designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or revoke any consent previously given, whether or not such Persons continue to be the Holders after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (1) through (8) of Section 9.02 hereof, in which case, the amendment, supplement or waiver shall bind only each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

*Section 9.04 Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

*Section 9.05 Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture or waiver authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amended or supplemental indenture until the Board of Directors of the Company approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) be fully protected in relying on, in addition to the documents and Opinion of Counsel described in Section 13.04 hereof, an Opinion of Counsel and Officers' Certificate stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture and that such amended or supplemental indenture is valid and binding on the Company in accordance with its terms.

## ARTICLE 10
## RESERVED

## ARTICLE 11
## RESERVED

## ARTICLE 12
## SATISFACTION AND DISCHARGE

*Section 12.01 Satisfaction and Discharge.*

This Indenture (other than those provisions which by their express terms survive) will be discharged and will cease to be of further effect as to all outstanding Notes issued hereunder, when:

(1) either:

(a) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) (i) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable or will become due and payable at the stated date for payment thereof within one year or will be called for redemption within one year or (ii) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise, and, in each case, the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not thereto for delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company or any of its Restricted Subsidiaries have paid or caused to be paid all other sums payable under this Indenture by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

*Section 12.02 Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 12.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law. Until such time as the money is applied by the Trustee as described in the preceding sentence, the money shall be invested in Government Securities or such other investment as directed in writing by the Company.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 12.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.01 hereof; *provided* that if the Company has made any payment of principal of, premium, if any, or interest on, any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

## ARTICLE 13
## MISCELLANEOUS

*Section 13.01 Notices.*

Any notice or communication by the Company or the Trustee to the others is duly given if in writing, in the English language, and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company:

Inkia Energy Limited

Avenida Victor Andrés Belaúnde 147
Torre Real 5, Piso 13
San Isidro
Lima, Perú
Attention: Daniel Urbina, General Counsel
Telephone: (511) 708-2218
Facsimile: (511) 708-2201

With a copy to:
Inkia Energy Limited
Canon's Court
22 Victoria St.
Hamilton HM12
Bermuda

If to the Trustee:

Citibank, N.A.
388 Greenwich Street, 14th floor
New York, New York 10013
USA
Attention: Global Transaction Services-Inkia Energy Limited
Telephone: 713-693-6677
Facsimile: 212-816-5527

The Company or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications. All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery; *provided* that any notice or communication delivered to the Trustee shall be deemed effective upon actual receipt thereof.

Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it. If the Company mails a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

In addition, from and after the date the Notes are listed on Irish Stock Exchange for trading on the Global Exchange Market and, so long as it is required by the rules of such exchange, the Company will publish all notices to Holders of Notes in English in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and, if so long as the Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the guidelines of such stock exchange shall so require, the Company will also publish such notices through the Irish Stock Exchange's Companies Announcement Office.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

*Section 13.02 Communication by Holders of Notes with Other Holders of Notes.*

Any Holder, or group of Holders or beneficial owners, holding in the aggregate more than 10% in principal amount of outstanding Notes may communicate with other Holders with respect to their rights under this Indenture or the Notes, and may instruct the Trustee to deliver such communications to other Holders.

*Section 13.03 Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.04 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.04 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion may be based, and may state that it is based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer or Officers of the Company stating that information with respect to such factual matters is in possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate of opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

*Section 13.04 Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

If giving an Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or certificates of public officials.

*Section 13.05 Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

*Section 13.06 No Personal Liability of Directors, Officers, Employees and Stockholders.*

No past, present or future incorporator, director, officer, employee, shareholder or controlling person of the Company, as such, will have any liability for any obligations of the Company under the Notes or this Indenture or for any claims based on, in respect of or by reason of such obligations. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Bermuda corporate law, and it is the view of the SEC that such a waiver may be contrary to public policy.

*Section 13.07 Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. THE COMPANY CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS LOCATED IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN AND HAVE APPOINTED AN AGENT FOR SERVICE OF PROCESS WITH RESPECT TO ANY ACTIONS BROUGHT IN THESE COURTS ARISING OUT OF OR BASED ON THIS INDENTURE OR THE NOTES.

*Section 13.08 No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

*Section 13.09 Successors.*

All agreements of the Company in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors.

*Section 13.10 Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

*Section 13.11 Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement.

*Section 13.12 Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

*Section 13.13 Waiver to Jury Trial.*

EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

*Section 13.14 Waiver of Immunity.*

To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, or otherwise) with respect of its obligations hereunder it waives such immunity to the extent permitted by applicable law. Without limiting the generality of the foregoing, the Company agrees that the waivers set forth herein shall have force and effect to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such Act.

*Section 13.15 Consent to Jurisdiction and Service of Process.*

(a) Each of the parties hereto hereby irrevocably consents to the jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States of America, and any appellate court from any court thereof, in respect of actions, suits or proceedings brought against such party as a defendant arising out of or relating to this Indenture, the Notes or any transaction contemplated hereby or thereby (a " *Proceeding* "), and waives any immunity (to the fullest extent permitted by applicable law) from the jurisdiction of such courts over any Proceeding that may be brought in connection with this Indenture or the Notes and any right to which it may be entitled on account of place of residence or domicile. Each of the parties hereto irrevocably waives, to the fullest extent it may do so under applicable law, any objection which it may now or hereafter have to the laying of the venue of any such Proceeding brought in any such court and any claim that any such Proceeding brought in any such court has been brought in an inconvenient forum. Each of the parties hereto agrees that final judgment in any such Proceeding brought in such court shall be conclusive and binding upon such party and may be enforced in any court to the jurisdiction of which such party is subject by a suit upon such judgment; *provided* , in the case of the Company, that service of process is effected upon the Company in the manner provided by this Indenture.

(b) The Company agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with this Indenture or the Notes against the Company in any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, may be made upon CT Corporation System located at 111 Eighth Avenue, New York, New York 10011, whom the Company irrevocably appoints as its authorized agent for service of process. The Company represents and warrants that CT Corporation System, the Company's authorized representative in the United States, has agreed to act as the Company's agent for service of process. The Company agrees that such appointment shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by the Company of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor. The Company further agrees to take any and all action, including the filing of any and all documents and instruments that may be necessary to continue such appointment in full force and effect as aforesaid. If CT Corporation System shall cease to act as the agent for service of process for the Company, the Company shall appoint without delay another such agent and provide prompt written notice to the Trustee of such appointment. With respect to any such action in any court of the State of New York or any United States Federal court, in each case, in the Borough of Manhattan, The City of New York, service of process on CT Corporation System as the authorized agent of the Company for service of process, and written notice of such service to the Company, shall be deemed, in every respect, effective service of process upon the Company.

(c) Nothing in this Section 13.15 shall affect the right of any party to serve legal process in any other manner permitted by law.

[ *Signatures on following page* ]

Dated as of April , 2011

INKIA ENERGY LIMITED

By: _____
Name: Javier García Burgos
Title: Chief Executive Officer

By: _____
Name: Yitzhak Mandelman
Title: Chief Financial Officer

CITIBANK, N.A., as Trustee

By: _____
Name:
Title:

**EXHIBIT A**

*[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]*

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF INKIA ENERGY LIMITED.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

*[Insert the applicable Private Placement Legend, if applicable pursuant to the provisions of the Indenture]*

[Rule 144A Global Note:] THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT; (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS (IN THE FORM ATTACHED AS EXHIBITS TO THE INDENTURE), OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF INKIA ENERGY LIMITED.

[Regulation S Global Note:] PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

[Face of Note]

CUSIP _____
ISIN _____

8.375% Senior Notes due 2021

No. _____ up to $ _____

INKIA ENERGY LIMITED

promises to pay to or registered assigns,

the principal sum of up to DOLLARS on April 4, 2021.

Interest Payment Dates: April 4 and October 4

Record Dates: March 20 and September 19

Dated: , 2011 in the principal sum of $

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

INKIA ENERGY LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

This is one of the Notes referred to in the within-mentioned Indenture:

Citibank, N.A., as Trustee

By: _____
Authorized Signatory

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. Inkia Energy Limited, an exempted limited liability company organized under the laws of Bermuda (the "*Company*"), promises to pay interest on the principal amount of this Note at 8.375% per annum from April 4, 2011 until maturity. The Company will pay interest semi-annually in arrears on April 4 and October 4 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be October 4, 2011. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Company will pay interest on the Notes to the Persons who are registered Holders of Notes at the close of business on the March 20 and September 19 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest and premium, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, Citibank, N.A., the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Company issued the Notes under an Indenture dated as of April 4, 2011 (the "*Indenture*") among the Company and the Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Company. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

*(5) OPTIONAL REDEMPTION*.

(a) At any time prior to April 4, 2016, the Company shall have the right, at its option, to redeem any of the Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (1) 101% of the principal amount of such Notes and (2) the present value to be calculated by an Independent Investment Banker at such redemption date of (i) the redemption price of such Notes at April 4, 2016 (such redemption price being set forth in the table below) plus (ii) all required interest payments thereon through April 4, 2016 on such Notes (excluding accrued but unpaid interest to the redemption date), in each case, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued and unpaid interest on the principal amount of such Notes to, but excluding, the date of redemption.

(b) At any time, or from time to time, after April 4, 2016, the Company may redeem the Notes, at its option, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on April 4 of any year set forth below:

| Year | Percentage |
|---|---|
| 2016 | 104.188% |
| 2017 | 102.792% |
| 2018 | 101.396% |
| 2019 and thereafter | 100.000% |

(c) At any time, or from time to time, on or prior to April 4, 2014, the Company may, at its option, use the net cash proceeds of one or more Equity Events to redeem in the aggregate up to 35% of the aggregate principal amount of the Notes originally issued (calculated after giving effect to the issuance of Additional Notes, if any) at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* , *however* , that at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (calculated after giving effect to the original issuance of Additional Notes, if any) shall remain outstanding immediately after giving effect to each such redemption (excluding any Notes held by the Company or any of its Subsidiaries). Notice of any such redemption shall be given within 120 days after the date of the closing of the relevant Equity Event.

(d) If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) or treaties of (i) Bermuda, (ii) any other jurisdiction in which the Company is organized, (iii) any other Relevant Taxing Jurisdiction or (iv) any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, treaties, rules or regulations becomes effective on or after the date on which the Notes are issued (or in the case of (ii) after the date when the Company becomes organized in such jurisdiction), a Payor would be obligated, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts (it being understood that changing the jurisdiction of incorporation of the Company shall not be a reasonable measure), then, at the Payor's option, all, but not less than all, of the Notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but excluding, the date of redemption; *provided* , *however* , that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

(6) *M ANDATORY R EDEMPTION* . The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *R EPURCHASE AT THE O PTION OF H OLDER* . Upon the occurrence of a Change of Control that results in a Rating Event, each Holder will have the right to require the Company to purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note will not be less than U.S.$200,000) of the Holder's Notes (a " *Change of Control Offer* ") at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the " *Change of Control Payment* "). Within 30 days following the date upon which the Change of Control that results in a Rating Event occurred, the Company must send, by first-class mail, a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above and setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(a) If the Company or a Restricted Subsidiary of the Company consummates any Asset Sales, when the aggregate amount of Net Cash Proceeds exceeds U.S.$25.0 million (or the equivalent in other currencies), the Company will commence an Asset Sale Offer in accordance with Section 4.10 of the Indenture. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled " *Option of Holder to Elect Purchase* " attached to the Notes.

(8) *N OTICE OF R EDEMPTION* . Subject to the provisions of Sections 3.07(c), 3.08 and 3.09 of the Indenture, notice of redemption will be mailed by first-class mail, postage prepaid at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than U.S.$200,000 may be redeemed in part but only in whole multiples of U.S.$1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) *D ENOMINATIONS , T RANSFER , E XCHANGE* . The Notes are in registered form without coupons in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, none of the Company, the Trustee or the Registrar need exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *P ERSONS D EEMED O WNERS* . The registered Holder of a Note may be treated as its owner for all purposes.

(11) *A MENDMENT , S UPPLEMENT AND W AIVER* . Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of a majority in principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders in the case of a merger or consolidation or sale of all or substantially all of the Company's assets, as applicable, to make any change that would provide any additional rights or benefits to Holders or that does not adversely affect in any material respect the legal rights under the Indenture of any Holder, to evidence and provide for the acceptance of an appointment by a successor trustee, to conform the text of the Indenture or the Notes to any provision of the "Description of the Notes" section of the Company's Offering Memorandum dated March 29, 2011, relating to the initial offering of the Notes, or to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture. Without the consent of each Holder affected thereby, no amendment or waiver may (with respect to any Notes held by a non-consenting Holder): reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver; reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes; reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor; waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default

and a waiver of the payment default that resulted from such acceleration); make any Notes payable in a currency or place of payment other than that stated in the Notes; make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment; make any change in the provisions of the Indenture described under "Additional Amounts" that adversely affects the rights of any Holder; and make any change to the provisions of the Indenture or the Notes that adversely affect the ranking of the Notes; *provided* that a change to Section 4.12 of the Indenture shall not affect the ranking of the Notes.

(12) *D EFAULTS AND R EMEDIES* . Events of Default include: (i) default in the payment when due of the principal of or premium, if any, on any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer; (ii) default for 30 days or more in the payment when due of interest or Additional Amounts on any Notes; (iii) the failure to perform or comply with any of the provisions of Section 5.01 of the Indenture; (iv) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in this Note for 45 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes; (v) default by the Company or any Restricted Subsidiary which shall not have been cured or waived under any Indebtedness (other than any Bolivian Indebtedness) which: (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or (b) results in the acceleration of such Indebtedness prior to its Stated Maturity; and the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time exceeds U.S.$25.0 million individually or in the aggregate (or the equivalent in other currencies) or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay one or more final, non-appealable judgments against any of them, aggregating U.S.$25.0 million (or the equivalent in other currencies) or more (excluding therefrom any amount reasonably expected to be covered by insurance), which judgment(s) are not paid, discharged or stayed for a period of 60 days or more; and (vii) certain events of bankruptcy described in the Indenture affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary. If any Event of Default (other than an Event of Default specified in clause (vii) above with respect to the Company) shall occur and be continuing and has not been cured or waived, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." Notwithstanding the foregoing, in the case of an Event of Default specified in clause (vii) above with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together would constitute a Significant Subsidiary, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes will become due and payable without any declaration or other act on the part of the Trustee or any Holder. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(13) *T RUSTEE D EALINGS WITH C OMPANY* . The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(14) *NO RECOURSE AGAINST OTHERS*. No past, present or future incorporator, director, officer, employee, shareholder or controlling person of the Company, as such, will have any liability for any obligations of the Company under the Notes or the Indenture or for any claims based on, in respect of or by reason of such obligations. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Bermuda corporate law, and it is the view of the SEC that such a waiver may be contrary to public policy.

(15) *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the correctness or accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(18) *GOVERNING LAW*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE AND THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Inkia Energy Limited
Avenida Victor Andrés Belaúnde 147
Torre Real 5, Piso 13
San Isidro
Lima, Perú
Attention: Daniel Urbina, General Counsel
Fax: (511) 708 2201

A SSIGNMENT F ORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Note on the books of the Company. The agent may substitute another to act for it.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

—Section 4.10 —Section 4.15

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$ _____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE *

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Global Note | Amount of increase in Principal Amount of this Global Note | Principal Amount of this Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|

* *This schedule should be included only if the Note is issued in global form .*

**EXHIBIT B**

FORM OF CERTIFICATE OF TRANSFER

Inkia Energy Limited
Avenida Victor Andrés Belaúnde 147
Torre Real 5, Piso 13
San Isidro
Lima, Perú
Attention: Daniel Urbina, General Counsel

Citibank, N.A.
111 Wall Street, 15 th Floor
New York, New York 10005
Attention: 15 th Floor Window

Re: 8.375% Senior Notes due 2021

Reference is hereby made to the Indenture, dated as of April 4, 2011 (the " *Indenture* "), between Inkia Energy Limited, an exempted limited liability company organized under the laws of Bermuda (the " *Company* "), and Citibank, N.A., as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the " *Transferor* ") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $ in such Note[s] or interests (the " *Transfer* "), to (the " *Transferee* "), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A** . The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the " *Securities Act* "), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. ☐ **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Restricted Definitive Note pursuant to Regulation S** . The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed Transfer is being made prior to the expiration of the 40-day distribution compliance period as defined in Regulation S, the Transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S** . The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected to the Company or a subsidiary thereof;

or

(b) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. ☐ **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note** .

(a) ☐ **Check if Transfer is pursuant to Rule 144** . (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S** . (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption** . (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP / ISIN ), or

(ii) ☐ Regulation S Global Note (CUSIP / ISIN ), or

(b) ☐ a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP / ISIN ), or

(ii) ☐ Regulation S Global Note (CUSIP / ISIN ), or

(iii) ☐ Unrestricted Global Note (CUSIP / ISIN ); or

(b) ☐ a Restricted Definitive Note; or

(c) ☐ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

**EXHIBIT C**

FORM OF CERTIFICATE OF EXCHANGE

Inkia Energy Limited
Avenida Victor Andrés Belaúnde 147
Torre Real 5, Piso 13
San Isidro
Lima, Perú
Attention: Daniel Urbina, General Counsel

Citibank, N.A.
111 Wall Street, 15 th Floor
New York, New York 10013
Attention: 15 th Floor Window

Re: 8.375% Senior Notes due 2021

Reference is hereby made to the Indenture, dated as of April 4, 2011 (the " *Indenture* "), between Inkia Energy Limited, an exempted limited liability company organized under the laws of Bermuda (the " *Company* "), and Citibank, N.A., as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the " *Owner* ") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $ in such Note[s] or interests (the " *Exchange* "). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note** . In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the " *Securities Act* "), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note** . In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note** . In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ☐ **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note** . In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note** . In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] ☐ 144A Global Note, ☐ Regulation S Global Note, ☐ IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated:

**FACILITY AGREEMENT**

**DATED JANUARY 2 ND , 2011**

**BETWEEN**

**O.P.C ROTEM LTD.**
**as the Borrower**

**BANK LEUMI LE-ISRAEL B.M.**
**as Arranger**

**BANK LEUMI LE-ISRAEL B.M.**
**as Agent**

**BANK LEUMI LE – ISRAEL TRUST COMPANY LTD.**
**as Security Trustee**

**and**

**the Senior Lenders named herein**

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| 22B | Borrower's Auditor's Review Letter |
| 23 | List of Managers |
| 24 | Form of Amendments to the IEC PPA |

**THIS FACILITY AGREEMENT** is made on January 2 nd , 2011,

**BETWEEN:**

(1) **O.P.C. ROTEM LTD.,** a limited liability company organised and existing under the laws of the State of Israel (the **"Borrower");**

(2) **BANK LEUMI LE - ISRAEL B.M.,** a banking corporation incorporated in the State of Israel, as arranger (in this capacity, the **"Arranger");**

(3) The banks, insurance companies, pension funds and provident funds whose names, addresses and facsimile numbers are set out respectively in columns 1 and 2 of **Schedule 1 (Senior Lenders and their Commitments)** (the **"Senior Lenders");** and

(4) **BANK LEUMI LE - ISRAEL B.M.,** a banking corporation incorporated in the State of Israel, as agent (in this capacity, the **"Agent"),**

(5) **BANK LEUMI LE - ISRAEL TRUST COMPANY LTD.** a limited liability company, organized and existing under the laws of the State of Israel, as agent and trustee for the benefit of the Senior Lenders (the **"Security Trustee")**

**RECITALS**

**WHEREAS,** the Borrower has requested the Senior Lenders to extend credit in order to enable the Borrower, on the terms and subject to the conditions of this Agreement, to borrow from time to time during the Availability Period, under the Facilities, in an aggregate principal amount not in excess of the Total Commitments;

**WHEREAS,** the proceeds of the Facilities will be used by the Borrower for the purposes specified herein below;

**WHEREAS,** the Senior Lenders are willing to extend such Facilities to the Borrower, on the terms and subject to the conditions set forth herein;

**IT IS AGREED** as follows

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Agreement, the terms appearing in this Clause 1.1 (Definitions) of this Agreement shall have the meanings set opposite them as follows:

| | |
|---|---|
| **Accounts** | Each account which the Borrower is required to maintain under the Accounts Agreement |
| **Accounts Bank** | Bank Leumi le-Israel B.M. |

| | |
|---|---|
| **Accounts Agreement** | The agreement dated 28 December, 2010 between the Borrower and the Accounts Bank. |
| **Accumulation Date of the DSRA** | 24 months following the date of Construction Completion. |
| **Additional Gas Supplier** | Noble Energy Mediterranean Ltd.; Delek Drilling Limited Partnership; Isramco Negev 2 Limited Partnership; Avner Oil Exploration Limited Partnership; and Dor Gas Exploration Limited Partnership. |
| **Additional Insurance** | As defined in Clause 19(a)(ii) (Insurances) of this Agreement. |
| **Advanced Loan** | A principal amount actually made in accordance with the provisions of Clause 5.1(a)(1) by way of a drawdown from the Long Term Facility, which shall not exceed NIS 800,000,000 (Eight Hundred Million NIS), unless increased in accordance with the provisions of Clause 5.1 (a)(2), as from time to time, increased by Linkage Differentials and by virtue of the capitalization of Interest. |
| **Advanced Loan Shortfall Amount** | shall mean the difference between (i) the amount of Interest and Linkage Differentials with respect to each Advanced Loan accrued from the date of Drawdown thereof up to the date of Early Termination, and (ii) the amount of interest accrued in the Facility Loans Account from the date of Drawdown of such Advanced Loan up to the date of Early Termination; all, less the Upfront Fee, as defined in Clause 22.1, in its entirety. |
| **Adviser** | The Senior Lenders' Technical Adviser, the Senior Lenders' Insurance Adviser, the Senior Lenders' Auditor and any other professional consultant or adviser whether local or international, including legal adviser appointed by the Agent on behalf of the Senior Lenders or for any Senior Lender, in connection with the Project. |
| **Affiliate** | With respect to any Person, another Person directly or indirectly Controlling, Controlled by, or under common Control with that Person. |
| **Agent** | Bank Leumi le - Israel B.M, or any other Person to which its rights are transferred in accordance with Clause 29 (Agent And Security Trustee) of this Agreement. |

| | |
|---|---|
| **Annual Debt Service Cover Ratio or ADSCR** | For each 12 month period, means the ratio of:<br>(i) Cash Flow Available for Debt Service; to<br>(ii) Debt Service for such 12 month period. |
| **Arranger** | Bank Leumi le-Israel B.M. |
| **Assumption** | As defined in Clause 18A.1 (Model, Budgets and Projected Costs to Complete) of this Agreement. |
| **Auditors** | KPMG Somekh Chaikin. |
| **Authorisation** | Any authorisation, consent, approval, resolution, license, exemption, filing, registration, action, order, lease, ruling, permit, rate, tariff, permission, concession, certification, order, decree, publication, declaration or registration. |
| **Authorised Investments** | As defined in the Accounts Agreement. |
| **Availability Period** | Shall mean:<br>(a) with respect to the Long Term Facility, the period commencing on the date of First Drawdown and ending on the earlier of: (i) Construction Completion; or (ii) the Construction Completion Deadline; to be extended, however, by up to three (3) months thereafter to fund payments under the Construction Budget approved by the Agent prior to the Construction Completion which are due and payable thereafter;<br>(b) with respect to the Standby Facility, the period commencing on the date on which the Long Term Facility shall have been fully utilized and ending at the end of the Availability Period of the Long Term Facility;<br>(c) with respect to the Debt Service Reserve Facility, the period commencing on Construction Completion and ending two (2) years thereafter;<br>(d) with respect to the Working Capital Facility, the period commencing on Construction Completion and ending on the Final Maturity Date of the Long Term Facility. |

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| **Average Generation Component** | the weighted average generation component as published by the PUA from time to time (currently 28.66 Agurot per kWh as published in table 1-6.3 to the PUA Tariff Schedule). |
| **Bank** | Bank Leumi le-Israel B.M. |
| **Banking Corporation** | As defined in the Banking (License) Law, 1981. |
| **Base Case Financial Model** | The base case Financial Model and business plan prepared by the Borrower and agreed by the Arranger setting out financial projections and forecasts relating to the Project, attached hereto as **Schedule 21 (Base Case Financial Model)** . |
| **Base CPI Index** | means the Index on 15 December 2010, which is 107.6. |
| **Borrower** | O.P.C. Rotem Ltd. |
| **Breakage Costs** | (a) With respect to a Banking Corporation, the difference between:<br>(i) the Initial Interest Rate as of the date of Drawdown Date of granting the applicable Loan; and<br>(i) the Initial Interest Rate on the Repayment Date<br>(provided that such amount is positive)<br>Multiplied by the principal amount of the applicable Facility plus linkage differentials being prepaid and multiplied further by the average remaining period of the applicable Facility (capitalised up to the date of payment by the Initial Interest Rate as of such date of prepayment).<br>(b) With respect to the Institutional Lenders, the difference between:<br>(i) the Reference Bonds Interest Rate as of the date of Drawdown Date of granting the applicable Loan; and<br>(i) the Reference Bonds Interest Rate on the Repayment Date<br>(provided that such amount is positive)<br>Multiplied by the principal amount of the applicable Facility plus linkage differentials being prepaid and multiplied further by the average remaining period of the applicable Facility (capitalised up to the date of payment by the Reference Bonds Interest Rate as of such date of prepayment). |

**Building Permit** The Authorisation(s) provided by the relevant Governmental Authority for the building of the Project.

**Business Day** Any day that is neither a Saturday, nor a Sunday for foreign currencies, nor a day on which banking institutions licensed in the State are required or authorised to be closed, nor any day which is recognised by the Bank of Israel as not being a business day.

**Calculation Date** The last business day of each Quarter.

**Calculation Period** Each period commencing on the date immediately after a Calculation Date and ending on (and including) the next Calculation Date, provided that the first Calculation Period shall commence on the date of the First Drawdown.

**Cancellation Fee** An amount equal to 0.3% p.a. (capitalized) of the amount of a Commitment being cancelled.

**Capital Cost** Means (without double-counting):

(a) capital expenditure incurred by the Borrower in carrying out the Works, including each of the following:

(i) all sums payable under the EPC Contract;

(ii) fees and costs of any professional adviser engaged by the Borrower in respect of the design and construction of the Works incurred prior to Construction Completion;

(iii) costs of any site investigation surveys and tests;

(iv) premia in respect of Insurances (other than Insurances to be effected and paid for by the EPC Contractor), but excluding premia under Insurances relating to the O&M Period;

(v) legal, accounting and other professional fees and costs incurred by the Borrower in connection with the negotiation and entry into of the Transaction Documents and any documents referred to in the Transaction Documents; and

(vi) any Tax in respect of any of the above (excluding VAT);

all of which, up to an amount not exceeding the amount of such fees and expenses at such time set out in the Construction Budget and the Financial Model; and

(b) fees and costs of the Advisers incurred prior to the Construction Completion; and

(c) Development Costs; and

(d) any other costs and expenses agreed as such by the Agent;

but excluding:

(a) Financing Costs;

(b) Financing Principal; and

(c) O&M Costs.

**Cash Flow Available for Debt Service**

The aggregate of all of the followings:

(a) with respect to the previous 12 months period: Project Revenues including CDM Revenues and Compensation and Insurance Proceeds, actually received during such period (without double-counting);

with respect to the upcoming 12 months period: Project Revenues projected to be received during such period excluding any CDM Revenues; and

(b) any amount in excess of the DSRA requirement;

Minus (i) the aggregate of all capital, operating, maintenance costs and tax-related payments already paid in respect of the Project during the previous 12 months period; or (ii) the aggregate of all capital, operating, maintenance costs and tax-related payments projected to be paid in respect of the Project during the upcoming 12 months period, excluding, however, any payment with respect to which the Borrower is entitled to a credit in respect thereof.

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| | For the purpose of the above calculation, (i) all payments and credit terms shall be deemed to mean the terms of such in accordance with the provisions of the Permitted Financial Indebtedness specified under Clause 17.11; (ii) any advanced payment received by the Borrower will not be taken into account; (iii) any payment obligation of the Borrower which is overdue shall be deemed as made when due. |
| **Cash Flow Insurance Proceeds** | Insurance Proceeds for delay in start up, business interruption, anticipated loss in revenue, third party liability or employers liability. |
| **CDM Revenues** | Any revenue received by the Borrower from sale of clean development mechanism rights accorded to the Project. |
| **Charged Assets** | All or any of the assets which are, may become, or are or may be purported to be charged or pledged by or by operation of the Debenture. |
| **Collateral** | All assets, properties, rights, title and interest of any kind or character covered or purported to be covered by any or all of the Security Documents (irrespective of the grantor). |
| **Commitment** | With respect to each Senior Lender, the principal amount (which amount includes interest to be capitalised under this Agreement up until the dates specified in Clause 8.3 (Capitalisation of Interest)) which each Senior Lender is obliged to commit with respect to each Facility as set forth in **Schedule 1 (Senior Lenders and their Commitments)** against the name of each Senior Lender. Such amount shall be reduced from time to time by the amount of each Senior Lender's contribution in each Loan or as otherwise cancelled in accordance with the terms of this Agreement. The undrawn reduced Commitments and the capitalised interest accrued thereon, shall be linked to the Index. |
| **Commitment Fee** | As defined in Clause 22.2 (Commitment Fee) of this Agreement. |
| **Compensation** | Any sum (other than any Insurance Proceeds) (i) under Project Documents payable to or for the account of the Borrower or (ii) under Law in respect of naturalization, confiscation, forfeiture, suspension of other similar action or intervention of the Project by any Governmental Authority. |

**Contract Capacity** As defined in the IEC PPA.

**Construction Account** As defined in the Accounts Agreement.

**Construction Completion** The completion in full to the satisfaction of the Agent of all the requirements set forth below:

(a) the Borrower shall have delivered to the Agent and the Senior Lenders' Technical Adviser a certificate in the form attached hereto as **Schedule 2 (Construction Completion Certificate)** signed by the Financial Officer of the Borrower, and approved by the Agent certifying that:

(i) the IPP has been constructed, tested and commissioned to the satisfaction of the Senior Lenders' Technical Adviser (acting in accordance with the industry practice);

(ii) the IPP has been tested and commissioned in accordance with the IEC PPA and the EPC Contract;

(iii) the IPP has been connected to and synchronized with the IEC's electricity network;

(iv) the IPP, including all materials, services, equipment and other parts of the Works, is free and clear of all claims, Security Interests, encumbrances in the nature of mechanics, labour or material men's liens and possessory liens (except for Permitted Security Interests);

(v) all Project Consents required to be obtained have been obtained, are in full force and effect and all conditions to any such Project Consents have been satisfied (except for any Project Consents which may be obtained only after Construction Completion or which have been waived); and

(vi) all Insurances are in full force and effect.

(b) The Senior Lenders' Technical Adviser shall have delivered to the Agent a certificate in the form attached hereto as **Schedule 3 (Senior Lenders' Technical Adviser Certificate)** certifying, *inter alia* , that the matters set forth in paragraph (a)(i) above are true and correct and have been completed.

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| **Construction Completion Deadline** | 31.12.2013 |
| **Construction Period** | The period commencing on the date on which the "Notice to Commence" (as defined in the EPC Contract) is issued and ending on Construction Completion. |
| **Construction Period Budget** | The Initial Construction Period Budget, as amended from time to time in accordance with the provisions of this Agreement. |
| **Construction Period Costs** | All of the following:<br>(a) Capital Costs incurred or to be incurred by the Borrower up to Construction Completion;<br>(b) Financing Costs accruing prior to Construction Completion;<br>(c) O&M Costs incurred by the Borrower prior to Construction Completion, if any;<br>(d) Taxes required to be paid prior to Construction Completion; and<br>any other costs incurred by the Borrower prior to Construction Completion in connection with the construction of the IPP in accordance with the Project Documents or the Construction Period Budget, each as approved by the Agent in writing. |
| **Construction Period Revenues** | Project Revenues received by the Borrower during the period ending on Construction Completion. |
| **Construction Schedule** | The schedule for the performance of the construction of the Project in accordance with the EPC Contract a copy of which is attached hereto as **Schedule 5 (Construction Schedule),** as may be updated from time to time in accordance with the terms thereof and subject to the terms of this Agreement. |
| **Control** | Shall have the meaning ascribed thereto in Section 1 of the Securities Law, 1968. |

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| **Corporate Guarantee** | each of the Dalkia International S.A. Corporate Guarantee, the Israel Corporation Ltd. Corporate Guarantee and the Sponsor Guarantees. |
| **Cost Overrun** | Actual or anticipated expenditure which would have been deemed to be Construction Period Cost:<br>(a) had it been included in the Initial Construction Period Budget on the date of this Agreement; or<br>(b) had it not exceeded the budgeted amount in the Base Case Financial Model for such item of expenditure;<br>In each case as approved by the Agent in writing. |
| **CP Fulfilment Date** | The date by which the Initial Conditions Precedent shall be fulfilled or waived in accordance with the provisions of Clause 4 (Conditions Precedent) of this Agreement, provided that such date shall occur no later than the Longstop Date. |
| **Dalkia International S.A. Corporate Guarantee** | A corporate guarantee to be provided by Dalkia International S.A. in the form attached hereto as **Schedule** 9 **(Dalkia International S.A. Corporate Guarantee)** . |
| **Dangerous Substance** | Any natural or artificial substance or emission (whether in solid or liquid form or in the form of a gas or vapour and whether alone or in combination with any other substance) which is capable of causing harm to man or any other living organism or damaging the environment or public health or welfare including but not limited to any controlled, special, hazardous, toxic, radioactive or dangerous waste: defined as or included in the definition of “hazardous substances”, “hazardous waste”, “restricted hazardous waste”, “toxic substance”, “toxic pollutant”, “contaminant” or “pollutant” or words of similar import under any applicable Law; or with respect to which any handling, transportation, disposal or release into the environment or any human exposure is prohibited, limited or otherwise regulated by any Governmental Authority by reason of its hazardous nature. |
| **Debenture** | The debenture dated the date hereof containing fixed and floating charges entered into by the Borrower in favour of the Security Trustee for the benefit of the Senior Lenders. |

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| **Debt Service** | In respect of any period, the aggregate amount of:<br>(a) all Financing Costs due and payable by the Borrower during that period; and<br>(b) all repayments of Financing Principal due and payable during that period. |
| **Debt Service Reserve Account ("DSRA")** | As defined in the Accounts Agreement. |
| **Debt Service Reserve Facility** | Shall mean the debt service reserve facility made available pursuant to this Agreement as described in Clause 2.1(c) of this Agreement. |
| **Debt Service Reserve Facility Commitment** | The aggregate amount of the Commitments with respect to the Debt Service Reserve Facility as set forth in **Schedule 1 (Senior Lenders and their Commitments).** |
| **Debt Service Reserve Facility Repayment Date** | Each Calculation Date, provided that the Borrower has available cash flow for repayment of the Debt Service Reserve Facility pursuant to the Provisions of **Schedule 11 (Order of Payments),** and provided that all Loans made under the Debt Service Reserve Facility shall be repaid in full by the Final Maturity Date of the Debt Service Reserve Facility. |
| **Debt Service Reserve Requirement** | Shall mean with respect to the period commencing on the Accumulation Date of the DSRA and ending on the Final Maturity Date of the Long Term Facility: on any Calculation Date the amount of Debt Service due during the two Calculation Periods following that date. |
| **Default Interest** | As specified in Clause 8.4 (Default Interest) of this Agreement. |
| **Demonstrated Net Capacity** | As defined in the IEC PPA. |
| **Development Costs** | The costs incurred by the Borrower or the Sponsors prior to the Effective Date, as approved by the Borrower's Auditors, and which have been approved by the Agent and as stated in the Financial Model. |
| **Direct Agreement** | (a) the Direct Agreement dated on or about the date hereof between the Borrower, the EPC Contractor and the Agent (the " **EPC Direct Agreement** "); |

(b) the Direct Agreement to be entered between the Borrower, the O&M Contractor and the Agent (the " **O&M Direct Agreement** ");

(c) the Direct Agreement to be entered between the Borrower, Israeli Land Authority and the Agent (the " **Site Direct Agreement** ");

(d) the Direct Agreement to be entered between the Borrower, the Gas Supplier and the Agent, and the Direct Agreement to be entered into between the Borrower, the Additional Gas Supplier and the Agent (if applicable) (the " **Gas Supply Direct Agreement** ");

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| **Disbursement** | Any withdrawal from an Account (including a transfer to another Account) in accordance with the provisions of the Accounts Agreement. |
| **Disbursement Notice** | Any request for Disbursement. |
| **Distribution** | As defined in Clause 17.29 (Distributions) of this Agreement. |
| **Distribution Account** | As defined in the Accounts Agreement. |
| **Drawdown Date** | Any date on which a Loan is made. |
| **Drawdown Request** | A request for a Loan under this Agreement substantially in the form of **Schedule 7 (Form of Drawdown Request)** of this Agreement. |
| **Drawdown Schedule** | For each of the Facilities, the schedule of Drawdown Requests as set out in **Schedule 8 (Drawdown Schedule)** attached hereto. |
| **Early Termination** | Shall have the meaning given to it under Clause 5.1(a)(7). |
| **Effective Date** | The signature date of this Agreement. |
| **Electricity License** | The model licence for the generation and sale of electricity attached as Schedule 28 to this Agreement. |

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| **Electricity Buyer(s)** | Any Person who enters into a Power Purchase Agreement or otherwise purchases electricity from the Borrower. |
| **Enforcement Action** | Shall mean any of the actions listed in **Schedule 12 (Enforcement Action)** hereto. |
| **Engagement Letters** | Each of:<br>(a) the agreement between the Senior Lenders' Technical Adviser and the Agent with respect to the Project;<br>(b) the agreement between the Senior Lenders' Insurance Adviser and the Agent with respect to the Project;<br>(c) the agreement between the Senior Lenders' Model Auditor and the Agent with respect to the Project; and<br>(d) the agreement between the Senior Lenders' Legal Adviser and the Agent with respect to the Project. |
| **Environmental Claim** | Any administrative, regulatory or judicial action, suit, demand letter, claim, Security Interest, notice of noncompliance or violation or investigation or proceeding conducted or initiated by any Person as a result of, under or in connection with any violation of Environmental Law (including, without limitation, Project Consents issued thereunder) or any environmental contamination relating to the Project which could reasonably be expected to give rise to any remedy or penalty (whether interim or final) or liability against the Borrower or any Senior Lender. |
| **Environmental Laws** | any law or regulation concerning:<br>(i) health and safety;<br>(ii) the protection of human health or the environment; and<br>(iii) any emission or substance which is capable of causing harm to any living organism or the environment. |
| **Environmental Licenses** | All business licences, licences regarding nuisance, noise, emission of particles into the atmosphere, emission of odorous substances, sewage, recycling of water or Dangerous Substances, and conditions of building permits or approvals of the Israel Standards Institute, as well as any other Authorisations required under any Environmental Law. |

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| **EPC Back to Back Agreement** | The contract dated 27.6.2010 between the EPC Contractor and POSCO E&C. |
| **EPC Contract** | The EPC Contract dated 27.6.2010 between the Borrower and the EPC Contractor for the engineering, procurement and construction of the Project in the form of a turnkey agreement. |
| **EPC Contractor** | Daewoo International Corporation. |
| **EPC Performance Guarantee(s)** | Each bank guarantee provided to the Borrower by the EPC Contractor under EPC Contract. |
| **Equity Bridge Facility** | Shall mean the Equity Bridge Facility made available pursuant to the Equity Bridge Facility Agreement. |
| **Equity Bridge Facility Agreement** | The Equity Bridge Facility Agreement dated the date hereof, between the Equity Bridge Lender, the Equity Bridge Agent and the Borrower. |
| **Equity Bridge Facility Guarantee** | Shall have the meaning given to it under the Equity Bridge Facility Agreement. |
| **Equity Bridge Finance Documents** | The finance documents defined in the Equity Bridge Facility Agreement. |
| **Equity Bridge Lender** | Bank Leumi le-Israel B.M. |
| **Equity Contributions** | The amounts contributed by the Sponsors to the Borrower as share capital, capital notes or Subordinated Debt as set out in the Equity Subscription Agreement. |
| **Equity Documents** | Each of:<br>(a) the Subordinated Loan Documents;<br>(b) the Shareholders Agreement. |
| **Equity Interest** | Any shares of the Borrower (whether or not fully paid up). |

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| **Equity Pledge** | The Equity Pledge dated 2.1.2011 between the Sponsors, the Borrower, the Original Subordinated Lenders and the Security Trustee for the benefit of the Senior Lenders. |
| **Equity to Loan Ratio** | 20:80 |
| **Equity Subscription Agreement** | The Equity Subscription Agreement dated 28 December, 2010 between the Borrower, the Sponsors, the Security Trustee, the Equity Bridge Lender and the Agent. |
| **Euro** | Freely transferable lawful currency for the time being of the European Union or any successor currency. |
| **Event of Default** | Any of the events set out in Clause 20 (Events of Default) of this Agreement. |
| **Event of Loss** | Any of the following events:<br>(a) loss of all or any substantial part of the Project or the use thereof due to destruction or substantial loss or damage, which is uninsured or which available proceeds of insurance (or other funding irrevocably committed from creditworthy third party entities and on terms and conditions satisfactory to the Agent) are inadequate to repair; or<br>(b) the condemnation, seizure, or appropriation, or confiscation or nationalisation or taking or requisition of title or use for an indefinite period or a period in excess of six (6) months, by any Governmental Authority which constitutes the taking of all or a substantial part of the Project or the Site. |
| **Excess Cash** | On any Calculation Date following Construction Completion shall mean all amounts of cash which are not on such date a part of any reserve fund or dedicated for a specific use. |
| **Facility** | Each of the following:<br>(a) The Long Term Facility;<br>(b) The Standby Facility;<br>(c) The Debt Service Reserve Facility; and<br>(d) The Working Capital Facility. |

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| **Facility Loans Account** | As defined in the Accounts Agreement. |
| **Facility Office** | The facility office notified by each Senior Lender to the Agent from time to time. |
| **Final Maturity Date** | With respect to each of the Facilities, the last day of the Maturity Period thereof. |
| **Finance Documents** | Each of:<br>(a) this Agreement;<br>(b) each Security Document;<br>(c) any fee letter;<br>(d) the Equity Subscription Agreement;<br>(e) Equity Bridge Finance Documents;<br>(f) Equity Pledge;<br>(g) the Intercreditor Agreement;<br>(h) the Accounts Agreement;<br>(h) the Hedging Agreement; |
| **Finance Party** | Each of the following:<br>(a) the Senior Lenders;<br>(b) the Agent;<br>(c) the Accounts Bank;<br>(d) the Arranger;<br>(e) the Security Trustee;<br>(f) the Hedging Bank;<br>(g) the Equity Bridge Lender; and<br>(h) the Equity Bridge Agent. |

**Financial Indebtedness** Any indebtedness in respect of:

(a) moneys borrowed or debit balances at banks and other financial institutions;

(b) any charge or other security;

(c) any acceptance or documentary credit;

(d) receivables sold or discounted;

(e) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is advanced or deferred, and as such is arranged primarily as a method of raising finance or financing the acquisition of that asset;

(f) any lease entered into primarily as a method of raising finance or converting fixed assets into liquid assets;

(g) any currency swap or interest rate swap, cap or collar arrangement or any other derivative or hedging instrument;

(h) any amount raised under any other transaction having the commercial effect of a borrowing or raising of money;

(i) any guarantee, indemnity or similar assurance against financial loss of any Person; or

(j) the available amount of all letters of credit issued for the account of any Person, other than letters of credit issued in connection with trade transactions issued in the ordinary course of business.

**Financial Model** The Base Case Financial Model as amended from time to time in accordance with the provisions of this Agreement.

**Financial Officer** With respect to any Person, the chief financial officer or any other authorised signatory of such Person.

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| **Financing Costs** | Any of the following:<br>(a) interest (including Default Interest), Linkage Differentials, fees, commissions, costs, expenses and all other amounts payable by the Borrower under the Finance Documents; and<br>(b) without limitation to paragraph (a) of this definition, all amounts payable by the Borrower under Clause 23 (Costs and Expenses), Clause 12 (Taxes), Clause 14 (Increased Costs) and Clause 25 (Indemnities), if applicable;<br>but excluding:<br>(a) Financing Principal; and<br>(b) any payment in respect of Subordinated Debt. |
| **Financing Principal** | Principal amounts (including any Linkage Differentials thereon) outstanding under the Finance Documents (excluding, for the avoidance of doubt, any payment in respect of Subordinated Debt). |
| **First Drawdown** | The first Loan made or to be made under this Agreement (other than the Advanced Loan). |
| **First Drawdown Request** | The Drawdown Request submitted by the Borrower prior to the First Drawdown. |
| **Fiscal Year** | The accounting year of the Borrower commencing each year on 1 January and ending on the following 31 December. |
| **Force Majeure** | As defined in the IEC PPA |
| **Further Conditions Precedent** | The conditions precedent listed in Part 2 of **Schedule 10 (Conditions Precedent)** to this Agreement. |
| **Gas Suppliers)** | East Mediterranean Gas S.A.E and the Additional Gas Supplier (if applicable). |
| **Gas Supply Agreement(s)** | The agreement dated 12.12.2010 between the Gas Supplier and the Borrower for the supply of gas to the IPP, and, if applicable, the additional agreement which will be executed between the Borrower and the Additional Gas Supplier (as shall be approved by the Agent; all in accordance with the provisions of clause 1.28 (Gas Supply Agreement) of **Schedule 10 (Conditions Precedent)** of this Agreement). |

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| **Gas Supply Agreement Termination due to Force Majeure** | Shall mean the issuance of a termination notice by the Gas Supplier in accordance with the provisions of the Gas Supply Agreement due to an event of force majeure (as defined thereunder). |
| **Gas Transportation Agreement** | The agreement between the Gas Transporter and the Borrower for the transport of gas to the IPP. |
| **Gas Transporter** | Israel Natural Gas Lines Ltd. |
| **Good Industry Practice** | The exercise of that degree of skill, diligence, efficiency, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced Person engaged in the same type of undertaking under the same or similar circumstances including, without limitation, in accordance with sound engineering, construction, operating, financial and business practices, as applicable. |
| **Government Bonds** | The two (2) bonds denominated in NIS, issued by the State, traded on the Tel Aviv Stock Exchange, fully linked to the CPI, bearing interest at a fixed rate, which (a) have an average time to maturity closest to that of the relevant Loan and (b) have a total trading volume of at least NIS 5,000,000 per trading day on the last five (5) trading days immediately prior to the relevant date. If one or both of the CPI indexed bonds issued by the State with maturity date closest to the average life of the loan do not meet all the aforesaid requirements, then such bond or bonds, as the case may be, will be substituted by a fixed rate CPI indexed bond or bonds issued by the State, as the case may be, with a maturity date as aforementioned.<br><br>Without derogating from the generality of the foregoing, as of the Effective Date, “Galil 5903” and “Galil 5904” constitute Government Bonds for the purposes of this definition. |
| **Governmental Authority** | Any government and/or governmental, department, ministry, cabinet, commission, board, bureau, agency, tribunal, regulatory authority, instrumentality, judicial legislative or administrative body or entity, domestic or foreign, federal, national, state, regional, provincial or local, having or exercising jurisdiction over the matter or matters in question. |

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| **Gross-up Amount** | Any amount paid under Clause 12.1 (Gross-Up) of this Agreement. |
| **Hedging Agreement** | The general terms of operation of non traded (OTC) derivative transactions signed by and between the Borrower and the Hedging Bank on 15.12.2010, including the Foreign Currency Hedge, and\or Interest Rate Hedge. |
| **Hedging Bank** | Bank Leumi le-Israel B.M.. |
| **Holding Account** | As defined in the Accounts Agreement. |
| **IEC** | Israel Electric Company Ltd. |
| **IEC Bonds Account** | Means a bank account in the name of the Borrower, No. 84723/02 at branch 800 with the Bank. |
| **IEC Bonds Account Pledge** | Means a first ranking charge in favour of the Bank on all funds and rights standing from time to time to the credit of the IEC Bonds Account, as security for the issuance by the Bank of the IEC Bonds (IEC Bonds, as defined under the Equity Subscription Agreement). |
| **IEC Power Purchase Agreement ("IEC PPA")** | The Agreement dated November 2 nd , 2009, between the Borrower and IEC, including all appendices thereto, as may be amended from time to time. |
| **Index** | Shall mean the Israeli Consumer price Index **("CPI")** published from time to time by the Israeli Central Bureau of Statistics. If the CPI ceases to exist or becomes unavailable, the Agent and the Borrower shall agree to a substitute index that reasonably measures inflation within Israel. The CPI on any applicable date shall mean the effective CPI on the morning of such date. |
| **Index Determination Date** | Any date on which the Index is determined and published. |
| **Initial Conditions Precedent** | The conditions precedent listed in Part 1 of **Schedule 10 (Conditions Precedent)** of this Agreement. |

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| **Initial Construction Period Budget** | The budget prepared by the Borrower, approved by the Agent and attached to this Agreement as **Schedule 4 (Initial Construction Period Budget)** specifying the costs by item of all projected Construction Period Costs. |
| **Initial Interest Rate** | The interest rate determined by the Agent, in its discretion, from time to time, to be the base interest (before margin) for loans that the Agent extends to its customers in general, for the same amount, currency, type and for the same period as the loan requested by the Borrower on the date of determining the interest rate for such loan. |
| **Interest Rate Hedge** | Shall have the meaning in Clause 17.27(b). |
| **Initial O&M Period Budget** | The budget prepared by the Borrower, approved by the Agent and attached to this Agreement as **Schedule 19 (Initial O&M Period Budget)** specifying the costs by item of all projected O&M Costs. |
| **Institutional Lender** | means: (i) the Senior Lenders specified in **Schedule 1 (Senior Lenders and their Commitments)** and marked as "Institutional Lenders"; and (ii) any New Lender which is listed in sections (l)-(4) of the 1 st Schedule to the Security Law, 1968 (excluding a Banking Corporation. |
| **Insurance** | All contracts and policies of insurance of any kind which are required to be taken out by, or on behalf of or for the benefit of the Borrower in accordance with the Transaction Documents or (to the extent of its interest) in which the Borrower has an interest, any replacements, renewals, substitutes therefor and any additional insurance contracts or policies covering all or any part of the Project, all as set out in Clause 19 (Insurance) of this Agreement. |
| **Insurance Proceeds** | All proceeds of Insurances including proceeds of any Insurance in respect of liabilities arising under any of the Project Documents whether by way of claims, adjustments thereof, return of premiums or otherwise (excluding any proceeds paid in respect of insured events under the insurance against third party liability, employers' liability and directors and officers' insurance). |
| **Intellectual Property Rights** | All intellectual property rights including, without limitation, all other licences, user rights, formulas, patents, trademarks, trade names, business names, service marks, logos, designs, copyrights, design rights (in each case |

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| | including applications), moral rights, franchises, permits, inventions, confidential information, know-how, research and development data, manufacturing methods and data, specifications and drawings, formula, algorithms, prototypes, research materials, and all books, records, plans, drawings, operating manuals and computer software and firmware relating thereto, together with any applications for the registration of registerable rights and registrations thereof and rights of like nature arising or subsisting anywhere in the world in relation to any of the foregoing, whether registered or unregistered. |
| **Intercreditor Agreement** | The Intercreditor Agreement dated 2.1.2011 between the Borrower, the Senior Lenders, the Equity Bridge Lender, the Agent, the Security Trustee, the Equity Bridge Security Trustee (as such term is defined in the Equity Bridge Facility Agreement), the Hledging Bank, the Shareholders, Israel Corporation Ltd, and Dalkia International S.A. |
| **Interest** | The gross interest payable pursuant to this Agreement. |
| **Interest Payment Date** | The last day of each Interest Period as specified in Clause 9 (Interest Periods) of this Agreement. |
| **Interest Period** | The interest period applicable to each Loan as stipulated by Clause 9 (Interest Periods) of this Agreement. |
| **Interest Rate** | The rate of interest applicable to a Loan as specified in Clause 8.1 (Calculation of Interest) of this Agreement. |
| **IPP** | The dual fired combined-cycle power plant with a net capacity of 427MW, to be constructed by the EPC Contractor pursuant to the EPC Contract. |
| **Israel Corporation Ltd. Corporate Guarantee** | A corporate guarantee to be provided by Israel Corporation Ltd. in the form attached hereto as **Schedule 9A (Israel Corporation Ltd. Corporate Guarantee)** . |
| **Israeli GAAP** | Generally accepted accounting principles and practices consistently applied in Israel. |
| **Law** | Any constitution, treaty, statute, code, law, regulation, ordinance, rule, judgement, rule of law, official order, judicial order, writ, decree, approval, concession, grant, franchise, licence, directive, guideline, policy, standard, requirement, or other governmental restriction; and any |

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| | similar form of decision of, or determination by, or any official and binding interpretation or administration of any of the foregoing of any Governmental Authority, whether or not having the force of law (including, without limitation, PUA Standards (' *amot hamida* '), the measures taken to implement the proposals made by the Basle Committee on Bank Regulations and Supervisory Practices for the International Convergence of Capital Measurements and Capital Standards and the Proper Conduct of Banking Business Regulations, regulations or directives issued by the Bank of Israel or the Supervisor of Banks and guidelines and directives with respect to single borrowers (" *Loveh Boded* ") groups of borrowers (" *Kvutzat Lovim* "), connected persons (" *Anashim Kshurim* ") or any other limit or limitations imposed thereunder, whether in effect as of the date hereof or thereafter and in each case as amended, re-enacted or replaced. |
| **Lender Contributions** | With respect to any Senior Lender, means the amount from time to time of such Senior Lender's contribution in each Loan. |
| **Linkage Date** | The day upon which any payment on account of principal and/or Interest or any other amount is expressed to be payable in accordance with the terms of the Finance Documents or is actually paid thereunder. |
| **Linkage Differentials** | Any amount added to a base amount as a result of the linkage of that base amount to the Index. |
| **Loan** | The principal amount of each borrowing (actually made in accordance with the provisions of Clause 5 (Utilization)) by the Borrower under this Agreement by way of a drawdown from each Facility (including the Advanced Loan), as from time to time increased by Linkage Differentials and by virtue of capitalisation of Interest. |
| **Loan Life Cover Ratio or LLCR** | At any date means the ratio of:<br>(i) Available Discounted Cash Flow for the period from the calculation date of such ratio to the final Repayment Date;<br>to<br>(ii) the total amount of principal outstanding under all of the Facilities |

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| | " Available Discounted Cash flow " with respect to any period means the sum of Cash Flow Available for Debt Service excluding any CDM Revenues and interest on cash balance/overdraft, as projected in the Financial Model and approved by the Arranger or the Agent, for the period from the calculation date to the final Repayment Date, discounted back to the beginning of such period at the Discount Rate; plus the available cash balance at the beginning of such period.<br><br>" Discount Rate " means the rate equal to the weighted average Interest Rate applicable to the Long Term Facility. |
| **Long Term Facility** | Shall mean the long term facility made available pursuant to this Agreement as describe in Clause 2.1(a) of this Agreement. |
| **Long Term Facility Commitment** | The aggregate amount of the Commitments with respect to the Long Term Facility as set forth in **Schedule 1 (Senior Lenders and their Commitments).** |
| **Longstop Date** | As defined in Clause 5.1(b) (Availability Period) of this Agreement. |
| **LTSA Contract** | The contract dated 27.6.2010 between the Borrower and the LTSA Contractor for the long term maintenance of the Project, and any amendment thereto. |
| **LTSA Contractor** | Mitsubishi Heavy Industries, Ltd. |
| **LTSA Parent Company Guarantee** | The corporate guarantee to be provided by Mitsubishi Heavy Industries, Ltd. in the form attached as appendix 15 of the LTSA Contract. |
| **Maintenance Reserve Account** | As defined in the Accounts Agreement. |
| **Manager** | Shall mean each of the managers listed in **Schedule 23 (List of Managers)** with respect to each Institutional Lender specified therein. |
| **Majority Lenders** | Shall mean:<br><br>(a) prior to the end of the Availability Period with respect to the Long Term Facility, a Senior Lender or group of Senior Lenders whose Relevant Commitments at such time amount in aggregate to at least 75% (Seventy Five percent) of the aggregate Relevant Commitments at such time; and |

(b) following such date as aforesaid, a Senior Lender or group of Senior Lenders whose Lenders' Contributions amount in aggregate to at least 75% (Seventy Five percent) of the total Lenders' Contributions at such time;

**Market Disruption** — As defined in Clause 13.1 (Market Disruption) of this Agreement.

**Material Adverse Effect** — Any effect which is materially adverse to:

(a) the ability of the Borrower and/or the Sponsors and/or Israel Corporation Ltd. and/or Dalkia International S.A. to perform or comply with any of its obligations under the Transaction Documents;

(b) the ability of any Obligor (other than those specified in paragraph (a) above) to perform or comply with any of its material obligations under the Transaction Documents;

(c) the material interests, rights or remedies of any Finance Party under any Finance Document (including, without limitation, any Security Interest granted pursuant thereto, or the value thereof);

(d) the business, operations, condition (financial or otherwise), affairs, prospects or assets of the Borrower, or the Project; or

(e) the validity or enforceability of any of the Transaction Documents.

**Maturity or Maturity Period** — Shall mean:

(a) with respect to the Long Term Facility and the Standby Facility, 18 years following Construction Completion;

(b) with respect to the Debt Service Reserve Facility, 36 months following Construction Completion.

**New Index** — The level of the Index on a Linkage Date.

**New Lender** — As defined in Clause 28.2 of this Agreement.

**Notices** As defined in Clause 35 of this Agreement.

**Obligations** All payment and performance obligations and any other undertaking under or in connection with any Finance Document or any other Transaction Document for the benefit of any Finance Party or to which any Finance Party is a party, including without limitation in connection with:

(a) the principal of and interest on the Loans and all other obligations and liabilities (including, without limitation, Linkage Differentials, indemnities, fees, expenses, Breakage Costs, Cancellation Fees) incurred under, arising out of or in connection with the Loans, the Facility Agreement or any other Finance Document;

(b) any and all sums advanced by the Finance Parties required to preserve the Collateral or preserve their Security Interests created or purported to be created under the Security Documents in such Collateral;

(c) in the event of any proceeding for the collection or enforcement of the Obligations, after an Event of Default shall have occurred, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing or realising on the Collateral, or of any exercise by any Finance Party of its rights under any of the Finance Documents, together with reasonable attorneys' fees, receiver's fees and court costs;

**Obligor** Each of:

(a) the Borrower;

(b) each Sponsor;

(c) the EPC Contractor and POSCO E&C

(d) the O&M Contractor;

(e) the LTSA Contractor;

(f) the Gas Supplier, and the Additional Gas Supplier (if applicable);

(g) the Gas Transporter;

(h) each of the Project Guarantors (other than those specified in sub-clauses (b), (d) and (e) above); and

**O&M Bonds** Each bank guarantee provided to the Borrower by the O&M Contractor under the O&M Contract.

**O&M Budget** The Initial O&M Period Budget, as amended from time to time in accordance with the provisions of this Agreement.

**O&M Contract** The agreement dated December 28, 2010, between the borrower and the O&M Contractor for the operation and maintenance of the Project.

**O&M Contractor** IPP Rotem Operation and Maintenance Ltd., jointly owned by IC Power Israel Ltd and Dalkia Israel Ltd., in the following proportions:

1. IC Power Israel Ltd. 35%

2. Dalkia Israel Ltd. 65%

**O&M Period** The period commencing on Construction Completion and ending on the date of termination of the Electricity License.

**O&M Costs** Shall mean all costs and expenses incurred by the Borrower in the ordinary course of its business including but not limited to:

(a) operating costs and expenses set out in the O&M Budget;

(b) liabilities of the Borrower under the Project Documents;

(c) premia on Insurances;

(d) maintenance expenditure in respect of the Project;

(e) administrative, management and employee costs; and

(f) any other costs and expenses agreed by the Agent and the Borrower,

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| | but excluding:<br>(a) Capital Costs;<br>(b) any Tax;<br>(c) Financing Principal;<br>(d) Financing Costs;<br>(e) any Distribution; and<br>(f) depreciation, non-cash charges, reserves, amortisation of intangibles and similar book-keeping entries. |
| **Oil Number Two** | As defined in the IEC PPA. |
| **Oil Number Two Contract** | An agreement for the purchase of Oil Number Two in a form and substance to the satisfaction of the Agent. |
| **Order of Payments** | The priority of payments detailed in **Schedule 11 (Order of Payments)** attached hereto. |
| **Organisational Documents** | The organisational documents of any Person organised or otherwise existing under the Laws of the State or other relevant jurisdiction, including without limitation, the memorandum of association, articles of association, articles of incorporation, bylaws, the shareholders' agreement, joint venture agreement and partnership agreement of such Person, as applicable. |
| **Original Subordinated Lenders** | The Sponsors. |
| **Permitted Financial Indebtedness** | As defined in Clause 17.11 (Permitted Financial Indebtedness) of this Agreement. |
| **Permitted Security Interest** | (i) any Security Interest created under the Finance Documents;<br>(ii) any lien arising by operation of law and in the ordinary course of business and not as a result of any default or omission by the Borrower; |

(iii) any Security Interest arising out of title retention provisions in a supplier's standard conditions of supply in respect of goods acquired by the Borrower in the ordinary course of business;

(iv) any other Security Interest agreed to in writing by the Agent (acting on the instructions of the Majority Lenders); and provided further that Security the Financial Indebtedness secured by all such Security Interests shall not, at any time exceed NIS 1,000,000 (or its Equivalent Currency Amount) in the aggregate;

(iv) the Financial Indebtedness secured by such Security Interest is Permitted Financial Indebtedness as defined in Clause 17.11 (Permitted Financial Indebtedness) hereinbelow; and

(v) the IEC Bonds Account Pledge.

**Person** Any individual, company, firm, trust, organisation, corporation, state, local, municipal or other Governmental Authority, association, joint venture or partnership (whether or not having separate legal personality) and any international organisation.

**Pledge of Account** The Debenture, the Equity Bridge Facility Debenture and the Equity Pledge of each of the Sponsors.

**Pledged Shares** In respect of each Shareholder, all present and future rights, title and interest in and to:

(a) all Equity Interest (whether paid up or not) including, without limitation, Subscription Shares (as such terms are defined in the Equity Pledge); and

(b) any other share capital, stocks and other securities in the Borrower and options, warrants and other rights to acquire share capital or securities convertible into or exchangeable for share capital in the Borrower,

held by or for the benefit of such Shareholder from time to time.

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| **Potential Default** | Any event, act or condition (as determined by the Agent) which occurred and which would, with the giving of notice or any certificate, the lapse of time or the satisfaction of any other applicable condition (or any combination of the foregoing), constitute an Event of Default; |
| **Power Purchase Agreement ("PPA")** | An agreement for the purchase of electricity to be executed between the Borrower and Electricity Buyer(s) |
| **Prepayment Fees** | (a) With respect to a Banking Corporation, an amount equal to the Financing Principal together with Linkage Differentials being prepaid, multiplied by 0.5%, multiplied further by the average remaining period of the applicable Facility (capitalized by the Initial Interest Rate as of such date of prepayment).<br>(b) With respect to the Institutional Lenders, an amount equal to the Financing Principal together with Linkage Differentials being prepaid, multiplied by 0.5%, multiplied further by the average remaining period of the applicable Facility (capitalized by the Reference Bonds Interest Rate as of such date of prepayment). |
| **Proceeds Account** | As defined in the Accounts Agreement. |
| **Project** | Shall mean the design and construction of the IPP and the production and sale of net electric energy in accordance with the provisions of the IEC PPA and PPA's with Electricity Buyers. |
| **Project Consents** | Any Authorisation (including but without limitation, all Environmental Licenses, the Electricity License and the Building Permits) required contractually, under any Law or otherwise, for any Person to hold in connection with the entry into, performance, validity or enforceability of, or in connection with consummation of the transactions contemplated by any Transaction Document or otherwise necessary in order for the Project to be implemented in accordance with the terms of the Transaction Documents. |

**Project Documents** Each of:

(a) the EPC Contract;

(b) the EPC Back to Back Agreement;

(c) the O&M Contract;

(d) the LTSA Contract;

(e) the Gas Supply Agreement;

(f) the Gas Transportation Agreement;

(g) each PPA;

(h) IEC PPA;

(i) each Direct Agreement;

(j) each Project Guarantee;

(k) Insurance contracts;

(1) the letter issued by the Israel Land Authority to the Borrower on December 6, 2010 and the Site Agreement;

(m) the Electricity License and the Supply License;

(n) the Shareholders Agreement;

(o) Organisational Documents of Borrower and the O&M Contractor;

**Project Guarantees** Each of:

(a) the Dalkia International S.A. Corporate Guarantee;

(b) the Israel Corporation Ltd. Corporate Guarantee;

(c) the EPC Performance Guarantees;

(d) the O&M Bonds;

(e) the LTSA Parent Company Guarantee;

(f) the SBLC (as defined in the Gas Supply Agreement);

(g) the IEC PPA Construction Guarantee;

(h) the IEC PPA Operation Guarantee;

(i) the Sponsors Guarantees;

(j) other guarantees as shall be required following the execution of Project Documents following the Effective Date;

**Project Guarantor** The issuer from time to time of each Project Guarantee.

**Project Revenues** means, in relation to any period (without counting any item more than once), all moneys received by the Borrower in that period:

(a) under a Project Document;

(b) as Cash Flow Insurance Proceeds (but only to the extent that the Borrower is entitled to apply such amounts in or towards payment of Financing Costs and Financing Principal);

(c) as a refund of Tax the payment of which was a Project Cost;

(d) CDM Revenues; or

(e) as interest earned or to be earned on the Accounts (other than the Distributions Account and the Dalkia Equity Account);

but excluding any Compensation.

**Quarter** A calendar quarter.

**Reference Bonds Interest Rate** Weighted average of the gross yield to maturity (before tax), stated as a percentage and rounded up to the nearest four places after the decimal point, of the Government Bonds, as published by the Tel Aviv Stock Exchange daily bulletin ("Gilaion Shearim") or any other publication, on the last five (5) trading days immediately prior to the relevant date (the last of such trading days being the last trading day before the relevant date). The weighted average shall be calculated according to the trade value (financial turnover in thousands NIS) of the said Government Bonds during such five trading days' period.

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| **Reduced Commitment** | Shall have the meaning ascribed thereto under the Equity Subscription Agreement. |
| **Relevant Commitments** | The Long Term Facility Commitment and the Standby Facility Commitment. |
| **Repayment Date** | The date of payment of each Repayment Instalment as set out in **Schedule 13 (Repayment Schedule).** |
| **Repayment Instalment** | Each instalment for the repayment of Loans. |
| **Representative Rate** | As of any date, the representative rate of exchange for NIS to the relevant foreign currency (and vice-a-versa) published by the Bank of Israel and if no representative rate is published on that date, the last known representative rate. |
| **Scheduled Drawdown Dates** | A scheduled Drawdown Date as detailed in the Drawdown Schedule. |
| **Secured Creditors** | Shall mean the Security Trustee, the Facility Agent, the Arrangers, the Account Bank, the Senior Lenders; provided that, with respect to any Senior Lender or other parties not being a party to the Intercreditor Agreement on the date hereof, such Senior Lender or other parties shall have acceded to the Intercreditor Agreement by executing an Accession Agreement pursuant to and in accordance with Clause 21.4 (First Creditors) of the Intercreditor Agreement; |
| **Security Documents** | Each of:<br>(a) the Debenture;<br>(b) the Equity Pledge;<br>(c) the Equity Documents;<br>(d) the Direct Agreements;<br>(e) each Power of Attorney (as defined in the Debenture);<br>(f) the Project Guarantees;<br>(g) any other Security Interest created in favour of the Security Trustee and/or the Agent (as the case may be) for the benefit of the Senior Lenders, |

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| | and any other document or instrument including, without limitation, any financing statement evidencing, creating or perfecting or continuing the perfection of any Security Interest over any asset of the Borrower or any other Obligor to secure any of the Obligations. |
| **Security Interest** | Any mortgage, deed, deposit, arrangement, pledge, claim, lien (statutory or other) charge, encumbrance, conditional sale, title retention, preferential right, priority, trust arrangement, assignment, hypothecation or security interest or any other agreement or agreement having the effect of conferring security. |
| **Security Trustee** | Either of Bank Leumi le-Israel Trust Company Ltd. or Bank Leumi le-Israel B.M., in the sole discretion of the Agent, for the benefit of the Senior Lenders. |
| **Senior Lenders** | As set out in **Schedule 1 (Senior Lenders and their Commitments)** . |
| **Senior Lenders' Auditor** | Any firm of auditors as may be appointed from time to time by the Agent at the expense of the Borrower to (among other things) audit the Financial Model and advise each Senior Lender in connection with the Financial Model. |
| **Senior Lenders' Insurance Consultant** | Marsh Israel Insurance Agency Ltd. or such other Person appointed from to time by the Agent at the expense of the Borrower to independently review and opine on the insurance coverage proposed by the Borrower and/or the Senior Lenders. |
| **Senior Lenders' Technical Adviser** | Sinclair Knight Merz (Europe) Limited or such other Person appointed from time to time by the Agent at the expense of the Borrower to independently review the technical aspects of the Project and to appraise and periodically report on the works carried out by the EPC Contractor (including approval of progress on a monthly basis as determined in the Drawdown Schedule) by the O&M Contractor, and by the LTSA Contractor. |
| **Shareholders** | The Sponsors and any permitted transferee, assignee or successor of the foregoing in accordance with the terms hereof. |

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| **Shareholders Agreement** | The agreement dated 25 September, 2008 between Israel Corporation Ltd. and Dalkia Israel Ltd. and the Borrower with respect to the Borrower as amended on 17 October and 28 December 2010, including all appendices thereto, and the agreement dated 27 December, 2010 between IC Power Israel Ltd. and Dalkia Israel Ltd. and the O&M Contractor with respect to the O&M Contractor, including all appendices thereto. |
| **Site** | The site upon which the Project is being built in Mishor Rotem, known as part of block 100113 parcel 2. |
| **Site Agreement** | The lease agreement to be entered between the Borrower and Israel Land Authority regarding the lease of the Site in a form and substance to the satisfaction of the Agent. |
| **Sponsors** | The shareholders of the Borrower, in the following proportions:<br>1. IC Power Israel Ltd. 80%<br>2. Dalkia Israel Ltd. 20% |
| **Sponsor Guarantee** | Each of the corporate guarantees to be provided by each of the Sponsors in the form attached hereto as Schedule 9B (Sponsors Guarantees) |
| **Standby Facility** | Shall mean the standby facility made available pursuant to this Agreement as describe in Clause 2.1(c) of this Agreement. |
| **Standby Facility Commitment** | The aggregate amount of the Commitments with respect to the Standby Facility as set forth in **Schedule 1 (Senior Lenders and their Commitments).** |
| **State** | The State of Israel. |
| **Subordinated Debt** | Shall mean a loan or any other provision of funds to the Borrower (other than an investment in paid up equity) provided by any of the Sponsors or Shareholders. |
| **Subordinated Lender** | Each Original Subordinated Lender and any permitted transferee, assignee or successor of the foregoing in accordance with the terms hereof. |

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| **Subordinated Loan Document** | Means any agreement for the provision of Subordinated Debt between the Borrower and the Original Subordinated Lenders including by way of the Capital Note. |
| **Subordinated Loan Interests** | The rights and interests of a Subordinated Lender under the Subordinated Loan Document. |
| **Supply License** | As defined in the Electricity Sector law, 1996. |
| **Tax** | All present and future taxes (including without limitation, income taxes, documentary taxes, stamp taxes, VAT, transaction taxes, withholding taxes, registration and other similar taxes), withholdings, levies, imposts, duties, charges, compulsory loans, fees, assessments, surcharges, deductions, other compulsory payments and similar charges of whatever nature and howsoever arising that are now or at any time hereinafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed, by the State any other applicable jurisdiction or any Governmental Authority thereof or therein (including any penalty or interest or other liabilities payable in connection with any of the foregoing). |
| **Time of Acceleration** | As defined in Clause 20.23 (Automatic Acceleration and Cancellation) of this Agreement. |
| **Total Commitments** | the aggregate amount of:<br>(a) the Long Term Facility Commitment;<br>(b) the Standby Facility Commitment;<br>(c) the Debt Service Reserve Facility Commitment; and<br>(d) the Working Capital Facility Commitment. |
| **Total Project Costs** | Construction Period Costs actually incurred by the Borrower. |
| **Transaction Documents** | The Finance Documents, the Equity Documents and the Project Documents. |
| **Transfer Certificate** | Any transfer certificate (substantially in the form contained in **Schedule 18 (Form of Transfer Certificate)** issued under this Agreement. |

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| **Transfer Date** | The date upon which a transfer occurs. |
| **Transferee** | A party that has received from another party the other party's rights, benefits and obligations under the Finance Documents, subject to Clause 28 (Changes to the Parties) of this Agreement. |
| **VAT** | Value Added Tax. |
| **Working Capital Facility** | Shall mean the working capital facility made available pursuant to this Agreement as describe in Clause 2.1 (f) of this Agreement. |
| **Working Capital Facility Commitment** | The aggregate amount of the Commitments with respect to the Working Capital Facility as set forth in **Schedule 1 (Senior Lenders and their Commitments).** |
| **Works** | Means materials, supplies, machinery, equipment, tools, buildings, computer hardware and software, apparatus, roads, ways, services, works and other items of whatever nature, whether temporary or permanent, required to achieve Construction Completion, whether to be provided under the EPC Contract for incorporation in the Plant (as defined in the EPC Contract) or any other Project Document. |

**1.2 Interpretation**

(a) Unless specified to the contrary:

(i) a reference to: an **"amendment"** includes a supplement, reinstatement or re-enactment and **"amended"** is to be construed accordingly;

(ii) **assets** includes present and future properties, revenues and rights of every description;

(iii) an **authorization** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;

(iv) **disposal** means a sale, transfer, grant, lease or other disposal, whether voluntary or involuntary, and **dispose** will be construed accordingly;

(v) a **guarantee** includes any form of indemnity or other assurance against loss (including, without limitation, any obligation to pay, purchase or provide funds for the purchase of any liability), and the verb **to guarantee** will be construed accordingly;

(vi) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money;

(vii) **know your customer requirements** are the identification checks that a Finance Party requests in order to meet its obligations under any applicable Law to identify a person who is (or is to become) its customer;

(viii) a **person** includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;

(ix) a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental agency, department or regulatory, self-regulatory or other authority or organisation;

(x) a **currency** is a reference to the lawful currency for the time being of the relevant country;

(xi) a Default being **outstanding** means that it has not been remedied or waived;

(xii) a Clause, a sub-Clause or a Schedule is a reference to a Clause or sub-Clause of, or a schedule to, this Agreement;

(xiii) a “month” or a period of one or more “months” means a period beginning in one calendar month and ending in the following calendar month on the day numerically corresponding to the day of the calendar month in which such period started, provided that if such period started on the last day in a calendar month, or if there is no such numerically corresponding day, such period shall end on the last day in the following calendar month (and “monthly” shall be construed accordingly);

(xiv) a reference to any Law or any provision thereof is a reference to such Law or provision as extended, applied, amended or re-enacted or any successor thereof and includes any subordinate legislation;

(xv) the Table of Contents to and the headings in any document or instrument shall not affect the interpretation of such document or instrument;

(xvi) words and defined terms denoting the singular number include the plural and vice versa and the use of any gender shall be applicable to all genders;

(xvii) any representation by the Borrower or by any officer thereof being to the best of such Person's knowledge shall be deemed to be to the best of such Person's knowledge after diligent inquiry;

(xviii) a reference to any document or any provision of any document are references to it as amended, modified, replaced or supplemented but where any Finance Document requires the prior consent of the Agent in connection with any such amendment or supplement, this sub-Clause shall not affect such requirement;

(xix) a Party means a party to this Agreement or any other person includes its successors in title, permitted assigns and permitted transferees;

(xx) a reference to a time of day is a reference to Tel-Aviv time; and

(b) The Recitals, Schedules, Appendices, Annexes and Exhibits of any Finance Document form an integral part of such Finance Document.

(c) For the purpose of the term **"Equivalent Currency Amount",** wherever any sum in NIS must be translated to or expressed as an equivalent of a foreign currency or vice versa, the translation shall be made at the Representative Rate for the Business Day immediately preceding the date upon which such translation is to be made. In the absence of a Representative Rate, the rate shall be determined by the Agent, based on the average of the buying and selling rates for transfers and remittances of the relevant currency in question for transactions placed on order as published by the Agent, as relevant, for the Business Day immediately preceding the date in question. If for any reason such translation cannot be made or equivalent cannot be calculated as provided above, the Agent, shall calculate the equivalent on such basis as it deems fair and equitable in light of the circumstances then prevailing.

(d) Unless otherwise specifically provided, the provisions of this Agreement shall supersede over the provisions of any Finance Document.

(e) Nothing in this Agreement shall create or confer upon any person or entity, other than the parties hereto or their respective successors and permitted assigns, any rights, remedies, obligations or liabilities, except as expressly provided herein.

(f) Each of the warranties, representations and undertakings given under this Agreement by the Borrower are separate and independent and shall be in addition to and shall not prejudice, or be prejudiced by, any other warranty, representation or undertaking or other provision contained in this Agreement or in any other Finance Document or Project Document to which the Borrower is a party.

(g) All payments to be made by the Borrower hereunder shall be made free and clear of, and without any deductions for or on account of, any set-off or counterclaim.

(h) Any consent, agreement or approval required from the Agent under this Agreement must be in writing and shall be of no effect if it is not in writing.

## 2. THE FACILITIES

### 2.1 The Facilities

Subject to the terms of this Agreement, the Senior Lenders agree to make available to the Borrower:

(a) a Long Term Facility in an aggregate amount equal to the Long Term Facility Commitment, which shall not exceed NIS 1,560,000,000 (One Billion, Five Hundred and Sixty Million); and

(b) a Standby Facility in an aggregate amount equal to the Standby Facility Commitment, which shall not exceed NIS 130,000,000 (One Hundred and Thirty Million);

Provided, however, that the amount of the Long Term Facility and the Standby Facility in the aggregate, shall not exceed the lesser of: (i) 80% of the Total Project Costs; and (ii) NIS 1,690,000,000 (One Billion, Six Hundred and Ninety Million).

(c) a Debt Service Reserve Facility in an aggregate amount equal to the Debt Service Reserve Facility Commitment up to NIS 77,000,000 (Seventy Seven Million);

(d) a Working Capital Facility in an aggregate amount equal to the Working Capital Facility Commitment up to: (i) during the period commencing on Construction Completion and ending 12 months thereafter, NIS 30,000,000 (Thirty Million); and (ii) during the period commencing 12 months following Construction Completion and ending on the Final Maturity Date of the Long Term Facility, NIS 15,000,000 (Fifteen Million);

and each Senior Lender agrees to lend up to its respective Commitment as set forth in **Schedule 1 (Senior Lenders and their Commitments).** No Senior Lender will be obligated to lend more than its respective Commitment and each Senior Lender shall only be obliged to lend if the Conditions Precedent under Clause 4 (Conditions Precedent) have been satisfied or waived in accordance with the terms of that Clause and subject to the provisions of Clause 5 (Utilization).

### 2.2 Rights of Senior Lenders

The rights of the Senior Lenders under the Finance Documents are several and independent, and shall be exercised exclusively through the Agent.

**2.3 Obligations of Senior Lenders**

(a) The obligations of the Senior Lenders under the Finance Documents are several and independent and, as such, *inter alia*, a debt arising under a Finance Document to a Senior Lender, is a separate and independent debt; accordingly, a failure of a Senior Lender to perform its obligations under the Finance Documents shall not result in:

(i) the obligations of any other Senior Lender being increased; nor

(ii) the Borrower or any other Senior Lenders being discharged (in whole or in part) from its obligations under the Finance Documents.

(b) No Senior Lender is responsible for any obligation of any other Senior Lender under the Finance Documents.

## 3. PURPOSE

The Borrower shall use each of the Facilities as follows:

(a) the Long Term Facility, wholly and exclusively to finance the Construction Period Costs;

(b) The Standby Facility, wholly and exclusively to finance Costs Overruns during the Construction Period after the Long Term Facility has been exhausted;

(c) The Debt Service Reserve Facility, wholly and exclusively to finance the Debt Service Reserve Requirement, in the absence of sufficient available cash flow in accordance with the provisions of **Schedule 11 (Order of Payments);** and

(d) The Working Capital Facility, wholly and exclusively to fund the Borrower's working capital requirements taking into account any monies standing to the credit of any Account (not including the Debt Service Reserve Account or the Maintenance Reserve Account, each as defined in the Accounts Agreement).

Without affecting the obligations of the Borrower in any way, no Finance Party owes a duty to any Person to verify or monitor the purpose for which, or the person to whom, sums so advanced are actually paid.

## 4. CONDITIONS PRECEDENT

**4.1 Initial Conditions Precedent**

The obligation of the Senior Lenders to make the First Drawdown available to the Borrower is subject to the fulfilment of each of the Initial Conditions Precedent (to the satisfaction of the Agent, unless waived in accordance with the provisions of Clause 4.3 (Waiver)).

**4.2 Further Conditions Precedent**

The obligation of the Senior Lenders to make each Loan (including the First Drawdown) available to the Borrower is subject to the fulfilment, at the time of the making of (and after giving effect to) each such Loan, of each of the Further Conditions Precedent, including with respect to any Facility under which such Loan is being made, to the satisfaction of the Agent unless waived in accordance with the provisions of Clause 4.3 (Waiver).

**4.3 Waiver**

(a) The Agent shall be entitled to waive any of the Conditions Precedent set out in Clause 4.1 (Initial Conditions Precedent) or Clause 4.2 (Further Conditions Precedent), either with or without imposing any conditions thereto.

(b) Notwithstanding the foregoing, with respect to the Conditions Precedent set forth in Clauses 1.3 (Security Documents) (other than the Direct Agreements), 1.4 (Project Documents) (only with respect to the EPC Contract, the LTSA Contract, the O&M Contract and the Gas Supply Agreement), 1.25 (Minster or National Infrastructure Approval) (only to the extent that such approval was denied), 1.27 (Compliance with the IEC PPA) and 1.32 (The Electricity License) (only to the extent that the granting of the Electricity License was denied), the Agent shall be entitled to waive such Conditions Precedent, subject to the prior consent of the Senior Lenders as follows:

(i) prior to the end of the Availability Period of the Long Term Facility, a Senior Lender or group of Senior Lenders whose Relevant Commitments at such time amount in aggregate to at least 51% (fifty one percent) of the aggregate Relevant Commitments at such time; and

(ii) following such date as aforesaid, a Senior Lender or group of Senior Lenders whose Lenders' Contributions amount in aggregate to at least 51% (fifty one percent) of the total Lenders' Contributions at such time.

**5. UTILISATION**

**5.1 Availability Period**

(a) Subject to the terms of this Agreement, Loans under each Facility will be made to the Borrower during the Availability Period of the applicable Facility on the Scheduled Drawdown Dates thereof.

(a)(1) Notwithstanding the foregoing, at the request of the Borrower, and subject to the creation and registration of the Pledge of Account, the Senior Lenders shall make the Advanced Loan available in the Facility Loans Account.

(a)(2) In the event that the Interest Rate shall be in the range of 5.65% - 5.75% per annum, the Senior Lenders shall make available to the Borrower the then undrawn Long Term Commitment which is not covered by the Hedging Agreements with respect to the base interest rate, as an addition to the Advanced Loan.

For the purposes of this Agreement, the term Advanced Loan shall be deemed to include any additional amount in accordance with the provisions of this Clause.

(a)(3) The amount of each Senior Lender's share of the Advanced Loan shall be the proportion of such Senior Lender's Commitment under the Long Term Facility to the total Commitments of the Long Term Facility.

(a)(4) Following the issuance of the request of the Borrower, the Agent shall have 3 (three) Business Days to transfer the applicable amounts to the Facility Loans Account.

(a)(5) All interest with respect to the Advanced Loan while deposited in the Facility Loan Account shall be in accordance with the interest rate quotes listed in **Schedule 26 (Interest on the Deposit of the Advance Loan),** and will be added to the balance of the Facility Loan Account. The quotes stated in **Schedule 26 (Interest on the Deposit of the Advance Loan),** are valid until the dates specified therein.

(a)(6) The Borrower shall only be entitled to utilize the Advanced Loan in accordance with the provisions of Clause 5.2(a).

(a)(7) Following the occurrence of an Event of Default prior to the CP Fulfillment Date (to the extent applicable during the period prior to the CP Fulfillment Date), or in the event that the CP Fulfillment Date shall not have occurred by the Longstop Date **(Early Termination),** then without derogating form generality of the other provisions of this Agreement with respect to the termination thereof:

(i) the Borrower shall prepay the Advanced Loan, and all Commitments which are still available on such date shall be immediately cancelled; provided however, that notwithstanding the provisions of Clause 7 (Prepayment and Cancellation) and 25.3 (Breakage Costs and Prepayment Fees), the Borrower shall not be required to pay a Cancellation Fee, Breakage Cost or Prepayment Fees following the prepayment of the Advance Loan and the cancellation of the Commitment; and

(ii) The Borrower shall pay the Advanced Loan Shortfall Amount to the Senior Lenders, and, to the extent the Borrower does not pay such amount, the Agent shall demand payment pursuant to the provisions of Clause 3 of the Corporate Guarantee.

(b) The undrawn Total Commitments shall be automatically cancelled (without any Cancellation Fees) if the CP Fulfilment Date has not occurred by 30 June, 2011 (the **Longstop Date).**

(c) Each Commitment of each Lender (unless drawn in accordance with the provisions of this Agreement), will be automatically cancelled at the close of business on the last day of the Availability Period for that Facility. Cancellation of Commitments shall be further subject to the provisions of Clause 7.4 (Voluntary Cancellation).

**5.2 Giving Of Drawdown Requests**

(a) Subject to the other provisions of this Agreement and only following the CP Fulfilment Date, the Borrower may utilize the Advanced Loan (or any part thereof), or, borrow under the Long Term Facility, by giving to the Agent a duly completed Drawdown Request; provided however that, with respect to each such Drawdown Request, in the event that the total amounts of the Advanced Loan and other Loans under the Long Term Facility made until such date plus the notional amount of the Hedging Agreements with respect to the base interest rate, exceeds 120% of the total Long Term Facility Commitments, such Drawdown Request shall be coordinated with the Agent.

(b) Unless the Agent otherwise agrees, the latest time for receipt by the Agent of a duly completed Drawdown Request is 11.00 a.m. 15 (fifteen) Business Days before each Scheduled Drawdown Date.

(c) Each Drawdown Request is irrevocable.

**5.3 Completion of Drawdown Requests**

A Drawdown Request will not be regarded as having been duly completed unless:

(a) it identifies the Advance Loan or Facility the Drawdown Request applies to;

(b) it identifies the applicable Scheduled Drawdown Date (provided, however, that no Loan or utilization of the Advanced Loan shall be made available to the Borrower on a Friday or on an Index Determination Date);

(c) it specifies the purpose of such Loan (which must be permitted by Clause 3 (Purpose) and which must be categorised into one of the purposes set out in the form of the Drawdown Request set out in **Schedule** 7 **(Form of Drawdown Request);**

(d) the amount of the requested Loan shall be in the amount provided for such Loan in the Drawdown Schedule, provided however that the amount of the last Loan prior to Construction Completion shall be reduced by any amount standing to the credit of any Account, unless such credit serves to pay any Construction Period Cost approved by the Agent and in no event shall exceed the aggregate amount of the Commitments under the respective Facility, in accordance with the provisions of Clause 2.1 (The Facilities);

(e) the Senior Lenders' Technical Advisor has approved the matters subject to his approval as set out in **Schedule** 7 **(Form of Drawdown Request),** and a copy of such approval in the requisite form shall be attached thereto;

(f) the Agent has approved that the Equity to Loan Ratio has been met; and

(g) all conditions precedent to the making of the Loan, as referred to in Clause 4.2 (Further Conditions Precedent), as applicable, shall be fully satisfied or waived, as of the relevant Scheduled Drawdown Date.

**5.4 Deviation from the Drawdown Schedule**

(a) notwithstanding Clause 5.3(d), but subject to the other provisions of this Agreement including, for the avoidance of doubt, the cap set forth in Clause 2.1 (The Facilities) above), the Borrower shall be entitled to request a Loan to be in an amount that varies from the amount provided for such Loan in the Drawdown Schedule; provided however that such amount shall not be less than or exceed 10% of the applicable Loan.

(b) notwithstanding Clause 5.3(b), but subject to the other provisions of this Agreement, the Borrower shall be entitled to request a Loan to be on a date that varies from the designated date in the Drawdown Schedule; provided however that such date shall not occur later than 90 days following the designated Drawdown Date.

**5.5 Approval of a Drawdown Request**

(a) The Agent shall approve the Drawdown Request or notify the Borrower, as soon as possible, of the need to re-submit or amend the Drawdown Request and provide the details which need to be re-submitted or amended.

(b) The Borrower shall re-submit or amend a Drawdown Request in accordance with the provisions of Clause 5.2 (Giving of Drawdown Requests) in the event that a Drawdown Request is not approved by the Agent.

**5.6 Optional and Mandatory Long Term Facility Drawdown Requests**

(a) On the date of each Drawdown Request with respect to the Long Term Facility, but at least once a month, the Borrower shall provide the Agent with a calculation of the Reference Bonds Interest Rate plus 2.7% per annum, in a form and substance satisfactory to the Agent.

(b) In the event that the Reference Bonds Interest Rate plus 2.7% per annum determined pursuant to the provisions of sub-clause (a) above **("Determination Date"):**

(i) is equal to, or higher than, 4.85% per annum, and notwithstanding the provisions of Clauses 5.2 (Giving of Drawdown Requests) and 5.3 (Completion of Drawdown Request), immediately following the Determination Date, the Borrower shall be entitled (but not obligated) to issue a Drawdown Request in order to utilize the entire undrawn Long Term Facility **("Optional Long Term Facility Drawdown Request");**

(ii) is equal to, or higher than, 5.75% per annum, the Borrower shall be obligated, within 3 Business Days, to either: (A) provide the Agent with Hedging Agreements in accordance with the provisions of Clause 17.27(b) to the full satisfaction of the Agent; or (B) issue a Long Term Facility Drawdown Request for the entire undrawn Long Term Facility (including under the Advanced Loan) **("Mandatory Long Term Facility Drawdown Request").**

(c) Following the issuance of an Optional Long Term Facility Drawdown Request or a Mandatory Long Term Facility Drawdown Request and without derogating from the provisions of Clause 5.8 (Payment of Proceeds), the Agent shall have 3 (three) Business Days to transfer the applicable amounts to the Facility Loans Account.

(d) Any utilization of the proceeds of the Long Term Loan deposited in the Facility Loans Account shall be subject to the issuance of a Facility Loans Account Disbursement Request in accordance with the provisions of the Accounts Agreement and the provisions of Clauses 5.2 (Giving of Drawdown Requests) and 5.3 (Completion of Drawdown Request), shall apply with respect to such request, *mutatis mutandis.*

**5.7 Lenders Contributions**

(a) The Agent must promptly notify each Senior Lender of the details of the approved Drawdown Request and the amount of its share in such Loan.

(b) The amount of each Senior Lender's share of the Loan will be the proportion of the Drawdown Request which its Commitment under the relevant Facility (if any) bears to the Total Commitments under that Facility on the proposed Drawdown Date.

(c) Not Used.

(d) No Senior Lender is obliged to participate in a Loan if as a result:

(i) its share in the Loan under a Facility would exceed its Commitment for that Facility;

(ii) the Loans would exceed the Total Commitments for that Facility: or

(iii) the Loans under the Long Term Facility and the Standby Facility, in the aggregate, shall exceed the cap set forth in Clause 2.1 (The Facilities) above.

(e) Subject to the terms of this Agreement, on each Drawdown Date each Senior Lender shall, by no later than 11.00 a.m., make available to the Agent its share in the Loan, after having pre-advised the Agent in writing as soon as reasonably practicable and in any event at least three (3) Business Day prior to the Drawdown Date that it shall make available its share in the Loan on such Drawdown Date.

(f) In the event that a Senior Lender fails to fund its share in a Loan (the **"Breaching Lender")** (for reasons other than as specified under the provisions of Clause 13 (Market Disruption) and Clause 15 (Illegality) or where the Agent has exercised any of its rights pursuant to the provisions of Clause 20.24 (Acceleration; Other Remedies)):

(i) no other Senior Lender shall be obligated to fund its share in the Loan;

(ii) the Agent shall notify the Borrower and the other Senior Lenders of such failure as soon as reasonably practicable and in any event within three (3) Business Days;

(iii) any other Senior Lender may elect to participate in the funding of the failing Senior Lender's share in the Loan on a pro rata basis, by giving proper notice to the Agent within five (5) Business Days of receipt of Agent's notice which shall be provided to all the Senior Lenders (other than the Breaching Lender);

(iv) the Borrower may, but shall not be obliged to (without incurring any liability with respect thereto), propose alternative sources of funding, provided that the providers of such alternative finance and the terms of such finance shall be acceptable to the Agent, (such approval shall not be unreasonably withheld). Any such provider of alternative finance shall become a Senior Lender and a party to any relevant Finance Document, in accordance with, and subject to, the provisions of Clause 28 (Changes to the Parties).

(v) In the absence of alternative finance as described in sub paragraph (iv) above, the Borrower may provide the relevant share by making available additional Equity Contributions.

(vi) The Breaching Lender empowers the Agent to act in accordance with the provisions of this Clause 5.7(f).

**5.8 Payment of Proceeds**

Subject to the terms of this Agreement, and provided that all Senior Lenders made their share in the Loan available to the Agent according to the provisions of this Clause 5, the Agent shall forthwith (by no later than 13:00) transfer all amounts made available to it prior thereto pursuant to Clause 5.7 (Lender Contributions) (including where a Loan is made pursuant to an Optional Long Term Facility Drawdown Request or a Mandatory Long Term Facility Drawdown Request), to the Facility Loans Account.

Notwithstanding the above, if a Loan should otherwise be transferred to Facility Loans Account on a Friday or on an Index Determination Date, such payment will instead be transferred on the next Business Day.

**5.9 Currency of Loans**

All Loans shall be made in NIS.

## 6. REPAYMENT

### 6.1 Repayment of Long Term Facility and the Standby Facility

(a) Subject to Clauses 6.1 (b) and (c), the Borrower shall repay the Loans under the Long Term Facility and the Standby Facility in full by consecutive instalments on the Repayment Dates and in amounts equal to the Percentage set opposite that Repayment Date set forth in **Schedule 13 (Repayment Schedule).**

(b) The first Repayment Instalment with respect to the Long Term Facility and the Standby Facility shall fall due 6 (six) months following Construction Completion.

(c) The final Repayment Instalment shall fall due 18 (eighteen) years following Construction Completion at which time the Borrower shall pay the final Repayment Instalment and all other amounts outstanding under the Finance Documents.

### 6.2 Repayment of Debt Service Reserve Facility

The Borrower shall repay the Loans under the Debt Service Reserve Facility on each Debt Service Reserve Facility Repayment Date.

### 6.3 Repayment of Working Capital Facility

The Repayment Date for each Loan under the Working Capital Facility shall be mutually determined prior to the date of the applicable Loan.

### 6.4 Final Maturity Date

Without limiting this Clause **6** (Repayment), any Loans under a Facility outstanding on the Final Maturity Date for that Facility must be repaid in full on that Final Maturity Date.

### 6.5 Miscellaneous Provisions

(a) All Loans shall be repaid by the Borrower in the currency in which such Loan was made.

(b) If a Repayment Date falls due on: (i) an Index Determination Date; or (ii) on a day which is not a Business Day; such Repayment Date shall be rescheduled and shall become due one day prior to such Index Determination Date or on the Business Day one day prior to such Repayment Date, as the case may be.

(c) With the exception of repayments of the Working Capital Facility, no amount repaid under this Agreement may be subsequently re-borrowed.

(d) All Repayment Instalments shall be made in accordance with the provisions of the Accounts Agreement.

## 7. PREPAYMENT AND CANCELLATION

### 7.1 Voluntary Prepayment

(a) The Borrower may, prior to Construction Completion, by giving written notice to the Agent of not less than ninety (90) days, and, following Construction Completion, by giving written notice to the Agent not less than forty five (45) days prior to a Repayment Date:

(i) Prepay the Loan(s) or part thereof by way of additional Equity Contributions, provided however that the prepayment shall be in an amount equal to whole multiples of 10,000,000 NIS, and the prepayment shall be made by the Borrower on a Repayment Date (if applicable) and not more than twice per annum;

(ii) prepay all Loans provided, however, that such notice of prepayment shall also be deemed to constitute written notice of voluntary cancellation of all Commitments which are still available on such date and such prepayment shall be subject to the provisions of sub-Clause 7.3(a) below.

(b) Any notice provided by the Borrower pursuant to this Clause 7.1 (Voluntary Prepayment) shall be irrevocable and shall specify the Loans, the date fixed for prepayment, the aggregate principal amount of the Loans to be prepaid and the Interest thereon, and the Borrower's best estimate of the Linkage Differentials and other amounts to be paid on the prepayment date. The Agent shall furnish a copy of the said prepayment notice to each Senior Lender, together with the details of such computation.

### 7.2 Mandatory Prepayment

The Agent may demand mandatory prepayment from the Borrower following the occurrence of an Event of Default which has not been remedied in accordance with the provisions of Clause 20 (Event of Default) (if a cure period has been granted under the provisions of Clause 20 (Event of Default)).

### 7.3 Miscellaneous provisions

(a) Any prepayments under this Agreement (including, without limitation, following an Event of Default) shall be made together with accrued Interest, Linkage Differentials, and a Prepayment Fee and all other amounts accrued and payable under the Finance Documents including, without limitation the Breakage Costs and, with respect to Commitments cancelled pursuant to Clause 7.1(a)(ii), Cancellation Fee.

Notwithstanding the foregoing, no Prepayment Fees or Cancellation Fee shall apply in the case of any prepayment or cancellation made pursuant to Clause 5.7 (e) (Lenders Contributions), Clause 14 (Increased Costs) or Clause 15 (Illegality).

(b) No prepayment is permitted except in accordance with the express terms of this Agreement.

(c) No amount prepaid under this Agreement may be subsequently re-borrowed, except for prepayments of Loans under the Working Capital Facility.

(d) All prepayments shall be made in accordance with the provisions of the Accounts Agreement.

(e) Any amounts prepaid under this Agreement shall be applied in inverse order to any other sum due but unpaid under the Finance Documents such that the most recent amounts shall be paid first such that the future Repayment Instalments shall not be reduced in amount but that the final Repayment Date shall be brought forward.

**7.4 Voluntary Cancellation**

(a) Subject to the terms of this Agreement and the conditions set out in this Clause 7.4 (Voluntary Cancellation), the Borrower may, by giving written notice to the Agent not less than ninety (90) days prior to a scheduled Drawdown Date, cancel all or any part of undrawn Commitment provided that it first demonstrates to the satisfaction of the Agent that:

(i) the Borrower has and will continue to have sufficient funds available to achieve Construction Completion by the Construction Completion Deadline; and

(ii) the cancellation will not result in the occurrence of an Event of Default or Potential Default.

(b) For the avoidance of doubt, the Borrower shall have no right to fund any cancellation of any undrawn Commitment by means of the raising of any additional finance apart from by way of additional Equity Contributions provided by the Sponsors, save where the cancellation is for the reason set out in Clause 5.7(e) (Lenders Contributions), Clause 7.1(a)(ii) (Voluntary Prepayment), Clause 13 (Market Disruption), Clause 14 (Increased Costs), Clause 15(b)(ii) (Illegality) or where the Borrower cancels all Commitments which are still available and prepays all Loans.

(c) Subject to the provisions of the Equity Subscription Agreement, the Borrower shall be obligated to cancel the Long Term Facility Commitment by the Reduced Commitment.

(d) Any cancellation in part (other than under Clause 14 (Increased Costs) or Clause 15(b)(ii) (Illegality) hereof) will reduce the applicable Commitments of each Senior Lender pro rata.

(e) No amount cancelled under this Agreement may subsequently be reinstated.

(f) The Borrower shall pay the Cancellation Fee with respect to any cancellation under this Agreement, provided, however, that the Cancellation Fee will not apply if the cancelled amount of the applicable Facility has been replaced by Equity Contributions or if the cancellation is for the reason set out in Clause 5.7(e) (Lenders Contributions), this Clause 7.4(c), Clause 14 (Increased Costs) or Clause 15(b)(ii) (Illegality).

## 8. INTEREST

### 8.1 Calculation of Interest

#### 8.1.1 Rate of Interest

(a) The per annum rate of interest applicable to each Loan under the Long Term Facility and each Loan under the Standby Facility made available shall be equal to the Reference Bonds Interest Rate on the applicable Drawdown Date plus 2.7% provided, however, that in any event such total per annum rate of interest shall not be less than 4.85%.

(a)(1) In the event that the Advanced Loan (up to an amount of NIS 800,000,000) has been requested within 60 days following the Effective Date, and until the earlier of: (i) 12 months as of the first Loan under the Advanced Loan is made; and (ii) a Loan under the Long Term Facility (other than the Advanced Loan) is made, the Interest Rate (as determined pursuant to sub-clause (a) above), with respect to the part of the Advanced Loan deposited in the Loan Facility Account, shall be reduced by 0.2% provided, however, that the Interest Rate shall not be less than 4.9%.

(b) The per annum rate of interest applicable to each Debt Service Reserve Facility's Loan shall be equal to Initial Interest Rate on the applicable Drawdown Date plus 1.5%.

(c) The per annum rate of interest applicable to each Working Capital Facility's Loan shall be equal to Initial Interest Rate on the applicable Drawdown Date plus 1.6%.

#### 8.1.2 Recalculation of Interest in Accordance with the Rating

Without derogating from the provisions of Clause 20.20 (Rating), in the event that a rating obtained in accordance with the provisions of Clause 17.38(a) (Rating) is lower than AA- (as published by S&P Ma'alot, or the equivalent rating published by a different rating agency), then, as of the date of such rating and until the Final Repayment Date of each Loan provided under each of the Facilities, the per annum rate of interest applicable to each of the Loans shall be increased by 0.5%.

**8.2 Due Dates**

The Borrower shall pay the interest (together with Linkage Differentials thereon in accordance with the terms of this Agreement) on each Loan on each Interest Payment Date.

**8.3 Capitalisation of Interest**

(a) Notwithstanding Clause 8.2 (Due Dates), until three (3) months following Construction Completion, the Interest on each Loan (together with Linkage Differentials thereon in accordance with the terms of this Agreement) shall be capitalised on the relevant Interest Payment Dates and shall be added to the principal amount of the Loans in question.

(b) Interest capitalised under this Clause 8.3 (Capitalisation of Interest) shall accrue Linkage Differentials and Interest at the Interest Rate or Rates applicable to the Loan in respect of which that Interest would have otherwise been payable.

**8.4 Default Interest**

(a) Without derogating from any remedy available to the Senior Lenders, if the Borrower fails to pay any amount payable by it under the Finance Documents, it shall forthwith on demand by the Agent pay interest (together with Linkage Differentials thereon in accordance with the terms of this Agreement) on the overdue amount from the due date up to the date of actual payment (before and after determination), at a rate of three per cent (3%) per annum above the Interest Rate specified in Clause 8.1 (Calculation of Interest) (the **"Default Interest").** Notwithstanding Clause 8.3 (Capitalisation of Interest), Default Interest shall be payable and shall not be capitalised.

(b) For the purposes hereof, any amount payable by the Borrower on demand shall be deemed overdue when a demand has been made for the payment thereof and the amount has not been paid.

**8.5 Notification of rates of interest**

The Agent shall, if so requested by the Borrower, notify the Borrower of the Interest Rate determination under this Clause 8 (Interest).

**9. INTEREST PERIODS**

**9.1 Duration**

(a) The interest period (the **"Interest Period")** for each Loan shall be three (3) months.

(b) If an Interest Period would otherwise end on an Index Determination Date or on a day which is not a Business Day, that Interest Period will instead end on the next Business Day (in that calendar month (if there is one) or in the last Business Day of the preceding month (if there is not) and shall be linked to the effective Index prior to that Index Determination Date.

**9.2 Commencement**

The first Interest Period for each Loan shall commence on the Drawdown Date for such Loan. Each subsequent Interest Period shall commence on the expiry of the previous Interest Period.

**9.3 Coincidence with Final Repayment Date**

If an Interest Period would otherwise overrun the final Repayment Date, it shall be shortened so that it ends on the final Repayment Date.

**9.4 Other adjustments**

The Agent may make such adjustments to the duration of Interest Periods, either to accord with current market practice or to facilitate the administration of the Facility.

**10. LINKAGE**

All Loans in NIS and all Interest thereon, and any other amount required to be linked to the Index under the Finance Documents, shall be linked to the Index in accordance with the following:

(a) If on any Linkage Date, the New Index shall have risen in comparison to the Base CPI Index, the Borrower shall make all payments to the Agent on such Linkage Date (whether in respect of principal, interest or any other amount payable in NIS hereunder), duly multiplied by the New Index and divided by the Base CPI Index.

(b) If on any Linkage Date, the New Index shall not have risen or shall have fallen in comparison to the Base CPI Index, the Borrower shall effect payment in full of all such amounts payable hereunder at their stated values, without any reduction.

(c) If the Index due to be published preceding any Linkage Date, shall not be published for any reason before any Linkage Date, then the "New Index" with respect to any payment made on such Linkage Date, shall mean, the last Index published prior thereto, provided that such "New Index" shall serve as a provisional index until the publication of the official New Index.

(d) If it transpires that the New Index which shall have been published late and after the aforesaid Linkage Date, shall have risen in comparison to the Index which served as a provisional basis for making the aforesaid payments (as in Clause 10 (c) provided above), then the Borrower shall pay to the Senior Lenders, the resulting differentials within five (5) Business Days from the date of publication of the New Index.

Conversely, if it transpires that the New Index which shall been published late and after the aforesaid Linkage Date, shall have fallen in comparison to the Index which served as a provisional basis for making the aforesaid payments (as in Clause 10 (c) provided above), then the Senior Lenders shall pay to the Borrower the resulting differentials by way of set-off against the next payment due from the Borrower to the Senior Lenders. Notwithstanding the above, for the purposes of calculating any such differentials, the New Index taken into account shall not fall below the Base CPI Index.

## 11. PAYMENTS

### 11.1 Place

All payments by the Borrower or a Senior Lender under this Agreement shall be made to the Agent to the account designated by the Agent or at such office or bank as it may notify the Borrower or any Senior Lender for this purpose.

### 11.2 Time of Settlement

Payments under this Agreement to the Agent shall be made for value on the due date by no later than 11.00 AM on the due date or at such later times as the Agent may otherwise specify to the party concerned as being customary at the time for the settlement of transactions.

### 11.3 Payments by the Agent

(a) Each payment received by the Agent under this Agreement for another party shall, subject to Clause 11.3(b) below, be made available by the Agent to that party by payment:

(i) in the case of a party other than the Borrower, to its account as it shall have notified to the Agent for this purpose by not less than five (5) Business Days' prior notice, no later than one (1) Business Day following the date of receipt; and

(ii) in the case of the Borrower, to the Construction Account (during the Construction Period) or Proceeds Account (thereafter), no later than five (5) Business Day following the date of receipt.

(b) Where a sum is to be paid to the Agent under this Agreement for another party, the Agent is not obliged to pay that sum to that party until it has established that it has actually received that sum. The Agent may, however, assume that the sum has been paid to it in accordance with this Agreement, and, in reliance on that assumption, make available to that party a corresponding amount. If the sum has not been made available but the Agent has paid a corresponding amount to

another party, that party shall forthwith on demand by the Agent refund the corresponding amount together with interest on that amount from the date of payment to the date of receipt, calculated at a rate determined by the Agent at its sole discretion to reimburse it for its costs and expenses.

**11.4 No Set-off or Counterclaim**

The Borrower hereby waives any set-off or counterclaim right with respect to any payment made under this Agreement.

**11.5 Non-Business Days**

(a) If a payment under this Agreement is due on an Index Determination Date or on a day which is not a Business Day, the due date for that payment shall be deemed the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal under this Clause 11.5 (Non-Business Days) interest shall be payable on that principal at the rate payable on the original due date.

**11.6 Partial Payments**

(a) If the Agent receives a payment insufficient to discharge all the amounts that are due and payable on the day of such payment by the Borrower under this Agreement, the Agent shall, apply that payment towards the obligations of the Borrower under this Agreement in the following order:

(i) **first,** in or towards payment pro rata of any unpaid fees (including, without limitation, Commitment Fees and other fees) and expenses, costs, and indemnities of the Agent and the Senior Lenders (other than Gross-up Amounts) due and payable;

(ii) **secondly,** in or towards payment pro rata of all amounts of interest (including capitalised interest, Default Interest, Linkage Differentials in respect of interest and any Gross Up amount) due and payable under the Finance Documents;

(iii) **thirdly,** in or towards payment pro rata of all amounts, if any, of principal and Linkage Differentials in relation thereof due and payable under this Agreement;

(iv) **fourthly,** in or towards payment pro rata of any Cancellation Fees, Breakage Costs and Prepayment Fees due and payable under the Finance Documents;

(v) **fifthly,** in or towards payment pro rata any other amounts due and payable under the Finance Documents.

(b) The Agent shall, if so directed by the Senior Lenders, vary the order set out in sub-paragraphs (ii) to (v) of Clause 11.6(a) above.

(c) Clauses 11.6(a) and (b) above shall override any appropriation made by the Borrower.

**11.7 Distribution of Proceeds**

All monies and other assets received by the Senior Lenders or the Agent or the Security Trustee from the realisation of any Charged Asset shall be applied pro rata between the Senior Lenders in accordance with the provisions of this Agreement.

## 12. TAXES

**12.1 Withholding tax exemption**

Each Finance Party (and any respective successor or assign thereof) (other than the Bank), shall present, on the Effective Date, a full exemption from withholding of income tax on all payments to such Finance Party under this Agreement, and deliver to the Agent (and to the Borrower, if requested) any applicable certificate or approval issued by the Israeli tax authorities in evidence thereof.

**12.2 Gross-up**

All payments by the Borrower under the Finance Documents shall be made free and clear of and without any deduction for or on account of any Taxes, except to the extent that the Borrower is required by applicable Law to make payment subject to any deduction or withholding of any Taxes. If any Tax or amounts in respect of Tax must be deducted according to any applicable Law from any amounts payable or paid by the Borrower, or paid or payable by the Agent to a Senior Lender (other than an Institutional Lender) under the Finance Documents, the Borrower shall pay such additional amounts as may be necessary to ensure that the relevant Finance Party receives a net amount equal to the full amount which it would have received had payment not been made subject to Tax (other than Tax on the overall net income of a Finance Party or the overall net income of a division or branch of the Finance Party) or other deduction.

In the event that following a change in Law the Institutional Lenders shall not be exempt from withholding of income tax with respect to payments under this Agreement, the parties shall negotiate in order to try and resolve the issue.

**12.3 Tax Credits**

If and to the extent that the Borrower pays an additional amount to any Finance Party pursuant to Clause 12.1 (Gross-up) with respect to any Tax, and that Finance Party determines that it has received and retained a refund of such Tax or that its liability for Israeli corporate income tax has been reduced by the allowance of a credit for such Tax ( **" Tax Credit "** ) which is attributable to that Tax payment, then that Finance Party shall

reimburse the Borrower such amount as will leave the Finance Party (after that reimbursement) in no better or worse position in respect of its tax liabilities than it would have been in if such Tax had not been required to be paid or withheld with respect to any payment to the Finance Party under this Agreement, provided that the Finance Party shall not be required to pay any amount to the Borrower pursuant to this Clause 12.1 (Gross-up) if an Event of Default has occurred, in which case such Tax Credit shall be set-off against any amount owed by the Borrower to the Finance Party, if any, according to the Finance Documents. Nothing in this Clause 12.2 (Tax Credits) shall restrict the right of each Finance Party to arrange its Tax affairs in whatever manner it thinks fit. No Finance Party shall be obliged to disclose any information regarding its Tax affairs to the Borrower.

**12.4 Tax Receipts**

All Taxes required by law to be deducted by the Borrower from any amounts paid or payable under the Finance Documents shall be paid by the Borrower when due and the Borrower shall, within fifteen (15) days of the payment being made, deliver to the Agent for the relevant Senior Lender evidence satisfactory to that Senior Lender (including all relevant tax receipts) that the payment has been duly remitted to the appropriate authority.

**12.5 VAT**

Unless expressly stated otherwise, all amounts payable by the Borrower specified in the Finance Documents do not include value added tax, to the extent applicable to such payment under applicable Law. The Borrower shall pay to the Finance Parties all value added tax, if any, payable in respect of any payment to be made by the Borrower to such Finance Party under the Finance Documents.

## 13. MARKET DISRUPTION

**13.1 Market Disruption**

If by reason of changes affecting the capital and /or financing markets:

(a) the Reference Bonds Interest Rate cannot be determined; or

(b) the Agent receives notification from a Senior Lender that:

(i) matching deposits for the relevant period will not be available to it in the ordinary course of business to fund its Lender Contributions in that Loan; or

(ii) the cost to it of obtaining matching deposits for the relevant period would be in excess of the rate of interest in accordance with the provisions of Clause 8.1.1 (Rate of Interest);

then the Agent shall promptly notify the Borrower and the Senior Lenders of the fact that this Clause 13 (Market Disruption) is in operation.

**13.2 Suspension of Drawdown Requests**

If a notification under Clause 13.1 (Market Disruption) applies to a Drawdown Request which has not been made that Drawdown Request shall not be made, and:

(a) Upon receipt of the notification, the Borrower and the Agent shall enter into negotiations for a period of not more than thirty (30) days with a view to agreeing an alternative basis for the borrowing of the Loan under that Drawdown Request and any future Loans;

(b) Any alternative basis agreed shall be binding on all relevant parties; and

(c) If no alternative basis is agreed, the Borrower may cancel all Commitments under the Facility (including, without limitation, any Cancellation Fees). In the absence of cancellation, the provisions of Clause 13.3(c)-(e) shall apply.

**13.3 Review**

So long as any alternative basis determined in accordance with Clause 13.2 above is in force, the Agent, in consultation with the Borrower shall from time to time, but not less than monthly, review whether or not the circumstances referred to in Clause 13.1 (Market Disruption) still prevail with a view to returning to the original provisions of this Agreement. Upon any return to the original provisions of this Agreement ( **"Date of Resumption"** ): (i) all Loans extended to the Borrower prior to the Date of Resumption shall bear the Interest Rate determined pursuant to the provisions of Section 13.3 (Alternative Basis for Outstanding Loans), and (ii) all Loans extended to the Borrower following to the Date of Resumption shall bear the Interest Rate which would have applied) if the provisions of this Clause 13 (Market Disruption) had not been implemented.

**14. INCREASED COSTS**

**14.1 Increased Costs**

(a) Subject to this Clause 14.1 (Increased Costs), the Borrower shall upon no less than ten (10) days prior written notice of demand by a Senior Lender pay to that Senior Lender the amount of any Increased Cost incurred by it as a result of the introduction of, or any change in, or any change in the binding interpretation or application of, any applicable Law (including any Law relating to taxation (excluding taxes on income), or reserve assets, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or monetary control).

(b) In this Agreement **"Increased Costs"** means:

(i) an additional cost incurred as a result of the Senior Lender having entered into, or performing, maintaining or funding its obligations under any Finance Document; or

(ii) a reduction in the effective return to a Senior Lender under the Finance Documents or on its overall capital; or

(iii) a reduction of an amount due and payable under any Finance Document.

(c) Sub-Clause (b) above does not apply to any increased cost:

(i) compensated for under Clause 12 (Taxes);

(ii) attributable to any change in the rate of, or change in the basis of calculating Tax on the overall net income of a Senior Lender (or the overall net income of a division or branch of the Senior Lender), imposed in the jurisdiction in which its principal office or Facility Office is situated;

(iii) arising solely by reason of a Senior Lender's unreasonable delay in making its demand under Clause 14.1(b) (Increased Costs) after it has become aware of and is able to ascertain the amount of its claim; or

(iv) attributable to and consequent upon any transfers under Clause 28 (Changes to the Parties).

(d) Without derogating from the generality of the foregoing, each Finance Party shall take all reasonable steps to remove the circumstances leading to the Increased Costs and to mitigate the consequences thereof to the Borrower.

(e) Any demand made by a Senior Lender under this Clause 14.1 (Increased Costs) shall be made on the Borrower (through the Agent) promptly upon its becoming aware of the same and the Agent shall promptly notify the Borrower that it has received such demand from the affected Senior Lender. Any demand made by a Finance Party under this Clause 14.1 (Increased Costs) shall be contained in a certificate which shall be conclusive, shall reasonably specify the circumstances of such event and include a computation of the relevant amount in reasonable detail together with relevant supporting information, to the extent applicable.

**14.2 Prepayment**

If Increased Costs have been and continue to be payable to a Senior Lender in accordance with Clause 14.1 (Increased Costs) for a period in excess of thirty (30) days, the Borrower may forthwith prepay that Senior Lender its share in the Loans together with accrued Interest, Linkage Differentials and all other amounts payable by it to that Senior Lender under this Agreement provided, however, that under such circumstances, the restrictions set out in Clause 7.1(a) shall not apply and no Prepayment Fee shall be due.

## 15. ILLEGALITY

If after the date hereof it becomes unlawful for a Senior Lender to give effect to any of its obligations as contemplated by this Agreement or to fund or maintain its Lender Contributions in the Facility (including as a result of the introduction of, any change in, or any change in the binding interpretation or application of, any applicable Law), then:

(a) that Senior Lender may notify the Borrower through the Agent accordingly specifying the nature of such event and the latest date until which such obligations may remain in effect without causing it to be in breach of applicable Law as aforesaid (in this Clause the **"effective date"** ), and further specify that to the extent necessary to avoid any such illegality or breach of applicable Law as aforesaid, the Senior Lender's obligations under the Finance Documents should be terminated in accordance herewith; and

(b) (i) on or prior to the effective date, the Borrower shall prepay that Senior Lender its share in the Loans with all accrued Interest and Linkage Differentials and other amounts payable by it to that Senior Lender under this Agreement on the date specified by the Agent in the notice delivered to the Borrower (including, without limitation, any Breakage Costs). For avoidance of doubt, no Prepayment Fee shall apply to such payments; and

(ii) the unfunded Commitment of that Senior Lender will forthwith be cancelled. For avoidance of doubt, no Cancellation Fee shall apply to such payments.

Notwithstanding the above, in the event illegality exists according to this Clause 15 (Illegality), the Agent, if requested by the Borrower, shall allow the Borrower (and provide reasonable assistance to Borrower in its attempts) to try and raise an alternative source of funds within a period of three (3) months from the date the Borrower is notified of such illegality.

## 16. REPRESENTATIONS AND WARRANTIES

The Borrower makes the representations and warranties set out in each of Clauses 16.1 (Status) through 16.29 (Accuracy of Representations) to each Finance Party:

### 16.1 Status

The Borrower and the O&M Contractor are limited liability single purpose companies:

(a) duly organised and validly existing under the Laws of its jurisdiction of incorporation possessing the capacity to sue and be sued in its own name; and

(b) with full power and authority to own the property and assets owned by it and to lease the properties leased by it and to carry on its business as it is now being conducted or proposed to be conducted.

**16.2 Powers and Authority**

The Borrower and each Sponsor:

(a) has all requisite power and authority and has taken all necessary action to enable it carry on its business as it is being conducted or is intended to be conducted as at the date of this Agreement, and to enter into and comply with its obligations under the Transaction Documents to which it is a party; and

(b) in the case of any Transaction Document not yet executed as of the date of this Agreement to which such entity will be a party, will have the requisite power and authority, and shall have taken all necessary action to enter into, and comply with its obligations under, that Transaction Document when that Transaction Document is executed.

**16.3 Legal validity**

(a) Each Transaction Document to which the Borrower and each Sponsor is a party constitutes (and each Transaction Document executed after the date hereof to which it will be a party, when executed in accordance with its terms shall constitute) a legal, valid and binding obligation of such entity enforceable in accordance with its respective terms except as the enforceability thereof may be limited by:

(i) applicable bankruptcy, insolvency, reorganisation, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general equitable principles (regardless of whether the issue of enforceability is considered in a proceeding in equity or at law).

(b) Each Transaction Document to which the Borrower or a Sponsor is a party is in proper legal form under the Laws of the State or under the respective governing law selected in each respective Transaction Document for the enforcement thereof.

(c) The Transaction Documents to which the Borrower or a Sponsor is a party have been duly and validly executed and delivered by the Borrower and Sponsors and have not been amended, modified, supplemented, repudiated or terminated and are in full force and effect.

**16.4 Non-conflict**

The execution, entry into and delivery by the Borrower and the Sponsors of (and performance by the Borrower and the Sponsors of the transactions contemplated by) the Transaction Documents to which the Borrower or the Sponsors are a party to do not contravene, violate or conflict with:

(a) any applicable Law;

(b) the Organisational Documents of the Borrower or such Sponsor;

(c) any Authorisation or Project Consent currently in effect; or

(d) any document which is binding upon the Borrower or such Sponsor or which governs any of its assets,

and will not result in the creation or imposition of (or enforcement of) any Security Interest (other than under the Security Documents) on any of its assets pursuant to the provisions of any agreement, instrument or document.

**16.5 No Default**

(a) No Event of Default or Potential Default is outstanding or will result from the execution of, or the performance of, any Transaction Document.

(b) No other event or circumstance is outstanding which constitutes or might constitute a default under any Transaction Document or which has had or will likely have a Material Adverse Effect.

(c) the Borrower is not in breach of or in violation of:

(i) any applicable Law;

(ii) its Organisational Documents; or

(iii) any Project Document;

in any manner which has had or is reasonably likely to have a Material Adverse Effect.

(d) To the Borrower's best knowledge no Sponsor is in breach of or in violation of:

(i) any applicable Law; or

(ii) its Organisational Documents;

in any manner which has had or is likely to have a Material Adverse Effect.

**16.6 Project Consents**

(a) All Project Consents are set forth in **Schedule 14 (Project Consents)** of this Agreement. **Schedule 14 (Project Consents)** further sets out the dates by which each such Project Consent must be received so that the Project is constructed in accordance with the Construction Schedule, in order to reach Construction Completion by the Construction Completion Deadline and in order to sell electricity during the O&M Period.

(b) All Project Consents have been obtained or effected and are in full force and effect or will be obtained or effected (by the Borrower or pursuant to a Project Document) and will be in full force and effect on the date they are required.

(c) The Borrower is not aware of:

(i) any reason why any Project Consent will not be obtained or effected by the time it is required;

(ii) any steps to revoke or cancel any Project Consent;

(iii) any reason why any Project Consent will not be renewed when it expires and will be so renewed, to the best of its knowledge and opinion, without the imposition of any new restriction or condition.

(d) The Project, if constructed and operated in accordance with the plans and specifications therefor and the Project Documents, will conform to and comply with the Project Consents, the Transaction Documents applicable thereto and all applicable Laws.

(e) The Agent has received a true and complete copy of each Project Consent heretofore obtained or made by the Borrower or any other Person set forth in **Schedule 14 (Project Consents)** of this Agreement.

**16.7 Litigation**

(a) No litigation, arbitration or administrative proceedings are current or, to the best of the Borrower's knowledge, pending or threatened, which have, or if adversely determined, are reasonably likely to have a Material Adverse Effect.

(b) There is no injunction, writ, preliminary restraining order or any order of any nature issued against the Borrower by an arbitrator, court or other Governmental Authority directing that any of the material transactions provided for in any of the Transaction Documents shall not be consummated as herein or therein provided.

(c) To the best of the Borrower's knowledge, the Borrower is not in default with respect to any writ, order, decree, injunction or other decision of any Governmental Authority except where such default has not had and is not reasonably likely to have a Material Adverse Effect.

**16.8 Rights to Perform Project**

The Borrower has or at the relevant time will have all the contractual and proprietary rights, powers and authorities necessary for the present and proposed conduct of its business to commence, execute, implement, build, operate, complete, maintain and carry out the Project, as contemplated by the Transaction Documents (including all rights of use, entry, and exit in relation to the Site).

**16.9 Security and Collateral**

(a) Each Security Document confers the Security Interests it purports to confer over all of the Collateral referred to in such Security Document and those Security Interests are first ranking, and not subject to any prior or pari passu Security Interests on the date of execution of the relevant Security Document.

(b) Other than the Security Interests created or purported to be created under the Security Documents and Permitted Security Interests, there are no other Security Interests covering the Project, the Site or the Collateral and no obligations on behalf of Borrower to create any such Security Interests.

(c) The Security Documents have been duly filed, recorded and/or registered in each office and in each jurisdiction where required to create, perfect and maintain in full force and effect all Security Interests under the Security Documents.

(d) Except as created under the Finance Documents or as expressly disclosed to the Agent in writing on the date hereof:

(i) the Borrower is the sole legal and beneficial owner of the Charged Assets and to the best of the Borrower's knowledge, each other Person granting any Security Interest in any of the Collateral to the Senior Lenders under any Security Document is the sole legal and beneficial owner of such Collateral;

(ii) there are no covenants, agreements, stipulations, reservations, conditions, interests, rights or other matters which have an adversely effect the Collateral, its assignability and/or the rights of the Senior Lenders pursuant to the Security Documents; and

(iii) the Borrower has received no notice of any adverse claim by any Person in respect of the ownership of the Collateral or any interest in it.

**16.10 Intellectual Property**

(a) The Borrower has, or shall at the relevant time have, all necessary legal and other rights to use all the Intellectual Property Rights which are required in order to execute and operate the Project in accordance with the Transaction Documents.

(b) Pursuant to the Project Documents, the Borrower is granted all rights of whatever nature necessary for the conduct of its business and execution of the Project, in the manner contemplated by the Transaction Documents.

(c) None of the Intellectual Property Rights which are necessary for the Project is, to the Borrower's knowledge, being infringed nor, to its knowledge, is there any threatened infringement of those Intellectual Property Rights by any third party.

**16.11 Winding -up**

(a) No proceedings for the bankruptcy, winding up, insolvency, or reorganisation of or for any moratorium or scheme of arrangement or any other similar proceedings relating to the Borrower are, to the Borrower's best knowledge, threatened, contemplated or outstanding.

(b) No proceedings for the bankruptcy, winding up, insolvency, or reorganisation of or for any moratorium or scheme of arrangement or any other similar proceedings relating to any Obligor (other than the Borrower) are, to the best of the Borrower's knowledge, threatened, contemplated or outstanding which have had or are reasonably likely to have a Material Adverse Effect.

**16.12 Taxes**

(a) The Borrower:

(i) has filed or caused to be filed all Tax returns which are required to be filed by the Borrower; and

(ii) has paid all Taxes due and payable with respect to such returns or on any assessments made against it or any of its property.

(b) No Tax lien has been filed, no claim is being asserted with respect to any Tax, and there are no material questions or disputes pending or, to the Borrower's best knowledge, threatened by any Governmental Authority with respect to any Tax.

(c) The Borrower has no knowledge of any Tax in connection with the execution and delivery of and performance of its obligations under the Transaction Documents or the consummation of the transactions contemplated thereby which is likely to have a Material Adverse Effect and for which adequate provision is not made in the Financial Model.

**16.13 Environment**

(a) No circumstances have occurred which would prevent the Borrower's compliance with the provisions of Clause 17.32, in a manner or to the extent which has or is likely to have a Material Adverse Effect.

(b) No Environmental Claim has been commenced or, to the Borrower's best knowledge, is threatened against the Borrower or against any Sponsor where that claim has or is reasonably likely, if determined against the Borrower and/or Sponsor to have a Material Adverse Effect.

(c) The cost of compliance with existing Environmental Laws to the Borrower (including Environmental Licenses), is adequately provided for in the Financial Model.

**16.14 Insurance**

All Insurances are, or at the time they are required to be maintained or effected will be, in full force and effect and to the best of the Borrower's knowledge no event or circumstance has occurred, nor has there been any omission to disclose a fact, which would in either case entitle any insurer to avoid or otherwise reduce its liability under any policy relating to the Insurances.

**16.15 Information**

(a) As of its date, the Financial Model fairly describes, in all material respects, the general nature of the business and principal properties of the Borrower and as of Effective Date, no material changes have occurred which affect the correctness of the Financial Model.

(b) The Financial Model and all other written information in connection with the Project and the transactions contemplated thereby provided to any Finance Party by or on behalf of the Borrower is true, correct, complete and accurate in all material respects on the date as of which such Financial Model and other written information is dated or certified and as of such date does not contain any misrepresentation or untrue statement of a material fact or omit any information the omission of which renders any other information therein false or misleading in any material respect.

(c) No disclaimer or limitation, other than reasonable assumptions or predictions relating to the Financial Model, expressed to be for the benefit of the Borrower contained in the Financial Model shall affect the representations and warranties made hereunder.

**16.16 Models and Budgets**

(a) The Financial Model and each other projection or budget furnished to the Finance Parties by or on behalf of the Borrower:

(i) is based on assumptions and projections which at the time made, the Borrower considered were reasonable as to all legal and factual matters material to any estimates included therein and, as of the date thereof, otherwise fairly represents the Borrower's expectations as to the matters covered therein;

(ii) is, as of the date on which such documents are dated, consistent with the provisions of the Transaction Documents in all material respects;

(iii) has been prepared in good faith and with due care after careful and proper evaluation and on a professional basis; and

(iv) takes due account of all Laws as they apply for the time being, where such Laws are relevant to any estimates included therein.

(b) The Construction Period Budget and the O&M Budget accurately specifies all costs and expenses incurred by the Borrower and the Borrower's good faith estimate of all costs and expenses anticipated by it to be incurred by it during the relevant period to finance the construction, operation and maintenance of the Project in the manner contemplated by the Transaction Documents.

(c) The Borrower is not aware of any matter which would render the Financial Model or other projection or budget prepared by or on behalf of the Borrower misleading in any material respect as of the date on which such document is dated.

(d) The arithmetic and methodology of all calculations contained in the Base Case Financial Model are correct and in keeping with best professional practice in all material respects.

**16.17 Financial Statements**

The financial statements including without limitation the balance sheet and related statements of income, retained earnings and cash flow of the Borrower, and any other Sponsor most recently furnished to the Agent:

(a) have been, with respect to the Borrower and any such Sponsor organised in Israel, prepared in accordance with Israeli GAAP or with respect to any other Sponsor, prepared in accordance with the applicable Laws and GAAP of the jurisdiction of incorporation of such Sponsor;

(b) have been audited by the Auditors with respect to their annual financial statements and reviewed with respect to their quarterly financial statement;

(c) are true, correct, complete and accurate in all material respects as of the dates specified therein; and

(d) fully and fairly represent the financial condition and state of affairs of each such Person as at the date to which they were drawn up and for the periods specified therein and the results of their respective financial operations during such period,

and there has been no change in the financial condition of the Borrower and, to the Borrower's best knowledge, of any of the other entities specified in this Clause 16.17 (Financial Statements) that has had or is likely to have a Material Adverse Effect since the date to which those financial statements were drawn up.

**16.18 Financial Indebtedness**

The Borrower does not have any Financial Indebtedness of any kind nature, save for Permitted Financial Indebtedness.

**16.19 No Other Business**

(a) The Borrower has not engaged in any business or activities (either alone or in partnership or joint venture) or incurred any other liabilities other than in connection with the Project and the Transaction Documents.

(b) The Borrower has no subsidiaries and owns no equity interest in any other Person.

**16.20 Transaction Documents**

(a) The copies of the Transaction Documents and Project Consents which the Borrower and, to the best of Borrower's knowledge, each other relevant Person has delivered to the Agent, are true, correct and complete copies of those documents.

(b) There are no material agreements to which the Borrower is a party other than the Transaction Documents, and the Transaction Documents constitute the entire agreement between the respective parties thereto with respect to the transactions contemplated thereby, except for modification to the Transaction Document approved by the Agent.

(c) Each Transaction Document is in full force and effect in all respects and is legal, valid, binding and enforceable in accordance with its terms.

(d) To the best knowledge of the Borrower, no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a violation or breach of, or give the Borrower or any other person the right to exercise any remedy under, or to accelerate the maturity or performance of, or to cancel or modify, any Transaction Document.

(e) There are no disputes subsisting between the Borrower and any other party to any Transaction Document which is likely to have a Material Adverse Effect, if adversely determined.

(f) No waivers have been granted by or in favour of the Borrower pursuant to any term of any Project Document.

(g) No amendments have been made to any Transaction Documents, other than as permitted in according to the provisions of this Agreement.

**16.21 No Force Majeure**

The Borrower is not aware of any event of Force Majeure which would allow any party to a Project Document to exercise a right of termination thereunder or the right to declare a material delay with respect to such event.

**16.22 Capitalisation and Options**

(a) The Borrower has an authorised share capital of NIS 100,000 divided into 100,000 ordinary shares of NIS 1 each, none of which is subject to any Security Interest other than those created by the Security Documents.

(b) A total of 100 non-redeemable ordinary shares have been duly authorised and validly issued by the Borrower:

(i) 80 ordinary shares, constituting 80 percent of the issued and outstanding share capital of the Borrower, are legally, beneficially and directly owned by IC Power Israel Ltd., such ownership by IC Power Israel Ltd. is not subject to or pending any approval (under contract or Law) or fulfilment of any additional obligation;

(ii) 20 ordinary shares, constituting 20 percent of the issued and outstanding share capital of the Borrower, are legally, beneficially and directly owned by Dalkia Israel Ltd., such ownership by Dalkia Israel Ltd. is not subject to or pending any approval (under contract or Law) or fulfilment of any additional obligation,

in each case, free from any Security Interests, provided that the Pledged Shares shall be registered in the name of and held by the Security Trustee in accordance with the terms of the Equity Pledge.

(c) The Borrower does not have outstanding any securities convertible into or exchangeable for its share capital or any options, warrants or other rights to acquire share capital or securities convertible or exchangeable into share capital, or any agreements, arrangements or understandings providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its share capital.

**16.23 Transactions with Affiliates**

Except as stated in **Schedule 25 (Transactions with Affiliates),** the Borrower is not a party to any contract or agreement with, or any other commitment to (whether or not in the ordinary course of business) any Affiliate of the Borrower, any Sponsor or any Affiliate thereof (other than the Transaction Documents).

**16.24 No Additional Fees**

The Borrower has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of arranging the financing of the transactions contemplated by the Transaction Documents which have not been included in the Financial Model.

**16.25 Utility Availability**

Subject only to payment of costs contemplated in the Construction Period Budget and the O&M Budget, all services, materials, utilities, transportation, facilities and infrastructure reasonably necessary for the design and construction, operation and maintenance of the Project are available for use at the Site or will be available and arrangements reflected accurately in the Construction Period Budget and the O&M Budget on reasonable terms have been made for the provision of such services, materials, utilities, transportation, facilities and infrastructure.

**16.26 Status of the Obligations**

The Obligations of the Borrower constitute direct, unconditional, and general obligations of the Borrower and rank, not less than pari passu as to priority of payment to all other Financial Indebtedness of the Borrower except for obligations mandatorily preferred by Law applying to companies generally.

**16.27 Reliance on Representations**

The rights and remedies of the Finance Parties in relation to any misrepresentations or breach of warranty on the part of the Borrower shall not be prejudiced by any investigation by or on behalf of the Finance Parties into the affairs of the Borrower, by the execution, delivery or performance of any other Transaction Document.

**16.28 Repetition**

The representations and warranties set out in this Clause 16 (Representations and Warranties)

(a) are made on the date hereof;

(b) shall survive the execution hereof and shall be repeated upon the date of First Drawdown; and

(c) will be deemed to be repeated on the date of the giving of each Drawdown Request, on each Drawdown Date, on the date of the giving of each Disbursement Notice and, (other than those specified in sub-clauses 16.1(b), 16.5(a), 16.5(c), (d), 16.6, 16.7(a), 16.11(a), 16.12(a) 16.12(c), 16.13(a), 16.14, 16.18 (Financial Information), 16.19(a), 16.20(g), 16.22 (Capitalisation and Options) and 16.26 (Status of Obligations)) on each Calculation Date.

as if each such representation and warranty was made as of such time with reference to the facts and circumstances then subsisting.

## 17. UNDERTAKINGS AND COVENANTS

The Borrower makes each of the following undertakings and covenants to each Finance Party:

### 17.1 Financial Information

The Borrower shall supply to the Agent (in sufficient number of copies for each of the Senior Lenders):

(a) as soon as they are available (and in any event, within ninety (90) days of the end of each Fiscal Year):

(i) the audited annual financial statements for that Fiscal Year of the Borrower on a stand alone basis;

(ii) the audited annual financial statements for that Fiscal Year of the Sponsors, Israel Corporation Ltd. and Dalkia International S.A. on a stand alone and consolidated basis (if applicable);

(b) as soon as they are available (and in any event within sixty (60) days of the end of each of the first three quarterly accounting periods of each of its Fiscal Year) the unaudited financial statements of the Borrower and the Sponsors, for such quarterly period and for the elapsed portion of the Fiscal Year ended with the last day of such quarterly period.

(c) All of the financial statements referred to above shall be, with respect to the Borrower and any Sponsor organised in Israel, prepared in accordance with Israeli GAAP and with respect to any other Sponsor, prepared in accordance with the applicable Laws and GAAP of the jurisdiction of incorporation of such Sponsor and shall be certified by the Financial Officer or general manager of such Person (acting for and on behalf of such Person) as to fairness of presentation;

(d) upon the request of the Agent at any time that there shall have occurred and be continuing an Event of Default, the monthly management financial statements of the Borrower; and

(e) promptly after the Borrower's receipt thereof, a copy of any amendments to the Borrower's financial statements;

(f) within sixty (60) days of the end of each Quarter and within ninety (90) days of the end of each year until Construction Completion, a report showing performance against the Construction Period Budget (by line item); and

(g) together with the delivery of the Borrower's annual financial statements, the semi annual financial statements and at any other time requested by the Agent, a report of the Borrower (executed by a Financial Officer) in the form attached hereto as **Schedule 22 (Borrower's Report)** along with:

(i) With respect to annual financial statements, the Borrower's Auditors' approval, in the form attached hereto as **Schedule 22A (Borrower's Auditors' Audit Letter);**

(ii) With respect to semi annual financial statements and at any other time requested by the Agent, the Borrower's Auditors' approval, in the form attached hereto as **Schedule 22B (Borrower's Auditors' Review Letter).**

**17.2 Other Information**

(a) The Borrower shall supply to each Senior Lender in sufficient copies as requested by the Agent:

(i) **Progress Reports during Construction.** Commencing three (3) months after Effective Date and until the later of (a) Construction Completion; or (b) completion of the Punch List (as such term is defined in the EPC Contract), a monthly progress report with respect to the Works executed by the Borrower's project manager, submitted not later than fifteen (15) days following the end of the relevant month, in form and substance satisfactory to the Agent;

(ii) **Updated Construction Period Budget.** The Borrower must supply the Agent on or before the date falling 30 days before the end of the six month period following Effective Date and each subsequent six month period up to the Construction Completion a draft of an updated Construction Period Budget following the form of the Initial Construction Period Budget updated to reflect the values of the assumptions for Construction Period Costs estimated by the Borrower for the period up to Construction Completion;

(iii) **Reports during Operation.** By not later than thirty (30) days after the end of each Quarter during the O&M Period, a quarterly operating report, for the preceding Quarter, in the form attached hereto as **Schedule 16 (O&M Report),** detailing, inter alia, O&M Costs of the Borrower for such preceding Quarter, opening and closing balances of each Account for such preceding Quarter, payments made and to be made by the Borrower and environmental information required for the estimation of the performance of the IPP;

(iv) **Annual O&M Budget.** The Borrower shall as soon as available but, in any event, at least thirty (30) days prior to the commencement of each Fiscal Year during the O&M Period, provide the Agent with an O&M Budget for the forthcoming Fiscal Year prepared by the Borrower including any major maintenance events anticipated in such Fiscal Year. The O&M Budget shall cover the period from the Construction Completion through the end of the Fiscal Year in which such date occurs and, if such period consists of less than six months, for the immediately succeeding Fiscal Year, and shall be submitted to the Agent by the commencement of the O&M Period.

Each O&M Budget shall be in form and substance satisfactory to the Agent.

(v) **Expenditure.** The Borrower must promptly provide the Agent details of any actual or anticipated expenditure likely to result in the budgeted cost for that line item to be exceeded by more than 5% (but in any event no less than NIS 500,000).

(vi) **Litigation and Disputes.** Promptly upon becoming aware of them, copies of documents or items relating to details of any claims and/or litigation (including any arbitration, administrative proceedings or investigations or proceedings by any Governmental Authority) which is pending or, to the Borrower's knowledge, threatened and which has or is reasonably likely to have a Material Adverse Effect (1) with respect to the Project, (2) on any Transaction Document or (3) on any agreement to which the Borrower is a party, and, in the case of litigation to which the Borrower is party, with details of how the Borrower proposes to conduct the litigation, arbitration or proceedings or otherwise resolve the dispute in question.

(vii) **Disputes relating to the Project or Transaction Documents.** Promptly upon but in any event within seven (7) days of becoming aware of them, details of any material dispute between the Borrower, or any other Obligor and the State or any Governmental Authority and the IEC relating to the Project or any Transaction Document which has had or is reasonably likely to have a Material Adverse Effect;

(viii) **Security Interest.** Forthwith upon receipt thereof, details of any Security Interest becoming enforceable over any of the Collateral and any information which is required to create, maintain, perfect and protect the Security Interests under the Security Documents in favour of the Security Trustee and/or the Agent for the benefit of the Senior Lenders;

(ix) **Material Documents.** Promptly, but in any event within seven (7) days of delivery or receipt thereof, all material notices or other documents delivered or received by the Borrower to or from the Obligors, party to a Project Document or its creditors (or any class thereof) regarding the Project or the Transaction Documents which have or is reasonably likely to have a Material Adverse Effect;

(x) **Damage to or Destruction of Property.** Promptly upon becoming aware of them, but in any event within seven (7) days of obtaining knowledge thereof, details of any damage to or destruction of property relevant to the Project where the cost of repair, re-instatement or replacement is reasonably likely to exceed NIS 3,000,000 (as linked to the Base CPI Index) or its Equivalent Currency Amount;

(xi) **Force Majeure.** Promptly upon becoming aware of them, details of any event or circumstances which is claimed to be an event of force majeure under any of the Transaction Document;

(xii) **Proposed Material Change.** Promptly upon, but in any event within seven (7) days of becoming aware of it, details of any proposed material change in the nature or scope of the Project or the Site or business or operation of the Borrower;

(xiii) **Equipment and Facilities.** Promptly upon but in any event within seven (7) days of submission thereof to the PUA, a copy of the report to be submitted in accordance with the provisions of clause 41 of the Electricity Sector Regulations (Terms and Procedures for Granting Licenses and the Duties of License Holders), 1997;

(xiv) **Manpower.** Promptly upon but in any event within seven (7) days of submission thereof to the PUA, a copy of the report to be submitted in accordance with the provisions of clause 42 of the Electricity Sector Regulations (Terms and Procedures for Granting Licenses and the Duties of License Holders), 1997;

(xvi) such other information or documents (financial or otherwise) as the Agent may reasonably request with respect to the Project.

(b) Upon becoming aware that as of the date that any written information was supplied by or on behalf of the Borrower or any other Obligor to any Finance Party such written information was misleading or contained any misrepresentation, or, in respect of factual information which was untrue in any material respect, or might have had the effect of varying any of the Transaction Documents or the assumptions contained in the Financial Model in a manner that had or is likely to have a Material Adverse Effect, the Borrower shall promptly notify the Agent thereof.

(c) The provision of information required to be provided pursuant to this Clause 17.2 (Other Information) shall not constitute any consent to, approval of, or waiver of any condition or requirement by any Senior Lender.

**17.3 Records and Statements of Account**

(a) The Borrower shall, at its expense, procure that the designated representatives of the Agent be given the right, on reasonable advance notice and during normal business hours (but if an Event of Default has occurred and is continuing, at any time and without notice) to visit the Site and to inspect the Project, the technical and statistical data, financial statements, records and other data in the possession or control of the Borrower with respect to the Project, to discuss the affairs, finances and the financial statements of the Borrower.

(b) The Borrower shall, at its expense, keep and maintain in a manner adequate to reflect truly and fairly the financial condition and results of operations of the Borrower (including the progress of the Project and construction and maintenance budget milestones in compliance with the Financial Model) and in accordance with Israeli GAAP and all applicable Laws, up to date statutory books, books of account, bank statements and other records of the Borrower. The Borrower shall maintain adequate management information and cost control systems.

(c) The Borrower will at all times cause a complete set of the current and (when available) as-built plans (and all supplements thereto) relating to the Project to be maintained at the Borrower's main office for inspection by the Senior Lenders' Technical Adviser and/or the Agent.

(d) The Borrower shall authorise its Auditors to respond directly to the Agent, the Advisers and/or the Senior Lenders' Auditor at reasonable intervals (but if an Event of Default or Potential Default has occurred and is continuing, at any time) regarding the Borrower's financial statements and operations and shall furnish to the Agent, at its request, its written consent to such communication.

**17.3A Inspection**

(a) In this sub-clause (17.3(A):

(i) "Attendee" means the Agent and the Senior Lenders' Technical Advisor;

(ii) "Tests on Completion" means the Acceptance Tests (as defined in the EPC Contract); and

(iii) "Site Acceptance Test" means the Acceptance Tests (as defined in the Gas Transportation Agreement).

(b) Each Attendee may attend:

(i) any progress meeting with the EPC Contractor under the EPC Contract;

(ii) any progress meeting with the O&M Contractor under the O&M Contract;

(iii) any progress meeting with the LTSA Contractor under the LTSA Contract; and

(iv) in the case of the Technical Adviser, any Test on Completion and the Site Acceptance Test.

(c) The Borrower must:

(i) give reasonable prior notice to each Attendee of any meeting it is entitled to attend; and

(ii) give the Senior Lenders' Technical Advisor 14 days' prior notice of any Test on Completion;

(d) Except as provided in paragraph (e) below, each Attendee may only observe and may not participate in any meeting it is entitled to attend.

(e) An Attendee may participate in and make representations at any meeting if it has placed any issues which it desires to have specifically addressed at the meeting on the agenda in advance of that meeting.

(f) The Borrower must promptly send each Attendee a copy of the minutes (if any) of any meeting attended by that Attendee.

(g) The Borrower must, at the request of the Agent and upon reasonable notice:

(i) attend any meeting scheduled with any Adviser at reasonable times during normal business hours; and

(ii) use all reasonable endeavours to ensure the attendance of representatives of other relevant parties (if appropriate) at those meetings.

(h) No:

(i) approval of any drawing or specification;

(ii) passing of any work;

(iii) visit to the Project; or

(iv) attendance at any meeting,

by the Agent or any Adviser, its respective officers, employees or agents will excuse the Borrower from its obligations under the Finance Documents.

**17.4 Notification of Default**

(a) The Borrower shall notify the Agent of any event of default or potential default (including any Event of Default or Potential Default) under any of the Transaction Documents (and the steps, if any, being taken for the remedy thereof) promptly upon becoming aware of the occurrence thereof.

(b) The Borrower shall supply to the Agent, together with the financial statements specified in Clause 17.1 (Financial Information) of this Agreement, a certificate signed by a Financial Officer acting for and on its behalf certifying that, to its best knowledge, no Event of Default or Potential Default is outstanding or, if an Event of Default or Potential Default is outstanding, specifying the Event of Default or Potential Default and the steps, if any, being taken to remedy it.

**17.5 Project Guarantees**

The Borrower shall enforce its rights so that each Project Guarantee shall be in full force and effect in accordance with this Agreement and the terms of the relevant Transaction Document.

**17.6 Existence, Project Consents and Site**

(a) The Borrower shall at all times preserve and maintain in full force and effect:

(i) its existence as a special purpose company with limited liability and its good standing under the Laws of the State;

(ii) all of its powers, rights, privileges and franchises necessary for the development, construction, operation and maintenance of the Project; and

(iii) good and marketable title to its properties and assets (subject to Permitted Security Interests).

(b) The Borrower shall (i) obtain, maintain, and renew from time to time; or (ii) enforce its rights under the Project Documents, as the case may be, so that all Project Consents required to perform the obligations under the Transaction Documents and all Laws, including the Project Consents listed in **Schedule 14 (Project Consents)** of this Agreement shall be obtained and in force by the required time (or, with respect to the Project Consents listed in **Schedule 14 (Project Consents)** by the times or within the periods set forth opposite such Project Consents therein). The Borrower will comply with all such Project Consents.

The Borrower shall ensure that each such Project Consent shall be free from conditions or requirements which are not reasonably expected to be satisfied by the date they are required to be satisfied pursuant to the terms of such Project Consent or the non-compliance of which is reasonably likely to have a Material Adverse Effect.

(c) The Borrower shall ensure that it has or at the relevant time will have all rights necessary to commence, execute, implement, design, build, finance, operate, complete and maintain the Project (including, without limitation, any right of use or right of way over or in connection with the Site).

(d) The Borrower shall execute the Site Agreement, and to the extent required by the Agent, a Site Direct Agreement, by no later than December 31 st , 2011.

**17.7 Ranking**

The Borrower shall procure that its obligations under the Finance Documents do and will rank in all aspects ahead of all its other present and future obligations, except for obligations mandatorily preferred by applicable Law of the State.

**17.8 Negative Pledge**

Except for Permitted Security Interests, the Borrower shall not create, or permit to subsist, any Security Interest over any of its present or future assets unless permitted by the Agent.

**17.9 Security**

(a) The Borrower shall, within five (5) days following the Effective Date, file or record with any public registry required by applicable Law the Security Documents.

The Borrower shall, no later than fourteen (14) days following the execution of any Project Document which shall be executed following the Effective Date, and the approval thereof by the Agent, and following arrival to the State of the Major Items of Equipment (as such term is defined in the EPC Contract), file or record any such Project Document and Major Item of Equipment as part of the Debenture, with any public registry required by applicable Law.

(b) The Borrower shall defend the Collateral and take any action necessary to remove any Security Interest (other than Permitted Security Interests) over the Collateral, and shall defend the right, title and interest of the Security Trustee and/or the Agent and the Senior Lenders in and to any such asset or Collateral against the claims and demands of all other Persons.

(c) The Borrower will maintain all Security Interests created under the Security Documents in favour of the Security Trustee and/or the Agent for the benefit of the Senior Lenders and will effect all registrations relating thereto.

**17.10 Dispositions**

(a) The Borrower shall not either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, convey, transfer, grant or lease or otherwise dispose of (whether by operation of any applicable Law or otherwise) (or agree to do any of the foregoing at any future time):

(i) its interest in the Project or any rights (including receivables and Intellectual Property Rights) or interests of any kind or equipment necessary for its operation above NIS 500,000 in value;

(ii) the benefit of any of the Transaction Documents; or

(iii) any other asset,

without the prior written consent of the Agent.

(b) For the avoidance of doubt, the consent of the Agent shall not be required for disposals of: (i) assets subject only to the floating charge made in the ordinary course of business of the Borrower for their market value or (ii) certified emission reduction units (sale of CDMs).

**17.11 Permitted Financial Indebtedness**

(a) Except as provided below the Borrower must not incur any Financial Indebtedness.

(b) Sub-Clause (a) does not apply to:

(i) any Financial Indebtedness incurred under the Transaction Documents;

(ii) any Subordinated Debt approved by the Agent in writing;

(iii) the acquisition cost of any asset or service to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is advanced or deferred, and by a period which does not exceed ninety (90) days;

(iv) Financial Indebtedness not referred to in sub-Clause (i)-(iii) above, up to an amount not exceeding NIS 500,000 or equivalent in aggregate at any time; and

(v) any Financial Indebtedness approved by the Agent in writing.

**17.12 Conduct of Business**

The Borrower shall:

(a) maintain in full force and effect each of the Transaction Documents to which it is a party (other than by reason of full performance of such Transaction Documents or expiry of its stated term);

(b) take all action within its control required to ensure that each Transaction Document is in proper legal form under the Laws of the State and under the applicable Laws which apply on each Transaction Document, for the enforcement thereof in such jurisdictions without any further action on the part of the Senior Lenders;

(c) not engage in any activities or carry on any business (including, without limitation, the granting of any right of use or right of way over or in connection with the Site) other than as expressly contemplated by the Transaction Documents, whether alone, in joint venture, or otherwise, without prior written consent from the Agent;

(d) not take any action whether by acquiescence or otherwise that would constitute or result in any alteration to the nature of its business or the nature or scope of the Project;

(e) not enter into:

(i) any partnership, joint-venture, profit-sharing agreement, royalty agreement or other similar arrangement whereby the Borrower's income or profits are, or might be, shared with any other Person;

(ii) any management contract or similar arrangement whereby its business or operations are managed by any other Person; or

(iii) any agreement with an Affiliate,

without prior written consent from the Agent;

(f) not change its name or principal place of business without the prior consent of the Agent. The Borrower shall not adopt or change any trade name or business name without the prior consent of the Agent;

(g) not voluntarily change the accounting classification of the Project by adopting IFRIC Interpretation 12 (Service Concession Arrangement), without the prior consent of the Agent; or

(h) in all material respects develop, construct, operate and maintain the Project and conduct its business in a reasonable and prudent manner and in accordance with Good Industry Practice.

**17.13 Changes in Senior Management Personnel**

The Borrower shall notify the Agent of any changes to the senior management personnel of the Borrower, including the CEO, CFO and COO (or equivalent).

**17.14 Investments, Accounts**

The Borrower shall not, without the prior consent of the Agent:

(a) invest in the share capital of any corporate body or other entity or purchase or acquire any shares, obligations or securities of, or any interest in or make any capital contribution to any Person or make any other investments except Authorised Investments, all in accordance with the terms and conditions of this Agreement and the Accounts Agreement;

(b) form or acquire or otherwise have any subsidiary; or

(c) open or maintain any accounts other than the Accounts.

**17.15 Mergers and Acquisition of Assets**

(a) The Borrower shall not enter into any voluntary liquidation, bankruptcy, winding up, dissolution, merger, demerger, amalgamation or reorganisation.

(b) The Borrower shall not acquire any assets (other than purchases and acquisitions of inventory and materials, each relating to the Project and in the ordinary course of business, without Agent's consent).

**17.16 Share Capital and Subordinated Debt**

(a) The Borrower shall not, without the prior consent of the Agent:

(i) purchase, cancel, redeem or take steps to reduce any of its share capital;

(ii) issue any shares or any options, warrants or other rights to subscribe, purchase or acquire any shares of the Borrower or securities convertible into or exchangeable for its share capital;

(iii) grant or create any rights or options to participate directly or indirectly in the revenues or profits of the Borrower; or

(iv) permit or consent to any transfer or disbursement of shares of the Borrower.

Notwithstanding (i)-(iv) above the Borrower may, subject to the prior written consent of the Agent, permit or consent to the transfer of shares of the Borrower in a manner which shall not result in IC Power Israel Ltd. holding less than 50.01% of the outstanding and issued share capital of the Borrower: (a) to Dalkia Israel Ltd., provided that the Agent shall have determined, in its sole discretion, that no adverse change in the financial condition and state of affairs of Dalkia International S.A. has occurred and provided further that Dalkia International S.A. shall increase the amount of the Guaranteed Amount under the Dalkia International S.A. Corporate Guarantee in order to reflect such transfer of shares; and (b) to any third party, commencing on the fifth anniversary of the Construction Completion.

(b) The Borrower will ensure that it shall have, at all times, sufficient authorised unissued share capital to issue shares.

(c) The Borrower shall not permit or consent to any transfer or assignment by any Subordinated Lender of any of its Subordinated Loan Interests.

(d) The Borrower shall procure that its share capital is of one class only, comprising non-redeemable ordinary voting shares.

**17.17 Amendments**

(a) The Borrower will not, without the prior written consent of the Agent, unless required under applicable Law:

(i) amend or modify its Organisational Documents; or

(ii) change its Fiscal Year; or

(iii) change its accounting or classification policy.

(b) Promptly upon becoming aware of them, the Borrower shall provide the Agent with details of any proposal for an amendment or waiver of a Project Document.

(c) The Borrower shall not terminate, cancel or suspend, or permit or consent to any termination, cancellation or suspension of, or enter into any of the Transaction Documents other than as required by the terms of the Finance Documents.

(d) The Borrower shall not, directly or indirectly, amend, modify, supplement or waive, or permit or consent to the amendment, modification, supplement or waiver of, any of the provisions of any of the Transaction Documents without the prior approval of the Agent. The Agent shall notify the Borrower of its response with respect to any of the foregoing, within twenty one (21) days, provided however that if the mater is of an urgent nature then the Agent shall provide its response as soon as is practicable under the circumstances.

(e) Other than the assignment as security of the Project Documents to the Security Trustee and/or the Agent, the Borrower will not assign any of its rights or obligations under any Transaction Document or consent to any other assignment.

**17.18 Construction**

The Borrower:

(a) shall procure that the Works are designed, constructed, completed, tested, commissioned, equipped and maintained by the EPC Contractor in accordance with:

(i) Good Industry Practice;

(ii) the EPC Contract and the requirements relating to the Works in any other Project Document (including the IEC PPA), using materials of good quality which are consistent with the requirements of the EPC Contract;

(iii) all Project Consents and applicable Laws;

(iv) the Construction Schedule;

and that Construction Completion occurs by not later than the Construction Completion Deadline;

(b) shall only exercise its discretions in respect of the EPC Contract, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions).**

**17.19 Operation and Maintenance**

The Borrower:

(a) shall procure the operation and maintenance of the Project by the O&M Contractor and the LTSA Contractor in accordance with:

(i) Good Industry Practice;

(ii) the requirements relating to maintenance of the Project in the O&M Contract, the LTSA Contract and any other Project Document (including the IEC PPA);

(iii) the O&M Budget; and

(iv) all Project Consents and applicable Laws;

(b) shall only exercise its discretions in respect of the O&M Contract and the LTSA Contract, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions).**

**17.20 Gas Agreements**

The Borrower:

(a) shall use its commercial best efforts to procure the supply of gas in accordance with:

(i) Good Industry Practice;

(ii) the Gas Supply Agreement, the Gas Transportation Agreement and any other relevant Project Document; and

(iii) all Project Consents and applicable Laws;

(b) shall only exercise its discretions in respect of the Gas Supply Agreement, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions);** and

(c) shall only exercise its discretions in respect of the Gas Transportation Agreement, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions).**

(d) if, by no later than 31 December, 2027, the term of the Gas Supply Agreement has not been extended until the Final Maturity Date of the Long Term Facility, the Borrower shall be required to present an alternative solution for the supply of natural gas to the satisfaction of the Agent. In the absence of such acceptable solution the Borrower shall not be entitled to make any Distribution.

(e) Following a Gas Supply Agreement Termination due to Force Majeure, the Agent may instruct the Borrower to pay the Gas Shortfall Amount (as such terms are defined under the provisions Corporate Guarantee) in accordance with the provisions of Gas Supply Agreement, including by way of utilizing amounts in the Debt Service Reserve Account; provided, however, that the Agent may so instruct the Borrower only in the event that: (i) a recovery plan for the restoration of the damage, which includes all financial sources for its implementation, has been approved by the Agent and such sources are available to the Borrower (and for such purpose, all payments pursuant to the Corporate Guarantee shall be deemed to be available sources); and (ii) the LTA has determined that restoration of the damage can be completed within the availability period of such financial sources

**17.20A Oil Number Two Contract**

The Borrower shall:

(a) use its commercial best efforts to procure the supply of Oil Number Two in accordance with:

(i) Good Industry Practice;

(ii) all Project Consents and applicable Laws;

(b) execute the Oil Number Two Contract by no later than 6 (six) months prior to the Construction Completion.

**17.21 Power Purchase Agreements**

The Borrower shall only enter into any PPA's in accordance with all of the following provisions:

(a) With respect to an aggregate capacity of 75MW, the Borrower may enter into PPA at its discretion provided that; (i) no individual PPA or series of PPA with one Electricity Buyer will exceed 20MW; (ii) each PPA will include the Borrower's right to assign (including by way of a pledge) all its rights and obligation under the PPA to the Senior Lenders; and (iii) none of the parameters of sub-Clause (b) below are exceeded.

The Borrower shall provide the Agent with copies of PPA's entered into in accordance with this sub-Clause.

(b) Notwithstanding (a) above, the Borrower shall submit for the Agent's approval, any PPA with an Electricity Buyer where:

(i) The PPA is for 40MW or more;

(ii) The discount granted to the Electricity Buyer with respect to the Generation Component exceeds 10%;

(iii) The term of the PPA is for a period shorter than 10 years from the commencement of supply of electricity to the Electricity Buyer (the **"Commencing Date"),** excluding an early termination option of the Electricity Buyer (subject to a first refusal right of the Borrower), such termination may not become effective for a period of at least five (5) years from the Commencing Date (unless such early termination option of the Electricity Buyer has been provided with respect to PPAs executed prior to the Construction Completion with Electricity Buyers which are contemplating to build their own IPPs, for which the termination may not become effective for a period of at least three (3) years from the Commencing Date); and/or

(iv) The PPA is with an Affiliate of the Borrower.

(c) For any PPA which exceeds the capacity referred to under (a) above:

(i) The PPA will include the Borrower's right of early termination in case the Average Generation Component decreases below 24.36 Agurot per KWh linked to the consumer price index.

(ii) The PPA will not require the Borrower to sell the electricity at a discount in case of a shortage of natural gas.

(iii) During the term of the PPA, the Electricity Buyer shall not purchase electricity at a single site that is being consumed through the meters in this site from any other source except for the Borrower.

(iv) The PPA will include the Borrower's right to assign all its rights and obligation under the PPA to the Senior Lenders.

(d) In addition, the Borrower:

(i) Shall only exercise its discretions in respect of any PPA, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions).**

(ii) Shall only exercise its discretions in respect of the IEC PPA, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions).**

(e) If the Borrower shall fail to maintain the ratios specified in Clause 20.19(a) then, without derogating from the any other rights of the Agent and the Senior Lenders pursuant to the provisions of the Finance Documents, the Borrower shall suspend or terminate all PPAs with Electricity Buyers (in compliance with the provisions thereof), and supply the IEC a Contract Capacity which is equal to 100% of the Demonstrated Net Capacity, in accordance with the provisions of the IEC PPA. The provisions of this Clause shall not be deemed to or construed as derogating from the provisions of the Sponsors Guarantee and the Dalkia International S.A. Corporate Guarantee and the Israel Corporation Ltd. Corporate Guarantee

**17.22 Other Project Documents**

The Borrower shall only exercise its discretions in respect of Project Documents executed following the Effective Date, if required to do so by the Agent, in accordance with the provisions of **Schedule 20 (Reserved Discretions),** as shall be amended by the Agent following the execution of each such Project Document.

**17.23 Use of Property**

The Borrower shall:

(a) keep all property useful and necessary in its business in good working order and condition (normal wear and tear excepted);

(b) not use, maintain, operate or occupy or allow the use, maintenance, operation or occupancy of any portion of the Site or the Project in any manner:

(i) which, in the sole discretion of the Agent, constitutes or may be reasonably likely to constitute a public or private nuisance resulting in a Material Adverse Effect;

(ii) which may make void, voidable, liable to cancellation or increase the premium of any of the Insurances in force with respect to the Site or the Project or any part thereof unless, in the case of an increase in premium, the Borrower gives proof of payment of such increase; or

(iii) otherwise than for the intended purpose thereof in the construction, operation, maintenance and use of the Project.

**17.24 Use of Proceeds**

The Borrower shall apply the proceeds of the Loans and Equity Contributions wholly and exclusively to pay Construction Period Costs and the Development Costs, strictly in accordance with the Construction Period Budget and the Finance Documents.

**17.25 Financing of the Project**

(a) The Borrower shall not make any expenditures not provided for in the Construction Period Budget and/or the O&M Budget; provided that the Borrower may make expenditures not provided for in the current Construction Period Budget and/or current O&M Budget in the event of an emergency affecting life, safety or the environment, to the extent reasonably necessary **("Emergency Expenditure");** and provided further that should the Emergency Expenditure exceed NIS 1,000,000 than the Borrower shall demonstrate to the Agent that a Person (other than the Borrower) shall be responsible for the payment or reimbursement of the Emergency Expenditure.

(b) Once approved by the Agent, the Borrower shall not, directly or indirectly, amend, modify, allocate, re-allocate or supplement any of the provisions of any O&M Budget or the Construction Period Budget, except with the prior consent of the Agent. Notwithstanding the above, the Borrower shall be entitled to amend, modify, allocate, re-allocate or supplement to the O&M Budget and/or the Construction Period Budget so long as such amendment, modification, allocation, re-allocation or supplement shall not cause an increase in the total O&M Budget and the total Construction Period Budget and provided further that any item shall not be increased or decreased by more than 5% thereof.

(c) Without derogating from the generality of any other Clause of this Agreement, in the event the applicable Facilities shall not be sufficient to finance the Construction Period Costs, the Borrower undertakes to finance any such Cost Overruns in order to achieve Construction Completion by the Construction Completion Deadline.

**17.26 Accounts**

The Borrower shall maintain all Accounts in accordance with the provisions of the Accounts Agreement.

**17.27 Hedging**

During the period commencing on the CP Fulfilment Date and ending on Construction Completion, the Borrower shall:

(a) , maintain all Hedging Agreements in full force and effect required to reasonably hedge USD and JPY payments in accordance with the EPC Contract, in coordination with the Agent **("Foreign Currency Hedge").**

(b) provide the Agent, twice a year, its hedging policy with respect to exposure of changes to the Reference Bonds Interest Rate, in form and substance acceptable to the Agent, taking into account the provisions of Clause 5.6, the Sponsor Guarantees, the Dalkia International S.A. Corporate Guarantee and the Israel Corporation Ltd. Corporate Guarantee **("Interest Rate Hedge").**

(c) The Borrower undertakes to enter into Hedging Agreements for the sole purpose of hedging interest rate and foreign currency exposures with respect to the Project.

**17.28 Reserve Requirements**

(a) **Maintenance Reserve Requirement.** Eighteen (18) months prior to the termination of the LTSA Contract and as of such date, the Borrower shall be required to enter into a long term service agreement in a form satisfactory to the Agent with a long term service contractor acceptable to the Agent (the **"New LTSA Contract").** Subject to the terms of the New LTSA Contract, the Agent may instruct the Borrower to make contributions to a Maintenance Reserve Account in accordance with the provisions of the Accounts Agreement, including, *inter alia*, in order to comply with maintenance reserve requirement, which requirements shall be determined to the satisfaction of the Agent.

(b) **Debt Service Reserve Requirement.** Upon Construction Completion and as of such date, the Borrower shall make contributions to the Debt Service Reserve Account in accordance with the provisions of the Accounts Agreement, in order to comply with Debt Service Reserve Requirement.

Without derogating from the foregoing or from its obligation to maintain the Debt Service Reserve Requirement at all times, the Borrower shall be entitled to, and required to if so instructed by the Agent, utilize funds in the Debt Service Reserve Account in accordance with provisions of clause 8.2 of the Account Agreement.

**17.29 Distributions**

(a) The Borrower shall not:

(i) authorise, declare or pay any dividends, or return any capital, to its shareholders;

(ii) authorise or make any other distribution, payment or delivery of property (in cash or in kind) to the Shareholders and/or Subordinated Lender except for payments under the Project Documents made in accordance with the terms of the Finance Documents and such Project Document;

(iii) make any payments with respect to the Subordinated Loan Interests or any other Subordinated Debt whether of interest, principal, fees or otherwise;

(iv) set aside any funds for any of the foregoing purposes, except as contemplated by this Agreement; or

(v) purchase or redeem any Subordinated Debt,

(each of the foregoing events being a **"Distribution")** other than where the Distribution is made in accordance with the procedure detailed in Clause 17.29 (b) below.

(b) Commencing on the third anniversary of Construction Completion, the Borrower may, within fourteen (14) days after the end of each calendar year transfer amounts in cash standing to the credit of the Proceeds Account to the Holding Account, if each of the following conditions are:

(i) no Event of Default or Potential Default is then in existence (or would be in existence after giving effect to such transfer);

(ii) the Distribution is in accordance with the Order of Payments;

(iii) the Loans under the Debt Service Reserve Facility have been repaid in full and the amounts standing to the credit of the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement at such time;

(iv) full contributions shall be made to the Maintenance Reserve Accounts required to be maintained under this Agreement for the forthcoming periods (if applicable), including that the amounts standing to the credit of the Maintenance Reserve Account shall equal the Maintenance Reserve Requirement at such time;

(v) There are no amounts outstanding with respect to Loans made under the Working Capital Facility

(vi) a Distribution has not been made in a twelve month period;

(vii) as of 31 December, 2027 [ *eighteen (18) months prior to the end of the term of Gas Supply Agreement* ], the Borrower has complied with the provisions of Clause 17.20(d).

(viii) the Excess Cash shall be not less than NIS 25,000,000, and either of the following:

(A) If the Contract Capacity supplied to the IEC under the IEC PPA is equal to, or lower than, 25% of the Demonstrated Net Capacity, the Borrower shall demonstrate the following:

(i) a minimum Annual Debt Service Cover Ratio of 1.25 (calculated both for the previous 12 months period and for the upcoming 12 months period based on the Borrower's forecast);

(ii) a minimum Loan Life Cover Ratio of 1.25 which will be calculated for a successive year on the basis of a forecast of the Borrower's financial performance;

(B) If the Contract Capacity supplied to the IEC under the IEC PPA is higher than 25% of the Demonstrated Net Capacity, the Borrower shall demonstrate the following:

(i) a minimum Annual Debt Service Cover Ratio of 1.2 (calculated both for the previous 12 months period and for the upcoming 12 months period based on the Borrower's forecast);

(ii) a minimum Loan Life Cover Ratio of 1.2 which will be calculated for a successive year on the basis of a forecast of the Borrower's financial performance;

(c) The Borrower must not transfer any money from the Holding Account to the Distributions Account unless as at the date of the transfer:

(i) all of the conditions in paragraphs (b)(i), (iii) and (v) above are satisfied; and

(ii) the Annual Debt Service Cover Ratio for the previous 12 months period specified in paragraph (b)(vii)(A)(i) above or paragraph (b)(vii)(B)(i) above, as the case may be, has been finally determined, based on the Borrower's Report and Borrower Auditors' Letter (as such terms are defined in Clause 17.1(a)(iii) above), as meeting the requirements of paragraph (b)(vii)(A)(i) above or paragraph (b)(vii)(B)(i) above, as the case may be.

(iii) the Annual Debt Service Cover Ratio for the upcoming 12 months period specified in paragraph (b)(vii)(A)(i) above or paragraph (b)(vii)(B)(i) above, as the case may be, has been finally determined, after the completion of the annual payment reconciliation pursuant to the provisions of the Gas Supply Agreement, as meeting the requirements of paragraph (b)(vii)(A)(i) above or paragraph (b)(vii)(B)(i) above, as the case may be;

(iv) the Loan Life Cover Ratio has been finally determined, after the completion of the annual payment reconciliation pursuant to the provisions of the Gas Supply Agreement, as meeting the requirements of paragraph (b)(vii)(A)(ii) above or paragraph (b)(vii)(B)(ii) above, as the case may be.

(d) The Agent shall upon written request by the Borrower, if all of the conditions specified in paragraph (b) are satisfied, confirm to the Account Bank in writing the amount which the Agent determines in good faith which may be transferred to the Holding Account or, if all the conditions specified in paragraph (c) above are satisfied, from the Holding Account to the Distributions Account in accordance with the Finance Documents.

**17.30 Applicable Laws**

(a) The Borrower shall comply with all applicable Laws.

(b) The Borrower shall procure that the Shareholders will comply with the provisions of the Law applicable to the Borrower and the Shareholders with respect to the provision of funding by the Shareholders, as defined therein. The Borrower or the Sponsors shall not (by virtue of the provisions of this clause), be prevented from claiming that the equity contributions made pursuant to the Finance Documents satisfy the provisions of the Law with respect to equity funding by the Shareholders, as defined therein; provided that and for so long as no notification of cancellation of the License, or the equivalent thereof shall have been issued by any Governmental Authority.

(c) If by December 31, 2011, it is illegal, in the opinion of the Agent, to effect sale of electricity to Electricity Buyers, the Borrower shall be deemed to be providing 100% of the Demonstrated Net Capacity to IEC, and all applicable provisions of this Agreement with respect to such scenario shall apply.

(d) To the extent not included in the Electricity License, the Borrower shall obtain the Supply License in compliance with all applicable Law.

**17.31 Taxes**

The Borrower shall:

(a) file, or procure the filing of, all Tax and informational returns that are required to be filed by it in any jurisdiction;

(b) pay and discharge, when due, all Taxes and other governmental charges imposed on it, its income or profits, or any of its property, or in connection with the execution, issue, delivery, performance, registration or notarisation, assignment or transfer of any interest in, or for the legality, validity, or enforceability or admissibility in evidence of any Transaction Document, except that the Borrower may contest in good faith the validity or amount of any such Tax by proper proceedings, and may allow the Tax so contested to remain unpaid during the period of such contest provided all the following conditions are fulfilled:

(i) the Borrower diligently prosecutes such contest;

(ii) during the period of such contest the enforcement of any contested item is effectively stayed;

(iii) such contest does not in the opinion of the Agent involve a material risk of the sale, forfeiture or loss of any of the Collateral; and

(iv) the Borrower shall promptly pay or cause to be paid any valid judgement enforcing such Tax and cause the same to be satisfied of record;

(c) to the fullest extent it is able to do so, apply any and all Tax credits, losses, reliefs or allowances taken into account in the Financial Model in the manner and to the extent that they were taken into account and promptly inform the Agent to the extent that it is not able to do so unless it demonstrates to the satisfaction of the Agent that doing otherwise would result in a material advantage to the Project and could not adversely affect the respective interest of the Senior Lenders in any way; and

(d) not surrender or dispose of any Tax credit, loss, relief or allowance.

(e) Procure that any of the Tax rulings, pre-rulings, concessions and exemptions shall be in full force and effect.

The Borrower will make all Tax filings and responses in a timely manner and will pursue all remedies and appeals and will defend its rights and properties with diligence and will take all lawful action to avoid anything which is likely to have a Material Adverse Effect.

**17.32 Environmental Matters**

(a) The Borrower shall comply fully, and will make reasonable endeavours to cause all other Persons occupying, using or present at the Site to comply fully with:

(i) all applicable Environmental Laws; and

(ii) the terms and conditions of all Environmental Licences,

and for this purpose will implement procedures to monitor compliance and contain liability in accordance with its obligations under the Transaction Documents.

(b) The Borrower must promptly upon becoming aware notify the Agent of:

(i) any Environmental Claim current, or to its knowledge, pending or threatened;

(ii) any circumstances which is likely to result in an Environmental Claim; or

(iii) any suspension, revocation or modification of any Environmental License.

(c) Forthwith upon becoming aware thereof, the Borrower shall provide the Agent with details of any non-compliance with any Environmental Law or Environmental Licence or of any Environmental Claim or of any material safety hazard or risk which has had or is reasonably likely to have a Material Adverse Effect.

(d) The Borrower must indemnify each Senior Lender against any loss or liability incurred by that Senior Lender as a result of a final and non-appealable judgement regarding any breach of any Environmental Law for which the Borrower is liable pursuant to the Transaction Documents, and which would not have arisen if a Finance Document had not been entered into.

(e) The Borrower will promptly take all actions and pay or cause to be paid all costs necessary to comply with all Environmental Laws and eliminate any material risk to human health or property or the environment. If the Borrower fails to take the actions or pay or cause to be paid the costs required under this Clause 17.31 (Environmental Matters), the Agent may, following delivery to the Borrower of written notice of such intention within seven (7) days, but will have no obligation to, take such actions or pay such costs as may be necessary to bring the Borrower into compliance and eliminate such risks (including by virtue of exercising the Sponsors Guarantees and/or the Dalkia International S.A. Corporate Guarantee and/or the Israel Corporation Ltd. Corporate Guarantee), and all amounts so expended by the Agent will be Obligations of the Borrower to the Senior Lenders under the Finance Documents payable upon demand and secured by the Security Interests under the Security Documents. Nothing in this Clause 17.31 (Environmental Matters) imposes any obligation or liability whatsoever on the Senior Lenders.

(f) From time to time, and at any time when there are reasonable grounds to believe there has been a violation of Environmental Law or that there are any circumstances which may give rise to any Environmental Claim or as may be required by any Law, which are likely to have a Material Adverse Effect the Agent may cause an environmental assessment and audit of the Project and the Site to be conducted to confirm the Borrower's compliance with this Clause 17.31 (Environmental Matters). The Borrower agrees to cooperate fully with the Agent and any of its Advisors in connection with any such assessment or audit and to pay the costs thereof. The costs of the environmental audit or assessment shall be approved in advance by the Borrower and the Borrower shall be entitled to review all drafts of the reports before signature and comment thereon, provided, however, that if an Event of Default occurs or is reasonably likely to occur, the Agent may cause such environmental assessment and audit at its sole discretion and the Borrower shall fully cooperate with such environmental assessment and audit and pay the cost thereof.

**17.33 Litigation; Construction and Operation and Maintenance Disputes**

(a) In any arbitration, claim, suit, litigation, demand, proceeding, complaint, assessment, lien, injunction, order, judgement, notice of non-compliance or violation, investigation or other action by or before any Governmental Authority or any other Person involving the Borrower or the Project, concerning a matter that has or is reasonably likely to have a Material Adverse Effect, the Borrower

will make all filings and responses in a timely manner, will pursue all remedies and appeals, will defend its rights and properties with diligence and will take all lawful action to avoid anything which has had or is reasonably likely to have a Material Adverse Effect.

(b) In any action, claim, arbitration or other proceeding commenced or levied against the Borrower under the EPC Contract, the O&M Contract, the LTSA Contract, the IEC PPA the Gas Supply Agreement or any other Project Document, concerning a matter that has or is reasonably likely to have a Material Adverse Effect the Borrower shall notify the Agent about such action, claim, arbitration and other proceedings, shall defend its rights and properties vigorously, and shall keep the Agent apprised of all material events in such action, claim, arbitration or other proceeding. Any settlement or compromise of any such action, claim, arbitration or proceeding for any amount or on any other terms shall be subject to the prior written consent of the Agent unless such action, claim or proceeding involves an amount of less than NIS 1,000,000 (as linked to the Base CPI Index) (or its Equivalent Currency Amount).

(c) In the event that the Borrower commences or is required to commence any action, claim, arbitration or other proceeding against the EPC Contractor under the EPC Contract, the O&M Contractor under the O&M Contract, the LTSA Contractor under the LTSA Contract, Electricity Buyer under a PPA, the IEC under the IEC PPA, the Gas Supplier under the Gas Supply Agreement or the Gas Distributor under the Gas Distribution Agreement, the Borrower shall notify the Agent about such action, claim, arbitration or other proceeding, shall pursue such action, claim, arbitration or other proceeding vigorously, and shall keep the Agent appraised of all material events in such action, claim, arbitration or other proceeding. Any settlement or compromise by the Borrower of any such action, claim, arbitration or other proceeding shall be subject to the prior written consent of the Agent unless such action, claim or proceeding involves an amount of less than NIS 1,000,000 (or its Equivalent Currency Amount) (as linked to the Base CPI Index).

**17.34 Advisers and Consultants**

(a) The Agent may, in consultation with the Borrower:

(i) appoint additional Advisers to act on behalf of the Senior Lenders in relation to the Project; and

(ii) appoint a replacement Adviser if any Adviser resigns or its appointment otherwise ceases or is terminated, provided that the Agent shall provide the Borrower with a prior notice to that effect.

Provided, however, that if an Event of Default occurs or is reasonably likely to occur, the Agent may appoint or replace Advisor(s) on any terms, at its sole discretion.

(b) The Borrower agrees to:

(i) each of the Advisers carrying out their respective roles described in the Finance Documents, the relevant Project Documents and the Engagement Letters; and

(ii) cooperate with each of the Advisers, and to ensure that each such Person will be provided with all information reasonably required by such Person and will exercise due care to ensure that any information which it may supply to such Person is materially accurate and not, by omission of information or otherwise, misleading in any material respect.

For the avoidance of doubt, such additional and replacement Advisers fees shall be borne by the Borrower according to the provisions of Clause 22.4 (Advisers' Fees).

**17.35 Auditors**

The Borrower shall appoint and maintain at all times as the Auditors of the Borrower a firm of independent public accountants licensed to practice in Israel of recognised public standing, being one of the 'big four' accounting firms and otherwise reasonably satisfactory to the Agent.

**17.36 Press Releases and Advertising**

The Borrower shall not issue or consent to the issuance of any press release or other announcement or advertisement that refers to the provision of financing by the Senior Lenders for the Project without the prior consent of the Agent, except that no consent shall be required where the issuance of any such press release, announcement or advertisement is required by applicable Law.

**17.37 Further Actions**

(a) The Borrower shall take all further actions and execute and deliver, from time to time as reasonably requested by the Agent, at the Borrower's expense, such other documents as shall be necessary or advisable or that the Agent may reasonably request, in connection with the rights and remedies of the Senior Lenders granted or provided for by the Transaction Documents, as applicable, and to consummate the transactions contemplated therein.

(b) The Borrower shall cooperate with the Agent and shall use its commercial best efforts in order to cause the EPC Contractor, the O&M Contractor, the LTSA Contractor, the Gas Supplier and any other relevant party on its behalf to cooperate with the Agent, as required, for the purpose of achieving participation by other senior lenders in the Facility (or any other method of financing), as determined by the Agent. The costs resulting from such participation (or any other method of financing) shall be borne by the Borrower in accordance with the provisions of Clause 28.2 (Transfers by Senior Lenders) below.

**17.38 Rating**

The Borrower shall -

(a) without derogating from the provisions of Clause 20.20 (Rating), by no later than 3 months following Construction Completion or earlier, if required due to a change in Law (within a reasonable period of time under the circumstance), obtain a rating with respect to the O&M Period or the Project, as applicable, by a rating company or entity satisfactory to the Agent; and

(b) thereafter, maintain a rating to be reassessed on an annual basis, by a rating company or entity satisfactory to the Agent.

The costs resulting from such rating requirements, including the rating fee and the fees of legal advisers, shall be borne by the Borrower.

**17.39 Force Majeure**

The Borrower shall inform the Agent of:

(a) Any event which constitutes an event of Force Majeure under the provisions of the IEC PPA or any other PPA', the EPC Contract, the O&M Contract, the LTSA Contract, the Gas Supply Agreement or the Gas Transportation Agreement; and

(b) Details of such event including the date on which such event occurred or commenced, actions being taken to mitigate the consequences of such event and the date of cessation of any such event.

**17.40 Duration**

The undertakings hereunder shall remain in force from the date hereof for so long as any amount is or may be outstanding hereunder. All of those undertakings (and any undertakings or restrictions in any other clause hereof) are cumulative, and accordingly none of them shall (except to the extent expressly stated) be limited by any exception to any other undertaking or by implication from the terms of any other undertaking.

**18. CALCULATIONS AND REVISIONS CLAUSE**

**18.1 Model, Budgets and Projected Costs to Complete**

Upon any of the followings:

(a) Pursuant to a change to the Project affecting:

(i) the Construction Period Budget;

(ii) the O&M Budget;

(iii) the assumptions upon which the Construction Budget, the O&M Budget or the Financial Model were based **("Assumption");** or

(iv) the projections since the date on which the Construction Budget, the O&M Budget, or the Financial Model (including *inter alia*, as a result of a change in the allocation of capacity between IEC and the Electricity Buyer) were last updated;

and/or

(b) upon the commencement of each calendar year;

The Borrower shall, within thirty (30) days or less, if so requested by the Agent, prepare an updated Financial Model (which shall be marked and include explanations of the changes introduced by the Borrower), Construction Budget or O&M Budget (as applicable), which reflects accurately such change and deliver such updated Financial Model, Construction Budget or O&M Budget (as applicable) to the Agent.

(A) The Agent shall, within thirty (30) days following receipt by it of a revised Financial Model, Construction Budget or O&M Budget (as applicable), following consultation with the any of the Advisers of the Senior Lenders', notify the Borrower whether or not such updated Financial Model, Construction Budget or O&M Budget (as applicable), has been approved.

(B) If a notice disapproving the updated Financial Model, Construction Budget or O&M Budget (as applicable), is given pursuant to sub-Claus (c) above, the Agent and the Borrower shall negotiate for a period of thirty (30) days in good faith in order to agree on the updated Financial Model, Construction Budget or O&M Budget (as applicable).

(C) If the Agent and the Borrower are unable to agree to the Financial Model, the Construction Budget or the O&M Budget (as applicable), within the thirty (30) day period noted in sub-Clause (d) above, then the Financial Model, the Construction Budget or the O&M Budget (as applicable), shall be amended in accordance with the instructions of the Agent at its sole discretion.

(D) Pursuant to the updated Financial Model, Construction Budget or O&M Budget (as applicable) being approved in accordance with sub-Clauses (c) or (e) above, it shall constitute the Financial Model, Construction Budget or O&M Budget (as applicable), for the purposes of this Agreement.

**19. INSURANCES**

(a) The Borrower shall:

(i) maintain in force and cause to be maintained in force all Insurances required under **Schedule 15 (Insurance)** and any other the Transaction Document regarding Insurance and shall not amend any of the Insurances without the prior written consent of the Agent;

(ii) keep or cause to be kept its present and future properties and business insured with financially sound and reputable insurers satisfactory to the Agent against loss or damage in such manner and to the extent required in **Schedule 15 (Insurance)** of this Agreement and additional insurance **("Additional Insurance")** as may otherwise be required by the Agent to cover new, materially different or increased risks or contingencies arising or occurring after the Effective Date that would be insured by a reasonable and prudent insurer acting in accordance with Good Industry Practice (taking into account the availability of such Additional Insurance in the international insurance market on reasonable commercial terms), which are not covered to the reasonable satisfaction of the Agent by existing Insurances;

(iii) at the commencement and upon each renewal of each insurance policy and at the reasonable request of the Agent promptly provide cover notes, policies and endorsements of the policies maintained or caused to be maintained by the Borrower, coverage limits of liability, effective dates of coverage, insurance carrier names and policy numbers; and

(iv) provide the Agent with copies of the insurance contracts relating to the Insurances required by **Schedule 15 (Insurance)** on or prior to the dates such policies are required to be delivered to the Agent in accordance with such **Schedule 15 (Insurance),** such policies to be in the English language or Hebrew language, in form and substance, and issued by companies, satisfactory to the Agent based on consultation with the Senior Lenders' Insurance Adviser.

(b) In determining whether Additional Insurance is available on reasonable commercial terms the Borrower shall have on-going regard to the cost and scope of such insurance and the Senior Lenders' need to protect their own interests in relation to the Project and in such circumstances the Borrower shall approach the insurance markets at reasonable intervals but not less frequently than every three (3) months to determine whether any Additional Insurance has become available, and shall keep the Agent fully informed of the availability of such Insurance, and shall, if required by the Agent, effect such Additional Insurance (to the extent that such Insurance is available on reasonable commercial terms).

(c) The provisions of this Clause 19 (Insurances) shall be deemed supplemental to, but not duplicative of, the provisions of the Transaction Documents that require the maintenance of Insurances. In the event that any insurance whatsoever is purchased, taken or otherwise obtained by the Borrower with respect to the Project otherwise than as required hereunder or if not properly endorsed to the Agent as the sole loss payee and name insured or beneficiary or otherwise made upon the terms required in this Clause 19 (Insurances), such insurance (excluding third party liability insurance, employers' liability insurance and directors and officers' insurance) shall be considered assigned by the Borrower hereunder to the

Agent with the right of the Agent to make, settle, compromise and liquidate any and all claims thereunder, without prejudice to the exercise of any other rights and remedies that the Senior Lenders may have under any of the Transaction Documents, or under any applicable Law.

## 20. EVENTS OF DEFAULT

The occurrence and continuance of any of the events, conditions or circumstances set out in this Clause 20 shall constitute an Event of Default.

### 20.1 Non-payment

The Borrower does not pay within five (5) Business Days of the due date (whether at maturity, by acceleration or otherwise), any amount due and payable by it under any Finance Document at the place at and in the currency in which it is expressed to be payable.

### 20.2 Non-compliance

(a) The Borrower does not perform, comply with or observe any provision of (or a default otherwise occurs thereunder) Clauses 17.8 (Negative Pledge), 17.9 (Security), 17.10 (Dispositions), 17.11 (Permitted Financial Indebtedness), 17.12(a)-(d), (g) and (h), 17.14 (Investments, Accounts), 17.15 (Mergers and Acquisitions of Assets), 17.29 (Distributions), 19 (Insurances) of this Agreement;

(b) The Borrower, Israel Corporation Ltd., Dalkia International S.A. or any Sponsor does not perform, comply with or observe any provision of (or a default otherwise occurs thereunder) Clauses 2-11 of the Equity Subscription Agreement;

(c) Israel Corporation Ltd. does not perform, comply with or observe any provision of the Israel Corporation Ltd. Corporate Guarantee, Dalkia International S.A. does not perform, comply with or observe any provision of the Dalkia International Corporate Guarantee and/or any Sponsor does not perform, comply with or observe any provision of the Sponsor Guarantees;

(d) The Borrower or any Obligor does not perform, comply with or observe any other provision of any Finance Document (other than those referred to in Clauses 20.1 (Non-payment), 20.2 (a) and (b), 20.10 (a) and (b) and 20.17 with respect to which no cure periods or additional cure periods are granted pursuant to the provisions of this Clause 20.2(c)), or a default otherwise occurs thereunder and, if capable of remedy, that breach or default is not cured within thirty (30) days of receipt of notice from the Agent specifying the breach or default (or if earlier, of the Borrower or such Obligor first becoming aware of the breach or default), provided however that such grace period will be increased by up to an additional fifteen (15) days at the request of the Borrower prior to the expiry of such thirty (30) day period (as shall be necessary for the Borrower or such Obligor, to cure such breach or default), where the Agent is satisfied, that:

(i) the breach or default cannot be cured within such thirty (30) day period and is capable of cure within such additional fifteen (15) day period;

(ii) the Borrower or such Obligor is diligently and in good faith pursuing such cure; and

(iii) none of the breach or default, the continuance thereof or the action of the Borrower or other Obligor in pursuing such cure has had or is reasonably likely to have a Material Adverse Effect; or

(e) The Borrower or any Sponsor does not perform, comply with or observe any provision of the Equity Bridge Finance Documents and/or the Equity Documents or a default otherwise occurs thereunder and:

(i) with respect to any breach or default involving the non-payment of money by such Person, such Person does not pay within five (5) Business Days from the due date (whether at maturity, by acceleration or otherwise) any amount due and payable by it under the Equity Documents at the place and in the currency it is expressed to be payable; or

(ii) with respect to any breach or default that does not involve the non-payment of money, such breach or default, if capable of cure, is not cured within thirty (30) days of the Borrower's or Sponsor's receipt of notice from the Agent specifying the breach or default (or if earlier, of the Borrower or such Person first becoming aware of the breach or default), provided however that such grace period shall be increased by up to fifteen (15) days at the request of the Borrower (as shall be necessary for the Borrower or Sponsor to cure such breach or default), where the Agent is satisfied that:

(1) the breach or default cannot be cured within such thirty (30) day period and is capable of cure within such additional fifteen (15) day period;

(2) the Borrower or Sponsor is diligently and in good faith pursuing such cure; and

(3) none of the breach or default, the continuance thereof or the action of the Borrower or Sponsor in pursuing such cure has had or is reasonably likely to have a Material Adverse Effect.

**20.3 Misrepresentation**

A representation, warranty or statement made or repeated or deemed made or repeated in or in connection with any Transaction Document or in any document delivered by or on behalf of the Borrower or any other Obligor (other than the Senior Lenders) under or in connection with any Transaction Document is incorrect in any material respect when made or deemed to be made or repeated or deemed repeated and shall continue to be

incorrect for a period of thirty (30) days from the date such representation or warranty is or is deemed to have been made or repeated provided , that such grace period shall be increased by up to fifteen (15) days at the request of the Borrower (as shall be necessary for the Borrower or Sponsor to cure such incorrect warranty or statement), where the Agent is satisfied, that:

(1) the warranty or statement cannot be cured within such thirty (30) day period and is capable of cure within such additional fifteen (15) day period;

(2) the Borrower or Sponsor is diligently and in good faith pursuing such cure; and

(3) none of the breach or default, the continuance thereof or the action of the Borrower or Sponsor in pursuing such cure has had or is reasonably likely to have a Material Adverse Effect.

**20.4 Cross-default**

(a) Any outstanding Financial Indebtedness (other than in respect of Subordinated Debt) of the Borrower in an amount exceeding NIS 500,000, is not paid when due after giving effect to any grace period applicable thereto.

(b) A Transaction Document (other than PPA(s) executed pursuant to the provisions of Clause 17.21(a)), is terminated.

(c) An event of default howsoever described (or any event which with the giving of notice or any certificate, lapse of time, or the satisfaction of any other condition (or any combination of the foregoing), would constitute such an event of default), is declared by a party to a Transaction Document or occurs under any Transaction Document and/or under any document or instrument evidencing, securing or relating to outstanding Financial Indebtedness (other than in respect of Subordinated Debt) of the Borrower, any Sponsor or any Shareholder which, if not remedied, in accordance with the relevant provisions therein, will give rise to the termination of a Transaction Document;

(d) any outstanding Financial Indebtedness of any of the Sponsors and/or Israel Corporation Ltd. and/or Dalkia International S.A. above NIS 5,000,000 (or its Equivalent Currency Amount) (as linked to the Base CPI Index), becomes prematurely due and payable which is likely to constitute a Material Adverse Effect; or

(e) any Security Interest securing Financial Indebtedness over any asset of the Borrower or any Shareholder becomes enforceable and is not cured within seven (7) days.

**20.5 Insolvency**

The Borrower or any Obligor:

(a) commits an act of bankruptcy, is, or is deemed for the purposes of any law applicable to it to be, generally unable to pay its debts as they fall due or to be insolvent, or admits a general inability to pay its debts as they fall due; or

(b) suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness;

Provided that it shall not be an Event of Default where (i) any of the foregoing events had occurred with respect to any Obligor (other than the Borrower and the Shareholders) and such event has not had and will not have a Material Adverse Effect; or (ii) an event specified in sub-Clause 20.5(a) had occurred with respect to the EPC Contractor and Posco E&C has assumed all of the EPC Contractors' obligation pursuant to the provisions of the EPC Contract.

**20.6 Insolvency Proceedings**

(a) Any step (including petition, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any creditors of the Borrower or any Obligor; or

(b) any order (provisional or otherwise and if provisional - only if not removed within forty five (45) days) is made or resolution passed for, or any step (including petition, proposal or convening a meeting) is taken by the Borrower or any other Obligor with a view to the liquidation, administration, winding up, entry into receivership, re-organisation, dissolution or any other insolvency proceedings of the Borrower or any other Obligor; or

(c) any Person presents a petition which is not withdrawn or set aside within forty five (45) days for the winding-up, liquidation, bankruptcy, receivership, reorganisation or for the administration of the Borrower or any Obligor.

provided that it shall not be an Event of Default where any of the foregoing events had occurred with respect to any Obligor (other than the Borrower and the Shareholders) and such event has not had and is not reasonably likely to have a Material Adverse Effect or an event specified in this Clause 20.6 had occurred with respect to the EPC Contractor and Posco E&C has assumed all of the EPC Contractors' obligation pursuant to the provisions of the EPC Contract.

**20.7 Appointment of Receivers and Managers**

(a) Any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, permanent or interim receiver, administrator or the like is appointed in respect of the Borrower or any other Obligor over all or any part of their respective assets; or

(b) any Person requests the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, interim or permanent receiver, administrator or the like for the Borrower or any other Obligor and such request in not withdrawn or set aside within twenty one (21) days (or such shorter period if such request has or is reasonably likely to have a Material Adverse Effect).

provided that it shall not be an Event of Default where any of the foregoing events had occurred with respect to any Obligor (other than the Borrower and the Shareholders) and such event has not had and will not have a Material Adverse Effect.

**20.8 Creditors' Process**

Any distress, execution, attachment, sequestration, or other proceeding affecting any material asset (irrespective of the actual value of such asset) of the Borrower or any other Obligor is initiated and, if such proceeding is being contested in good faith by appropriate proceedings and is not removed, discharged or paid out within ninety (90) days after the initiation thereof or such shorter period as may render such asset liable to forfeiture, seizure or sale, provided that it shall not be an Event of Default where any of the foregoing events had occurred with respect to any Obligor (other than the Borrower and the Shareholders) and such event has not had and is not reasonably likely to have a Material Adverse Effect an event specified in this Clause 20.8 had occurred with respect to the EPC Contractor and Posco E&C has assumed all of the EPC Contractors' obligation pursuant to the provisions of the EPC Contract.

**20.9 Cessation of Business**

(a) The Borrower or any Obligor ceases, or threatens in writing to cease to carry on all or a substantial part of its business, and with respect to an Obligor, such cessation of business has had or will have a Material Adverse Effect or unless such event had occurred with respect to the EPC Contractor and Posco E&C has assumed all of the EPC Contractors' obligation pursuant to the provisions of the EPC Contract.

(b) The construction, operation or maintenance of the Project (or any related activity of any of the foregoing) is ceased or suspended for a continuous period in excess of 90 days or periods in aggregate in excess of 90 days in any 12 month period

(c) The Borrower abandons the Project or any material Part thereof, instructs the EPC Contractor to suspend the Works or a material part thereof for a period or periods in aggregate in excess of 90 days in any 12 month period, or instructs or suffers the O&M Contractor or the LTSA Contractor to abandon the Project or any material part thereof or to suspend their obligations for a period or periods in aggregate in excess of 90 days in any 12 month period.

**20.10 Project Documents and Direct Agreements**

(a) An Obligor fails to perform any of its material obligations under any Project Documents which has or is reasonably likely to have a Material Adverse Effect, and where such failure is capable of being cured and the relevant Project Document provides for a cure period, such failure has not been cured within the relevant period.

(b) A notification by a party to any Project Document or Direct Agreement which gives the other party to such Project Document or Direct Agreement the right to terminate or exercise any material remedy under the document, and where such event, condition or circumstance is capable of being cured and the relevant Project Document provides for a cure period, such event, condition or circumstance has not been cured within the relevant period.

(c) Any Project Document or Direct Agreement is or becomes void or unenforceable or is amended, assigned or otherwise transferred other than as permitted hereunder.

(d) Any material obligation of the Borrower or any other Obligor under a Project Document or Direct Agreement is not or ceases to be a valid, legal and binding obligation of such Person, or is repudiated by, such Person or becomes void, illegal or unenforceable or any party thereto (other than a Senior Lender) shall so assert in writing, in a manner or to an extent, which has had or is reasonably likely to have a Material Adverse Effect.

(e) Any material provision of any Project Document or any Direct Agreement is terminated, or cancelled or the Borrower or any Sponsor issues a notice of termination of a Project Document or Direct Agreement in each case otherwise than:

(i) by reason of full performance of such agreement or expiry of its term; or

(ii) in the case of any of the Project Documents where such Project Document has been supplemented, modified or replaced to the satisfaction of the Agent.

**20.11 Finance Documents**

Any material provision of any Finance Document (as determined by the Agent acting in its sole discretion):

(a) is terminated (other than by expiration of its stated term), suspended for more than 30 days or cancelled other than in accordance with the Finance Documents;

(b) is or becomes invalid, illegal or unenforceable or any party thereto (other than any Senior Lender) shall so assert in writing; or

(c) ceases to be in full force and effect or is assigned or otherwise amended, transferred or prematurely terminated other than as permitted under the Finance Documents, or shall cease to give the Senior Lenders the Security Interests, rights, powers and privileges purported to be created thereby or any party thereto (other than any Senior Lender) shall so assert in writing.

**20.12 Material Adverse Effect**

Any event, condition or circumstance or series of events, conditions or circumstances occurs which has had or is likely to have a Material Adverse Effect.

**20.13 Effectiveness of Security**

Any Security Interest created by any Security Document ceases to be a valid and perfected first priority Security Interest in the Collateral covered thereby or is otherwise ineffective, or any party thereto shall so assert in writing.

**20.14 Construction Completion**

The Agent shall have determined that:

(a) Construction Completion is not expected to be achieved within the Construction Period Budget; or

(b) Construction Completion is not expected to be achieved by the Construction Completion Deadline.

**20.15 Event of Loss**

There occurs an Event of Loss, provided, however, that if following such occurrence the Borrower can maintain the ratios specified under the provisions of Clause 20.19 (Ratios and Contributions), the Agent shall not exercise its rights under the provisions of sub-Clauses 20.24(b) and 20.24(c).

**20.16 Governmental Action**

The State or any other Governmental Authority takes any step or series of steps (individually or in aggregate together with similar prior steps or series of steps) or initiates any proceeding with a view to the condemnation, seizure, expropriation, nationalisation, appropriation, requisition, confiscation or acquisition or otherwise assumes custody or control (whether compulsory or otherwise, in whole or in part, and whether or not for fair compensation) of:

(a) all or any part of the Borrower or any of its share capital; or

(b) any substantial part of the Borrower’s undertaking, rights and obligations or any of its assets or its business or operations;

and provided that such steps are not withdrawn within 90 days.

**20.17 Insurance**

Any Insurance required in accordance with the Transaction Documents:

(a) is not or ceases to be in full force and effect and has not been replaced in accordance with the Transaction Documents prior thereto; or

(b) is avoided or any insurer is or will be entitled to avoid or otherwise materially reduce its liability under any policy relating thereto or any insurer repudiates or will be entitled to repudiate any Insurance or any Security Interests of the Senior Lenders therein (unless before such avoidance, reduction, or repudiation, the Borrower replaces such insurer with the result that such avoidance, reduction, or repudiation is prevented).

**20.18 Project Events**

(a) Any Project Guarantee ceases to be in full force and effect or has otherwise become unenforceable.

(b) The CP Fulfilment Date shall not have occurred by the Longstop Date.

**20.19 Ratios and Contributions**

(a) The Borrower shall fail to maintain:

(i) If the Contract Capacity supplied to the IEC under the IEC PPA is equal to 100% of the Demonstrated Net Capacity—a minimum Annual Debt Service Cover Ratio of 1.05;

(ii) If the Contract Capacity supplied to the IEC under the IEC PPA is higher than 25% of the Demonstrated Net Capacity - a minimum Annual Debt Service Cover Ratio of 1.08;

(iii) If the Contract Capacity supplied to the IEC under the IEC PPA is lower than 25% of the Demonstrated Net Capacity - a minimum Annual Debt Service Cover Ratio of 1.1

calculated both with respect to each previous 12 month period and forthcoming 12 months period based on the Borrower's forecast; and

(i) If the Contract Capacity supplied to the IEC under the IEC PPA is equal to 100% of the Demonstrated Net Capacity—a minimum Loan Life Cover Ratio of 1.05;

(ii) If the Contract Capacity supplied to the IEC under the IEC PPA is higher than 25% of the Demonstrated Net Capacity - a minimum Annual Debt Service Cover Ratio of 1.08;

(iii) If the Contract Capacity supplied to the IEC under the IEC PPA is lower than 25% of the Demonstrated Net Capacity - a minimum Loan Life Cover Ratio of 1.1;

which will be calculated for each forthcoming 12 months period based on the Borrower's forecast.

(b) The Borrower shall fail to maintain the Debt Service Reserve Account or the Maintenance Reserve Account (if applicable), in compliance with the provisions of this Agreement.

**20.20 Rating**

The first rating obtained by the Borrower in accordance with the provisions of clause 17.38 (Rating) is lower than A+ (as published by S&P Ma'alot, or the equivalent rating published by a different rating agency),.

**20.21 Ownership**

(a) At any time any Sponsor shall transfer by sale, assignment or otherwise cease to own any Equity Interest or Subordinated Loan Interest, without the prior written consent of the Agent;

(b) Any Project Guarantor shall, directly or indirectly, cease to own and control, free and clear of any Security Interests, the percentage of the total shares or other means of Control in the entity which obligations are guaranteed by such Project Guarantee.

(c) A Shareholder disposes of any of its shares in the Borrower other than in accordance with the provisions of Clause 17.16 (Share Capital and Subordinated Debt).

**20.22 Liability in respect of Contractors**

At any time, the issuer of the EPC Performance Guarantee shall cease to be liable for the obligation of the EPC Contractor under the EPC Contract, or the issuer of the LTSA Parent Company Guarantee shall cease to be liable for the obligation of the LTSA Contractor under the LTSA Contract, respectively.

**20.23 Judgements**

One or more judgements, arbitration awards or decree is entered:

(a) against the Borrower involving in the aggregate a liability (not paid or fully covered by a reputable insurance company which has accepted liability in writing) in an amount of NIS 5,000,000 (as linked to the Base CPI Index) (or its Equivalent Currency Amount) or more; or

(b) against any of the Sponsors and/or Israel Corporation Ltd. and/or Dalkia International S.A. involving any liability (not paid or fully covered by a reputable insurance company which has accepted liability in writing) except where such liability has not had and is not reasonably likely to have a Material Adverse Effect,

and such judgements, arbitration awards and decrees shall not have been vacated, discharged or stayed pending an appeal made in good faith on reasonable grounds with appropriate reserves established on the books of Borrower, or any other Obligor, as the case may be in respect thereof within thirty (30) days after the entry thereof.

**20.24 Acceleration; Other Remedies**

On and at any time after the occurrence of an Event of Default (which is continuing unremedied and unwaived) the Agent may:

(a) take any actions necessary to cure such Event of Default and/or declare an Event of Default; and/or

(b) declare that the relevant Commitments are terminated in whole or in part, whereby such Commitments shall be cancelled and the relevant Cancellation Fees shall be immediately due and payable; and/or

(c) declare that all or part of the relevant Loans, together with accrued Interest, Linkage Differentials and all other amounts accrued under the respective Finance Documents (including, without limitation, any Breakage Costs, Prepayment Fees and Cancellation Fees) and other amounts outstanding under the Financing Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(d) take actions on behalf of the Borrower or require the Borrower to exercise its rights under the Transaction Documents; and/or

(e) give any notice regarding the payment of Insurance Proceeds; and/or

(f) proceed to enforce or exercise or cause the Security Trustee and/or the Agent to enforce or exercise any or all of the rights, remedies and powers available to it under all or any of the Transaction Documents and to enforce all or any remedies thereunder; and/or

(g) proceed to enforce or exercise or cause the Security Trustee and/or the Agent to enforce or exercise any or all of the rights, remedies and powers available to the Borrower under any or all Project Guarantee and to enforce all or any remedies thereunder; and/or

(h) Give notice to the Accounts Bank that an Event of Default has occurred and give any directions to the Accounts Bank; and/or

Any such notice or instruction will take effect in accordance with its terms.

**20.25 Automatic Acceleration and Cancellation**

At the Time of Acceleration (unless otherwise agreed by the Agent at its sole discretion):

(a) all Commitments shall be automatically and immediately terminated without any declaration, presentment, demand, protest or notice or any act of any kind by any Senior Lender whatsoever and the relevant Cancellation Fees shall be immediately due and payable; and

(b) the entire amount of the Loans, together with accrued Interest, Linkage Differentials and all other amounts accrued under the respective Finance Documents (including, without limitation, any Breakage Costs, Prepayment Fees and Cancellation Fees) shall be deemed to have been become immediately due and payable without any declaration, presentment, demand, protest or notice or any act of any kind by any Senior Lender whatsoever.

In this Clause 20.23 (Acceleration and Cancellation):

**"Time of Acceleration"** means the earlier of:

(a) the date of issuance of a notice by the Agent pursuant to the provisions of Clause 20, subject to the applicable cure period specified therein;

(b) notwithstanding the provisions of (a) above, the time of the occurrence of any Event of Default under any of Clause 20.5 (Insolvency) to Clause 20.8 (Creditors' Process) (inclusive) with respect to the Borrower or any of its assets, subject to the applicable cure period specified therein; and

(c) the time at which the Electricity License is revoked, rescinded, terminated or expires.

**20.26 Remedies Cumulative**

If an event or occurrence constitutes an Event of Default under more than one of the provisions of this Clause 20 (Events of Default), the Agent on behalf of the Senior Lenders, may during the continuance of such Event of Default take all actions and remedies provided hereunder upon expiration of the shortest grace period, if any, applicable to such Event of Default.

**21. Reserved**

**22. FEES**

**22.1 Up Front**

The Borrower shall pay the Senior Lenders a front-end fee of 0.4% of the Total Commitments **(Up front Fee),** which shall be paid on the Effective Date.

**22.2 Commitment fee**

(a) The Borrower shall pay to the Agent for distribution rateably to the Senior Lenders pro rata to their respective Commitments, a commitment fee calculated at the rate of 0.5% per annum on any undrawn portion of each Facility,

(b) Accrued commitment fees are payable quarterly such that the commitment fees for any quarter will be payable on the last day of such quarter and until and on the last day of the Availability Period. Accrued commitment fee is also payable to the Agent for a Senior Lender on the cancelled amount of its Commitment at the time the cancellation takes effect in respect of the period up to and including the date of cancellation.

(c) The first date for payment of the Commitment Fee shall be on the last day of the Quarter in which this Facility Agreement was executed, notwithstanding whether a drawdown was made by the Borrower at, or prior to, said time.

**22.3 Administration fee**

The Borrower shall pay to the Agent for its own account an administration fee of USD120,000 per annum for the period from the Effective Date until Construction

Completion, and USD75,000 per annum thereafter.

The first payment of the Administration Fee is payable on the Effective Date. Each subsequent payment is payable semi annually in advance on each 6 month period following the Effective Date.

**22.4 Advisers' fees**

The Borrower shall pay directly to the Advisers the fees, costs and expenses of any Advisers in accordance with the fee arrangements with such Advisers, to be approved by the Borrower in advance. Notwithstanding the above, the Borrower's approval shall not be required if an Event of Default occurs or is reasonably likely to occur.

**22.5 VAT**

Any fee referred to in this Clause 22 (Fees) is exclusive of any VAT or any other Tax which might be chargeable in connection with that fee. If any VAT or other Tax is so chargeable, it shall be paid by the Borrower at the same time as it pays the relevant fee against a tax invoice.

**22.6 No Refund of fees**

No fee referred to in this Clause 22 (Fees) shall under any circumstances (in the absence of manifest error) be refundable to the Borrower.

**22.7 Arranger Fee**

The Borrower shall pay the Arranger an Arranger Fee in an amount to be agreed between such Parties.

**22.8 Security Trustee Fee**

The Borrower shall pay the Security Trustee a fee in an amount of USD30,000 per annum as of the Effective Date and until Construction Completion, and thereafter, an amount of USD10,000 per annum.

The first payment of this fee shall be payable on the Effective Date. Each subsequent payment shall be payable semi annually in advance on each six months period following the Effective Date.

## 23. COSTS AND EXPENSES

**23.1 Initial and Special Costs**

The Borrower shall, whether or not the transactions contemplated in the Transaction Documents are consummated, forthwith on demand pay the Agent and the Arranger (and any Affiliate of the foregoing), on a full indemnity basis, the amount of all reasonable out of pocket costs and expenses and other charges (including any VAT thereon and including, but not limited to, costs and expenses of the Advisers and all other professional and out of pocket expenses (in accordance with any fee arrangements)) incurred by any of them in connection with:

(a) the review of the Transaction Documents and any other related documentation to which the Borrower is or becomes a party;

(b) the negotiation, preparation, syndication, printing, execution, delivery and (where appropriate) filing and registration of:

(i) the Transaction Documents and any other documents referred to therein or related thereto (including the legal opinions); and

(ii) any other Transaction Document (other than a Transfer Certificate) executed after the date hereof;

(c) any amendment, modification, waiver, consent or suspension of rights (or any proposal for any of the foregoing) in connection with or ongoing administration of any Transaction Document or any document referred to in any Transaction Document or related thereto; and

(d) the filing and registration (where appropriate) and delivery of evidence of Financial Indebtedness relating to the Loans.

(e) the filing and registration relating to the Security Interests, including the pledging and holding in trust of the Pledged Shares.

When applicable and if possible, the above fees shall be agreed with the Borrower in advance, such approval not to be unreasonably withheld.

**23.2 Enforcement Costs**

The Borrower shall, whether or not the transactions contemplated in the Finance Documents are consummated, forthwith on demand pay to the relevant Senior Lender or other Finance Party, on a full indemnity basis, the amount of all reasonable costs and expenses (as well as VAT thereon and including but not limited to all professional and out of pocket expenses) incurred by such Person:

(a) in connection with the enforcement of, or the preservation of any rights and remedies under, any of the Transaction Documents; and

(b) in investigating any Event of Default or Potential Default.

**23.3 Retention**

The Agent may retain sums from the amount of any Loan toward payment in full of any costs and expenses due and payable referred to in this Clause 23 (Costs and Expenses).

## 24. STAMP DUTIES

The Borrower shall pay, and forthwith on demand indemnify each Senior Lender against any liability that Senior Lender incurs in respect of, any stamp, registration and similar tax which is or becomes payable in connection with the entry into, registration, recording, performance or enforcement of any Transaction Document.

## 25. INDEMNITIES

**25.1 Currency Indemnity**

(a) If a Senior Lender receives an amount in respect of the Borrower's liability under the Finance Documents or if that liability is converted into a claim, proof, judgement or order in a currency other than the currency (the **"contractual currency")** in which the amount is expressed to be payable under the relevant Finance Document (or other Transaction Document):

(i) the Borrower shall indemnify that Senior Lender as an independent obligation against any loss or liability arising out of or as a result of the conversion;

(ii) if the amount received by that Senior Lender, when converted into the contractual currency at a market rate in the usual course of its business is less than the amount owed in the contractual currency, the Borrower shall forthwith on demand pay to that Senior Lender an amount in the contractual currency equal to the deficit; and

(iii) the Borrower shall forthwith on demand pay to the Senior Lender concerned any exchange costs and taxes payable in connection with any such conversion.

(b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

**25.2 Other indemnities**

The Borrower shall forthwith on demand (which shall include details of the loss or liability incurred) indemnify each Finance Party against any loss or liability properly incurred that the Finance Party incurs as a consequence of:

(a) the occurrence of any Event of Default or Potential Default;

(b) the operation of Clause 20.23 (Acceleration; Other Remedies) and 20.25 (Automatic Acceleration and Cancellations);

(c) any payment of interest or any other overdue amount being received from any source otherwise than on the relevant Interest Payment Date relative to the amount so received;

(d) (other than by reason of negligence or default by a Senior Lender) any Loan (or part thereof) not being prepaid in accordance with the provisions of this Agreement; or

(e) any Environmental Claim to the extent that the loss or liability incurred by the Senior Lender would not have arisen if this Agreement or any of the other Finance Document had not been executed;

Including, any losses, charges or expenses on account of funds acquired, contracted for or utilised to fund any amount payable under this Agreement or any amount repaid or prepaid. A certificate of the Finance Party as to the amount of any such loss or expense shall be *prima facie* evidence in the absence of manifest error.

Nothing in the above shall derogate from the rights of the Finance Parties under any Law.

**25.3 Breakage Costs and Prepayment Fees**

Except as otherwise set forth in this Agreement:

(a) Where any principal amount is received on a date prior to its original due date under the terms of this Agreement for any reason whatsoever the Borrower shall on demand pay to the Agent for the account of the Senior Lenders the Breakage Costs and Prepayment Fees;

(b) Where any Commitment is cancelled according to the provisions of Clause 7.4 (Voluntary Cancellation), the Borrower shall on demand pay to the Agent for the account of the Senior Lenders the Cancellation Fees

## 26. EVIDENCE AND CALCULATIONS

**26.1 Statements and accounts**

(a) Each Senior Lender shall maintain in accordance with its usual practice accounts evidencing the amounts from time to time lent by and owed to it hereunder.

(b) The Agent shall maintain on its books a control account or accounts in which shall be recorded:

(i) the amount of the Loans made or arising hereunder and each Senior Lenders' share therein;

(ii) the amount of all principal, Interest, Linkage Differentials and other amounts due from the Borrower to any of the Senior Lenders hereunder and each Senior Lenders' share therein; and

(iii) the amount of any sum received or recovered by the Agent hereunder and each Senior Lenders' share therein.

**26.2 Statements and Accounts**

Unless expressly provided to the contrary, statements and accounts maintained by the Agent and/or a Senior Lender in connection with the Finance Documents are (as between such Senior Lender and any Obligor) absent manifest error, prima facie evidence of the matters to which they relate.

**26.3 Certificates and Determinations**

Unless expressly provided to the contrary, any certification or determination by the Agent and/or a Senior Lender of a rate or amount under the Finance Documents is (as between such Senior Lender and any Obligor), in the absence of manifest error, prima facie evidence of the matters to which it relates.

**26.4 Calculations**

Interest and the fees payable under Clause 22.2 (Commitment Fee) and Clause 22.3 (Administration Fee) accrues from day to day and shall be calculated on the basis of the actual number of days elapsed and a year of 365 days (or 366 days, in the case of a leap year).

## 27. AMENDMENTS AND WAIVERS

**27.1 Amendments in Writing**

No term of the Finance Documents may be amended or waived except in writing, signed by each party or its relevant agent on its behalf and any such amendment shall be binding on all relevant parties.

**27.2 Cumulative Rights**

(a) The rights, powers and remedies of each Finance Party under the Transaction Documents:

(i) may be exercised as often as necessary;

(ii) are cumulative and not exclusive of its rights, powers and remedies under the general law or which such Senior Lenders would otherwise have; and

(iii) may be waived only in writing and specifically.

(b) No course of dealing between the Borrower and any Finance Party, nor any delay in exercising or non-exercise of any right, power or privilege of any Finance Party shall operate as a waiver of any right, power or privilege of any Finance Party, nor shall any single or partial exercise of any right, power or privilege under any Transaction Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege thereunder. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Finance Party to any other or further action in any circumstances without notice or demand.

(c) The rights and remedies of the Finance Parties under the Transaction Documents or at law or in equity, may be pursued separately, successively or concurrently against the Borrower or any Collateral, at the discretion of the Agent, in accordance with the Finance Documents.

## 28. CHANGES TO THE PARTIES

### 28.1 Transfers by Borrower

The Borrower may not assign, transfer, or dispose of any of, or any interest in, its rights and/or obligations under the Finance Documents (other than in respect of Permitted Security Interests) except with the prior written consent of the Agent.

### 28.2 Transfers by Senior Lenders

Subject to this Clause 28.2 (Transfers by Senior Lenders) and to the Agent's approval solely with respect to the issues noted in Clause 28.3 below, a Senior Lender (the **"Existing Lender")** may assign or transfer any of its rights, benefits and obligations under the Finance Documents in accordance with Clause 28.3 (Transfer Procedure) below, to any bank, financial institution, insurance company, pension fund or provident fund which is licensed to practice business in Israel (the **"New Lender"** ), provided that:

(a) the monetary value of such rights, benefits and obligations is no less than 3% of the then outstanding balance of the Loans under the Long Term Facility and the Standby Facility, or, if the then outstanding balance of the Existing Lender's Loan is less than 3% of the total then outstanding balance of the Loans under the Long Term Facility and the Standby Facility of the Existing Lender - the entire then outstanding balance of the Existing Lender's Loan;

(b) Under no circumstances shall Agent's outstanding Commitments or Lender Contributions under the Long Term Facility and the Standby Facility (as applicable) fall below ten (10) percent of the then outstanding balance of the Commitments or Lender Contributions under the Long Term Facility and the Standby Facility (as applicable); and

(c) Any transfer by a Senior Lender to a bank in Israel shall be subject to Borrower's approval, which could only be withheld in the event that following such transfer the Sponsors or Israel Corporation Ltd. shall exceed limits under the Bank of Israel guidelines and directives with respect to single borrowers ( *"Loveh Boded"* ), groups of borrowers ( *"Kvutzat Lovim"* ), connected persons ( *"Anashim Kshurim"* );

The provisions of sub-clauses (a) and (c), shall not apply with respect to an assignment or transfer of any of the rights, benefits and obligations of a Senior Lender under the Finance Documents to an Affiliate; without derogating from the generality of the foregoing, with respect to Amitim, the provisions of sub-Clause (a) and (c) above, shall not apply with respect to an assignment or transfer of any of the rights, benefits and obligations to any of the Funds or any of their respective Affiliates.

For the purpose of this Clause:

(a) **"Funds"** means: (i) Mivtachim The Workers Social Insurance Fund Ltd. (under special management), (ii) Keren Makefet Pension and Provident Center Cooperative Society Ltd. (under Special Management), (iii) Keren Hagimlaot Hamerkazit Histadrut Central Pension Fund Ltd. (under Special Management), (iv) Nativ Pension Fund of the Histadrut Industries Workers and Employees Ltd. (under Special Management), (v) Insurance and Pension Fund for Agricultural and Unskilled Workers in Israel A.S. Ltd.(under Special Management), (vi) Insurance and Pension Fund of Building and Public Workers' Employees A.S. Ltd (under Special Management., (vii) The "Hadassah" workers Pension Fund Ltd. (under special management), (viii) The "Egged" Members Pension Fund Ltd. (under special management) and (ix) other entities managed by the same management entity as the management entity of any of the companies set forth in clauses (i) through (viii) or by an entity which controls, is controlled by, or is under common control with, such management entity, and any successor thereof.

(b) **"Amitim"** means any or all of the Funds.

For the purposes of Clauses 29.13 (Senior Lenders Instructions), 29.14 (Notice to the Lenders), 29.15 (Written Decisions), 29.16 (Senior Lender's Meetings to Take Decisions), 29.17 (Quorum at Lenders Meetings), 29.18 Amendments and Waivers), 29.19 (Enforcement Action), 29.20 (Taking an Enforcement Action), and 29.21 (Other Actions), including for the purposes of establishing quorums or majority requirement, the rights of such Affiliate or Fund transferee or assignee shall be aggregated and shall only be exercised by the Manager; provided that, in the event that such Affiliate or Fund transferee or assignee is sold to a non-affiliated third party, said rights shall be exercised by the non-affiliated third party.

**28.3 Transfer Procedure**

(a) Any assignment or transfer by the Existing Lender shall be effected by the execution by the Agent of an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable Laws in relation to the transfer to such New Lender.

(c) The date of such transfer or assignment (the **"Transfer Date")** shall be the later of (i) the date specified for the transfer or assignment in the Transfer Certificate; and (ii) 30 days after the date on which the Agent executes the Transfer Certificate.

(d) The Agent will provide the Borrower with a copy of such Transfer Certificate within ten (10) days of delivery thereof to the Agent.

(e) On the Transfer Date:

(i) the Borrower and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (such rights and obligations being referred to in this Clause 28.3 as "discharged rights and obligations")

(ii) the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from such discharged rights and obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;

(iii) the Agent, the Arranger, the New Lender and the other Senior Lenders shall acquire the same rights and benefits and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an original party to the Finance Documents as a Senior Lender with the rights, benefits and/or obligations acquired or assumed by it as a result of such transfer; and

(iv) the New Lender shall become a party hereto as a "Senior Lender".

(f) The Agent shall be entitled (but not obliged) to decline to accept and/or countersign any Transfer Certificate if the Transfer Date would fall less than five (5) Business Days prior to the date on which any payment would fall to be made under the Finance Documents to the Existing Lender, and the Agent shall have no liability or responsibility to any person in consequence thereof.

(g) Not used.

(h) On the Transfer Date the New Lender shall pay to the Agent for its own accord a transfer fee of NIS10,000, as linked to the Base CPI Index.

**28.4 Responsibility of Existing Lender**

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;

(ii) the financial condition of any Obligor or the collectability of amounts payable under any Finance Document;

(iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by Law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

**28.5 Register**

The Agent shall keep a register of all the Senior Lenders and shall supply any other party to this Agreement (at that party's expense) with a copy of the register on request.

## 29. AGENT AND SECURITY TRUSTEE

**29.1 Appointment and Duties**

Each other Finance Party hereby irrevocably designates and appoints each of the Agent, the Accounts Bank and the Security Trustee as the agent of such Finance Party under this Agreement and each other Finance Document, as appropriate, to take such actions, to perform such duties and to exercise such powers, in the manner described herein, as are expressly delegated to it by the terms of this Agreement and the other Finance Documents, together with such other powers as are reasonably incidental thereto.

None of the Agent, the Account Bank, the Security Trustee or the Arranger shall have any duties or responsibilities except those expressly set forth in this Agreement and the Finance Documents.

Subject to the provisions of Clause 29.13(c), none of Agent, the Security Trustee or the Arranger shall have any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of any Finance Document or to consent (or withhold its consent) to or approve (or not approve) of any action required to be consented to or approved by it, unless it shall be instructed in writing to do so by all Senior Lenders or by the Majority Lenders, in accordance with the provisions herein below.

**29.2 Role of the Arranger**

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other party under or in connection with any Finance Document.

**29.3 No Fiduciary Duties**

The relationship between the Agent, the Account Bank, the Security Trustee or the Arranger and each Senior Lender is that of agent and principal only. Except as specifically provided in the Finance Documents, nothing in this Agreement or any other Finance Document, constitutes the Agent, the Arranger or the Security Trustee as trustee or fiduciary (except in relation to the Security Trustee's capacity as fiduciary of the security created by the Security Documents) for any other party or any other person.

The Agent, the Arranger and the Security Trustee need not hold in trust any moneys paid to it for a Party or be liable to account for interest on those moneys.

**29.4 Rights and discretions of the Agent**

(a) The Agent, the Arranger and the Security Trustee may each rely on (and shall be fully protected in so relying):

(i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and

(ii) any statement made by a director or authorised signatory of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(b) The Agent, the Arranger and the Security Trustee may each assume (unless it has received notice to the contrary in its capacity as such) (and shall be fully protected in so assuming) that:

(i) no Event of Default has occurred;

(iii) any right, power, authority or discretion vested in any party or the Senior Lenders has not been exercised; and

(iii) any notice or request made by the Borrower is made on behalf of and with the consent and knowledge of all the Obligors.

(c) The Agent, the Arranger and the Security Trustee may each engage, pay for and rely on (and shall be fully protected in so relying) the advice or services of any lawyers, accountants, surveyors or other experts.

(d) The Agent, the Arranger and the Security Trustee may each act in relation to the Finance Documents through its personnel and agents.

(e) Notwithstanding any other provision of any Finance Document to the contrary, the Agent, the Arranger and the Security Trustee shall not be obliged to do or omit to do anything if such action or omission may, in its reasonable opinion, constitute a breach of any Law, a breach of a fiduciary duty or duty of confidentiality or be otherwise actionable at the suit of any person, and may do anything which, in its opinion, is necessary or desirable to comply with any Law.

**29.5 Appointment to hold Accounts**

Pursuant hereto the Agent and the Account Bank is hereby appointed by the Borrower and the Senior Lenders to establish and maintain the Accounts (as described in the Accounts Agreement) to invest funds in each such Account. The Agent shall hold and safeguard the Accounts during the term of this Agreement. Neither the Borrower nor any Affiliate of the Borrower shall have any rights against the Agent hereunder (other than rights which may arise as a result of the Agent's gross negligence or wilful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgement), as a third party beneficiary or otherwise, including, without limitation, any right to direct the Agent to distribute or allocate any funds in the Accounts (except as expressly provided herein).

**29.6 Responsibility for Documentation**

None of the Agent, the Arranger and the Security Trustee:

(a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by another person, including the Agent, the Arranger, an Obligor or any other person given in or in connection with any Finance Document or in any other information provided in connection with the financing of the Project; or

(b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Transaction Document.

**29.7 Exclusion of Liability**

(a) None of the Agent, Security Trustee or the Arranger or any officers, directors, employees, agents, attorneys-in-fact or Affiliates thereof shall:

(i) be liable to any Senior Lender or any party to the Finance Document for any action taken or not taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct;

(ii) be responsible in any manner to any Senior Lender, Party or any other Person for any failure of any other party to perform its obligations hereunder or under any other Finance Document or under any other agreement executed in connection therewith;

(iii) be responsible in any manner to any Senior Lender or any other Person for the collectability of amounts payable under any Transaction Document.

(b) No Party may take any proceedings against any officer, employee or agent of the Agent, the Security Trustee or the Arranger in respect of any claim it might have against them or any of them or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document. Each such officer, employee or agent may rely on this Clause.

**29.8 Indemnities**

(a) Without limiting the liability of the Borrower under the Finance Documents, each Senior Lender shall indemnify the Agent, the Security Trustee and the Arranger for that Senior Lender's proportion of any and all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses (including counsel fees) or disbursements of any kind or nature whatsoever **("Liability")** that may at any time be imposed on, incurred by or asserted against the Agent, the Security Trustee or the Arranger (as appropriate) in any way relating to or arising out of this Agreement, any other Finance Document, the Collateral or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent, the Security Trustee or the Arranger under or in connection with any of the foregoing or with respect to the Collateral, except to the extent that the Liability (i) arises directly from such entity's gross negligence or wilful misconduct; or (ii) is reimbursed by the Borrower.

(b) A Senior Lender's proportion of the Liability set out in paragraph (a) above will be the proportion of its Commitment(s) in relation to the Total Commitments or, after the Commitments have been cancelled, terminated or reduced to zero, in the proportion in which its Lender Contribution relates to the aggregate Lenders' Contributions on the date of the demand.

**29.9 Individual Capacities**

(a) If it is also a Senior Lender, each of the Agent, the Security Trustee and the Arranger has the same rights and powers under the Finance Documents as any other Senior Lender and may exercise those rights and powers as though it were not the Agent, the Security Trustee or the Arranger.

(b) Each of the Agent, the Security Trustee and the Arranger may:

(i) carry on any business with the Borrower, any party to the Transaction Documents or their respective Affiliates;

(ii) act as agent or trustee for, or in relation to any financing involving the Borrower, any party to the Transaction Documents or their respective related entities; and

(iii) retain for its own account any profits or remuneration in connection with its activities under this Agreement or in relation to any of the foregoing.

(c) If it is also a Senior Lender, any reference in the Finance Documents to the Agent, the Security Trustee and the Arranger means the administrative unit of the Agent, the Security Trustee and the Arranger (as applicable) specifically responsible for acting as such under and in connection with this Agreement, as referred to in Clause 35 (Notices).

(d) In acting as Agent, the Security Trustee and the Arranger (as applicable) such administrative unit shall be treated as a separate entity from its other divisions and departments. Any information acquired by the Agent, the Security Trustee and the Arranger which, in its opinion, is acquired by it otherwise than in its capacity as the Agent, the Security Trustee and the Arranger may be treated as confidential by such entity and will not be deemed to be information possessed by the Agent, the Security Trustee and the Arranger in its capacity as such.

(e) The Borrower irrevocably authorises the Agent, the Security Trustee and the Arranger to disclose any information which, in its opinion, is received by it in its capacity as such to the other Finance Parties.

**29.10 Default**

(a) Neither the Agent, the Security Trustee or the Arranger are obliged to monitor or enquire as to whether or not an Event of Default or Potential Default has occurred and they will not be deemed to have knowledge of the occurrence of an Event of Default or Potential Default. However, if the Agent, the Security Trustee or the Arranger receives notice from a party referring to this Agreement, describing the Event of Default or Potential Default and stating that the event is an Event of Default or Potential Default, it shall promptly notify the Senior Lenders.

(b) The Agent, the Security Trustee or the Arranger may require the receipt of security satisfactory to such entity, whether by way of payment in advance or otherwise, against any liability or loss which it will or may incur in taking any proceedings or action arising out of or in connection with any Finance Document before it commences those proceedings or takes that action.

**29.11 Resignation**

(a) Each of the Agent and the Security Trustee may resign by giving sixty (60) days' notice to the Senior Lenders provided, however, that during the period as of the Effective date and until two (2) years following Construction Completion, such resignation shall be subject to the approval of the Borrower (such approval shall not be unreasonably withheld). The approval of the Borrower shall not be required following the period stated herein, or in the event that an Event of Default shall have occurred.

Following such resignation, other than in the circumstances described in sub-clause (d) below, the Senior Lenders shall appoint from among the Senior Lenders (or Affiliates thereof) a successor agent or security trustee, for the Senior Lenders (or Affiliates thereof), provided that such successor

(ii) can demonstrate appropriate experience in carrying out duties of an agent and\or security trustee), as the case may be; and

(iii) has not conducted enforcement action against Israel Corporation Ltd. and\or main subsidiaries directly held thereby.

(b) The resignation of the Agent or the Security Trustee and the appointment of any successor will both become effective only upon the successor notifying all the Finance Parties that it accepts its appointment. On giving the notification, the successor will succeed to the position of Agent or the Security Trustee as applicable and the term **"Agent"** or **"Security Trustee"** will mean the successor entity. At such time, the former Agent's, or Security Trustee's rights, powers and duties as Agent or Security Trustee, as applicable, shall be terminated, without any other or further act or deed on the part of such former Agent, Security Trustee or any of the parties to this Agreement.

(c) The resigning Agent or Security Trustee shall, at its own cost, make available to its successor such documents and records and provide such assistance as the successor may reasonably request for the purposes of performing its functions.

(d) Notwithstanding anything to the contrary contained herein, upon indefeasible payment in full of all Obligations to the Senior Lenders, the Agent and the Security Trustee shall automatically resign as Agent and Security Trustee, respectively, under this Agreement without any other or further action on the part of any Person.

(e) After any retiring Agent's or Security Trustee's resignation as Agent or Security Trustee, as applicable, the provisions of this Clause 29 (Agent and Security Trustee) shall inure as to any actions taken or omitted to be taken by it while it was Agent, or Security Trustee, under this Agreement and the other Finance Documents.

**29.12 Credit approval and appraisal**

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Transaction Document, each Senior Lender confirms that it has independently and without reliance upon Agent, the Security Trustee or the Arranger or any other Senior Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the financial condition, creditworthiness, operations, affairs, status and nature of the Borrower and the Sponsors, and made its own decision to enter into this Agreement.

**29.13 Senior Lenders' instructions**

Unless a contrary indication appears in a Finance Document, the Agent, the Arranger and the Security Trustee shall each:

(a) be deemed to have been appointed by all Senior Lenders to exercise any right, power, authority or discretion vested in it in such capacity, to act or refrain from acting as it considers to be in the best interest of the Senior Lenders;

(b) The Agent, the Arranger and the Security Trustee may each refrain from acting in accordance with the instructions of all Senior Lenders or by the Majority Lenders until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions;

(c) Without derogating from the generality of the provisions of Clause 29.7 (Exclusions of Liability), in the absence of instructions from all Senior Lenders or the Majority Lenders in accordance with the provisions of Clauses 29.18 (Amendments and Waivers) and 29.19 (Enforcement Action) herein, the Agent, the Arranger and the Security Trustee may each act (or refrain from taking action) as it considers to be in the best interest of the Senior Lenders;);

(d) The Agent, the Arranger and the Security Trustee are not authorised to act on behalf of a Senior Lender (without first obtaining that Senior Lender's consent) in any legal or arbitration proceedings relating to any Finance Document;

(e) provide, upon reasonable request of any Senior Lender, any information provided to it in its capacity as Agent, Arranger or Security Trustee (as applicable) pursuant to the Finance Documents.

**29.14 Notice to Lenders**

(a) In the event that a decision of the Senior Lenders is required in connection with the provisions of Clauses 29.18 (Amendments and Waivers) 29.19 (Enforcement Action) or otherwise under any of the Finance Documents, the Agent or the Security Trustee, as appropriate, shall send written notice to the Senior Lenders asking for their instructions in connection with such decision, setting out the following information:

(i) the details of the required decision;

(ii) the percentage of the Senior Lenders required to make such decision in accordance with the terms hereof;

(iii) the period of time in which each Senior Lender is requested to submit its response to the proposed decision (approval, rejection or abstention) which shall not be less than 14 days (unless the Agent or the Security Trustee considers that the decision is urgent, in which case the Agent or the Security Trustee may stipulate a shorter period), or such earlier period as may be required;

(iv) an explanation of the mechanism set out in Clause 29.15(b) below in relation to the requested response from the Senior Lenders;

(v) with respect to a decision required in connection with the provisions of Clauses 29.18 (Amendments and Waivers), an explanation of the legal advisor to the Senior Lenders, as to the amendment or waiver requested and its implications (if applicable); and

(vi) any other matters which the Agent or the Security Trustee believes to be relevant to the said decision.

To the extent that the need for the decision is a result of correspondence with the Borrower or any other party, the Agent or the Security Trustee shall provide the Senior Lenders with copies of such correspondence.

**29.15 Written Decisions**

(a) Where the Agent or the Security Trustee has issued a written notice to the Senior Lenders asking for their response regarding a decision to be taken hereunder, the provisions of Clauses 29.18 (Amendments and Waivers) and/or 29.19 (Enforcement Action) below shall apply as to the required percentage for such decision;

(b) Notwithstanding the above, where such decision requires only the approval of the Majority Lenders, such a decision shall be taken in accordance with the responses of Senior Lenders who have responded within 14 days of the notice sent by the Agent or the Security Trustee, or such earlier period as may be required (in this clause, the **"Reduced Majority Lenders")** and whose Relevant Commitments or Lenders' Contributions (as appropriate) at such time constitute more than 75% of the aggregate Relevant Commitments or Lenders' Contributions (as appropriate) held by all of the Senior Lenders who have responded within 14 days of the notice sent by the Agent or the Security Trustee, or such earlier period as may be required, provided that: (i) the Relevant Commitments or Lenders' Contributions (as appropriate) of the Reduced Majority Lenders at such time constitute at least 50% of the Relevant Commitments or the total Lenders' Contributions (as appropriate) held by all of the Senior Lenders at such time; and (ii) at least two Senior Lenders have responded within said period.

For the avoidance of doubt, any decisions which require the approval of all of the Senior Lenders shall not be subject to the above mechanism.

**29.16 Senior Lenders' Meetings to Take Decisions**

(a) Each of the Agent and the Security Trustee shall, when requested to do so in writing by any 2 Senior Lenders whose Commitments or Lenders' Contributions (as appropriate) at such time constitute more than 15% of the Commitments or Lenders' Contributions (as appropriate), call a Senior Lenders Meeting, by sending a written notice in accordance with Clause 29.15(b) above.

(b) Notwithstanding Clause 29.14 (Notice to Lenders) above, each of the Agent and the Security Trustee may, where it considers it in the best interests of the Senior Lenders to do so, convene a Senior Lenders Meeting in connection with a decision of the Senior Lenders that is required in connection with the Finance Documents instead of asking the Senior Lenders for a written decision.

(c) At least 7 (seven) Business Days before the date of the Senior Lenders Meeting (unless, the Agent or the Security Trustee considers that the convening of the Senior Lenders Meeting is urgent, in which case the Agent may decide on a shorter period), a notice of the Senior Lenders Meeting shall be sent by the Agent or the Security Trustee, to all Senior Lenders. In addition, a Senior Lenders Meeting may be convened earlier than as specified in the notice or upon shorter notice than 7 (seven) Business Days, or without notice, by agreement between or waiver of such notice by all Senior Lenders.

(d) The Agent's or Security Trustee's notice calling for a Senior Lenders Meeting shall specify the time and place at which the Senior Lenders Meeting is to be convened, as well as the agenda and the information set out in Clause 29.14 (Notice to Lenders) above regarding each of the decisions to be discussed at the meeting.

**29.17 Quorum at Lenders Meetings**

(a) Without derogating from Clauses 29.18 (Amendments and Waivers) and 29.19 (Enforcement Action) below, the quorum at the Senior Lenders Meetings shall be constituted when the presence of Senior Lenders constituting a Majority Lenders, or all Senior Lenders, if the item on the agenda is one with respect to which the consent of all the Senior Lenders is required.

(b) If within half an hour from the time designated for the commencement of the meeting a quorum is not present, the meeting shall be dissolved and the meeting shall be adjourned to in the next week (unless, the Agent or the Security Trustee considers that the convening of the Senior Lenders Meeting is urgent, in which case the Agent may decide on a shorter period and send notices to that effect) at the same time and place **("Deferred Senior Lenders Meeting").**

(c) At such Deferred Senior Lenders Meeting, only the decisions that were due to be discussed at the Senior Lenders Meeting may be discussed. To the extent that such decisions require only the approval of a Majority Lenders, such approval may be given by Senior Lenders present at such Deferred Senior Lenders Meeting (in this clause, the **"Reduced Majority Lenders")** whose Relevant Commitments or Lenders' Contributions (as appropriate) at such time constitute more than 75% of the Relevant Commitments or Lenders' Contributions (as appropriate) held by all of the Senior Lenders present at the Deferred Senior Lenders Meeting, provided that: (i) the Relevant Commitments or Lenders' Contributions (as

appropriate) of the Reduced Majority Lenders at such time constitute at least 50% of the aggregate Relevant Commitments or the total Lenders' Contributions (as appropriate) of all the Senior Lenders at such time; and (ii) at least two Senior Lenders are present in such Deferred Senior Lenders Meeting.

For the avoidance of doubt, any decisions which require the approval of all of the Senior Lenders shall not be subject to the above mechanism.

**29.18 Amendments and Waivers**

(a) The parties hereto shall not make or agree to any amendment or waiver under the Facility Agreement or under any other Finance Document (an **"Amendment or Waiver")** which is specified in Clauses 29.18(c)-29.18(e) (inclusive) below, unless agreed to in writing in accordance with the provisions of such clauses.

(b) Any Amendment or Waiver which requires a Senior Lenders decision in accordance with Clauses 29.18(c)-29.18(e) below will be referred by the Agent or the Security Trustee to the Senior Lenders, and the Senior Lenders will deliver their position to the Agent or the Security Trustee as soon as reasonably practicable but in any event no more than 12 Business Days from the date of the Agent's or the Security Trustee's request, or such earlier period as may be required.

(c) Any Amendment or Waiver in relation to:

(i) the ranking of the amounts owed to the Secured Creditors as set out in Clause 13.1 (Order of Application) of the Intercreditor Agreement;

(ii) the interest rates (including the margins) as determined pursuant to the provisions of the Facility Agreement, and any increase or decrease in the amount of any fees or commissions or the introduction of any new fees (other than general changes in the fees charged by the Account Bank in connection with the Accounts in accordance with the standard tariffs of the Account Bank);

(iii) any provision of the Finance Documents governing the subordination of the Equity Contributions and ranking and limitation of recourse of the Equity Bridge Lender;

(iv) the provisions of Clause 28 (Changes to the Parties) of the Facility Agreement or Clause 5 (Ownership of the Borrower) of the Equity Subscription Agreement;

(v) a reduction in the proportion to which any Senior Lender is entitled of any amount received or recovered (whether by way of set-off or otherwise) in respect of any amount due from the Borrower under the Facility Agreement;

(vi) a change in the principal amount or currency of any Commitment or of any Obligation, save for a reduction of Commitments pro rata to all Senior Lenders;

(vii) the definition of any Final Maturity Date;

(viii) the release of any security over any assets pursuant to any Security Document;

(ix) Clause 27 (Amendments and Waivers) of the Facility Agreement;

(x) the definition of Majority Lenders (including any definition within such defined word) or the provisions of this Clause 29 (Agent and Security Trustee);

(xi) any other provision of the Finance Documents, if any, which, by its terms, requires the need for the consent or approval of all Senior Lenders;

shall be subject to the prior consent of all the Senior Lenders;

(d) Notwithstanding the foregoing, any Amendment or Waiver which relates to the rights or obligations of the Agent, the Security Trustee or which subjects the Agent or the Security Trustee to any additional obligations shall not be effected without the consent of the Agent or the Security Trustee;

(e) Any Amendment or Waiver in relation to:

(i) any of the provisions relating to prepayment of the Loans, respectively), including relating to date or time for, amount, currency or form of any repayment or prepayment under the Facility Agreement, or to the Availability Period

(ii) any provision of the Intercreditor Agreement not referred to in Clause 29.18(c)above;

(iii) the occurrence or definition of any Potential Default or Event of Default;

(iv) any of the covenants set out in Clause 17 (Undertakings and Covenants) of the Facility Agreement,

shall be subject to the prior consent of the Majority Lenders.

(e) Any amendment or waiver in relation to the dates, amounts, currencies or form specified in Schedule 13 (Repayment Schedule) (other than pursuant to sub-Clause (c)(vii)), shall be subject to the prior consent as follows:

(i) prior to the end of the Availability Period of the Long Term Facility, a Senior Lender or group of Senior Lenders whose Relevant Commitments at such time amount in aggregate to at least 85% (eighty five percent) of the aggregate Relevant Commitments at such time; and

(ii) following such date as aforesaid, a Senior Lender or group of Senior Lenders whose Lenders' Contributions amount in aggregate to at least 85% (eighty five percent) of the total Lenders' Contributions at such time.

(f) Notwithstanding the provisions of this Clause 29.18, in the event that the any other Senior Lenders' majority is specifically required under any other provision of this Agreement, such majority requirement shall prevail.

**29.19 Enforcement Action**

Without derogating from the provisions of this Agreement, any decision to take any Enforcement Action may be made only if (i) approved by the Majority Lenders; or (ii) required by the Majority Lenders, by written notice to the Agent and the Security Trustee.

**29.20 Taking an Enforcement Action**

(a) Upon receipt of instructions in accordance with Clause 29.19 (Enforcement Action) above the Agent may either take an Enforcement Action itself, or direct the Security Trustee or any other Person to take an Enforcement Action.

(b) For the removal of doubt, no Enforcement Action may be taken by any Secured Creditor unless instructions as aforesaid in Clause 29.20(a) above have been received accordingly. Each Secured Creditor hereby waives all rights it may have to take such Enforcement Action independently, other than in accordance with this Agreement.

(c) Notwithstanding the above, a Secured Creditor may exercise any set-off right it has against the Borrower, provided that all sums received or recovered through such set-off shall be applied in accordance with the applicable provisions of the Finance Documents.

**29.21 Other Actions**

Other than as set out in this Clause 29, all other decisions of the Senior Lenders may be taken by the Agent (without need for the approval of the Senior Lenders) and without the Agent assuming any liability for any such act.

## 30. DISCLOSURE OF INFORMATION

Any information disclosed by the Borrower, its Auditors or any other Obligor or the insurers under the Insurances to any Senior Lender, the Agent, the Arranger or the Security Trustee in connection with the Project and all calculations and determinations made in accordance with the Transaction Documents, if designated by such Obligor as

"confidential", shall be kept confidential by each Person to whom such information is disclosed (each, a **"recipient")** and will not be disclosed to any third party or used for any purpose that is not connected with the Project, provided that:

(a) each recipient shall be entitled to disclose such information (subject to the recipient being bound by a confidentiality obligation similar in terms to this Clause 30, except for disclosure pursuant to the provisions of sub-clause (iii) and (iv)):

(i) to its directors, officers, employees, agents, legal advisers, accountants, consultants and professional advisers, to any other party to any of the Transaction Documents and to directors, officers, employees; agents, legal advisers, accountants, consultants and professional advisers of any such party who have a need to know such information for the benefit of the transactions contemplated herein;

(ii) to the Advisors and any other professional advisers of such recipient (provided that such advisers are subject to confidentiality obligations similar in terms to this Clause 30);

(iii) to any extent that the recipient is required to disclose such information pursuant to any applicable Law or any legal proceeding or pursuant to any request or requirement (whether or not having the force of law but, where such recipient is a Senior Lender, being a body with whose requests it is customary for such Senior Lender to comply) of any Governmental Authority, including without limitation the examiner of banks, financial institutions, insurance companies, pension funds or provident funds or statutory auditors;

(iv) to any Governmental Authority having jurisdiction over such recipient;

(v) as the recipient may consider necessary, expedient or desirable for the purposes of the enforcement of any of the Transaction Documents or the preservation or maintenance of its rights in connection therewith (subject to a non-disclosure agreement to be sent to the Borrower);

(vi) to the insurers under the Insurance;

(vii) with the prior consent of the Borrower, such consent not to be unreasonably withheld or delayed; or

(viii) to prospective purchasers of any of the Collateral (provided that such purchasers are subject to confidentiality obligations similar in terms to this Clause 30).

(b) the provisions of this Clause 30 (Disclosure of Information) shall not apply to:

(i) any information already known to any recipient, other than by reason of a breach by such recipient of its confidentiality obligations;

(ii) any information subsequently received by any recipient, other than by reason of a breach of any fiduciary or confidentiality obligations;

(iii) any information which is or becomes public knowledge, other than by reason of a breach by such recipient of this Clause 30 (Disclosure of Information);

(iv) any information disclosed by the Borrower, its Auditors or any other Obligor to a third party without obligations of confidentiality.

(v) any information disclosed by the Agent to any Finance Party in its capacity as such.

(c) any Senior Lender may at any time disclose to any Person in connection with any actual or proposed transfer, participation, assignment or other agreement in relation to any of the Finance Documents with such Person, upon agreement by such Person to be bound by the terms of this Clause 30 (Disclosure of Information), the Transaction Documents, any notices or other documents delivered thereunder or in connection therewith, any information memorandum prepared by or on behalf of the Borrower, details of the amounts outstanding under any of the Finance Documents and any other relevant information relating to the transactions contemplated hereby as such Person may request.

**31. SET-OFF**

In addition to any rights now or hereafter granted under Law or otherwise (and not by way of limitation of any such rights), any Senior Lender may and is hereby authorised at any time or from time to time, without notification, demand, protest or other notice of any kind to the Borrower or to any other Person (any such notice being hereby expressly waived), to set off and to appropriate and apply any and all amounts and any other obligation at any time held or owing by such Senior Lender, to, or for the credit of the account of the Borrower against and on account of the Obligations of the Borrower under the Finance Documents, irrespective of whether said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured and regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Senior Lender shall convert the obligations into the currency of the Obligations of the Borrower under the Finance Documents at a market rate of exchange in its usual course of business for the purpose of the set off. If either obligation is unliquidated or unascertained, the Senior Lender may set off in an amount estimated by it in good faith to be the amount of that obligation. Each Senior Lender agrees to notify the Borrower and the Agent immediately after any such set-off and application made by such Senior Lender.

The provisions of the Clause 31 (Set-Off) shall not entitle a Senior Lender to set off any amounts due to the Agent in its capacity as an Agent.

Notwithstanding the foregoing, no Finance Party may set-off or withhold any obligation owed by that Finance Party to the Borrower or that Shareholder in respect of insurance rewards or other compensation payable under any insurance policies issued by such Finance Party (or any affiliate thereof) to the Borrower or Shareholder (as applicable) and/or in respect of any "provident fund" (as the term is defined in the Law for Supervision of Financial Services (Provident Funds), 5765-2005) against any obligation owed by the Borrower or a Shareholder under this Agreement.

## 32. PRO RATA SHARING

### 32.1 Redistribution

If any amount that is owed by the Borrower under the Finance Documents is received or recovered by a Senior Lender (the **"recovering Senior Lender")** by payment, set-off or any other manner other than through the Agent in accordance with Clause 11 (Payments) (a **"recovery"),** then:

(a) the recovering Senior Lender shall, within three (3) Business Days, notify details of the recovery to the Agent;

(b) the Agent shall determine whether the recovery is in excess of the amount which the recovering Senior Lender would have received had the recovery been received by the Agent and distributed in accordance with Clause 11 (Payments) (in this clause, the **"Excess");**

(c) subject to Clause 32.3 (Exceptions), the recovering Senior Lender shall within three (3) Business Days of demand by the Agent pay to the Agent an amount (the **"redistribution")** equal to the Excess;

(d) the Agent shall treat the redistribution as if it were a payment by the Borrower under Clause 11 (Payments) and shall pay the redistribution to the Senior Lenders (other than the recovering Senior Lender) in accordance with Clause 11.6 (Partial payments); and

(e) after payment of the full redistribution, the recovering Senior Lender will be subrogated to the portion of the claims paid under paragraph (d) above and the Borrower will owe the recovering Senior Lender a debt which is equal to the redistribution, immediately payable and of the type originally discharged.

### 32.2 Reversal of redistribution

If under Clause 32.1 (Redistribution):

(a) a recovering Senior Lender must subsequently return a recovery, or an amount measured by reference to a recovery, to the Borrower; and

(b) the recovering Senior Lender has paid a redistribution in relation to that recovery,

each Senior Lender shall, within three (3) Business Days of demand by the recovering Senior Lender through the Agent, reimburse the recovering Senior Lender all or the appropriate portion of the redistribution paid to that Senior Lender. Thereupon, the subrogation in Clause 32.1 (Redistribution) will operate in reverse to the extent of the reimbursement.

**32.3 Exceptions**

(a) A recovering Senior Lender need not pay a redistribution to the extent that it would not, after the payment, have a valid claim against the Borrower in the amount of the redistribution pursuant to Clause 32.1 (Redistribution).

(b) A recovering Senior Lender is not obliged to share with any other Senior Lender any amount which the recovering Senior Lender has received or recovered as a result of taking legal proceedings, if the other Senior Lender had an opportunity to participate in those legal proceedings but did not do so and did not take separate legal proceedings.

## 33. SEVERABILITY

If a provision of any Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

(a) the validity or enforceability in that jurisdiction of any other provision of the Finance Documents; or

(b) the validity or enforceability in other jurisdictions of that or any other provision of the Finance Documents.

Where provisions of any applicable Law resulting in such illegality, invalidity or unenforceability may be waived, they are hereby waived by Borrower and each Senior Lender to the full extent permitted by applicable Law so that the Finance Documents shall be deemed valid and binding agreements, in each case enforceable in accordance with their respective terms.

## 34. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

## 35. NOTICES

### 35.1 Giving of Notices

All notices, demands, requests, consents, approvals, designations and other communications under or in connection with the Finance Documents (in this Clause 35 (Notices) **"Notices")** shall be given in writing and, unless otherwise stated may be made by letter or facsimile. Any Notice will be deemed to be given as follows:

(a) if by letter, when delivered personally or on actual receipt; and

(b) if by facsimile, when received in legible form.

However, a Notice given in accordance with the above but received on a day which is not a Business Day or after business hours in the place of receipt will only be deemed to be given on the next Business Day in that place.

### 35.2 Addresses for Notices

The address and facsimile number of each for all Notices, and all other documents or instruments to be furnished, delivered or provided under or in connection with the Finance Documents are:

For the Arranger or the Agent :

Bank Leumi Le-Israel B.M.
32 Yehuda Halevy St.
Tel-Aviv, Israel
Fax: 03- 5149514
Attn: Mr. Ori Goldstein

For the Borrower :

O.P.C. Rotem Ltd.
19 Ha'arba'a St.
Tel Aviv, Israel
Fax: 073-2296664
Attn: Mr. Giora Almogy

Failure in sending the above mentioned copy shall not derogate, in any manner, from the validity of the notice sent to the Borrower and shall not constitute grounds for any claim or demand against the sender.

## 36. BORROWER IN CONTROL

In no event shall the rights and interests of any Finance Party under the Transaction Documents be construed to give any such party, or be deemed to indicate that any such party has, control of the business, management or properties of the Borrower or power over the daily management functions and operating decisions made by Borrower.

**37. ABSENCE OF FIDUCIARY RELATIONS**

Each Finance Party undertakes to perform or to observe only such of its agreements and obligations as are specifically set forth in the Transaction Documents, and no implied agreements, covenants or obligations with respect to the Borrower, any Sponsor, any Affiliate of the Borrower, or any other party to any of the Project Documents, shall otherwise be read into any of the Transaction Documents against any Finance Party. None of the Senior Lenders is a fiduciary of and shall not owe or be deemed to owe any fiduciary duty to the Borrower, any Sponsor, any Affiliate of the Borrower, any other party to any of the Project Documents.

**38. GOVERNING LAW AND JURISDICTION**

This Agreement is governed by and shall be construed in accordance with the laws of the State and each party hereby irrevocably submits to the jurisdiction of the courts of Tel-Aviv-Jaffa in connection with any dispute arising out of or in connection with this Agreement.

**39. INTEGRATION**

The Transaction Documents to which the Finance Parties are a party with the Borrower contain the complete agreement among the Borrower and the Finance Parties with respect to the matters contained therein and supersede all prior commitments, agreements and understandings, whether written or oral, with respect to the matters contained therein.

**40. SURVIVAL**

All indemnities set forth in any of the Finance Documents shall survive the execution and delivery of each such Finance Document, any cancellation or termination of any of the Commitments, the termination of any Finance Document, the making and repayment of the Loans or the rights and obligations of any Finance Party under any Finance Document.

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**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

| | |
|---|---|
| **OPC Rotem Ltd.** | **Bank Leumi le-Israel B.M.**<br>**As Arranger** |
| **Bank Leumi le-Israel B.M.**<br>**As Senior Lender** | **Bank Leumi le-Israel B.M.**<br>**As Agent** |

**SCHEDULE 10**
**CONDITIONS PRECEDENT**

**PART 1 – INITIAL CONDITIONS PRECEDENT**

The Initial Conditions Precedent are as follows:

**1.1 Base Case Financial Model and Initial Construction Period Budget**

(a) The Borrower shall have delivered the Base Case Financial Model, the Initial Construction Period Budget and the Initial O&M Period Budget, each of which shall be in form and substance satisfactory to the Agent, and shall be accompanied by a certificate of a Financial Officer of the Borrower, in form and substance satisfactory to the Agent, attesting to the matters set out in Clause 16.16 (Models and Budgets) which matters shall be reasonably acceptable to the Agent based on consultation with the Senior Lenders' Technical Adviser, the Senior Lenders' Auditor, and any other consultant the Agent desires to consult with.

(b) The Base Case Financial Model shall demonstrate (taking into account the Standby Facility), a Loan Life Cover Ratio and a projected Annual Debt Service Cover Ratio as follows:

(i) If the Base Case Financial Model reflects a Contract Capacity equal to, or lower than, 25% of the Demonstrated Net Capacity: not less than 1.22 for each 12 month period and an average of 1.25 for all 12 month periods until the amounts due under the Finance Documents have been repaid in full;

(ii) If the Base Case Financial Model reflects a Contract Capacity higher than 25% of the Demonstrated Net Capacity: not less than 1.18 for each 12 month period and an average of 1.2 for all 12 month periods until the amounts due under the Finance Documents have been repaid in full;

(iii) If the Base Case Financial Model reflects a Contract Capacity equal to 100% of the Demonstrated Net Capacity: not less than 1.08 for each 12 month period and an average of 1.1 for all 12 month periods commencing on Construction Completion and until the amounts due under the Finance Documents have been repaid in full.

**("Required Financial Ratios")**

**1.2 Finance Documents and Equity Documents**

(a) Each of the Finance Documents shall have been executed and delivered by all relevant parties in form and on terms satisfactory to the Agent and shall be, or on the Effective Date shall have become, fully effective and all conditions precedent thereunder shall have been fully satisfied or waived in accordance with its respective terms.

(b) Each of the Equity Documents shall have been executed and delivered by all relevant parties in form and on terms satisfactory to the Agent and shall be, or on the Effective Date shall have become, fully effective and all conditions precedent thereunder shall have been fully satisfied or waived in accordance with its respective terms.

**1.3 Security Documents**

(a) The Security Interests under each Security Document shall have been duly created in favour of the Security Trustee and/or the Agent for the benefit of the Senior Lenders, and perfected with first priority and all actions, registrations and consents in connection thereto required by Law or by the Agent shall have been taken and/or made and/or obtained. Without limitation to the foregoing, the Borrower shall have duly authorised, executed and delivered, or as the case may be, provided:

(i) acknowledgement copies of all instruments duly filed under the Law of each jurisdiction as may be necessary to perfect the Security Interests created or purported to be created by the Security Documents;

(ii) evidence of the completion of all other recordings and filings and evidence that all other actions necessary or, in the opinion of the Agent, desirable to perfect and protect the Security Interests purported to be created by the Security Documents has been taken.

(b) Each of the Sponsors and/or the Borrower, for the purposes of the Equity Pledge, shall have transferred and delivered to the Security Trustee, as pledgee, the shares representing all of the issued and outstanding share capital of the Borrower and the Security Trustee.

**1.4 Project Documents**

Each Project Document (other than the Site Agreement, the Oil Number Two Contract and the PPAs with Electricity Buyers), including the Project Guarantees, shall have been executed and delivered, and to the extent applicable, amended by all parties thereto, in form and on terms satisfactory to the Agent and with parties acceptable to the Agent, shall have become, fully effective and all conditions precedent set out in any of the relevant Project Documents shall have been fully satisfied or waived on terms acceptable to the Agent in accordance with its respective terms.

**1.5 Organisational Documents**

(a) The Agent shall have received in form and substance satisfactory to it:

(i) a certificate substantially in the form attached as **Schedule 17 (Financial Officers' Certificate),** dated the Effective Date, signed by a Financial Officer acting for and on behalf of the Borrower;

(ii) copies of the Organisational Documents of the Borrower; and

(iii) copies of resolutions of the board of directors and minutes of shareholders' meetings (to the extent relevant) of the Borrower.

(b) The Agent shall have received in form and substance satisfactory to it:

(i) a certificate substantially in the form attached as **Schedule 17 (Financial Officers' Certificate),** dated the Effective Date, signed by a Financial Officer acting for and on behalf of the O&M Contractor, the Sponsors and the Shareholders;

(ii) copies of the Organisational Documents of the O&M Contractor, the Sponsors and the Shareholders; and

(iii) copies of resolutions of the board of directors, and minutes of shareholders' meetings and decisions of other governing bodies (each to the extent relevant), of the O&M Contractor, the Sponsors and the Shareholders.

**1.6 Insurance**

The Borrower shall have obtained or caused to have been obtained the Insurances described in **Schedule 15 (Insurances)** in accordance with the obligations set out in this Agreement and the Agent shall have received:

(a) a certified copy or evidence (in the form of cover notes or such other evidence in form and substance satisfactory to the Agent) of each of the Insurances described in **Schedule 15 (Insurances),** such Insurances (and endorsements thereof) to be in form and substance and issued by companies satisfactory to the Agent, together with evidence satisfactory to the Agent that all premiums then due with respect to such Insurances (and endorsements thereof) shall be paid out of proceeds of the Loans; and

(b) a written report of the Senior Lender's Insurance Adviser (in form and substance satisfactory to the Agent) describing the Insurances (and endorsements thereof) obtained by the Borrower or the EPC Contractor as of the Effective Date with respect to the Borrower, the EPC Contractor, the Project and the Site and stating that the insurance required to be obtained by such date pursuant to the Transaction Documents is in full force and effect and provides reasonable and adequate coverage for the Project, the Site, the Borrower and the EPC Contractor.

**1.7 Senior Lenders' Technical Adviser**

The Agent shall have received the final report of the Senior Lenders' Technical Adviser, which shall, inter alia, fully consider the construction, operation and maintenance risks of the Project and shall otherwise be in form and substance satisfactory to the Agent.

**1.8 Access to the Site**

Evidence, in a form and substance satisfactory to the Agent, that as of the Effective Date, the Borrower has been provided access (vacant to the extent required for the purpose of implementing the Project) of any part and/or parts of the Site required to be delivered as of such date in accordance with the Construction Schedule.

**1.9 Accounts**

Each of the Accounts shall have been established by the Borrower and all relevant documents in respect of the Accounts (as shall have been provided to the Borrower by the Accounts Bank) have been executed by the Borrower. All Accounts shall be maintained by the Borrower with the Agent. Each Account shall be subject to the Security Interests created by and under the Debenture.

**1.10 Project Consents**

Each of the Project Consents listed in **Schedule 13 (Project Consents)** that are required to have been obtained by such date shall have been obtained. Each such Project Consent shall be in form and substance satisfactory to the Agent, in full force and effect, not subject to appeal and free from conditions or requirements except for conditions and requirements which are reasonably expected to be satisfied by the date they are required to be satisfied pursuant to the terms of such Project Consent.

**1.11 No Material Adverse Effect**

No event, condition or circumstance have occurred and is continuing, which has had or is likely to have a Material Adverse Effect.

**1.12 Not Used**

**1.13 Litigation**

There shall be no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any other Obligor involving the Project or the Site and which has had or is reasonably likely to have a Material Adverse Effect.

**1.14 Default**

No Event of Default or Potential Default shall have occurred and be continuing.

**1.15 Reprentations and Warranties**

All representations and warranties made by the Borrower, any Sponsor, Israel Corporation Ltd., and Dalkia International S.A., in any of the Transaction Documents shall be true and correct.

**1.16 Financial Statements**

The Agent shall have received copies of the most recent audited financial statements of the Borrower, each Sponsor, the Israel Corporation Ltd. and Dalkia International S.A. showing, for each such Person, no change in the financial condition of such Person since the date of the previous audited financial statements irrespective of whether or not provided to the Agent which has had, or is reasonably likely to have a Material Adverse Effect.

**1.17 Legal Opinions**

The Agent shall have received legal opinions from counsel to each Obligor (other than the LTSA Contractor and the Gas Transporter), in each case dated the Effective Date and in form and substance satisfactory to the Agent.

**1.18 Certificates**

The Agent shall have received an executed copy of each Transaction Document in existence on the Effective Date, together with a certificate of a Financial Officer Certificate in the form of **Schedule 17.**

**1.20 Equity Bridge Finance Documents**

The Equity Bridge Finance Documents have been duly executed, the Loans under the Equity Bridge Facility has been fully utilized in accordance with the provisions of the Equity Bridge Facility Agreement and there are no amounts in the Dalkia Equity Account and the IC Equity Account (as defined under the Accounts Agreement).

**1.21 Fees and Expenses**

The Borrower shall have paid or arranged for payment (including, to the extent permitted, arrangement for payment out of Loans) of all fees, expenses and other charges due and payable under the Finance Documents to any Finance Party (or Affiliate thereof) or any Adviser as of the date of the First Drawdown.

**1.22 Regulatory**

There shall be no impediment, restriction, limitation or prohibition, including impediments, restrictions, limitations or prohibitions imposed under law and/or by the Bank of Israel and/or any other Governmental Authority and/or under any order, as to the

proposed financing under this Agreement or as to the security interests to be created under the Security Documents or as to any rights of any collateral thereunder or as to application of the proceeds of the realisation of any such rights. Without derogating from the aforegoing, the proposed financing shall not result in any Senior Lender exceeding the limits under Bank of Israel guidelines and directives with respect to single borrowers *("Loveh Boded")*, groups of borrowers *("Kvutzat Lovim")*, connected persons *("Anashim Kshurim")* or any other limit or limitations imposed thereunder.

**1.23 Market Disruption / Increased Costs**

No event, condition or circumstance set forth in Clause 13 (Market Disruption) or 14 (Increased Costs) of the Facility Agreement shall have occurred and be continuing.

**1.24 Not Used**

**1.25 Minister of National Infrastructures Approval**

The approval of the Minister of National Infrastructures for the issuance of a Security Interest over the Electricity License, in a form satisfactory to the Agent, has been granted.

**1.26 Electricity Sector Regulations**

The Borrower shall have delivered a notice in accordance with the provisions of regulation 29A(a) of the Electricity Sector Regulations (Terms and Procedures for Granting Licenses and the Duties of License Holders), 1997, in the form of **Schedule 27 (Form of Notice in accordance with Regulation 29(A))** satisfactory to the Agent;

**1.27 Compliance with the IEC PPA**

The Borrower shall have demonstrated to the satisfaction of the Agent that a notice in accordance with the provisions of clause 21.1.4.2 of the IEC PPA has been provided in accordance with the provisions thereof.

**1.28 Gas Supply Agreement**

The Borrower shall have either (i) exercised the option specified in clause 5.1.2 ( Option to Increase ACQ) of the Gas Supply Agreement; or (ii) provided the Agent with an agreement for the purchase of at least 10,512,000 (ten million five hundred twelve thousand) MMBTUs per year, with the Additional Gas Supplier in a form attached to this Agreement as **Schedule 30 (Form of Gas Supply Agreement with the Additional Gas Supplier).**

**1.29 IEC PPA**

The IEC PPA has been amended in accordance with the amendments set out in **Schedule 24 (Form of Amendments to the IEC PPA).**

**1.30 The Site**

The Tamar Local Planning and Construction Committee has approved the statutory division of lot 15 located on block 2 parcel 100113.

**1.31 The Procurement of Additional Gas Transmission Capacity**

The Borrower has confirmed, to the satisfaction of the Agent, the availability of sufficient pipeline capacity and procurement of an additional l00mmBTU/hr.

**1.32 The Electricity License**

The Electricity License in the form attached hereto as **Schedule 28 (Form of Electricity License)** , has been granted to the Borrower.

**1.33 Amendment No. 1 to the LTSA Contract**

Amendment No. 1 to the LTSA Contract in the form attached hereto as **Schedule 29 (Amendment No. 1 to the LTSA Contract),** has been executed between the Borrower and the LTSA Contractor.

**PART 2 – FURTHER CONDITIONS PRECEDENT**

The Further Conditions Precedent for all Loans (other than the First Drawdown) are as follows:

**2.1 No Default and Accuracy of Representations**

(a) No Event of Default or Potential Default shall have occurred and be continuing or could reasonably be expected to result from the making of the requested Loan.

(b) The representations and warranties of the Borrower, the Sponsors, Israel Corporation Ltd. and Dalkia International S.A. under the Finance Documents shall be true and correct as if each such representation and warranty was made as of the date of the requested Loan.

**2.2 Security**

(a) The Security Interests under the Security Documents shall continue to constitute perfected first priority Security Interests over all of the Collateral.

(b) The Collateral shall be free and clear of any Security Interests except for Permitted Security Interests.

(c) The Borrower shall have delivered to the Agent evidence satisfactory to the Agent, demonstrating its compliance with the provisions of Clause 17.9 (Security).

**2.3 No Material Adverse Effect**

No event or events have occurred and is continuing which has had or is reasonably likely to have a Material Adverse Effect.

**2.4 Funds for Construction Period Costs**

In connection with each Loan, a Financial Officer acting for and on behalf of the Borrower shall have delivered to the Agent, a certificate in form and substance satisfactory to the Agent stating that:

(a) All Construction Period Costs expected not yet paid and expected to be incurred do not exceed the sum of:

(i) the undrawn Total Commitments (excluding the Working Capital Facility Commitment and the Debt Service Reserve Facility);

(ii) the aggregate amount standing to the credit of any Account on that date to the extent that the Borrower is entitled in accordance with the provisions of the Accounts Agreement to utilize such amounts in paying Construction Period Costs;

(b) The construction of the Project is progressing in accordance with (i) the Construction Schedule, (ii) the Construction Period Budget and (iii) a schedule that would allow for Construction Completion to be achieved prior to the Construction Completion Deadline.

(c) Borrower is not aware of any event, circumstances or condition, that is reasonably likely to cause the Project not to (i) achieve Construction Completion prior to the Construction Completion Deadline and (ii) be completed within the Construction Period Budget.

**2.5 Continued Validity of Financial Model**

The Agent (in its sole discretion) based on consultation with the Advisers shall be satisfied that the Financial Model then in effect demonstrates a projected Annual Debt Service Cover Ratio of not less than the Required Financial Ratios, for each 12 month period (calculated both for the previous 12 months period and for the upcoming 12 months period based on the Borrower's forecast) following the Construction Completion Deadline through the end of the term of the License.

**2.6 Access to Site**

Without derogating from the provisions of Clause 17.6(d), the Borrower continues to have uninterrupted access to the Site and shall have execute the Site Agreement by no later than 31.12.2011.

**2.7 Drawdown Request**

A Drawdown Request that satisfies all the requirements of Clause 5.2 (Giving of Drawdown Requests) of the Facility Agreement shall have been submitted by the Borrower to the Agent and shall have been approved by the Agent

**2.8 Senior Lenders' Technical Adviser**

The Agent shall have received confirmation from the Senior Lenders' Technical Adviser that the construction of the Project is progressing in accordance with the Construction Schedule, the Construction Period Budget and any other relevant documents. The Agent shall have also received the approval of the Senior Lenders' Technical Adviser of such matters expressly delegated to the Senior Lenders' Technical Adviser in the form of the Drawdown Request at least ten (10) days prior to the Scheduled Drawdown Date.

**2.9 Market Disruption / Increased Costs/Illegality**

The Borrower has not received notification from the Agent pursuant to Clause 13 (Market Disruption), Clause 14 (Increased Costs) or Clause 15 (Illegality).

**2.10 Commitments**

The making of such Loan shall not cause the Total Commitments to be exceeded.

**2.11 Other Contributions**

All loans and other contributions required to be made by any Person by such date under the terms of the relevant Finance Document or Transaction Document shall be made, including the payment by the Sponsors of Equity Contributions in an amount of at least 20% of the amount of the requested Loan.

**2.12 Other Conditions Precedent**

The Borrower shall have notified the Agent in writing by 11:00 AM Tel-Aviv time on the Business Day prior to the Scheduled Drawdown Date whether the Further Conditions Precedent (other than the condition in this Clause 2.12 (Other Conditions Precedent)) remain satisfied or have been waived as of such date.

**2.13 EPC Contractor's Representation Regarding the EPC Contract**

The Agent shall have received a certificate signed by a Financial Officer acting for and on behalf of the EPC Contractor, in form and substance satisfactory to the Agent, to the effect that as of the date of the Drawdown Request, no Event of Default is outstanding under the EPC Contract and that no Force Majeure (as defined in the EPC Contract) has occurred and is continuing.

**2.14 Not Used**

**2.15 Equity to Debt Ratio**

The Borrower has demonstrated that the Equity to Loans Ratio has been maintained.

**2.16 IEC Financial Conditions and State of Affaires**

No moratorium has been declared with respect to the payment of the indebtedness of the IEC nor IEC has suspended payments on all or any class of its indebtedness (including amounts payable under the IEC PPA), or has announced an intention to do so, or otherwise has admitted its inability or unwillingness to pay its indebtedness as it falls due (other than unwillingness to pay indebtedness arising solely as a result of a bona fide dispute in respect of such indebtedness, which dispute is being actively contested by appropriate proceedings), except where the entire IEC PPA has been transferred to an Essential Service Provider according to the provisions of Appendix "N" of the IEC PPA.

**3 Further Conditions Precedent with respect to the Standby Facility**

The further conditions precedent with respect of the Standby Facility are as follows:

(a) the Long Term Facility Shall has been fully utilized and there are no amounts in the Facility Loans Account;

(b) the Sponsors shall have made Equity Contributions of at least 30% of the applicable Cost Overrun prior to each Drawdown Date;

(c) Approval by the Senior Lenders' Technical Adviser that: (i) the Cost Overruns are verifiable and justifiable; (ii) the expenses shall not be part of the EPC Contract price; and (iii) no additional Costs Overruns are anticipated.

**4 Further Conditions Precedent with respect to the Debt Service Reserve Facility**

The further conditions precedent with respect of the Debt Service Reserve Facility are as follows:

(a) a certificate signed by a Financial Officer acting for and on behalf of the Borrower certifying that the Borrower is in absence of sufficient available cash flow to meet the Debt Service Reserve Requirement on the applicable Calculation Date.

**SCHEDULE 11**
**ORDER OF PAYMENTS**

The priority of distribution of available Cash Flow in a non default situation will be as follows:

(i) O&M Costs.

(ii) Any amount due to the Lenders' consultants (if applicable).

(iii) Interest payments on the Facilities, fees and scheduled payments of principal of the Facilities.

(iv) Contribution to the Maintenance Reserve Account (if applicable).

(v) Contributions to the Debt Service Reserve Account should it not be fully maintained and/or prior to the Final Maturity Date of the Debt Service Reserve Facility repayment of the Debt Service Reserve Facility should it not be fully repaid.

(vi) Contribution to any other accounts, to be agreed.

(vii) Payments to the Sponsors and other Subordinated Lenders in accordance with the provisions of Clause 17.29 (Distributions).

**SCHEDULE 12**
**ENFORCEMENT ACTION**

Commencing any proceedings or taking any action taken to enforce the rights of any Secured Creditor rights under the Transaction Documents, including without limitation:

1. Declaration of an Event of Default, Potential Default and/or declaration of the Loans (or any part thereof), together with interest and Linkage Differentials and all other amounts payable under the Finance Documents immediately due and payable, or to make any other declaration or take any other action pursuant to Clause 20.24 (Acceleration; Other Remedies) or 7.2 (Mandatory Prepayment);

2. Instructing the Borrower to exercise its right to terminate any of the Project Document.

3. Commencing legal proceedings against any Obligor in connection with any Finance Document or entry into any creditors' arrangement or other similar arrangement or rescheduling of debt with any Obligor (or the creditors of any Obligor);

4. Exercising any right of appointment of any Eligible Person, Additional Obligor or any other substituting entity under any Project Document or Direct Agreement;

5. Exercising any right of indemnity against any Obligor in connection with the Finance Documents;

6. Exercising any right to terminate any Finance Document.

**Exhibit 4.11**

**EXECUTION COPY**

**********

CREDIT AGREEMENT

Dated as of August 17, 2012

among

CERRO DEL AGUILA S.A.
as the Borrower

SUMITOMO MITSUI BANKING CORPORATION
as the Administrative Agent

SUMITOMO MITSUI BANKING CORPORATION
as the SACE Agent

THE BANK OF NOVA SCOTIA
as the Offshore Collateral Agent

SCOTIABANK PERU, S.A.A.
as the Onshore Collateral Agent

and

LENDERS PARTY TO THIS AGREEMENT
FROM TIME TO TIME

**********

TABLE OF CONTENTS

This Table of Contents is not part of the Agreement to which it is attached but is inserted for convenience only.

APPENDICES, SCHEDULES AND EXHIBITS

This CREDIT AGREEMENT (this " Agreement "), dated as of August 17, 2012, is made among Cerro del Aguila S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to this Agreement identified as a "Lender" on the signature pages to this Agreement or that, pursuant to Section 11.06(b) , shall become a "Lender" under this Agreement, Sumitomo Mitsui Banking Corporation, as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru, S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "). Capitalized terms used in the recitals below have the meanings given them in Article I of this Agreement.

WHEREAS, the Borrower seeks to develop, design, engineer, procure, construct, commission, test, start-up, finance, own, operate and maintain a 525 MW hydroelectric power plant in the department of Huancavelica, Peru (the " Project ").

WHEREAS, the Borrower seeks senior secured financing to complete construction of and commence operation of the Project.

WHEREAS, the Borrower hereby requests the Lenders to make Senior Loans and Tranche C Loans from time to time to finance the development, construction and operation of the Project in an aggregate principal amount not to exceed $595,000,000.

WHEREAS, the Lenders are prepared to make such Senior Loans and Tranche C Loans upon the terms and conditions hereof.

NOW THEREFORE, the parties hereto agree as follows:

## ARTICLE I

## DEFINITIONS AND INTERPRETIVE MATTERS

1.01 Certain Defined Terms . In addition to the terms defined in the preamble above, and unless otherwise specified in this Agreement, capitalized terms used in this Agreement (including the appendices, schedules and exhibits hereto ) shall have the meanings given to such terms below. Capitalized terms and other terms used in this Agreement shall be interpreted in accordance with Sections 1.02 and 1.03 , as applicable.

" Acceptable Bank " (i) with respect to Permitted Investments in any Offshore Collateral Account, shall mean any bank or trust company which is organized or licensed under the laws of an OECD Country which has capital, surplus and undivided profits of at least $500,000,000 and has outstanding unguaranteed and unsecured long-term indebtedness which is rated "A-" or better by S&P and "A3" or better by Moody's (or an equivalent rating by another nationally recognized statistical rating organization of similar standing if neither such corporation is in the business of rating unsecured bank indebtedness) and (ii) with respect to Permitted Investments in any Onshore Collateral Account, shall mean any bank or trust company which is organized or licensed under the laws of Peru which has capital, surplus and undivided profits of at least $500,000,000 and has outstanding unguaranteed and unsecured long-term indebtedness which is rated "BBB-" (Global Scale) or better by S&P or "BA3" (Global Scale) or better by Moody's.

" Acceptable COD O&M Arrangement " shall mean any of the following, in each case satisfactory to the Supermajority Lenders:

(i) a Borrower O&M Plan; or

(ii) a Kallpa O&M Agreement; or

(iii) an Acceptable Non-Affiliate O&M Agreement.

" Acceptable Insurance Broker " shall mean any reputable independent insurance and/or reinsurance broker reasonably satisfactory to the Administrative Agent, after consultation with the Independent Insurance Consultant and the Borrower.

" Acceptable LC Provider " shall mean (a) a bank that is rated "A-" or better by S&P and "A3" or better by Moody's and otherwise acceptable to the Lenders or (b) Bank Leumi le Israel B.M., Bank Hapoalim B.M., BBVA Banco Continental, Banco de Crédito del Perú, Banco Internacional del Perú, Banco Itau S.A., Fiduciaria Bancolombia S.A. Sociedad Fiduciaria, Intesa San Paolo S.P.A. Scotiabank Peru S.A.A. or UniCredit Bank AG; provided that any bank listed in this sub-clause (b) shall maintain at least a BBB rating by S&P and Baa2 by Moody's or better.

" Acceptable Letter of Credit " shall mean either an Equity Letter of Credit or a DSRA Letter of Credit.

" Acceptable Non-Affiliate O&M Agreement " shall mean an operation and maintenance agreement, executed by the Borrower and a Person acceptable to the Supermajority Lenders that is not an Affiliate of the Borrower, and containing terms and conditions satisfactory to the Supermajority Lenders, including a term at least through the Final Maturity Date and a price within a 5% variance of the price set forth in the Updated Base Case Forecast and consistent with the O&M Framework delivered pursuant to Section 6.01(b)(iii) .

" Account Collateral " shall mean the collateral pledged in respect of the Project Accounts pursuant to the Security Documents.

" Accounting Principles " shall mean, with respect to the Borrower, IFRS and with respect to any other Person, IFRS or the generally accepted accounting principles and standards (as may be modified from time to time by the organization promulgating such principles or standards in the applicable jurisdiction for such Person) then in effect in such Person's jurisdiction of incorporation or formation or, if such Person is a Subsidiary of another Person (the " Parent ") and does not prepare financials independently of its Parent, the jurisdiction of incorporation or formation of its Parent, as the case may be.

" Action Plan " shall mean the plan developed by the Operator and Borrower and approved in writing by the Independent Environmental and Social Consultant setting out specific social and environmental measures to be undertaken by the Borrower to (a) satisfy all recommendations contained in the Environmental and Social Consultant's Report delivered pursuant to Section 6.01(f)(ii) , and (b) enable the Project to be developed, designed, engineered, procured, constructed, commissioned, tested, started-up, financed, owned, operated and maintained in continuous compliance with the Environmental and Social Standards, attached hereto as Schedule 1.01(A) (as such plans may be amended or supplemented from time to time pursuant to Section 8.04(e) ).

" Actual Project Acceptance Date " shall have the meaning assigned to such term in the EPC Contract.

" Additional Project Document " shall mean any contract or agreement relating to the Project entered into by the Borrower, or by an agent on behalf of the Borrower, subsequent to the Closing Date.

" Administrative Account " shall have the meaning assigned to such term in Section 2.02(b) .

" Administrative Agency Fee Letter " shall mean that certain letter agreement, dated as of the Closing Date, among the Borrower, the Administrative Agent and the SACE Agent with respect to certain fees payable by the Borrower to the Administrative Agent and the SACE Agent.

" Administrative Agent " shall have the meaning assigned to that term in the preamble.

" Administrative Fee " shall have the meaning assigned to that term in Section 2.04(b) .

" Advance Date " shall have the meaning assigned to that term in Section 4.06 .

" Affected Property " shall mean the Property of the Borrower lost, destroyed, damaged or otherwise taken as a result of any Event of Loss.

" Affiliate " shall mean any Person that directly or indirectly Controls, or is under common Control with, or is Controlled by, a specified Person and, if such Person is an individual, any member of the immediate family (including parents, spouse, children and siblings) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is Controlled by any such member or trust. Notwithstanding the foregoing, the definition of "Affiliate" shall not encompass (a) any individual solely by reason of his or her being a director, officer or employee of any Person and (b) any Agent or any Lender.

" Agents " shall mean the Administrative Agent, the Collateral Agents, the SACE Agent, the Trustee and the Depositary.

" Aggregate Tranche A Loan Commitment " shall mean $304,850,000, as such amount may increase from time to time if any Tranche C Loan Commitments are assigned pursuant to Section 11.06(b) .

" Aggregate Tranche B Loan Commitment " shall mean $164,150,000, as such amount may increase from time to time if any Tranche C Loan Commitments are assigned pursuant to Section 11.06(b) .

" Aggregate Tranche C Loan Commitment " shall mean $56,343,858.

" Aggregate Tranche D Loan Commitment " shall mean $65,000,000, as such amount may increase from time to time if any Tranche C Loan Commitments are assigned pursuant to Section 11.06(b) .

" Agreement " shall have the meaning assigned to that term in the preamble.

" Alternative Base Rate " shall mean an amount equal to the higher of (a) the Prime Rate and (b) the prevailing Federal Funds Rate plus 0.50%.

" ANA " shall mean the National Water Authority ( *Autoridad Nacional del Agua* ) of Peru.

" Ancillary Documents " shall mean, with respect to each Additional Project Document entered into by the Borrower, or by an agent on behalf of the Borrower, subsequent to the Closing Date: (a) each security agreement or instrument necessary to grant to the Collateral Agents, a perfected Lien in such Additional Project Document with the priority contemplated by the Security Documents, (b) each recorded financing statement and other filings required to perfect such Lien, (c) an opinion of counsel to the Borrower and, in the case of Acceptable COD O&M Arrangement (other than a Borrower O&M Plan) or a replacement of the EPC Contract, an opinion of counsel to the relevant Material Project Party and (d) in the case of any material PPA, Acceptable COD O&M Arrangement or a replacement of the EPC Contract, a Consent and Agreement from each Person party to such Additional Project Document and any other Person guaranteeing or otherwise providing credit support for such Material Project Party's obligations.

" Anti-Money Laundering Laws " shall mean, collectively, (a) Title III of the USA PATRIOT Act and (b) any other law, regulation, order, decree or directive of any Government Authority in a relevant jurisdiction having the force of law and relating to anti-money laundering and applicable to the Borrower.

" Applicable Lending Office " shall mean, for each Senior Lender, the "Lending Office" of such Senior Lender (or of an Affiliate of such Senior Lender) designated on Appendix A or such other office of such Senior Lender (or of an Affiliate of such Lender) as such Senior Lender may from time to time specify to the Agents and the Borrower as the office for its Loans; provided , that any Senior Lender may from time to time change its "Applicable Lending Office" by delivering notice of such change to the Agents and the Borrower.

" Applicable Margin " shall have the meaning set forth in the table below for each Loan:

| | From the Closing Date until (and including) the first Interest Payment Date immediately following the fifth (5 th ) anniversary of the Closing Date | On and from the first date after the first Interest Payment Date immediately following the fifth (5 th ) anniversary of the Closing Date until (and including) the first Interest Payment Date immediately following the eighth (8 th ) anniversary of the Closing Date | On and from the first date after the first Interest Payment Date immediately following the eighth (8 th ) anniversary of the Closing Date until (and including) the first Interest Payment Date immediately following the eleventh (11 th ) anniversary of the Closing Date | On and from the first date after the first Interest Payment Date immediately following the eleventh (11 th ) anniversary of the Closing Date until (and including) the Final Maturity Date or the Tranche D Final Maturity Date, as applicable |
|---|---|---|---|---|
| Tranche A Loans: | 4.25% | 4.75% | 5.25% | 5.50% |
| Tranche B Loans: | 4.25% | 5.00% | 5.75% | 6.25% |
| Tranche C Loans: | 4.25% | 5.00% | 5.75% | 6.25% |
| Tranche D Loans: | 2.75% | 3.25% | 3.60% | 3.60% |

" Asset Pledge Agreement " shall mean that certain moveable assets pledge ( *Contrato de Garantía Mobiliaria Sobre Activos* ), to be entered into prior to the Initial Disbursement Date, between the Borrower and the Onshore Collateral Agent, executed before a Notary Public and to be registered in the Peruvian Public Registry.

" Assignment and Acceptance " shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.06(b) ), and accepted by the Administrative Agent, in the form of Exhibit E or any other form approved by the Administrative Agent.

" Auditors " shall have the meaning assigned to such term in Section 8.08(c) .

" Authorized Officer " shall mean: (a) with respect to any Person that is a corporation, company or a *sociedad anónima* , the chairman, chief executive officer, president, vice president, assistant vice-president, treasurer, assistant treasurer, attorney-in-fact, secretary or assistant secretary of such Person or the individuals authorized to act as such by its by-laws or *estatutos sociales* , (b) with respect to any Person that is a partnership, each general partner of such person or the chairman, chief executive officer, president, vice president, treasurer, assistant treasurer, attorney-in-fact, secretary or assistant secretary of a general partner of such Person and

(c) with respect to any Person that is a limited liability company, the manager, the managing partner or a duly appointed officer of such Person or the individuals authorized to represent such person pursuant to the constitutive documents of such limited liability company or the chairman, chief executive officer, president, vice president, treasurer, assistant treasurer, attorney-in-fact, secretary or assistant secretary of a manager or managing member of such Person.

" Bankruptcy " shall mean, with respect to any Person, the occurrence of any of the following events, conditions or circumstances: (a) such Person shall file a voluntary petition in bankruptcy or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer or consent seeking any reorganization, arrangement, composition, readjustment, liquidation, *concurso de acreedores*, dissolution or similar relief for itself under the Peruvian General Bankruptcy Act, as amended, or any present or future applicable federal, state or other statute or law relating to bankruptcy, insolvency, reorganization or other relief for debtors, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties (the term "acquiesce," as used in this definition, includes the failure to file in a timely manner a petition or motion to vacate or discharge any order, judgment or decree after entry of such order, judgment or decree), (b) an involuntary case or other proceeding shall be commenced against such Person seeking any bankruptcy, reorganization, arrangement, composition, readjustment, liquidation, *concurso de acreedores* , dissolution or similar relief with respect to such Person or its debts under the Peruvian General Bankruptcy Act, as amended, or any present or future applicable federal, state or other statute or law relating to bankruptcy, insolvency, reorganization or other relief for debtors, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of sixty (60) Business Days, (c) a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against such Person seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Peruvian General Bankruptcy Act, or any other present or future applicable federal, state or other statute or law relating to bankruptcy, insolvency, reorganization or other relief for debtors, and such Person shall acquiesce in the entry of such order, judgment or decree or such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its property shall be appointed without the consent or acquiescence of such Person and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive), (d) such Person shall admit in writing its inability to pay its debts as they mature or shall generally not be paying its debts as they become due, (e) such Person shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors or (f) such Person shall take any corporate, limited liability company or partnership action for the purpose of effecting any of the foregoing.

" Base Case Forecast " shall mean the quarterly projections relating to the Project Development and operation of the Project for the period commencing on the Closing Date and continuing for a period of twenty (20) years, as prepared by the Borrower according to the methodology and assumptions agreed with the Lenders and the Independent Engineer, and in form and substance reasonably acceptable to the Administrative Agent and the Borrower, which projections shall be certified by an Authorized Officer of the Borrower to the effect that (a) such projections were made in good faith and (b) the assumptions on the basis of which such projections were made were (when made) believed to be reasonable and consistent with the Project Construction Budget and Schedule and the Transaction Documents.

" Base Case Total Project Costs " shall mean the total Project Costs contemplated in the Base Case Forecast or after the delivery thereof, the Updated Base Case Forecast.

" Basic Terms and Conditions of Employment " means the requirements as applicable to the Borrower on wage, working hours, labor contracts and occupational health and safety issues, arising from ILO conventions 26 and 131 (on remuneration), 1 (on working hours) and 155 (on health and safety).

" Board " shall mean the Board of Governors of the Federal Reserve System.

" Borrower " shall have the meaning assigned to that term in the preamble.

" Borrower O&M Plan " shall mean a comprehensive operation and maintenance plan to be implemented by the Borrower, which shall be consistent with the O&M Framework delivered pursuant to Section 6.01(b)(iii) and satisfactory to the Supermajority Lenders (in consultation with the Independent Engineer), and containing the performance benchmarks set forth on Schedule 1.01(B) hereto.

" Borrower's Knowledge " shall mean the earlier of actual knowledge of the Borrower or receipt of notice by an Authorized Officer of any Credit Party with respect to a matter relating to a part of any Credit Party's business (as it relates to the Project) for which such Authorized Officer is responsible for the management or day-to-day operations.

" Borrowing " shall mean a borrowing of Loans on any Disbursement Date.

" Borrowing Certificate " shall mean a certificate and related attachments and certifications, substantially in the form of Exhibit B-1 executed by an Authorized Officer of the Borrower requesting a Borrowing of Loans as set forth under this Agreement and otherwise duly completed.

" Broker's Letter of Undertaking " shall mean the broker's letter of undertaking (for insurances/reinsurances arranged by the Borrower) substantially in the form attached as Appendix 3 to Schedule 8.05 .

" Business Day " shall mean any day that is not a Saturday, Sunday or any other day on which commercial banks are authorized or required by law to be closed in New York, New York, Amsterdam, Netherlands and Lima, Peru; provided that when used in connection with the LIBO Rate, a Borrowing or payment of prepayment of principal of or interest on, a Loan or a notice by the Borrower with respect to any such Borrowing, payment, prepayment or Interest Period, the term "Business Day" shall also exclude any day on which commercial banks are not open for dealings in dollar deposits in the London interbank market.

" Capital Expenditures " shall mean, for any period after the Closing Date, expenditures (including the aggregate amount of Capital Lease Obligations incurred during such period) made by (or on behalf of) the Borrower to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with its Accounting Principles (other than such expenditures paid out of casualty insurance proceeds), but excluding Project Costs.

" Capital Lease Obligations " shall mean, for any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property of such Person to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under its Accounting Principles and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount of such obligations, determined in accordance with the relevant Accounting Principles.

" Cash Flow Available for Debt Service " shall mean, for any period, the excess (if any) of (a) the sum of Project Revenues and Spot Revenues for such period less (b) the sum of Operation and Maintenance Expenses and Spot Market Expenses paid during such period.

" CDM " shall mean the clean development mechanism defined under Article 12 of the Kyoto Protocol as implemented through the International Rules.

" CER " shall mean a unit of saleable certified emission reduction credits and any other GHG Reduction pursuant to the CDM which is equal to one metric tonne of carbon dioxide equivalent abated issued by the CDM executive board pursuant to Article 12 of the Kyoto Protocol and the decisions adopted pursuant to that treaty and any successor thereto.

" Change in Control " shall mean any reduction of the direct or indirect ownership, economic or voting interest of (a) Israel Corporation to less than 50.1% of the Project Sponsor (provided that in the event that (i) there has occurred an initial public offering of the Project Sponsor the Tel Aviv Stock Exchange, the Lima, Peru Stock Exchange or any other major stock exchange governed by an Ordinary Member of the International Organization of Securities Commissions, no Change in Control shall be deemed to have occurred so long as Israel Corporation continues to Control the Project Sponsor even though it may own less than 50.1% of the Project Sponsor, (b) prior to the Project Completion Date, any of the Pledgors to less than their respective percentage ownership as set forth in Section 7.25 (a) , (c) prior to the Project Completion Date, the Project Sponsor to less than 100% of the Inkia Pledgor and (d) after the Project Completion Date, the Project Sponsor to less than 50.1% of the Borrower; provided , however , that any reduction of ownership, economic or voting interests otherwise allowed above shall (A) be on an arm's length basis, (B) result in the seller (other than the Quimpac Pledgor) retaining direct or indirect Control over the subject entity (including, without limitation, the ability to appoint a majority of the members of the board of directors or equivalent body) and (C) prior to or simultaneously with reduction of ownership, economic or voting interests, the purchaser shall deliver to the Administrative Agent such documents (including documentation and other information required by bank regulatory authorities under applicable "know your customer" and Anti-Money Laundering Laws and, if applicable, an accession to any Financing Document to which any Credit Party or Israel Corporation is a party and legal opinions in respect of such Financing Documents), each of which shall be in form and substance reasonably satisfactory to the Administrative Agent, and, in the case of a transfer by any Pledgor of its Equity Interests in the Borrower, shall take such actions as shall be requested by the

Administrative Agent in connection with the granting or maintenance of a first-lien security interest in the Equity Interests of the Borrower. Notwithstanding anything to the contrary contained herein, except in connection with an initial public offering of the Project Sponsor on the Tel Aviv Stock Exchange, the Lima, Peru Stock Exchange or any other major stock exchange governed by an Ordinary Member of the International Organization of Securities Commissions, no sale contemplated herein may be to any Person who is (or an Affiliate of a Person who is) (1) then currently engaged in a material dispute with any Credit Party or Senior Lender, (2) then in default under any material indebtedness owing to any Credit Party or Senior Lender, (3) prohibited, once any sale contemplated in this definition is consummated, from receiving additional indebtedness from any Senior Lender, (4) identified by the Office of Foreign Assets control of the U.S. Department of the Treasury as subject to sanctions imposed by the U.S. Government on the basis that such Person, its Affiliates or the government of its or any of its Affiliates' home jurisdiction has engaged in or supports terrorism or other international criminal activity or (5) identified as having any business relationships with specially designated nationals and blocked persons or entities maintained on any Sanction List.

" Change in Law " shall mean, with respect to any Lender (or its Applicable Lending Office), the occurrence after the date of the execution and delivery of this Agreement of the following events: (a) the adoption of any applicable Government Rule, (b) any change in any applicable Government Rule (including Regulation D) or in the interpretation or administration of such applicable Government Rule (including Regulation D) by any Government Authority charged with its interpretation or administration or (c) the adoption or making of any interpretation, directive, guideline, policy or request applying to a class of Lenders including such Lender of or under any Government Rule or in the interpretation or administration of any Government Rule (including Regulation D) (whether or not having the force of law and whether or not failure to comply would be unlawful, but with respect to which similarly situated banks generally comply) by any Government Authority charged with its interpretation or administration. Notwithstanding anything herein to the contrary, (x) the Dodd Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

" Change Orders " shall have the meaning given to such term in Section 8.20(e) .

" Charges " shall have the meaning given to such term in Section 11.11 .

" Closing Date " shall mean August 17, 2012, which is the date on which the Administrative Agent shall have notified the Borrower that all of the conditions set forth in Section 6.01 shall have been satisfied (or waived by each Lender).

" Code " shall mean the Internal Revenue Code of 1986, as amended from time to time.

" COES " shall mean the *Comité de Operación Económica del Sistema Interconectado Nacional* , which is the entity responsible for the operation and coordination of the national power grid and the Spot Market.

" COFIDE " shall mean la Corporación Financiera de Desarrollo S.A., a *sociedad anónima* organized under the laws of Peru.

" COFIDE Guarantee " shall mean, either, (a) any guarantee agreement ( *fianza solidaria* ) between COFIDE and FMO with respect to a portion of FMO's Senior Loan Commitments or (b) a channeling resource agreement ( *contrato de canalización de recursos* ) between COFIDE and Banco Internacional del Perú, with respect to all or a portion of such Senior Lender's Senior Loan Commitments.

" COFIDE Tranche A Guaranteed Notes " shall have the meaning given to such term in Section 2.07(a) .

" COFIDE Tranche B Guaranteed Notes " shall have the meaning given to such term in Section 2.07(b) .

" Collateral " shall mean (a) Account Collateral and (b) any Property of any Credit Party, whether real, personal or mixed, with respect to which a Lien is granted as security for the Secured Obligations.

" Collateral Agents " shall mean the Onshore Collateral Agent and the Offshore Collateral Agent, and "Collateral Agent" means either of them.

" Collateral Agency and Depositary Agreement " shall mean the Collateral Agency and Security Deposit Agreement, to be entered into prior to the Initial Disbursement Date substantially in the form of Exhibit H , among the Offshore Collateral Agent, the Onshore Collateral Agent, the Depositary, the Trustee, the Administrative Agent and the Borrower.

" Commercial Operation Date " shall mean the date when the Project has achieved commercial operations ( *puesta en operación comercial* ) under the Investment Agreement, as confirmed by COES, with at least 111% of the Contracted Capacity ( *Potencia Contratada* , as defined in the Investment Agreement) (such amount as used in this definition, the "Minimum IA Operating Capacity"); provided that, the Minimum IA Operating Capacity shall not be required to achieve the Commercial Operation Date under this Agreement if the MINEM has issued a letter confirming that (a) operating with at least 111% Contracted Capacity is not contractually required under the Investment Agreement and (b) operating with less than 111% Contracted Capacity will not be considered a termination event under the Investment Agreement.

" Commitments " shall mean, collectively, the Senior Loan Commitments and the Tranche C Loan Commitments.

" Commitment Fee " shall have the meaning assigned to such term in Section 2.04(a) .

" Common Representative " shall mean an institution acceptable to the Administrative Agent, to be appointed as irrevocable common representative of the Borrower and the Onshore Collateral Agent in the Share Pledge Agreement, as required by the Peruvian Pledge Act.

" Concession Agreements " shall mean, collectively, (i) the Definitive Generation Concession Agreement and (ii) the Transmission Concession Agreement and "Concession Agreement" means any of them.

" Conditional Assignment of Contractual Position Agreement " shall mean the Conditional Assignment of Contractual Position Agreement ( *Contrato de Cesión Condicionada de Posición Contractual* ), to be entered into prior to the Initial Disbursement Date, between Inkia Holdings (Kallpa) Limited and the Onshore Collateral Agent, executed before a notary public in Peru and to be registered in the corresponding Peruvian Public Registry prior to the Initial Disbursement Date.

" Conditional Assignment of Rights and Contractual Position Agreement " shall mean the Conditional Assignment of Rights and Contractual Position Agreement ( *Contrato de Cesión Condicionada de Derechos y de Posición Contractual* ), to be entered into prior to the Initial Disbursement Date, between the Borrower and the Onshore Collateral Agent, executed before a notary public in Peru and to be registered in the corresponding Peruvian Public Registry prior to the Initial Disbursement Date.

" Confidentiality Agreement " shall mean a confidentiality agreement among a Lender and a prospective assignee or participant substantially in the form attached to this Agreement as Exhibit G .

" Consent and Agreement " shall mean (a) with respect to the EPC Contractor, a Consent and Agreement with respect to the EPC Contract, substantially in the form of Exhibit I-1 and otherwise acceptable to the Administrative Agent, acting reasonably (b) with respect to ElectroPeru, a Consent and Agreement with respect to the ElectroPeru PPA, substantially in the form of Exhibit I-2 and otherwise acceptable to the Administrative Agent, acting reasonably (c) with respect to each of Luz del Sur, S.A.A., Edelnor S.A.A. and Edecañete S.A., a Consent and Agreement with respect to the relevant Luz del Sur PPA, substantially in the form of Exhibit I-2 and otherwise acceptable to the Administrative Agent, acting reasonably (d) with respect to any Operator (other than the Borrower), a Consent and Agreement, substantially in the form of Exhibit I-3 and otherwise acceptable to the Administrative Agent, acting reasonably and (e) any Consent and Agreement referred to in sub-clause (d) of the definition of "Ancillary Documents".

" Construction Account " shall mean the offshore construction account to be established pursuant to the Collateral Agency and Depositary Agreement.

" Construction Report " shall mean a "Construction Report", in form, scope and substance acceptable to the Administrative Agent (in consultation with the Independent Engineer), executed by an Authorized Officer of the Borrower or the Independent Engineer, as applicable, and delivered from time to time as contemplated by Section 8.19 .

" Contest " shall mean, with respect to any Person, with respect to (a) any Taxes or any Lien imposed on Property of such Person (or the related underlying claim for labor, material, supplies or services) by any Government Authority for Taxes or with respect to obligations under ERISA or (b) the determination of Project Completion, any unpaid cost or expense referenced in clause (d) of the definition of Project Completion (each, a "Subject Claim"), a contest of the amount, validity or application, in whole or in part, of such Subject Claim pursued in good faith and by appropriate legal, administrative or other proceedings diligently conducted so long as: (i) adequate cash reserves have been established with respect to such Subject Claim in accordance with such Person's Accounting Principles, (ii) during the period of such contest the enforcement of such Subject Claim is effectively stayed and any Lien (including any inchoate Lien) arising by virtue of such Subject Claim shall, if required by applicable Government Rule, be effectively secured by posting of cash collateral or a surety bond (or similar instrument) by a reputable surety company, (iii) with regard to the determination of Project Completion, Subject Claims related to unpaid costs and expenses referenced in clause (d) of the definition of Project Completion shall not be in excess of $10,000,000 in the aggregate and such Subject Claims shall be effectively secured by the posting of cash collateral or a letter of credit by an Acceptable LC Provider in form and substance acceptable to the Majority Lenders, (iv) neither the Administrative Agent nor any Lender could reasonably be expected to be exposed to any risk of criminal liability or civil liability as a result of such contest and (v) the failure to pay such Subject Claim under the circumstances described above could not otherwise reasonably be expected to have a Material Adverse Effect. The term " Contest " used as a verb shall have a correlative meaning.

" Contingent Equity Contribution " shall have the meaning assigned to such term in the Equity Contribution and Retention Agreement.

" Contingent Equity Credit Support " shall have the meaning assigned to such term in the Equity Contribution and Retention Agreement.

" Contracted Cash Flow Available for Debt Service " shall mean, for any quarterly fiscal period, the excess (if any) of (a) the sum of (x) Project Revenues described in sub-clause (a) of the definition of "Project Revenues" herein for such period plus (y) the sum of (1) Spot Capacity Revenues net of purchases of capacity from the Spot Market and (2) Spot Energy Revenues net of purchases of energy from the Spot Market (if negative) for such quarterly fiscal period less (b) the sum of all Operation and Maintenance Expenses during such quarterly fiscal period.

" Contracted Cash Flow DSCR " shall mean, as at any calculation date, for the period of four (4) consecutive quarterly fiscal periods then most recently ended (or any other period referred to in this Agreement for which this ratio is required to be calculated), the ratio of (a) Contracted Cash Flow Available for Debt Service and (b) Debt Service for such period.

" Control " (including, with its correlative meanings, "Controlled by" and "under common Control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies or the composition of its board or equivalent body (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), and, in any event, any Person owning greater than 50% of the voting securities of another Person shall be deemed to Control that Person.

" Core Labor Standards " means the requirements as applicable to the Borrower on child and forced labor, discrimination and freedom of association and collective bargaining, arising from the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and covering: (i) freedom of association and the right to collective bargaining, (ii) the elimination of forced and compulsory labor, (iii) the abolition of child labor and (iv) the elimination of discrimination in the workplace.

" Credits " shall mean any credits, benefits, incentives or other environmental attributes or payments in lieu thereof, such as renewable energy credits, capacity credits, certificates, allowances, emissions reductions, pollution/emission credits, greenhouse gas reduction, rights to payments, tradable generation rights, green tag or similar right however entitled, whether arising pursuant to any International Rules, Environmental and Social Laws, Government Rule, regulation, certification, markets, trading, off-set, private transaction, renewable portfolio standards, voluntary programs, government programs or auctions, or otherwise and arising as a result of the Project's characterization as a renewable energy generation facility and related to its benefits to the environment, including CERs, but specifically excluding any and all production tax credits, investment tax credits and any other tax credits or tax benefits which are or will be generated by the Project.

" Credit Party " shall mean the Borrower, the Pledgors and, until the Project Completion Date, the Project Sponsor.

" Currency Rate Protection Agreement " shall mean, for any Person, any foreign exchange hedging arrangement between such Person and one or more financial institutions providing for the mitigation of foreign currency exchange risk either generally or under specific contingencies in form and substance acceptable to the Administrative Agent.

" Currency Swap Coordinators " shall mean one or more Permitted Swap Providers chosen by the Borrower.

" Debt Service " shall mean, for any period the sum, computed without duplication, of the following: (a) all amounts payable by the Borrower in respect of scheduled payments of principal of the Loans for such period and any amounts past due from any prior period (and excluding prepayments of Loans payable during such period pursuant to Section 3.04 ) plus (b) all amounts payable by the Borrower in respect of Interest Expense for such period plus (c) all fees, premia and financing costs which are due for payment by the Borrower in respect of the Loans in accordance with the relevant terms of and conditions of the Financing Documents.

" Debt Service Coverage Ratio " shall mean, as at any calculation date, for the period of four (4) consecutive quarterly fiscal periods then most recently ended (or any other period referred to in this Agreement for which this ratio is required to be calculated), the ratio of (a) Cash Flow Available for Debt Service and (b) Debt Service for such period.

" Debt Service Reserve Account " shall mean the debt service reserve account to be established pursuant to the Collateral Agency and Depositary Agreement.

" Debt Sizing Parameters " shall mean: (a) at least 1.55:1.00 minimum Debt Service Coverage Ratio assuming P50 Production, (b) at least 1.65:1.00 average Debt Service Coverage Ratio assuming P50 Production, (c) at least 1.10:1.00 minimum Quarterly Debt Service Coverage Ratio assuming P95 Production, (d) at least 1.20:1.00 minimum Contracted Cash Flow DSCR and (e) a Debt to Equity Ratio no greater than 65:35.

" Debt to Equity Ratio " shall mean, as of any date of determination, the ratio of (a) the aggregate principal amount of Loans outstanding under this Agreement after giving effect to any Loans made on such date to (b) the aggregate Equity that has been irrevocably contributed to the Borrower.

" Default " shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

" Defaulting Lender " shall mean, at any time, subject to Section 4.08(d) , (a) a Senior Lender that has failed for two or more Business Days to comply with its obligations under this Agreement to make a Loan or make any other payment due hereunder (a "funding obligation") unless such Senior Lender has notified the Administrative Agent and the Borrower in writing that such failure is the result of such Senior Lender's determination that one or more conditions precedent to funding has not been satisfied (which conditions precedent, together with the applicable default, if any, will be specifically identified in such writing), (b) any Senior Lender that has notified the Administrative Agent in writing, or has officially stated publicly, that it will not comply with any such funding obligation hereunder unless such Senior Lender has notified the Administrative Agent and the Borrower in writing that such failure is the result of such Senior Lender's determination that one or more conditions precedent to funding has not been satisfied (which conditions precedent, together with the applicable default, if any, will be specifically identified in such writing or public statement), (c) any Senior Lender that has defaulted on its funding obligations under any other loan agreement or credit agreement or other similar financing agreement, (d) any Senior Lender that has, for three (3) or more Business Days after written request of the Administrative Agent or Borrower, failed to confirm in writing to the Administrative Agent, that it will comply with its prospective funding obligations hereunder (provided that such Senior Lender will cease to be a Defaulting Senior Lender pursuant to this clause (d) upon the Administrative Agent's and the Borrower's receipt of such written confirmation), (e) any Senior Lender with respect to which a Lender Insolvency Event has occurred and is continuing with respect to such Senior Lender or its Parent Company. Any determination by the Administrative Agent that a Senior Lender is a Defaulting Lender under any of clauses (a) through (e) above will be conclusive and binding absent manifest error, and such Senior Lender will be deemed to be a Defaulting Lender (subject to Section 4.08(d) ) upon notification of such determination by the Administrative Agent to the Borrower and the Lenders.

" Definitive Generation Concession Agreement " shall mean the Definitive Generation Concession Agreement *(Contrato de Concesión Definitiva de Generación de Energía Eléctrica Nº 358-2010)* , dated January 5, 2011, between the Borrower (as assignee of Kallpa Generación, S.A.) and MINEM, as amended by Public Deed dated June 24, 2011.

" Definitive Generation Concession Mortgage Agreement " shall mean the Definitive Generation Concession Mortgage Agreement *(Contrato de Hipoteca sobre Concesión Definitiva de Generación)*, to be entered into prior to the Initial Disbursement Date, between the Borrower and the Onshore Collateral Agent, executed before a notary public and to be registered in the Peruvian Public Registry prior to the Initial Disbursement Date.

" DEG " shall mean DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH.

" Depositary " shall mean The Bank of Nova Scotia, New York Agency appointed as depositary under the Collateral Agency and Depositary Agreement.

" Disbursement Date " shall mean the date on which a Borrowing under each of the Commitments occurs immediately following satisfaction (or waiver in accordance with the terms of this Agreement) of the applicable conditions precedent in Article VI .

" Disposition " shall mean any sale, assignment, transfer or other disposition of any property (whether now owned or hereafter acquired) by the Borrower to any other Person excluding any sale, assignment, transfer or other disposition of any property sold or disposed of in the ordinary course of business.

" Dollars " and " $ " shall mean lawful money of the United States.

" DSRA Letter of Credit " shall have the meaning assigned to such term in the Collateral Agency and Depositary Agreement.

" E&S Management System " shall mean, the social, environmental, health and safety management system of the Borrower and the Operator that enables the Borrower to monitor, identify, assess and manage risks in respect of their activities and the operation of the Project on an ongoing basis and which is dedicated to the structural improvement of the environmental and social performance of the Project, which system shall be reasonably satisfactory to the Lenders.

" ElectroPeru " shall mean Electricidad del Perú S.A.

" ElectroPeru PPA " shall mean that certain power purchase agreement ( *Contrato para el Suministro de Energía Eléctrica* ), dated March 8, 2011, by and between ElectroPeru and the Borrower.

" Eligible Assignee " shall mean (a) a Senior Lender, (b) an Affiliate of a Senior Lender, (c) COFIDE, (d) SACE and (e) any other Person (other than a natural person) approved by the Administrative Agent, such approval not to be unreasonably withheld or delayed; provided that at any time prior to the end of the Tranche A Loan Commitment Period, any "Eligible Assignee" (other than COFIDE or SACE) shall be rated at least BBB or better by S&P as of the date of such assignment.

" Eligible Contract Expenditures " shall mean any expenditures paid or to be paid under the terms of the Eligible Contract to the Eligible Contractor with respect to goods and/or services supplied or to be supplied by the Eligible Contractor to the Borrower pursuant to the Eligible Contract eligible for financing hereunder.

" Eligible Contractor " shall mean Astaldi S.p.A.

" Eligible Contract " shall mean the EPC Contract.

" Eligible Costs " shall mean, collectively, (i) the Eligible Contract Expenditures, (ii) one hundred percent (100%) of the SACE Premium and (iii) up to one hundred percent (100%) of the Eligible Tranche D IDC.

" Eligible Tranche D IDC " shall mean capitalized interest on the Tranche D Loans accruing prior to the Initial Amortizing Senior Loan Tranche Principal Payment Date.

" Environmental Impact Assessment " shall mean the *Estudio de Impacto Ambiental del Proyecto "Central Hidroeléctrica Cerro del Aguila " )* as described in Item #1 on Schedule 7.05(b) .

" Environmental and Social Claim " shall mean any investigation, claim, administrative, regulatory or judicial action, suit, judgment, or demand, in each case, requesting or imposing injunctive or equitable relief, or alleging or asserting a liability or obligation arising under any Environmental and Social Law, including any liability or obligation for investigatory costs, corrective, rehabilitation, reclamation or restoration costs, cleanup costs, governmental response costs, contribution, cost recovery, damages to the environment, surface water, groundwater, wetlands, air quality, wildlife, natural resources or other Property, personal injuries, fines, penalties or restrictions pursuant to an Environmental and Social Law arising out of or based on (a) the presence, Use, exposure to, or Release or threatened Release of any Hazardous Material at any location, (b) any violation or alleged violation of any Environmental and Social Law or (c) labor disputes and health impacts.

" Environmental and Social Consultant's Report " shall mean a report relating to the environmental and social aspects of the Project verifying compliance with the Environmental and Social Standards and the Action Plan, prepared by the Independent Environmental and Social Consultant, and certified by the Independent Environmental and Social Consultant that such report was prepared in accordance with Principle 7 of the Equator Principles, and reasonably acceptable to the Administrative Agent and based on the classification of the Project as a "Category A" Project under the Equator Principles.

" Environmental and Social Laws " shall mean any and all current or future Government Rules applicable to the Project, in effect at the relevant time, relating to pollution or the protection of the environment, surface water, groundwater, wildlife, air quality, human health or safety or natural resources, and all such Government Rules regulating or imposing liability or standards of conduct with respect to (a) emissions, discharges, Releases or threatened Releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, (b) the Use of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, (c) human exposure to chemicals, contaminants, additives or hazardous materials or conditions, (d) occupational safety and health requirements, (e) public health and safety, (f) the regulation of industrial relations (between government, employers and employees), (g) the

regulation of public participation, (h) the protection and regulation of ownership of immovable goods and intellectual and cultural property rights, (i) the protection and empowerment of indigenous peoples or ethnic groups, including with respect to the protection and regulation of ownership of land rights, (j) the protection, restoration and promotion of cultural heritage, (k) environmental justice or (l) relating to any other environmental, social, labor, health and safety or security risks of the type contemplated by the Environmental and Social Standards.

" Environmental and Social Monitoring Report " shall mean a report relating to the environmental and social aspects of the Project prepared by an Authorized Officer of the Borrower, substantially in the form of Exhibit C-5 , and delivered pursuant to Section 8.04(d) .

" Environmental and Social Standards " shall mean, collectively: (a) the Performance Standards, (b) the Equator Principles, (c) Core Labor Standards and (d) Basic Terms and Conditions of Employment.

" EPC Contract " shall mean the turnkey engineering procurement and construction contract for Cerro del Aguila hydroelectric power plant, dated as of November 4 2011, by and between the Borrower and the EPC Contractor, as the same may be amended from time to time as permitted by this Agreement.

" EPC Contractor " shall mean jointly and severally, Astaldi S.p.A. and GyM S.A.

" Equator Principles " shall mean the principles named "Equator Principles—A financial industry benchmark for determining, assessing and managing social and environmental risk in project financing" adopted by various financing institutions in the form dated June 2006, or, if revised thereafter, as the same exists as of the applicable date, that are published on the internet at www.equator-principles.com.

" Equity " shall mean, as of any date of determination, the sum of, without duplication, (a) paid-in capital registered on the books of the Borrower as equity (and not reimbursed by the Borrower) and (b) all Shareholder Contributions, including, in each case, amounts drawn from Equity Letters of Credit provided pursuant to the Equity Contribution and Retention Agreement.

" Equity Contribution and Retention Agreement " shall mean that certain equity contribution and retention agreement, dated as of the Closing Date, among the Borrower, each of the other Credit Parties party thereto, the Administrative Agent and the Offshore Collateral Agent, substantially in the form of Exhibit F-1 .

" Equity Interests " shall mean shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

" Equity Letter of Credit " shall have the meaning assigned to such term in the Equity Contribution and Retention Agreement.

" ERISA " shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

" ERISA Affiliate " shall mean any trade or business (whether or not incorporated) that is treated as a single employer together with the Borrower under section 414 of the Code.

" European Union Restrictions List " shall mean the "Consolidated list of persons, groups and entities subject to EU financial sanctions", as published by the European Union from time to time, and available on the Internet at the following website: "http://ec.europa.eu/external_relations/cfsp/sanctions/consol-list_en.htm or any official successor website.

" Event of Abandonment " shall mean a formal, public announcement by any Credit Party, the EPC Contractor or the Operator of a decision to abandon or indefinitely defer, or the abandonment of, the construction, completion or operation of any material portion of the Project for any reason.

" Event of Default " shall have the meaning assigned to such term in Section 9.01 .

" Event of Force Majeure " shall have the meaning given to " *Fuerza Mayor* " in each of the Investment Agreement and the Definitive Generation Concession Agreement and any other force majeure event or analogous occurrence under any Project Document.

" Event of Loss " shall mean any loss of, destruction of or damage to, or any condemnation or other taking of (including an Event of Taking) any Property of the Borrower.

" Event of Taking " shall mean any taking, seizure, confiscation, requisition, exercise of rights of eminent domain, public improvement, inverse condemnation, condemnation or similar action or threat of any such action of or proceeding by any Government Authority or other Person relating to all or any part of the Project.

" Event of Total Loss " shall mean the occurrence of an Event of Loss affecting all or substantially all of the Project or the Property of the Borrower.

" Excluded Taxes " shall mean, (i) with respect to the Administrative Agent, the SACE Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, income, franchise or branch profit Taxes imposed on (or measured by) its net income by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its Applicable Lending Office is located and (ii) in the case of a Lender, any withholding tax attributable to the Lender's failure to comply with Section 5.04(e) .

" Export Contract Value " shall mean the aggregate amount paid or to be paid under the terms of any Eligible Contract to the Eligible Contractor for goods and/or services exported, excluding any goods and/or services of Peruvian origin.

" Exporter Declaration " has the meaning set forth in Section 6.03(c)(iii) .

" FATCA " shall mean Sections 1471 through 1474 of the Code, as of the date hereof (or any amended or successor version that is substantially comparable) and any current or future regulations or official interpretations thereof.

" Federal Funds Rate " shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

" Fee Letters " shall mean, collectively, the Offshore Collateral Agency Fee Letter, the Onshore Collateral Agency Fee Letter, the Administrative Agency Fee Letter, the Trustee Fee Letter, the Upfront Fee Letter and the Syndication Fee Letter.

" Final Acceptance Certificate " shall have the meaning assigned to such term in the EPC Contract.

" Final Costs " shall mean any of the following: (i) approved and budgeted Project Costs with respect to start-up costs, (ii) Project Costs with respect to budgeted punch-list items, (iii) Spot Market Expenses and (iv) approved and budgeted Operation and Maintenance Expenses for the period of time from the Initial Partial Taking-Over Date until the Actual Project Acceptance Date.

" Final Maturity Date " shall mean the date that is twelve (12) years from the Closing Date; provided , that if such date is not a Business Day, the "Final Maturity Date" shall be the immediately preceding Business Day.

" Final Taking-Over Date " shall have the meaning assigned to such term in the EPC Contract.

" Financing Document Currency " has the meaning assigned to such term in Section 11.18 .

" Financing Documents " shall mean this Agreement, each of the Notes, Note Completion Agreements, the Fee Letters, each of the Security Documents, the Equity Contribution and Retention Agreement, the Israel Corporation Equity Retention Agreement, the Subordination Agreements, the Israel Corporation Guarantee, each of the Permitted Swap Agreements, the SACE Reimbursement Agreement, and each Guarantee and credit support instrument provided in connection with any of the foregoing.

" Fiscal Year " shall mean a fiscal year of the Borrower ending on December 31 of each calendar year.

" FMO " shall mean Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

" Foreign Plan " means any employee pension benefit plan, program, policy, arrangement or agreement maintained or contributed to by any Credit Party with respect to employees employed outside the United States (other than any governmental arrangement) and as to which there are statutory funding requirements prior to retirement or other termination of employment.

" Generator Set " shall have the meaning assigned to such term in the EPC Contract.

" GHG Reduction " shall mean the removal, sequestration, reduction, mitigation or avoidance, of greenhouse gases by a CDM project activity (as described in such project's design document), or equivalent project activity under the voluntary rules, that project's baseline and measured in tonnes of carbon dioxide equivalent, which have been generated in a manner consistent with the CDM and/or the voluntary rules (each as may be succeeded by equivalent rules based on the International Rules or the voluntary rules for the reduction of greenhouse gases).

" Good Industry Practices " shall mean those practices, methods, equipment, specifications and standards of safety and performance, as are commonly accepted in the international hydroelectric power industry as good, safe and prudent practices in connection with the design, construction, operation, maintenance, repair and use of the Project. "Good Industry Practices" as defined herein does not necessarily mean one particular practice, method, equipment specification or standard in all cases, but is instead intended to encompass a broad range of acceptable practices, methods, equipment specifications and standards.

" Government Approval " shall mean (a) any authorization, consent, approval, license, lease, ruling, permit, certification, waiver, exemption, filing, variance, claim, order, judgment or decree of, by or with, (b) any required notice to, (c) any declaration of or with or (d) any registration by or with, any Government Authority, in each case necessary for the development, construction, operation and management of the Project to the extent (i) not routine, (ii) not ministerial in nature or (iii) not otherwise immaterial to the Project or the Borrower's compliance with any Government Rule or obtaining or maintaining any Government Approval.

" Government Authority " shall mean, unless otherwise specified, the government of the United States, Peru, or of any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, judicial or administrative, regulatory body, court, central bank or other entity (including any federal or other association of or with which any such nation may be a member or associated) exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or European Central Bank).

" Government Rule " shall mean any statute, law, regulation, ordinance, rule, international treaty obligation, judgment, order, decree, permit, concession, grant, franchise, license, agreement, directive, requirement of, or other governmental restriction or any similar binding form of decision of or determination by, or any binding interpretation or administration of any of the foregoing by, any Government Authority, including all common law, whether now or hereafter in effect.

" Guarantee " shall mean a guarantee, an endorsement, *aval* , a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Indebtedness, other obligations, net worth, working capital or earnings of any Person, or a guarantee of the payment of dividends or other distributions upon the stock or Equity Interests of any Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property of any Person, products, materials, supplies or services primarily for the purpose of enabling a debtor to make payment of his, her or its obligations or an agreement to assure a creditor against loss, and including causing a bank or other financial institution to issue a letter of credit or other similar instrument for the benefit of another Person, but excluding (a) endorsements for collection or deposit in the ordinary course of business and (b) indemnity or hold harmless provisions included in contracts with non-Affiliates entered into in the ordinary course of business. The terms " Guarantee " and " Guaranteed " used as verbs shall have correlative meanings.

" Hazardous Material " shall mean: (a) any petroleum or petroleum products or fractions thereof, oils or fuels, flammable materials, explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls (PCBs) and, to the extent regulated by Environmental and Social Laws, noise, odors, and vibrations (b) any chemicals, other materials, substances or wastes which are now or hereafter become defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import and meaning under any Environmental and Social Law and (c) any other chemical, material, substance or waste which is now or hereafter regulated under or with respect to which liability or standards of conduct are imposed under any Environmental and Social Law.

" IFC Performance Standards " shall mean the (a) International Finance Corporation's Performance Standards on Environmental and Social Sustainability (January 1, 2012), including the Guidelines referenced therein, known as the World Bank Group Environmental, Health, and Safety Guidelines, in particular: (i) the World Bank Group Environmental, Health, and Safety General Guidelines (April 30, 2007), (ii) the World Bank Group Environmental, Health and Safety Industry Sector Guidelines for Electric Power Transmission and Distribution (April 30, 2007) and (iii) the World Bank Group Environmental, Health, and Safety Guidelines for Construction Materials Extraction (April 30, 2007) and (b) the International Finance Corporation's Guidance Notes on the Performance Standards for Environmental and Social Sustainability (January 1, 2012).

" IFRS " shall mean International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), together with its pronouncements thereon from time to time, and applied on a consistent basis.

" Illicit Origin " shall mean any origin which is illicit or fraudulent including, without limitation, drug trafficking, corruption, bribery, organized criminal activities, terrorism, money laundering or fraud.

" ILO " means the International Labour Organisation, the tripartite United Nations agency that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world.

" Impairment " shall mean, with respect to any Material Project Document or Government Approval, (a) the rescission, early termination, cancellation, repeal or invalidity thereof, (b) the suspension or injunction thereof, (c) the inability to satisfy in a timely manner stated conditions to effectiveness thereof or (d) the amendment, modification or supplement (other than, in the case of a Material Project Document, any such amendment, modification or supplement effected in accordance with Section 8.20 and, in the case of a Government Approval, any such amendment, modification or supplement effected in accordance with Section 8.03(b) ) of such Material Project Document or Government Approval in whole or in part. The verb " Impair " or " Impaired " shall have a correlative meaning.

" Indebtedness " shall mean, for any Person, without duplication: (a) indebtedness created, issued or incurred by such Person for borrowed money (whether by loan or the issuance and sale of debt securities or the sale of Property of such Person to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property of such Person from such Person), (b) obligations of such Person to pay the deferred purchase or acquisition price of Property of such Person or services, (c) obligations of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for account of such Person, (d) obligations of such Person in respect of surety bonds or similar instruments, (e) indebtedness of others described in clauses (a) through (d) above secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person, (f) Capital Lease Obligations of such Person, (g) net obligations under agreements providing for swaps, ceiling rates, ceiling and floor rates, contingent participation or other hedging mechanisms with respect to interest rates or currency exchange rates and (h) indebtedness of others described in clauses (a) through (g) above Guaranteed by such Person.

" Indemnified Taxes " shall mean Taxes other than Excluded Taxes and Other Taxes.

" Indemnitee " shall have the meaning assigned to such term in Section 11.03 .

" Independent Advisors " shall mean, collectively, the Independent Engineer, the Independent Environmental and Social Consultant, the Independent Insurance Consultant, the Independent Market Consultant and the Model Auditor.

" Independent Engineer " shall mean Hatch Asociados S.A. or such other Person, so long as no Default has occurred and is continuing, reasonably acceptable to the Borrower, as the Administrative Agent may engage on behalf of the Senior Lenders to act as Independent Engineer for the purposes of this Agreement.

" Independent Engineer's Project Completion Certificate " shall mean a certificate and related attachments and certifications, substantially in the form of Exhibit C-2 hereto, executed by an Authorized Officer of the Independent Engineer and otherwise duly completed in respect of Project Completion.

" Independent Environmental and Social Consultant " shall mean Walsh Perú S.A. or such other Person(s), so long as no Default has occurred and is continuing, reasonably acceptable to the Borrower, as the Administrative Agent may engage on behalf of the Senior Lenders to act as Independent Environmental and Social Consultant for the purposes of this Agreement, including for preparing the Environmental and Social Consultant's Reports and as contemplated in the Action Plan.

" Independent Insurance Consultant " shall mean Marsh Ltd., or such other Person, so long as no Default has occurred and is continuing, reasonably acceptable to the Borrower, as the Administrative Agent may engage on behalf of the Senior Lenders to act as Independent Insurance Consultant for the purposes of this Agreement.

" Independent Market Consultant " shall mean Mercados Energéticos Consultores, or such other Person, so long as no Default has occurred and is continuing, reasonably acceptable to the Borrower, as the Administrative Agent may engage on behalf of the Senior Lenders to act as Independent Market Consultant for the purposes of this Agreement.

" Initial Amortizing Senior Loan Tranche Principal Payment Date " shall mean the Quarterly Date immediately succeeding the Actual Project Acceptance Date; provided that such date may not occur after November 17, 2016; provided that if such date is not a Business Day, it shall be the next succeeding Business Day.

" Initial Disbursement Date " shall mean the first Disbursement Date hereunder when the Administrative Agent shall have notified the Borrower that all of the conditions set forth in Section 6.02 shall have been satisfied (or waived by each Senior Lender).

" Initial Partial Taking-Over Date " shall mean the date that the Partial Taking Over Date has occurred under the EPC Contract for the first Generator Set that can be placed into operation for dispatch by COES.

" Inkia Pledgor " shall mean Inkia Holdings (Kallpa) Limited, a company formed under the laws of Bermuda.

" Intellectual Property " shall have the meaning assigned to such term in Section 7.15(g) .

" Interconnection Agreement " shall mean the agreement to be entered into on or before October 25, 2014, by and between the Borrower and ElectroPeru, or such other acceptable counterparty as approved by the Administrative Agent (acting at the direction of the Supermajority Lenders).

" Interest Expense " shall mean, for any period, the sum, computed without duplication, of the following: (a) all interest in respect of the Loans accrued or capitalized during such period (whether or not actually paid during such period) plus (b) the net amounts payable (or minus the net amounts receivable) under Interest Rate Protection Agreements accrued during such period (whether or not actually paid or received during such period).

" Interest Payment Date " shall mean the last day of each Interest Period.

" Interest Period " shall mean each period commencing on the date a Senior Loan is made and ending on the next Quarterly Date thereafter (or such other period as the Borrower and the Administrative Agent may agree from time to time), and thereafter each period commencing on the last day of the preceding Interest Period and ending on the next Quarterly Date thereafter; provided that, on the Initial Amortizing Senior Loan Tranche Principal Payment Date, each Interest Period in effect at such time shall end on the Initial Amortizing Senior Loan Tranche Principal Payment Date and, thereafter, each Interest Period shall commence on a Principal Payment Date and end on the next succeeding Principal Payment Date, provided , however , that (i) any Interest Period that would otherwise end on a date that is not a Business Day shall end on the next succeeding Business Day unless such succeeding Business Day would fall in the next month, in which case such Interest Period shall end on the immediately preceding Business Day, (ii) any Interest Period that would otherwise end after the Final Maturity Date shall end on the Final Maturity Date, (iii) any Interest Period that would otherwise end after the Tranche D Final Maturity Date shall end on the Tranche D Final Maturity Date, (iv) during any period while an Event of Default has occurred and is continuing, the term "Interest Period" shall include any period equal to or less than six (6) months selected by the Administrative Agent from time to time, and (v) each Interest Period shall have a duration of at least five (5) Business Days.

" Interest Rate Protection Agreement " shall mean, for any Person, any interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more financial institutions providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies in form and substance acceptable to the Administrative Agent.

" Interest Rate Swap Coordinators " shall mean one or more Permitted Swap Providers chosen by the Borrower.

" International Rules " shall mean (a) the UNFCCC, Kyoto Protocol and the Marrakesh Accords, (b) any successor international agreements and (c) any decisions, guidelines, modalities or procedures binding on the Borrower or on any applicable Government Authority made pursuant to the UNFCCC, Kyoto Protocol, the Marrakesh Accords or any successor agreements (including decisions of the executive board) and of successor international agreements and which include those rules specifically required to be met for the issuance, provision, trade, sale or use of CERs.

" Investment " shall mean, for any Person: (a) the acquisition (whether for cash, Property of such Person, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any other sale of any securities at a time when such securities are not owned by the Person entering into such sale), (b) the making of any deposit with, or advance, loan or other extension of credit to, any other

Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person, but excluding any such advance, loan or extension of credit having a term not exceeding 90 days representing the purchase price of inventory or supplies sold in the ordinary course of business) and (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person.

" Investment Agreement " shall mean the Investment Agreement *(Contrato de Inversión)* dated as of March 8, 2011, by and among the Borrower, PROINVERSIÓN and MINEM.

" Investment Agreement Termination Date " is the date falling 180 days after the date that the milestone " *Fecha de Inicio* " is required to be achieved pursuant to the terms of the Investment Agreement.

" Israel Corporation " means Israel Corporation Ltd., a company organized and existing under the laws of Israel.

" Israel Corporation Equity Retention Agreement " shall mean that certain equity retention agreement, dated as of the Closing Date, among the Borrower, Israel Corporation and the Administrative Agent, substantially in the form of Exhibit F-2 .

" Israel Corporation Guarantee " shall mean that certain limited corporate guarantee, in form and substance satisfactory to the Senior Lenders, to be entered into no later than the Initial Disbursement Date pursuant to the terms and conditions of the Equity Contribution and Retention Agreement, between Israel Corporation and the Administrative Agent.

" Joint Mandated Arrangers " shall mean each of BBVA Banco Continental, Banco de Crédito del Perú, DEG, FMO, HSBC Bank (USA), National Association, Sumitomo Mitsui Banking Corporation, The Bank of Nova Scotia, Banco Internacional del Perú and Intesa Sanpaolo S.p.A., New York Branch.

" Judgment Currency " has the meaning assigned to such term in Section 11.19(a) .

" Judgment Currency Conversion Date " has the meaning assigned to such term in Section 11.19(a) .

" Kallpa O&M Agreement " shall mean an operation and maintenance agreement, that may be executed by the Borrower and the Kallpa Operator pursuant to the terms of this Agreement, containing arm's-length terms and conditions that are satisfactory to the Independent Engineer and the Supermajority Lenders and consistent with the O&M Framework delivered pursuant to Section 6.01(b)(iii) and containing the performance benchmarks set forth on Schedule 1.01 (B) .

" Kallpa Operator " shall mean Kallpa Generación S.A., a *sociedad anónima* , organized under the laws of Peru, in its capacity as operator under a Kallpa O&M Agreement.

" Kyoto Protocol " shall mean the protocol to the UNFCCC adopted at the Third Conference of the Parties to the UNFCCC in Kyoto, Japan on 11 December 1997, together with any successor thereto having similar purposes as those sought by it, i.e. GHG Reduction.

" Land Sale and Purchase Agreements " shall mean all duly executed public deeds ( *escrituras públicas* ) of land sale and purchase agreements in respect of the real property required for the Project Development.

" Legal Stability Agreement " shall mean the Legal Stability Agreement *(Convenio de Estabilidad Jurídica)* dated as of January 20, 2012 by and among, PROINVERSION, MINEM and the Borrower.

" Lender Insolvency Event " shall mean that (a) a Senior Lender or its Parent Company is insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, or (b) such Senior Lender or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, intervenor or sequestrator or the like has been appointed for such Senior Lender or its Parent Company, or such Senior Lender or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment.

" Lenders " shall mean, collectively, the Senior Lenders and the Tranche C Lenders.

" LIBO Rate " shall mean, with respect to any Loan for any Interest Period, the rate appearing on Reuters Page LIBOR01 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, on the day that is two Business Days prior to the commencement of such Interest Period, as the rate for the offering of Dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the LIBO Rate for such Interest Period shall be the rate at which Dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period. Where this Agreement requires an irregular Interest Period, the Administrative Agent shall set the applicable LIBO Rate through interpolating available LIBO Rates for periods having terms ending immediately prior to and immediately following such Interest Period.

" Lien " shall mean, with respect to any Property of any Person, any mortgage, lien, pledge, charge, lease, easement, servitude, security interest, fiduciary or conditional assignment, sale or transfer or encumbrance of any kind in respect of such Property of such Person. For purposes of this Agreement and the other Financing Documents, a Person shall be deemed to own subject to a Lien any Property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement (other than an operating lease) relating to such Property.

" Loans " means, collectively, the Senior Loans and Tranche C Loans.

" Loss Proceeds " shall mean insurance proceeds, condemnation awards or other compensation, awards, damages and other payments or relief (exclusive, in each case, of the proceeds of liability insurance and any payments for interruption of operations) with respect to any Event of Loss.

" Loss Proceeds Account " shall mean the loss proceeds account to be established pursuant to the Collateral Agency and Depositary Agreement.

" Luz del Sur " shall mean, collectively, Luz del Sur S.A.A., Edelnor and Edecañete S.A.

" Luz del Sur PPA " shall mean, collectively, (i) the Power Purchase Agreement, dated December 22, 2011, between Luz del Sur S.A.A. and the Borrower, (ii) the Power Purchase Agreement, dated December 15, 2011, between Edelnor S.A.A. and the Borrower and (iii) the Power Purchase Agreement, dated December 22, 2011 between Edecañete S.A. and the Borrower.

" Majority Lenders " shall mean, subject to the last paragraph of Section 11.04 , Senior Lenders holding over 50% of the aggregate outstanding Senior Loans and Senior Loan Commitments (if any).

" Majority Tranche D Lenders " shall mean, subject to the last paragraph of Section 11.04 , Tranche D Lenders holding over 50% of the aggregate outstanding Tranche D Loans and Tranche D Loan Commitments (if any).

" Margin Stock " shall mean margin stock within the meaning of Regulation U and Regulation X.

" Marrakesh Accords " shall mean Decision 2/CP.7 through to Decision 24/CP.7 inclusive of the Conference of the Parties in its seventh session, held at Marrakesh, Morocco from 29 October to 10 November 2001.

" Material Adverse Effect " shall mean a material adverse effect on one or more of the following: (a) the business, assets, operations or condition (financial or otherwise) of the Project, any Credit Party or Israel Corporation, (b) the ability of any Credit Party, Israel Corporation or Material Project Party to perform its material obligations under any Transaction Document to which it is a party in accordance with the terms thereof, (c) the validity or enforceability of the obligations of any Credit Party, Israel Corporation or Material Project Party or the rights of the Administrative Agent or Lenders under this Agreement or under any other Transaction Document or (d) the validity, enforceability or priority of the security interests granted to the Collateral Agent pursuant to the Security Documents; provided that any reference to the Project Sponsor or Israel Corporation in this definition of "Material Adverse Effect" shall only apply prior to the Project Completion Date.

" Material Project Documents " shall mean: (a) the EPC Contract, (b) the Concession Agreements, (c) the ElectroPeru PPA, (d) the Investment Agreement, (e) the Luz del Sur PPA, (f) any Acceptable COD O&M Arrangement, (g) the Legal Stability Agreement, (h) the MINEM Guarantee Agreement, (i) the Interconnection Agreement, (j) the Land Sale and Purchase Agreements and all other material real estate related agreements or instruments, (k) all Government Approvals related to the Project, (l) each Project Document in full force and effect as of the Closing Date that is not a Non-Material Project Document, (m) each Additional Project Document (that is not a Non-Material Project Document), (n) each Guarantee, letter of credit, performance bond, refundment guarantee or credit support instrument provided in connection with any of the foregoing and (o) any replacement of any of the foregoing agreements or instruments as permitted by this Agreement.

" Material Project Parties " shall mean (a) each Person party to a Material Project Document and (b) each party to a credit support instrument provided in connection with any Material Project Document, in each case other than the Borrower; provided that the EPC Contractor shall cease being a Material Project Party upon the expiration of the warranty period provided for in the EPC Contract and the delivery of the Final Acceptance Certificate (as defined in the EPC Contract).

" Maximum Contingent Equity Contribution " shall have the meaning assigned to such term in the Equity Contribution and Retention Agreement.

" Maximum Rate " shall have the meaning assigned to such term in Section 11.11 .

" Mechanics' Liens " shall mean carriers', warehousemen's, mechanics', workmen's, materialmen's, construction or other like statutory Liens (other than Liens described in paragraphs (a) and (b) of Section 8.13 ).

" MINAM " shall meant the Ministry of the Environment of Peru.

" MINEM " shall mean the Ministry of Energy and Mines of Peru.

" MINEM Guarantee Agreement " shall mean the Guarantee Agreement (Contrato de Garantía) dated July 1, 2011 between the Borrower and MINEM (in relation to the Investment Agreement).

" Model Auditor " shall mean Medina, Zaldívar, Paredes & Asociados S. Civil de R.L., an affiliate of Ernst & Young LLP, or such other Person, so long as no Default has occurred and is continuing, reasonably acceptable to the Borrower, as the Administrative Agent may engage on behalf of the Senior Lenders to act as Model Auditor for the purposes of this Agreement.

" Moody's " shall mean Moody's Investors Service, Inc.

" Municipal Building Permit " shall mean a Government Approval issued pursuant to Ley 29090 ( *Ley de regulación de habilitaciones urbanas y de edificaciones* ).

" Municipal Transmission Permit " shall mean a Government Approval issued pursuant to Ley 27972 *(Ley Organica de Municipalidades* ).

" Negative Credit Event " shall mean, with respect to an Acceptable LC Provider that has issued an Acceptable Letter of Credit, a downgrade in (including the withdrawal of) the Acceptable LC Provider's long-term unsecured senior debt rating by S&P or Moody's such that the Acceptable LC Provider no longer meets the credit criteria set forth in the definition of "Acceptable LC Provider".

" Net Available Amount " shall mean (a) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition and (b) in the case of any Event of Loss, the aggregate amount of Loss Proceeds received by the Borrower in respect of an Event of Loss net of (i) reasonable expenses incurred by the Borrower in connection with the collection of such Loss Proceeds and (ii) and net of any repayments by the Borrower of Indebtedness permitted pursuant to Section 8.16(a)(iii) , including any prepayment premium thereon, to the extent that such Indebtedness is secured by a Lien on the property that is the subject of such Event of Loss.

" Net Cash Payments " shall mean, with respect to any Disposition, the aggregate amount of all cash payments, and the fair market value of any non-cash consideration, received by the Borrower directly or indirectly in connection with such Disposition; provided that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Borrower in connection with such Disposition and (ii) any Taxes estimated to be payable to a Taxing Authority by the Borrower as a result of such Disposition (but only to the extent that such estimated Taxes are in fact paid to the relevant Government Authority within one year of the date of such Disposition); provided that any portion of the Taxes contemplated in this clause (a)(ii) that are not paid within 30 days of receipt of the proceeds of such Disposition will become Net Cash Payments at the earlier of (x) the time at which it is determined that such Taxes are not payable and (y) the end of such period, (b) Net Cash Payments shall be net of any repayments by the Borrower of Indebtedness permitted pursuant to Section 8.16(a)(iii) , including any prepayment premium thereon, to the extent that (i) such Indebtedness is secured by a Lien on the property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such property requires that such Indebtedness be repaid as a condition to the purchase of such property and (c) any reserve for adjustment in respect of (i) the sale price of property Disposed of established in accordance with the Borrower's Accounting Principles and (ii) any liabilities associated with such property and retained by the Borrower after the Disposition thereof, including liabilities related to environmental matters or indemnification obligations associated with such transaction; provided that any portion of the reserves or liabilities contemplated by this clause (c) that are later reversed or canceled will become Net Cash Payments at the time of such reversal or cancellation.

" Non-Defaulting Lender " means, at any time, a Senior Lender that is not a Defaulting Lender or a Potential Defaulting Lender.

" Non-Material Project Documents " shall mean (a) contracts or agreements entered into by the Borrower, or by an agent on behalf of the Borrower, in the ordinary course of its business in connection with the Project (excluding any contracts or agreements for the transfer, use by any Person or sale of Credits) under which the Borrower could not reasonably be expected to have aggregate obligations or liabilities in excess of $4,000,000 per calendar year or $10,000,000 in the aggregate under any such agreement (or series of agreements with the same counterparty), (b) the VAT Investment Contract or (c) contracts or agreements that are used in connection with the acquisition and/or disposition of Permitted Investments.

" Note Completion Agreement " shall have the meaning assigned to such term in Section 2.07(a) .

" Notes " shall have the meaning assigned to such term in Section 2.07(a) .

" Notice of Borrowing " shall have the meaning assigned to such term in Section 4.05 .

" Notice of Cessation " shall have the meaning assigned to such term in Section 5.01 .

" Nuevo Soles " means the lawful money of Peru.

" O&M Framework " shall mean documentation satisfactory to each Lender (in consultation with the Independent Engineer), with respect to the terms and conditions to be included in any Acceptable COD O&M Arrangement entered into in accordance with the terms of this Agreement, and addressing, at a minimum, the following matters: (a) the operating protocol and scope of work, (b) fee structure (including the bonus/penalty structure and cost reimbursements), (c) compliance with the E&S Management System and the Action Plan, (d) termination provisions, (e) insurance to be held by the Operator, (f) warranties and (g) indemnification provisions.

" Obligation Currency " has the meaning assigned to such term in Section 11.19(a) .

" OECD Country " shall mean, at any time, any nation that is a member of the Organization of Economic Cooperation and Development at such time.

" OFAC List " shall mean the "Specially Designated Nationals and Blocked Persons List (and any successor to this list), as published by the United States Department of the Treasury Office of Foreign Asset Control from time to time, and available on the Internet at the following website: http://www.treas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf or any official successor website.

" Offshore Assignment of Reinsurance Proceeds " shall mean that certain deed of assignment, substantially in the form of Exhibit M , to be entered into among the Borrower, the Trustee and insurance companies providing the insurance set forth on Schedule 8.05 with respect to assignment of proceeds of reinsurance.

" Offshore Collateral Accounts " shall mean the offshore collateral accounts established in New York, New York pursuant to the terms of the Collateral Agency and Depositary Agreement.

" Offshore Collateral Agency Fee " shall have the meaning assigned to such term in Section 2.04(c)(i) .

" Offshore Collateral Agency Fee Letter " shall mean the letter agreement, dated as of the Closing Date, among the Borrower, the Offshore Collateral Agent and the Depositary with respect to certain fees payable by the Borrower for the account of such Agents.

" Offshore Collateral Agent " shall have the meaning assigned to such term in the preamble.

" Onshore Collateral Accounts " shall mean the onshore collateral accounts established pursuant to the terms of the Collateral Agency and Depositary Agreement and the Trust Agreement.

" Onshore Collateral Agency Fee " shall have the meaning assigned to such term in Section 2.04(c)(ii) .

" Onshore Collateral Agency Fee Letter " shall mean the letter agreement, dated as of the Closing Date, between the Borrower and the Onshore Collateral Agent with respect to certain fees payable by the Borrower for the account of the Onshore Collateral Agent.

" Onshore Collateral Agent " shall have the meaning assigned to such term in the preamble.

" Onshore Distribution Accounts " shall mean the onshore distribution accounts to be established pursuant to the Collateral Agency and Depositary Agreement and the Trust Agreement.

" Onshore Revenue Accounts " shall mean the onshore revenue accounts to be established pursuant to the Collateral Agency and Depositary Agreement and the Trust Agreement.

" Operating and Capital Budget " shall mean, a budget, prepared and certified by the Borrower, and approved in accordance with Section 8.21 , of Operation and Maintenance Expenses, Spot Market Expenses and Permitted Capital Expenditures expected to be incurred by the Borrower, together with projected Project Revenues and Spot Revenues to be received by the Borrower, during the relevant Fiscal Year to which such budget applies.

" Operation and Maintenance Expenses " shall mean, for any period with respect to the Project, the sum, computed without duplication, of the following: (a) general and administrative expenses plus (b) payroll and other expenses for operating the Project and maintaining it in good repair and operating condition payable during such period plus (c) insurance costs payable during such period plus (d) applicable Taxes payable by the Borrower during such period plus (e) costs and fees attendant to the obtaining and maintaining in effect the Government Approvals payable during such period plus (f) legal, accounting and other professional fees attendant to any of the foregoing items payable during such period plus (g) any fees and expenses of the Secured Parties during such period not included in Debt Service plus (h) the reasonable costs of administration and enforcement of the Transaction Documents

plus (i) all other costs and expenses included in the applicable Operating and Capital Budget. "Operation and Maintenance Expenses" shall exclude: (i) payments into any of the Project Accounts during such period, (ii) payments of any kind with respect to Restricted Payments during such period, (iii) depreciation for such period, (iv) any Permitted Capital Expenditures made during such period that are properly chargeable to fixed capital accounts for such period in accordance with the Borrower's Accounting Principles and which exceed the Permitted Capital Expenditures for such period and (v) any payments of any kind with respect to any permitted Restoration during such period.

" Operator " shall mean, at any date, the Kallpa Operator, the Borrower, in its capacity as Operator under the Borrower O&M Plan or any other third-party operator party to any Acceptable Non-Affiliate O&M Arrangement.

" OSINERGMIN " means the Electricity Regulator, called National Office of Supervision of Investment in Energy and Mining, regulated by Law 26734 and 27332, as heretofore and hereafter amended ( *Organismo Supervisor de la Inversión en Energía y Minería* ).

" Other Taxes " shall mean any and all present or future stamp, execution, recording or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Financing Document or from the execution, delivery, recording or enforcement of, payments under, or otherwise with respect to, any Financing Document.

" P50 Production " means the production volume based on the P50 one (1) year confidence levels where P50 represents a 50% probability that the energy generation will be equal to or greater than this value as represented from the historical hydrological record used by the Independent Engineer.

" P95 Production " means the production volume based on the P95 one (1) year confidence levels where P95 represents a 95% probability that the energy generation will be equal to or greater than this value as represented from the historical hydrological record used by the Independent Engineer.

" Parent Company " means, with respect to a Senior Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Senior Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Senior Lender.

" Partial Taking-Over Certificate " shall have the meaning assigned to such term in the EPC Contract.

" Partial Taking-Over Date " shall have the meaning assigned to such term in the EPC Contract.

" Participant " shall have the meaning assigned to such term in Section 11.06(c) .

" Payor " shall have the meaning assigned to such term in Section 4.06 .

" Performance LD Account " shall mean the performance liquidated damages account to be established pursuant to the Collateral Agency and Depositary Agreement.

" Performance Standards " shall mean, collectively, (a) the IFC Performance Standards and (b) the World Commission on Dams, Dams and Development: A New Framework for Decision-Making, dated November 2000; copies of which have been delivered to and receipt of which has been acknowledged by the Borrower, the Operator and the Project Sponsor.

" Performance Test Report " shall have the meaning assigned to such term in Section 8.26(b).

" Performance Tests " shall mean the testing procedures, requirements, conditions and obligations required under the EPC Contract.

" Permitted Capital Expenditures " shall mean Capital Expenditures that are specified for such purpose in the Operating and Capital Budget.

" Permitted Indebtedness " shall mean the Indebtedness permitted under Section 8.16 .

" Permitted Investments " shall mean the Investments permitted under Section 8.14 .

" Permitted Liens " shall mean the Liens permitted under Section 8.13 .

" Permitted Swap Agreement " shall mean any (a) Interest Rate Protection Agreement between the Borrower and any Permitted Swap Provider or (b) Currency Rate Protection Agreement between the Borrower and any Permitted Swap Provider, each in form and substance reasonably acceptable to the Administrative Agent on behalf of the Senior Lenders; provided , however , the obligations under any Permitted Swap Agreement shall rank *pari passu* with the other Secured Obligations under this Agreement.

" Permitted Swap Provider " shall mean any Person that is a Senior Lender or an Affiliate of a Senior Lender at the time of entering into a Permitted Swap Agreement.

" Person " shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, limited liability company, unincorporated organization or Government Authority.

" Peru " shall mean the Republic of Perú.

" Peruvian General Bankruptcy Act " shall mean the Peruvian General Bankruptcy Act ( *Ley General del Sistema Concursal* ), duly approved by Law 27809, as heretofore and hereafter amended or replaced.

" Peruvian Income Tax Act " shall mean the Peruvian Income Tax Act ( *Ley del Impuesto a la Renta* ), duly approved by Supreme Decree No. 179-2004-EF, as heretofore and hereafter amended or replaced.

" Peruvian Pledge Act " shall mean the Peruvian Pledge Act ( *Ley de la Garantía Mobiliaria* ), duly approved by Law 28677, as heretofore and hereafter amended or replaced. " Peruvian Public Registry " shall mean the Peruvian Public Registry, regulated by Law 26366, as heretofore and hereafter amended.

" Peruvian Value Added Tax Act " shall mean the Peruvian Value Added Tax Act ( *Ley del Impuesto General a las Ventas* ), duly approved by Supreme Decree No. 055-99-EF, as heretofore and hereafter amended or replaced.

" Pledgors " shall mean as of the Closing Date, collectively, the Inkia Pledgor and the Quimpac Pledgor, at any time thereafter, any new members/shareholders of the Borrower pursuant to the terms of the Financing Documents.

" Post-Default Rate " shall mean 2.00% above the interest rate for such Loan as provided in Section 3.02 .

" Potential Defaulting Lender " means, at any time, (a) any Senior Lender with respect to which an event of the kind referred to in the definition of " Lender Insolvency Event " has occurred and is continuing in respect of any Affiliate of such Senior Lender, (b) any Senior Lender that has notified, or whose Parent Company or an Affiliate thereof has notified, the Administrative Agent or the Borrower in writing, or has stated publicly, that it does not intend to comply with its Funding Obligations under any other loan agreement or credit agreement or other similar financing agreement or (c) any Senior Lender that has, or whose Parent Company has, a non-investment grade rating from Moody's or S&P or another nationally recognized rating agency. Any determination by the Administrative Agent that a Senior Lender is a Potential Defaulting Lender under any of clauses (a) through (c) above will be conclusive and binding absent manifest error, and such Senior Lender will be deemed a Potential Defaulting Lender (subject to Section 4.08(d) ) upon notification of such determination by the Administrative Agent to the Borrower and the Lenders.

" Powers of Attorney " shall mean, collectively, the irrevocable powers of attorney to be granted or required to be granted in favor of the Onshore Collateral Agent pursuant to each Security Document granted under Peruvian law, in form and substance reasonably acceptable to the Majority Lenders.

" PPA " shall mean, collectively, the ElectroPeru PPA, the Luz del Sur PPA and any additional contractual power sales arrangement that is acceptable to the Supermajority Lenders taking into consideration the material terms and conditions therein, including, (a) the tenor, (b) counterparty, (b) price (including capacity and energy payments), (c) termination provisions, (d) performance security and (e) collateral assignment rights.

" Prepayment Account " shall mean the prepayment account to be established pursuant to the Collateral Agency and Depositary Agreement.

" Prime Rate " shall mean the rate of interest from time to time publicly announced by the Wall Street Journal as its prime rate for US Dollar loans in the United States; each change in the Prime Rate shall be effective from and including the date such change is publicly announced.

" Principal Payment Dates " shall mean, (a) with respect to Tranche A Loans, the Tranche A Principal Payment Dates, (b) with respect to Tranche B Loans, the Final Maturity Date, (c) with respect to Tranche C Loans, the date that is one year after the Tranche D Final Maturity Date and (d) with respect to Tranche D Loans, the Tranche D Principal Payment Dates.

" Process Agent " shall have the meaning assigned to such term in Section 11.08 .

" Process Agent Acceptance " means a letter from the Process Agent to the Administrative Agent, in substantially the form of Exhibit J or any other form approved by the Administrative Agent.

" Production Unit Mortgage Agreement " shall mean the Production Unit Mortgage Agreement ( *Contrato de Hipoteca sobre Unidad de Producción),* to be entered into prior to the Initial Disbursement Date, between the Borrower and the Onshore Collateral Agent, executed before a Notary Public and to be registered in the Peruvian Public Registry on or prior to the Initial Disbursement Date.

" Prohibited Activities " shall mean those activities listed on Appendix D .

" PROINVERSION " shall mean the *Agencia de Promoción de la Inversión Privada—Perú* .

" Project " shall have the meaning assigned to that term in the recitals.

" Project Accounts " shall mean the Onshore Collateral Accounts and the Offshore Collateral Accounts.

" Project Completion " shall mean the following conditions have been satisfied, in each case in form and substance satisfactory to the Administrative Agent (acting at the direction of the Supermajority Lenders), which approval shall not be unreasonably withheld or delayed:

(a) the Actual Project Acceptance Date shall have occurred under the EPC Contract and the Borrower shall have delivered the Final Acceptance Certificate to the EPC Contractor;

(b) (i) the Borrower shall have delivered to the Administrative Agent, the Collateral Agent and the Independent Engineer the Project Completion Certificate in respect of the Project and (ii) the Independent Engineer shall have delivered to the Administrative Agent the Independent Engineer's Project Completion Certificate in respect of the Project;

(c) (i) no default or event of default related to non compliance with technical requirements or construction deadlines set forth in the Definitive Generation Concession Agreement, the Investment Agreement, the PPAs, the Interconnection Agreement or the Transmission Concession Agreement that permits a counterparty to terminate such agreement in accordance with the terms of such agreement and (ii) to the Borrower's Knowledge, there is no actual or pending threat to rescind, revoke or terminate the Definitive Generation Concession Agreement, the Investment Agreement, the PPAs, the Interconnection Agreement or the Transmission Concession Agreement;

(d) all costs and expenses necessary for the completion of construction in accordance with the Project Construction Budget and Schedule shall have been paid, including any payments of performance and delay-related damages under the EPC Contract, except those amounts being Contested as of such date and other amounts not in excess of $5,000,000;

(e) certificates of insurance with respect to the insurance policies required by Section 8.05 in respect of the Project, together with evidence of the payment of all premiums therefor which are then due and payable, shall have been delivered;

(f) all Government Approvals then required for the Project Development, and listed on Schedule 7.05(c) and (d) (as updated from time to time as mutually agreed in writing between the Borrower and the Administrative Agent), shall have been validly issued, duly obtained and are in full force and effect, and held in the name of the Borrower or the Operator (as applicable) and are free from conditions or requirements for compliance which the Borrower or the Operator (as applicable) has not satisfied;

(g) the Borrower has not received any written notice from (or on behalf of) the Government Authority having jurisdiction that any Government Approval or Government Rule, in each case applicable to the Borrower and the Project, is subject to appeal, modification or revocation that could reasonably be expected to have a Material Adverse Effect;

(h) there shall not exist any Default or Event of Default hereunder;

(i) the Debt Service Reserve Account shall have on deposit, or there shall be one or more Acceptable Letters of Credit delivered to the Offshore Collateral Agent in (or a combination thereof), an amount equal to Required Debt Service Reserve Amount;

(j) (x) the Independent Environmental and Social Consultant shall have confirmed in writing that the Borrower and the Operator are in compliance with the Environmental and Social Standards and the Action Plan and have achieved each of the requirements set forth in the Action Plan that are required to be completed as a condition precedent to Project Completion and (y) the Project has been constructed in a manner consistent with and in compliance with the Environmental and Social Standards; and

(k) the Borrower shall have delivered an Acceptable COD O&M Arrangement and the Operator thereunder shall have mobilized on site with trained, experienced and competent personnel in accordance with such Acceptable COD O&M Arrangement.

" Project Completion Certificate " shall mean the Project Completion Certificate and related attachments and certifications, substantially in the form of Exhibit C-1 , executed by an Authorized Officer of the Borrower and otherwise duly completed in respect of Project Completion.

" Project Completion Date " shall mean the date on which the Project Completion occurs.

" Project Construction Budget and Schedule " shall mean (a) a budget setting forth, on a monthly basis, the timing and amount of all projected payments of Project Costs to construct the Project from the Closing Date through the Required Project Completion Date and (b) a schedule (which shall be consistent with the budget in clause (a) ) setting forth the proposed design, engineering, procurement, construction and testing milestone schedule for the Project Development through the Required Project Completion Date, as certified by the Borrower, consistent with the requirements of the Transaction Documents and the Base Case Forecast or the Updated Base Case Forecast, as applicable, reviewed and approved by, and in form and substance satisfactory to, the Independent Engineer.

" Project Costs " shall mean all costs incurred by the Borrower to achieve Project Completion in the manner contemplated by (and consistent with) the Transaction Documents and in each case (a) as described in the Base Case Forecast or the Updated Base Case Forecast, as applicable, and (b) set forth in the budget described in clause (a) of the definition of "Project Construction Budget and Schedule", or otherwise approved by the Majority Lenders, in consultation with the Independent Engineer, which costs include, without duplication:

(i) costs incurred by the Borrower under the EPC Contract, and other costs directly related to the design, engineering, procurement, construction, installation, start-up, and testing of the Project;

(ii) costs, fees and expenses incurred by or on behalf of the Borrower in respect of the Project Development, including financial, accounting, legal, surveying and consulting fees, the costs of preliminary engineering, payments made in respect of the purchase of real property and easements rights and payments (including donations) required to be made to the municipalities, regional government, communities, indigenous peoples or ethnic groups located near the Project;

(iii) Interest Expense, fees and expenses under the Financing Documents incurred until the Actual Project Acceptance Date (including such Interest Expense incurred pursuant to the VAT early recovery regime ( *régimen de recuperación anticipada de IGV* );

(iv) the net amounts payable (or minus the net amounts receivable) under Currency Rate Protection Agreements actually paid during such period;

(v) Taxes (including (x) any VAT that was paid by, or on behalf, the Borrower prior to the date of the VAT Investment Contract and (y) any amounts that the Borrower shall not be entitled to recover pursuant to the VAT early recovery regime ( *régimen de recuperación anticipada de IGV* ) minus (z) VAT reimbursed to the Project pursuant to Section 3.08(b) of the Collateral Agency and Depositary Agreement);

(vi) insurance required for the Project Development set forth in Section 8.05 ;

(vii) costs incurred for commissioning, conducting the Performance Tests for, and operation of, the Project prior to the Actual Project Acceptance Date;

(viii) Final Costs; and

(ix) Eligible Costs.

" Project Development " shall mean the development and construction of the Project, the scope and cost of which shall be set forth in the Project Construction Budget and Schedule and shall include the contingencies contemplated therein.

" Project Documents " shall mean each Material Project Document, Non-Material Project Document and Additional Project Document.

" Project Party " shall mean each Person from time to time party to a Project Document.

" Project Revenues " shall mean, for any period with respect to the Project, (a) all ordinary course cash revenues received by the Borrower pursuant to any PPA, (b) any payments received for interruption of operations during such period, (c) Spot Capacity Revenues, (d) Spot Energy Revenues, (e) the proceeds of sales of Credits and (f) all other ordinary course income or revenue, however earned or received, by the Borrower (with respect to the Project) during such period, including any Government Authority incentives received as tax credits, tax deductions or otherwise but only to the extent, and when, realized by the Borrower in cash. Project Revenues shall exclude (i) net amounts receivable under Permitted Swap Agreements earned in respect of the Project, (ii) the Net Available Amount in respect of an Event of Loss and (iii) amounts received under physical loss or damage insurance policies.

" Project Sponsor " shall mean Inkia Energy Limited, a company organized under the laws of Bermuda.

" Property " shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

" Quarterly Date " shall mean each August 17, November 17, February 17 and May 17.

" Quarterly Debt Service Coverage Ratio " shall mean, as at any calculation date, for the period of one (1) quarterly fiscal period then most recently ended (or any other period referred to in this Agreement for which this ratio is required to be calculated), the ratio of (a) Cash Flow Available for Debt Service and (b) Debt Service for such period.

" Quarterly Period " shall mean each period ending on a Quarterly Date.

" Quimpac Pledgor " shall mean, as of the Closing Date, Energía del Pacífico , S.A., a *sociedad anónima* , organized under the laws of Peru.

" Rate Determination Notice " shall have the meaning assigned to such term in Section 5.01 .

" Regulation A " shall mean Regulation A of the Board (or any successor) as the same may be modified and supplemented and in effect from time to time.

" Regulation D " shall mean Regulation D of the Board (or any successor) as the same may be modified and supplemented and in effect from time to time.

" Regulation U " shall mean Regulation U of the Board (or any successor) as the same may be modified and supplemented and in effect from time to time.

" Regulation X " shall mean Regulation X of the Board (or any successor) as the same may be modified and supplemented and in effect from time to time.

" Release " shall mean any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of any Hazardous Material into or within the indoor or outdoor environment or any portion thereof, including the movement of such Hazardous Material through ambient indoor or outdoor air, soil, surface water, ground water, wetlands, land or subsurface strata.

" Required COD Trigger Date " shall mean the date that is the later of (a) March 31, 2016 and (b) the date that is three (3) months prior to the Investment Agreement Termination Date.

" Required Debt Service Reserve Amount " shall mean on the Actual Project Acceptance Date and on each Principal Payment Date thereafter until and including the Final Maturity Date and the Tranche D Final Maturity Date, an amount equal to the aggregate of the scheduled principal set forth in Appendices B-1 and B-2 and scheduled Interest Expense (taking into account any fixed rate hedging and using the then current LIBO Rate to the extent not hedged) projected to be due and payable in the next six (6) months.

" Required Equity Contribution " shall mean Equity equal to no less than thirty-five percent (35%) of Base Case Total Project Costs to be provided to the Borrower pursuant to the terms of the Equity Contribution and Retention Agreement.

" Required Final Taking-Over Date " shall mean the date that is three (3) months after the Scheduled Final Taking-Over Date.

" Required Project Completion Date " shall mean December 31, 2016.

" Required Payment " shall have the meaning assigned to such term in Section 4.06 .

" Restoration " shall mean, with respect to any Affected Property, to rebuild, repair, restore or replace such Affected Property.

" Restricted Payment " shall mean (a) all dividends or distributions by the Borrower (in cash, Property of the Borrower or obligations) on, or other payments or distributions on account of, or the setting apart of money for a sinking or other analogous fund for, or the purchase, redemption, retirement or other acquisition by the Borrower of, any portion

of any Equity Interest in the Borrower and (b) all payments (in cash, Property of the Borrower or obligations) of principal of, interest on and other amounts with respect to, or other payments on account of, or the setting apart of money for a sinking or other analogous fund for, or the purchase, redemption, retirement or other acquisition by the Borrower of Subordinated Shareholder Loans or Tranche C Loans; provided that any payment made by the Borrower to the Kallpa Operator as consideration for services rendered under the Kallpa O&M Agreement shall not constitute a Restricted Payment.

" Restricted Payment Date " shall have the meaning assigned to such term in Section 8.12 .

" S&P " shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

" SACE " shall mean SACE S.p.A. – Servizi Assicurativi del Commercio Estero, a *società per azioni* organized under the laws of the Republic of Italy.

" SACE Agent " has the meaning set forth in the recitals.

" SACE Agreed Exchange Rate " shall have the meaning set forth in the SACE Reimbursement Agreement.

" SACE Facility Payment Request " shall mean that certificate attached as Appendix III to the Borrowing Certificate.

" SACE Policy " shall mean that certain insurance policy, dated on or about the date hereof and in any case no later than the Initial Disbursement Date, issued by SACE in favor of the Tranche D Lenders.

" SACE Premium " shall have the meaning set forth in the SACE Reimbursement Agreement.

" SACE Reimbursement Agreement " shall mean that certain reimbursement agreement, dated on or before the date of the SACE Policy, among the Borrower, SACE, the SACE Agent and the Tranche D Lenders.

" Sanction List " shall mean any of the sanction lists of the European Union, the United States Department of the Treasury Office of Foreign Asset Control and/or the United Nations Security Council and made pursuant to United Nations Security Council resolutions under Chapter VII of the UN Charter (each as amended, supplemented or substituted from time to time) and which includes, without limitation, the OFAC List and the European Union Restrictions List.

" Sanctionable Practice " shall mean any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice, or Obstructive Practice, as those terms are defined and interpreted in accordance with the anti-corruption guidelines listed in Appendix C .

" SCADA " shall mean a supervisory control and data acquisition system for control and data collection in respect of the continuous operation and monitoring of the Project.

" Scheduled Final Taking-Over Date " shall have the meaning assigned to such term in the EPC Contract.

" Secured Obligations " shall mean, as at any date, the sum, computed without duplication, of the following: (a) the aggregate outstanding principal amount of the Senior Loans plus all accrued but unpaid interest on such amount plus (b) all other amounts from time to time payable by any Credit Party or Israel Corporation to any Secured Party under the Financing Documents (including the Permitted Swap Agreements) plus accrued interest on such amounts plus (c) any and all obligations of the Borrower or any other Credit Party to the Administrative Agent, the Collateral Agent or any other Secured Party for the performance of its agreements, covenants or undertakings under or in respect of any Financing Document.

" Secured Parties " shall mean the Administrative Agent (solely in its capacity as agent to the Senior Lenders), the Collateral Agents, the Trustee, each Senior Lender and each Permitted Swap Provider.

" Secured Party Addition Agreement " shall mean an accession agreement to be entered into by any Permitted Swap Provider pursuant to the terms of the Collateral Agency and Depositary Agreement.

" Security Documents " shall mean each Consent and Agreement, the Asset Pledge Agreement, the Trust Agreement, the Collateral Agency and Depositary Agreement, each Share Pledge Agreement, the Production Unit Mortgage Agreement, the Definitive Generation Concession Mortgage Agreement, the Transmission Concession Mortgage Agreement, Powers of Attorney, Conditional Assignment of Rights and Contractual Position Agreement, Conditional Assignment of Contractual Position Agreement, each Secured Party Addition Agreement, Offshore Assignment of Reinsurance Proceeds, any such other security agreement, control agreement, patent and trademark assignment, lease assignment and other similar agreement securing the Secured Obligations between any Person and either Collateral Agent or the Trustee, on behalf of the Secured Parties, and all financing statements, agreements or other instruments to be filed in respect of the Liens created under each such agreement.

" Senior Lender " shall mean any Lender with a Tranche A Loan Commitment, Tranche B Loan Commitment or Tranche D Loan Commitment.

" Senior Loan Commitments " shall mean, collectively, the Tranche A Loan Commitments, the Tranche B Loan Commitments and the Tranche D Loan Commitments.

" Senior Loans " shall mean, collectively, the Tranche A Loans, Tranche B Loans and the Tranche D Loans.

" Share Pledge Agreement " shall mean the pledge agreement entered into prior to the Initial Disbursement Date by the Pledgors holding, collectively, 100% of the Equity Interests of the Borrower on such date, the Borrower and the Onshore Collateral Agent and any additional members/shareholders of the Borrower that become party to such agreement after the Initial Disbursement Date.

" Shareholders' Agreement " shall mean the shareholders' agreement, to be entered into prior to the Initial Disbursement Date, among the Pledgors.

" Shareholder Contributions " shall mean contributions of capital in the form of equity or Subordinated Shareholder Loans, which the Pledgors or the Project Sponsor provide pursuant to the Equity Contribution and Retention Agreement or otherwise, directly or indirectly, to the Borrower.

" Spot Capacity Revenues " shall mean, for any period with respect to the Project, all revenues resulting from sales of capacity on the Spot Market.

" Spot Energy Revenues " shall mean, for any period with respect to the Project, all revenues resulting from sales of energy on the Spot Market.

" Spot Market " shall mean, the short term spot market in Peru for the sale of capacity and energy, operated by COES pursuant to Ley 28832 ( *Ley para asegurar el Desarollo Eficiente de la Generación Eléctrica* ).

" Spot Market Expenses " shall mean, for any period with respect to the Project, all amounts expended by the Borrower in connection with the purchase of capacity and energy on the Spot Market, including all costs of water rights, plus all other applicable expenses, costs or taxes resulting from the Project's participation in the Spot Market or the Interconnected Electrical System *(Sistema Eléctrico Interconectado Nacional—SEIN)* , such as transmission tolls, ancillary services and any contributions to COES.

" Spot Revenues " shall mean, collectively, Spot Capacity Revenues and Spot Energy Revenues.

" Subordinated Shareholder Loans " shall mean contributions of capital in the form of unsecured Indebtedness of the Borrower which the Pledgors, Project Sponsor or Kallpa Generación S.A. provide, directly or indirectly, to the Borrower, on terms and conditions which make the payment of principal and interest available only from funds which are available to be distributed as Restricted Payments when the conditions for the making of Restricted Payments have been satisfied and for which the relevant subordinated lender has executed a subordination agreement, containing the terms of subordination set forth in Exhibit D , and has pledged its rights thereunder to the Secured Parties.

" Subordination Agreements " shall mean, collectively, (a) the Tranche C Subordination Agreement and (b) any subordination agreement entered into from time to time with any other lender providing Subordinated Shareholder Loans or any other unsecured Indebtedness permitted pursuant to Section 8.16 to the Borrower during the term of this Agreement, in each case on terms and conditions reasonably satisfactory to the Senior Lenders.

" Subsidiary " shall mean, for any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or Controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

" Substitute Basis " shall have the meaning assigned to such term in Section 5.01 .

" Substitute Basis Notice " shall have the meaning assigned to such term in Section 5.01 .

" Supermajority Lenders " shall mean, subject to the last paragraph of Section 11.04 , Senior Lenders holding over 66 2/3% of the aggregate outstanding Senior Loans and Senior Loan Commitments (if any).

" Syndication Fee Letter " shall mean the amended and restated letter agreement, dated as the date hereof, between the Borrower and certain Senior Lenders party thereto with respect to certain fees payable by the Borrower for the account of such Senior Lenders.

" Taxes " shall mean, with respect to any Person, all present or future taxes, assessments, imposts, deductions, fees, duties, withholdings, or other governmental charges or levies imposed directly or indirectly on such Person or its income, profits or sales or Property by any Taxing Authority, including any interest, additions to tax or penalties applicable thereto.

" Taxing Authority " shall mean any national, federal, state, municipal, local, territorial, or other governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, entity, person, judicial or administrative body that is responsible for the levying and collection of Taxes.

" Termination Date " shall mean the date on which (a) the Administrative Agent, the SACE Agent, the Collateral Agents and the other Secured Parties shall have received final indefeasible payment in full in cash of all of the Secured Obligations and all other amounts owing to the Agents and the other Secured Parties under the Financing Documents (other than inchoate obligations not yet due), (b) all Senior Loan Commitments shall have terminated, expired or been reduced to zero and (c) each Permitted Swap Agreement entered into with a Permitted Swap Provider and which agreements would constitute Secured Obligations, shall have terminated or expired, except as the Borrower and such Permitted Swap Provider shall have otherwise agreed.

" Terrorism Order " shall have the meaning assigned to such term in Section 7.27(a) .

" Tranche A Lender " shall mean any Lender with a Tranche A Loan Commitment.

" Tranche A Loan " shall mean any extension of credit made by a Lender pursuant to its Tranche A Loan Commitment.

" Tranche A Loan Commitment " shall mean, with respect to each Lender at any time, the amount set forth next to such Lender's name on Appendix A hereto under the heading "Tranche A Loan Commitment", or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche A Loan Commitment, as applicable, as such amount may be reduced from time to time pursuant to Section 2.03 or adjusted pursuant to Section 11.06 , the sum of which shall be an amount equal to the Aggregate Tranche A Loan Commitment.

" Tranche A Loan Commitment Period " shall mean the period commencing on the Closing Date and ending on the earliest to occur of (i) the termination of all Tranche A Loan Commitments pursuant to Section 2.03 or Section 9.01 , (ii) the Project Completion Date and (iii) the Required Project Completion Date.

" Tranche A Principal Payment Date " shall mean the Initial Amortizing Senior Loan Tranche Principal Payment Date and each Quarterly Date thereafter (including the Final Maturity Date), or if any such day is not a Business Day, the next succeeding Business Day; provided that if there is no numerically corresponding date in any given calendar month during which a Tranche A Principal Payment Date would otherwise occur in accordance with the foregoing, the applicable Tranche A Principal Payment Date shall be deemed to occur on the last Business Day of the appropriate calendar month.

" Tranche B Loan " shall mean any extension of credit made by a Lender pursuant to its Tranche B Loan Commitment.

" Tranche B Loan Commitment " shall mean, with respect to each Lender at any time, the amount set forth next to such Lender's name on Appendix A hereto under the heading "Tranche B Loan Commitment", or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche B Loan Commitment, as applicable, as such amount may be reduced from time to time pursuant to Section 2.03 or adjusted pursuant to Section 11.06 , the sum of which shall be an amount equal to the Aggregate Tranche B Loan Commitment.

" Tranche B Loan Commitment Period " shall mean the period commencing on the Closing Date and ending on the earliest to occur of (i) the termination of all Tranche B Loan Commitments pursuant to Section 2.03 or Section 9.01 , (ii) the Project Completion Date and (iii) the Required Project Completion Date.

" Tranche C Lenders " shall mean Inkia Holdings (Kallpa) Limited and Energía del Pacífico S.A., in their capacity as Lenders under this Agreement.

" Tranche C Loan " shall mean any extension of credit made by a Tranche C Lender pursuant to its Tranche C Loan Commitment.

" Tranche C Loan Commitment " shall mean with respect to each Lender at any time, the amount set forth next to such Lender's name on Appendix A hereto under the heading "Tranche C Loan Commitment", as such amount may be reduced from time to time pursuant to Section 2.03 or adjusted pursuant to Section 11.06 , the sum of which shall be an amount equal to the Aggregate Tranche C Loan Commitment.

" Tranche C Loan Commitment Period " shall mean the period commencing on the Closing Date and ending on the earliest to occur of (i) the termination of all Tranche C Loan Commitments pursuant to Section 2.03 or Section 9.01 , (ii) the Project Completion Date and (iii) the Required Project Completion Date.

" Tranche C Subordination Agreement " shall mean a subordination agreement, dated as of the Closing Date and containing the terms of subordination set forth in Exhibit D , by and among the Administrative Agent, the Offshore Collateral Agent and the Tranche C Lenders.

" Tranche D Final Maturity Date " shall mean the date that is fifteen (15) years from the Closing Date; provided that if such date is not a Business Day, the "Tranche D Final Maturity Date" shall be the immediately preceding Business Day.

" Tranche D Lender " shall mean any Lender with a Tranche D Loan Commitment.

" Tranche D Loan " shall mean any extension of credit made by a Lender pursuant to its Tranche D Loan Commitment.

" Tranche D Loan Commitment " shall mean, with respect to each Lender at any time, the amount set forth next to such Lender's name on Appendix A hereto under the heading "Tranche D Loan Commitment – Part A" and "Tranche D Loan Commitment – Part B", or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche D Loan Commitment, as applicable, as such amount may be reduced from time to time pursuant to Section 2.03 or adjusted pursuant to Section 11.06 , the sum of which shall be an amount equal to the Aggregate Tranche A Loan Commitment.

" Tranche D Loan Commitment Period " shall mean the period commencing on the Closing Date and ending on the earliest to occur of (i) the termination of all Tranche D Loan Commitments pursuant to Section 2.03 or Section 9.01, (ii) the Project Completion Date and (iii) the Required Project Completion Date.

" Tranche D Principal Payment Date " shall mean the Initial Amortizing Senior Loan Tranche Principal Payment Date and each Quarterly Date thereafter (including the Tranche D Final Maturity Date), or if any such day is not a Business Day, the next succeeding Business Day; provided that if there is no numerically corresponding date in any given calendar month during which a Tranche D Principal Payment Date would otherwise occur in accordance with the foregoing, the applicable Tranche D Principal Payment Date shall be deemed to occur on the last Business Day of the appropriate calendar month.

" Transaction Documents " shall mean each Financing Document and each Project Document.

" Transmission Concession " shall mean the definitive concession for the transmission of electricity from the Project to the Interconnected Electrical System *(Sistema Eléctrico Interconectado Nacional—SEIN)* through the Transmission Line to be granted by Supreme Resolution.

" Transmission Concession Agreement " shall mean the Transmission Concession Agreement *(Contrato de Concesión Definitiva de Transmisión de Energía Eléctrica)* to be entered into between the Borrower and MINEM, for the Transmission Concession.

" Transmission Concession Mortgage Agreement " shall mean the Transmission Concession Mortgage Agreement *(Contrato de Hipoteca sobre Concesión Definitiva de Transmisión)* , substantially in the form of Exhibit L , to be entered into between the Borrower and Onshore Collateral Agent, executed before a notary public and to be registered in the Peruvian Public Registry.

" Transmission Line " shall mean the transmission line that shall connect the Project to the Campo Armiño substation as set forth in the Transmission Plan.

" Transmission Plan " shall have the meaning given to such term in Section 6.01(e)(iv) .

" Trust Agreement " shall mean the Trust Agreement *(Contrato de Fideicomiso en Administración y Garantía)* , to be entered into prior to the Initial Disbursement Date, by and among, the Borrower and the Trustee, executed before a notary public in Peru and to be registered in the Peruvian Public Registry prior to the Initial Disbursement Date.

" Trustee " shall mean Scotiabank Peru, S.A.A., appointed pursuant to the Trust Agreement.

" Trustee Fee " shall have the meaning given to such term in Section 2.04(c)(iii) .

" Trustee Fee Letter " shall mean the letter agreement, dated no later than the Closing Date, between the Borrower and the Trustee with respect to certain fees payable by the Borrower for the account of the Trustee.

" UNFCC " shall mean the United Nations Framework Convention on Climate Change.

" United States " and " U.S. " shall mean the United States of America.

" Unsecured Accounts " shall have the meaning assigned to such term in the Collateral Agency and Depositary Agreement.

" Updated Base Case Forecast " shall have the meaning given to such term in Section 8.01(i) .

" Upfront Fee Letter " shall mean that certain fee letter entered into among the Joint Mandated Arrangers and the Borrower dated as of the Closing Date.

" USA PATRIOT Act " shall mean the anti-money laundering provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (October 26, 2001) amending the Bank Secrecy Act, 31 U.S.C. Section 5311 et seq .

" USD ", " US$ ", " $ " or " Dollars " shall mean the lawful currency of the United States of America.

" Use " shall mean the generation, manufacture, processing, distribution, handling, use, treatment, recycling, storage, disposal, arrangement for or permitting the disposal, transportation or Release of any Hazardous Material.

" VAT " shall mean value added tax as provided for in the Peruvian Value Added Tax Act and any other Tax of a similar nature.

" VAT Investment Contract " shall mean that certain investment contract ( *Contrato de Inversión* ), dated as of February 2, 2012, among the Borrower, MINEM and PROINVERSION, executed under Legislative Decree No. 973 as a requirement to apply for the VAT early recovery regime ( *régimen de recuperación anticipada de IGV* ).

1.02 Accounting Terms and Determinations .

(a) Except as otherwise expressly provided in this Agreement, all accounting terms used in this Agreement shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders under this Agreement shall (unless otherwise disclosed to the Lenders in writing at the time of delivery in the manner described in subsection (b) below) be prepared, in accordance with Accounting Principles, as in effect from time to time, including applicable statements, bulletins and interpretations issued by the International Accounting Standards Board or the International Accounting Standards Board, and all calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided in this Agreement) be made by application of Accounting Principles; provided , however , that if any financial statements shall be prepared in accordance with the Accounting Principles that are not the same as the Accounting Principles used for the preparation of the financial statements for the preceding applicable period (to the extent such change has a material effect) or if any calculations shall be made for the purposes of determining compliance with this Agreement on a basis that is not the same in any material respect as was used for purposes of determining compliance for the preceding applicable period, then, upon request by the Administrative Agent, the financial statements for the comparable prior period shall be restated and the calculations re-made as specified above to enable a comparison to be made with such prior period; provided , further , that the restatement and remaking of such calculations shall be made solely for comparison purposes and shall not result in any finding of non-compliance hereunder.

(b) To enable the consistent determination of compliance with the terms of this Agreement, the Borrower will not change the last day of its Fiscal Year from December 31 of each year, or the last days of the first three fiscal quarters in each of its Fiscal Years from March 31, June 30 and September 30 of each year, respectively, without the prior written consent of the Administrative Agent.

1.03 Certain Principles of Interpretation . In this Agreement, unless otherwise indicated, the singular includes the plural and plural the singular; words importing any gender include the other gender; references to statutes or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed in each instance by the words "without limitation"; references to articles, sections (or subdivisions of sections), exhibits, annexes or schedules are to this Agreement (unless otherwise specified); references to agreements and other contractual instruments shall be deemed to include all subsequent amendments, extensions and other modifications and substitutions thereof (including by change orders where applicable) (without, however, limiting any prohibition on any such amendments, extensions and other modifications and substitutions by the terms of this Agreement); and references to Persons include their respective permitted successors and assigns and, in the case of Government Authorities, Persons succeeding to their respective functions and capacities.

## ARTICLE II

## LOAN COMMITMENTS

2.01 Loans .

(a) Subject to the terms and conditions of this Agreement, each Senior Lender agrees, severally and not jointly, to make Tranche A Loans to the Borrower from time to time during the Tranche A Loan Commitment Period in an aggregate principal amount not in excess of the Tranche A Loan Commitment of such Lender; provided , however , that the aggregate principal amount of all Tranche A Loans shall not exceed the Aggregate Tranche A Loan Commitment.

(b) Subject to the terms and conditions of this Agreement, each Senior Lender agrees, severally and not jointly, to make Tranche B Loans to the Borrower from time to time during the Tranche B Loan Commitment Period in an aggregate principal amount not in excess of the Tranche B Loan Commitment of such Lender; provided , however , that the aggregate principal amount of all Tranche B Loans shall not exceed the Aggregate Tranche B Loan Commitment.

(c) Subject to the terms and conditions of this Agreement, each Tranche C Lender agrees, severally and not jointly, to make Tranche C Loans to the Borrower from time to time during the Tranche C Loan Commitment Period in an aggregate principal amount not in excess of its Tranche C Loan Commitment; provided , however , that the aggregate principal amount of all Tranche C Loans shall not exceed the Aggregate Tranche C Loan Commitment.

(d) Subject to the terms and conditions of this Agreement, each Tranche D Lender agrees, severally and not jointly, to make Tranche D Loans to the Borrower from time to time during the Tranche D Loan Commitment Period in an aggregate principal amount not in excess of the Tranche D Loan Commitment of such Lender; provided , however , that the aggregate principal amount of all Tranche D Loans shall not exceed the Aggregate Tranche D Loan Commitment.

(e) Proceeds of each Borrowing shall be deposited into the Construction Account, shall be applied solely in accordance with this Agreement and shall be used solely for the payment of Project Costs related to the Project and certain other purposes, as further described in Section 8.09 .

(f) Loans repaid or prepaid may not be reborrowed.

2.02 Borrowings .

(a) To request a Borrowing pursuant to this Agreement, the Borrower shall give the Administrative Agent (which shall promptly notify the Lenders) irrevocable notice of such Borrowing as provided in Section 4.05 .

(b) Not later than 11:00 a.m. New York City time on the Disbursement Date specified for each Borrowing, each Lender shall make available the amount of the Loans to be made by it on such date to the Administrative Agent, in immediately available funds, by wire transfer to the account specified on the attached Appendix E (the " Administrative Account "); provided that (i) the amount of Loans to be made by DEG shall be paid directly to FMO, in its capacity as payment agent for DEG and (ii) FMO shall make available an amount equal to the sum of Loans to be made by each of DEG and FMO on such date. The Administrative Account shall be established by the Administrative Agent and all funds received by the Administrative Agent from a Lender and all funds payable by the Administrative Agent to a Lender or the Administrative Agent shall be deposited therein. There may be no more than one Borrowing request in any month.

(c) The amount with respect to Loans so received by the Administrative Agent for the account of the Borrower shall, subject to the terms and conditions of this Agreement, be made available to the Borrower by remitting the same by 3:00 p.m. New York City time to the Offshore Collateral Agent, in immediately available funds, and the Offshore Collateral Agent shall on the same day deposit the amounts so received in immediately available funds into the Construction Account, in each case as set forth in the applicable Notice of Borrowing and pursuant to the Collateral Agency and Depositary Agreement.

2.03 Changes of Commitments .

(a) Optional Changes of Commitment . Subject to Section 2.03(b) and (c) , the Borrower shall have the right at any time or from time to time to reduce or terminate the aggregate unused amount of the Commitments; provided , that (i) the Borrower shall give notice of each such termination or reduction as provided in Section 4.05 , together with a certificate issued by an Authorized Officer of the Borrower, in a form reasonably satisfactory to the Majority Lenders, certifying the Borrower's compliance with sub-clause (iii) below,

which shall be confirmed in writing by the Independent Engineer prior to any such termination or reduction, (ii) each reduction of Commitments shall be in an aggregate amount at least equal to $1,000,000 (or, if less, the full amount of such Commitments outstanding), and if greater, in integral multiples of $500,000 in excess thereof, (iii) the Commitments may not be reduced below an amount which, together with the unfunded portion of the Required Equity Contribution and other funds committed to pay Project Costs is available and sufficient, in the reasonable judgment of the Supermajority Lenders and the Independent Engineer, to achieve Project Completion in accordance with the Project Construction Budget and Schedule and prior to the Required Project Completion Date and (iv) such reduction or termination shall be conditioned upon the payment of any required termination payments in connection with the termination of any Interest Rate Protection Agreements (if then in effect) to the extent the aggregate notional amount under all such Interest Rate Protection Agreements exceeds the aggregate principal amount of the Loans outstanding after giving effect to the reduction or termination contemplated by this Section 2.03 .

(b) Mandatory Changes of Commitments .

(i) Unless previously terminated, the Tranche A Loan Commitments shall be automatically reduced to zero at the close of business on the final day of the Tranche A Loan Commitment Period.

(ii) Unless previously terminated, the Tranche B Loan Commitments shall be automatically reduced to zero at the close of business on the final day of the Tranche B Loan Commitment Period.

(iii) Unless previously terminated, the Tranche C Loan Commitments shall be automatically reduced to zero at the close of business on the final day of the Tranche C Loan Commitment Period.

(iv) Unless previously terminated, the Tranche D Loan Commitments shall be automatically reduced to zero at the close of business on the final day of the Tranche D Loan Commitment Period.

(v) Unless previously terminated, to the extent the Debt Sizing Parameters set forth in clauses (a)-(d) of the definition thereof are no longer met as of the date of the Updated Base Case Forecast, each of the Senior Loan Commitments shall be partially terminated on a pro rata basis on the date the Updated Base Case Forecast is delivered pursuant to Section 8.01(i) in order to meet each of the Debt Sizing Parameters as notified by the Administrative Agent to the Borrower promptly thereafter.

(vi) Unless previously terminated, to the extent the Debt Sizing Parameters set forth in clause (e) of the definition thereof are no longer met as of the date of the Updated Base Case Forecast as a result of a reduction of the Project Costs, then on the date that the Updated Base Case Forecast is delivered pursuant to Section 8.01(i) , the Aggregate Tranche C Loan Commitment shall be reduced to an amount equal to (i) 65% of the Project Costs reflected in the Updated Base Case Forecast less (ii) the Senior Loan Commitments; provided that, (x) if as a result of such reduction the Aggregate Tranche C Loan Commitment is reduced to

zero and (y) if after giving effect to such reduction, the Debt Sizing Parameters in clause (e) of the definition thereof are no longer met, then each of the Senior Loan Commitments shall be partially terminated on a pro rata basis, in order to meet the Debt Sizing Parameters in clause (e) of the definition thereof.

(vii) Each of the Senior Lenders may, in its sole discretion, reduce its Senior Loan Commitment to zero at the close of business on September 30, 2013 if each of the conditions precedent set forth in Section 6.02 have not occurred by such date; provided that, for the avoidance of doubt, the Senior Lenders shall not have the option of reducing the Senior Loan Commitments if such conditions precedent set forth in Section 6.02 have been satisfied by such date but the Borrower has not delivered its initial Notice of Borrowing pursuant to Section 6.03(a) and the Initial Disbursement Date has not yet occurred.

(viii) Each of the Senior Lenders may, in its sole discretion, reduce its Senior Loan Commitment to zero at the close of business on June 30, 2014 if the Initial Disbursement Date shall not have occurred by such date.

(c) Application .

(i) Any termination of Commitments by the Borrower pursuant to this Section 2.03 (other than pursuant to Section 2.03(b)(vi) ) shall be applied, (i) *first* , to the Tranche B Loan Commitments and any Tranche D Loan Commitments comprising Part B of the Tranche D Loan Commitments outstanding, on a pro rata basis, until the Tranche B Loan Commitments and Tranche D Loan Commitments comprising Part B of the Tranche D Loan Commitments are reduced to zero, (ii) *second* , to the Tranche A Loan Commitments and the Tranche D Loan Commitments (if any) outstanding, on a pro rata basis, until the Tranche A Loan Commitments and the Tranche D Loan Commitments are reduced to zero, on a pro rata basis and (iii) *third* , to the Tranche C Loan Commitments outstanding until the Tranche C Loan Commitments are reduced to zero.

(ii) Upon any termination of the Senior Loan Commitments pursuant to Section 2.03(b)(v) and (vi)(y) , the Administrative Agent shall adjust the percentages of the amounts payable on each Principal Payment Date shown in Appendices B-1 and B-2 and give notice to the Borrower and the Lenders as soon as possible thereafter. The Administrative Agent's determination of such adjustments shall be final and conclusive and bind the Borrower unless the Borrower demonstrates to the Administrative Agent's satisfaction that the determination involved manifest error.

(iii) Upon the termination of Part B of the Tranche D Loan Commitments, the Administrative Agent shall adjust the percentages of the amounts payable on each Tranche D Principal Payment Date, in the inverse order of maturity, shown in Appendix B-2 and give notice to the Borrower and the Tranche D Lenders as soon as possible thereafter. The Administrative Agent's determination of such adjustments shall be final and conclusive and bind the Borrower unless the Borrower demonstrates to the Administrative Agent's satisfaction that the determination involved manifest error.

(d) No Reinstatement . The Senior Loan Commitments once terminated or reduced may not be reinstated.

2.04 Fees .

(a) Commitment Fees . The Borrower shall pay to the Administrative Agent for the account of each Senior Lender a commitment fee (the " Commitment Fee "), on the daily average unused amount of such Senior Lender's Senior Loan Commitment, at a rate per annum equal to the product of (i) 40% of the Applicable Margin, for each Quarterly Period from and including the Closing Date to, but not including, the date the Senior Loan Commitments, as applicable, are reduced to zero *times* (ii) a fraction, the numerator of which is the number of days in such Quarterly Period (or portion thereof) and the denominator of which is 360. The accrued Commitment Fee for any Senior Loan Commitment shall be payable on each Quarterly Date occurring after the Closing Date and upon termination or expiry of the relevant Senior Loan Commitment, as applicable.

(b) Administrative Fees . The Borrower shall pay to the Administrative Agent, for its own account, a non-refundable agency fee (the " Administrative Fee ") for each 12-month period commencing on the Closing Date or an anniversary thereof in the amounts set forth in the Administrative Agency Fee Letter. The Administrative Fee shall be payable in advance in accordance with the terms and in the amounts as set forth in the Administrative Agency Fee Letter.

(c) Collateral Agency and Trustee Fees .

(i) The Borrower shall pay to each of the Offshore Collateral Agent and the Depositary, each for its own account, non-refundable agency fees (collectively, the " Offshore Collateral Agency Fee ") for each 12-month period commencing on the Closing Date or an anniversary thereof in the amounts set forth in the Offshore Collateral Agency Fee Letter. The Offshore Collateral Agency Fee shall be payable in advance in accordance with the terms and in the amounts as set forth in the Offshore Collateral Agency Fee Letter.

(ii) The Borrower shall pay to the Onshore Collateral Agent, for its own account, a non-refundable agency fee (the " Onshore Collateral Agency Fee ") for each 12-month period commencing on the Closing Date or an anniversary thereof in the amounts set forth in the Onshore Collateral Agency Fee Letter. The Onshore Collateral Agency Fee shall be payable in advance in accordance with the terms and in the amounts as set forth in the Onshore Collateral Agency Fee Letter.

(iii) The Borrower shall pay to the Trustee, for its own account, a non-refundable agency fee (the " Trustee Fee ") for each 12-month period commencing on the Closing Date or an anniversary thereof in the amounts set forth in the Trustee Fee Letter. The Trustee Fee shall be payable in advance in accordance with the terms and in the amounts as set forth in the Trustee Fee Letter.

(d) Other Fees . The Borrower shall pay (i) all fees payable in accordance with the Financing Documents, (ii) all fees payable to any Joint Mandated Arranger in the amounts and at times separately agreed upon between the Borrower and such Joint Mandated Arranger and (iii) all expenses of the Agents, the Lenders and the Joint Mandated Arrangers in accordance with Section 11.03 .

2.05 Lending Offices . The Senior Loans made by each Senior Lender shall be made and maintained at such Senior Lender's Applicable Lending Office.

2.06 Several Obligations . The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but neither any Lender nor the Agents shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender.

2.07 Notes .

(a) Tranche A Notes . The Tranche A Loan Commitments of each Lender shall be evidenced by a promissory note ( *pagaré* ) of the Borrower (each, a " Note ") substantially in the form of Exhibit A-1 (together with a completion agreement ( *Acuerdo de Llenado* ) substantially in the form of Exhibit A-3, (a " Note Completion Agreement ")), for such Lender's Tranche A Loans, dated the Initial Disbursement Date in the case of each Note issued on such date, or the effective date of assignment pursuant to Section 11.06(b) in the case of any Note issued in connection with such assignment, payable to such Lender in an amount equal to the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche A Loans made by such Lender; provided , that any Senior Lender that is party to a COFIDE Guarantee shall receive (i) a Note payable to such Lender in an amount equal to the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche A Loans made by such Lender and guaranteed by COFIDE (the " COFIDE Tranche A Guaranteed Note ") and (ii) a Note payable to such Lender in an amount equal to difference between (x) the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche A Loans made by such Lender minus (y) the amount payable under the COFIDE Tranche A Guaranteed Note.

(b) Tranche B Notes . The Tranche B Loan Commitments of each Lender shall be evidenced by a Note substantially in the form of Exhibit A-2 (together with a Note Completion Agreement), for such Lender's Tranche B Loans, dated the Initial Disbursement Date in the case of each Note issued on such date, or the effective date of assignment pursuant to Section 11.06(b) in the case of any Note issued in connection with such assignment, payable to such Lender in an amount equal to the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche B Loans made by such Lender; provided , that any Senior Lender that is party to a COFIDE Guarantee shall receive (i) a Note payable to such Lender in an amount equal to the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche B Loans made by such Lender and guaranteed by COFIDE (the " COFIDE Tranche B Guaranteed Note ") and (ii) a Note payable to such Lender in an amount equal to difference between (x) the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche B Loans made by such Lender minus (y) the amount payable under the COFIDE Tranche B Guaranteed Note.

(c) Tranche D Notes . The Tranche D Loan Commitments of each Lender shall be evidenced by a Note substantially in the form of Exhibit A-3 (together with a Note Completion Agreement), for such Lender's Tranche D Loans, dated the Initial Disbursement Date in the case of each Note issued on such date, or the effective date of assignment pursuant to Section 11.06(b) in the case of any Note issued in connection with such assignment, payable to such Lender in an amount equal to the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Tranche D Loans made by such Lender.

(d) Loan Records . The date, amount and interest rate of each Loan made by each Lender to the Borrower, and each payment made in respect of principal of such Loan, shall be recorded by such Lender on its books.

(e) Subdivision . No Lender shall be entitled to have any of its Notes subdivided, by exchange for promissory notes of lesser denominations or otherwise, except in connection with a permitted assignment of all or any portion of such Lender's related Commitment, related Loans and related Note pursuant to Section 11.06(b) .

(f) Maintenance of Records by the Administrative Agent . The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain records in which it shall record (i) the names and addresses of the Lenders, (ii) the Commitments of each Lender and the amount of each Loan made hereunder and each Interest Period therefor, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (iv) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof and (v) a copy of each Assignment and Acceptance delivered to it pursuant to Section 11.06(b) . Upon reasonable notice to the Administrative Agent, the Borrower and each Lender shall have the right to inspect such records from time to time during normal business hours. In the event of any inconsistency between the entries in the loan records maintained by the Lenders pursuant to paragraph (d) above and the entries in the records maintained by the Administrative Agent, the Administrative Agent's records will govern, absent manifest error.

(g) Effect of Entries . Absent manifest error, the entries made in the records maintained pursuant to paragraph (d) or (f) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided , that the failure of any Lender or the Administrative Agent to maintain such records or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

## ARTICLE III

## PAYMENTS OF PRINCIPAL AND INTEREST

3.01 Repayment of Loans .

(a) Tranche A Loans . The Borrower hereby agrees to pay to the Administrative Agent for the account of each Lender the principal of such Lender's Tranche A Loans outstanding (i) on each Tranche A Principal Payment Date in accordance with the amortization schedule attached as Appendix B-1 to this Agreement and (ii) when declared due and payable pursuant to this Agreement, including pursuant to Section 9.01 ; provided , that if

the Actual Project Acceptance Date does not occur in the month of February 2016, the Administrative Agent shall adjust (x) the percentages and (y) the number of Tranche A Principal Payment Dates shown in Appendix B-1 and give notice to the Borrower and the Tranche A Lenders as soon as possible after the Actual Project Acceptance Date. The Administrative Agent's determination of such adjustments shall be final and conclusive and bind the Borrower unless the Borrower demonstrates to the Administrative Agent's satisfaction that the determination involved manifest error.

(b) Tranche B Loans . The Borrower hereby agrees to pay to the Administrative Agent for the account of each Lender the principal of such Lender's Tranche B Loans outstanding (i) on the Final Maturity Date and (ii) when declared due and payable pursuant to this Agreement, including pursuant to Section 9.01 .

(c) Tranche C Loans . The Borrower hereby agrees to pay to each Tranche C Lender the principal of such Tranche C Lender's Tranche C Loans outstanding after the Senior Loans and all other Secured Obligations have been indefeasibly paid in full.

(d) Tranche D Loans . The Borrower hereby agrees to pay to the Administrative Agent for the account of each Tranche D Lender the principal of such Lender's Tranche D Loans outstanding (i) on each Tranche D Principal Payment Date in accordance with the amortization schedule attached as Appendix B-2 to this Agreement and (ii) when declared due and payable pursuant to this Agreement, including pursuant to Section 9.01 ; provided , that if the Actual Project Acceptance Date does not occur in the month of February 2016, the Administrative Agent shall adjust (x) the percentages and (y) the number of Tranche D Principal Payment Dates shown in Appendix B-2 and give notice to the Borrower and the Tranche D Lenders as soon as possible after the Actual Project Acceptance Date. The Administrative Agent's determination of such adjustments shall be final and conclusive and bind the Borrower unless the Borrower demonstrates to the Administrative Agent's satisfaction that the determination involved manifest error.

3.02 Interest . Subject to Section 5.01 , the Borrower hereby agrees to pay to the Administrative Agent for account of each Lender interest on the unpaid principal amount of each Loan made by such Lender for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) for each Interest Period relating to such Loan, the LIBO Rate for such Loan for such Interest Period plus the Applicable Margin;

(b) during such periods that an Event of Default has occurred and is continuing, all outstanding Loans shall bear interest at a rate per annum equal to the Post-Default Rate to but excluding the dates such Event of Default is remedied or waived; and

(c) during any Interest Period when a Rate Determination Notice has been delivered, the Substitute Basis determined therein.

(i) Accrued interest on each Senior Loan shall be payable in arrears (x) on each Interest Payment Date and (y) upon the payment or prepayment of any Senior Loan (but only on the principal amount so paid or prepaid) and (ii) accrued interest on each Tranche C Loan shall only be

payable pursuant to level *Sixth* in Section 5.05(c) of the Collateral Agency and Depositary Agreement; provided , that interest payable at the Post-Default Rate shall be payable from time to time on demand (or, if no demand is made during any month, on the last Business Day of each month); provided , further , that prior to the Actual Project Acceptance Date at the Borrower's election, accrued interest may be paid as a Project Cost through Borrowings. Promptly after the determination of any interest rate provided for in this Agreement or any change in any such rate, the Administrative Agent shall give notice of such interest rate to the Lenders to which such interest is payable and to the Borrower.

3.03 Optional Prepayments .

(a) Subject to Sections 4.02 and 4.04 , the Borrower shall have the right to prepay Loans, at any time or from time to time; provided , that the Borrower shall give the Administrative Agent notice of each such prepayment as provided in Section 4.05 and, upon the date specified in any such notice of prepayment, the amount to be prepaid shall become due and payable.

(b) Any prepayment by the Borrower pursuant to this Section 3.03 shall be made simultaneously with, and is conditioned upon, (i) the payment of any required termination payments in connection with the termination of any Interest Rate Protection Agreement (if then in effect) to the extent the aggregate notional amount under all such Interest Rate Protection Agreements exceeds (x) 100% of the aggregate principal amount of the Tranche A Loans, (y) prior to the Project Completion Date, 50% of the aggregate principal amount of the Tranche B Loans or (z) (A) 100% of the aggregate principal amount comprising Part A of the Tranche D Loans and (B) prior to the Project Completion Date, 50% of the aggregate principal amount comprising Part B of the Tranche D Loans, outstanding after giving effect to the prepayment contemplated by this Section 3.03 , (ii) the payment by the Borrower of any costs, expenses, break funding costs or other amounts incurred by any Lender and Permitted Swap Provider in connection with such prepayment and (iii) with respect to prepayment of Tranche A Loans only, prior to August 17, 2018, the payment of a penalty equal to 2.00% of the aggregate principal amount of Tranche A Loans outstanding payable to the Senior Lenders pro rata in accordance with each Senior Lender's respective Tranche A Loan Commitment.

(c) Any prepayment of Loans by the Borrower pursuant to this Section 3.03 shall be applied, (i) *first* , to the principal amount of Tranche B Loans and the Tranche D Loans comprising Part B of the Tranche D Loans outstanding (if any), on a pro rata basis, in the inverse order of maturity with respect to the Tranche D Loans, (ii) *second* , to any interest or other amounts payable in connection with the Tranche B Loans and the Tranche D Loans (if any) outstanding, on a pro rata basis, until all Tranche B Loans have been indefeasibly repaid in full and amounts payable (if any) in connection with the Tranche D Loans are reduced to an amount equal to Part A of the Tranche D Loans, (iii) *third* , applied to the principal installments, on a pro rata basis, of the Tranche A Loans and the Tranche D Loans (if any) until all Tranche A Loans and Tranche D Loans have been indefeasibly repaid in full, on a pro rata basis, in the inverse order of maturity and (iv) *fourth* , applied to the principal amount of Tranche C Loans outstanding on a pro rata basis.

3.04 Mandatory Prepayments . In addition to mandatory repayments of principal of Loans as set forth in Section 3.01 above, the Borrower shall make the following mandatory prepayments (to be effected in each case in the manner specified in paragraph (f) below):

(a) Event of Loss . The Borrower shall prepay the Loans in an amount equal to 100% of the Net Available Amount not allocated to and used for Restoration in accordance with Section 8.05(l) .

(b) Asset Sales . The Borrower shall prepay the Loans in an aggregate amount equal to 100% of the Net Available Amount in excess of $2,000,000 in any Fiscal Year resulting from the Disposition of any of its physical assets (other than Dispositions permitted under Sections 8.11(a)(i)(A) , 8.11(a)(i)(C) (to the extent such insurance proceeds are used in connection with replacing such damaged or destroyed property), 8.11(a)(ii) , 8.11(a)(iii) and 8.11(a)(v) ).

(c) Project Payments . The Borrower shall prepay the Loans in an amount equal to the amount transferred into the Prepayment Account from the Performance LD Account pursuant to the terms of the Collateral Agency and Depositary Agreement.

(d) Restricted Payments . The Borrower shall prepay the Loans in an amount equal to the amount transferred into the Prepayment Account from the Onshore Distribution Accounts pursuant to the terms of the Collateral Agency and Depositary Agreement.

(e) Illegality . The Borrower shall prepay the Loans in and to the extent contemplated by Section 5.06 .

(f) Tranche D . Upon the prepayment of any amounts of the Tranche A Loans or Tranche B Loans in connection with a refinancing of the Senior Loans on or prior to the Final Maturity Date, the Tranche D Loans shall be prepaid in full.

(g) Application in Inverse Order . Mandatory prepayments of Loans made pursuant to this Section 3.04 shall be applied, (i) *first* , to the principal amount of (x) Tranche B Loans and (y) Tranche D Loans comprising Part B of the Tranche D Loans (if any) outstanding, on a pro rata basis, in the inverse order of maturity with respect to the Tranche D Loans until all Tranche B Loans have been indefeasibly repaid in full and amounts payable in connection with the Tranche D Loans are reduced to an amount equal to Part A of the Aggregate Tranche D Loan Commitment (ii) *second* , to any interest or other amounts payable in connection with (x) Tranche B Loans and (y) Tranche D Loans comprising Part B of the Tranche D Loans (if any) outstanding, on a pro rata basis, in the inverse order of maturity with respect to the Tranche D Loans until all Tranche B Loans have been indefeasibly repaid in full and amounts payable in connection with the Tranche D Loans are reduced to an amount equal to Part A of the Aggregate Tranche D Loan Commitment, and (iii) *third* , applied to the principal installments, on a pro rata basis, of the Tranche A Loans and the Tranche D Loans (if any) until all Tranche A Loans and Tranche D Loans have been indefeasibly repaid in full, on a pro rata basis, in the inverse order of maturity.

(h) Payments . The Borrower shall transfer all amounts required for the prepayments in this Section 3.04 in accordance with this Section and the Collateral Agency and Depositary Agreement at the time of each such prepayment.

(i) Swap Prepayments . Any prepayment of Loans by the Borrower pursuant to this Section 3.04 shall be made simultaneously with (i) the payment of any required termination payments in connection with the termination of any Interest Rate Protection Agreement (if then in effect) to the extent the aggregate notional amount under all such Interest Rate Protection Agreement exceeds (x) 100% of the aggregate principal amount of the Tranche A Loans, (y) prior to the Project Completion Date, 50% of the aggregate principal amount of the Tranche B Loans, (z) (i) 100% of the aggregate principal amount comprising Part A of the Tranche D Loans and (ii) prior to the Project Completion Date, 50% of the aggregate principal amount comprising Part B of the Tranche D Loans, in each case outstanding after giving effect to the prepayment contemplated by this Section 3.04 and (ii) the payment by the Borrower of reasonable costs, expenses, break funding costs or other amounts incurred by any Lender and Permitted Swap Provider in connection with such prepayment.

## ARTICLE IV

## PAYMENTS; PRO RATA TREATMENT; COMPUTATIONS; ETC.

4.01 Payments .

(a) Except to the extent otherwise provided in this Agreement, all payments of principal, interest, fees and other amounts to be made by the Borrower under this Agreement and the Notes and, except to the extent otherwise provided in any of the other Financing Documents, all payments to be made by the Borrower under any such other Financing Documents, shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Administrative Agent, by wire transfer to the account specified on the attached Appendix E . No payment shall be made later than 1:00 p.m. New York City time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) The Borrower shall, at the time of making each payment under this Agreement or any Note for account of any Lender, specify to the Administrative Agent (which shall so notify the intended recipient or recipients) the Loans or other amounts payable by the Borrower under this Agreement to which such payment is to be applied (and in the event that it fails to so specify, or if an Event of Default has occurred and is continuing, the Administrative Agent may distribute such payment to the Lenders for application in such manner as it or the Majority Lenders, subject to Section 4.02 , may determine to be appropriate, in each case pursuant to the Collateral Agency and Depositary Agreement).

(c) Each payment received by the Administrative Agent under this Agreement or any Note for account of any Lender shall be paid by the Administrative Agent promptly to such Lender, in immediately available funds, for account of such Lender's Applicable Lending Office for the Loan or other obligation in respect of which such payment is made; provided that all payments made for the account of DEG shall be paid by the Administrative Agent directly to FMO, in its capacity as the payment agent for DEG.

(d) Except in the case of the Final Maturity Date or the Tranche D Final Maturity Date, as applicable, if the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day, such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

4.02 Pro Rata Treatment . Except to the extent otherwise provided in this Agreement: (a) the Borrowing of Loans under Section 2.01 shall be made from the Lenders except as provided in Section 4.08 and each payment of Commitment Fees under Section 2.04(a) shall be made for account of the applicable Senior Lenders on a pro rata basis (based on their respective Commitments), (b) except as otherwise specified herein, each payment or prepayment of principal of Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; provided , that if immediately prior to giving effect to any such payment in respect of any Loan, the outstanding principal amount of the Loans shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time such Loans were made (by reason of a failure of a Lender to make a Loan in the circumstances described in the last paragraph of Section 11.04 ), then such payment shall be applied to the Loans in such manner as shall result, as nearly as is practicable, in the outstanding principal amount of the Loans being held by the Lenders pro rata in accordance with their respective Commitments, (c) each payment of interest on the Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders and (d) each termination of Commitments shall be made on a pro rata basis based on the Lender's respective Commitments.

4.03 Computations . Interest on any Loans shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

4.04 Minimum Amounts .

(a) Each Borrowing shall be in a minimum amount equal to $5,000,000, with integral multiples of $1,000,000 in excess of such minimum amount.

(b) Except for mandatory prepayments made pursuant to Section 3.04 , voluntary and partial prepayments of principal of Loans shall be in a minimum amount equal to $8,000,000 (or, if less, the full amount of such Loans outstanding) with integral multiples of $1,000,000 in excess of such minimum amount.

4.05 Certain Notices . Notices by the Borrower to the Administrative Agent of Borrowings, reduction or termination of Commitments and optional prepayments of Loans shall be irrevocable and shall be effective only if received by the Administrative Agent not later than 1:00 p.m. New York City time on the number of Business Days prior to the date of the relevant Borrowing, reduction, termination or prepayment or the first day of such Interest Period specified below:

| Notice | Number of Business Days Prior |
|---|---|
| Termination or reduction of Commitments | 3 |
| Borrowing and prepayments of Loans | 10 |

Each such notice of a Borrowing (each such notice, a " Notice of Borrowing ") shall be in substantially the form of Exhibit B-2 , shall be subject to the satisfaction of the conditions set forth in Article VI and shall specify, among other things: (i) the amounts of such Borrowing; (ii) the requested Disbursement Date of such Borrowing; and (iii) a summary of the specific use of the proceeds of the requested Borrowing. Each notice of optional prepayment shall specify the amount of the Loan to be prepaid and the date of optional prepayment (which shall be a Business Day). The Administrative Agent shall promptly forward a copy of each such notice to the SACE Agent and the Lenders.

4.06 Non-Receipt of Funds by the Administrative Agent . Unless the Administrative Agent shall have been notified by a Lender or the Borrower (the " Payor ") prior to the date on which the Payor is to make payment to the Administrative Agent of (in the case of a Lender) the proceeds of a Loan to be made by such Lender or (in the case of the Borrower) a payment to the Administrative Agent for account of one or more of the Lenders (any such payment, a " Required Payment "), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may (but shall not be required to), in reliance upon such assumption, make the amount of such payment available to the intended recipient (or recipients) on such date and, if the Payor has not in fact made the Required Payment to the Administrative Agent, the recipient (or recipients) of such payment shall, on demand, repay to the Administrative Agent the amount so made available together with interest on such amount in respect of each day during the period commencing on the date (the " Advance Date ") such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day and, if such recipient (or recipients) shall fail promptly to make such payment, the Administrative Agent shall be entitled to recover such amount, on demand, from the Payor, together with interest as provided above; provided , that if neither the recipient (or recipients) nor the Payor shall return the Required Payment to the Administrative Agent within three Business Days of the Advance Date, then, retroactively to the Advance Date, the Payor and the recipient (or recipients) shall each be obligated to pay interest on the Required Payment as follows:

(a) if the Required Payment shall represent a payment to be made by the Borrower to the Lenders, the Borrower and the recipient (or recipients) shall each be obligated retroactively to the Advance Date to pay interest in respect of the Required Payment at the Post-Default Rate (and, in case the recipient (or recipients) shall return the Required Payment to the Administrative Agent, without limiting the obligation of the Borrower under Section 3.02 to pay interest to such recipient (or recipients) at the Post-Default Rate in respect of the Required Payment); and

(b) if the Required Payment shall represent proceeds of a Loan to be made by the Lenders to the Borrower, the Payor and the Borrower shall each be obligated retroactively to the Advance Date to pay interest in respect of the Required Payment at the rate of interest provided for such Required Payment pursuant to Section 3.02 (and, in case the Borrower shall return the Required Payment to the Administrative Agent, without limiting any claim the Borrower may have against the Payor in respect of the Required Payment, subject to Section 11.15 ).

4.07 Sharing of Payments; Etc .

(a) The Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option, to offset balances held by it or an Affiliate for account of the Borrower at any of its branches or offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans or any other amount payable to such Lender under this Agreement, that is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower and the Administrative Agent of such action; provided , that such Lender's failure to give such notice shall not affect the validity of such action; and provided further in the event that any Defaulting Lender exercises any such right of setoff, (x) all amounts so set off will be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 4.08(c) and, pending such payment, will be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders and (y) the Defaulting Lender will provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff.

(b) If any Lender shall obtain from the Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any Note held by it or any other Financing Document or through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise (other than from the Administrative Agent or any other Agent as provided in this Agreement), and, as a result of such payment, such Lender shall have received a greater percentage of the principal of or interest on the Loans or such other amounts then due hereunder by the Borrower to such Lender than the percentage received by any other Lender, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans or such other amounts, respectively, owing to such other Lenders (or in interest due on such Loans or other amounts, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, with the effect that all the Lenders shall share the benefit of such excess payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal of or interest on the Loans or such other amounts, respectively, owing to each of the Lenders; provided , that if at the time of such payment the outstanding principal amount of the Loans shall not be held by the Lenders pro rata in

accordance with their respective Commitments in effect at the time such Loans were made (by reason of a failure of a Lender to make a Loan hereunder in the circumstances described in the last paragraph of Section 11.04 ), then such purchases of participations or direct interests shall be made in such manner as will result, as nearly as is practicable, in the outstanding principal amount of the Loans being held by the Lenders pro rata according to the amounts of such Commitments. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) The Borrower agrees that any Lender so purchasing such a participation (or direct interest) may exercise all rights of set-off, banker's liens, counterclaims or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained in this Agreement shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4.07 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.07 to share in the benefits of any recovery on such secured claim.

4.08 Defaulting Lenders . Notwithstanding any provision of this Agreement to the contrary, if any Senior Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Senior Lender is a Defaulting Lender:

(a) such Defaulting Lender will not be entitled to any fees accruing on the unused portion of the Commitment of such Defaulting Lender pursuant to Section 2.04(a) (without prejudice to the rights of the Non-Defaulting Lenders in respect of such fees) (and the Borrower shall not be required to pay any such fee that would otherwise have been required to have been paid to such Defaulting Lender);

(b) The Borrower may terminate the unused amount of the Commitments of a Defaulting Lender upon not less than five (5) Business Days' prior notice to the Administrative Agent (which will promptly notify the Lenders thereof), and in such event the provisions of sub-clause (c) below will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts), provided that such termination will not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent or any Lender may have against such Defaulting Lender;

(c) any amount paid by the Borrower or otherwise received by the Administrative Agent for the account of a Defaulting Lender under this Agreement (whether on account of principal, interest, fees (excluding fees provided in clause (a) above), indemnity payments or other amounts) will not be paid or distributed to such Defaulting

Lender, but will instead be retained by the Administrative Agent until the termination of the Commitments and payment in full of all Obligations of the Borrower hereunder and will be applied by the Administrative Agent, to the fullest extent permitted by applicable law, to the making of payments from time to time in the following order of priority, without duplication: first to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent under this Agreement, second to the payment of post-default interest and then current interest due and payable to the Non-Defaulting Lenders, ratably among them in accordance with the amounts of such interest then due and payable to them, third to the payment of fees then due and payable to the Non-Defaulting Lenders hereunder, ratably among them in accordance with the amounts of such fees then due and payable to them, fourth to pay principal then due and payable to the Non-Defaulting Lenders hereunder ratably in accordance with the amounts thereof then due and payable to them, fifth to the ratable payment of other amounts then due and payable to the Non-Defaulting Lenders, and sixth after the termination of the Commitments and payment in full of all Obligations of the Borrower hereunder, to pay amounts owing under this Agreement to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct; and

(d) If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender or a Potential Defaulting Lender, as the case may be, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any amounts referred to in sub-clause (c) above), such Lender will, to the extent applicable, purchase at par such portion of outstanding Loans of the other Lenders, whereupon such Lender will cease to be a Defaulting Lender or Potential Defaulting Lender and will be a Non-Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided , further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender or Potential Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender or Potential Defaulting Lender.

## ARTICLE V

## YIELD PROTECTION; ETC.

5.01 Alternate Rate of Interest . If on or prior to the commencement of any Interest Period (an " Affected Interest Period ") with respect to the making (for the purposes of this Section 5.01 , a " borrowing ") of a Loan:

(a) the Administrative Agent reasonably determines that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Majority Lenders that such Lenders have reasonably determined that the LIBO Rate for that Interest Period will not adequately and fairly reflect the cost of making or maintaining the Loans included in such borrowing for such Interest Period;

then the Administrative Agent will give notice of those circumstances to the Borrower and the Lenders by electronic mail, telephone or telecopy as promptly as practicable (" Rate Determination Notice ").

If such notice is given, during the fifteen (15) day period following such Rate Determination Notice, the Administrative Agent shall notify (a " Substitute Basis Notice ") the Borrower of a substitute interest rate basis for the Loans, which amount shall equal the sum of (i) the relevant Applicable Margin plus (ii) the Alternative Base Rate, and shall constitute for purposes of this Agreement the cost to the Lenders of funding or maintaining the Loans (a " Substitute Basis "). The Substitute Basis shall apply in lieu of LIBO Rate to all Interest Periods on or after the first day of the Affected Interest Period, until notified by the Administrative Agent (acting on the behalf of the Majority Lenders declaring pursuant to this Section 5.01, that the circumstances giving rise to that notice no longer exist (which notice of subsequent change in circumstances shall be given as promptly as practicable) (the " Notice of Cessation ").

It being understood that, for purposes of this Section 5.01 , delivery of the Notice of Cessation shall be promptly issued if the Majority Lenders declaring pursuant to this Section 5.01 do not advise the Administrative Agent that the circumstances giving rise to the Rate Determination Notice are continuing at least one (1) Business Day prior to the commencement of the next Interest Period.

5.02 Increased Costs .

(a) If any Change in Law:

(i) imposes or modifies any reserve, special deposit or similar requirements, including any application of the Regulation D requirement, relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including any of such Loans or any deposits referred to in the definition of " LIBO Rate " in Section 1.01 ), or any commitment of such Lender (including the Commitment of such Lender hereunder);

(ii) subjects any Lender to any Taxes (other than (A) Excluded Taxes, (B) Indemnified Taxes and (C) Other Taxes) on its Loans, Commitments or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; and/or

(iii) imposes on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender under any Financing Document, then the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for the additional costs incurred or reduction suffered (except to the extent the Borrower is excused from payment pursuant to Section 5.05(a) ).

(b) If any Lender reasonably determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or (without duplication) on the capital of its holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or its holding company could have achieved but for that Change in Law (taking into consideration such Lender's and its holding company's policies with respect to capital adequacy and liquidity), in each case by an amount that such Lender reasonably deems to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or (without duplication) its holding company for any such reduction suffered (except to the extent the Borrower is excused from payment pursuant to Section 5.05(a) ).

(c) To claim any amount under this Section 5.02 , a Lender must deliver to the Borrower a certificate, which shall be conclusive absent manifest error, setting forth in reasonable detail the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, under Section 5.02(a) or Section 5.02(b) . The Borrower shall pay such Lender the amount due and payable and set forth on any such certificate within 30 days after its receipt.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 5.02 shall not constitute a waiver of such Lender's right to demand that compensation; provided that the Borrower will not be obligated to compensate a Lender pursuant to this Section 5.02 for any increased cost or reduction in respect of a period occurring more than 180 days prior to the date on which such Lender obtains knowledge and notifies the Borrower of such Change in Law and such Lender's intention to claim compensation therefor, except, if the Change in Law giving rise to such increased cost or reduction is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

5.03 Break Funding Payments . In the event of (a) the payment of any principal of any Loan other than on the last day of the Interest Period for that Loan (including under Section 3.03 or Section 3.04 or as a result of an Event of Default), (b) application of Section 5.01 , (c) the failure to borrow on the date specified in any Notice of Borrowing or prepay any Loan on the date specified for such prepayment or (d) the assignment of any Loan other than on the last day of its Interest Period as a result of a request by the Borrower pursuant to Section 5.05 , then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to any such event. Such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow for the period that would have been the Interest Period for such Loan) over (ii) the amount of interest that would accrue on such principal amount for that period at the interest rate that such Lender would bid were it to bid, at the

commencement of that period, for Dollar deposits of a comparable amount and period from other banks in the eurodollar market. To claim any amount under this Section 5.03 , the Lender must deliver to the Borrower (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail any amount or amounts that such Lender is entitled to receive pursuant to this Section 5.03 (including calculations, in reasonable detail, showing how such Lender computed such amount or amounts). The Borrower shall pay such Lender the amount due and payable and set forth on any such certificate within 30 days after its receipt.

5.04 Taxes .

(a) Any and all payments by or on account of any Secured Obligation (other than any payments under a Permitted Swap Agreement) shall be made free and clear of and without withholding or deduction for any Taxes, unless required by applicable Government Rule. If the Borrower or the applicable withholding agent is required to withhold or deduct any Indemnified Taxes or Other Taxes from those payments and the Borrower cannot assume directly the payment of such Taxes in accordance with Article 47 of the Peruvian Income Tax Act, then (i) the sum payable by the Borrower shall be increased as necessary so that after making all required withholdings or deductions (including withholdings or deductions applicable to additional sums payable under this Section 5.04 ) each Person entitled thereto receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (ii) the Borrower or the applicable withholding agent shall make those withholdings or deductions and (iii) the Borrower or the applicable withholding agent shall pay the full amount withheld or deducted to the relevant Taxing Authority in accordance with applicable Government Rule.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Taxing Authority in accordance with any applicable Government Rule.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within thirty (30) days after written demand, for the full amount of any Indemnified Taxes or Other Taxes paid by such Person on or with respect to any payment by or on account of any obligation (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5.04 ) and any penalties, interest and reasonable expenses arising from, or with respect to, those Indemnified Taxes or Other Taxes, whether or not those Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Taxing Authority. To claim any amount under this Section 5.04(c) , the Administrative Agent or a Lender must deliver to the Borrower a certificate as to the amount of such payment or liability, which shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Taxing Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Taxing Authority evidencing such payment, a copy of the return reporting that payment or other evidence of such payment reasonably satisfactory to the Administrative Agent. Any certification, receipt or other return provided pursuant to this Section 5.04(d) shall separately identify each Person on whose behalf an Indemnified Tax or Other Tax was paid and the portion of any such payment allocable to such Person.

(e) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Secured Obligation (other than any payments under a Permitted Swap Agreement) shall deliver to the Borrower (with a copy to the Administrative Agent), promptly after receipt of any written request to do so, two copies of the properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. Each Lender shall also co-operate in completing any other procedural formalities necessary for that Borrower to obtain authorization to make that payment without withholding or deduction for any Taxes or information on reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(f) If a payment made to a Lender under any Financing Document (other than a Permitted Swap Agreement) would be subject to U.S. federal withholding Tax imposed by FATCA, such Lender shall deliver to the Borrower, the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower, the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower, the Administrative Agent as may be necessary for the Borrower, the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) If any Secured Party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.04 (including by the payment of additional amounts pursuant to this Section 5.04 ), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Government Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Government Authority) in the event that such indemnified party is required to repay such refund to such Government Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

5.05 Mitigation of Secured Obligations; Replacement of Lenders .

(a) If any Lender requests compensation under Section 5.01(b) , Section 5.02 or if the Borrower is required to pay any additional amount to any Lender or any Government Authority for the account of any Lender pursuant to Section 5.04 , then such Lender, if requested by the Borrower, will use reasonable efforts to designate a different Applicable Lending Office for funding or booking its Loans or to assign its rights and obligations under the Financing Documents to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.02 or 5.04 , as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender (i) requests compensation under Section 5.02 , if the Borrower is required to pay any additional amount to such Lender or any Government Authority for the account of such Lender pursuant to Section 5.04 , or if Section 5.06 becomes applicable to such Lender and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 5.05(a) , (ii) is a Defaulting Lender, or (iii) fails to determine that the conditions precedent to any Borrowing are satisfied after the Majority Lenders (or in the case of the initial Borrowing on the Initial Disbursement Date, each other Lender) have determined such conditions precedent have been satisfied with respect to such Borrowing, or if any Lender refuses to give timely consent to an amendment, modification or waiver of the Financing Documents then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions, including required consents, contained in Section 11.06 ), all its interests, rights and obligations under this Agreement to an assignee that assumes those obligations (which assignee may be another Lender); provided , that (i) such Lender receives payment of an amount equal to the Secured Obligations owing to it from the assignee (to the extent of the outstanding principal, accrued interest and fees included in those Secured Obligations) or the Borrower (in the case of all other amounts so included) and (ii) in the case of any such assignment resulting from a claim for compensation under Section 5.02 or payments required to be made pursuant to Section 5.04 , such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, as a result of a waiver by such Lender of its right under Section 5.02 , 5.04 or 5.06 , as applicable, the circumstances entitling the Borrower to require such assignment and delegation have ceased to apply. If a Lender refuses to be replaced pursuant to this Section 5.05 and Section 11.06(b) , the Borrower shall not be obligated to pay such Lender any of the compensation referred to in this Section 5.05 or any additional amounts incurred or accrued under this Article V from and after the date that would have been reasonable for such replacement.

5.06 Illegality . In the event that it becomes unlawful or, by reason of a Change in Law, any Lender is unable to honor its obligation to make or maintain the Loans, then such Lender will promptly notify the Borrower of such event (with a copy to the Administrative Agent), (a) such Lender's obligation to make Loans shall be suspended until such time as such

Lender may again make and maintain Loans and (b) subject to Section 3.04(e) hereof, if such Change in Law shall so mandate, the Borrower shall prepay in full such Lender's Loans, together with accrued and unpaid interest thereon and all other amounts payable by the Borrower under this Agreement, on or before such date as shall be mandated by such Change in Law.

## ARTICLE VI

## CONDITIONS PRECEDENT

6.01 Conditions to Closing Date . The occurrence of the Closing Date is subject to receipt by the Administrative Agent of each of the agreements and other documents, and the satisfaction of the conditions precedent, set forth below, each of which shall be (i) in form and substance satisfactory to each Senior Lender, the SACE Agent and the Administrative Agent (with respect to which the Administrative Agent may consult with counsel or the Independent Advisors) and (ii) if applicable, in full force and effect (unless, in each case, waived by each Senior Lender):

(a) Financing Documents . Each of this Agreement, the Tranche C Subordination Agreement, each Fee Letter, the Equity Contribution and Retention Agreement, the Israel Corporation Equity Retention Agreement and the Collateral Agency and Depositary Agreement duly executed and delivered by the intended parties thereto.

(b) Project Documents . Each Project Document set forth on Schedule 7.15(a) , each duly executed and delivered by the intended parties thereto, as well as a certificate of an Authorized Officer of the Borrower certifying that:

(i) such Project Documents and any subsequent amendments remain in full force and effect and no default or event of force majeure exists thereunder;

(ii) no Material Adverse Effect has occurred between the execution of such Project Documents and the Closing Date; and

(iii) attached to such certificate is the O&M Framework.

(c) Corporate Documents . The following documents, each certified as such by an Authorized Officer as indicated below:

(i) (A) a Certificate of Compliance from the Registrar of Companies, dated as of a recent date, and a certified copy of each of the Foreign Exchange Letter and Tax Assurance Certificate issued by the Registrar of Companies in Bermuda in relation to each of the Inkia Pledgor and the Project Sponsor; and (B) a certificate of good standing ( *certificado de vigencia* ) of each of the Borrower and the Quimpac Pledgor, issued by the Peruvian Public Registry no earlier than thirty (30) days prior to the Closing Date;

(ii) a certificate of an Authorized Officer of each Credit Party and Israel Corporation certifying:

(A) (x) that attached to such Person's certificate is a true and complete copy of such Person's certificate of incorporation, certificate of formation or *pacto de constitución* (as the case may be) together with the by-laws, *estatutos* , operating agreement or other organizational documents (including any amendments thereto) of such Person, as in effect on the date of such certificate, and (y) that such agreements and other organizational documents have not been modified, rescinded or amended and are in full force and effect;

(B) that attached to such certificate is a true and complete copy of resolutions ( *actas* ), duly adopted by the authorized governing body of such Person and which have not been modified, rescinded or amended and are in full force and effect, authorizing the execution, delivery and performance of such of the Transaction Documents to which such Person is or is intended to be a party in connection with the Project Development, which (x) in the case of the Quimpac Pledgor and the Borrower shall be duly notarized by a Peruvian notary public, (y) with regard to Pledgors, shall authorize each Pledgor's commitment to fund, directly or indirectly, an amount not less than the Required Equity Contribution to the Borrower and (z) with regard to Israel Corporation, solely with respect to the execution, delivery and performance of the Israel Corporation Equity Retention Agreement and the Israel Corporation Guarantee; provided , that in the case of Israel Corporation such resolutions shall not be attached to such certificate and shall be maintained in its corporate books;

(C) except in the case of Israel Corporation, as to the incumbency and specimen signature of each officer, member or partner (as applicable) of such Person executing the Transaction Documents to which such Person is or is intended to be a party and each other document to be delivered by such Person from time to time pursuant to the terms thereof (and the Administrative Agent and each Lender may conclusively rely on such incumbency certification until it receives notice in writing from such Person); and

(D) as to (x) the solvency of such Person or (y) the absence of any resolution or legal proceeding for the bankruptcy, winding-up, insolvency, reorganization or any general arrangement with the creditors of such Person or for the appointment of any receiver, administrator, liquidator or any similar officer in insolvency proceedings.

(d) Authorized Officer's Certificate . A certificate of an Authorized Officer of the Borrower certifying that: (i) each of the representations and warranties of the Borrower contained in Article VII is true and correct on and as of the Closing Date, (ii) no Default or Event of Default has occurred and is continuing as of the Closing Date and no Default or Event of Default will result from the consummation of the transactions contemplated by the Transaction Documents and (iii) no Material Adverse Effect has occurred and is continuing between December 30, 2011 and the Closing Date.

(e) Project Development .

(i) Project Construction Budget and Schedule . The Project Construction Budget and Schedule, certified as such by an Authorized Officer of the Borrower.

(ii) Base Case Forecast . The Base Case Forecast, dated as of the Closing Date, certified as such by an Authorized Officer of the Borrower as to the satisfaction of the Debt Sizing Parameters, as agreed to with the Independent Engineer. The Borrower shall have caused the Model Auditor to have reviewed the mathematical integrity and the tax assumptions of the Base Case Forecast and the Model Auditor shall have issued for the benefit of the Senior Lenders a report thereon.

(iii) Government Approvals . All Government Approvals required pursuant to any Government Rule for the then-current stage of Project Development, which are are listed on Schedule 7.05(a) , have been obtained and complied with and continue to be complied with in all material respects.

(iv) Interconnection Arrangements . A copy of a transmission plan, certified as such by an Authorized Officer of the Borrower (the " Transmission Plan ").

(f) Reports and Bring-Down Certificates of the Independent Advisors . Evidence that each of the Independent Advisors shall have been appointed and together with each of the following:

(i) Independent Engineer . Recent report of the Independent Engineer on the Project favorably reviewing (among other matters reviewed at the request of the Administrative Agent or the Lenders): (A) the technical and economic feasibility of the Project, (B) the reasonableness and consistency of the Project Construction Budget and Schedule, the Material Project Documents and the assumptions related to the costs and operating performance of the Project, (C) the reasonableness of the assumptions underlying the Base Case Forecast delivered pursuant to Section 6.01(e)(ii) , and (D) the O&M Framework and the Transmission Plan. In addition, the Independent Engineer shall provide a bring-down certificate, dated no more than ten (10) days prior to the Closing Date and form and substance reasonably acceptable to the Administrative Agent, to the effect that it is not aware of any act, event or condition that has occurred since the date of such report that materially adversely affects the information and conclusions set forth therein and entitling the Administrative Agent to rely upon the findings of the Independent Engineer as set forth in the report.

(ii) Independent Environmental and Social Consultant . A recent Environmental and Social Consultant's Report by the Independent Environmental and Social Consultant, in form and substance reasonably acceptable to the Administrative Agent, and a certification from the Independent Environmental and Social Consultant that all actions set forth in the Action Plan required to have occurred prior to the Closing Date hereto have been satisfied. In addition, the Independent Environmental and Social Consultant shall provide a bring-down certificate, dated no more than ten (10) days prior to the Closing Date and in form and substance reasonably acceptable to the Administrative Agent, to the effect that it is not aware of any act, event or condition that has occurred since the date of such Environmental and Social

Consultant's Report that materially adversely affects the information and conclusions set forth in such report and entitling the Administrative Agent to rely upon the findings of the Independent Environmental and Social Consultant as set forth in such report.

(iii) Independent Insurance Consultant . A recent report from the Independent Insurance Consultant confirming, among other things, that the insurance policies provided pursuant to and in accordance with Section 8.05 and Schedule 8.05 are typical for undertakings similar to the Project, are in full force and effect, and that such policies otherwise conform in all material respects with the requirements specified in the Financing Documents. In addition, the Independent Insurance Consultant shall provide a bring-down certificate, dated no more than ten (10) days prior to the Closing Date and in form and substance reasonably acceptable to the Administrative Agent, to the effect that it is not aware of any act, event or condition that has occurred since the date of such report that materially adversely affects the information and conclusions set forth in such report and entitling the Administrative Agent to rely upon the findings of the Independent Insurance Consultant as set forth in such report.

(iv) Independent Market Consultant . A recent report from the Independent Market Consultant in form and substance reasonably acceptable to the Administrative Agent. In addition, the Independent Market Consultant shall provide a bring-down certificate, dated no more than ten (10) days prior to the Closing Date and in form and substance reasonably acceptable to the Administrative Agent, to the effect that it is not aware of any act, event or condition that has occurred since the date of such report that materially adversely affects the information and conclusions set forth in such report and entitling the Administrative Agent to rely upon the findings of the Independent Market Consultant as set forth in such report.

(g) Opinions of Counsel . Duly executed opinions, dated as of the Closing Date (or in the case of sub-clause (vii)(A) below, dated as of a recent date), of each counsel listed below and addressed to the Senior Lenders:

(i) Opinion of New York Counsel to the Credit Parties . An opinion of Morrison & Foerster LLP, special New York counsel to the Credit Parties.

(ii) Opinion of Peruvian Counsel to the Borrower . An opinion of Miranda & Amado, special Peruvian counsel to the Borrower.

(iii) Opinion of Peruvian Counsel to the Quimpac Pledgor . An opinion of Rebaza, Alcazar & De las Casas, special Peruvian counsel to the Quimpac Pledgor.

(iv) Opinion of Bermuda Counsel to the Project Sponsor and the Inkia Pledgor . An opinion of Appleby (Bermuda) Limited, special Bermuda counsel to the Project Sponsor and the Inkia Pledgor.

(v) Opinion of New York Counsel to the Administrative Agent . An opinion of Milbank, Tweed, Hadley and McCloy LLP, special New York counsel to the Administrative Agent.

(vi) Opinion of Peruvian Counsel to the Administrative Agent . An opinion of Rodrigo, Elias & Medrano Abogados, special Peruvian counsel to the Senior Lenders.

(vii) Opinion of Counsel to the EPC Contractor .

(A) An opinion of Estudio Legale Corapi, counsel to Astaldi, S.p.A. with respect to the EPC Contract; and

(B) An opinion of in-house counsel to GyM S.A. with respect to the EPC Contract.

(viii) Opinion of Counsel to Israel Corporation . An opinion of Gornitzky & Co., special Israeli counsel to Israel Corporation.

(h) Financial Statements . (i) Copies of the most recent unaudited and audited financial statements of the Credit Parties (other than with respect to the Inkia Pledgor), in each case prepared in accordance with the Accounting Principles of such Person and certified as such by an Authorized Officer of the relevant Credit Party, (ii) to the extent not publicly available, copies of the most recent unaudited and audited financial statements of Israel Corporation, in each case prepared in accordance with the Accounting Principles of Israel Corporation and certified as such by an Authorized Officer of Israel Corporation and (iii) to the extent available to the Borrower, the most recent audited financial statements of each of the EPC Contractor, Luz del Sur S.A.A., Edelnor S.A.A., Edecañate S.A. and ElectroPeru (it being understood by the parties hereto that, notwithstanding anything to the contrary herein, delivery of any financial statements described in this clause (iii) shall not be an express or implied representation or warranty by any Credit Party as to the accuracy or completeness thereof or as to any other matter set forth therein).

(i) "Know Your Customer" and Anti-Money Laundering Rules and Regulations . Documentation and other information required by bank regulatory authorities under applicable "know your customer" and Anti-Money Laundering Laws, shall have been received by the Agents, and shall include the following: (i) each Credit Party's registered legal address, operational address (if applicable) and mailing address, (ii) (A) if a Credit Party is a United States person as defined in the Code, such Credit Party's United States Internal Revenue Service Form W-9 or any successor applicable form or (B) if a Credit Party is not a United States person as defined in the Code, such Credit Party's United States Internal Revenue Service Form W-8ECI or W-8BEN or successor applicable form, as the case may be, (iii) each Credit Party's certificate of formation and applicable organizational documents (including amendments thereto), (iv) a list of directors of each Credit Party or list of such persons controlling the Borrower, (v) certified copies of passports, to be delivered solely to those Lenders who request such documentation, of at least five (5) Authorized Officers of each Credit Party, including (A) each individual executing the Financing Documents, Borrowing Certificates and Notices of Borrowing on behalf of such Credit Party and (B) each such Authorized Officer's residential address, (vi) an executed resolution or other such documentation stating who is authorized to open an account for the Borrower, (vii) an ownership diagram that shows each level of ownership of each Credit Party, including an

accompanying overview describing such Credit Party's ownership structure and names of principals, senior managers and shareholders in such ownership structure and (viii) in respect of Israel Corporation and each Credit Party, a list of the two largest ultimate beneficial owners and any ultimate beneficial owner with an interest of 15% or more in such Person, including, as applicable, proof of the residential address of any ultimate beneficial owner who is a natural person.

(j) Appointment of Process Agent; Independent Accounting Firm .

(i) A Process Agent Acceptance delivered by each Credit Party to irrevocably appoint the Process Agent to receive service of process under the Financing Documents; and (ii) satisfactory evidence that the Borrower has appointed the Auditor as its independent accounting firm and has authorized such firm to communicate directly with the Administrative Agent.

(k) Payment of Fees . Payment of all or any portion of such fees and expenses then due and payable by the Borrower under this Agreement, including pursuant to Sections 2.04 , 11.03 , and the Fee Letters.

(l) Insurance .

(i) Insurance Policies . Certificates of insurance evidencing the existence of all insurance required to be maintained by the Borrower pursuant to Section 8.05 and Schedule 8.05 and the designation of the Trustee as the sole loss payee (acting on the behalf of the Secured Parties) and the Administrative Agent as additional named insured thereunder to the extent required by Section 8.05 , such certificates to be in such form and contain such information as is specified in Section 8.05 .

(ii) Broker's Letter of Undertaking . A Broker's Letter of Undertaking by an Acceptable Insurance Broker to the Borrower, dated as no more than ten (10) days prior to the Closing Date, duly executed and delivered and that sets forth the insurance obtained in accordance with the requirements of Section 8.05 and Schedule 8.05 and stating that such insurance (A) has been obtained and in each case is in full force and effect, (B) that such insurance materially complies with Section 8.05 and Schedule 8.05 and (C) that all premiums then due and payable on all insurance required to be obtained by the Borrower have been paid.

6.02 Conditions to the Initial Disbursement Date . The occurrence of the Initial Disbursement Date is subject to receipt by the Administrative Agent of each of the agreements and other documents, and the satisfaction of the conditions precedent, set forth below, each of which shall be (i) in form and substance satisfactory to each Senior Lender, the Administrative Agent (with respect to which the Administrative Agent may consult with counsel or the Independent Advisors) and the SACE Agent and (ii) if applicable, in full force and effect (unless, in each case, waived by each Senior Lender):

(a) Transaction Documents .

(i) Each Financing Document duly executed and delivered (except to the extent previously delivered pursuant to Section 6.01(a) and the Transmission Concession Mortgage Agreement) by the intended parties thereto and no Default or Event of Default has occurred and is continuing thereunder; provided , that if the Borrower cannot deliver a fully executed Consent and Agreement with respect to any material PPA, the Borrower shall deliver a certificate from an Authorized Officer certifying that the Borrower has used commercially reasonable efforts to deliver such Consent and Agreement, including a description in reasonable detail of the efforts undertaken (including (i) arranging a meeting between the PPA counterparty, the relevant Government Authorities (if any) and any Senior Lenders who have requested to participate in such meeting and (ii) providing a draft of the appropriate Consent and Agreement to the PPA counterparty).

(ii) Each Project Document set forth on Schedule 7.15(b) , each duly executed and delivered by the intended parties thereto, as well as a certificate of an Authorized Officer of the Borrower certifying that such Project Documents and any subsequent amendments remain in full force and effect and no material default or event of force majeure exists thereunder.

(iii) The Shareholders' Agreement duly executed and delivered by the Pledgors.

(b) Closing Certificates .

(i) A certificate of an Authorized Officer of the Borrower certifying that: (A) each of the representations and warranties of the Borrower contained in Article VII is true and correct on and as of the Initial Disbursement Date (or such earlier date in the case of any representation and warranty given as an earlier date), (B) no Default or Event of Default has occurred and is continuing as of the Initial Disbursement Date and no Default or Event of Default will result from the consummation of the transactions contemplated by the Transaction Documents, (C) no Material Adverse Effect has occurred and is continuing between the Closing Date and the Initial Disbursement Date and (D) except for the parcels of real property and easements set forth on Schedule 8.10 , the Collateral is subject to the perfected first priority Lien (subject only to Permitted Liens) and the security interest established pursuant to the Security Documents required to be delivered pursuant to Section 6.02(a) .

(ii) A certificate of an Authorized Officer of each Credit Party and Israel Corporation certifying that: (A) each of the representations and warranties of such Credit Party in each Transaction Document that such Credit Party is party to is true and correct on and as of the Initial Disbursement Date (or such earlier date in the case of any representation and warranty given as an earlier date) and (B) no "default" or "event of default" howsoever defined in each Transaction Document that such Credit Party, or Israel Corporation, is party to has occurred and is continuing as of the Initial Disbursement Date and no "default" or "event of default" will result from the consummation of the transactions contemplated by the Transaction Documents.

(c) Project Development .

(i) Construction Report . A Construction Report for the Project delivered by the Borrower in the form contemplated in Section 8.19 and dated the date of the initial Borrowing Certificate.

(ii) Environmental and Social Monitoring Report . An Environmental and Social Monitoring Report delivered by the Borrower and dated the date of the initial Borrowing Certificate.

(iii) Government Approvals . All Government Approvals required pursuant to any Government Rule necessary for the then-current stage of Project Development, which are listed on Schedule 7.05(b) , have been obtained and complied with and continue to be complied with in all material respects.

(iv) Property Rights . Evidence (including access to copies of sale and purchase agreements, easement agreements and ministerial resolutions recognizing or imposing easements referred to in Schedule 8.20 ) that all land rights, rights of way or easement rights required for the then-current stage of Project Development have been obtained and are free and clear of any limitation or restriction (other than Permitted Liens).

(d) Bring-Down Certificates of the Independent Advisors .

(i) Independent Engineer . A bring-down certificate, dated no earlier than the date of the initial Notice of Borrowing, to the effect that it is not aware of any act, event or condition has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in its report delivered pursuant to Section 6.01(f)(i) and entitling the Administrative Agent to rely upon the findings of the Independent Engineer as set forth in the report.

(ii) Independent Environmental and Social Consultant . A bring-down certificate, dated no earlier than the date of the initial Notice of Borrowing, to the effect that it is not aware of any (A) failure to comply with the Action Plan or (B) act, event or condition that has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in its report delivered pursuant to Section 6.01(f)(ii) and entitling the Administrative Agent to rely upon the findings of the Independent Environmental and Social Consultant as set forth in the report.

(iii) Independent Insurance Consultant . A bring-down certificate, dated no earlier than the date of the initial Notice of Borrowing, to the effect that it is not aware of any act, event or condition that has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in report delivered pursuant to Section 6.01(f)(iii) and entitling the Administrative Agent to rely upon the findings of the Independent Insurance Consultant as set forth in the report.

(iv) Independent Market Consultant . A bring-down certificate, dated no earlier than the date of the initial Notice of Borrowing, to the effect that it is not aware of any act, event or condition that has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in report delivered pursuant to Section 6.01(f)(iv) and entitling the Administrative Agent to rely upon the findings of the Independent Market Consultant as set forth in the report.

(e) First Priority Lien; Filings, Registrations and Recordings .

(i) First Priority Lien . Each of the Security Documents delivered pursuant to Section 6.02(a) are in full force and effect and are effective to create and perfect a first ranking security interest in the Collateral, except for the liens in respect of the parcels of real property and easements set forth on Schedule 8.20 .

(ii) Search Reports . A search report for the applicable jurisdiction, including (x) " *Certificado de Búsqueda Catastral* " of all the area of the Project (including the Transmission Line) and (y) " *Certificado Negativo de Cargas y Gravámenes* " of each piece of real property acquired for the Project, in the case of sub-clause (y), only to the extent such parcel of real property has been previously registered in the public registry in the Borrower's name, dated a date reasonably near to the Initial Disbursement Date and searching the applicable central filing offices in the jurisdiction of each Credit Party's organization and in the recorder of deeds in Washington, D.C., USA, listing all effective financing statements (or comparable documentation in the relevant jurisdiction) which name any Credit Party (under their respective present names or any previous name) as a debtor, together with copies of such financing statements (or comparable documentation in the relevant jurisdiction) that evidence (A) Liens to be terminated on or prior to the Initial Disbursement Date (if any), (B) Permitted Liens or (C) in the case of the Pledgors, Liens not part of the Collateral.

(iii) Filings, Registrations and Recordings . Satisfactory evidence that all filings, registrations, notarizations, public deeds ( *escrituras públicas* ) and/or recordings required by applicable law, and listed on Schedule 6.02(e)(iii) , for the validity, perfection and priority (to the extent possible under applicable law) of the security interests contemplated by the Security Documents delivered pursuant to Section 6.02(a) have been made in the relevant jurisdiction, except for the liens in respect of the parcels of real property and easements set forth on Schedule 8.20 .

(iv) Fees and Taxes . Evidence that all filing, recordation, subscription and inscription fees and all recording and other similar fees, and all recording, stamp and other taxes and other expenses related to such filings, registrations and recordings, in each case as listed on Schedule 6.02(e)(iv) , necessary for the consummation of the transactions contemplated by this Agreement and the other Transaction Documents have been paid in full by or on behalf of the Credit Parties.

(v) Powers of Attorney . The Borrower shall have delivered (or, in the case of the Share Pledge Agreement, shall have caused the Pledgors to deliver) to the Onshore Collateral Agent duly executed public deeds *(escrituras públicas)* of the Powers of Attorney, duly registered in the applicable Peruvian Public Registries and in full force and effect.

(f) Bring-Down Opinions of Counsel . Favorable bring-down opinions with respect to the opinions from the counsel referred to in Section 6.01(g) , addressed to the recipients of each of the original opinions and otherwise each in form and substance satisfactory to the Senior Lenders and the Administrative Agent (with respect to which the Administrative Agent, on behalf of the Lenders, may consult with counsel).

(g) Corporate Bring-Down Documents . A bring-down certificate executed by an Authorized Officer of each Credit Party and Israel Corporation with respect to each of the certificates provided by such Credit Party or Israel Corporation in Section 6.01(c) , including with respect to Israel Corporation's certificate, as to the incumbency and specimen signature of each officer executing the Transaction Documents to which Israel Corporation is or is intended to be a party and each other document to be delivered by Israel Corporation from time to time pursuant to the terms thereof (and the Administrative Agent and each Lender may conclusively rely on such incumbency certification until it receives notice in writing from Israel Corporation).

(h) Insurance .

(i) Insurance . All insurance for the Project shall be in full force and effect and certificates of insurance with respect to the insurance policies required by Section 8.05 and Schedule 8.05 in respect of the Project, together with evidence of the payment of all premiums therefor which are then due and payable, shall have been delivered.

(ii) Broker's Letter of Undertaking . A Broker's Letter of Undertaking by an Acceptable Insurance Broker to the Borrower, dated no earlier than the date of the initial Notice of Borrowing, duly executed and delivered and that sets forth the insurance obtained in accordance with the requirements of Section 8.05 and Schedule 8.05 and stating that such insurance (A) has been obtained and in each case is in full force and effect, (B) that such insurance materially complies with Section 8.05 and Schedule 8.05 and (C) that all premiums then due and payable on all insurance required to be obtained by the Borrower have been paid.

(i) Hedging Agreements .

(i) Executed copies of (x) each ISDA 2002 Master Agreement, together with the ISDA Schedule thereto, and (y) a confirmation with an effective trade date no later than ten (10) Business Days thereafter, in respect of the Interest Rate Protection Agreements, between the Permitted Swap Providers and the Borrower, on terms and conditions in accordance with Section 8.15(a ).

(ii) Executed copies of (x) each ISDA 2002 Master Agreement, together with the ISDA Schedule thereto and (y) a confirmation with an effective trade date no later than ten (10) Business Days thereafter, in respect of the Currency Rate Protection Agreements, between the Currency Swap Coordinators and the Borrower on terms and conditions in accordance with Section 8.15(b) .

(iii) Executed copies of each Secured Party Addition Agreement executed by the Permitted Swap Providers.

(j) Accounts Established . Evidence of the establishment of the Project Accounts.

(k) Required Equity Contribution . To the extent that the Required Equity Contribution has not been funded in full prior to the Initial Disbursement Date, one or more Acceptable Letters of Credit in an amount equal to the unfunded balance of the Required Equity Contribution.

(l) Contingent Equity Contribution . Contingent Equity Credit Support in an amount equal to the Maximum Contingent Equity Contribution.

(m) Tranche C Equity Support . One or more Acceptable Letters of Credit in an amount equal to the Aggregate Tranche C Loan Commitment.

(n) [Reserved]

(o) Tranche D .

(i) SACE Policy . The SACE Agent shall have received the SACE Policy, duly executed and delivered by the parties thereto, which shall be in full force and effect.

(ii) SACE Reimbursement Agreement . The SACE Reimbursement Agreement duly executed and delivered by the intended parties thereto and no Default or Event of Default has occurred and is continuing thereunder.

(iii) Eligible Contractors . The Eligible Contractor shall have irrevocably acknowledged and agreed for the benefit of the Borrower and the Tranche D Lenders that amounts owing to it under the Eligible Contract that qualify as Eligible Costs shall be paid directly to its account specified in the notice referenced in Section 6.04(e)(i) , except where such amounts are applied to the reimbursement of the Borrower in accordance with Section 8.09(c).

(iv) SACE Premium . SACE shall have been paid (or will be paid with the proceeds of such initial Tranche D Loans) the portion of the SACE Premium as set forth in the SACE Reimbursement Agreement.

(v) Payment of Costs and Expenses . SACE shall have been paid any costs, expenses or liabilities reasonably incurred by SACE relating to the Project that have been invoiced and submitted to the Borrower no later than ten (10) Business Days prior to the Initial Disbursement Date.

(vi) Indemnity Letter . The SACE Agent shall have received from the Eligible Contractor an indemnity letter (" *Accordo di Manleva a Garanzia* "), duly executed and delivered by SACE and the Eligible Contractor.

(vii) Legal Opinion . A duly executed opinion addressed to the SACE Agent, dated as of the Initial Disbursement Date, of special Italian counsel acceptable to the Tranche D Lenders in respect of the SACE Policy.

(viii) Incumbency Certificate of the Eligible Contractor . An executed certificate delivered by an Authorized Officer of the Eligible Contractor as to the incumbency and specimen signature of each Person authorized to execute the Exporter Declarations.

6.03 Conditions to All Borrowings . The obligation of the Lenders to make any Loan (including the initial Loan) is subject to the satisfaction on the date of such Borrowing of the conditions precedent set forth below in form and substance reasonably satisfactory to the Administrative Agent and the SACE Agent, unless in each case waived by the Administrative Agent at the direction of the Majority Lenders:

(a) Notice of Borrowing .

(i) The Agents shall have received from the Borrower a Notice of Borrowing conforming to the requirements of Section 2.02 and Section 4.05 ; and

(ii) Solely in respect of the Initial Disbursement Date, DEG and FMO shall have each received an original copy of the initial Notice of Borrowing prior to the Initial Disbursement Date.

(b) Borrowing Certificate . The Administrative Agent and the Independent Engineer shall have received, at least four (4) Business Days prior to the date of the Notice of Borrowing, a Borrowing Certificate, which shall be substantially in the form attached as Exhibit B-1 .

(c) Payment of Fees . Payment of all or any portion of such fees and expenses then due and payable by the Borrower under this Agreement, including pursuant to Sections 2.04 , 11.03 , the Fee Letters and the SACE Reimbursement Agreement.

(d) Payment of Project Costs . The amount of each Borrowing requested by the Borrower on the date of the Borrowing Certificate shall not exceed the Project Costs attributable to the Project Development, due and to be paid on or prior to the date of such Borrowing Certificate or reasonably expected to be due or incurred (i) within the next forty-five (45) days succeeding the date of such Borrowing Certificate or (ii) in respect of the final Borrowing, within the period until the Project Completion Date, (each of (i) and (ii) without duplication of any other Borrowing previously made in respect of such Project Development); provided , that as of the date of such Borrowing Certificate, no cost overruns shall have occurred and be continuing which could reasonably be expected to result in Project Costs in excess of funds available to pay such Project Costs.

(e) Evidence of Project Costs . The Administrative Agent and the Independent Engineer shall have received (i) a copy of all invoices and related documentation issued under the EPC Contract (or other invoices and supporting documentation in connection with the payment of any other Project Costs) which the Borrower intends to pay with such Loan, (ii) projections of invoices expected to be received (A) in respect of all Borrowings except the final Borrowing, within forty-five (45) days after the date of the applicable Borrowing Certificate or (B) in respect of the final Borrowing, within the period from the date of the applicable Borrowing Certificate until the Project Completion Date, in connection with Project Costs which the Borrower intends to pay with such Loan, in each case not less than five

(5) Business Days prior to the date of the Notice of Borrowing, as applicable, as evidence of the Project Costs related to the applicable Borrowing Certificate and (iii) together with all Lien waivers from the EPC Contractor, including with respect to work performed by subcontractors, delivered in accordance with Section 14.1.3 of the EPC Contract and in respect of all work completed under the EPC Contract as of the date of such Borrowing; provided , that the Borrower shall (x) submit a cumulative status of all such Project Costs paid up to and including as of the relevant Borrowing Certificate demonstrating that all amounts borrowed pursuant to the preceding Borrowing Certificate were used to pay Project Costs or (y) reduce the amount of the Loans requested pursuant to the current Notice of Borrowing, as applicable, in an amount equal to the Loan proceeds and Equity not previously expended.

(f) Independent Engineer's Certificate . The Administrative Agent shall have received a certificate of the Independent Engineer, substantially in the form of Exhibit C-3 and dated no earlier than the date of the relevant Borrowing Certificate and no later than the date of the relevant Notice of Borrowing, reasonably satisfactory to the Administrative Agent, and confirming each of the following: (i) the progress of construction of the Project is proceeding substantially in accordance with or ahead of the Project Construction Budget and Schedule, (ii) appropriate personnel have been retained by the Borrower to oversee all major civil works then-currently under construction, (iii) the current utilization of previous Borrowings with respect to the Project, (iv) the existence of sufficient committed funds needed to achieve the Commercial Operation Date, the Actual Project Acceptance Date and Project Completion (v) the funds to be drawn are to be used for approved Project Costs consistent with the terms of the applicable Financing Documents and the EPC Contract and (vi) the Project is reasonably expected to achieve the Required Final Taking-Over Date.

(g) Independent Environmental and Social Consultant . The Administrative Agent shall have received a certificate from the Independent Environmental and Social Consultant, substantially in the form of Exhibit C-4 and dated no earlier than the date of the relevant Borrowing Certificate and no later than the date of the relevant Notice of Borrowing, reasonably satisfactory to the Administrative Agent, and confirming each of the following: (i) full compliance with the Action Plan and (ii) no act, event or condition that has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in its Environmental and Social Consultant's Report delivered pursuant to Section 6.01(f)(ii) .

(h) Government Approvals . All Government Approvals required pursuant to any Government Rule necessary (unless the requirement therefor has been waived in writing by the applicable Government Authority) for the then-current stage of the Project Development (as set forth in Schedule 7.05(a) , (b) and (c) ) have been obtained and complied with and continue to be complied with in all material respects.

(i) Borrower's Certificate . A certificate of an Authorized Officer of the Borrower certifying that: (i) each of the representations and warranties of the Borrower contained in Article VII is true and complete in all respects as of the date of such certificate (or such earlier date in the case of any representation and warranty given as an earlier date), (ii) no Default or Event of Default has occurred as of the date of such certificate and is continuing and no Default or Event of Default will result from the proposed Borrowing contemplated by such

certificate, (iii) in the case of any Borrowing after the Initial Disbursement Date, no Material Adverse Effect has occurred and is continuing since the previous Borrowing, (iv) the Collateral is subject to the perfected first priority Lien (subject only to Permitted Liens) established pursuant to the Security Documents required to be delivered pursuant to Section 6.02(a) of this Agreement, (v) no Event of Abandonment has occurred, (vi) that the Project is reasonably expected to achieve the Final Taking-Over Date prior to the Required Final Taking-Over Date and that sufficient funds exist in order to achieve the Project Completion Date by the Required Project Completion Date.

(j) Required Equity Contribution .

(i) The Borrower shall have certified that it has received Equity in such an amount so that the Debt to Equity Ratio is not greater than 65:35. For the purposes of such certification, the Required Equity Contribution shall be deemed contributed to the Borrower if evidence of payment satisfactory to the Administrative Agent and the Independent Engineer of Project Costs by or on behalf of the Borrower shall have been received by the Administrative Agent and the Independent Engineer and the Administrative Agent and the Independent Engineer shall have received copies of all invoices and other evidence of Project Costs paid with the Required Equity Contribution and such documentation shall be in form and substance reasonably satisfactory to the Administrative Agent and Independent Engineer.

(k) E&S Management System . The Borrower shall have certified that it and the Operator are implementing their E&S Management System diligently and in accordance with the timetable described in the Action Plan.

(l) Pro Rata Disbursement . The Borrowing is made pro rata among the Tranche A Loans, Tranche B Loans, Tranche C Loans and the Tranche D Loans.

(m) Environmental and Social Conditions . The Administrative Agent shall not have received a written notice delivered by FMO or DEG, dated at least four (4) Business Days prior to the Disbursement Date set forth in the relevant Notice of Borrowing, setting forth their determination (acting reasonably) that the Borrower is not in compliance with its obligations set forth in Sections 8.04 , 8.09 , 8.30 and 8.33 .

(n) COFIDE Guarantees . Any COFIDE Guarantee duly executed and delivered by COFIDE to a Senior Lender shall continue to be in full force and effect, unless the same is not in full force and effect as a consequence of any act or omission of any Senior Lender party to such COFIDE Guarantee or COFIDE.

6.04 Conditions to All Tranche D Borrowings . The obligation of the Tranche D Lenders to make any Tranche D Loan (including the initial Tranche D Loan) is subject to the satisfaction on the date of such Borrowing of the conditions precedent set forth below in form and substance reasonably satisfactory to the SACE Agent, unless in each case waived by the SACE Agent at the direction of the Majority Tranche D Lenders:

(a) Common Conditions . The prior satisfaction or waiver of each of the conditions precedent set forth in Section 6.02 and Section 6.03 of this Agreement.

(b) SACE Policy . The SACE Policy shall continue to be in full force and effect, unless the same is not in full force and effect as a consequence of any act or omission of any Tranche D Lender, SACE or the SACE Agent.

(c) Declarations . The SACE Agent shall have received from the Borrower and/or the Eligible Contractor, as the case may be (including with respect to all attachments thereto) and in each case certified by an Authorized Officer of the Borrower and/or the Eligible Contractor, as applicable, as being complete, true and correct: (i) a complete SACE Facility Payment Request, (ii) a copy of the duly executed Eligible Contract, (iii) duly executed and completed exporter declarations (" *Dichiarazione dell'Esportatore* ") with respect to the Eligible Costs specifying the origin of the subject equipment, supplies, goods and/or services in the form set out in Exhibit K (an " Exporter Declaration "), (iv) copies of all relevant commercial invoices (countersigned by the Borrower), which evidence that the Borrower is required to pay for such equipment, supplies, goods or services constituting such Eligible Costs, and (v) copies of all other documents and certificates required to be submitted by the applicable Eligible Contractor to the Borrower in connection with the invoicing of such Eligible Costs pursuant to the terms of the Eligible Contract.

(d) SACE Agent review . The SACE Agent shall have reviewed the documents described in clause (c) above and have determined such documentation to be complete and in good order so that the requested Tranche D Loans would be eligible for the cover under the SACE Policy.

(e) Eligible Contractor .

(i) In the event any Tranche D Loans are requested for the purposes set forth in Section 8.09(b)(i) or (ii) , the SACE Agent shall have received notice from the Eligible Contractor specifying the account(s) into which payment shall be made.

(ii) The Eligible Contractor shall not have assigned or delegated its obligations under the Eligible Contract to any other Person, nor shall the Eligible Contractor have merged into any other Person, unless in any such case SACE shall have provided its written consent thereto.

(f) SACE Premium . SACE shall have been paid (or will be paid with the proceeds of the related Tranche D Loans) the portion of the SACE Premium related to such Tranche D Loans as set forth in the SACE Reimbursement Agreement.

## ARTICLE VII

## REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Lenders that:

7.01 Existence . It is a *sociedad anónima* duly formed, validly existing and in good standing under the laws of Peru and is duly qualified to do business as a foreign corporation in all other places where necessary in light of the business it conducts and the

Property it owns and intends to conduct and own and in light of the transactions contemplated by the Transaction Documents, except for where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect. No filing, recording, publishing or other act by the Borrower that has not been made or done is necessary in connection with the existence or good standing of the Borrower.

7.02 Financial Condition . The financial statements of the Borrower furnished to the Administrative Agent pursuant to Section 6.01 and 8.01 (as applicable), are in each case true, complete and correct and fairly present in all material respects the financial condition of the Borrower as of the date thereof, all in accordance with its Accounting Principles (subject to normal year-end adjustments). As of such date of such financial statements, the Borrower has no material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such financial statements or as arising solely from the execution and delivery of the Transaction Documents.

7.03 Action . It has full power, authority and legal right to execute and deliver, and to perform its obligations under, the Transaction Documents to which it is or is intended to be a party. The execution, delivery and performance by the Borrower of each of the Transaction Documents to which it is or is intended to be a party have been duly authorized by all necessary action on the part of the Borrower. Except for any Project Documents that are not required to be entered into pursuant to this Agreement as of the date of the making of this representation, each of the Transaction Documents to which the Borrower is a party has been duly executed and delivered by such Person and is in full force and effect and constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms and admissible in evidence in the courts of Peru, except (i) as limited by general principles of equity and bankruptcy, insolvency and similar laws and (ii) with respect to customary procedural requirements in connection with such court proceeding, including translation of those Transaction Documents which are not executed in Spanish by an official translator.

7.04 No Breach . The execution, delivery and performance by the Borrower of each of the Transaction Documents to which it is or is intended to be a party do not and will not: (a) require any consent or approval of any Person that has not been obtained and remains in full force and effect (other than Government Approvals that are not required to be obtained for the then relevant stage of the Project Development), (b) violate any provision of any Government Rule or Government Approval applicable to the Borrower or the Project, (c) violate, result in a breach of or constitute a default under (i) any Transaction Document to which the Borrower is a party or by which it or its Property may be bound or affected or (ii) any certificate of formation, operating agreement or other constitutive document of the Borrower or (d) result in, or create any Lien (other than a Permitted Lien) upon or with respect to any of the Properties now owned or hereafter acquired by the Borrower.

7.05 Government Approvals; Government Rules .

(a) All material Government Approvals for the Project that have been obtained by or on behalf of the Borrower (including all material Government Approvals that have been obtained by the EPC Contractor) for the benefit of the Project, as of the Closing Date are set forth on Schedule 7.05(a) . All Government Approvals set forth on Schedule 7.05(a) have been duly obtained, were validly issued, are in full force and effect, and are not the subject of any pending appeal and all applicable appeal periods have expired (except Government Approvals which do not have limits on appeal periods under Government Rules or appeals which could not reasonably be expected to have a Material Adverse Effect, with respect to the Project), are held in the name of the Borrower or the EPC Contractor as indicated on such Schedule 7.05(a) and are free from conditions or requirements which (i) could reasonably be expected to have a Material Adverse Effect with respect to such Project or (ii) the Borrower does not reasonably expect the Borrower or the EPC Contractor (as applicable) to be able to satisfy on or prior to the commencement of the relevant stage of Project Development, except to the extent that a failure to so satisfy such condition or requirement could not reasonably be expected to have a Material Adverse Effect with respect to the Project. No Material Adverse Effect, with respect to the Project could reasonably be expected to result from any such Government Approvals being held by or in the name of Persons other than the Borrower.

(b) All material Government Approvals for the Project to be obtained or amended by or on behalf of the Borrower, together with all material Government Approvals to be obtained by the EPC Contractor for the benefit of the Project, prior to the Initial Disbursement Date are set forth on Schedule 7.05(b) (as updated from time to time as mutually agreed in writing between the Borrower and the Administrative Agent). No Material Adverse Effect with respect to the Project could reasonably be expected to result from any such Government Approvals being obtained in the name of Persons other than the Borrower.

(c) All material Government Approvals not obtained or amended as of the Initial Disbursement Date, as applicable, but necessary for the Project Development or for the performance by any Material Project Party of any of its obligations under any Transaction Document to be obtained by or on behalf of the Borrower, together with all material Government Approvals that have been obtained by the EPC Contractor or any other third party for the benefit of the Project, after the Initial Disbursement Date, are set forth on Schedule 7.05(c) or (d) (as updated from time to time as mutually agreed in writing between the Borrower and the Administrative Agent). No Material Adverse Effect with respect to the Project could reasonably be expected to result from any such Government Approvals being obtained in the name of Persons other than the Borrower.

(d) As of any date after the Closing Date on which this representation and warranty is made or deemed made, all Government Approvals required to be held by the Borrower, EPC Contractor or, if applicable, any Operator for the then current stage of Project Development or for the performance by any Material Project Party of any of its obligations under any Transaction Document, have been duly obtained or amended, as applicable, and validly issued, are in full force and effect, are not the subject of any pending or threatened appeal (except appeals which could not reasonably be expected to have a Material Adverse Effect, with respect to the Project), are held in the name of the Borrower, EPC Contractor or, if applicable, any Operator and are free from conditions or requirements which (i) could reasonably be expected to have a Material Adverse Effect, with respect to the Project or (ii) the Borrower does not reasonably expect the Borrower, EPC Contractor or Operator (as

applicable) to be able to satisfy on or prior to the commencement of the relevant stage of Project Development or on the date set forth in the Transaction Documents with respect thereto, as the case may be, except to the extent that a failure to so satisfy such condition or requirement could not reasonably be expected to result in a Material Adverse Effect, with respect to the Project.

(e) The Borrower has no reason to believe that any Government Approvals which have not been obtained by the Borrower or the EPC Contractor as of the Closing Date, but which shall be required to be obtained in the future by the Borrower or the EPC Contractor for the Project Development or for the performance by any Material Project Party of any of its obligations under any Transaction Document, shall not be obtained in due course on or prior to the commencement of the appropriate stage of Project Development for which such material Government Approval or prior to the date set forth in the Transaction Documents with respect thereto, as the case may be, would be required or shall contain any condition or requirements, the compliance with which could reasonably be expected to result in a Material Adverse Effect with respect to the Project or which the Borrower does not expect the Borrower or the relevant third party (as the case may be) to satisfy on or prior to the commencement of the appropriate stage of Project Development, except to the extent that a failure to so satisfy such condition or requirement could not reasonably be expected to have a Material Adverse Effect, with respect to such Project. The Project, if constructed in accordance with the Project Construction Budget and Schedule, and otherwise developed as contemplated by the Material Project Documents, will conform to and comply with all covenants, conditions, restrictions and reservations in the applicable Government Approvals and all applicable Government Rules except where any such non-compliance could not reasonably be expected to result in a Material Adverse Effect with respect to the Project.

(f) The Borrower, each Credit Party and the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and not terminated in accordance with the terms of this Agreement) is in compliance in all material respects with all Government Rules and Government Approvals required for the then-current stage of Project Development.

7.06 Proceedings . There is (a) no action, suit or proceeding at law or in equity or by or before any Government Authority or arbitral tribunal now pending or, to the Borrower's Knowledge, threatened against any Credit Party, the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and not terminated in accordance with the terms of this Agreement) or the Project or with respect to any Material Project Document or Government Approval related to the Project and (b) no existing default by any Credit Party or the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and not terminated in accordance with the terms of this Agreement) under any applicable order, writ, injunction or decree of any Government Authority or arbitral tribunal, which in the case of clause (a) or (b) could reasonably be expected to result in a Material Adverse Effect, with respect to the Project.

7.07 Environmental and Social Matters . Except as otherwise specified in Schedule 7.07 to this Agreement:

(a) The Project, insofar as its development, design, engineering, procurement, construction, commissioning, testing, start-up, finance, ownership, operation and maintenance are concerned, complies and has been in compliance at all times with (i) all Environmental and Social Laws and Government Approvals, including, for the avoidance of doubt, the Environmental and Social Standards, required for such Project under any Environmental and Social Laws and has not at any time violated and will not violate any Environmental and Social Laws or Government Approvals required for the Project under any Environmental and Social Laws except for any such non-compliance or violation that could not reasonably be expected to have a material adverse environmental or social effect attributable to the Project and (ii) the Environmental and Social Standards.

(b) The Project, insofar as its development, design, engineering, procurement, construction, commissioning, testing, start-up, finance, ownership, operation and maintenance are concerned, has obtained and continuously maintained and maintains, in full force and effect, all Government Approvals required by the relevant Government Authorities for such Project under Environmental and Social Laws, and there are and will be no ongoing, pending, or, to the Borrower's Knowledge, threatened actions to challenge, revoke, cancel, terminate, limit or modify any such Government Approvals, except for any failure to obtain or maintain in full force and effect or actions to challenge, revoke, cancel, terminate, limit or modify that could not reasonably be expected to have a material adverse environmental or social effect attributable to the Project.

(c) There are no facts, circumstances, conditions or occurrences regarding the past or present operations or conditions of the Project, including the presence of, Release or threatened Release of Hazardous Materials, that reasonably could form the basis of a material Environmental and Social Claim or cause the Project to be subject to any material restrictions arising under any Environmental and Social Law that in either case would materially hinder or restrict the Borrower from occupying or operating the Project as intended under the Material Project Documents (excluding restrictions on the transferability of Government Approvals upon the transfer of ownership of assets subject to such Government Approval).

(d) There are (i) no past Environmental and Social Claims or (ii) no pending or, to the Borrower's Knowledge, threatened Environmental and Social Claims, in each case against the Project, or against the Borrower, the Operator or the Project Sponsor with respect to the Project, that could reasonably be expected to have a Material Adverse Effect with respect to the Project.

(e) There are no material written environmental investigations, studies, audits, reviews or other analyses relating to the development, design, specification, engineering, procurement, construction, commissioning, testing, start-up, finance, ownership, operation or maintenance of the Project that are known to or within the possession or control of, the Borrower, the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and not terminated pursuant to the terms of this Agreement) or the Project Sponsor, which have not been provided to the Administrative Agent.

(f) To the Borrower's Knowledge, there are no material social or environmental risks or issues in relation to the Project, or the Borrower's or the Operator's activities relating thereto, other than those expressly identified and to the extent described in the Action Plan or the Environmental and Social Consultant's Report.

7.08 Taxes . No Person that owns or has owned (directly or indirectly) an interest in the Borrower that is treated as equity for U.S. federal income tax purposes is a "United States person" within the meaning of Code Section 7701(a)(30), except for any Person that may own (directly or indirectly) an interest in the Borrower through a public company that owns an indirect interest in the Borrower. The Borrower has timely filed or caused to be filed all material Tax returns and reports required to have been filed (or has obtained a lawful extension of the deadline therefor). As of the Closing Date and as of the Initial Disbursement Date in respect of each Loan, the Borrower has paid and discharged all material Taxes imposed on or payable by the Borrower, including, but not limited to, Taxes on income or profits or on any of the Borrower's Property and Taxes required to be withheld and paid with respect to payments or allocations to employees, independent contractors, equity holders or otherwise except Taxes being Contested. There are no Liens for Taxes on any asset of the Borrower other than any Permitted Liens. The Borrower is not liable for Taxes of any other Person, whether by contract, by operation of law (including as a successor) or otherwise.

7.09 Tax Status . The Borrower is not subject to U.S. federal, state or local income tax. Neither the execution and delivery of this Agreement nor the other Transaction Documents nor the consummation of any of the transactions contemplated hereby or thereby shall affect such status. No Taxes are required to be withheld or deducted on any payment to be made by or on account of any obligation of the Borrower hereunder by reason of the place of organization, management or activities of (i) any Person owning an Equity Interest (either directly or indirectly) in the Borrower or (ii) any Person acting on behalf of the Borrower.

7.10 ERISA; ERISA Event; Labor Relations .

(a) The Borrower does not sponsor, contribute to, maintain, or have any liability with respect to any employee benefit plan or program that is subject to ERISA. No event has occurred, and no condition exists, that could subject the Borrower, either directly or be reason of its affiliation with an ERISA Affiliate, to any Lien or material liability imposed by Title IV of ERISA. To the extent applicable, each Foreign Plan has been maintained in compliance with its terms and with the requirements of any and all applicable law and has been maintained, where required, in good standing with applicable regulatory authorities and the Borrower has not incurred any material liability therewith, except to the extent that any such non-compliance or liability could not reasonably be expected to result in a Material Adverse Effect.

(b) The Borrower is not a party to, nor has any obligation under, any labor, collective bargaining or other employment agreement, or any other agreement that may subject the Borrower or any of its Affiliates to liability under any Government Rule in any relevant jurisdiction concerning labor, employment, wages or worker benefits.

7.11 Nature of Business; Property .

(a) The Borrower has not engaged in any business other than the Project as contemplated by the Transaction Documents.

(b) The Borrower has legal, valid title to all its Property and such Property is not subject to any Liens other than Permitted Liens. As of the Closing Date, the Borrower has legal, valid title to ninety-seven percent (97%) of the Property located in the Project Areas (as defined in the EPC Contract) that is required for the Project Development.

7.12 Security Documents . On and after the Initial Disbursement Date, the provisions of the Security Documents then delivered are effective to create, in favor of the Collateral Agents and the Trustee, for the benefit of the Secured Parties, a legal, valid and enforceable first priority Lien on and security interest in all of the Collateral purported to be covered thereby, and all necessary recordings and filings have been made, or will be made on the Initial Disbursement Date and the date of each subsequent Borrowing, in all necessary public offices, and all other necessary and appropriate action has been taken, including sending notices to each applicable Project Party pursuant to Section 8.20(h) , so that each such Security Document creates a perfected Lien on and security interest in all right, title and interest of the Borrower in the Collateral covered thereby, prior and superior to all other Liens and all necessary and appropriate consents to the creation, perfection and enforcement of such Liens have been obtained from each of the parties to the Material Project Documents, except Liens that have priority pursuant to any applicable Government Rule.

7.13 Subsidiaries . The Borrower has no Subsidiaries.

7.14 Status; Investment Company Regulation . The Borrower is not an “investment company” or a company “Controlled” by an “investment company” within the meaning of the Investment Company Act of 1940 or an “investment adviser” within the meaning of the Investment Advisers Act of 1940.

7.15 Contracts; Project Documents; Licenses .

(a) Set forth on Schedule 7.15(a) , (b) and (c) , as applicable (as the same may be updated from time to time and attached to any Borrowing Certificate delivered pursuant to Section 6.03(b) ), is a list of all Material Project Documents to which the Borrower is a party as of the date this representation is made, or by which it or its properties are bound (including all amendments, supplements, waivers, letter agreements, interpretations and other documents amending, supplementing or otherwise modifying or clarifying such agreements and instruments).

(b) As of the Closing Date, all Material Project Documents that have been entered into on or prior to the Closing Date by any Credit Party in connection with the construction and operation of the Project as contemplated by the Transaction Documents are listed on Schedule 7.15(a) and are in full force and effect (except for the expiration of any Material Project Document in accordance with its terms and not as a result of a breach or a default thereunder).

(c) The Material Project Documents in effect on the Closing Date and the Additional Project Documents entered into in accordance with this Agreement, constitute and include all contracts and agreements relating to the Project other than Non-Material Project Documents and other than the Financing Documents, and the Borrower is not a party to any contract or agreement that is not a Project Document. There are no material contracts, services, materials or rights (other than Government Approvals) required for the then-current stage of the Project Development other than those granted by, or to be provided to the Borrower pursuant to, the Material Project Documents. The Administrative Agent has received a certified copy of each Material Project Document (other than those that are not required to be delivered as of the date of the making of this representation) as in effect on the date of its delivery to the Administrative Agent and each amendment, modification or supplement to each such Material Project Document permitted pursuant to Section 8.20 . None of the Material Project Documents has been materially Impaired, and all of the Material Project Documents (other than those that are not required to be entered into pursuant to this Agreement as of the date of the making of this representation or that have been cancelled or terminated as permitted under this Agreement) are in full force and effect. All conditions precedent to the obligations of the Borrower under the Material Project Documents have been satisfied or waived except for such conditions precedent which need not and cannot be satisfied until a later stage of Project Development. No Material Project Party is in default of any material covenant or material obligation set forth in any Material Project Document and no condition has occurred that would become such a default with the giving of notice or lapse of time.

(d) All representations, warranties and other factual statements made by each Credit Party or the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and has not been terminated pursuant to the terms of this Agreement) in the Material Project Documents to which such Person is a party are true and correct in all material respects on the date made.

(e) Except as set forth on Schedule 7.15(e) and as permitted pursuant to Section 8.16 hereto, the Borrower does not have any Indebtedness outstanding and has not entered into any credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit). Except as set forth on Schedule 7.15(e), no undischarged Liens have been filed, and the Borrower has not received any notices of Liens, in connection with any work performed or agreement listed on Schedule 7.15 , except for the Permitted Liens.

(f) As of any date on which this representation is made or deemed repeated, there have been no Change Orders under the EPC Contract for the Project with respect to which a funding has been made or is being requested, other than Change Orders made prior to the Closing Date and listed on Schedule 7.15(f) or as otherwise permitted to Section 8.20(e ) and (f) .

(g) The Borrower, the relevant Credit Party or the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed and not has not been terminated pursuant to the terms of this Agreement) owns, or is licensed to use all rights under, all patents, patent applications, trademarks, trade names, service marks, copyrights, technology, trade secrets, proprietary information, domain names, know-how and processes necessary for the current stage of Project Development (the " Intellectual Property "), except for those the failure to own

or license which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No claim has been asserted and is pending by any Person challenging or questioning (i) the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Credit Party know of any valid basis for any such claim, or (ii) the conduct of any Credit Party in its business as allegedly infringing the rights of any Person, nor does any Credit Party know of any valid basis for any such claim or allegation; except for such claims and allegations of infringement that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

7.16 Use of Proceeds . No part of the proceeds of any Loan will be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock or to extend credit to others for such purpose. Disclosure . Neither this Agreement nor any Financing Document nor any reports, financial statements, certificates or other written information (including all information provided pursuant to Section 6.01(g) ) furnished to the Agents or the Lenders by or on behalf of the Borrower in connection with the negotiation of, and the extension of credit under, this Agreement and the other Financing Documents and the transactions contemplated by the Material Project Documents or delivered to the Administrative Agent or the Lenders hereunder or thereunder (as modified or supplemented by other information so furnished) contains any untrue statement of a material fact or omits to state a material fact (known to the Borrower in the case of any documents not furnished by it) in each case, necessary to make the statements contained herein or therein, taken as a whole, in light of the circumstances under which they were made, not misleading; provided , that with respect to any projected financial information, forecasts, estimates, or forward-looking information, including that contained in the Project Construction Budget and Schedule, the Base Case Forecast and the Updated Base Case Forecast, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and is subject to the uncertainties that are inherent in any projections, and the Borrower makes no representation as to the actual attainability of any projections set forth in the Base Case Forecast and the Updated Base Case Forecast, the Project Construction Budget and Schedule, or any such other items listed in this sentence. Without limiting the generality of the foregoing, no representation or warranty is made by the Borrower as to any information or material provided to the Borrower, the Administrative Agent or the Lenders by the Independent Advisors (except to the extent such information or material originated with the Borrower).

7.18 Legal Form . Each Financing Document is, and the Notes when duly executed and delivered by the Borrower will be, in proper legal form under the laws of Peru for the enforcement thereof against the Borrower under such law; and to ensure the legality, validity, enforceability or admissibility in evidence of any Financing Document in Peru (except for the official translation into Spanish of any such document by an official translator), it is not necessary that such Financing Document or any other document be filed or recorded with any court or other authority in Peru or that any stamp or similar tax be paid on or in respect of such Loan Document.

7.19 Fees . The Borrower has no obligation to any Person in respect of any finder's, advisory, broker's or investment banking fee other than fees payable under this Agreement and the Fee Letters, the SACE Reimbursement Agreement or as set forth in the Project Construction Budget and Schedule or fees and expenses payable to the Borrower's legal counsel.

7.20 Insurance . All insurance required to be obtained by the Borrower has been obtained and is in full force and effect and complies with Section 8.05 and Schedule 8.05 , and all premiums then due and payable on all such insurance have been paid, and to the Borrower's Knowledge, all insurance required to be obtained by a Material Project Party pursuant to a Material Project Document has been obtained and is in full force and effect and materially complies with Section 8.05 and Schedule 8.05 .

7.21 No Material Adverse Effect . There are no facts or circumstances which, individually or in the aggregate, have resulted or could reasonably be expected to result in a Material Adverse Effect since December 31, 2011.

7.22 Absence of Default . No Default or Event of Default has occurred and is continuing.

7.23 Event of Force Majeure . The Borrower has not delivered or received any notice of any Event of Force Majeure which has not been disclosed in writing to the Administrative Agent other than any Event of Force Majeure that could not reasonably be expected to have a Material Adverse Effect.

7.24 Sanctionable Practices; Prohibited Activities . Neither the Borrower, nor any of its Affiliates, nor any Person acting on its or their behalf, has committed or engaged in, with respect to the Project or any transaction contemplated by this Agreement, any Sanctionable Practice.

(b) Neither the Borrower, nor any of its Affiliates, nor any Person acting on its or their behalf, are engaged in Prohibited Activities.

7.25 Ownership .

(a) The Borrower's Equity Interests are held by the following Persons in the following proportions as at the Closing Date:

(i) Inkia Holdings (Kallpa) Limited, 74.9%; and

(ii) Quimpac Pledgor, 25.1%.

(b) There are no call options, purchase options or similar rights of any Person (other than the Pledgors' rights thereto) in respect of such Equity Interests, except for Permitted Liens and other rights provided for in the Financing Documents.

7.26 Separateness .

(a) The Borrower maintains separate bank accounts and separate books of account from the other Credit Parties and the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed pursuant to the terms of this Agreement). The separate liabilities

of the Borrower are readily distinguishable from the liabilities of each Affiliate of the Borrower, including the Credit Parties and the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed pursuant to the terms of this Agreement) (except to the extent otherwise contemplated by the Transaction Documents).

(b) The Borrower conducts its business solely in its own name in a manner not misleading to other Persons as to its identity.

7.27 Foreign Assets Control Regulations .

(a) Neither the Borrower's Borrowing of the Loans nor its use of the proceeds thereof will violate in any material respect (i) the United States Trading with the Enemy Act of October 6, 1917, as amended, (ii) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (iii) Executive Order No. 13224, 66 Fed. Reg. 49,079 (2001), issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) (the " Terrorism Order "), (iv) any Anti-Money Laundering Laws, (v) the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010 or (vi) any similar Government Rules issued by the United Nations Security Council or any United Nations Security Council Sanctions Committee in relation to embargoes or the fight against terrorism. No part of the proceeds from the Loans hereunder will be used, directly or, to the Borrower's Knowledge, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in material violation of the United States Foreign Corrupt Practices Act of 1977, as amended, or any similar Government Rule in Peru or any other relevant jurisdiction.

(b) Neither the Borrower nor any other Credit Party (i) is a "blocked person" or entity described in Schedule 1 of the Terrorism Order or described in such United States Treasury Department foreign assets control regulations or (ii) engages in any dealings or transactions, nor is any such Person otherwise associated, with any such blocked person or entity.

(c) To the Borrower's Knowledge, none of the Shareholder Contributions or the Tranche C Loans are provided out of funds of Illicit Origin.

## ARTICLE VIII

## COVENANTS

The Borrower covenants and agrees with the Lenders and the Administrative Agent that until the Termination Date:

8.01 Reporting Requirements . The Borrower shall deliver to the Administrative Agent commencing after the end of the first fiscal quarter after the Closing Date (except in the case of paragraphs (c) through (e) below, which notices shall be delivered as stated therein):

(a) as soon as available and in any event within forty-five (45) days after the end of each of the first three quarterly fiscal periods of each Fiscal Year of the Borrower, unaudited statements of income and cash flows of the Borrower for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year, each accompanied by a certificate of an Authorized Officer of the Borrower, which certificate shall state that such financial statements are complete and correct in all material respects and present fairly the financial condition and results of operations of the Borrower, in accordance with the Accounting Principles of the Borrower, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments);

(b) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year of the Borrower, audited statements of income, Pledgors' equity and cash flows of the Borrower for such year and the related balance sheets as at the end of such year, setting forth in each case, in comparative form the corresponding figures for the preceding Fiscal Year, each accompanied by an unqualified opinion of an Auditor, which opinion shall state that such financial statements are complete and correct in all material respects and present fairly the financial condition and results of operations of the Borrower as at the end of, and for, such Fiscal Year in accordance with the Accounting Principles of the Borrower;

(c) promptly after an Authorized Officer of the Borrower knows or has reason to believe that a Default or Event of Default has occurred, a notice of such event describing the same in reasonable detail and, together with such notice or as soon thereafter as possible, a description of the action that the Borrower has taken or proposes to take with respect to such event giving rise to such Default or Event of Default;

(d) promptly upon delivery to MINEM, copies of all notices and other documents required to be delivered from time to time pursuant to the terms of the Investment Agreement and the Definitive Generation Concession Agreement;

(e) promptly upon (i) delivery to another Material Project Party pursuant to a Material Project Document, copies of all material notices or other material documents delivered to such Material Project Party by the Borrower relating to facts or circumstances that could reasonably be expected to have a Material Adverse Effect and (ii) such documents becoming available, copies of all material notices or other material documents received by the Borrower (x) pursuant to any Material Project Document or (y) from MINEM, OSINERGMIN, ANA, MINAM and the Peruvian Ministry of Culture, in each case relating to facts or circumstances that could reasonably be expected to have a Material Adverse Effect (such as any notice or other document relating to a failure by the Borrower to perform any of its material covenants or material obligations under such Material Project Document, termination of a Material Project Document or a force majeure event under a Material Project Document, but excluding any notice provided in the ordinary course of business);

(f) A certificate of the Independent Engineer, in form and substance satisfactory to the Administrative Agent, delivered sixty (60) days after the end of each of Fiscal Year of the Borrower certifying that the (i) Kallpa O&M Agreement or (ii) the Borrower O&M Plan, as the case may be, is in full force and effect, confirming that (x) the Kallpa Operator or the Borrower, as the case may be, is operating the Project in all material respects in accordance with Good Industry Practices, (y) the Project is achieving the performance benchmarks set forth on Schedule 1.01(B) hereto and (z) that no material adverse developments with respect to the operation and maintenance of the Project have occurred; provided that if such review does not identify any such material adverse developments with respect to the operation and maintenance of the Project during the first three (3) years of the term of the Kallpa O&M Agreement or the Borrower O&M Plan, as the case may be, there shall be no further reporting obligation pursuant to this paragraph (f) ;

(g) as soon as available and in any event within (i) forty-five (45) days after the end of each quarterly fiscal period of the first Fiscal Year of the Borrower after the Initial Disbursement Date and (ii) forty-five (45) days after the end of each semi-annual period of each Fiscal Year of the Borrower after the Fiscal Year described in sub-clause (i) above until the first quarterly fiscal period subsequent to the Project Completion Date, an Environmental and Social Consultant's Report, in form and substance satisfactory to the Administrative Agent, describing compliance and, in the event of any material non-compliance, the corrective actions that are being, or will be taken, to address non-compliance by the Project with the Environmental and Social Standards and the Action Plan during the preceding quarter prepared by the Independent Environmental and Social Consultant, and certified by the Independent Environmental and Social Consultant that such report was prepared in accordance with Principle 7 of the Equator Principles;

(h) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year of the Borrower subsequent to the Project Completion Date, an Environmental and Social Consultant's Report, in form and substance satisfactory to the Administrative Agent, describing compliance and, in the event of any material non-compliance, the corrective actions that are being, or will be taken, to address non-compliance by the Project with the Environmental and Social Standards and the Action Plan during the preceding Fiscal Year prepared by the Independent Environmental and Social Consultant, and certified by the Independent Environmental and Social Consultant that such report was prepared in accordance with Principle 7 of the Equator Principles;

(i) (i) an updated Base Case Forecast shall be delivered by the Borrower, after giving effect to the transactions contemplated by the Permitted Swap Agreements entered into pursuant to this Agreement, on a date that is no earlier than fourteen (14) Business Days prior to the Initial Disbursement Date and in any case, no later than fourteen (14) Business Days after the Initial Disbursement Date, to reflect historical information and updated projections made in good faith and believed to be reasonable at such time (" Updated Base Case Forecast "), in form and substance acceptable to the Lenders and (ii) the Borrower shall have caused the Model Auditor to issue for the benefit of the Lenders a report (x) reviewing the Updated Base Case Forecast and (y) confirming the implementation by the Borrower of the recommendations set forth in the report delivered pursuant to Section 6.01(e)(ii) , which such report is acceptable in form and substance to the Senior Lenders;

(j) at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate of an Authorized Officer of the Borrower to the effect that (i) no Default or Event of Default has occurred and is continuing (or, if any Default or Events of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Borrower has taken and proposes to take with respect to such Default or Event of Default), (ii) setting out in reasonable detail the calculations for computing the financial ratios set forth in Section 8.31 for the relevant period and stating that such calculations were made, in each case, in good faith and were based on assumptions believed to be reasonable at the time made, (iii) a description in reasonable detail of any material variation between the application of Accounting Principles employed in the preparation of such statement and the application of Accounting Principles employed in the preparation of the immediately preceding annual or quarterly financial statements, (iv) reasonable estimates of the difference between such statements arising as a consequence of any such difference and (v) attaching, to the extent not publicly available, copies of the most recent unaudited and audited financial statements of Israel Corporation, in each case prepared in accordance with the Accounting Principles of Israel Corporation and certified as such by an Authorized Officer of Israel Corporation; and

(k) as soon as available and in any event within ninety (90) days after the end of each quarterly fiscal period of each Fiscal Year, beginning with the first Fiscal Year of the Borrower after the Initial Disbursement Date, a copy of the appropriate entry of the Borrower's corporate books that evidences the accounting entry of the Interest Expense for such quarterly period.

(l) Promptly upon the request of any Lender or Agent, the Borrower shall supply, or procure the supply of, such additional documentation and other evidence as is requested by such Lender or Agent (for itself or on behalf of any Lender or prospective Lender) in order for such Lender, Agent or any prospective Lender) to carry out and be satisfied with the results of all necessary "know your customer" or other checks in relation to the Borrower under all applicable laws and regulations pursuant to the transactions contemplated in this Agreement and the other Financing Documents.

8.02 Maintenance of Existence; Etc. The Borrower shall preserve and maintain (a) its legal existence as a *sociedad anónima* and (b) all of its material licenses, rights, privileges and franchises necessary for the Project.

8.03 Compliance with Government Rules; Etc.

(a) The Borrower shall comply in all respects with all applicable Government Rules and shall from time to time obtain and renew, and shall comply in all material respects with, Government Approvals as are or in the future shall be necessary for the Project under applicable Government Rules, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) Except as provided in paragraph (c) below, the Borrower shall not petition, request or take any legal or administrative action that seeks to amend, supplement or modify any Government Approval in any respect, unless such amendment, supplement or modification could not reasonably be expected to result in a Material Adverse Effect.

(c) The Borrower shall issue such notices of transfer and shall take such other actions as the Administrative Agent, acting for the benefit of itself and the Lenders, reasonably requests, without undue expense or delay, to secure for the Administrative Agent and the Lenders the benefit of each Government Approval related to the Project set forth on Schedule 7.05(a) and, when obtained, Schedule 7.05(b) through ( d) upon the exercise of remedies under the Security Documents.

(d) By no later than October 25, 2014, the Borrower shall obtain the following Government Approvals:

(i) an amendment to the Definitive Generation Concession Agreement in order to, at a minimum, (x) increase the capacity of the Project to 525 MW and (y) revise the construction milestone scheduled included therein;

(ii) The Transmission Concession; and

(iii) the Interconnection Agreement.

(e) Within forty-five (45) days of receiving the Transmission Concession, the Borrower shall execute the Transmission Concession Mortgage Agreement.

(f) The Borrower shall provide evidence of the submission (including copies thereof) to MINEM of all required documentation for the application of the amendment, which shall be in form and substance satisfactory to the Administrative Agent (acting at the direction of the Supermajority Lenders) to the Definitive Generation Concession no later than three (3) months after the receipt of the amendment to the Environmental Impact Assessment.

(g) If at any time (i) a relevant Government Authority determines that: (a) a Municipal Building Permit is required for the construction of the powerhouse and any other *edificación* in the Project; and (b) a municipal license to operate ( *licencia de funcionamiento* ) is required to operate the powerhouse and any other *edificación* , (in both cases as confirmed by a court of competent authority pursuant to a final judgment) or (ii) the failure to have a Municipal Building Permit or a municipal license to operate, has an adverse impact upon the Project (as determined by the Supermajority Lenders acting reasonably), the Borrower shall, as soon as reasonably possible, but in any case no later than one (1) year from the earlier of (i) or (ii) above, either (x) obtain such Municipal Building Permit or such municipal license to operate, or (y) demobilize any personnel operating the Project from the powerhouse and commence remote operation of the Project solely via a PC-based client server running SCADA software for remote control such that such Municipal Building Permit or municipal license to operate is not required; provided that, in the event that any relevant Government Authority has informed the Borrower that a Municipal Building Permit or a municipal license to operate is required, the Borrower shall have asked for such Government Approval or timely initiated appropriate administrative or court proceedings to obtain an injunction or other judicial relief to suspend any enforcement actions by such Government Authority; and provided , further , if the Supermajority Lenders determine that such adverse impact described in sub-clause (ii) above has ceased to exist prior to the end of such one (1) year period, the Borrower shall not be required to comply with the obligations set forth in (x) or (y).

(h) If at any time (i) a relevant Government Authority determines that a Municipal Transmission Permit is required for the Transmission Line (as confirmed by a court of competent authority pursuant to a final judgment) or (ii) the failure to have a Municipal Transmission Permit has an adverse impact upon the Project (as determined by the Supermajority Lenders acting reasonably), the Borrower shall, as soon as reasonably possible, but in any case no later than one (1) year from the earlier of (i) or (ii) above, obtain such Municipal Transmission Permit; provided that, in the event that any relevant Government Authority has informed the Borrower that a Municipal Transmission Permit is required, the Borrower shall have asked for such Government Approval or timely initiated appropriate administrative or court proceedings to obtain an injunction or other judicial relief to suspend any enforcement actions by such Government Authority; and provided , further , that if the Supermajority Lenders determine that such adverse impact described in sub-clause (ii) above has ceased to exist prior to the end of such one (1) year period, the Borrower shall not be required to comply with the obligations set forth in this sub-clause (h).

8.04 Environmental and Social Compliance.

(a) The Borrower shall (i) comply in all material respects, and cause the development, design, engineering, procurement, construction, commissioning, testing, start-up, finance, ownership, operation maintenance and all other aspects of the Project to be at all times in compliance in all material respects with all Environmental and Social Laws and with applicable requirements of the Action Plan and the Environmental and Social Standards, (ii) obtain, maintain in full force and effect and at all times comply in all material respects with any Government Approvals required for any of the foregoing under any Environmental and Social Laws, (iii) enforce any contractual rights it has under the EPC Contract to require any Material Project Party's compliance in all material respects with Environmental and Social Laws, and applicable requirements of Government Approvals in relation to the Project, (iv) conduct and complete any investigation, study, monitoring, sampling and testing, and undertake any corrective, cleanup, removal, response, remedial or other action necessary to identify, report, remove and clean up any material Releases or threatened Releases of Hazardous Materials at, on, in, under or from the operation of the Project, to the extent required by and in material compliance with the applicable requirements of all Environmental and Social Laws, the Action Plan and the Environmental and Social Standards and (v) maintain adequate financial assurance or guarantees as required under Environmental and Social Laws with respect to the Project.

(b) The Borrower shall deliver to the Administrative Agent (i) notice of (A) any pending or threatened material Environmental and Social Claim with respect to the Project, including any actions to challenge, revoke, cancel, terminate, limit or modify any Government Approval and (B) information that in the reasonable opinion of the Borrower could be expected to lead to such a material Environmental and Social Claim, in either case promptly upon obtaining knowledge thereof, describing the same in reasonable detail, together with such notice, or as soon thereafter as possible, a description of the action that the Borrower has taken or proposes to take with respect thereto and, thereafter, from time to time, such

detailed reports with respect thereto as the Administrative Agent may reasonably request and (ii) promptly upon their becoming available, copies of written communications with any Government Authority relating to any such material Environmental and Social Claim and any such other matter as is reported to the Administrative Agent pursuant to this Section 8.04 .

(c) The Borrower shall ensure, and shall maintain a senior officer of the Borrower with management responsibility to ensure, the continuing operation and maintenance of the E&S Management System in all material respects to assess and manage the Project and its social and environmental performance in compliance with the applicable requirements of the Environmental and Social Standards and all Environmental and Social Laws.

(d) An Authorized Officer of the Borrower shall deliver to the Administrative Agent and the Independent Environmental and Social Consultant, (i) prior to Project Completion, within thirty (30) days after the end of each quarterly fiscal period and (ii) on and after Project Completion, within sixty (60) days after the end of each Fiscal Year, an Environmental and Social Monitoring Report in connection with the Project (commencing on the Initial Disbursement Date).

(e) The Borrower shall not amend or supplement the Action Plan or any other documents related to or developed in connection with the Environmental and Social Standards in any material respect without the prior written consent of the Administrative Agent (acting at the direction of the Majority Lenders together with DEG and FMO).

(f) The Borrower shall within three (3) days after its occurrence, to the extent it has knowledge thereof or has received notice thereof, notify the Administrative Agent of any social, labor, health and safety, security or environmental incident, matter, accident, Release or circumstance having, or which could reasonably be expected to have a Material Adverse Effect, specifying in each case the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise therefrom, and the measures the Borrower, the Operator or the Project Sponsor is taking or plans to take to address them and to prevent any future similar event; and keep the Administrative Agent informed of the on-going implementation of those measures.

(g) With respect to the environmental, health and safety or social matters described in the foregoing provisions of this Section 8.04 relating to the EPC Contractor and its subcontractors, the Borrower shall be deemed to have satisfied its obligations hereunder relating thereto to the extent it (i) uses all commercially reasonable efforts, within the limitations of its contractual rights, to cause the EPC Contractor and the subcontractors to comply at all times with the foregoing covenants which are applicable to them during the period prior to Project Completion, (ii) reasonably monitors the EPC Contractor’s and its subcontractors’ compliance with the foregoing in a diligent and appropriate manner and (iii) diligently enforces its contractual rights in the event of sustained or material noncompliance therewith, including retaining a replacement EPC Contractor or subcontractors reasonably acceptable to the Administrative Agent, should that be necessary.

(h) In the event and to the extent that the Equator Principles, as applicable to the Project, are materially amended after the date of this Agreement, upon the Administrative Agent's written notice to the Borrower of such changes, the Borrower agrees to use commercially reasonable efforts to cause the Project to comply in a commercially reasonable time frame with any such material changes to the Equator Principles.

8.05 Insurance; Events of Loss .

(a) Compliance with Insurance Requirements . The Borrower shall (i) at all times comply with all insurance requirements set forth in any Material Project Document with respect to such Project, and (ii) enforce the obligations of the EPC Contractor or the Operator with respect to insurance requirements applicable to such Material Project Parties under the respective Material Project Documents.

(b) Insurance Maintained During Operations . The Borrower shall, to the extent commercially available at reasonable terms (as confirmed by the Independent Insurance Consultant or otherwise agreed by the Administrative Agent), maintain or cause to be maintained (for, among others, its benefit and for the benefit of the Trustee on behalf of the Secured Parties) the insurance policies specified in Schedule 8.05 , such insurance policies to be maintained commencing on the date or dates and for the duration specified in such schedule or such later date or dates approved by the Administrative Agent (following consultation with the Independent Insurance Consultant).

(c) Insurance Maintained by the Borrower . The Borrower shall procure at its own expense and maintain in full force and effect insurance of types and amounts as agreed with the Lenders, including but not limited to physical loss or damage coverage, as set forth in Schedule 8.05 to this Agreement. All insurance set forth in Schedule 8.05 shall be maintained with (i) insurers that have a credit rating of "A-" or better by S&P or (ii) to the extent that any insurance is procured from insurers with a credit rating lower than "A-" from S&P, the Borrower shall be required to procure, and maintain in full force and effect, qualified reinsurance in a corresponding amount of such insurance and approved by the Administrative Agent (following consultation with the Independent Insurance Consultant).

(d) Additional Insured's and Loss Payee . The Administrative Agent, for the benefit of the Senior Lenders, shall be named as additional insured under policies of general liability insurance, property insurance, revenue protection and indemnity insurance and the Trustee, for the benefit of the Secured Parties, shall be named as sole loss payee, under all physical loss or damage insurance and under revenue protection and indemnity insurance procured and maintained for the Project.

(e) Copies of Insurance Certificates . On the Closing Date and within fourteen (14) days following the issuance, renewal or expiration of any insurance policy required to be in effect under this Agreement, and, if requested by the Administrative Agent, annually on the anniversary of the Closing Date thereafter, the Borrower shall furnish the Administrative Agent, and the Offshore Collateral Agent and the Trustee, as applicable, with approved certificates of all such required insurance. Such certificates shall be executed by the insurer or by an Acceptable Insurance Broker of the Borrower. Such certificates shall identify underwriters, the type of insurance, the insurance limits and the policy term and shall specifically list the special provisions enumerated for such insurance required by this

Section 8.05 . Concurrently with the furnishing of any such certificate, the Borrower shall furnish the Administrative Agent with a certificate of an Acceptable Insurance Broker of the Borrower to the effect that the insurance then carried or to be renewed is in accordance with the terms of this Section 8.05 , such insurance is in full force and effect and all premiums then due and payable have been paid.

(f) Copies of Insurance Policies . On or promptly after the Closing Date, promptly upon receipt of each such policy, the Borrower shall deliver to the Administrative Agent a duplicate, certified by an Authorized Officer of the Borrower of each policy of insurance required to be in effect under this Agreement or any other Material Project Document then in effect. Not less than thirty (30) days prior to the expiration date of any policy of insurance required to be in effect under this Agreement or any other Material Project Document then in effect, the Borrower shall notify the Administrative Agent of its intention to renew each expiring policy. The Borrower shall promptly inform the Administrative Agent, prior to this period, if any policy shall not be renewed.

(g) Right to Procure Insurance . In the event that the Borrower fails to procure or maintain the insurance coverage required by this Section 8.05 , the Administrative Agent, upon thirty (30) days' prior notice (unless such insurance coverage would lapse within such period, in which event notice shall be given as soon as reasonably possible) to the Borrower of any such failure, may (but shall not be obligated to) take out the required policies of insurance and pay the premiums on the same. All amounts so advanced for such purpose by the Administrative Agent and the Lenders shall become an additional obligation of the Borrower to the Administrative Agent and the Lenders, and the Borrower shall forthwith pay such amounts to the Administrative Agent, together with interest on such amounts at the Post-Default Rate from the date so advanced.

(h) Compromise, Adjustment or Settlement . The Administrative Agent (acting at the direction of the Majority Lenders) shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with any Event of Loss under any policy or policies of insurance (other than third-party liability insurance policies) or any proceeding with respect to any Event of Taking of Property of the Borrower or otherwise in excess of $2,000,000 and the Borrower shall within five (5) Business Days after the Administrative Agent's request reimburse the Administrative Agent for all out-of-pocket expenses (including reasonable attorneys' and experts' fees) incurred by the Administrative Agent in connection with such participation. The Borrower shall not make any compromise, adjustment or settlement in connection with any such claim without the approval of the Administrative Agent (in the case of amounts in excess of $2,000,000) or the Majority Lenders (in the case of amounts in excess of $5,000,000), which such approval shall not be unreasonably withheld or delayed.

(i) Notice of Event of Loss or Change in Insurance Coverage . The Borrower shall promptly notify the Administrative Agent of any Event of Loss which it believes will exceed $2,000,000, individually or in the aggregate. The Borrower shall promptly notify the Administrative Agent of (i) each written notice received by it with respect to the cancellation of, material adverse change in, or material default under, any insurance policy required to be maintained in accordance with this Section 8.05 and (ii) any event specified in Schedule 8.05 .

(j) No Duty of Secured Parties to Verify . No provision of this Section 8.05 nor any other provision of this Agreement or any Material Project Document shall impose on the Secured Parties any duty or obligation to verify the existence or adequacy of the insurance coverage maintained by the Borrower, nor shall the Secured Parties be responsible for any representations or warranties made by or on behalf of the Borrower to any insurance company or underwriter.

(k) Loss Proceeds .

(i) Deposits to the Onshore Revenue Accounts . In the event that the Borrower or the Administrative Agent receives any amount of proceeds of insurance and other payments received for interruption of operations in respect of any Event of Loss, such amounts shall be deposited in accordance with the Collateral Agency and Depositary Agreement in the relevant Onshore Revenue Account.

(ii) Deposits to the Loss Proceeds Account . In the event that the Borrower or the Administrative Agent receives an amount of Loss Proceeds in respect of any Event of Loss, the Net Available Amount shall be deposited in accordance with the Collateral Agency and Depositary Agreement in the Loss Proceeds Account (for purposes of this Section 8.05 , the " Loss Proceeds Accounts ").

(iii) Corrections . In the event the Borrower receives any amount specified in paragraph (i) or (ii) above and fails to deposit such amount in the correct account pursuant to paragraph (i) or (ii) above, the Borrower shall instruct the Offshore Collateral Agent to correct any such error within two (2) Business Days of receipt of such amounts.

(l) Restoration .

(i) Amounts to be made available to the Borrower from the Loss Proceeds Account for Restoration following any Event of Loss shall be remitted to the Borrower by the Trustee (upon the instruction of the Administrative Agent), in the event that the Net Available Amount is less than or equal to $5,000,000.

(ii) Amounts to be made available to the Borrower from the Loss Proceeds Account for Restoration following any Event of Loss shall be remitted to the Borrower by the Trustee (upon the instruction of the Administrative Agent) in the event that the Net Available Amount is greater than $5,000,000 but less than or equal to $15,000,000 if the Independent Engineer shall have delivered to the Administrative Agent and the Collateral Agent a certificate to the effect that the Net Available Amount deposited in the Loss Proceeds Account is sufficient (together with all other monies reasonably expected to be available to the Borrower as determined by the Administrative Agent in consultation with the Independent Engineer), in the reasonable opinion of the Independent Engineer, for such Restoration. Amounts made available to the Borrower for Restoration shall only be utilized for Restoration upon receipt of the invoices and/or other evidence of the costs associated with such Restoration and, if not so utilized within ninety (90) days of receipt of such amounts by the Borrower (or within such longer period as may be necessary to achieve such Restoration as determined by the Independent Engineer), shall be used to prepay the Loans.

(iii) Amounts to be made available to the Borrower from the Loss Proceeds Account for Restoration following any Event of Loss shall be remitted to the Borrower by the Administrative Agent in the event that the Net Available Amount is greater than $15,000,000 if (A) the Borrower shall submit a plan for Restoration as soon as commercially practicable, but in no event more than sixty (60) days after the occurrence of such Event of Loss and the Independent Engineer shall have delivered a certificate to the Administrative Agent and the Collateral Agent to the effect that the Borrower plan of Restoration is prudent and sound and the Net Available Amount deposited in the Loss Proceeds Account is sufficient (together with all other monies reasonably expected to be available as determined by the Administrative Agent in consultation with the Independent Engineer), in the reasonable opinion of the Independent Engineer, for such Restoration and (B) the Majority Lenders have consented to such use of the Net Available Amount. Amounts made available to the Borrower for Restoration shall only be utilized for Restoration upon receipt of the invoices and/or other evidence of the costs associated with such Restoration and, if not so utilized in ninety (90) days after approval of the plan of Restoration (or within such longer period as may be necessary to achieve such Restoration as determined by the Independent Engineer), shall be used to prepay the Loans.

(iv) The Borrower hereby agrees to notify the Administrative Agent, as soon as possible and in any event within ten (10) days thereof, of the completion of each Restoration. If, at any time after the completion of any Restoration, any of the Loss Proceeds deposited into the Loss Proceeds Account in connection with any event that gave rise to such Restoration exceeded the amount required to complete such Restoration, the Borrower hereby irrevocably instructs the Offshore Collateral Agent (without any further action by or notice to or from the Borrower) to instruct the Trustee to transfer such excess amount to the Onshore Dollar Revenue Account on the date of completion of such Restoration.

(m) Modifications to Insurance Coverage . The Administrative Agent (acting at the direction of the Majority Lenders) may at any time amend the requirements of paragraphs (b) , (c) and (d) of this Section 8.05 and the related Schedule 8.05 (unless specifically provided otherwise in Schedule 8.05 ), and shall provide prior written notice thereof to the Borrower, upon a change in circumstances with respect to the Project arising after the Closing Date that in the reasonable judgment of the Majority Lenders and the Independent Insurance Consultant renders the coverage specified therein materially inadequate for the Project; provided , that such change in or additional coverage shall be commercially available at reasonable terms.

(n) Reimbursement . In the event that a Credit Party finances the Restoration of Affected Property with funds other than Loss Proceeds, such Credit Party will be entitled to reimbursement of such amounts from any Loss Proceeds later received in respect of such Affected Property.

8.06 Proceedings . The Borrower shall (a) promptly upon obtaining knowledge of each action, suit or proceeding at law or in equity by or before any Government Authority, arbitral tribunal or other body pending or threatened against the Borrower involving

(i) claims against the Borrower or the Project that, in the reasonable opinion of the Borrower, are likely to be in excess of $3,000,000 (individually or on an aggregate basis) or (ii) material injunctive or declaratory relief and (b) promptly upon becoming aware of any other circumstance, act or condition (including the adoption, amendment or repeal of any Government Rule or the Impairment of any Government Approval or written notice of the failure to comply with the terms and conditions of any Government Approval) which could reasonably be expected to result in a Material Adverse Effect, with respect to the Borrower, taken as a whole or the Project, in each event described in clauses (a) and (b) above, furnish to the Administrative Agent a notice of such event describing it in reasonable detail and, together with such notice or as soon thereafter as possible, a description of the action that the Borrower has taken and proposes to take with respect to such event.

8.07 Taxes; ERISA .

(a) The Borrower shall timely file all required material Tax returns and shall pay and discharge all material Taxes imposed on the Borrower or on its income or profits or on any of its Property prior to the date on which any penalties may attach; provided , that the Borrower shall have the right to Contest the validity or amount of any such Tax. The Borrower shall promptly pay any valid, final judgment rendered upon the conclusion of the relevant Contest, if any, enforcing any such Tax and cause it to be satisfied of record.

(b) The Borrower will not sponsor, contribute, maintain or incur any liability with respect to any employee benefit plan or program that is subject to ERISA.

8.08 Books and Records; Inspection Rights; Accounting and Audit Matters . The Borrower shall:

(a) keep proper books of record in accordance with its Accounting Principles and permit representatives and advisors of the Administrative Agent or any Lender, upon reasonable notice to the Borrower and upon reasonable intervals, to visit and inspect its properties ( provided that such Person is accompanied by the personnel of the Borrower and complies with all safety plans and procedures in effect at the relevant property), to examine, copy or make excerpts from its books, records and documents (at the expense of the Borrower) and to discuss its affairs, finances and accounts with its principal officers, engineers and independent accountants ( provided that the Borrower may, if it so chooses, be present at or participate in any such discussion), all at such times during normal business hours as such representatives may reasonably request;

(b) maintain an accounting and cost control system and management information system adequate to reflect truly and fairly the financial condition of the Borrower and the results of its operations (including the progress of the Project) in conformity with Accounting Principles, the Transaction Documents, applicable law and Good Industry Practices, as applicable, which systems shall be reasonably acceptable to the Administrative Agent;

(c) maintain *Caipo y Asociados, S.R.L* , an affiliate of KPMG International or any other internationally recognized independent public accounting firm reasonably acceptable to the Administrative Agent as auditors (the " Auditors ") and irrevocably authorize the Auditors (including successor auditors) to provide information that the Administrative Agent or Lenders may reasonably request from time to time regarding the Borrower's financial statements (both audited and unaudited), accounts and operations and, upon request of the Administrative Agent, to provide to the Administrative Agent a copy of such authorization as may be in effect from time to time and use all commercially reasonable efforts to obtain the Auditors' acknowledgment and consent thereto.

Notwithstanding anything to the contrary in this Section 8.08 , the Borrower will not be required to disclose, permit the examination or making copies or abstracts of, or discussion of, any documents, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to the Administrative Agent or any Lender (or their respective agents or representatives) is prohibited by applicable law or any binding agreement or (iii) is subject to attorney-client or similar privilege or constitutes attorney work product.

8.09 Use of Proceeds .

(a) The Borrower shall use the proceeds of the Borrowings to pay for the Project Costs in respect of the Project Development in accordance with the Project Construction Budget and Schedule and the terms of the Financing Documents.

(b) Subject to the provisions of the SACE Policy, the Borrower shall not request or apply any portion of any Tranche D Loan other than (without duplication):

(i) payments for, and reimbursement for amounts paid in respect of Eligible Contract Expenditures, in accordance with the terms of the Eligible Contract and the SACE Policy in an amount which is equal to up to eighty-five percent (85%) of the Export Contract Value;

(ii) payments for, and reimbursement for amounts paid in respect of the SACE Premium in an amount which is equal to up to one hundred percent (100%) of the SACE Premium; or

(iii) payment of up to one hundred percent (100%) of Eligible Tranche DIDC.

(c) Subject to clause (b), Tranche D Loans may only be used to finance or refinance payments for Eligible Contract Expenditures which are provided to the Borrower by the Eligible Contractor pursuant to the Eligible Contract.

(d) If all or part of the Eligible Costs which are the subject of a SACE Facility Payment Request is expressed in Nuevo Soles, the Nuevo Sol amount of such Eligible Costs shall be notionally converted into US Dollars by applying the SACE Agreed Exchange Rate for the purpose of determining the US Dollar equivalent of such Nuevo Sol amount to be reimbursed to the Borrower or paid to the Eligible Contractor (as the case may be).

(e) The Required Equity Contributions shall only be used in connection with the payment of Project Costs.

8.10 Maintenance of Liens . The Borrower shall take all action reasonably required to maintain and preserve the Liens created by the Security Documents to which it is a party and the priority of such Liens. The Borrower shall from time to time execute or cause to be executed any and all further instruments (including financing statements, continuation statements and similar statements with respect to any Security Document) reasonably requested by the Administrative Agent for such purposes, including the documents listed on Schedule 8.10 by no later than the dates set forth in such Schedule 8.10 . The Borrower shall promptly discharge at its own cost and expense, any Lien (other than Permitted Liens) on the Collateral; provided , that the Borrower may Contest any such Lien.

8.11 Prohibition of Fundamental Changes .

(a) The Borrower shall not change its legal form, amend its organizational documents (except as required by applicable law in connection with a contribution of capital in the form of equity), merge into or consolidate with, or acquire all or any substantial part of the assets or any class of stock of (or other Equity Interest in), any other Person and shall not liquidate or dissolve. The Borrower shall not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any assets except: (i) Dispositions of (A) Permitted Investments in accordance with the Collateral Agency and Depositary Agreement, (B) obsolete, worn out, surplus or defective assets, whether now owned or hereafter acquired, sold in the ordinary course of business or (C) damaged or destroyed property, upon receipt of insurance proceeds in connection therewith; (ii) Dispositions of property to the extent that (A) such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased or (B) the proceeds of such Dispositions are promptly applied to the purchase price of replacement property (which replacement property is actually promptly purchased); (iii) Dispositions in respect of property having an aggregate fair market value not in excess of $3,000,000 in any calendar year; (iv) Dispositions of property, the Net Cash Payments received in respect of which are applied to prepay the Loans in accordance with Section 3.04(b) ; and (v) Restricted Payments made in accordance with the Financing Documents.

(b) The Borrower shall neither purchase nor acquire any assets other than: (i) the purchase of assets reasonably required for the completion of the Project in accordance with the EPC Contract, applicable Government Approvals and applicable Government Rules and as contemplated by the Project Construction Budget and Schedule, (ii) the purchase of assets reasonably required in connection with Restorations in accordance with Section 8.05(l) , (iii) subject to the variance set forth in Section 8.21(b) , the purchase of assets in the ordinary course of business reasonably required in connection with the operation of the Project contemplated by the then-effective Operating and Capital Budget, (iv) the purchase of assets reasonably required in connection with Permitted Capital Expenditures and (v) Permitted Investments.

8.12 Restricted Payments . The Borrower shall not make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that the Borrower may make a Restricted Payment from and to the extent of amounts then on deposit in the Onshore Distribution Accounts, on an Interest Payment Date, or within a period of fifteen (15) Business Days from such Interest Payment Date, subject to the satisfaction of each of the following conditions on the date of such Restricted Payment (a " Restricted Payment Date ") and after giving effect to such Restricted Payment: (a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence of such Restricted Payment;

(b) Project Completion shall have occurred;

(c) the Debt Service Reserve Account shall be fully funded with the Required Debt Service Reserve Amount;

(d) as calculated on the proposed Restricted Payment Date, the historical Debt Service Coverage Ratio for the preceding four (4) fiscal quarters prior to such Restricted Payment Date, is not less than 1.20 to 1.0 and the projected Debt Service Coverage Ratio for the succeeding twelve months is not less than 1.20 to 1.0;

(e) the Initial Amortizing Senior Loan Tranche Principal Payment Date shall have occurred;

(f) all mandatory prepayments (if any) shall have been made in accordance with Section 3.04 of this Agreement and the Collateral Agency and Depositary Agreement;

(g) The Administrative Agent shall not have notified the Borrower and the Lenders that it has received a written notice delivered by FMO or DEG, dated at least four (4) Business Days prior to the Restricted Payment Date set forth in the relevant certificate described in clause (h) below, setting forth their determination (acting reasonably) that the Borrower is not in compliance with its obligations set forth in Sections 8.04 , 8.09 , 8.30 and 8.33 ; and

(h) the Borrower shall have delivered to the Administrative Agent, at least ten (10) Business Days prior to the proposed Restricted Payment Date, a certificate of an Authorized Officer of the Borrower:

(i) to the effect that each of the foregoing conditions (other than clause (g)) shall be satisfied as of such Restricted Payment Date;

(ii) to the effect that the making of such Restricted Payment is not expected to have a Material Adverse Effect on the Borrower; and

(iii) setting out in reasonable detail the calculations for computing the Debt Service Coverage Ratio for the relevant period and stating that such calculations were made, in each case, in good faith and were based on assumptions believed to be reasonable.

8.13 Liens . The Borrower shall preserve and maintain good and valid title to, or rights in, the Collateral and its Property and shall not create, incur, assume or suffer to exist any Lien on any of the Collateral or any of its other Property, whether now owned or hereafter acquired, except:

(a) Liens, pledges or deposits under worker's compensation, unemployment insurance or other social security legislation (other than ERISA);

(b) Liens imposed by any Government Authority for Taxes that are not yet due or that are being Contested;

(c) Mechanics' Liens arising in the ordinary course of business or incident to the Project Development or any Restoration or the operation of the Project, in each case, in respect of obligations that are not yet due or that are being Contested and that do not have a Material Adverse Effect;

(d) Liens created pursuant to this Agreement and the Security Documents;

(e) Liens incurred in connection with Indebtedness permitted under clause (iii) of Section 8.16(a) or in connection with cash collateralized letters of credit reimbursement obligations permitted under clause (vi) of Section 8.16(a) ;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) minor easements, rights-of-way, restrictions and other similar encumbrances affecting real property incurred in the ordinary course of business that, in each case, do not render title to the property encumbered thereby unmarketable or materially interfere with the use of such property for the Project, and which could not reasonably be expected to have a Material Adverse Effect with respect to the Project;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 9.01(j) ; and

(i) Liens arising by virtue of any statutory or common law provisions relating to banker's liens, rights of set-off or similar rights arising in connection with repurchase agreements and deposit accounts that are Permitted Investments.

8.14 Investments . The Borrower shall not make, and shall not instruct any relevant Person to make, any Investments except:

(a) direct obligations of the United States, or of any agency of the United States, or obligations guaranteed as to principal and interest by the United States or any agency of the United States, maturing in not more than ninety (90) days from the date of acquisition by the Borrower;

(b) certificates of deposit issued by any Acceptable Bank maturing in not more than 90 days from the date of acquisition by the Borrower;

(c) commercial paper rated (on the date of acquisition by the Borrower) "A-1" or "P-1" by S&P or Moody's, respectively, maturing in not more than ninety (90) days from the date of acquisition by the Borrower;

(d) repurchase agreements fully secured by obligations described in paragraph (a) above with any Acceptable Bank with maturities not in excess of ninety (90) days;

(e) shares in money-market mutual funds having assets of $1,000,000,000 or more that invest solely in securities described in paragraphs (a) through (d) above that have a maximum maturity of one year or less and an average maturity of six months or less at the time of purchase;

(f) the Permitted Swap Agreements;

(g) with respect to amounts on deposit in the Onshore Collateral Accounts, (i) any securities issued by the Central Bank of Peru ( *Banco Central de Reserva del Perú* ), (ii) time deposits or saving accounts with, including certificates of deposit issued by, any Acceptable Bank and (iii) shares of any money market or mutual fund substantially all of the assets of which are invested in securities and instruments of the types set forth in (i) and (ii) in this clause (g); and

(h) with respect to amounts on deposit in the Unsecured Accounts.

8.15 Permitted Swap Agreements .

(a) Interest Rate Protection Agreements . No later than ten (10) Business Days after the Initial Disbursement Date, and at all times thereafter, the Borrower shall maintain in full force and effect Interest Rate Protection Agreements with Permitted Swap Providers (in form and substance reasonably satisfactory to the Administrative Agent), which effectively fixes the Borrower's floating rate interest rate exposure, with respect to a notional amount equal to (i) at least 100% of the aggregate principal amount of all Tranche A Loans expected to be outstanding during the period from the Initial Disbursement Date until the Final Maturity Date, (ii) at least 50% of the aggregate principal amount of all Tranche B Loans expected to be outstanding during the period from Initial Disbursement Date through the Project Completion Date and (iii) (x) 100% of the aggregate principal amount comprising Part A of the Tranche D Loans expected to be outstanding during the period from the Initial Disbursement Date until the Tranche D Final Maturity Date and (y) 50% of the aggregate principal amount comprising Part B of the Tranche D Loans expected to be outstanding during the period from Initial Disbursement Date through the Project Completion Date.

(b) Currency Rate Protection Agreements . No later than ten (10) Business Days after the Initial Disbursement Date, and at all times thereafter the Borrower shall maintain in full force and effect Currency Rate Protection Agreements with Permitted Swap Providers (in form and substance reasonably satisfactory to the Administrative Agent) for an USD amount up to the amount to be defined by the average forward rate for 546,607,278 Nuevo Soles.

8.16 Indebtedness .

(a) The Borrower shall not directly or indirectly create, incur, assume, suffer to exist or otherwise be or become liable with respect to any Indebtedness except:

(i) Indebtedness under this Agreement;

(ii) accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such accounts payable are payable within sixty (60) days of the date the respective goods are delivered or the respective services are rendered and (unless such accounts payable are being contested in good faith and by appropriate legal, administrative or other proceedings diligently conducted and so long as adequate reserves have been established with respect thereto in accordance with the Borrower's Accounting Principles, and only if the failure to pay such accounts payable could not reasonably be expected to have a Material Adverse Effect) are no more than ninety (90) days past due;

(iii) purchase money or lease obligations to the extent incurred in the ordinary course of business to finance the acquisition or licensing of intellectual property or items of equipment (and Indebtedness incurred to finance any such obligations); provided , that (A) if such obligations are secured, they are secured only by Liens upon the equipment or intellectual property being financed and (B) the aggregate principal amount and the capitalized lease portion of such obligations at any time outstanding do not at any time exceed $10,000,000 in the aggregate;

(iv) Indebtedness in respect of the Permitted Swap Agreements;

(v) Subordinated Shareholder Loans; and

(vi) Other unsecured (except in the case of cash collateralized letters of credit, which Indebtedness may be secured) Indebtedness to be used for working capital purposes in the ordinary course of business, including with respect to letters of credit, cash deposits and guarantees in connection with bids for PPAs, provided that the principal amount of such obligations outstanding do not at any time exceed $20,000,000 in the aggregate.

8.17 Nature of Business .

(a) The Borrower shall not engage in any business other than the Project Development and operation of the Project as contemplated by the Transaction Documents.

(b) The Borrower shall not create, acquire or permit to exist any Subsidiary.

(c) The Borrower shall not enter into any contractual or other arrangements with any Person that would require the Borrower to be subject to any liability with respect to, or to comply with, ERISA or any other similar Government Rule concerning labor, employment, wages or worker benefits.

8.18 Project Construction; Maintenance of Properties .

(a) The Borrower shall cause the Project to be constructed and completed in all material respects in accordance with, and otherwise take such actions in respect of the Project as are required by, Good Industry Practices, the EPC Contract, the Project Construction Budget and Schedule, and the other relevant Material Project Documents; provided that the Borrower shall not (i) exercise the option to place a Generator Set or the Project into service prior to the Partial Taking-Over Date or the Final Taking-Over Date pursuant to Section 10.9 of the EPC Contract or (ii) declare that commercial operation has occurred under the Definitive Generation Concession Agreement without the prior written consent of the Administrative Agent (acting at the direction of the Supermajority Lenders).

(b) The Borrower shall maintain and preserve the Project and all of its other material Properties necessary or useful in the proper conduct of its business in good working order and condition (ordinary wear and tear excepted), in accordance with Good Industry Practices, the Material Project Documents and the operating manuals. The Borrower shall operate the Project (or cause the Project to be operated) in accordance with Good Industry Practices, the Material Project Documents, the Operating and Capital Budget and the operating manuals. In the event of any conflict, the more stringent shall govern.

(c) The Borrower shall obtain and maintain in full force and effect as and when required all land rights, rights of way or easement rights required for the Project (including any such rights required for the Transmission Line).

(d) The Borrower shall provide evidence of the submission (including copies thereof) to MINEM of all required documentation for the application of the Transmission Concession no later than one (1) year after the Closing Date.

(e) The Borrower shall have commenced construction of the Transmission Line no later than October 25, 2014.

(f) The Borrower shall not make any Capital Expenditures on or after the Closing Date except (i) construction of the Project and (ii) Permitted Capital Expenditures.

(g) The Borrower shall pay for Project Costs in respect of the Project Development with a combination of (i) Loans, (ii) the Required Equity Contribution, (iii) any Contingent Equity Contributions and (iv) Shareholder Contributions.

(h) The Borrower shall retain appropriate personnel to oversee all major civil works then-currently under construction consistent with the information provided to the Independent Engineer in connection with the Independent Engineer's certification pursuant to Section 6.03(f) .

8.19 Construction Reports .

(a) Prior to Project Completion the Borrower shall deliver to the Administrative Agent, Construction Reports on a monthly basis in connection with the Project (commencing on the Initial Disbursement Date), accompanied by a certificate of an Authorized Officer of the Borrower setting forth in reasonable detail:

(i) the Borrower's then-current estimate of anticipated Project Costs for the Project through (x) the Commercial Operation Date and (y) the Actual Project Acceptance Date, as compared to the Project Construction Budget and Schedule and reasons for material variances, and in the event of a material variance, the reasons therefor, and such other information reasonably requested by Administrative Agent;

(ii) any occurrence of which the Borrower is aware that could reasonably be expected to (A) increase the total Project Costs above those set forth in the Project Construction Budget and Schedule, (B) delay the Final Taking-Over Date beyond the Scheduled Final Taking-Over Date or (C) have a Material Adverse Effect;

(iii) the status of the Government Approvals necessary for the Project Development, including the dates of applications submitted or to be submitted and the anticipated dates of actions by Government Authorities with respect to such Government Approvals;

(iv) with respect to the Project Development, a listing of material reportable environmental, health and safety incidents as well as any material unplanned related impacts, events, accidents or issues that occurred during the report period that relate to compliance with Environmental and Social Laws, the Action Plan and the Environmental and Social Standards; and

(v) an updated construction schedule showing (A) construction progress, including the status of engineering design, as compared with the baseline schedule set forth in the Project Construction Budget and Schedule and (B) a projection of construction activities for the succeeding quarter.

(b) Prior to Project Completion, the Borrower shall cause to be delivered by the Independent Engineer to the Administrative Agent, Construction Reports, as soon as available and in any event within twenty (20) days after the end of each two-month period, in connection with the Project (commencing on the Initial Disbursement Date), in form, scope and substance acceptable to the Administrative Agent setting forth in reasonable detail:

(i) a review of the Borrower's then-current estimate of anticipated Project Costs for the Project set forth in the Construction Report delivered by the Borrower pursuant to Section 8.19(a) above for the last month in such quarterly fiscal period, and such other information reasonably requested by Administrative Agent; and

(ii) any occurrence of which the Independent Engineer is aware that could reasonably be expected to (A) increase the total Project Costs above those set forth in the Project Construction Budget and Schedule, (B) delay the Final Taking-Over Date beyond the Scheduled Final Taking-Over Date or (C) have a Material Adverse Effect.

provided , that upon any occurrence that may result in a circumstance set forth in sub-clause (ii) above, and so long as such condition continues (as determined by the Independent Engineer), the Borrower shall cause the Independent Engineer to deliver monthly Construction Reports to the Administrative Agent.

8.20 Project Documents; Etc .

(a) Other than (i) the Project Documents, (ii) the Financing Documents, and (iii) other documents evidencing Permitted Indebtedness, the Borrower shall not enter into any other contracts, agreements, instruments, letters, undertakings or other documentation; provided that for the avoidance of doubt, subject to Section 8.23 , the Borrower may enter into any contracts, agreements, instruments, letters, understandings with an Affiliate for the sale of Credits and such amounts received thereunder shall be Project Revenues of the Borrower and deposited directly into the relevant Onshore Revenue Accounts and the relevant counterparty thereto shall have no recourse against the Borrower or the Project in connection therewith; provided further , that the Borrower may enter into any contracts, agreements, instruments, letters, memoranda of understanding necessary for the registration of the real property or easements listed on Schedule 8.20 by the dates listed therein.

(b) The Borrower shall enter into each Project Document listed on Schedule 7.15(c) by no later than the dates set forth on such Schedule 7.15(c) .

(c) The Borrower shall obtain each easement and provide evidence of each required registration of each easement and parcel of real property listed on Schedule 8.20 by no later than the dates set forth on such Schedule 8.20 .

(d) The Borrower shall (i) perform and observe all of its material covenants and material obligations contained in each of the Project Documents, (ii) take all reasonable and necessary action to prevent the termination, suspension or cancellation of any Material Project Document in accordance with the terms of such Material Project Documents or otherwise (except for the expiration of any Material Project Document in accordance with its terms and not as a result of a breach or default thereunder) and (iii) enforce against the relevant Material Project Party each material covenant or material obligation of each of (A) the PPAs, (B) the Investment Agreement, (C) the Concession Agreements, (D) the EPC Contract and (E) any Acceptable COD O&M Arrangement, to which such Person is a party in accordance with such agreement's terms; provided , however , that the Borrower may refrain from enforcing a material right under a Project Document to which it is a party to the extent that (x) the Borrower notifies the Administrative Agent of its intention not to enforce such material right and (y) the Majority Lenders do not instruct the Borrower to enforce such material right.

(e) The Borrower shall not issue, consent to or otherwise accept any change order or variation order, amendment, supplement or modification to the EPC Contract (each a " Change Order ") other than change orders made prior to the Closing Date and listed on Schedule 7.15(f) and unless the Borrower has (i) delivered a certificate of an Authorized

Officer to the Administrative Agent and the Independent Engineer certifying that (x) after giving effect to such Change Order, the ability of such Borrower to achieve the Scheduled Final Taking-Over Date has not been adversely affected, (y) no cost overruns shall have occurred and be continuing which could reasonably be expected to result in Project Costs exceeding the funds available in order to achieve Project Completion prior to the Required Project Completion Date and (z) such Change Order could not reasonably be expected to have a Material Adverse Effect with respect to the Project and (ii) such Change Order has been reviewed by the Independent Engineer and the Independent Engineer has confirmed the certifications in clauses (x), (y) and (z) above.

(f) Notwithstanding clause (d) above, the prior written consent of the Administrative Agent, acting at the direction of the Majority Lenders and in consultation with the Independent Engineer, shall be required for the Borrower to (i) enter into Change Order (x) where the Borrower is not able to provide the certifications required in clause (d) above, (y) which individually gives rise to additional Project Costs for the Project in excess of $2,000,000 or together with all other Change Orders for the Project entered into after the Closing Date, in excess of $10,000,000 in any Fiscal Year or (z) which amends, supplements or modifies any provision relating to the payment of liquidated damages, warranties, liabilities, performance tests, amount or timing of posting or content of performance bonds or guarantees or the payment schedule or materially amends, supplements or modifies the technical specifications of the Project or (ii) issue any completion, taking over, acceptance or other similar certificates under the EPC Contract; provided that prior to the Borrower entering into any Change Order that does not require consent pursuant to this Section 8.20(f), (A) the Borrower shall first deliver a copy of such Change Order to the Administrative Agent and (B) the Administrative Agent (acting at the direction of the Majority Lenders and in consultation with the Independent Engineer) may provide a written objection in connection therewith within four (4) Business Days of receipt of such proposed Change Order.

(g) None of the Borrower, the Operator or the Project Sponsor shall, without the prior written consent of the Majority Lenders in consultation with the Independent Engineer, (i) suspend, cancel or terminate any Material Project Document or consent to, allow to subsist, or accept any suspension, cancellation or termination thereof (except for the expiration of any Material Project Document in accordance with its terms and not as a result of a breach or default thereunder), (ii) sell, transfer, assign (other than pursuant to the Security Documents) or otherwise dispose of (by operation of law, capacity release or otherwise) or consent to any such sale, transfer, assignment or disposition of any part of its interest in any Material Project Document, (iii) waive any material default under, or material breach of, any Material Project Document or waive, fail to enforce, forgive, compromise, settle, adjust or release (or consent to any of the foregoing in respect of) any material right, interest or entitlement, howsoever arising, under, or in respect of, any Material Project Document, (iv) initiate or settle a material arbitration claim or proceeding under any Material Project Document, (v) agree to or petition, request or take any other material legal or administrative action that seeks, or may reasonably be expected, to Impair any Material Project Document, (vi) amend, supplement or modify or in any way vary, or agree to the variation of, any material provision of a Material Project Document or of the performance of any material covenant or obligation by any other Person under any Material Project Document; provided that the Borrower may, without the prior written consent of the Majority Lenders, extend the final

milestone ( *Fecha de Inicio* ) listed in each of the ElectroPeru PPA and the Investment Agreement for a period up to six (6) months from January 1, 2016 or (vii) enter into any Additional Project Document other than any Non-Material Project Document; provided that the aggregate amount of obligations or liabilities under all Non-Material Project Documents shall not exceed $10,000,000.

(h) Except as expressly provided in the Collateral Agency and Depositary Agreement, the Borrower shall cause all Project Revenues received from any Project Party or any other Person to be deposited in the Onshore Revenue Accounts. Subject to the following sentence, without limiting the Borrower's obligation to procure all Consent and Agreements pursuant to this Agreement, the Borrower shall send a letter (on the Borrower's letterhead and signed by an Authorized Officer of the Borrower) notifying each other Project Party not party to a Consent and Agreement (i) that its Project Document and all associated documents and obligations have been pledged as collateral security to the Secured Parties and are subject to the Secured Parties' Lien on such Property and (ii) if such Project Party's Project Document requires any payment of Project Revenues specified in clause (a) of the definition of Project Revenues that, in addition to the assignment specified in clause (i) above, it shall pay all such Project Revenues directly into the applicable Onshore Revenue Account. In connection with letters sent to counterparties purchasing capacity or energy in the Spot Market, such letter described above shall be notarized by a Peruvian public notary, and the Borrower shall also include the account information of the applicable Onshore Revenue Account to be included in any invoices issued by the Borrower in connection therewith.

(i) The Borrower shall furnish the Administrative Agent and the Independent Engineer with (i) copies of (A) all amendments, supplements or modifications of any Material Project Documents, (B) all Additional Project Documents and (C) if reasonably requested by the Administrative Agent, Non-Material Project Documents and amendments, supplements or modifications thereto and (ii) all Ancillary Documents relating to any Additional Project Document that is a material PPA, Acceptable COD O&M Arrangement or a replacement of the EPC Contract, in each case, promptly after execution and delivery of such documents to the Borrower.

8.21 Operating and Capital Budget .

(a) The Borrower shall, prior the Initial Partial-Taking Over Date, adopt an Operating and Capital Budget for the Project for the period from such date to the conclusion of the then current Fiscal Year (and for each month during such period), and, no less than fifteen (15) days in advance of the beginning of each Fiscal Year of the Borrower thereafter, the Borrower shall adopt an Operating and Capital Budget for the Project for the succeeding Fiscal Year (and for each month during such period). A copy of each such proposed Operating and Capital Budget, together with a comparison of the costs in the proposed Operating and Capital Budget with the costs set forth in the Operating and Capital Budget for the Project for the current Fiscal Year and an explanation of the reasons for any significant increase or decrease in any category shall be furnished to the Administrative Agent at least thirty (30) days before (i) the Scheduled Partial Taking-Over Date (as defined in the EPC Contract) for the first Generator Set and (ii) the beginning of each Fiscal Year to which such proposed Operating and Capital Budget applies. Prior to adoption thereof, the proposed Operating and Capital Budget

for the Project shall be subject to the prior approval of the Administrative Agent, following consultation with the Independent Engineer, which approval shall not be unreasonably withheld or delayed. A copy of the final Operating and Capital Budget so adopted for the Project shall be furnished to the Administrative Agent promptly upon its adoption. The Administrative Agent shall have the right to approve all or a portion of any proposed Operating and Capital Budget for the Project. In the event that any proposed Operating and Capital Budget (or a portion thereof) for the Project is not approved by the Administrative Agent, the Operating and Capital Budget (or such portion thereof that is not approved) for the Project from the previous Fiscal Year shall apply for the then-current Fiscal Year, subject to annual adjustments for inflation (and shall for all purposes hereof be deemed to be part of the approved Operating and Capital Budget for such Fiscal Year) until an Operating and Capital Budget (or such portion of the proposed Operating and Capital Budget) for the Project is approved.

(b) The Borrower shall comply, within the 10% variance described below, with the applicable Operating and Capital Budget. If during any Fiscal Year the Borrower reasonably projects that any category of Operation and Maintenance Expenses for the Project for such Fiscal Year will exceed by more than 10% the amount budgeted for such category of Operation and Maintenance Expenses in the then-applicable Operating and Capital Budget, or if any category of Operation and Maintenance Expenses for the Project incurred to date during such Fiscal Year plus any Operation and Maintenance Expenses budgeted for such category for the remainder of such Fiscal Year in the then-applicable Operating and Capital Budget(s) exceeds by more than 10% the aggregate amount budgeted for such category of Operation and Maintenance Expenses in the then-applicable Operating and Capital Budget(s), then the Borrower shall prepare and submit for the approval (such approval not to be unreasonably withheld or delayed) of the Administrative Agent and the Independent Engineer pursuant to Section 8.21(a) , an amended Operating and Capital Budget for the remainder of such Fiscal Year.

8.22 Operating Statements and Reports .

(a) The Borrower shall furnish to the Administrative Agent and the Independent Engineer (i) commencing forty-five (45) days after the Initial Partial-Taking Over Date, a monthly operating statement of the Project not more than fifteen (15) days after the end of each month, and (ii) not more than ninety (90) days after the end of each Fiscal Year of the Borrower, an operating statement of the Project for such Fiscal Year (with monthly detail). Such operating statements shall correspond to the classifications and monthly periods of the current annual Operating and Capital Budget and shall show all Project Revenues and all expenditures for Operation and Maintenance Expenses. The monthly operating statement shall include (i) updated estimates of Operation and Maintenance Expenses for the balance of such Fiscal Year to which the operating statement relates, (ii) any material developments during such period which could reasonably be expected to have a Material Adverse Effect and (iii) a summary of the statistical data relating to the operation of the Project with respect to the categories listed in Schedule 8.22 . The monthly and annual operating statements shall each be certified as materially complete and correct by an Authorized Officer of the Borrower. Each operating statement will be accompanied by a statement of sources and uses of funds for the periods covered by it and a discussion of the reason for any material variance from the amount budgeted therefor in the Operating and Capital Budget. The form of such operating statements shall be substantially in the form attached hereto as Schedule 8.22(a) .

(b) The Borrower shall enter into an Acceptable COD O&M Arrangement no later than the Initial Partial-Taking Over Date. Prior to the adoption thereof, the proposed Acceptable COD O&M Arrangement shall be subject to the prior approval of the Administrative Agent (acting at the direction of the Supermajority Lenders).

(c) If the Borrower enters into a Borrower O&M Plan or a Kallpa O&M Agreement pursuant to paragraph (b) above and at any time during which the Borrower O&M Plan or Kallpa O&M Agreement is in effect a report delivered by the Independent Engineer in accordance with Section 8.01(f) identifies any performance benchmark identified in Schedule 1.01(B) has not been met or the Project is not currently in compliance with such performance benchmarks, then the Administrative Agent shall provide written notice of such event to the Borrower and the Lenders. Upon receipt of such written notice, the Borrower shall enter into an Acceptable Non-Affiliate O&M Agreement within three (3) months of receipt of such written notice if such event in (i) or (ii) above has (x) not been rectified to the satisfaction of the Supermajority Lenders or (y) waived by the Supermajority Lenders.

8.23 Transactions with Affiliates .

The Borrower shall not directly or indirectly enter into any transaction that is otherwise permitted hereunder with or for the benefit of an Affiliate of the Borrower (including guarantees and assumptions of obligations of an Affiliate of the Borrower) except upon fair and reasonable terms no less favorable to the Borrower than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower. Simultaneously with the delivery of a copy of such executed Additional Project Document entered into with an Affiliate pursuant to Section 8.20(i) , the Borrower shall deliver to the Administrative Agent (a) a certificate of an Authorized Officer of the Borrower describing such transaction in reasonable detail and certifying as to the satisfaction of the conditions set forth in this Section 8.23 and (b) the Ancillary Documents required in connection therewith. Each Project Document entered into with an Affiliate as of the Closing Date is listed on Schedule 7.15(a) .

8.24 Other Documents and Information . The Borrower shall furnish the Administrative Agent:

(a) promptly after the filing thereof, a copy of each filing, certification, waiver, exemption, claim, declaration, or registration made with respect to Government Approvals to be obtained or filed by the Borrower, the Kallpa Operator or any Credit Party with any Government Authority in connection with the Project, other than such filings, certifications, waivers, exemptions, claims, declarations, or registrations that are routine or ministerial in nature and in respect of which a failure (individually or on an aggregate basis) to file could not reasonably be expected to have a Material Adverse Effect;

(b) promptly after receipt or publication thereof, a copy of each Government Approval obtained by the Borrower (other than such Government Approvals obtained by the Borrower in the ordinary course of its business);

(c) promptly upon obtaining knowledge thereof, a description of each material change in the status of any Government Approval identified on Schedule 7.05(a) through (d);

(d) promptly after the delivery thereof to the addressee, a copy of each material notice, demand or other communication delivered by the Borrower pursuant to any Transaction Documents other than in the ordinary course of business;

(e) within thirty (30) days of the Closing Date, certified English translations of each Security Document governed by Peruvian law and executed in the Spanish Language.

8.25 Cooperation . The Borrower shall perform such acts as are reasonably requested by the Administrative Agent to carry out the intent of, and transactions contemplated by, this Agreement and the other Transaction Documents. The Borrower will cooperate with the Independent Engineer so that the Independent Engineer may provide, no later than 30 days after receipt of all data, a report to the Lenders reviewing the operation and maintenance of the Project for the prior Fiscal Year in accordance with Section 8.01(f) .

8.26 Performance Tests .

(a) The Borrower shall not, without the prior written consent of the Administrative Agent (not to be unreasonably withheld or delayed) in consultation with the Independent Engineer, agree with the EPC Contractor on the protocol for Performance Tests. The Administrative Agent shall not be obligated to approve such protocols for Performance Tests unless all such Performance Tests are undertaken in all material respects in compliance with all Government Approvals as is or in the future shall be necessary for the Project under applicable Government Rules (except any such Government Rules and Government Approvals the non-compliance with which could not reasonably be expected to result in a Material Adverse Effect, with respect to the Project).

(b) The Administrative Agent and the Independent Engineer have the right to witness and verify any Performance Tests in accordance with the guidelines set forth in Exhibit C to the EPC Contract and Good Industry Practices. The Borrower shall give the Administrative Agent and the Independent Engineer notice regarding each proposed Performance Test no less than fifteen (15) Business Days prior to any Performance Test and shall deliver a copy of the Test Procedures (as defined in the EPC Contract) to the Administrative Agent and the Independent Engineer within one (1) Business Day of receipt from the EPC Contractor. If, upon completion of any Performance Tests, the Borrower has decided to use such Performance Tests as the basis for the issuance of the Partial Taking-Over Certificate or the Final Taking-Over Certificate, it shall so notify the Administrative Agent and the Independent Engineer and shall deliver a copy of all test results supporting the results of such Performance Test, accompanied by supporting data and calculations including a report that indicates the Borrower's preliminary opinions as to the results of the

Performance Tests (each, a " Performance Test Report ") and the Independent Engineer will, upon a thorough review of such Performance Test Report, certify in writing to the Administrative Agent, within five (5) Business Days of the receipt of such Performance Test Report, the results of the Performance Tests and confirming that such Performance Tests were performed in accordance with the EPC Contract and Good Industry Practices or deliver a report to the Administrative Agent and the Borrower setting forth in reasonable detail any objections of the Independent Engineer to such Performance Test Report. If any such valid objections are made, then the Borrower shall be permitted to address such objections to the reasonable satisfaction of the Independent Engineer or conduct additional Performance Tests in accordance with this Section 8.26 .

(c) The Borrower shall permit the EPC Contractor to complete Performance Tests, in accordance with sub-clauses (a) and (b) above, in order to achieve the performance guarantee levels pursuant to Section 10.9 of the EPC Contract.

8.27 Separateness .

(a) The Borrower shall maintain separate bank accounts and separate books of account from, the Project Sponsor, the Kallpa Operator and from the Pledgors. The separate liabilities of the Borrower shall be readily distinguishable from the liabilities of each Affiliate of the Borrower, including the Pledgors, the Project Sponsor and the Kallpa Operator (to the extent a Kallpa O&M Agreement has been executed pursuant to the terms of this Agreement) (except to the extent otherwise contemplated by the Transaction Documents).

(b) The Borrower shall conduct its business solely in its own name in a manner not misleading to other Persons as to its identity.

8.28 Final Taking-Over; Commercial Operation; Project Completion .

(a) The Borrower shall cause the Final Taking-Over Date to occur on or before the Required Final Taking-Over Date.

(b) The Borrower shall cause Project Completion to occur on or before the Required Project Completion Date.

(c) In the event that (a) the Borrower has not achieved the Commercial Operation Date prior to the Required COD Trigger Date and (b) the Independent Engineer has indicated, at least one (1) month prior to such Required COD Trigger Date, that the Borrower shall not reasonably be able to achieve Commercial Operation Date by the Investment Agreement Termination Date, the Borrower shall provide to the Administrative Agent within five (5) Business Days of receipt of notice of the Independent Engineer pursuant to clause (b) above, a binding proposal for one or more PPAs to be assigned to the Borrower in order to replace the ElectroPeru PPA prior to the Investment Agreement Termination Date; provided , that if such proposal is not acceptable to the Supermajority Lenders, then the Borrower shall have until the Required COD Trigger Date to provide additional proposals which must be acceptable to the Supermajority Lenders.

8.29 Suspension or Abandonment . The Borrower shall not (i) permit or suffer to exist an Event of Abandonment or (ii) order or allow to subsist or consent to any suspension of work in excess of sixty (60) consecutive days under any Project Document relating to the Project in each such case without the prior written approval of the Administrative Agent (acting at the direction of the Majority Lenders).

8.30 Sanctionable Practices . The Borrower shall not (a) engage in (and shall not authorize or permit any Affiliate or any other Person acting on its behalf to engage in) with respect to the Project or any transaction contemplated by this Agreement, any Sanctionable Practice or (b) violate any Anti-Money Laundering Laws.

8.31 Financial Covenants . Commencing on the Initial Amortizing Senior Loan Tranche Principal Payment Date and on each Principal Payment Date thereafter until the satisfaction in full of its obligations under this Agreement, the Borrower shall maintain a Debt Service Coverage Ratio no less than 1.2 to 1.0.

8.32 Closing Fees; Expenses . All fees, costs and expenses due and payable, including pursuant to Sections 2.04 and 11.03 and the Fee Letters shall be paid in accordance with the terms of this Agreement and such Fee Letters and the SACE Reimbursement Agreement.

8.33 Anti-Terrorism; Prohibited Activities . The Borrower (a) will not become a Person or entity described by Section 1 of the Terrorism Order and will not engage in dealings or transactions with any such Persons or entities, (b) will not violate (i) the USA PATRIOT Act or (ii) the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010, (b) will not engage in any business relationships with specially designated nationals and blocked persons or entities maintained on the relevant lists by the European Union or any similar publically published list maintained by any other US governmental agency, the United Nations Security Council or any United Nations Security Council Sanctions Committee in relation to embargoes or the fight against terrorism and (c) will not engage in any Prohibited Activities.

8.34 CDM . The Borrower shall provide evidence of the submission (including copies thereof) to the applicable Government Authority of all required forms and other documentation for the registration of the Project under the CDM no later than the Project Completion Date.

8.35 Accounts . The Borrower shall not hold any bank accounts other than (a) the Project Accounts and (b) the Unsecured Accounts.

## ARTICLE IX

## EVENTS OF DEFAULT

9.01 Events of Default; Remedies . If one or more of the following events (the " Events of Default ") shall occur and be continuing:

(a) The Borrower shall (i) default in the payment when due of any principal of any Loan due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise or (ii) default in the payment when due of any interest on any Loan or any fee or any other amount payable by it under this Agreement or under any other Financing Document and the default described in this clause (ii) shall continue unremedied for a period of three (3) Business Days after the occurrence of such default; or

(b) The Credit Parties or Israel Corporation shall default for a period beyond any applicable grace period (i) in the payment of any principal, interest or other amount due under any agreement or instrument involving Indebtedness and the outstanding amount or amounts payable under any such agreement or instrument equals or exceeds (x) in the case of the Borrower, any Pledgor or the Project Sponsor, $5,000,000 in the aggregate and (y) in the case of Israel Corporation, solely until the Project Completion Date, $25,000,000 in the aggregate or (ii) in the performance of any obligation due under any agreement involving Indebtedness if in the case of this clause (ii) , pursuant to such default, the holder of the obligation concerned has accelerated the maturity of any Indebtedness evidenced thereby which equals or exceeds (x) in the case of the Borrower, any Pledgor or the Project Sponsor, $5,000,000 in the aggregate and (y) in the case of Israel Corporation, solely until the Project Completion Date, $25,000,000 in the aggregate; or

(c) (i) Any representation or warranty made or deemed made by any Credit Party or Israel Corporation (in the case of Israel Corporation, until Project Completion) in this Agreement or any other Financing Document or (ii) any representation, warranty or statement in any certificate, financial statement or other document furnished to the Administrative Agent or any Lender by or on behalf any Credit Party or Israel Corporation (in the case of Israel Corporation, until Project Completion) or (iii) any material representation or warranty made or deemed made by any Material Project Party in connection with any Transaction Document or (iv) any material representation, warranty or statement in any certificate, financial statement or other document furnished to the Administrative Agent or any Lender by or on behalf of any Material Project Party shall prove to have been false or misleading in any material respect as of the time made or deemed made, confirmed or furnished; or

(d) (i) The Borrower shall fail to observe or perform any covenant or agreement contained in Section 8.01(c) , 8.01(j) , 8.02 , 8.04(a) , 8.05(a) , 8.05(b) , 8.05(c) , 8.05(d) , 8.05(l) , 8.05(m) , 8.08 , 8.09 , 8.11 through 8.15 , 8.16(a) , 8.17 , 8.18(c) , 8.23 , 8.28 through 8.31 , 8.33 and 8.35 or shall default in the performance of any of its obligations contained in any Security Document and shall fail to cure such default within the grace period specified therein, if any or (ii) any other Credit Party or Israel Corporation (in the case of Israel Corporation, until Project Completion) shall fail to observe or perform any covenant or agreement contained in any Transaction Documents to which it is a party (not otherwise addressed in this Section 9.01 ) and shall fail to cure such default within the grace period specified therein, if any; or

(e) The Borrower shall default in the performance of any of its covenants or obligations to be performed or observed by it under this Agreement or any other Financing Document (not otherwise addressed in this Section 9.01 ) and such default shall continue unremedied (i) for a period of thirty (30) days after written notice of such default (specifying such default and requiring remedy thereof) from the Administrative Agent and (ii) for an additional fifteen (15) days only if the Borrower is diligently pursuing a cure and such default could not reasonably be expected to result in a Material Adverse Effect; or

(f) A Bankruptcy shall occur with respect to a Credit Party or Israel Corporation (in the case of Israel Corporation, until Project Completion); or

(g) A Bankruptcy shall occur with respect to (i) prior to the expiration of the EPC Contractor's warranty obligations and settlement of all claims under the EPC Contract, the EPC Contractor, (ii) any counterparty to a material PPA (including Luz del Sur and ElectroPeru) or the Operator or (iii) any other Material Project Party to the extent that such Bankruptcy could reasonably be expected to result in a Material Adverse Effect; or

(h) (i) The Liens in favor of the Secured Parties under the Security Documents shall at any time cease to constitute valid and perfected Liens granting a first priority security interest in the Collateral to the Secured Parties (other than Liens having priority by Government Rule), (ii) except for expiration in accordance with its terms, any of the Security Documents shall at any time for any reason cease to be valid and binding or in full force and effect or (iii) the enforceability of any Financing Document shall be contested by any Credit Party or Affiliate of any Credit Party, and in the case of clause (i) or (ii) (unless the event set forth in clause (ii) is the result of a declaration as set forth in clause (i) below), such circumstance continues unremedied for more than three (3) Business Days after notice of such circumstance from the Administrative Agent; or

(i) Any obligor under a Security Document (excluding any Secured Party) (including each counterparty to a Consent and Agreement) shall default in the performance of any of its material obligations (other than a payment obligation, which is governed by other provisions of this Section 9.01 ) under such Security Document and such default shall continue unremedied for more than 30 days after the occurrence thereof; provided , that if such default constitutes a contest or repudiation of the enforceability of such Security Document against an obligor, such event shall be governed by either paragraph (h) or (m) of this Section 9.01 ; or

(j) A final judgment or judgments for the payment of money (i) in respect of the Borrower, any Pledgor or the Project Sponsor, greater than $5,000,000 in the aggregate or (ii) prior to Project Completion, in respect of Israel Corporation, greater than $25,000,000 in the aggregate, shall be rendered by one or more Government Authorities, arbitral tribunals or other bodies having jurisdiction against any such Person and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution shall not be procured, within 30 days from the date of entry of such judgment or judgments provided , that any judgments that shall have been cash collateralized through additional contributions of equity to the Borrower shall not be a Default or Event of Default under this clause (j) ; or

(k) (i) Any counterparty to a material PPA (including Luz del Sur and ElectroPeru), the EPC Contractor or the Operator shall default in the performance of its obligation to maintain in full force and effect the insurance required by such party under the respective Material Project Document or (ii) solely to the extent that such default could reasonably be expected to result in a Material Adverse Effect, any other Material Project Party not listed in sub-clause (i) above, shall default in the performance of its obligation to maintain in full force and effect the insurance required by such Material Project Party under the respective Material Project Document; or

(l) (i) Any material Government Approval shall be Impaired and such Impairment continues to exist for more than thirty (30) days or such Government Approval is not replaced within thirty (30) days on terms and conditions that are in all material respects no less beneficial to the Borrower than those of such Impaired Government Approval; provided that if such Impairment could reasonably be expected to have a Material Adverse Effect then the foregoing grace period shall not apply or (ii) any other Government Approval shall be Impaired and such Impairment could reasonably be expected to result in a Material Adverse Effect; or

(m) (i) This Agreement or any other Transaction Document ceases to be enforceable against the Credit Party (or Israel Corporation, until Project Completion) party thereto (except for the expiration thereof in accordance with its terms and not as a result of a breach or default thereunder), (ii) any Financing Document, except for any Security Document, shall otherwise cease to be valid and binding on the Credit Party (or Israel Corporation, until Project Completion) party thereto or in full force and effect or shall be Impaired (in each case, except in connection with its expiration in accordance with its terms in the ordinary course (and not related to any default hereunder)) or (iii) any Credit Party (or Israel Corporation, until Project Completion) party to a Financing Document shall have expressly repudiated its obligations thereunder; or

(n) (i) Any Material Project Document shall at any time for any reason cease to be valid and binding or in full force and effect or shall be Impaired (except for the expiration thereof in accordance with its terms and not as a result of a breach or default thereunder) or (ii) any Credit Party or Material Project Party shall be in default (after any applicable notice, grace period or both) under any Material Project Document and such default could reasonably be expected to result in a Material Adverse Effect; or

(o) An Event of Abandonment shall have occurred; or

(p) An Environmental and Social Claim shall have been brought against the Borrower, which, individually or, in the case of multiple similar fact claims, in the aggregate, could reasonably be expected to have a Material Adverse Effect; or

(q) An Event of Taking shall have occurred with respect to (i) any Equity Interest in any Credit Party or (ii) all or substantially all of the Project, or otherwise could reasonably be expected to have a Material Adverse Effect, or an Event of Total Loss occurs; or

(r) A Change in Control shall have occurred; or

(s) (i) The Borrower shall incur any material liability under Title IV of ERISA or with respect to Foreign Plans or (ii) a Lien with respect to an employee benefit plan (as defined in Section 3(3) of ERISA) or a Foreign Plan shall arise on any of the assets of the Credit Parties and in each case in clauses (i) and (ii) that in the opinion of the Majority Lenders, when taken together with all other ERISA liability or liability with respect to Foreign Plans, could reasonably be expected to result in a Material Adverse Effect.

THEREUPON:

(1) in the case of an Event of Default other than the one referred to in paragraph (f) of this Article IX , with respect to the Borrower, the Administrative Agent may with the consent of the Majority Lenders, and, upon request of the Majority Lenders, shall take either or both of the following actions, at the same or different times, (x) terminate the Commitments, and thereupon the Commitments shall terminate immediately and (y) declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes and the other Financing Documents (including any amounts payable under Section 5.03 or 5.04 ) to be forthwith due and payable (or both), whereupon such amounts shall be immediately due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower; and

(2) in the case of the occurrence of an Event of Default referred to in paragraph (f) of this Article IX , with respect to the Borrower, the Commitments shall automatically terminate and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower under this Agreement and under the Notes and the other Financing Documents (including any amounts payable under Section 5.03 or 5.04 ) shall automatically become immediately due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

9.02 Exercise of Rights . In the case of any Event of Default, in addition to the exercise of remedies set forth in clauses (1) and (2) above, the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, shall have the right, with respect to clauses (1) and (2), upon the consent or at the request of the Majority Lenders to exercise any and all rights of a secured creditor with respect to the Collateral. It is also understood and agreed that an individual Lender in its capacity as such shall not have an independent right to exercise the rights or remedies pursuant to this Article IX or against the Borrower or any Collateral and the exercise of such rights or remedies shall be undertaken solely by the Administrative Agent or Offshore Collateral Agent or Onshore Collateral Agent as provided in the Financing Documents.

## ARTICLE X

## THE ADMINISTRATIVE AGENT

10.01 Appointment, Powers and Immunities . Each Lender, and the SACE Agent on behalf of each of the Tranche D Lenders, hereby irrevocably appoints and authorizes the Administrative Agent to act as its administrative agent under this Agreement and the other Financing Documents with such powers as are specifically delegated to the Administrative Agent by the terms of the Financing Documents, together with such other powers as are reasonably incidental to such powers. The Administrative Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 shall include reference to its affiliates and its own and its affiliates' officers, directors, employees, representatives and agents): (a) shall have no duties or responsibilities except those expressly set forth in the Financing Documents, and shall not by reason of any Financing Document be a trustee for any Lender; (b) shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in any Financing Document, or in any certificate or other document referred to or provided for in, or received by any of them under, any Financing Document, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Financing Document or any other document referred to or provided for in any Financing Document or for any failure by the Borrower or any other Person to perform any of its obligations under any Financing Document; (c) shall not be required to initiate or conduct any litigation or collection proceedings under any Financing Document; and (d) shall not be responsible for any action taken or omitted to be taken by it under any Financing Document or under any other document or instrument referred to or provided for in any Financing Document or in connection with any Financing Document, except for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction in an order that is no longer subject to appeal or review. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact reasonably selected by it in good faith. The Administrative Agent may deem and treat the payee of any Note as the holder of such Note for all purposes of the Financing Documents unless and until a notice of the assignment or transfer of such Note shall have been filed with the Administrative Agent, together with the consent of the Borrower to such assignment or transfer (to the extent provided in Section 11.06(b) ).

10.02 Reliance by the Administrative Agent . The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any made by telephone, telecopy, telex, telegram or cable) reasonably believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agents. As to any matters not expressly provided for by any Financing Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under any Financing Document in accordance with the instructions given by the requisite number of Lenders as are required by this Agreement in such circumstance, and such instructions of such Lenders and any action taken or failure to act pursuant to such instructions shall be binding on all of the Lenders.

10.03 Defaults . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default (other than the nonpayment of principal of or interest on Loans or of fees payable hereunder for such Agent) unless the Administrative Agent has received notice from the SACE Agent, a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give prompt notice of such receipt to the SACE Agent, each Lender (and shall give each Lender prompt notice of each such nonpayment) and the Borrower (if such notice was not from the Borrower). The Administrative Agent shall (subject to Section 10.07 ) take such action with respect to such Default as shall be directed by the Majority Lenders or; provided , that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as they shall deem advisable in the best interest of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not be taken, only with the consent or upon the authorization of all or some of the Lenders (as applicable).

10.04 Rights as a Lender . With respect to its Commitments and the Loans made by it, Sumitomo Mitsui Banking Corporation (and any successor acting as Administrative Agent) in its capacity as a Lender under the Financing Documents shall have the same rights, privileges and powers under the Financing Documents as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. Sumitomo Mitsui Banking Corporation (and any successor acting as Administrative Agent) and its affiliates may (without having to account for the same to any Lender) accept deposits from, lend money to, make investments in and generally engage in any kind of banking, trust or other business with the Borrower (and any of Borrower's Affiliates) as if it were not acting as the Administrative Agent, and Sumitomo Mitsui Banking Corporation and its affiliates may accept fees and other consideration from the Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

10.05 Indemnification . The Lenders agree to indemnify (x) the Administrative Agent (to the extent not reimbursed under Section 11.03 , but without limiting the obligations of the Borrower under such Section 11.03 ) and (y) the Agents (to the extent not reimbursed under the Collateral Agency and Depositary Agreement or the other Security Documents, but without limiting the obligations of the Borrower under the Security Documents), in each case ratably in accordance with the aggregate principal amount of the Loans held by the Lenders (or, if no Loans are at the time outstanding, ratably in accordance with their respective Commitments), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Person (including by any Lender) arising out of or by reason of any investigation or in any way relating to or arising out of this Agreement or any other Transaction Document or any other documents contemplated by or referred to in this Agreement or in the other Transaction Documents or the transactions contemplated by this Agreement under Section 11.03 , but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties or the enforcement of any of the terms of this Agreement or of the other Transaction Documents or of

any such other documents; provided , that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified as determined by a court of competent jurisdiction in an order that is no longer subject to appeal or review.

10.06 Non-Reliance on the Administrative Agent and Other Lenders . Each Lender agrees that it has, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Transaction Document. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by the Borrower or any other Person of this Agreement or any other Transaction Document or any other document referred to or provided for in this Agreement or in any other Transaction Document or to inspect the Properties or books of the Borrower or such other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent under this Agreement, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any of its Affiliates) which may come into the possession of the Administrative Agent or any of its affiliates.

10.07 Failure to Act . Except for action expressly required of the Administrative Agent under this Agreement and under the other Transaction Documents to which the Administrative Agent is intended to be a party, the Administrative Agent shall in all cases be fully justified in failing or refusing to act under this Agreement and under the other Transaction Documents unless it shall receive further assurances to its reasonable satisfaction from the Lenders of their indemnification obligations under Section 10.05 against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action; provided that the Administrative Agent will not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Transaction Document or applicable law.

10.08 Resignation or Removal of the Administrative Agent . Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notice to the Lenders and the Borrower, and the Administrative Agent may be removed at any time with or without cause by the Supermajority Lenders. Upon any such resignation or removal, the Supermajority Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent shall (so long as no Event of Default has occurred and is continuing) be reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Supermajority Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation or the Supermajority Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders and, at the sole cost of the Borrower, apply to a court of competent jurisdiction to appoint a successor Administrative Agent, which shall be an Acceptable Bank

which has an office in New York, New York, which successor Administrative Agent shall (so long as no Event of Default has occurred and is continuing) be reasonably acceptable to the Borrower. Upon the acceptance of any appointment as Administrative Agent by a successor Administrative, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Transaction Documents to which it is intended to be a party. After any retiring Administrative Agent's resignation or removal as Administrative Agent, the provisions of this Article X shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent.

10.09 Consents under Transaction Documents . Except as otherwise provided in Section 11.04 with respect to any modification, supplement or waiver under this Agreement, the Administrative Agent shall, upon the prior consent of the Majority Lenders (or the requisite number of Lenders required to provide consent pursuant to the terms of such Transaction Document), consent to (and shall direct the Collateral Agents, if applicable, to enter into) any modification, supplement or waiver under any other such Transaction Document to which the Administrative Agent or the Collateral Agent is intended to be a party; provided , that without the prior consent of each Senior Lender, the Administrative Agent shall not (and, if applicable, shall not direct the Collateral Agent to) (except as contemplated in this Agreement or in the Security Documents) release any material portion of Collateral or otherwise terminate any Lien under any Security Document securing a material portion of the Collateral or agree to additional obligations being secured by the Collateral (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document and is otherwise permitted under this Agreement or the Security Documents), except that no such consent shall be required, and the Administrative Agent is hereby authorized, to release (and to direct the Collateral Agent to release) any Lien covering Property of the Borrower or any other Person which is the subject of a disposition of Property of the Borrower or such other Person which is permitted or contemplated under this Agreement or under the relevant Security Document or to which all of the Senior Lenders have otherwise consented; and provided further that, the Administrative Agent may (but is not obligated to), without the prior consent of any Senior Lender, consent to, and shall direct the Collateral Agent, if applicable, to enter into, any amendment, modification or supplement to any Transaction Document to which the Administrative Agent or the Collateral Agent is a party, that is solely administrative in nature and the Administrative Agent shall promptly provide written notice to the Lenders regarding such amendment, modification or supplement. Notwithstanding anything to the contrary set forth herein, the Administrative Agent, with the consent of the Borrower, may amend, modify or supplement any Transaction Document to cure any ambiguity, typographical error, defect or inconsistency.

10.10 Appointment by Administrative Agent . Each Senior Lender hereby irrevocably authorizes the Administrative Agent to act as its agent under the Collateral Agency and Depositary Agreement to appoint the Offshore Collateral Agent, the Onshore Collateral Agent and the Depositary thereunder on behalf of such Senior Lender and the other Secured Parties, such appointment subject to the terms and conditions of such agreement.

10.11 Reports; Etc . The Administrative Agent shall deliver to each Lender, COFIDE and the SACE Agent, (i) a copy of each budget, financial statement and other report delivered by the Borrower to it pursuant to the terms of this Agreement promptly following receipt of such information and (ii) any documentary condition precedent referenced in Sections 6.01 to 6.03 or report or certificate produced by any of the Independent Advisors or any other independent advisor to the Lenders requested by a Lender promptly following receipt of such document and the written request therefor.

10.12 Joint Mandated Arrangers . The Joint Mandated Arrangers, in their capacities as such, shall not have any obligations or liabilities hereunder.

## ARTICLE XI

## MISCELLANEOUS

11.01 Waiver . No failure on the part of the Administrative Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Agreement, any Note or any other Financing Document shall operate as a waiver of such right, remedy, power or privilege, and no single or partial exercise of any right, remedy, power or privilege under this Agreement, any Note or any other Financing Document shall preclude any other or further exercise of such right, remedy, power or privilege, or the exercise of any other right, power or privilege. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. All covenants of the Borrower and the other Credit Parties set forth in this Agreement and the other Financing Documents and all Events of Default set forth in Section 9.01 shall be given independent effect so that, in the event that a particular action or condition is not permitted by the terms of any such covenant or would result in a Default, the fact that such event or condition could be permitted by an exception to, or be otherwise within the limitations of, another covenant or another Event of Default shall not avoid the occurrence of a Default or an Event of Default in the event that such action is taken or condition exists.

11.02 Notices . All notices, requests and other communications provided for in this Agreement and under the other Financing Documents (including any modifications of, or waivers or consents under, this Agreement) shall be given or made (a) in writing and (b) sent by facsimile or overnight courier (if for inland delivery) or international courier (if for overseas delivery) delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages of this Agreement or in the relevant section as specified in other Financing Documents, or as to any party, at such other address as shall be designated by such party in a notice to each other party; provided that, (x) any non-material notices or (y) any reports, certifications or supporting materials relating to ongoing reporting requirements (to the extent any such items do not require action by any Lender or Secured Party) may be provided by posting to DebtDomain provided that the Lenders and the Secured Parties are promptly notified in writing (which shall include email) that such materials have been posted to DebtDomain. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when (i) if sent by facsimile, when sent (on receipt of confirmation), (ii) if posted to DebtDomain as permitted pursuant to this Section 11.02 , when the Secured Parties have been notified of such posting and (iii) if by courier service, (x) two (2) Business Days after deposit with an overnight courier if for inland delivery and (y) or four (4) Business Days after depositing with an international courier if for overseas delivery; provided , that no notice to the Administrative Agent shall be effective until received by the Administrative Agent.

11.03 Expenses; Indemnification; Etc . The Borrower agrees to pay or reimburse each of the Lenders and the Agents (from time to time, and including as a condition precedent to each of the Closing Date and the Initial Disbursement Date) for: (a) all reasonable out-of-pocket costs and expenses of the Administrative Agent (including the reasonable fees and expenses of its counsel Milbank, Tweed, Hadley & McCloy LLP ), the Offshore Collateral Agent (including the reasonable fees and expenses of its counsel Milbank, Tweed, Hadley & McCloy LLP), the Onshore Collateral Agent (including the reasonable fees and expenses of its counsel Rodrigo, Elias & Medrano Abogados), Rodrigo, Elias & Medrano Abogados, special Peruvian counsel to the Senior Lenders (or such replacement counsel that the Administrative Agent may select from time to time which, so long as no Default has occurred and is continuing, shall be reasonably satisfactory to the Borrower), and experts (including the Independent Advisors and the Model Auditor) engaged by the Administrative Agent from time to time, in connection with (i) the negotiation, preparation, execution and delivery of this Agreement and the other Transaction Documents, any COFIDE Guarantee and the extension of credit under this Agreement, (ii) any amendment, modification or waiver of any of the terms of this Agreement or any other Transaction Document or any COFIDE Guarantee and (iii) the syndication of Commitments or Loans, (b) all costs and expenses of the Senior Lenders and the Agents (including counsels' fees and expenses and experts' fees and expenses incurred by or on behalf of the Agents) in connection with (i) any Default and any enforcement or collection proceedings resulting from such Default or in connection with the negotiation (and preparation, execution and delivery of any related documentation) of any restructuring or "work-out" (whether or not consummated) of the obligations of the Borrower under this Agreement, any other Credit Party under any Financing Documents or the obligations of (x) any Project Party under any Project Document or (y) the obligations of COFIDE or SACE under any COFIDE Guarantee and the SACE Policy, as applicable, (ii) the enforcement of this Section 11.03(b) , (c) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any Government Authority in respect of this Agreement or any other Transaction Document or any other document referred to in this Agreement or in any such other Transaction Document and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any Lien contemplated by this Agreement or any other Transaction Document to which the Agents are intended to be a party or any other document referred to in this Agreement or in any such other Transaction Document and (d) solely payable to FMO, an amount equal to the VAT payable by FMO to COFIDE in respect of the fee payable by FMO to COFIDE pursuant to the terms of its COFIDE Guarantee. The Administrative Agent shall be entitled to instruct the Offshore Collateral Agent (and the Offshore Collateral Agent shall so instruct the Trustee and the Depositary, as applicable) to withdraw from the Project Accounts amount owed pursuant to this Section 11.03 and pay such amounts to the applicable Person.

The Borrower hereby agrees to indemnify the Agents, each Lender and each of their respective Affiliates and their respective officers, directors, employees, representatives, attorneys and agents (each, an " Indemnitee ") from, and shall hold each of them harmless against, any and all losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature whatsoever (including the reasonable fees and expenses of counsel for each Indemnitee in connection with any

investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party to any such proceeding) that may at any time (including at any time following the Termination Date) be imposed on, asserted against or incurred by an Indemnitee as a result of, or arising out of, or in any way related to or by reason of any claim with respect to (a) any of the transactions contemplated by this Agreement or by any other Transaction Document or the execution, delivery or performance of this Agreement or any other Transaction Document, (b) the extensions of credit under this Agreement or the actual or proposed use by the Borrower of any of the extensions of credit under this Agreement or the grant to the Administrative Agent or the Collateral Agent for the benefit of, or to any of, the Secured Parties of any Lien on the Collateral or in any other Property of the Borrower or any other Person or any membership, partnership or Equity Interest in the Borrower or any other Person and (c) the exercise by the Administrative Agent, the Trustee, the Common Representative or the Collateral Agent (or the other Secured Parties) of their rights and remedies (including foreclosure) under any Security Document (but excluding, as to any Indemnitee, any Excluded Taxes, any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements, to the extent incurred by reason of the gross negligence or willful misconduct of such Indemnitee as finally determined by a court of competent jurisdiction). Without limiting the generality of the foregoing, the Borrower hereby agrees to indemnify each Indemnitee from, and shall hold each Indemnitee harmless against, any losses, liabilities, claims, damages, reasonable expenses, obligations, penalties, actions, judgments, suits, costs or disbursements described in the preceding sentence (including any Lien filed against the Project by any Government Authority) (collectively, " Losses ") arising under any Environmental and Social Law or relating to any Environmental and Social Claim as a result of the past, present or future facilities or operations of the Borrower or any predecessors to Borrower, or the past, present or future condition or operation of the Project, or any Release, threatened Release or Use of any Hazardous Materials with respect to the Project (including any Release, threatened Release or Use of Hazardous Materials which occurs during any period when such Indemnitee shall be in possession of any such site or facility following the exercise by the Administrative Agent or any other Secured Party of any of its rights and remedies under this Agreement or under any Financing Document or any other Transaction Document where such Release, threatened Release or Use commenced or occurred prior to such period); provided , however , that the Borrower shall have no such obligation to indemnify any Indemnitee to the extent that any such Losses are directly and primarily caused solely by such Indemnitee's gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction.

11.04 Amendments; Etc . Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by each of the Borrower, the Administrative Agent and the Majority Lenders (or the requisite number of Lenders required to provide consent as specified in this Agreement) or by each of the Borrower, the Administrative Agent with the consent of the Majority Lenders (or the requisite number of Lenders required to provide consent as specified in this Agreement) and any provision of this Agreement may be waived by the Majority Lenders (or the requisite number of Lenders required to provide consent as specified in this Agreement) or by the Administrative Agent acting with the consent of the Majority Lenders (or the requisite number of Lenders required to provide consent as specified in this Agreement); provided , that (a) no amendment, modification or waiver shall, unless by an instrument signed by all of the Senior

Lenders or by the Administrative Agent acting with the consent of all of the Senior Lenders (i) increase or extend the term, or extend the time or waive any requirement for the termination of the Commitments, (ii) extend the scheduled date for the payment of principal of or interest on any Loan or any fee under this Agreement, (iii) reduce the amount of any such payment of principal, (iv) reduce the rate at which interest is payable on any such amount or any fee is payable under this Agreement, (v) alter the rights or obligations of the Borrower to prepay Loans, (vi) alter the terms of this Section 11.04 , (vii) alter the subordination terms and conditions listed in Exhibit D , (viii) amend the definition of the terms "Supermajority Lenders" or "Majority Lenders" or modify in any other manner the number or percentage of the Senior Lenders required to give any consent or make any determinations or waive any rights under this Agreement or to modify any provision of this Agreement, (ix) amend, modify or waive the requirements of Section 11.06(b) , (x) amend the definition of the term "Interest Expense" or delete "Permitted Swap Agreements" from the definition of "Financing Documents", (x) amend the conditions precedent in Section 6.02 or (xi) release any material portion of the Collateral or otherwise terminate any Lien under any Security Document securing a material portion of the Collateral, or result in additional obligations being secured by the Collateral (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document and is otherwise permitted under this Agreement or the Security Documents), except that no such consent shall be required to release (and to direct the Collateral Agent to release) any Lien covering Property of the Borrower or any other Person which is the subject of a disposition of Property of the Borrower or such other Person which is permitted or contemplated under this Agreement or under the relevant Security Document or to which all of the Lenders have otherwise consented or upon the Termination Date; and provided further that, (b) any amendment, modification, waiver or supplement of Article X shall require the consent of the Administrative Agent and, only to the extent Section 10.05 or Section 10.06 would be amended, modified or supplemented as a result thereof, the Collateral Agent, (c) any amendment of the definition of the term "Permitted Swap Provider", "Secured Obligation", or "Secured Party" or any terms related to the release of any material portion of the Collateral or the *pari passu* status of the Secured Obligations shall require the consent of each Permitted Swap Provider, (d) (i) any amendment, modification, waiver or supplement of Section 6.03(m) , Section 8.04 , Section 8.09 , Section 8.12(g) , Section 8.30 and Section 8.33 , including the defined terms used therein shall require the consent of DEG and FMO, (ii) any amendment, modification, waiver or supplement of Section 6.03(n) shall require the consent of any Senior Lender party to a COFIDE Guarantee and (iii) any amendment, modification, waiver or supplement of Section 8.01(j)(v) shall require the consent of DEG and (e) any amendment, modification, waiver or supplement of (i) the definition of "Tranche D Lenders" or "Tranche D Majority Lenders", (ii) an extension to the date of payment of any amounts due to the SACE Agent, SACE or the Tranche D Lenders under the Financing Documents, (iii) a reduction in the rate at which interest is payable with respect to the Tranche D Loans or a reduction in the amount of principal, interest, fee or commission payable to the SACE Agent, SACE or the Tranche D Lenders under the Financing Documents, (iv) an increase or decrease in, or an extension of, the Tranche D Loan Commitments, (v) a change in the Obligation Currency of the Tranche D Loans, (vi) an extension of the Tranche D Commitment Period, (vii) the terms of this Section 11.04 or (viii) the waiver of any condition precedent set forth in Section 6.02(o) shall require the consent of SACE and all of the Tranche D Lenders and (f) any amendment or waiver that relates to the rights or obligations of the SACE Agent may not be effected without the consent of the SACE Agent; and

provided further that, the Agents may, without the consent of any Senior Lender, enter into any amendment, modification or supplement to this Agreement that is solely administrative in nature and the Administrative Agent shall promptly provide written notice to the Lenders regarding such amendment, modification or supplement. Notwithstanding anything to the contrary set forth herein, the Administrative Agent, with the consent of the Borrower, may amend, modify or supplement this Agreement to cure any ambiguity, typographical error, defect or inconsistency.

No Tranche C Lender shall have any voting rights under this Agreement or any other Transaction Document; provided that no amendment, modification or waiver shall, unless by an instrument signed by each Tranche C Lender (a) reduce the amount of any such payment of principal on any Tranche C Loan or (b) reduce the rate at which interest is payable on any Tranche C Loan.

Anything herein to the contrary notwithstanding, during such period as a Senior Lender is a Defaulting Lender, to the fullest extent permitted by applicable law, such Senior Lender will not be entitled to vote in respect of amendments and waivers hereunder and the Commitments and the outstanding Loans of such Senior Lender hereunder will not be taken into account in determining whether the Majority Lender, the Supermajority Lenders or all of the Lenders, as required, have approved any such amendment or waiver (and the definition of "Supermajority Lenders" and "Majority Lenders" will automatically be deemed modified accordingly for the duration of such period); provided , that any such amendment or waiver that would increase or extend the term of the Commitments of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender.

11.05 Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

11.06 Assignments and Participations .

(a) The Borrower may not assign its rights or obligations under this Agreement or under the Notes without the prior consent of all of the Senior Lenders and the Administrative Agent.

(b) Subject to the following sentence, each Lender may assign any of its Loans, its Notes and its Commitments to one or more Eligible Assignees with the prior consent of the Borrower (such consent not to be unreasonably withheld or delayed); provided , that no consent of the Borrower shall be required (i) at any time an Event of Default has occurred and is continuing, (ii) in the case of any assignment to another Lender or an Affiliate of a Lender or (iii) in the case of any assignment to COFIDE or SACE; provided , further , that the Borrower shall be deemed to have consented to such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice

thereof. All assignments are subject to the following additional conditions: (A) any such partial assignment shall be in an amount at least equal to $5,000,000 (taking into account such Lender's pro rata assignment of all of its Loans and Commitments), or such other amount determined by the Administrative Agent, (B) each assignment by a Senior Lender of its Senior Loans or Senior Loan Commitments shall be made in such a manner so that the same portion of its Senior Loans or Senior Loan Commitments is assigned to the respective assignee, (C) its Notes, on the one hand, and its Loans or Commitments on the other, may not be assigned separately and (D) any assignment of Tranche C Loans or Tranche C Commitments by any Tranche C Lender shall be made (w) on a pro rata basis between the Tranche C Lenders, (x) may only be made to a Senior Lender, (y) shall be in an amount at least equal to $5,000,000 and (z) such assignment shall increase the Senior Loan Commitments and/or Senior Loans and reduce the Trance C Commitments and the Tranche C Loans on a dollar-for-dollar basis and the amortization schedule attached hereto as Appendix B shall be adjusted accordingly. Upon execution and delivery by the assignee to the Administrative Agent of an assignment and acceptance substantially in the form of the attached Exhibit E, and upon consent to such assignment and acceptance by the Borrower, to the extent required above, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Borrower), the obligations, rights and benefits of a Lender under this Agreement holding the Commitments and Loans (or portions thereof) assigned to it (in addition to the Commitments and Loans, if any, previously held by such assignee) and the assigning Lender shall, to the extent of such assignment, be released from its Commitments (or portion thereof) so assigned. Upon each such assignment the assigning Lender shall pay the Administrative Agent an assignment fee of $3,500. In furtherance of the foregoing, on the date of any such assignment of Senior Loan Commitments or Senior Loans pursuant to this Section 11.06(b) , the Borrower shall deliver to the assignee Lender, a Note and Note Completion Agreement, payable to such assignee Lender.

(c) A Senior Lender may sell or agree to sell to one or more commercial banks or other Persons, a participation in all or any part of any Senior Loan held by it or in its Senior Loan Commitments ( provided , that partial participations shall be in an amount at least equal to $5,000,000 (taking into account such Senior Lender's pro rata participation of all of its Senior Loans and Senior Loan Commitments), or such other amount determined by the Administrative Agent, in which event each purchaser of a participation (a " Participant ") shall have the rights, benefits and obligations of the provisions of Sections 5.02 and 5.04 to the same extent as if it were a Senior Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 11.06 ; provided that such Participant shall not be entitled to receive any greater payment under Sections 5.02 or 5.04 , with respect to any participation, than its participating Senior Lender would have been entitled to receive unless (i) such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation in such Senior Loans and Senior Loan Commitments and (ii) such Participant agrees to be subject to the provisions of Section 5.05 as if it were an assignee under paragraph (b) of this Section 11.06 . Except as otherwise provided in Section 4.07(c) , Participant shall not have any other rights or benefits under this Agreement or any Note or any other Financing Document (the Participant's rights against such Senior Lender in respect of such participation to be those set forth in the agreements executed by such Senior Lender in favor of the Participant). All amounts payable by the Borrower to any Lender under Article V in respect of Senior Loans held by it, and its Senior Loan Commitments, shall

be determined as if such Senior Lender had not sold or agreed to sell any participations in such Senior Loans and Senior Loan Commitments, and as if such Senior Lender were funding each of such Senior Loan and Senior Loan Commitments in the same way that it is funding the portion of such Senior Loan and Senior Loan Commitments in which no participations have been sold. In no event shall a Senior Lender that sells a participation agree with the Participant to take or refrain from taking any action under this Agreement or under any other Financing Document except that such Senior Lender may agree with the Participant that it will not, without the consent of the Participant, agree to (i) increase or extend the term, or extend the time or waive any requirement for the reduction or termination, of such Senior Lender's Senior Loan Commitment, (ii) extend the date fixed for the payment of principal of or interest on the related Senior Loans, or any portion of any fee payable to the Participant, (iii) reduce the amount of any such payment of principal, (iv) reduce the rate at which interest is payable on any amount under this Agreement, or reduce any fee or other amount payable to the Participant to a level below the rate at which the Participant is entitled to receive such interest or fee, (v) alter the rights or obligations of the Borrower to prepay the related Senior Loans or (vi) consent to any modification or waiver of this Agreement or of any Security Document to the extent that such waiver or modification requires the consent of each Senior Lender under Section 10.09 .

(d) Notwithstanding any other provision contained in this Agreement or any other Financing Document to the contrary, any Senior Lender may assign or pledge all or any portion of its rights under this Agreement or the loans or Notes held by it (i) to any federal reserve bank, Central Bank (including the European Central Bank) or the United States Treasury as collateral security pursuant to Regulation A of the Board and any operating circular issued by such federal reserve bank or (ii) to a special purpose trust or other entity for purposes of securitization of such Senior Lender's loans; provided , however , that any payment in respect of such assigned Senior Loans or Notes made by the Borrower to or for the account of the assigning and/or pledging Lender in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect to such assigned Senior Loans or Notes to the extent of such payment. No such assignment shall release the assigning Lender from its obligation hereunder and in no event shall such entity described in the foregoing sentence be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder.

(e) A Lender may furnish any information concerning the Borrower in the possession of such Lender from time to time to permitted assignees and participants (including prospective permitted assignees and participants), subject, however, to the provisions of Section 11.10(b) .

(f) In connection with any assignment or sale of a participation pursuant to this Article XI , such assignee or Participant shall comply with Section 5.04 (e) .

(g) No such assignment shall be made to the Borrower or any of the Borrower's Affiliates.

(h) Anything in this Section 11.06 to the contrary notwithstanding, no assignment and/or transfer of rights and/or obligations of (i) a Tranche D Lender shall be permitted without the prior consent of SACE under the SACE Policy or (ii) any Senior Lender party to a COFIDE Guarantee shall be permitted without the prior consent of COFIDE under the COFIDE Guarantee.

(i) Anything in this Section 11.06 to the contrary notwithstanding, to the extent that DEG or FMO assign or participate any interest in any Loan or Commitment held by it in accordance with the terms of this Agreement, the rights of DEG and FMO set forth in Section 6.03(m) , Section 8.12(a)(vi) and Section 11.04(d) shall not be assignable or otherwise transferable to any such assignee or Participant.

(j) Anything in this Section 11.06 to the contrary notwithstanding, to the extent any prospective Eligible Assignee is subject to a withholding tax that is less favorable to which the assigning Lender is entitled on the date of such assignment, the assigning Lender shall provide the Borrower with prior written notice of its intent to enter into such assignment and the Borrower shall be permitted to replace such prospective assignee with any other Eligible Assignee within fifteen (15) Business Days of receipt of such notice from the assigning Lender.

(k) No assignments will be made to any Defaulting Lender or Potential Defaulting Lender or any of their respective Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment will be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder becomes effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest will be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

11.07 **SUBMISSION TO JURISDICTION; WAIVERS . ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND ANY ACTION FOR ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND APPELLATE COURTS FROM ANY THEREOF.**

**EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PARTIES HERETO AT ITS ADDRESS REFERRED TO IN THIS AGREEMENT OR THE COLLATERAL AGENCY AND DEPOSITARY AGREEMENT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED IN ANY OTHER JURISDICTION.**

11.08 Process Agent . The Borrower hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be made upon C T Corporation System currently located at 111 Eighth Avenue, New York, New York 10011 (the " Process Agent "), and the Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to receive such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to the Borrower shall not impair or affect the validity of such service or of any judgment based thereon. The Borrower hereby further irrevocably consents to the service of process in any suit, action or proceeding in such courts by the mailing thereof by the Collateral Agent or Administrative Agent by registered or certified mail, postage prepaid, at its address set forth beneath its signature hereto.

11.09 Marshalling; Recapture . None of the Agents or any Lender shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Secured Obligations. To the extent any Lender receives any payment by or on behalf of the Borrower, all or a portion of which payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to the Borrower, or its estate, trustee, receiver, custodian or any other party under any bankruptcy or insolvency law, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof which has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the liabilities of the Borrower to such Lender as of the date such initial payment, reduction or satisfaction occurred.

11.10 Treatment of Certain Information; Confidentiality .

(a) The Borrower acknowledges that (i) from time to time financial advisory, investment banking and other services may be offered or provided to it (in connection with this Agreement or otherwise) by each Lender or by one or more subsidiaries or affiliates of such Lender and (ii) information delivered to each Lender by the Borrower may be provided to each such subsidiary and affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of Section 11.10(b) as if it were a Lender under this Agreement.

(b) Each of the Lenders hereby agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to keep confidential, in accordance with its customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, any non-public information supplied to it by or on behalf of the Borrower, the Operator or Project Sponsor pursuant to this Agreement that is identified by the Borrower, the Operator or Project Sponsor as being confidential at the time the same is delivered to such Lender or the Administrative Agent, other than information provided by the Borrower before the Closing Date which shall be treated as confidential; provided , that nothing in this Agreement shall limit the disclosure of any such information (i) to the extent required by any Government Rule or judicial process, (ii) to counsel for any of the Lenders or the Administrative Agent, so long as counsel to such parties agrees to maintain the confidentiality of the information as provided in this Section 11.10(b) , (iii) to bank examiners, auditors or accountants, (iv) to the Administrative Agent or any other Lender (or any subsidiary or affiliate of any Lender referred to in Section 11.10(a) or any partner, director, officer, employee, agent or representative of any Lender (or any subsidiary or affiliate of any Lender referred to in Section 11.10(a) ), so long as such Persons agree to maintain the confidentiality of the information as provided in this Section 11.10(b) , (v) after notice to the Borrower (to the extent such prior notice is legally permitted), in connection with any litigation to which any one or more of the Lenders or the Administrative Agent is a party and pursuant to which such Lender or the Administrative Agent has been compelled or required to disclose such information in the reasonable opinion of counsel to such Lender or Administrative Agent, (vi) to the Independent Advisors, or to other experts, insurers or service providers engaged by the Administrative Agent or any Lender in connection with this Agreement and the transactions contemplated by this Agreement and the other Financing Documents, so long as such parties agree to maintain the confidentiality of the information as provided in this Section 11.10(b) , (vii) to the extent that such information is required to be disclosed to a Government Authority in connection with a tax audit or dispute, (viii) in connection with any Default and any enforcement or collection proceedings resulting from such Default or in connection with the negotiation of any restructuring or "work-out" (whether or not consummated) of the obligations of the Borrower under this Agreement or the obligations of any Project Party under any other Project Document, (ix) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Lender a Confidentiality Agreement substantially in the form of Exhibit G or (x) by any Senior Lender to any insurance, reinsurance company or credit-default swap providers for the purpose of obtaining insurance in respect of its Loans or Commitments; provided such persons are informed of the confidential nature of such information and instructed to keep such information confidential. In no event shall any Lender or the Administrative Agent be obligated or required to return any materials furnished by the Borrower; provided , however , that any confidential

information retained by such Lender or the Administrative Agent shall continue to be subject to the provisions of this Section 11.10(b) . The obligations of each Lender under this Section 11.10 shall supersede and replace the obligations of such Lender under any confidentiality letter, or other confidentiality obligation, in respect of this financing effective prior to the date of the execution and delivery of this Agreement. Notwithstanding anything in this Section 11.10(b), each Senior Lender, SACE and COFIDE may, at its cost and expense, place advertisements in financial and other newspapers and journals describing the transaction under this Agreement; provided that such description is limited to the name of the Borrower and the Project Sponsor, the description of the Project as set forth in the defined term "Project", the total amount of the Project Costs and the size of such Person's Commitment or, in the case of SACE or COFIDE, their respective insurance policy or guarantee.

11.11 Interest Rate Limitation . Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively, the " Charges "), shall exceed the maximum lawful rate (the " Maximum Rate ") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

11.12 Survival . The obligations of the Borrower under Sections 5.02 , 5.03 , 5.04 , 11.03 , 11.19 , 11.20 , and 11.21 and the obligations of the Lenders under Section 10.05 shall survive after the Termination Date. In addition, each representation and warranty made, or deemed to be made by a notice of any extension of credit, in this Agreement or pursuant to this Agreement shall survive the making of such representation and warranty, and no Lender shall be deemed to have waived, by reason of making any extension of credit under this Agreement, any Default which may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that such Lender or the Agents may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time such extension of credit was made.

11.13 Captions . The table of contents and captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.14 Counterparts; Integration; Effectiveness . This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any party to this Agreement may execute this Agreement by signing any such counterpart; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signatures are physically attached to the same counterpart. This Agreement and the other Financing Documents constitute the entire agreement

and understanding among the parties to this Agreement with respect to the matters covered by this Agreement and the other Financing Documents and supersede any and all prior agreements and understandings, written or oral, with respect to such matters. This Agreement shall become effective at such time as the Administrative Agent shall have received counterparts of this Agreement signed by all of the intended parties to this Agreement. The words "execution," "signed," "signature," and words of like import in any Financing Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Government Rule, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.15 Reinstatement . The obligations of the Borrower under this Agreement shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Secured Obligations is rescinded or must be otherwise restored by any holder of any of the Secured Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Borrower agrees that it will indemnify each Secured Party on demand for all reasonable costs and expenses (including fees of counsel) incurred by such Secured Party in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

11.16 Severability . Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions of this Agreement; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

11.17 Remedies; Letters of Credit .

(a) The Borrower agrees that, as between the Borrower and the Lenders, the obligations of the Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article IX (and shall be deemed to have become automatically due and payable in the circumstances provided in Article IX ), and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations shall forthwith become due and payable by the Borrower.

(b) The Administrative Agent shall be entitled to draw upon any Acceptable Letter of Credit when so entitled pursuant to the Equity Contribution and Retention Agreement.

11.18 Currency of Payment . The obligation of the Borrower to pay in Dollars those amounts of the sums specified to be due in Dollars under this Agreement or the respective Financing Documents (the " Financing Document Currency ") shall not be deemed to have been novated, discharged or satisfied by any tender of (or recovery under judgment

expressed in) any currency other than the Financing Document Currency, except to the extent to which such tender (or recovery) shall result in the effective payment of such aggregate amount in the applicable Financing Document Currency at the place where such payment is to be made and, accordingly, the amount (if any) by which any such tender (or recovery) shall fall short of such amount shall be and remain due to the relevant Secured Parties as a separate obligation, unaffected by judgment having been obtained (if such is the case) for any other amounts due or in respect of this Agreement or the Financing Documents.

11.19 Judgment Currency . (a) The Borrower's obligations hereunder and under the other Financing Documents to make payments in Dollars (the " Obligation Currency "), shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the respective Secured Party of the full amount of the Obligation Currency expressed to be payable to such Secured Party under this Agreement or the other Financing Documents. If for the purpose of obtaining or enforcing judgment against the Borrower in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the " Judgment Currency ") an amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent fails to quote a rate of exchange on such currency, by an internationally known and reputable dealer in such currency designated by the Administrative Agent) determined, in each case, as of the day on which the judgment is given (such Business Day being hereinafter referred to as the " Judgment Currency Conversion Date ").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrower covenants to pay or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date. If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due that results in the Borrower paying an amount in excess of that necessary to discharge or satisfy any judgment, the Secured Parties shall transfer or cause to be transferred to the Borrower the amount of such excess (net of any Taxes and reasonable and customary costs incurred in connection therewith).

(c) For purposes of determining the rate of exchange under this Section 11.19, such amounts shall include any actual reasonable premium and costs payable in connection with the purchase of the Obligation Currency.

11.20 E nglish Language . All Financing Documents shall be in the English language, except that the Security Documents governed by the laws of Peru will be in Spanish and the Spanish version shall prevail over any English language version thereof, if any.

11.21 Waiver of Immunity . (a) The Borrower acknowledges and agrees that the activities contemplated by the provisions of the Financing Documents are commercial in nature rather than governmental or public and therefore acknowledges and agrees that it is not entitled to any right of immunity on the grounds of sovereignty or otherwise with respect to such activities or in any legal action or proceeding arising out of or relating to the Financing Documents. To the extent permitted by applicable law, the Borrower, in respect of itself, its process agents and its properties and revenues, expressly and irrevocably waives any such right of immunity which may now or hereafter exist (including any immunity from the jurisdiction of any court or from any suit, execution, attachment (whether provisional or final, in aid of execution, prior to judgment or otherwise) or other legal process (including in any jurisdiction where immunity (whether or not claimed) may be attributed to it or its assets)) or claim thereto which may now or hereafter exist and irrevocably agrees not to assert any such right or claim of immunity in any such action or proceeding to the fullest extent permitted now or in the future by the laws of any such jurisdiction.

The Borrower agrees that the waivers set forth in clause (a) above shall have the fullest effect permitted under the Foreign Sovereign Immunities Act of 1976 of the United States of America (28 U.S.C. §§1602-1611) and are intended to be irrevocable and not subject to withdrawal for purposes of such Act.

**11.22 NO THIRD PARTY BENEFICIARIES . THE AGREEMENT OF THE LENDERS TO MAKE THE LOANS TO THE BORROWER, ON THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT, IS SOLELY FOR THE BENEFIT OF THE BORROWER, THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENTS, THE LENDERS AND THE INDEMNITIES, AND NO OTHER PERSON (INCLUDING ANY OTHER PROJECT PARTY, CONTRACTOR, SUBCONTRACTOR, SUPPLIER, WORKMAN, CARRIER, WAREHOUSEMAN OR MATERIALMAN FURNISHING LABOR, SUPPLIES, GOODS OR SERVICES TO OR FOR THE BENEFIT OF THE PROJECT) SHALL HAVE ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY OTHER TRANSACTION DOCUMENT AS AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR WITH RESPECT TO ANY EXTENSION OF CREDIT CONTEMPLATED BY THIS AGREEMENT.**

**11.23 SPECIAL EXCULPATION . TO THE EXTENT PERMITTED BY APPLICABLE GOVERNMENT RULE, NO CLAIM MAY BE MADE BY ANY PARTY HERETO AGAINST ANY OTHER PARTY HERETO OR ANY OF THEIR RESPECTIVE AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATING TO, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS (OTHER THAN THE RIGHTS OF THE LENDERS EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS), AND EACH PARTY HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.**

11.24 **GOVERNING LAW . THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE OF LAW PRINCIPLES OF SUCH LAWS WHICH WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).**

11.25 **WAIVER OF JURY TRIAL . EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS.**

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER:

CERRO DEL AGUILA S.A.

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Director

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Director

Address for Notices:

Cerro del Aguila S.A.
Av. Santo Toribio 115 Piso 7
San Isidro - Lima 27 - Peru
Attn: Daniel Urbina
Telephone: (511)706-7878
Facsimile: (511) 708-2201
Email: daniel.urbina@inkiaenergy.com

LENDERS:

BANCO DE CRÉDITO DEL PERÚ,
as Lender

By: /s/ Alejandro Corzo de la C.
Name: Alejandro Corzo de la C.
Title: Gerente de Finanzas Corporativas
Gerencia de Área Finanzas Corporativas

By: /s/ Mónica Rivas O.
Name: Mónica Rivas O.
Title: Gerente de Banca Corporativa
Gerencia de División de Banca Corporativa

Address for Notices:

Banco de Crédito del Perú
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Lima 12, Perú
Attention: Alejandro Corzo De La Colina
Telephone: (511) 313-2649
Facsimile: (511) 313-2359
Email: acorzo@bcp.com.pe

BANCO INTERNACIONAL DEL PERÚ,
as Lender

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Representative

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Representative

Address for Notices:

Banco Internacional del Perú
Avenida Carlos Villarán 140
Lima 13 Perú
Attention: Claudia Aguirre Zegarra
Phone Number: 511-219-2297
Facsimile: 511-219-2287
Email: Caguirre@intercorp.com.pe


BBVA BANCO CONTINENTAL,
as Lender

By: /s/ Gustavo Delgado-Aparicio Labarthe
Name: Gustavo Delgado-Aparicio Labarthe
Title: Garente General Adjunto

By: /s/ Eduardo Torres Llosa V.
Name: Eduardo Torres Llosa V.
Title: Director Gerente General

Address for Notices:

BBVA Banco Continental
República de Panamá 3055
San Isidro - Lima 27
Attention: Rodrigo Guzmán
Telephone: +51 1 211-1883
Facsimile: + 51 1 211 2484
Email: rgguzman@bbva.com

DEG - DEUTSCHE INVESTITIONS - UND ENTWICKLUNGSGESELLSCHAFT MBH,
as Lender

By: /s/ Simone Christiane Kirch
Name: Simone Christiane Kirch
Title: Senior Investment Manager

By: /s/ Michael Roloff
Name: Michael Roloff
Title: Vice President

Address for Notices:

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH
Kämmergasse 22
50676 Cologne
Germany
Attention: Head of Infrastructure
Telephone: +49-221-4986-1537
Facsimile: +49-221-4986-1107

HSBC BANK USA, NATIONAL ASSOCIATION, as Lender

By: /s/ James Kaiser
Name: James Kaiser
Title: Director

Address for Notices:

HSBC Bank USA, National Association
452 Fifth Avenue
New York, NY 10018
Attention: Raphael Dumas
Telephone: +1 212-525-4330
Facsimile: +1 212-525-6090
Email: raphael.a.dumas@us.hsbc.com

INTESA SANPAOLO S.P.A., NEW YORK BRANCH, as Lender

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: FVP

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: AVP

Address for Notices:

Intesa Sanpaolo S.p.A.
1 William Street
New York, NY 10004
Attention: Eli Davis
Telephone: 212-607-3594
Facsimile: 212-422-6678
Email: eli.davis@intesasanpaolo.com

NEDERLANDSE FINANCIERINGS- MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.,
as Lender

By: /s/ J.J. de Vries Robbe
Name: J.J. de Vries Robbe
Title: Manager - Legal Affairs

By: /s/ D.M. Wesselius-Simon
Name: D.M. Wesselius-Simon
Title: Manager-Energy

Address for Notices:

Nederlandse Financierings-Maatschappij voor
Ontwikkelingslanden N.V.
Anna van Saksenlaan 71
2593 HW The Hague
The Netherlands
Attn: Diana Wesselius, Manager Energy LAC
Telephone: +31-70-314 9854
Facsimile: +31-70-314 9767
Email: c.bibo@fmo.nl

SUMITOMO MITSUI BANKING CORPORATION,
as Lender

By: /s/ Isaac Deutsch
Name: Isaac Deutsch
Title: Managing Director

Address for Notices:

Sumitomo Mitsui Banking Corporation
277 Park Avenue
New York, NY 10172
Attention: Jonathan Cho
Telephone: 212-224-4898
Facsimile: 212-224-5222
Email: cpmp@smbc-lf.com

THE BANK OF NOVA SCOTIA,
as Lender

By: /s/ Richard B. McCorkindale
Name: Richard B. McCorkindale
Title: Director, International Corporate & Commercial Banking

By: /s/ Pamela McDougall
Name: Pamela McDougall
Title: Managing Director, Power, Project Finance

Address for Notices:

The Bank of Nova Scotia
Global Wholesale Services
720 King Street West, 2nd Floor
Toronto, Ontario
Canada M5 V 2T3
Attention: Director Agency
Reference: Cerro Del Aguila - PERU
Telephone: +1 416-866-2800
Facsimile: +1 416-933-2295
Email: richard.mccorkindale@scotiabank.com

ENERGÍA DEL PACÍFICO S.A.,
as Tranche C Lender

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

Address for Notices:

Energía Del Pacífico S.A.
Address: Av. Felipe Pardo y Aliaga 699 Of. 501
San Isidro - Lima 27 - Peru
Attention: Esteban Viton
Telephone: (511) 616-5707
Facsimile: (511)616-5708
Email: eviton@quimpac.com.pe

INKIA HOLDINGS (KALLPA) LIMITED,
as Tranche C Lender

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Director

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Director

Address for Notices:

Inkia Holdings (Kallpa) Limited
Av. Santo Toribio 115 Piso 7
San Isidro - Lima 27 - Peru
Attention: Daniel Urbina
Telephone: (511)706-7878
Facsimile: (511)708 -2201
Email: daniel.urbina@inkiaenergy.com

ADMINISTRATIVE AGENT:

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Isaac Deutsch
Name: Isaac Deutsch
Title: Managing Director

Address for Notices:

Sumitomo Mitsui Banking Corporation
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com /
Daron_Davis@smbcgroup.com

OFFSHORE COLLATERAL AGENT:

THE BANK OF NOVA SCOTIA

By: /s/ Richard B. McCorkindale
Name: Richard B. McCorkindale
Title: Director, International Corporate & Commercial Banking

By: /s/ John G. Hall
Name: John G. Hall
Title: Director, Agency

Address for Notices:

The Bank of Nova Scotia
Global Wholesale Services
720 King Street West, 2nd Floor
Toronto, Ontario
Canada M5V 2T3
Attention: Director Agency
Reference: Cerro Del Aguila - PERU
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Facsimile: +1 416-866-5991
Email: john.hall@scotiabank.com

ONSHORE COLLATERAL AGENT:

SCOTIABANK PERU S.A.A.

By: /s/ Cecilia Marin Armas
Name: CECILIA MARIN ARMAS
Title: Gerente de Servicios Fiduciarios

By: /s/ Dra. Claudia Quiroz Chavez
Name: Dra. CLAUDIA QUIROZ CHAVEZ
Title: Asesora Legal
Servicio Fiduciario

Address for Notices:

Scotiabank Perú
Av. Dionisio Derteano N° 102, Piso 5, San Isidro Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu
Telephone: 511-211-6599
Facsimile: 511-211-6822
Email: cecilia.marin@scotiabank.com.pe

SACE AGENT:

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Isaac Deutsch
Name: Isaac Deutsch
Title: Managing Director

Address for Notices:

Sumitomo Mitsui Banking Corporation 277 Park Avenue New York, NY 10172
Attention: Amena Nabi / Daron Davis / Robert Doyle / Daniel Minzer
Telephone: 212-224-4857 / 4847 / 4835 / 4286
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Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com / robert_ doyle@smbcgroup.com / daniel_minzer@smbcgroup.com

**LENDER LOAN COMMITMENTS**

| Lender | Tranche A Loan Commitment | Tranche B Loan Commitment | Tranche C Loan Commitment | Tranche D Loan Commitment – Part A | Tranche D Loan Commitment – Part B |
|---|---|---|---|---|---|
| BBVA Banco Continental | US$39,000,000 | US$21,000,000 | US$ 0 | US$ 0 | US$ 0 |
| Banco de Crédito del Perú | US$39,000,000 | US$21,000,000 | US$ 0 | US$ 0 | US$ 0 |
| Banco Internacional del Perú | US$39,000,000 | US$21,000,000 | US$ 0 | US$ 0 | US$ 0 |
| DEG - Deutsche Investitions- und Entwicklungsg esellschaft mbH | US$19,500,000 | US$10,500,000 | US$ 0 | US$ 0 | US$ 0 |
| Energía del Pacífico S.A. | US$ 0 | US$ 0 | US$14,171,334 | US$ 0 | US$ 0 |
| FMO – Nederlandse Financierings- Maatschappij voor Ontwikkelings landen N.V. | US$45,000,000 | US$24,500,000 | US$ 0 | US$ 0 | US$ 0 |
| HSBC Bank USA, National Association | US$48,100,000 | US$25,900,000 | US$ 0 | US$ 0 | US$ 0 |
| Inkia Holdings (Kallpa) Limited | US$ 0 | US$ 0 | US$42,172,524 | US$ 0 | US$ 0 |
| Intesa Sanpaolo, S.p.A., New York Branch | US$29,250,000 | US$15,750,000 | US$ 0 | US$ 0 | US$ 0 |
| Sumitomo Mitsui Banking Corporation | US$ 0 | US$ 0 | US$ 0 | US$42,250,000 | US$22,750,000 |
| The Bank of Nova Scotia | US$45,500,000 | US$24,500,000 | US$ 0 | US$ 0 | US$ 0 |

**APPLICABLE LENDING OFFICES**

| Lender | Address |
|---|---|
| BBVA Banco Continental | BBVA Continental<br>Av. República de Panamá 3055 -<br>San Isidro, Lima 27 - Lima, Perú<br>Attn: José Antonio Carbonero<br>Tel: +51-1-211-1937<br>Fax: +51-1-211-2484<br>Email: jcarbonero@bbva.com |
| Banco de Crédito del Perú | BCP<br>Calle Centenario 156<br>La Molina, Lima 12 - Lima, Perú<br>Attn: Alejandro Corzo<br>Tel: +51-1-313-2649<br>Fax: +51-1-313-2359<br>Email: acorzo@bcp.com.pe |
| Banco Internacional del Perú | Interbank<br>Av. Carlos Villarán 140-<br>La Victoria, Lima 13, Perú<br>Attn: Roxana Mossi<br>Tel: +51-1-219-2094<br>Fax: +51-1-219-2287<br>Email: rmossi@intercorp.com.pe |

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|---|---|
| DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH | DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH<br>Attn: IR - Infrastructure Department c/o Michael Roloff<br>Kämmergasse 22 / 50676 Köln / Germany<br>Tel.(Fax): +49-221 4986 -1537 (-1107)<br>E-mail: michael.roloff@deginvest.de<br>With a copy to<br>DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH<br>PB Projektbüro c/o Sabine Wlodasch<br>Tel.(Fax) +49 221 49 86 -1444 (1505)<br>E-mail: sabine.wlodasch@deginvest.de |
| FMO – Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V. | FMO – Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.<br>Anna van Saksenlaan 71<br>2593 HW The Hague<br>The Netherlands<br>Attn: Manager Structured Finance, Energy (LAC)<br>Tel: +31-70-314 9854<br>Fax: +31-70-314 9767<br>Email: c.bibo@fmo.nl |

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| HSBC Bank USA, National Association | HSBC Bank USA, National Association<br>452 Fifth Avenue<br>New York, NY 10018<br>Attn: James Kaiser, Director<br>Project and Export Finance<br>Tel: 212-525-6059<br>Fax: 212-525-6090<br>Email: james.b.kaiser@us.hsbc.com |
| Intesa Sanpaolo, S.P.A., New York Branch | Intesa Sanpaolo S.p.A.<br>1 William Street<br>New York, NY 10004<br>Attn: Eli Davis<br>Telephone: 212-607-3594<br>Telecopier: 212-422-6678<br>Email: eli.davis@intesasanpaolo.com |
| Sumitomo Mitsui Banking Corporation | Sumitomo Mitsui Banking Corporation<br>277 Park Avenue<br>New York, NY 10172<br>Tel: 212-224-4898<br>Fax: 212-224-522<br>Jonathan Cho<br>cpmp@smbc-lf.com |
| The Bank of Nova Scotia | The Bank of Nova Scotia<br>4 King Street West, 15th floor<br>Toronto, ON M5H 1B6<br>Attn: Richard McCorkindale, Director, International Corporate & Commercial Banking<br>e-mail: Richard.mccorkindale@scotiabank.com<br>Tel: 416-866-2800<br>Fax: 416-933-2295 |

With a copy to:

Attn: John Hall

Director, Agency

Tel: 416-866-5901

Fax: 416-866-5991

Email: john.hall@scotiabank.com

**AMORTIZATION SCHEDULE – TRANCHE A**

| Repayment Installment | Percentage |
|---|---|
| 1 | 1.00% |
| 2 | 1.08% |
| 3 | 1.11% |
| 4 | 1.35% |
| 5 | 1.65% |
| 6 | 0.80% |
| 7 | 0.80% |
| 8 | 3.30% |
| 9 | 3.64% |
| 10 | 2.24% |
| 11 | 2.71% |
| 12 | 4.10% |
| 13 | 4.30% |
| 14 | 2.90% |
| 15 | 2.90% |
| 16 | 4.33% |
| 17 | 4.38% |
| 18 | 2.53% |
| 19 | 3.01% |
| 20 | 4.73% |
| 21 | 4.47% |
| 22 | 2.74% |
| 23 | 3.18% |

| | |
|---|---|
| 24 | 4.55% |
| 25 | 2.77% |
| 26 | 2.70% |
| 27 | 3.19% |
| 28 | 4.74% |
| 29 | 3.37% |
| 30 | 2.73% |
| 31 | 3.28% |
| 32 | 5.05% |
| 33 | 4.39% |
| **Total:** | 100.00% |

## AMORTIZATION SCHEDULE – TRANCHE D

| Repayment Installment | Part A Percentage | Part B Percentage |
|---|---|---|
| 1 | 1.0% | 0.00% |
| 2 | 1.1% | 0.00% |
| 3 | 1.1% | 0.00% |
| 4 | 1.4% | 0.00% |
| 5 | 1.7% | 0.00% |
| 6 | 0.8% | 0.00% |
| 7 | 0.8% | 0.00% |
| 8 | 3.3% | 0.00% |
| 9 | 3.6% | 0.00% |
| 10 | 2.2% | 0.00% |
| 11 | 2.7% | 0.00% |
| 12 | 4.1% | 0.00% |
| 13 | 4.3% | 0.00% |
| 14 | 2.9% | 0.00% |
| 15 | 2.9% | 0.00% |
| 16 | 4.3% | 0.00% |
| 17 | 4.4% | 0.00% |
| 18 | 2.5% | 0.00% |
| 19 | 3.0% | 0.00% |
| 20 | 4.7% | 0.00% |
| 21 | 4.5% | 0.00% |
| 22 | 2.7% | 0.00% |
| 23 | 3.2% | 0.00% |

| | | |
|---|---|---|
| 24 | 4.6% | 0.00% |
| 25 | 2.8% | 0.00% |
| 26 | 2.7% | 0.00% |
| 27 | 3.2% | 0.00% |
| 28 | 4.7% | 0.00% |
| 29 | 3.4% | 0.00% |
| 30 | 2.7% | 0.00% |
| 31 | 3.3% | 0.00% |
| 32 | 5.0% | 0.00% |
| 33 | 4.4% | 0.00% |
| 34 | 0.0% | 8.33% |
| 35 | 0.0% | 8.33% |
| 36 | 0.0% | 8.33% |
| 37 | 0.0% | 8.33% |
| 38 | 0.0% | 8.33% |
| 39 | 0.0% | 8.33% |
| 40 | 0.0% | 8.33% |
| 41 | 0.0% | 8.33% |
| 42 | 0.0% | 8.33% |
| 43 | 0.0% | 8.33% |
| 44 | 0.0% | 8.33% |
| 45 | 0.0% | 8.33% |
| **Total:** | 100.0% | 100.00% |

**IFC ANTI-CORRUPTION GUIDELINES**

[ *Attached* ]

**ANTI-CORRUPTION GUIDELINES FOR IFC TRANSACTIONS**

The purpose of these Guidelines is to clarify the meaning of the terms “Corrupt Practices”, “Fraudulent Practices”, “Coercive Practices”, “Collusive Practices” and “Obstructive Practices” in the context of IFC operations.

1. CORRUPT PRACTICES

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor’s books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. FRAUDULENT PRACTICES

A “Fraudulent Practice” is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation.

INTERPRETATION

A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a “Fraudulent Practice” for purposes of this Agreement.

B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in IFC, MIGA, or PRG operations. Similarly, other illegal behavior is not condoned, but will not be considered as a Fraudulent Practice for purposes of this Agreement.

3. COERCIVE PRACTICES

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An “Obstructive Practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of IFC’s access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.

**PROHIBITED ACTIVITIES**

The Borrower will not perform or finance any activity, production, use, distribution, business or trade involving:

1. Production or activities involving forced labor [1] or child labor [2]
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Any business relating to pornography or prostitution.
4. Trade in wildlife or wildlife products regulated under CITES [3]
5. Production or use of or trade in hazardous materials such as radioactive materials [4], unbounded asbestos fibers and products containing PCBs [5].
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances [6] and other hazardous substances subject to international phase-outs or bans.
9. Destruction [7] of Critical Habitat [8]

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1 Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

2 Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

3 CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

4 This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

5 PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

6 Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in “holes in the ozone layer”. The Montreal Protocol lists ODs and their target reduction and phase-out dates.

7 Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat’s ability to maintain its role (see footnote 10) is lost.

8 Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

10. Production and distribution of racist, anti-democratic and/or neo-nazi media.

In addition to the above, the financing of the Project is prohibited, when the following activities form a substantial [9] part of any of the Credit Party's primary operations or those of the Project:

11. Production or trade in [10]

    (a) weapons and munitions

    (b) tobacco

    (c) hard liquor

12. Gambling, casinos and equivalent enterprises [10]

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9 A benchmark for substantial is 5 – 10% of the balance sheet or the financed volume.

10 In Financial Institutions this is calculated with regard to the portfolio volume financing such activities.

**WIRE TRANSFER INFORMATION OF THE ADMINISTRATIVE ACCOUNT**

Bank :

Citibank, N.A.
New York, NY
ABA No.: 021-000-089

Account Name :

SMBC, New York Branch
Account No.: 36023837
Ref: Cerro Del Aguila S.A

**ACTION PLAN**

[ *Attached* ]

## 5.0 UPDATED ACTION PLAN

| | Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|---|
| 1 | **Updated ESIA** | EP 2<br>PS 1 | **Objective** : To provide further details about the baseline and potential project impacts **.**<br><br>**Deliverable** : Updated ESIA | The approved EIA requires updating to reflect changes to the Project Design and to address the gaps identified in the February 2012 environmental and social review report. | CdA | Prior to close | Yes |
| 1 A | **Endangered Animal Species Impacts Analysis Mitigation Measures** | EP 2<br>PS 6 | **Objective** : To provide further details about the potential project impacts and mitigation methods on *Atlapetes melanopsis* (black spectacled brush finch) **.**<br><br>**Deliverable** : (a) Information describing the potential impacts on any fauna classified as endangered or critically endangered on the IUCN red list ( *Atlapetes melanopsis* -black spectacled brush finch) and possible mitigation measures.<br><br>(b) Species inventory of *Atlapetes melanopsis* to determine the presence or absence of this species in the areas to be intervened | While the updated EIA addressed the majority of the gaps identified in the previous EIA, it did not specifically consider impacts on, and possible mitigation measures for *Atlapetes melanopsis* (black spectacled brush finch), *Chinchilla brevicaudata (* Chinchilla) or *Oreailurus jacobita (* Andean Cat **).** While the Chinchilla is unlikely to be present in the area and the Andean Cat has a large range, the impacts on the black spectacled brush finch should be considered.<br><br>The fauna protection subprogram in the EIA (2012) states the specific mitigation measures to protect fauna during the Project., However it was recommended some further consideration be given to the potential impact on *Atlapetes melanopsis* (black spectacled brush finch) as they have the ability to relocate themselves but may have limited options in the nearby vicinity. | CdA | (a) Prior to close<br>(b) Commence by 1 September 2012 | (a) Yes<br>(b) Yes |
| 2 | **Habitat Definition and Endangered Plant Species Survey** | PS 6 | **Objectives** :<br><br>(a) determine whether the areas to be intervened by the Project are natural or modified habitat according to the definitions of PS 6.<br><br>(b) To identify individuals of *Aralia sorantensis* and *Begonia veitchii*, which require removal, so that the number lost (if any) can be calculated.<br><br>**Deliverables** :<br><br>(a) Table showing the size of each of the areas to be intervened with corresponding vegetation type, habitat type and whether the habitat is associated with any endangered species).<br><br>(b) Endangered plant species inventory of areas where further ground breaking activities are going to occur and of the area to be inundated by the reservoir. | To understand what habitat mitigation methods are required, a better understanding of the extent of natural vs modified habitat that will be lost is needed. It is recommended that each of the areas to be intervened by ground clearing activities or inundation should be categorized as modified or natural (according the definitions contained in PS6).<br><br>In order to ensure there is no net loss of the identified endangered plant species, the number of individuals that require removal to establish access ways, worker accommodation, quarries, and spoil disposal sites, as well as other work areas or areas that will be inundated, needs to be established so appropriate mitigation methods can be established, if required.<br><br>A inventory should be conducted before any further construction activities begin in each area to be intervened to identify the presence of any endangered plant species. | CdA | (a) Prior to close<br>(b) Commence by September 1, 2012 | (a) Yes<br>(b) Yes |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 3 | **Environmental Baseflow** | EP 2<br>PS 6 | **Objective** : Determine an environmental base flow that minimizes the adverse effects on the aquatic ecosystem immediately downstream of the dam.<br><br>**Deliverable** : A minimum monthly volume is specified which will be discharged below the dam. | The hydrology and habitat quality of the stretch of river between the water intake structure and the discharge will be permanently altered as a result of the project. To minimize the impacts on the aquatic ecosystem, an environmental base flow needs to be calculated that takes into account the existing hydrobiology of the river. | CdA | Pre-Operation | Yes |
| 4 | **Land Acquisition and ROW** | PS 5 | **Objective** : Agreements have been reached with all land owners/occupiers for the purchase or use of their land.<br><br>**Deliverable** : Example contracts and payment receipts for land purchase and ROW agreements. | CdA have identified and contacted all the effected landowners/occupiers and have negotiated compensation amounts in accordance with their compensation plan. All the anticipated land required for the construction and operation of the power plant has been purchased. In terms of the ROW for the transmission lines, 97% of the agreements have been reached. | CdA | Prior to ground breaking activities in each zone | Partly |

| Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|
| 5 **Economic Displacement** | PS 5<br>PS7 | **Objective:** Assess the extent of economic displacement to determine loss of income or livelihood and carry out mitigation methods if necessary **.**<br><br>**Deliverables:**<br><br>a) Inventory of percentages of land purchased as a percentage of total land owned.<br><br>b) Plans showing land purchased from each community, with actual and best potential land use.<br><br>c) If there is economic displacement, mitigation methods are employed in a manner consistent with the intent of performance standard 5.<br><br>d) If fishing complaints (to be registered through the grievance mechanism) occur: an analysis of the significance is carried out and if significant: a mitigation plan prepared. | In order to assess whether the requirements of Performance Standard 5 referring to economic displacement and the restoration of living standards need to be applied, further detail of the economic impacts of the land purchase is required, including the potential impacts on any fishing activities undertaken by the community. Although fishing is not an income generating activity, this resource is used by the community and therefore the impacts of the Project on the availability of this resource to the community should be assessed. It is recommended that if the land to be purchased represents more than 30% of a landowners or permanent land-users productive land, additional consideration of whether their livelihood is affected and if necessary how their livelihood could be restored, should be given in accordance with performance standard 5. This may include additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve or at least restore their income-earning capacity, production levels, and standards of living. | CdA | (a) Pre-close<br>(b) Following finalization of land purchases<br>(c) tbd on the basis of the outcome of deliverable '(b)'<br>(d) Within 2 months of receipt of complaint | (a) Yes<br>(b) No<br>(c) Not yet triggered<br>(d) Not yet triggered |
| 6 **Community Grievance Mechanism** | PS 5<br>EP 6 | **Objective** : Prepare a community grievance mechanism that can address: i) grievances related to land acquisition,<br><br>ii) grievances related to fishing activities<br><br>iii) complaints from the community related to project activities (preconstruction, construction, and operation), and<br><br>iv) Indemnification claims resulting from accidental damages during construction.<br><br>**Deliverable** : A Grievance Mechanism(s) that is made available to the public. | The Community Relations Plan 2011 outlines the objectives and strategies for such a grievance mechanism, but the details need elaboration.<br><br>The mechanism should state:<br><br>• How the public can register their complaint,<br><br>• Who is responsible for receiving these complaints and disseminating them to the appropriate party(s) to address,<br><br>• How they will be recorded,<br><br>• What the method of response will be, and who will be responsible for ensuring each complaint is given a response. | CdA | Prior to close | Yes |
| 7 **Occupational and Community Health and Safety Plan: Construction** | PS 2<br>IFC EHS General Guidelines | **Objective** : The Contractors Occupational Health and Safety Plan is updated to include:<br><br>(a) Construction hazard identification and analysis consistent with the IFC EHS General Guidelines<br><br>(b) Identification of potential health hazards associated with worker accommodation consistent with the key principles of the ILO Code of Practice on HIV/AIDS.<br><br>**Deliverables:** (a) Updated | The Contractor OHSP plan identifies the processes which need to be followed to carry out hazard analysis, risk assessment and determine control methods. An analysis matrix includes:<br><br>i) identification of work activities, hazards and risks associated with each activity,<br><br>ii) whether there could be damage to persons, property, processes or environment, | CdA<br>Contractor | By Close for (a) and prior to initial disbursement for (b) | a) Yes<br>b) Partial |

| | |
|---|---|
| Construction Occupational Health and Safety Plan including completed annexes: Anexo 1 plan de mejora ambiente y seguridad; Anexo 4 Registro de las Principales Normas; Anexo 5- identificación de peligros y evaluación de riesgos; anexo 14 programa especifico de capacitación; and anexo 24 Programa de Auditoria interna<br><br>(b) Worker health risk analysis and control methods, including response procedures should a worker contract a communicable disease. | iii) potential risk (low, medium, high)<br><br>iv) a document or documents that describe the activity, the control methods, and an analysis of residual risk.<br><br>The plan identifies certain high risk activities which will require special permission and review of work plans. The levels of supervision for these tasks will be intensified. The high risk activities include: hot work, confined space, excavations, and moving heavy objects. The company has specific Standards for electric work, working at height, hazardous substances management, explosives manipulation and transport, among others.<br><br>Potential health issues associated with the worker accommodation should be considered and include methods to eliminate, control or minimize any health risks in relation to the effected communities. Occupational and Community health risks related to communicable disease should be addressed in conformity with the key principles of the ILO Code of Practice on HIV/AIDS. A process to follow if one of the workers contracts a communicable disease should be prepared. |

| | Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|---|
| | | | | Occupational health and safety monitoring will also be required. | | | |
| 8 | **Accommodation Services** | PS 2 (2012) | **Objective:** To ensure the contractor (s) responsible for the provision of worker accommodation meets the basic service requirements of performance standard 2.<br><br>**Deliverable:** Worker Accommodations that are consistent with IFC Performance Standard 2 and the IFC and EBRD guideline document: workers accommodation processes and standards. | Performance Standard 2: Labor and Working Conditions requires that policies are implemented to ensure the provision of basic services in worker accommodation. Basic services requirements refer to minimum space, supply of water, adequate sewage and garbage disposal system, appropriate protection against heat, cold, damp, noise, fire and disease-carrying animals, adequate sanitary and washing facilities, ventilation, cooking and storage facilities and natural and artificial lighting, and in some cases medical care. | CdA Contractor | By First Construction Audit. | No |
| 9 | **Contingency Plan** | PS 2 | **Objective:** To ensure the necessary coordination and training for emergency responses has been carried out.<br><br>Deliverables:<br><br>a) Chronogram of contingency training schedule.<br><br>b) For each type of Emergency included in the Contingency Plan the communities that could be affected are identified, if any (explaining why or why not) and how.<br><br>c) Meeting minutes of community meetings where emergency response procedures relevant to the community are presented (if relevant). | Coordination should be made with the entities that would provide support in an emergency such as the Ministry of Health, Civil Defense, Police and Local and Regional Government, prior to construction. This should be verified during construction work, along with the chronogram and details of contingency training for workers<br><br>It is also recommended that communities or individuals who may be impacted by the emergency incidents are identified (if any) and relevant contents disseminated to the community if they could be affected by an emergency incident and/or the corresponding response actions. | CdA Contractor | a) Prior to close<br>b) First Disbursement | a) Yes<br>b) No |
| 10 | **Occupational Health and Safety Plan: Operation** | PS 2<br>IFC EHS General Guidelines | **Objective** : Occupational Health and Safety Plan is updated to include operational hazard identification and analysis and is consistent with the IFC EHS General Guidelines.<br><br>**Deliverable:** Occupational Health and Safety Plan (Operation Phase **).** | The Occupational Health and Safety Plan in the 2012 EIA addresses issues for workers at a policy and plan level. However, the details required at a working level need to be provided including hazards analysis: identification, elimination, control, minimization and use of PPE. The OHSP or Plans should address the different types of work activities identifying the specific hazards associated with operating and maintaining hydropower plant equipment, substations and electricity lines such as exposure to non-ionizing radiation, sudden water level fluctuations, risk of electrocutions and fire prevention measures.<br><br>Occupational health and safety monitoring will also be required. | CdA | Pre Operation/Project Completion | No |
| 11 | **Waste Management and Hazardous Materials Plan (Construction and Operation)** | PS 3<br>IFC EHS General Guidelines | **Objectives** : (a) Provide an overview of the volumes of waste to be generated during construction and establish the temporary storage requirements for each solid waste type. | The waste management plan contained in the EIA (2012) provides more detail about the solid waste management strategies to be applied during the different Project phases and the | CdA Contractor | For the Construction phase: By First Construction Audit. | No |

| | | | |
|---|---|---|---|
| | (b) Identify hazardous substances and their transport, storage, handling and temporary disposal (prior to final disposal by a certified operator).<br><br>**Deliverables:** (a) Estimation of volumes of **waste,** where they will be stored, how often they will be collected, and which licensed operators have the capacity to dispose of the waste.<br><br>(b) Table showing each type of Hazardous Material to be used during each Project phase and their respective transportation, handling, temporary storage and final disposal requirements, including identification of certified operators involved. | types of hazardous materials used for each project phase. However volumes and specific storage locations are not mentioned. Although the frequency of collection required through the construction phase will be dependent on the volumes generated and temporary storage facilities, it is still recommended that these volumes are considered.<br><br>The companies and locations of the licensed operators for the transport and disposal of hazardous waste need to be specified. That these operators and facilities are acceptable should be checked during construction and operation audits. Ideally this should be part of CdA internal audits to meet the duty of care responsibilities outlined in performance standard 3.<br><br>A list of hazardous substances to be used for each Project phase needs to be prepared so that measures for transportation, handling and temporary storage can be clearly established. In particular the management of insulating materials needs to be documented during operation, such as safety procedures for carrying out maintenance work on SF6 insulated equipment, and the transport and disposal of used SF6 products. | For the Operation Phase: Pre Operation |

| | Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|---|
| | | | | Waste Management Audits should be undertaken periodically. | | | |
| 12 | **Wastewater Management during Construction** | PS 3<br>IFC EHS General Guidelines | **Objective** : Provide wastewater treatment for the construction phase that minimizes adverse effects to the environment and that is consistent with IFC EHS Guidelines **.**<br><br>**Deliverable:** Details on how domestic and industrial wastewater will be treated during the construction phase **.** | The updated EIA provides details on how domestic and industrial wastewater will be treated during the construction phase which includes small wastewater treatment plants for the two larger worker accommodation sites and septic systems for the smaller worker accommodation. | CdA<br>Contractor | Pre Close | Yes |
| 13 | **Wastewater Management during Operation** | PS 3<br>IFC EHS General Guidelines | **Objective** : Provide wastewater treatment for the operation phase that minimizes adverse effects to the environment and that is consistent with IFC EHS Guidelines.<br><br>**Deliverable:** Details on how domestic wastewater will be treated during the operation phase. | Details about domestic wastewater treatment during operation should be provided, in particular from the powerhouse complex. | CdA | Pre Operation | Partial |
| 14 | **Worker Grievance Mechanism** | PS2 | **Objective** : Provide a grievance mechanism for CdA employees that is compliant with **PS2.**<br><br>**Deliverable:** (a) Updated Grievance mechanism (Procedimiento para la atención de reclamos) and (b) Grievance mechanism included in induction or disseminated in some other way to workers. | In order to comply with Performance Standard 2, CdA needs to develop a grievance mechanism for workers, where they can raise reasonable workplace concerns.<br><br>The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides feedback to those concerned, without any retribution.<br><br>Details of the grievance mechanism should be included in the induction process. | CdA<br>Contractor | (a) Prior to close<br>(b) Prior to initial disbursement | (a) Yes<br>(b) No |
| 15 | **Community Relation Plan:**<br><br>Local Purchasing Program; Local Development Support Program; Community Monitoring Program; and Project Disclosure Program | PS2<br>PS7 | **Objective** : Update the following programs within the Community Relations Plan providing details on how each plan will be implemented including: a) the Local Purchasing Plan which benefits the local indigenous communities; b) the Local Development Support Program; c) the Community Monitoring Plan whereby the community can be involved in monitoring project activities; and (d) the Communications Plan.<br><br>**Deliverables:** Amended Community Relation Plan, containing a:<br><br>a) Amended Local Purchasing Program<br><br>b) Amended Local Development Support Program<br><br>c) Amended Community Monitoring Program | The Community Relations Plan contains the strategy and objectives of a number of sub plans. The implementation details of these plans need to be established.<br><br>The details of the Local Purchasing Program need to be developed. A balance will need to be found between optimizing economic benefits for the local communities and creating local inflation. The plan should also ensure that child labour is not used in the production of products purchased.<br><br>Mechanisms for sharing benefits of the project with the local community are laid down in the Local Development Support Program. In addition, a portion of the project revenues is channelled to the local community through a regulated 'canon'. The program should be | CdA | Prior to initial disbursement for all | No |

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|---|---|
| d) Amended Project Disclosure Program ensuring that the community is being informed of project activities that could pose a hazard or interfere with their normal activities including operation phase. | worked out in more detail, and clearly quantify the benefits for the local community.<br><br>There is a sub plan to involve the community in monitoring project activities through their involvement in environmental monitoring. The details of how this will be implemented need to be developed.<br><br>One of the purposes of the information and communication plan contained in the community relations plan is to provide the communities with information about Project activities and progress. The implementation of this plan should include provision to inform communities of project hazards and activities that could affect their daily activities, in particular the increase in traffic movements. A Communication Program for the operation phase should also be developed. |

| | Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|---|
| 16 | **Training and Induction** | PS1<br>PS2<br>PS3 | **Objective** : To ensure that workers receive the training specified in the environmental management plan and induction plan.<br><br>**Deliverables:** (a) Training Program; (b) Induction form; and (c) evidence the induction program is being carried out and that workers accept the code of conduct such as examples of signed code of conducts/induction forms. | A number of mitigation methods mention training of personnel during induction and also periodically during the project phases. It is recommended an induction form listing all the topics to be covered is prepared to ensure it encompasses all the aspects mentioned in the various plans and **sub** plans of the EIA. It is recommended that a training program specifying topics, target audience, training type (induction, 5 minute briefing, other) is developed. For the construction phase, this should be coordinated with the training and induction specified in the contractors OHSP.<br><br>It is also recommended that the induction process include a clear explanation to workers of their working conditions and general terms of employment, including their entitlement to wages and any benefits. This is already alluded to in CdA's program for contracting labor which states that conditions of work will be part of worker induction. It was not mentioned in the updated EIA worker contraction program.<br><br>The induction form would include a copy of the code of conduct and be signed by each employee. | CdA<br>Contractor | By First Disbursement | (a) Yes<br><br>(b) Yes<br><br>(c) No |
| 17 | **Updated Monitoring Plan** | PS6 | **Objective** : The environmental monitoring plan is designed to adequately assess impacts on the natural terrestrial and aquatic habitat.<br><br>**Deliverables:**<br><br>a) Terms of Reference for monitoring contract or contracts based on the updated EIA monitoring plan and adjacent recommendations. The terms of reference should include reporting the monitoring results and discussing the results in relation to: project activities and impacts to the natural environment, and review of mitigation methods in relation to monitoring results. | A number of changes to the monitoring plan are recommended including:<br><br>• Water Quality parameters should include suspended sediments during the construction phases and the first round of monitoring should occur prior to construction activities commencing. There should also be a water quality monitoring site downstream of the discharge. Water Quality monitoring should be carried out quarterly during the construction period.<br><br>• Monitoring to measure the impacts of the purging regime should be considered in the monitoring plan.<br><br>• The frequency of bird monitoring during construction should be increased from annually to 6 monthly.<br><br>• Hydrobiology monitoring considers numbers of individuals from the *Simulidae* family as part of the monitoring reporting.<br><br>• Reporting requirements are defined and include an assessment of the effectiveness of mitigation methods.<br><br>The flora and fauna monitoring | CdA | Prior to initial disbursement for construction monitoring and Pre Operation for operation monitoring | No |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | should aim to measure the impacts on the natural habitat and endangered species. The monitoring reports should compare the results to baseline and previous monitoring results and discuss the results in the context of possible impacts on the natural environment resulting from project activities. Recommendations should be made to change or improve mitigation methods where appropriate.<br><br>These changes need to be incorporated into the terms of reference for the monitoring work. | | | |
| 18 | **Archaeological chance find procedure** | PS 8 | **Objective** : Prepare a chance find procedure that complies with PS 8.<br><br>**Deliverable** : Amendment to the existing Contingency Plan or Mitigation Plan. | Although Archaeological monitoring will be carried out during construction, the contractor needs to be provided with a clear directive as to what steps should be taken in the event any suspected remains are uncovered. The steps should be documented and included in the Contingency Plan. | CdA | By First Construction Audit | No | |

| | Item | Equator Principle, performance standard or legal requirement | Objective and Suggested Deliverable | Explanation | Parties Involved | Deadline | Completed (Yes/No) |
|---|---|---|---|---|---|---|---|
| 19 | **Environmental and Social Management System Monitoring** | PS 1<br>EP 4 | **Objective** : Develop a monitoring and reporting system to manage the Projects compliance with its environmental and social commitments.<br><br>**Deliverable:** Environmental and Social monitoring and reporting system. | The Community Relations Plan contains the strategy and objectives of a monitoring plan including:<br>i) the identification of national and international standards that apply to the Project, and<br>ii) the design and implementation of a system to monitor the performance of the social and environment management system.<br><br>The details of the monitoring system need to be developed.<br><br>The monitoring system should allow for waste management audits and health and safety audits as well as monitoring progress with compliance with this action plan.<br><br>The system should include regular reporting and a mechanism to make changes to the system of environmental and social management, if required, as the Project progresses. | CdA | By initial disbursement date | No |
| 20 | **Construction Closure Plan and Revegetation Plan** | PS 3<br>PS6 | **Objectives** : (a) To ensure that areas used for the construction period are returned as far as possible to their previous state and no ongoing environmental liabilities are left.<br><br>(b) To ensure that there is no net loss of endangered plant species and to restore areas intervened during **construction.**<br><br>**Deliverable:** Construction Closure plan to restore areas intervened by construction activities **, including closure monitoring, to** ensure previously vegetated areas are **regenerating.** | It is important that the worker accommodation, spoil disposal, quarry sites and any other disturbed areas are left in a state which does not present any safety hazards to the community or degrade soil or water quality. It is important that a detailed construction closure plan based on the closure plan contained in the EIA is prepared and the closure of the sites verified. The construction closure plan should contain measures to dispose of any residual waste and remedy any soil contamination caused during the construction period (that have not already been addressed through spill response measures). The plan should also include rehabilitation techniques to address land instability issues and confirm whether the material to be disposed of should be checked for the presence of impurities and trace elements. Closure activities can occur progressively as areas are no longer required.<br><br>The construction closure plan should take into account the results of the endangered plant species inventory and consider whether worker accommodation areas, spoil disposal sites and road berms can be revegetated. | CdA<br>Contractor | 1 year prior to completion of Construction | No |
| 22 | **Final Decommissioning** | PS 1l<br>PS 3 | **Objective** : To ensure that areas used for the operation period are returned as far as possible to their previous state and no ongoing environmental liabilities are left.<br><br>**Deliverable:** Operation closure plan | When the Project components reach the end of their useful life, a decommissioning plan will need to be devised. | CdA | Prior to final disbursement | No |

**O&M PERFORMANCE BENCHMARKS**

Including planned and forced outages, the Project will achieve a three-year running average availability factor of 97.8% with no single year less than 96%; provided , that the following will not be included in estimating availability factor:

- planned outages occurring during the dry season for required major maintenance of the turbine generator unit, so long as it does not result in reduced generation from the Project due to spillage at the dam site; provided , however , that those hours affecting peak hour generation shall be subtracted from the unit availability;
- outages caused by Defects or Deficiencies (as defined in the EPC Contract);
- any Event of Force Majeure;
- shutdowns during a flooding event due to excessive abrasion wear of the turbine runners that would reduce turbine efficiency; and
- outages for maintenance of civil works.

For the avoidance of doubt, the annual sediment purging operation of the upstream Tablachaca Reservoir will be included in the calculation of the Project availability factor.

The Operator will ensure that the Project does not have an effective reduction of plant capacity from that established at the Commercial Operation Date during performance testing by more than 2 MW per unit or 5 MW for the entire Project (i.e., 3 units) based on a normal maximum pool level and a specific measured flow rate consistent with what is occurring upon unit commissioning for one or three units operating. For purposes of this Schedule 1.01(B), such MW effective reduction of plant capacity is subject to review and modification upon receipt from the turbine manufacturer of definitive specifications; provided , however , that no modification shall be made without the prior consent of the Independent Engineer. The flow rate shall be established upon commissioning for the annual capacity test.

**FIRST PRIORITY LIEN – REQUIRED FILINGS, REGISTRATIONS AND RECORDINGS – INITIAL DISBURSEMENT DATE**

**1. Trust Agreement ( *Contrato de Fideicomiso sobre Flujos* )**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |
| Filings and Registration: | To be registered with the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ) on or before the Initial Disbursement Date. |
| Other actions: | • Publication of the notice communicating the transfer of the " *Derechos de Cobro* " (as this term is defined in the Trust Agreement) to the trust to be established pursuant to the Trust Agreement for three (3) consecutive days in the Official Gazette " *El Peruano* ".<br>• Notification to current debtors about the transfer of its respective " *Derecho de Cobro* " to the trust to be established pursuant to the Trust Agreement. |

**2. Share Pledge Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |
| Filings and Registration: | To be registered with (i) the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ); and, (ii) the Stock Ledger ( *Libro de Matrícula de Acciones* ) of the Borrower on or before the Initial Disbursement Date. |
| Other actions: | • Include a notation about the existence of the Share Pledge Agreement on the corresponding share certificates.<br>• Grant the Power of Attorney pursuant to the Share Pledge Agreement and register it with the Public Registry. |

**3. Definitive Generation Concession Mortgage Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public and registered with the public registry file of the Concessions Public Registry. |
| Filings and Registration: | To be registered in the public registry file of the Concessions Public Registry in which the Definitive Generation Concession Agreement is registered on or before the Initial Disbursement Date. |
| Other actions: | Grant the Power of Attorney pursuant to the Definitive Generation Concession Mortgage Agreement and register it with the Public Registry. |

**4. Production Unit Mortgage Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public and registered with the Real Estate Public Registry. |
| Filings and Registration: | To be registered in the public registry file No. 11060878 of the Real Estate Public Registry (Huancayo Office) on or before the Initial Disbursement Date, which corresponds to the "Platanal Inscrito" parcel. |
| Other actions: | Grant the Power of Attorney pursuant to the Production Unit Mortgage Agreement and register it with the Public Registry. |

**5. Conditional Assignment of Rights and Contractual Position**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |
| Filings and Registration: | To be registered with the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ) on or before the Initial Disbursement Date. |
| Other actions: | • The Borrower shall, simultaneously or within five (5) Business Days since the signature of this document, communicate to the counterparties of the assigned agreements about the celebration of the Conditional Assignment of Rights and Contractual Position.<br>• Grant the Power of Attorney pursuant to the Conditional Assignment of Rights and Contractual Position and register it with the Public Registry. |

**6. Conditional Assignment of Contractual Position**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |
| Filings and Registration: | To be registered with the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ) on or before the Initial Disbursement Date. |
| Other actions: | Grant the Power of Attorney pursuant to the Conditional Assignment of Contractual Position and register it with the Public Registry. |

**7. Asset Pledge Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |
| Filings and Registration: | To be registered with the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ) on or before the Initial Disbursement Date. |
| Other actions: | • Grant the Power of Attorney pursuant to the Asset Pledge Agreement and register it with the Public Registry. |

* * *

**FIRST PRIORITY LIEN – REQUIRED FEES AND TAXES – INITIAL DISBURSEMENT DATE**

With regard to the Trust Agreement, the Production Unit Mortgage Agreement, the Definitive Generation Concession Mortgage Agreement, the Share Pledge Agreement, the Asset Pledge Agreement, the Conditional Assignment of Rights and Contractual Position Agreement, the Conditional Assignment of Contractual Position and the Powers of Attorney, the Borrower shall perform the following actions or cause such actions to occur on or prior to the Initial Disbursement Date:

- Pay all Notary Public's fees for the execution of the public deeds ( *escrituras públicas* ) by means of which the abovementioned security documents will be formalized.
- Payment of all amounts to be paid to the Peruvian Public Registries for the registration and perfection of the abovementioned security documents.

**SCHEDULE 7.05 – GOVERNMENT APPROVALS**

**SCHEDULE 7.05(a)**

Government Approvals – Closing Date

| No. | Permit |
|---|---|
| 1. | Definitive Generation Concession Agreement ( *Contrato de Concesión Definitiva de Generación de Energía Eléctrica Nº 358-2010* ), dated January 5, 2011, between the Borrower (as assignee of Kallpa Generación S.A.) and MINEM, as amended by Public Deed dated June 24, 2011. |
| 2. | Pre-operational Certificate for the Project ( *Estudio de Operatividad para la Conexión al SEIN de la C.H. Cerro del Aguila* ) (the "Pre-Operational Certificate"), issued by COES to the Borrower (as assignee of Kallpa Generación S.A., pursuant to the transfer notice on April 20, 2011) and identified by the following communications: (i) Carta COES/D/DP-199-2010, dated August 11, 2010, (ii) Carta CdA-002/11, received on March 12, 2011 and (iii) Carta KG-395/11, received on March 21, 2011. |
| 3. | Environmental Impact Assessment ( *Estudio de Impacto Ambiental del Proyecto "Central Hidroeléctrica Cerro del Aguila" )* ("EIA"), issued for Kallpa Generación S.A., as approved by Resolution ( *Resolución Directoral* ), No. 274-2010-MEM/AAE, by the MINEM on August 4, 2010, and assigned to the Borrower according to the Report ( *Informe* ) No. 079-2011-MEM-AAE-NAE/KCV, dated March 28, 2011. |
| 4. | Certificate of Inexistence of Archeological Remains ( *Certificado de Inexistencia de Restos Arquelógicos* ) ("CIRA") No. 2010-196 for the areas covered by the original layout of the Project issued by the *Instituto Nacional de Cultura, Dirección de Arqueología* (Peruvian Ministry of Culture), requested by Kallpa Generación S.A., dated June 3, 2010, with Registration No. 015119. |
| 5. | Definitive Water Use Study ( *Estudio de aprovechamiento Hídrico del Proyecto "Central Hidroelectrica Cerro del Aguila")* issued by the *Ministerio de Agricultura, Autoridad Nacional del Agua* ("ANA"), (i) in the name of Kallpa Generación S.A. and approved by Resolution ( *Resolución Directoral* ), No. 0219-2010-ANA-DARH, dated July 1, 2010, (ii) transferred to the Borrower by Resolution ( *Resolución Directoral* ), No. 0048-2011-ANA-DARH, dated March 17, 2011, (iii) and amended in respect of the collection and dumping points of water by Resolution (Resolución Directoral) No. 09- 2012-ANA-DARH, dated January 27, 2012. |

**SCHEDULE 7.05(b)**

Government Approvals – Initial Disbursement Date

| No. | Government Approval |
|---|---|
| 1. | Approval of MINEM for the Environmental Impact Assessment related to the modifications of the original layout of the Project ( *Estudio de Impacto Ambiental del Proyecto "Modificación de los componentes de la Central Hidroeléctrica Cerro del Aguila"* ), submitted by the Borrower on April 23, 2012. |
| 2. | Approval of COES to the Amendment to the Pre-Operational Certificate, described in Schedule 7.05(a) (Item #2) issued by COES pursuant to Letter No. COES/D/DP/083- 2012, dated as of January 31, 2012. |
| 3. | Approval of the Peruvian Ministry of Culture of a CIRA for all the areas covered by the Project, which are additional to the areas covered by the CIRA described in Schedule 7.05(a) (Item #4). |
| 4. | Authorization for the execution of works for water exploitation purposes ( *Autorización de ejecución de obras con fines de aprovechamiento hídrico* ) issued by ANA, necessary for the development of the Project. |
| 5. | Ministerial resolutions imposing and/or recognizing easement rights with respect to the Powerhouse Parcels and the Dam and Reservoir Parcels, to be obtained pursuant to Schedule 8.20. |
| 6. | Authorization for use of water for construction works ( *Autorización de ejecución de obras de aprovechamiento hídrico* ) issued by ANA. |
| 7. | Authorization for discharge of wastewater ( *Autorización de vertimiento de aguas residuales* ) issued by ANA. |
| 8. | Operating license for explosive shack ( *Licencia de funcionamiento de polvorín* ) issued by DICSCAMEC (Ministry of Interior) |
| 9. | Evidence of registration as direct consumer of liquid fuels in the hydrocarbons registry ( *Constancia de la inscripción en el registro de hidrocarburos de consumidor directo de combustibles líquidos* ) managed by OSINERGMIN. |

**SCHEDULE 7.05(c)**

Government Approvals – After Initial Disbursement Date

| No. | Government Approval |
|---|---|
| 1. | Ministerial resolutions imposing and/or recognizing easement rights with respect to the Transmission Line Parcels and the Conduction Tunnel, to be obtained on or before the dates set forth under Schedule 8.20. |

**SCHEDULE 7.05(d)**

Government Approvals – Project Completion Date

| No. | Government Approval |
|---|---|
| 1. | Commercial Operations Permit ( *Ingreso de Unidades de Generación en el COES SINAC* ) issued by COES (COES Procedure N° 21). |
| 2. | Water Use License ( *Licencia de Uso de Agua* ) issued by ANA. |

**ENVIRONMENTAL MATTERS**

None.

**PROJECT DOCUMENTS – CLOSING DATE**

**A. Material Project Documents Required to be Delivered on the Closing Date**

1. ElectroPeru PPA
2. Luz del Sur PPA
3. EPC Contract
4. Investment Agreement
5. Legal Stability Agreement
6. MINEM Guarantee Agreement
7. Definitive Generation Concession Agreement, as in effect on the Closing Date
8. The following Land Sale and Purchase Agreements:
    a. Public Deed executed on September 7 th 2011 before the Peruvian Notary Public, Eduardo Laos de Lama, by Luis Humberto Contreras Belledonne and Carmen Olinda Eustaquio Gutiérrez de Contreras and the Borrower. This Purchase Agreement has been duly registered in entry No. 11060878 of the Peruvian Real Estate Public Registry. (PLATANAL INSCRITO, 10 Ha.)
    b. Public Deed executed on November 10 th 2011 before the Peruvian Notary Public, Juvenal Efraín Ávila Breña, by the heirs of Roque Prado Tello, Víctor Gutiérrez Pacheco, Filomeno Lazo Tello y Rumalda Chávez Enriquez, Gonzalo Bazán Avila, Nazario Chamorro Pizarro and the heirs of Isidora Chamorro Prado and the Borrower. (FORTUNA, 6.64 Ha.)
    c. Private purchase contract executed on April 19 th 2012 by Víctor Raúl Abad Cabrera and the Borrower. (PLATANAL, 26.78 Ha.)
    d. Private purchase contract executed on February 23 rd 2012 by Eduardo Chávez Figueroa and Elvira Gabriel Quilca No. 19881500 and the Borrower. (LIMONAL, 30 Ha.)
    e. Private purchase contract executed on February 23 rd 2012 by Sócrates Abad Cabrera, Miguel Ángel Abad Cabrera, and Vilma Bertila Jaime de Abad and the Borrower. (UYARICO NO INSCRITO, 30 Ha.)
    f. Private purchase contract executed on March 24 th 2012 by the heirs of Manuel Abad Arana, conformed by Ludomila Francisca Abad Cabrera, Juan Jose Abad Cabrera, Sócrates Abad Cabrera, Víctor Raúl Abad Cabrera, Víctor Manuel Abad Chacón, Francisco Abad Chacon, Victoria Abad Chacon, Guillermina Herminia Abad Chacon, Ricardo Abad Palomino, Miguel Ángel Abad Cabrera, Alfonso

Abad Espinal, Lourdes Pimentel Pérez de Herrera, Juan Herrera Abad, Sonia Herrera Abad and Rosa Cabrera Gutierrez; and the Borrower (UYARICO INSCRITO, 10 Ha.)

g. Private purchase contract executed on December 13 th 2011 by the Peasant Community of Jatuspata and the Borrower. (JATUSPATA, 60.44 Ha.)

h. Private purchase contract executed on December 13 th 2011 by the Peasant Community of Jatuspata and the Borrower. (JATUSPATA, 5.06 Ha.)

i. Private purchase contract executed on December 13 th 2011 by the Peasant Community of Jatuspata and the Borrower. (JATUSPATA, 2.32 Ha.)

j. Public Deed executed on November 10 th 2011 before the Peruvian Notary Public, Juvenal Efraín Ávila Breña, by the heirs of Víctor Gutiérrez Pacheco y Susana Bazán Romero, Florían Gutiérrez Bazán and the heirs of Román Gutiérrez Bazán and the Borrower. (PACOPATA, 25.39 Ha.)

k. Public Deed executed on September 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Suylloc-Quintao and the Borrower. (SUYLLOC-QUINTAO, 104.53 Ha.)

l. Public Deed executed on October 31 st 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Andaymarca and the Borrower. (ANDAYMARCA, 85.82 Ha.)

m. Public Deed executed on October 24 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Llocce-Huantaccero and the Borrower. (LLOCCE HUANTACCERO, 61.20 Ha.)

n. Public Deed executed on October 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Capcas and the Borrower. (CAPCAS, 7.22 Ha.)

o. Private purchase contract executed on October 27 th 2011 by the Peasant Community of Capcas and the Borrower. (CAPCAS NO INSCRITO, 30.21 Ha.)

9. The following easement agreements:

a. Public Deed executed on December 6 th 2011 before the Peruvian Notary Public, Juvenal Efraín Ávila Breña, by the heirs of Víctor Gutiérrez Pacheco y Susana Bazán Romero, Florían Gutiérrez Bazán and the heirs of Román Gutiérrez Bazán and the Borrower. (PACOPATA, 1.43 Ha.)

b. Public Deed executed on November 6 th 2011 before the Peruvian Notary Public, Juvenal Efraín Ávila Breña, by the heirs of Víctor Gutiérrez Pacheco y Susana Bazán Romero, Florían Gutiérrez Bazán and the heirs of Román Gutiérrez Bazán and the Borrower. (PACOPATA, 0.84 Ha.)

c. Public Deed executed on September 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Suylloc-Quintao and the Borrower. (SUYLLOC-QUINTAO, 4.96 Ha.)

d. Public Deed executed on September 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Suylloc-Quintao and the Borrower. (SUYLLOC-QUINTAO, 10.30 Ha.)

e. Public Deed executed on October 31 st 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Andaymarca and the Borrower. (ANDAYMARCA, 6.24 Ha.)

f. Public Deed executed on October 31 st 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Andaymarca and the Borrower. (ANDAYMARCA, 13.45 Ha.)

g. Public Deed executed on October 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Capcas and the Borrower. (CAPCAS, 0.24 Ha.)

h. Public Deed executed on October 29 th 2011 before the Peruvian Notary Public, Ela Balbín Segovia, by the Peasant Community of Capcas and the Borrower. (CAPCAS, 0.18 Ha.)

i. Private easement contract executed on April 19 th 2012 by Luis Enrique Cisneros and Cecilia Yraida Vivas Soto and the Borrower. (HUAYO, 0.22 Ha.)

10. Government Approvals listed on Schedule 7.05(a)

11. Parent Guaranty dated November 4, 2011 delivered to the EPC Contractor pursuant to the EPC Contract.

12. The following letters of credit issued pursuant to the PPAs, the Investment Agreement and the Definitive Generation Concession Agreement:

a. Standby Letter of Credit No. D000-1504144 issued April 3, 2012 by Banco de Crédito del Perú for the benefit of the Ministry of Energy and Mines for 1,800,000.00 Nuevos Soles.

b. Standby Letter of Credit No. D193-1174467 issued June 22, 2012 by Banco de Crédito del Perú for the benefit of the Ministry of Energy and Mines issued in connection with the Investment Agreement for $3,119,892.25.

c. Standby Letter of Credit No. D193-1088989 issued June 22, 2012 by Banco de Crédito del Perú for the benefit of the Ministry of Energy and Mines issued in connection with the Investment Agreement for $9,309,957.35.

d. Standby Letter of Credit No. D193-01118366, issued December 23, 2011 by Banco de Crédito del Perú for the benefit of Luz del Sur S.A.A. for $2,693,840.83.

e. Standby Letter of Credit No. D193-01118605 issued December 23, 2011 by Banco de Crédito del Perú for the benefit of Luz del Sur S.A.A. for $902,742.39.

f. Standby Letter of Credit No. D193-01118371 issued December 23, 2011, by Banco de Crédito del Perú for the benefit of Edecañete S.A. for $43,301.81.

g. Standby Letter of Credit No. D193-01118367, issued December 23, 2011 by Banco de Crédito del Perú for the benefit of Edecañete S.A. for $14,511.03.

h. Standby Letter of Credit No. D193-01118373, issued December 23, 2011 by Banco de Crédito del Perú for the benefit of Edelnor S.A.A. for $481,035.78.

i. Standby Letter of Credit No. D193-01118372, issued December 23, 2011 by Banco de Crédito del Perú for the benefit of Edelnor S.A.A. for $161,201.58.

**B. Any Affiliate Project Documents as of the Closing Date**

None.

**C. Other Project Documents**

1. VAT Investment Contract

**PROJECT DOCUMENTS – INITIAL DISBURSEMENT DATE**

**A. Material Project Documents Required to be Delivered on the Initial Disbursement Date**

1. Government Approvals listed on Schedule 7.05(b).
2. Advance Payment Bond (as defined in the EPC Contract).
3. Performance Bond (as defined in the EPC Contract).

**PROJECT DOCUMENTS – AFTER INITIAL DISBURSEMENT DATE**

**A. Material Project Documents Required to be Delivered after the Initial Disbursement Date**

1. Government Approvals listed on Schedule 7.05(c).

**PROJECT DOCUMENTS – PROJECT COMPLETION DATE**

**A. Material Project Documents Required to be Delivered on the Project Completion Date**

1. Government Approvals listed on Schedule 7.05(d)
2. Acceptable COD O&M Arrangement.

**EXISTING LIENS; EXISTING INDEBTEDNESS**

I. Existing Liens

None.

II. Existing Indebtedness

None.

**PRE-CLOSING CHANGE ORDERS**

1. Variation Order No. 1 dated December 8, 2011.
2. Variation Order No. 2 dated May 18, 2012.
3. Variation Order No. 3 dated June 15, 2012.

**SCHEDULE 8.05 (INSURANCE)**

THE INSURANCE REQUIREMENTS ARE SET OUT BELOW

Capitalized terms used in this Schedule 8.05 and not otherwise defined in this Schedule shall have the meanings assigned to them in the Credit Agreement.

## INSURANCE REQUIREMENTS

The Borrower shall procure and maintain or cause to be procured and maintained the insurances set out below.

Insurances (and reinsurances) shall be effected with acceptable insurance (and reinsurance) carriers, which shall be (i) authorized to do business in Peru if required by law or regulation for any insurance in respect of the Project and (ii) having (a) a Best Insurance Reports rating of "A-" or better and a financial size category of "IX" or higher, or (b) a Standard & Poor's financial strength rating of "A-" or higher (or any other insurance company meeting requirements of clause (i) above that is acceptable to the Senior Lenders and the Administrative Agent and maintains a minimum of 95% facultative reinsurance with reinsurers who meet the rating levels of (ii) (a) or (b) above).

The insurances are to be in full force and effect on the Closing Date (or during the period specified below) and remain in force for the periods stated with coverage continuing until the Final Maturity Date.

Coverage and limits are to be not less than the provisions set out below and deductibles are to be not more than the provisions set out below.

**INSURANCES**

**Part I – Construction Period**

**(A) CONSTRUCTION ALL-RISKS**

| | |
|---|---|
| **Period** | From no later than the Closing Date until Project Completion Date, plus up to 24 months extended maintenance coverage in respect of the defects liability period. |
| **Insureds** | • the Borrower<br>• the Project Sponsor<br>• the EPC Contractor and/or sub-contractors of every tier<br>• each Secured Party<br>• the Operator as required by contract<br>• suppliers, professional consultants, architects and any other party engaged by any of the other Insured parties for their on site activities (whilst excluding design work on site) only.<br>• Independent Engineer and Independent Environmental Consultant for their on site activities<br>• Any Insured's subsidiary companies and their respective officers, directors and employees. |
| **Property Insured** | "Property Insured" means all works and all materials, equipment, contents and other goods for use in connection with or for incorporation therein, all facilities (including designs, drawings, specifications and plans to be provided and work to be done by the EPC Contractor under the EPC Contract) relating to the construction of the Project together with the temporary works or any other property goods (excluding constructional plant tools and equipment) for use in connection with or incorporation into construction of the Project whether supplied by or on behalf of the Borrower and installed by the EPC Contractor. |

| | |
|---|---|
| **Sum Insured** | A sum representing the full reinstatement value of the Property Insured including adequate provision for policy extensions. |
| **Coverage** | "All risks" of physical loss, destruction or damage to the Property Insured from a cause not excluded. |
| **Maximum Deductibles** | 2.5 percent of value of risk subject to a minimum of USD 500,000 and a maximum of USD 5,000,000 in respect of earthquake.<br>USD 500,000 each and every loss in respect of tunnelling and underground works.<br>USD 250,000 each and every loss in respect of Hot Testing and Commissioning, Defective Design Workmanship and Material's and during the Defects Liability Period.<br>USD 500,000 each and every loss in respect of storm, tempest, flood, subsidence and collapse<br>USD 100,000 each and every other loss |
| **Territorial Limits** | Anywhere within Peru |
| **Principal Policy Extensions and Conditions** | • LEG2/96 Defects Exclusion or equivalent<br>• Extended Maintenance<br>• Debris Removal<br>• Expediting Expenses and Airfreight Expenses<br>• 72 Hour Clause<br>• Automatic Reinstatement of the Sum Insured Clause<br>• Cost Escalation Clause (115%)<br>• Professional Fees<br>• Completed works insured until the Plant Commercial Operations Date |

- Marine 50/50 Clause
- Inland Transit
- Off-site storage
- Temporary removal
- Loss minimisation
- Plans and specifications
- Tunnelling clause
- Piling Clause

**(B) DELAY IN START-UP**

| | |
|---|---|
| **Period** | From no later than the Closing Date until Project Completion Date |
| **Insureds** | • the Borrower<br>• the Project Sponsor<br>• each Secured Party<br>• Any Insured's subsidiary companies and their respective officers, directors and employees. |
| **Interest Insured** | Actual loss of gross profit and increased cost of working arising from delayed completion of the project and caused by physical loss or damage indemnifiable under the Construction All Risks insurance. |
| **Sum Insured** | Gross profit for an indemnity period of twelve months, plus additional cost of working. |
| **Coverage** | "All risks" of physical loss, destruction or damage to the Property Insured from a cause not excluded. |

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|---|---|
| **Maximum Deductible** | 90 days in the aggregate in respect of earthquake, tunneling or underground works.<br>60 days in the aggregate in respect of all other losses. |
| **Territorial Limits** | Anywhere within Peru |
| **Principal Policy Extensions** | • Suppliers Premises<br>• Utilities<br>• Ingress and Egress<br>• Professional services |

(C) MARINE/AIR CARGO

| | |
|---|---|
| **Period** | Continuous cover from the date of the initial shipment of project equipment or materials and to remain in force until acceptance and receipt of the final shipment to the Project site. |
| **Insured** | • Borrower<br>• the EPC Contractor and/or sub-contractors of every tier<br>• suppliers of every tier<br>• each Secured Party<br>Each for their respective rights and interests. |
| **Sum Insured** | Not less than 110% of the full replacement value (equivalent to 110% of cost, freight and insurance value) of the insured property shipped by each one vessel. |
| **Insured Conveyances** | Conveyances and vessel and/or vessels and/or barge and/or air and/or road and/or rail and/or any other conveyance by land, sea or air and connections. |
| **Deductible** | Not greater than USD 50,000 any one accident or occurrence |

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|---|---|
| **Interest** | All imported Materials, Equipment and Supplies required for the construction of the Project.<br><br>Excluding Contractor's Plant and/or Equipment |
| **Insured Voyages** | From point of origin at manufacturer's site including loading and until arrival including unloading at the construction site, including periods not exceeding 60 days of storage in the ordinary course of transit at any intermediate port or place. |
| **Principal Policy Extensions and Conditions** | • Institute Classification Clause CL354 1/1/2001;<br>• Marine Survey Warranty Clause Survey Clause;<br>• Excluding Rust, Oxidation or Discolouration.<br>• Barge Shipments at terms and conditions to be agreed<br>• Termination of Transit Clause (Terrorism)<br>• Institute Cargo 'A' Clauses<br>• Institute War/SRCC Clauses<br>• Concealed damage 90 days<br>• 50/50 Clause<br>• Airfreight Replacement Clause<br>• Returned Shipment Clause<br>• Excluding electrical and/or mechanical derangement unless caused by an insured peril<br>• Accumulation Clause (200%)<br>• Cancellation Clause - This insurance may be reviewed and/or cancelled by either party having given in writing notice of:<br>war risks - 7 days.<br>strikes risks - 7 days but for sending to and from the U.S. - 48 hours.<br>Such cancellation, however, shall not prejudice any transit risk or risks which shall have attached at the time such cancellation becomes effective. |

(D) MARINE/AIR CARGO DELAY IN START UP

| | |
|---|---|
| **Period** | As per the Marine/Air Cargo |
| **Insured** | • Borrower<br>• each Secured Party<br>Each for their respective rights and interests. |
| **Sum Insured** | A sum not less than that being sufficient to cover Debt Service and fixed costs during the period of delay and subject to the following indemnity periods:<br>Not less than 12 months<br>Indemnity period to commence no later than the effective date under the ElectroPeru PPA. |
| **Deductible** | Not more than 60 days |
| **Interest** | Actual Loss of Interest Insured (not less than Debt Service and ongoing fixed costs) following a delay in the Projected Project Completion Date of the insured business resulting from direct loss or damage to goods or merchandise indemnifiable under the Marine/Air Cargo Insurance. |

**(E) THIRD PARTY LIABILITY**

| | |
|---|---|
| **Period** | As per the Construction All Risks Insurance |
| **Insured** | • the Borrower<br>• the EPC Contractor and/or sub-contractors of every tier<br>• each Secured Party<br>• the Operator as required by contract<br>• suppliers, professional consultants, architects and any other party engaged by any of the other Insured parties for their on site activities (whilst excluding design work on site) only |

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|---|---|
| | • Independent Engineer and Independent Environmental Consultant for their on site activities<br>• any Insured's subsidiary companies and their respective officers, directors and employees |
| **Sum Insured** | USD 25,000,000 any one occurrence. |
| **Coverage** | All sums which the Insured shall be legally liable for compensation or damages arising out of death of or injury to third party people and damage to third party property including associated loss of revenues happening during the period of insurance within the Territorial Limits and arising out of the Project. |
| **Deductible** | USD 10,000 each and every loss for material damage only, USD100,000 for claims in the USA, Canada and Australia |
| **Territorial Limits** | Anywhere in the world, excluding the United States of America, Canada and Australia, in connection with the Project |
| **Policy Extensions and Conditions** | • worldwide jurisdiction<br>• ABI Pollution Clause – NMA 1685 or equivalent<br>• Cross Liability Clause<br>• Failure to Supply Exclusion |

**(F) SABOTAGE AND TERRORISM INSURANCE**

| | |
|---|---|
| **Period** | No later than the Closing Date until the Project Completion Date |
| **Insureds** | • the Borrower<br>• the EPC Contractor and/or sub-contractors of every tier |

| | |
|---|---|
| | • each Secured Party<br>• the Operator as required by contract |
| | **DSU limited to**<br>• the Borrower<br>• each Secured Party |
| | Each for their respective rights and interests. |
| **Property Insured** | Property Damage |
| | In respect of property damage as a result of terrorism and/or sabotage to the Insured's physical assets including permanent and temporary works, materials, buildings, structures, machinery, plant and equipment supplies and all other property for incorporation into the construction of Project. |
| | Excluding the EPC Contractor's plant and equipment. |
| | Delay in Start Up ("DSU") |
| | Actual Loss of Interest Insured (not less than Debt Service and ongoing fixed costs) and/or increased cost of working necessarily and reasonably incurred, following a delay in the Projected Project Completion Date of the Insured's business resulting from physical loss or damage caused by an act of terrorism or sabotage subject to a maximum indemnity period of 12 months. |
| **Sum Insured** | USD 250,000,000 aggregate on a first loss basis combined all sections. |
| | Indemnity period to commence no later than the effective date under the ElectroPeru PPA. |
| **Coverage** | Terrorism and sabotage including subsequent delay and/or interruption caused by an act of terrorism or sabotage. |
| **Deductibles** | Property Damage: USD 500,000 any one occurrence. |
| | Delay in Start-Up 30 days in the aggregate. |

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| **Policy Conditions and Extensions** | • Debris Removal<br>• Inspection and Audit<br>• Non-Cancellation |
| **Permitted Exclusions** | • Nuclear detonation, reaction, nuclear radiation or radioactive contamination<br>• War, civil war, rebellion, revolution, insurrection, uprising, military or usurped power or martial law or confiscation by order of any Government or public authority<br>• Seizure or illegal occupation<br>• Confiscation, requisition, detention, legal or illegal occupation, embargo, quarantine, any order of public or government authority<br>• Pollutants or contaminants<br>• Chemical or biological release or exposure<br>• Vandals, malicious persons, protesters, strikes, riots or civil commotion<br>• Cessation, fluctuation or variation in, or insufficiency of, water, gas or electricity supplies and telecommunications of any type or service<br>• Threat or hoax<br>• Loss or damage due to micro-organisms. |

**(G) COMPULSORY INSURANCES**

Insurances required to comply with all statutory requirements of Peru.

**Part II – Operations Period**

**(A) ALL-RISKS OF PHYSICAL LOSS OR DAMAGE**

| | |
|---|---|
| **Period** | From the termination of the cover required for the construction phase (excluding any defects liability period) for twelve (12) months and annually renewable thereafter until the Final Maturity Date. |
| **Insureds** | • the Borrower<br>• each Secured Party<br>• The Operator as required by contract<br>• Any Insured's subsidiary companies and their respective officers, directors and employees.<br>Each for their respective rights and interests |
| **Property Insured** | All material property (or part thereof), fixed, mobile or in transit, of every kind and description not otherwise excluded, either owned, leased, hired or borrowed by any of the Insureds or held in the care, custody or trust of any of the Insureds or for which any of the Insureds are responsible or have assumed responsibility all forming part of or in connection with the Project. |
| **Sum Insured** | Full replacement value<br>Property Damage and Business Interruption shall include a combined sublimit for earthquake of USD 500,000,000. |
| **Coverage** | All Risks of loss of or damage to the Property Insured including Machinery Breakdown occurring during the period of insurance by any cause not otherwise excluded. |
| **Deductibles** | Not greater than:<br>Machinery breakdown and fire USD 1,000,000<br>Earthquake 2.5% of Value At Risk At Time Of Loss (VARATOL)<br>all others USD 500,000. |
| **Territorial Limits** | Anywhere within Peru including whilst in transit or storage therein. |

| | |
|---|---|
| **Principal Conditions and Extensions** | Debris Removal Clause; |
| | Property in the course of construction clause; |
| | Replacement/reinstatement basis of claims settlement; |
| | Architects' and Surveyors' fees; |
| | Additional costs of complying with public authority requirements; |
| | Cost of labour and computer time expended in reproducing documents or computer records; |
| | Capital additions; |
| | Additional overtime, night work, holiday work, express freight costs and custom duties; |
| | Temporary Removal; |
| | Automatic reinstatement of sum insured; and |
| | Including strikes, riots, civil commotion. |
| **Principal Exclusions** | Damage to the Project resulting from experiments or overload or similar tests requiring the imposition of abnormal conditions; |
| | The costs of normal upkeep or normal making good; |
| | Latent defects, defective design, materials or workmanship but not subsequent damage from an ensuing case which is not otherwise excluded; |
| | Wear and tear, corrosion, erosion, and or gradual deterioration but not subsequent damage from an ensuing case which is not otherwise excluded; |
| | Defects due to normal settlement, cracking or expansion of the buildings; |
| | Pollution and or contamination other than following insured damage; |
| | Sabotage and terrorism; |
| | Asbestos; |
| | Mold; |
| | Radioactive contamination; |
| | Air and sea transit. |

**(B) BUSINESS INTERRUPTION**

| | |
|---|---|
| **Period** | From the termination of the coverage required for the construction phase (excluding any defects liability period) for twelve (12) months and annually renewable thereafter until the Final Maturity Date. |
| **Insureds** | • the Borrower<br>• each Secured Party<br>Each for their respective rights and interests. |
| **Coverage** | Actual Loss of Interest Insured (not less than Debt Service and ongoing fixed costs) and/or increased cost of working necessarily and reasonably incurred following an interruption or interference to the insured business resulting from physical loss or damage indemnifiable under Section 1 (or would have been indemnifiable but for the insureds retained liability) or covered by any policy extension. |
| **Sum Insured** | Not less than a sum sufficient to cover Debt Service and ongoing fixed costs including operation and maintenance expenses following an interruption or interference beginning on the date of the occurrence of the insured damage and continuing for the period during which the results of the business are affected subject to a maximum indemnity period of 12 months. |
| **Deductibles** | Not greater than 60 days each and every loss except 90 days for earthquake or collapse of the head race tunnel. |

**(C) THIRD PARTY LIABILITY**

| | |
|---|---|
| **Period** | From the termination of the cover required for the construction phase (excluding \| any defects liability period) for twelve (12) months and annually renewable thereafter until the Final Maturity Date. |

| | |
|---|---|
| **Insured** | As per the Property Damage Insurance |
| **Limit of Liability** | The USD 15,000,000 any one occurrence, except in relation to products liability, and sudden and accidental pollution liability where such limit of indemnity shall be in the aggregate for the period of insurance. |
| **Coverage** | All sums which the Insured shall be legally liable for compensation or damages arising out of death of or injury to third party people and damage to third party property including associated loss of revenues happening during the period of insurance within the Territorial Limits and arising out of the ownership, operation and maintenance of the Project. |
| **Deductible** | Not greater than USD 50,000 each and every loss Material Damage losses only. |
| **Territorial Limits** | Anywhere in the world in connection with the Project. |
| **Principal Conditions and Extensions** | Worldwide jurisdiction excluding USA/Canada/Australia/Eire<br>Primary Insurance Clause<br>ABI Pollution Clause – NMA 1685 or equivalent<br>Cross liability Clause<br>Products Liability<br>Failure to supply Exclusion |

**(D) SABOTAGE AND TERRORISM INSURANCE**

| | |
|---|---|
| **Type** | Terrorism and Sabotage Property Damage including subsequent business interruption caused by an act of terrorism or sabotage. |
| **Period** | As per the Property Damage and Business Interruption Insurance |
| **Insureds** | • the Borrower<br>• each Secured Party<br>• the Operator as required by contract<br>• any Insured's subsidiary companies and their respective officers, directors and employees.<br>Each for their respective rights and interests |

| | |
|---|---|
| | **Business Interruption shall be limited to**<br>• the Borrower<br>• each Secured Party<br>Each for their respective rights and interests |
| **Coverage** | Property Damage<br>In respect of property damage as a result of terrorism and/or sabotage to the Insured's physical assets including permanent and temporary works, materials, buildings, structures, machinery, plant and equipment supplies and all other property for incorporation into the construction of Project.<br>Business Interruption<br>Actual Loss of Interest Insured (not less than Debt Service and ongoing fixed costs) and/or increased cost of working necessarily and reasonably incurred following an interruption of the insured business resulting from physical loss or damage caused by an act of terrorism or sabotage subject to a maximum indemnity period 12 months. |
| **Sum Insured** | USD 250,000,000 aggregate on a first loss basis during the policy period combined all sections. |
| **Deductibles** | Property Damage: USD 500,000 any one occurrence.<br>Business Interruption 30 days per occurrence |

| | |
|---|---|
| **Policy Conditions** | Debris Removal |
| | Inspection and Audit |
| | Non-cancellation |
| **Principal Exclusions** | Loss or damage due to: |
| | Nuclear detonation, reaction, nuclear radiation or radioactive contamination; |
| | War, civil war, rebellion, revolution, insurrection, uprising, military or usurped power or martial law or confiscation by order of any Government or public authority; |
| | Seizure or illegal occupation; |
| | Confiscation, requisition, detention, legal or illegal occupation, embargo, quarantine, any order of public or government authority; |
| | Pollutants or contaminants; |
| | Chemical or biological release or exposure; |
| | Vandals, malicious persons, protesters, strikes, riots or civil commotion; |
| | Cessation, fluctuation or variation in, or insufficiency of, water, gas or electricity supplies and telecommunications of any type or service; |
| | Threat or hoax; and |
| | Loss or damage due to micro-organisms. |

**(E) COMPULSORY INSURANCES**

Insurances required to comply with all statutory requirements.

**APPENDIX 2**

**(a) Lenders' Endorsements**

Each insurance policy, other than (G) in Part I and (E) in Part II, shall contain the following endorsements:

**Clause 1: Definitions**

Unless otherwise defined in this endorsement, as set forth below, defined terms in this endorsement have the meanings given to them in the Credit Agreement (as defined below).

In this endorsement:

"Credit Agreement" means the agreement dated on or about the date hereof (as amended, modified and supplemented and in effect from time to time) and entered into by the Borrower, the Administrative Agent, the Collateral Agents and the Lenders.

"Insurance Policy" means the insurance agreement to which this endorsement is attached and into which this endorsement is incorporated in its entirety.

"Insureds" means the insured parties named in the Insurance Policy, collectively.

"Insurer" or "Insurers" means the relevant insurer participating in each insurance policy and such term also includes any reinsurer.

"Third Party Liability Insurance" means insurance in respect of all sums which any Insured becomes liable to pay in respect of a legal liability to third parties.

**Clause 2: Acknowledgement of Assignment**

The Insurer acknowledges that it is aware that the Borrower has been granted certain credit facilities by the Lenders and has assigned by way of first ranking security to the Trustee acting on behalf of the Secured Parties all of its existing and future rights, title and interest in and to the proceeds of all insurances relating to the Project and the benefit of the Insurance Policy. The Insurer confirms that (i) it consents to such assignment and acknowledges that it has not been notified of any other assignment or security interest in the Borrower's interest in the Insurance Policy; and (ii) the Secured Parties shall have no duty of disclosure.

**Clause 3 : Severability and Non Invalidation**

It is understood and agreed that the Insurer:

a) notes and agrees that the Insured described in the schedule comprises more than one insured party each operating as a separate and distinct entity and cover hereunder shall apply in the same

manner and to the same extent as if individual policies had been issued to each such insured party comprising the Insured for its respective rights and interests provided that the total liability of the Insurer to all of the insured parties comprising the Insured collectively shall not (unless the policy specifically permits otherwise) exceed the sums insured and limits of indemnity including any inner limits set by memorandum or endorsement stated in the Insurance Policy;

b) subject to paragraph (c) below, shall be entitled to avoid liability to or (as may be appropriate) claim damages from any of the insured parties comprising the Insured in circumstances of fraud, deliberate misrepresentation, deliberate non–disclosure or deliberate breach of any warranty or condition of the Insurance Policy (the " **Vitiating Act** ") committed by that insured party. For the avoidance of doubt, any unintentional or inadvertent error or omission in name or description or representation shall not operate to the prejudice of the Insured, provided that the error or omission is corrected when discovered by the insured and advised to the Insurer prior to any occurrence giving rise to a claim hereunder;

c) understands and agrees that a Vitiating Act committed by one insured party comprising the Insured shall not prejudice the right to indemnity of any other insured party comprising the Insured who has an insurable interest and who has not committed a Vitiating Act;

d) hereby agrees to waive all rights of subrogation or action which it may have or acquire against the Insured or any parties comprising the Insured except where the rights of subrogation or recourse are acquired in consequence or otherwise following a Vitiating Act in which circumstances the Insurer may enforce such rights notwithstanding the continuing or former status of the vitiating party as an Insured; and

e) notwithstanding the foregoing provisions of this Clause 3, waives, and agrees not to exercise, any rights against the Borrower which they may acquire through subrogation to the rights of the Senior Lenders until all amounts owing to the Secured Parties have been irrevocably repaid in full.

Notwithstanding the above, in respect of Marine Cargo Insurance and Marine Cargo Delay in Start-Up Insurance, this clause 3 shall not apply in the case of breach of survey warranty, as detailed in the survey warranty clause contained in the general conditions section of this insurance, such warranty shall in all circumstances be paramount.

**Clause 4 : Primary Insurance Cover**

The Insurer agrees that this insurance shall be primary to and not excess to (except in respect of layers of excess third party cover applicable to the Borrower) or contributing with any other insurance maintained by any Insured. The Insurer waives all rights of contribution or average against any other insurance effected by any Insured.

**Clause 5 : Currency Clause**

Any loss hereunder shall be settled in the same currency as the currency in which the loss has been properly claimed by an Insured.

**Clause 6 : Loss Payment Clause**

The Borrower irrevocably authorizes and instructs the Insurer to pay, and the Insurer agrees to pay, all loss proceeds, returned premiums and any other monies payable under or in relation to the Insurance Policy (" **Proceeds** ") as follows:

a) if the Proceeds are in respect of third party claims to be paid directly to a third party under the Third Party Liability Insurance, such sums shall be paid directly to that third party; and

b) to the extent that sub–paragraph (a) above does not apply, or payments have not been made to the third party as contemplated therein, all amounts payable by the Insurer in respect of the insurances shall be paid:

(i) in the event that the Borrower or the Trustee receives any amount of proceeds of insurance and other payments received for interruption of operations in respect of any Event of Loss, such amounts shall be deposited in accordance with the Collateral Agency and Depositary Agreement in the Onshore Dollar Revenue Account (or as otherwise instructed by the Trustee (acting at the direction of the Collateral Agent)); or

(ii) in the event that the Borrower or the Trustee receives an amount of Loss Proceeds in respect of any Event of Loss, the Net Available Amount shall be deposited in accordance with the Collateral Agency and Depositary Agreement in the Loss Proceeds Account (or as otherwise instructed by the Trustee (acting at the direction of the Collateral Agent)); or

unless and until the Insurer receives written notice from the Trustee to the contrary, in which event the Insurer shall make all future payments as then directed by the Trustee.

No other instruction, whether by the Insured or by any person other than the Trustee, to make any payment to any other person or account shall be honored by the Insurer unless given or countersigned by the Trustee, or such other person as the Trustee may notify to the Insurer in writing. A payment made in accordance with this provision shall, to the extent of that payment, discharge the liability of the Insurer to the Insured under the Insurance Policy. Each payment by each Insurer to a third party of a claim against the Borrower under the Third Party Liability Insurance insured by the Insurer shall be applied directly to discharge fully and finally an insured liability of the Borrower to that third party.

**Clause 7 : Right to fund premium**

The Insurer acknowledges that the Senior Lenders and the Trustee shall have the right but not the obligation to pay any premiums payable in respect of this Insurance Policy.

**Clause 8 : Waiver of Offset**

The Insurer shall not be entitled to offset any sums payable to it by any Insured on any account whatsoever (other than any premium outstanding from the Insured in respect of the Insurance Policy) against any amount payable by the Insurer under the Insurance Policy.

**Clause 9 : Notifications**

The Insurers shall give, via the broker, to the Trustee, the Collateral Agents, the Administrative Agent, the Borrower and any other party as required by any Transaction Document:

a) (applicable only to such insurances that contain a cancellation provision) at least 30 days' notice in writing (or such lesser period, if any, as may be specified from time to time by Insurers in the case of war risks, terrorism and kindred perils (including terrorism), but in any event not less than 7 days (except 48 hours in case of strikes cover for marine cargo sendings to the U.S.) before any cancellation or avoidance can take effect if the Insurer proposes to cancel or avoid or give notice of such cancellation or avoidance of all or any cover under the Insurance Policy for any reason including non payment of premium;

b) at least 60 days' notice in writing before any proposed reduction in limits or coverage (other than reductions in limit by reason of any payment under this Insurance Policy), any proposed increase in deductibles or any proposed termination before the original expiry date, in each case under or in connection with the Insurance Policy, is to take effect;

c) (applicable only to such insurances that require renewal) at least 30 days notice prior to the expiry of the insurances if the Insurers have not received renewal instructions from the Borrower and/or any insured party to the broker or agent of any such party;

d) (applicable only to such insurances that require renewal) immediate notice of any non-renewal or expiry of the Insurance Policy; and

e) prompt notice of any act or omission or of any event of which the Insurer has knowledge and which the Insurer considers would invalidate or render unenforceable in whole or in part the Insurance Policy, including any default in the payment of any premium for any of the insurances, provided that, subject to terms and conditions of this Insurance Policy, no reductions in limits (other than reductions in limit by reason of any payment under this Insurance Policy) or extent of insurance coverage or increases in exclusions, deductibles or exceptions shall be made under this Insurance Policy without the written consent of the Insured and the Trustee (acting at the direction of the Collateral Agent).

**Clause 10 : Status of Trustee**

a) The Trustee shall be under no obligation to fulfill nor shall it incur any liability with respect to, the Insured's obligations under the Insurance Policy, including, but not limited to, payment of premiums and delivery of notices, as required under the Insurance Policy.

b) The Trustee is not agent or trustee of any party other than the Secured Parties for receipt of any notice or any other purpose in relation to the Insurance Policy.

**Clause 11 : Provision of Notices, etc.**

All notices or other communications under or in connection with the Insurance Policy will be given in writing or by fax. Any such notice will be deemed to be given as follows:

a) if in writing, when delivered; and,

b) if by fax, on the date on which it is transmitted but only if (i) immediately after the transmission, the sender's fax machine records the correct answerback, and (ii) the transmission date is a normal Business Day in the country of the recipient at the time of transmission and is recorded as received before 5 pm on that date in the recipient's time zone, failing which it shall be deemed to be given on the next normal business day in the recipient's country.

c) The address and fax number of the Agents for all notices under or in connection with the Insurance Policy are those notified from time to time by such Agent for this purpose to the Borrower.

The initial address and fax number of the Trustee are set forth in Section 11.02 of the Collateral Agency and Depositary Agreement.

The initial address and fax number of the Collateral Agents are set forth in Section 11.02 of the Collateral Agency and Depositary Agreement.

The initial address and fax number of the Administrative Agent are as follows:

Address:

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

**Clause 12 : Clauses Paramount**

Except where otherwise stated within this endorsement, this endorsement overrides any conflicting provision in the Insurance Policy.

**Clause 13 . Cancellation**

Notwithstanding the provisions of Clause 10 above, it is understood and agreed that, save for any non payment of premium this policy shall not be cancelled except in the event of termination of this Insurance Policy by the Borrower and with the prior consent of the Trustee (acting at the direction of the Collateral Agent) and may not be cancelled by any other Insured Party or the Insurers.

**APPENDIX 3**

**Form of Broker's Letter Of Undertaking (for insurances/reinsurances arranged by Borrower)**

**On Broker's Letterhead**

To: Sumitomo Mitsui Banking Corporation, as Administrative Agent

, 2012

Dear Sirs

**Cerro del Aguila Project**

We have acted as insurance broker to the Borrower with respect to the insurances referred to in this letter and, as such, we have placed on behalf of the Borrower the insurance policies as set forth in the attached Appendix I - Insurance Schedule (the " **Insurances** ").

We confirm that the Insurances (i) are in full force and effect; provided however that we cannot provide any opinion as to whether the Borrower may have made any statements or failed to make any statements that could nullify or materially reduce the scope of the coverage (and we are not aware of any such statements having been made or having been failed to be made); (ii) have been placed on behalf of the Borrower; and (iii) name you as an insured (the " **Insureds** ").

We also confirm that:

(a) the endorsements, substantially in the form set out and as attached hereto in Appendix II, have been included in respect of the Insurances; and

(b) upon your request, we shall use best efforts to promptly request that each Insurer sign any notice, declaration or any other document necessary for the assignment of Insurances to be binding on the Insurer and third parties.

We further confirm that all premiums due at the date of this letter in respect of the Insurances have been paid in full.

At the time of placement, our market security department assessed the financial soundness of the markets utilized based on publicly available information, and we confirm that, as of the date of placement with each of those markets, the insurer was financially sound.

Pursuant to instructions received from the Borrower and in consideration of your approving our appointment or continuing appointment as insurance brokers in connection with the Insurances, and agreeing to the terms of this letter and in particular the limits of liability contained herein, we hereby undertake in respect of your and the Borrower's interests in the Insurances:

1 to have endorsed on each and every policy of the Insurances as and when the same is issued endorsements substantially in the forms attached hereto in Appendix II acknowledged by the Insurers in accordance with market practice;

2

2.1 to advise you promptly upon receipt of notice of any material changes notified to us which are proposed to be made to the terms of the Insurances and which, if effected, in our reasonable belief would result in any material reduction in limits or coverage (including those resulting from extensions) or in any increase in deductibles, exclusions or exceptions or would result in termination, cancellation, suspension or expiry (in the latter case, which is not immediately followed by a renewal upon the same terms with the same Insurers) of any of the Insurances;

2.2 to notify you promptly of any default in the payment of any premium;

2.3 prior to the expiry of any Insurance and following a written request from you, to notify you within ten (10) days if we have not received instructions from the Borrower to negotiate renewal, and, in the event of our receiving instructions to renew, to advise you promptly of the details thereof; and

2.4 to notify you promptly upon becoming aware that we shall cease, or that we have ceased, to be the broker of record to the Borrower;

3 to pay to you without any set-off or deduction of any kind for any reason any and all proceeds from the Insurances received by us from the Insurers except as might be otherwise permitted in the relevant loss payable clauses;

4 to advise you if any Insurer cancels or gives notice of cancellation or suspension of any insurance promptly upon our becoming aware of such cancellation or suspension;

5 to disclose to the Insurers each material circumstance in relation to the Insurances which it is aware and it, as agent for the Insureds, is required by law to disclose to them;

6 upon written request made by you, to supply you with copies of all policies, cover notes, certificates, endorsements, renewal receipts and confirmation of renewal and payment of premiums in respect of the Insurances and to make available to you promptly on request the originals of any of the same which are required by you in connection with the making of an insurance claim where these are held by us, subject to our lien on any unpaid premiums that we as broker may have under the original documents;

7 to advise the Insureds of the type of information which needs to be disclosed to the Insurers and of their duty of disclosure relating to material facts; and

8 to hold the insurance slips or contracts, the policies with any renewals thereof or any new or substitute policies (in each case, issued only with your consent), any cover notes, certificates, endorsements, renewal receipts, and confirmation of renewal and payment of premiums in respect of Insurances, to the extent held by us, to your order, subject to our lien on any unpaid premiums that we as broker may have under the original documents.

The above undertakings are given:

(a) subject to any Insurer's right of cancellation (if any) following default in excess of 30 days in payment of such premiums, but we undertake to advise you as soon as reasonably practical after receiving notice of any Insurer's intention to cancel any of the Insurances, and where Insurers wish to cancel for reasons of non-payment of premium, we will give you notice at least 5 business days (or if not possible to provide 5 business days notice we shall provide notice of any insurers intention to cancel for non payment promptly) before notification of cancellation so as to give you a reasonable opportunity to pay amounts outstanding before any notice of cancellation is issued by or on behalf of such Insurers;

(b) subject to our continuing appointment for the time being as insurance broker to the Borrower; and

(c) subject to all claims and returns of premiums being collected through us and our lien on any unpaid premiums that we as broker may have under the original documents.

Our above undertakings are given subject to our lien on any brokerage fees and unpaid premiums that we as broker may have under the original documents and subject to our right of cancellation on default in payment of such premiums, but we undertake not to exercise such rights of cancellation without giving you thirty (30) days notice in writing, either by letter, or electronically transmitted message and a reasonable opportunity for you to pay any premiums outstanding.

It is understood and agreed that the operation of any Automatic Termination of Cover, Cancellation or Amendment Provisions contained in the conditions of the Insurances shall override any undertakings given by us as broker.

Our aggregate liability to any persons, companies or organisation who acts in reliance on this letter, or on any other broker's letter of undertaking issued by us in respect of the Insurances to which this letter relates, for any and all matters arising from them and the contents thereof shall in any and all events be limited to the sum of £3,000,000, even if we are negligent. We do not limit liability for our willful misconduct or fraud.

This letter shall be governed by and construed in all respects in accordance with the law of England.

Yours faithfully

_____

for and on behalf of [ *Insert Insurance Broker* ]

**FIRST PRIORITY LIEN - REQUIRED FILINGS, REGISTRATIONS AND RECORDINGS AFTER THE INITIAL DISBURSEMENT DATE**

**1. Amendments to the Production Unit Mortgage Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public and registered with the Real Estate Public Registry ( *Registro de Propiedad Inmueble* ). |
| Filings and Registration: | The Borrower shall (i) file the Amendments to the Production Unit Mortgage Agreement with the Real Estate Public Registry ( *Registro de Propiedad Inmueble* ) within five Business Days of executing the relevant public deed, and (ii) cause them to be registered within 105 calendar days of the date of the relevant public deed, in accordance with the Production Unit Mortgage Agreement. |

**2. Definitive Transmission Concession Mortgage Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public and registered with the public registry file of the Concessions Public Registry. |
| Filings and Registration: | To be registered in the public registry file of the Public Concession Registry in which the Definitive Transmission Concession Agreement is registered on or before 105 calendar days following the date in which all the parties have executed the corresponding public deed. |

**3. Amendments to the Asset Pledge Agreement**

| | |
|---|---|
| Formality: | Public deed duly executed before a Peruvian Notary Public. |

| | |
|---|---|
| Filings and Registration: | To be registered with the Peruvian Contracts Public Registry ( *Registro Mobiliario de Contratos* ) on or before 105 calendar days following the date of the relevant public deed, in accordance with the Asset Pledge Agreement. |

**PROPERTY RIGHTS – REGISTRATION AND RECORDINGS AFTER INITIAL DISBURSEMENT DATE**

**a. POWERHOUSE PARCELS**

| No. | Project Area | Parcel Owner | Registration of Easement Right (RM) in the Concessions' Public Registry | Registration of Ownership Right in the Real Estate Public Registry |
|---|---|---|---|---|
| 1. | Jatuspata | Agricultural Community of Jatuspata | June 30, 2014 | January 31, 2014 |
| 2. | Limonal | Eduardo Chávez | June 30, 2014 | July 31, 2019 |
| 3. | Uyarico No Inscrito | Miguel Abad Cabrera | June 30, 2014 | July 31, 2019 |
| 4. | Platanal No Inscrito | Víctor Raúl Abad Cabrera | June 30, 2014 | July 31, 2019 |
| 5. | Uyarico Inscrito ( ) | Hermanos Abad | June 30, 2014 | October 31, 2018 |

**b. DAM AND RESERVOIR PARCELS**

| No. | Project Area | Parcel Owner | Registration of Easement Right (RM) in the Concessions' Public Registry | Registration of Ownership Right in the Real Estate Public Registry |
|---|---|---|---|---|
| 1. | Andaymarca | Agricultural Community of Andaymarca | June 30, 2014 | July 31, 2014 |
| 2. | Suylloc-Quintao | Agricultural Community of Suylloc-Quintao | June 30, 2014 | July 31, 2014 |
| 3. | Capcas Inscrito | Agricultural Community of Capcas | June 30, 2014 | July 31, 2014 |
| 4. | Capcas No Inscrito | Agricultural Community of Capcas | June 30, 2014 | July 31, 2019 |
| 5. | Llocce-Huantaccero | Agricultural Community of Llocce-Huantaccero | June 30, 2014 | July 31, 2019 |
| 6. | Chinchaybamba Norte | Peruvian State | June 30, 2014 | N.A. |

**c. TRANSMISSION LINES PARCELS**

| No. | Project Area | Ministerial Resolution Imposing / Recognizing Easement | Registration of Easement Right (RM) in the Concessions' Public Registry | Registration of Easement Right in the Real Estate Public Registry |
|---|---|---|---|---|
| 1. | Andaymarca A | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 2. | Andaymarca B | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 3. | Suylloc-Quintao A | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 4. | Suylloc-Quintao B | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 5. | Capcas A | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 6. | Capcas B | June 2015 | October 31, 2016 | October 31, 2013 (easement) |
| 7. | Jatuspata A | June 2015 | October 31, 2016 | January 31, 2015 (property) |
| 8. | Jatuspata B | June 2015 | October 31, 2016 | January 31, 2015 (property) |
| 9. | Pacopata A | June 2015 | October 31, 2016 | October 31, 2018 (easement) |
| 10. | Pacopata B | June 2015 | October 31, 2016 | October 31, 2018 (easement) |
| 11. | Huayo | June 2015 | October 31, 2016 | July 31, 2020 (easement) |
| 12. | Peruvian State | June 2015 | October 31, 2016 | N.A. |
| 13. | Peruvian State | June 2015 | October 31, 2016 | N.A. |
| 14. | Peruvian State | June 2015 | October 31, 2016 | N.A. |
| 15. | Peruvian State | June 2015 | October 31, 2016 | N.A. |
| 16. | Peruvian State | June 2015 | October 31, 2016 | N.A. |
| 17. | Peruvian State | June 2015 | October 31, 2016 | N.A. |

**d. CONDUCTION TUNNEL**

| No. | Underground area | Administrative Easements | Registration in the Concessions' Public Registry | Registration in the Real Estate Public Registry |
|---|---|---|---|---|
| 1. | Peruvian State | August 2015 | December 31, 2015 | N.A. |

**STATISTICAL PROJECT DATA**

In addition to the other items required to be included herein pursuant to Section 8.22 (Operating Statements and Reports), the Borrower shall furnish the following data for statistical purposes on a monthly basis:

1. Unit availability for each unit.
2. Energy production during peak and off-peak hours and accompanying averages.
3. Hydrology, including mean monthly flows.
4. Monthly average reservoir spill and low level outlet releases from the dam.

**FORM OF OPERATING STATEMENTS**

[ *Attached* ]

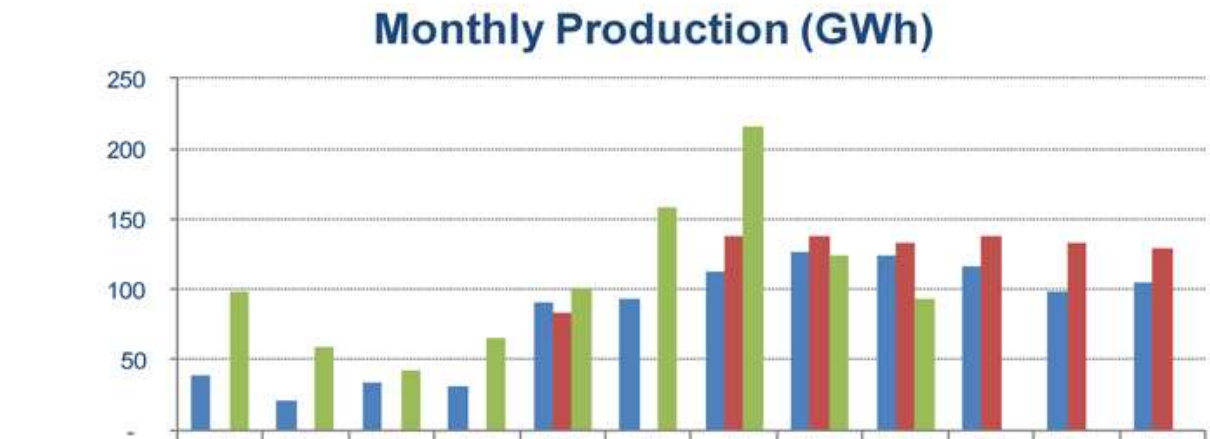
<Date>

# MONTHLY OPERATION REPORT

## 1.2 Month Highlights (Sample)

- Health & Safety
- Commercial
- O & M Maintenance

## 4.1 Production




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Real 2008 | 38 | 20 | 33 | 31 | 90 | 94 | 113 | 127 | 124 | 115 | 98 | 105 |
| Budget 2009 | - | - | - | - | 83 | - | 137 | 137 | 133 | 137 | 133 | 129 |
| Real 2009 | 98 | 58 | 42 | 64 | 101 | 158 | 215 | 124 | 92 | | | |

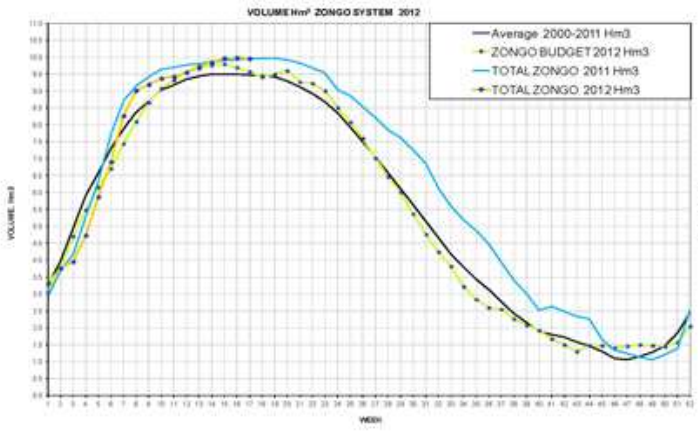
## 4.5 Hydrology (Ejemplo de COBEE)

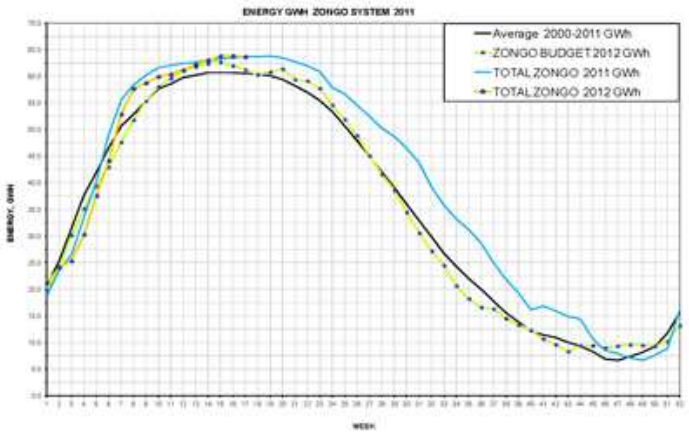
| | YTD Capacity - $Hm^3$ | | | YTD Variations - % | | |
|---|---|---|---|---|---|---|
| System | Actual | Budget | 12Y Average | Actual vs Budget | Actual vs Average | Budget vs Average |
| ZONGO | 3.38 | 3.52 | 3.53 | -4.0% | -4.2% | -0.3% |
| TIQUIMANI | 6.34 | 6.15 | 5.90 | 3.1% | 7.5% | 4.2% |
| **TOTAL ZONGO** | **9.72** | **9.67** | **9.43** | **0.5%** | **3.1%** | **2.5%** |

| System | Actual | Budget | 12Y Average | Actual vs Budget | Actual vs Average | Budget vs Average |
|---|---|---|---|---|---|---|
| MIGUILLA | 2.98 | 2.90 | 2.89 | 2.8% | 3.1% | 0.3% |
| ANGOSTURA | 12.66 | 11.28 | 10.83 | 12.2% | 16.9% | 4.2% |
| **TOTAL MIGUILLAS** | **15.64** | **14.18** | **13.72** | **10.3%** | **14.0%** | **3.4%** |

## Valleys GWh and Volume Ejemplo COBEE)

## Zongo System



## 4.5 Technical Information

| GT-1 | September | | January - September | |
|---|---|---|---|---|
| September 09 | Actual | Budget | YTD | Budget |
| Commercial Availability (%) | | | | |
| Capacity Factor (%) | | | | |

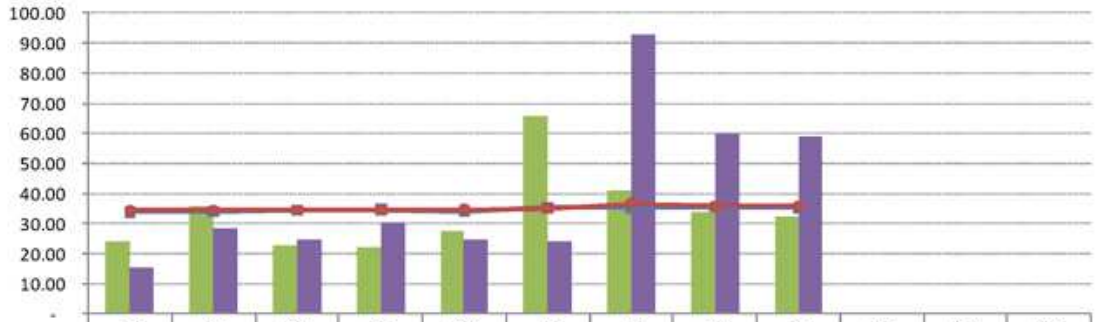
| GT-2 | September | | January - September | |
|---|---|---|---|---|
| September 09 | Actual | Budget | YTD | Budget |
| Commercial Availability (%) | | | | |
| Capacity Factor (%) | | | | |

| Total Plant | September | | January - September | |
|---|---|---|---|---|
| September 09 | Actual | Budget | YTD | Budget |
| Commercial Availability (%) | | | | |
| Capacity Factor (%) | | | | |

## 5. Prices

<Date>

### 5.1 Marginal Cost and Average Energy Contract Price (US$ / MWh)




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Marginal Cost US$/MWh | 24.20 | 35.61 | 22.65 | 22.45 | 27.64 | 65.70 | 41.22 | 33.88 | 32.15 | | | |
| Marginal Cost (Budget) US$/MWh | 15.36 | 28.31 | 24.80 | 30.18 | 24.44 | 24.11 | 92.69 | 59.93 | 59.04 | | | |
| Energy Contract Price US$/MWh | 33.83 | 33.97 | 34.55 | 34.71 | 34.21 | 35.37 | 35.27 | 35.47 | 35.26 | | | |
| Energy Contract Price (Budget) US$/MWh | 34.43 | 34.48 | 34.58 | 34.55 | 34.66 | 35.17 | 36.68 | 35.90 | 35.86 | | | |

## 6. Variable Margin

<Date>

### 6.1 Variable Margin. Monetary

| MONETARY( KUS$) | SEP | | | JANUARY - SEP | | |
|---|---|---|---|---|---|---|
| | ACTUAL | BUDGET | FORECAST | YTD | BUDGET | FORECAST |
| ENERGY SALES | | | | | | |
| Discos | | | | | | |
| Non Regulated Customers | | | | | | |
| Export | | | | | | |
| Spot | | | | | | |
| Discos Without Contracts | | | | | | |
| ENERGY PURCHASES | | | | | | |
| Spot | | | | | | |
| Third Parties (not Spot Market) | | | | | | |
| Import | | | | | | |
| Other | | | | | | |
| CAPACITY SALES | | | | | | |
| Discos | | | | | | |
| Non Regulated Customers | | | | | | |
| Export | | | | | | |
| Spot | | | | | | |
| Discos Without Contracts | | | | | | |
| CAPACITY PURCHASES | | | | | | |
| Spot | | | | | | |
| Third Parties (not Spot Market) | | | | | | |
| Import | | | | | | |
| Other (Discos without contracts) | | | | | | |
| GENERATION COST | | | | | | |
| Fuel | | | | | | |
| Gas Kallpa | | | | | | |
| Gas transferred by EDEGEL to Kallpa | | | | | | |
| OTHER COSTS | | | | | | |
| Other Revenues | | | | | | |
| Other Expenses | | | | | | |
| Other Revenues (DU 049-2008) | | | | | | |
| Other Expenses (DU 049-2008) | | | | | | |
| COMMERCIAL VARIABLE MARGIN (Thousand US$) | | | | | | |
| ACCOUNTING ADJUSTMENTS | | | | | | |
| ACCOUNTING VARIABLE MARGIN (Thousand US$) | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Variable Margin / Gross Generation (US$/MWh) | | | | | | |
| Variable Margin / Sales (US$/MWh) | | | | | | |

# 7. Income Statement (K USD)

<Date>

**INCOME STATEMENT**

In thousands of USD

| | MONTH | | | | YTD | | | |
|---|---|---|---|---|---|---|---|---|
| | Actual 2012 | Budget 2012 | Forecast 2012 | Actual 2011 | Actual 2012 | Budget 2012 | Forecast 2012 | Actual 2011 |
| Variable Margin | | | | | | | | |
| Operating and maintenance | | | | | | | | |
| General and administrative | | | | | | | | |
| Other income (expenses) | | | | | | | | |
| Operating & Maintenance expenses | - | - | - | - | - | - | - | - |
| EBITDA | - | - | - | - | - | - | - | - |
| Depreciation and amortization | | | | | | | | |
| EBIT | - | - | - | - | - | - | - | - |
| Finance expenses | | | | | | | | |
| Finance income | | | | | | | | |
| Exchange (losses) gains | | | | | | | | |
| Income before tax | - | - | - | - | - | - | - | - |
| Taxes | | | | | | | | |
| Net income | - | - | - | - | - | - | - | - |
| Revenues from Carbon Credits | - | - | - | - | - | - | - | - |

## 7. Income Statement by month (K USD)

<Date>

**INCOME STATEMENT**

In thousands of USD

| | ACTUAL | | | | 2012 |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | YTD |
| Variable Margin | | | | | - |
| Operating and maintenance | | | | | - |
| General and administrative | | | | | - |
| Other income (expenses) | | | | | - |
| Operating & Maintenance expenses | - | - | - | - | - |
| EBITDA | - | - | - | - | - |
| Depreciation and amortization | | | | | - |
| EBIT | - | - | - | - | - |
| Finance expenses | | | | | - |
| Finance income | | | | | - |
| Exchange (losses) gains | | | | | - |
| Income before tax | - | - | - | - | - |
| Taxes | | | | | - |
| Net income | - | - | - | - | - |
| Revenues from Carbon Credits | - | - | - | - | - |

## 9. Cash Flow

<Date>

In thousands of USD

| | Jan 2012 | Feb 2012 | Mar 2012 | Q1 2012 | Apr 2012 | May 2012 | Jun 2012 | Q2 2012 | Jul 2012 | Aug 2012 | Sep 2012 | Oct 2012 | Nov 2012 | Dec 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating activities | | | | | | | | | | | | | | |
| Collection from customers | | | | - | | | | - | | | | | | |
| Payments of Water use | | | | - | | | | - | | | | | | |
| Payments to third parties | | | | - | | | | - | | | | | | |
| Payments to employees | | | | - | | | | - | | | | | | |
| Payments of income tax / VAT | | | | - | | | | - | | | | | | |
| Net cash provided in operating activities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investing activities | | | | | | | | | | | | | | |
| Restricted Cash | | | | - | | | | - | | | | | | |
| Permitted Capex | | | | - | | | | - | | | | | | |
| Purchase of property, plant and equipment | | | | - | | | | - | | | | | | |
| Disbursements for the acquisition of PPE | | | | - | | | | - | | | | | | |
| Acquisition of intangibles | | | | - | | | | - | | | | | | |
| Proceeds from sale of PPE | | | | - | | | | - | | | | | | |
| Net cash used in investing activities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financing activities | | | | | | | | | | | | | | |
| Capital injection | | | | - | | | | - | | | | | | |
| Shareholders loan | | | | - | | | | - | | | | | | |
| Proceeds of short term borrowings | | | | - | | | | - | | | | | | |
| Proceeds of long-term debt | | | | - | | | | - | | | | | | |
| Payment of Shareholders loan | | | | - | | | | - | | | | | | |
| Payments of short term borrowings | | | | - | | | | - | | | | | | |
| Payments of long-term debt | | | | - | | | | - | | | | | | |
| Payments of interest | | | | - | | | | - | | | | | | |
| Net cash provided by financing activities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net increase (decrease) in cash during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash as previous year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash at the end of the month | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

**FORM OF BORROWING CERTIFICATE**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

Sumitomo Mitsui Banking Corporation, as SACE Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis / Robert Doyle / Daniel Minzer
Telephone: 212-224-4857 / 4847 / 4835 / 4286
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com /
robert_doyle@smbcgroup.com / daniel_minzer@smbcgroup.com

Hatch Asociados S.A., as Independent Engineer
Avenida Conquistadores 626, Oficina 301
San Isidro, Lima 27 - Perú
Fax: 511 714 4001
Attn: Doris Hiam-Galvez

BORROWING CERTIFICATE NO. [ ] [11] ,

The date of the proposed Disbursement Date is [ ], 20[ ]

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

[11] Borrowing Certificates are to be numbered consecutively in the order of their dates. This Borrowing Certificate must be delivered 4 Business Days prior to the delivery of the Notice of Borrowing.

Pursuant to Section 6.03(b) of the Credit Agreement, the Borrower is hereby submitting this Borrowing Certificate (this " Borrowing Certificate "), dated as of [ ]. The Borrower intends to submit a Notice of Borrowing in connection with the proposed borrowing ten (10) Business Days prior to such proposed Disbursement Date pursuant to Section 4.05 of the Credit Agreement.

The Borrower hereby certifies that:

1. In accordance with Section 8.09(a) of the Credit Agreement, the Borrower intends to use the proceeds of the Borrowing requested pursuant to this Borrowing Certificate that it receives (after payment of all fees, costs and expenses required to be paid pursuant to the Credit Agreement) to pay for Project Costs in respect of the Project Development in accordance with the Project Construction Budget and Schedule and the terms of the Financing Documents.

2. All or any portion of fees or expenses now due and payable by the Borrower under the Credit Agreement, including pursuant to Sections 2.04 and 11.03 thereof, the Fee Letters and the SACE Reimbursement Agreement, have been paid.

3. In accordance with Section 6.03(d) of the Credit Agreement, the amount of the Borrowing to be requested pursuant to the Notice of Borrowing referred to above shall not exceed the Project Costs attributable to the Project Development, due and to be paid on or prior to the date hereof or reasonably expected to be due or incurred (i) within the next forty-five (45) days succeeding the date hereof or (ii) in respect of the final Borrowing, within the period until the Project Completion Date, (each of (i) and (ii) without duplication of any other Borrowing previously made in respect of such Project Development); provided, that, as of the date hereof, no cost overruns shall have occurred and be continuing which could reasonably be expected to result in Project Costs in excess of funds available to pay such Project Costs.

4. In accordance with Section 6.03(e) of the Credit Agreement the Borrower hereby (a) attaches hereto, or has previously provided to the Administrative Agent and the Independent Engineer, a copy of all invoices and related documentation issued under the EPC Contract (or other invoices and supporting documentation in connection with the payment of any other Project Costs) which the Borrower intends to pay with such Borrowing proceeds, as set forth on Appendix I hereto; (b) sets forth projections of invoices expected to be received within forty-five (45) days after the date hereof, or, in respect of the final Borrowing, within the period from the date hereof until the Project Completion Date and projections, invoices and related documentation in connection with any other Project Costs which the Borrower intends to pay with such Borrowing proceeds, in each case not less than five (5) Business Days prior to the date of the Notice of Borrowing, as evidence of the Project Costs related to this Borrowing Certificate; and (c) attaches hereto, or has previously provided to the Administrative Agent and the Independent Engineer all Lien waivers from the EPC Contractor, including with respect to work performed by subcontractors, delivered in accordance with Section 14.1.3 of the EPC Contract and in respect of all work completed under the EPC Contract as of the date of the Borrowing. Attached as

Appendix II hereto are copies of invoices for costs which equal $15,000 individually or more than $30,000 in the aggregate and related documents demonstrating that all amounts borrowed pursuant to the immediately preceding Borrowing Certificate were used to pay Project Costs, to the extent such invoices and documents were not previously delivered. [12] The Borrower intends to apply the proceeds of the Loans requested pursuant to this Borrowing Certificate to the payment of the Project Costs listed on Appendix I to this Borrowing Certificate or to other Project Costs permitted under the Credit Agreement. No item shown on Appendix I has been heretofore paid for with the proceeds of any previous Borrowing as set forth in the preceding Borrowing Certificate.

5. With respect to invoices submitted in connection with the proposed Borrowing, the Borrower has reviewed the work performed, services rendered and material, equipment or supplies delivered to date (either directly or in reliance on sources of information deemed reliable by us), and the amounts that have been paid or are to be paid are proper.

6. The Borrower has not entered into change orders under the EPC Contract other than change orders made prior to the Closing Date and listed on Schedule 7.15(f) to the Credit Agreement or otherwise in accordance with Section 8.20(d) of the Credit Agreement.

7. All material Government Approvals necessary for the current stage of the Project Development have been obtained and complied with and continue to be complied with in all material respects, and copies of such Government Approvals have been delivered to the Administrative Agent.

8. No Default or Event of Default has occurred as of the date hereof and is continuing or will result from the proposed Borrowing contemplated by this certificate, and no Material Adverse Effect has occurred since the [[Closing Date]/[previous Borrowing]] [13] and is continuing.

9. As of the date set forth above, each of the representations and warranties of the Borrower contained in Article VII of the Credit Agreement is true and complete in all respects as of the date of such certificate (or such earlier date in the case of any representation and warranty given as an earlier date).

10. The Collateral is subject to the perfected first priority lien and the security interest established pursuant to the Security Documents [required to be delivered pursuant to Section 6.02(a)] [14] , except for the liens in respect of the parcels of real property and easements to be perfected after the date hereof as set forth on Schedule 8.20.

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12 If the Borrower is not able to make the certification regarding the utilization of the Project Costs, the amount of the Loans requested pursuant to the current Notice of Borrowing must be reduced in an amount equal to the Loan proceeds and Equity not previously expended.

13 Note : Include “Closing Date” for the Initial Disbursement Date and “previous Borrowing for each other Disbursement Date thereafter.

14 Note : To be updated to also refer to the Transmission Concession Mortgage Agreement for any Disbursement Date after the required delivery of such Security Document.

11. No Event of Abandonment has occurred.

12. All filing, recordation, subscription and inscription fees and all recording and other similar fees, and all recording, stamp and other taxes and other expenses related to such filings, registrations and recordings necessary for the consummation of the transactions contemplated by the Credit Agreement and the other Transaction Documents have been paid in full by or on behalf of the Credit Parties.

13. The Project is reasonably expected to achieve the Final Taking-Over Date prior to the Required Final Taking-Over Date and sufficient funds exist in order to achieve the Project Completion Date by the Required Project Completion Date.

14. All insurance for the Project is in full force and effect with respect to the insurance policies required by Section 8.05 and Schedule 8.05 in respect of the Project and all premiums which are now due and payable have been paid.

15. The Borrower and the Operator are implementing the E&S Management System diligently and in accordance with the timetable described in the Action Plan.

16. Each of the conditions precedent in Section[s] [6.02] [15] and 6.03 of the Credit Agreement have been satisfied.

17. The Debt to Equity Ratio after the requested Borrowing will not exceed 65:35 as demonstrated by the following calculation: [ *INCLUDE RELEVANT CALCULATION* ]

18. Attached as Appendix III hereto is a true, correct and complete SACE Facility Payment Request.

19. [Attached as Appendix IV hereto [is]/[are] revised Schedule[s] [7.15(b)] [and] [7.15(c)]] [16]

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15 To be included only in the initial Borrowing Certificate.
16 To be included as applicable.

The Borrower hereby certifies that the facts stated by the Borrower in this Borrowing Certificate are true and complete.

**CERRO DEL AGUILA S.A.,**

By: _____
Name:
Title:

APPENDIX I to
Borrowing Certificate

[LIST PROJECT COSTS BY ITEM AND AMOUNT]

[COPIES OF INVOICES]

[COPIES OF EPC CONTRACT OR AND/OR SUBCONTRACTOR(S)' LIEN WAIVERS]

APPENDIX II to
Borrowing Certificate

[EVIDENCE THAT AMOUNTS THAT WERE LISTED ON PRIOR BORROWING CERTIFICATES HAVE BEEN USED TO PAY FOR PROJECT COSTS]

EXHIBIT B-1
TO CREDIT AGREEMENT

APPENDIX III to
Borrowing Certificate

[SACE FACILITY PAYMENT REQUEST]

To: SUMITOMO MITSUI BANKING CORPORATION, as SACE Agent (the " SACE Agent ")

From: CERRO DEL AGUILA S.A. (the " Borrower ")

Dated: [ ]

SACE Facility Payment Request No: [ ] [17]

1. We refer to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

2. We wish to request a Tranche D Loan as follows:

(a) Proposed Borrowing date: [ ];

(b) Amount: US$ [ ] comprising:

(i) [ *insert amount of Eligible Contract Expenditures that have not been paid and which are due and payable within forty-five (45) days of the proposed Disbursement Date* ];

(ii) [ *insert reimbursement amount for Eligible Contract Expenditures previously paid by the proposed Disbursement Date* ] [18] ;

(iii) [ *insert amount of Eligible Tranche D IDC* ]; and

(iv) [ *insert amount of SACE Premium* ].

(c) Payment Instructions [ ] [19] .

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17 Number to match Borrowing Certificate

18 To be included to the extent applicable.

19 Specify amounts to be paid to the Borrower, the Eligible Contractor(s) and SACE, as applicable.

3. The amount requested to be drawn in this SACE Facility Payment Request relates to (a) the payments made by the Borrower [and/or (b) amounts due and payable by the Borrower within forty-five (45) days of the proposed Disbursement Date, in each case,] in respect of Eligible Contract Expenditures. Such Eligible Contract Expenditures are as stated in the exporter declaration(s) (serial no. [ ]) and the commercial invoice(s) (serial no. [ ]), which are attached hereto.

4. We certify that as at the date of this SACE Facility Payment Request:

   (a) [the amount in respect of Eligible Contract Expenditures that is due and payable now or within forty-five (45) days of the proposed Disbursement Date by the Borrower to the Eligible Contractor(s) under the terms of the Eligible Contract(s) is US$[ ] and PEN[ ] in the aggregate;] [20]

   (b) we have paid to the Eligible Contractor(s) under the terms of the Eligible Contract(s) US$[ ] and PEN[ ] in aggregate;

   (c) the aggregate amount which we have drawn down under all previous SACE Facility Payment Requests is US$[ ];

   (d) [on the basis of the information set out in the attached commercial invoices (serial no.[ ], [ ] and [ ]), the cumulative PEN[ ] amount paid by the Borrower and/or due and payable within forty-five (45) days of the proposed Disbursement Date under the Eligible Contract(s) for Eligible Contract Expenditures are the amounts specified in Column 3 of the attached Schedule A in respect of the invoices specified in Column 2 of the attached Schedule A and, as of the date of this SACE Facility Payment Request, the SACE Agreed Exchange Rate is [ *insert SACE Agreed Exchange Rate* ]. The cumulative amount eligible for payment or reimbursement in respect of such PEN amounts under the Eligible Contract(s) is the aggregate of the amounts specified in column 4 of the attached Schedule A.] [21]

5. We attach:

   (a) copies of the commercial invoices (serial no. [ ]) (countersigned by the Borrower), which evidence that the Borrower is required to pay for such equipment, supplies, goods or services constituting the Eligible Costs that are the object of this SACE Facility Payment Request;

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[20] To be included to the extent applicable.

[21] To be included to the extent applicable. Any amounts payable in a currency other than US$ shall be subject to an exchange rate agreed upon with SACE in the SACE Reimbursement Agreement.

(b) the original exporter declarations (" *Dichiarazione dell'Esportatore* ") (serial no. [ ]) from the Eligible Contractor(s) certifying as to the amounts of Eligible Costs that are the object of the requested Borrowing;

(c) [copies of the credit statements (" *contabili di accredito* ") relating to the down payment of fifteen percent (15%) of the contract price under the Eligible Contract(s) paid to the Eligible Contractor(s) on or before the date of this SACE Facility Payment Request[; and]] [22]

(d) [all other documents and certificates required to be submitted by the applicable Eligible Contractor(s), as the case may be, to the Borrower in connection with the invoicing of such Eligible Costs pursuant to the terms of the relevant Eligible Contract(s)[; and]] [23]

(e) [copies of the credit statements (" *contabili di accredito* ") evidencing the Borrower's payment of all Eligible Costs for which the Borrower hereby requests reimbursement; and] [24] .

6. We further certify that:

(a) the amount of the Borrowing requested does not include any amount which has already been requested by us under any previous SACE Facility Payment Request or any sum in respect of goods and services that are not eligible for financing under Tranche D of the Credit Agreement;

(b) No Eligible Contract has been suspended or terminated by us and, to the best of our knowledge and belief, no Eligible Contract has been terminated by any Eligible Contractor and no action is proceeding which might lead to its termination, in each case other than in accordance with its terms.

**[ *Signature page follows* ]**

22 To be included to the extent applicable
23 To be included to the extent applicable.
24 Insert if Borrowing is requested in respect of amounts previously paid by the Borrower for Eligible Project Costs.

CERRO DEL AGUILA S.A.

By: _____
Name:
Title:

**SCHEDULE A**

**Eligible Contract Expenditures applying the SACE Agreed Exchange Rate of [ *insert SACE Agreed Exchange Rate* ].**

| **Column 1** | **Column 2** | | **Column 3** | **Column 4** |
|---|---|---|---|---|
| EPC Contract | Invoice No. | Date of Invoice | Eligible Contract Expenditure (in PEN) | Eligible Contract Expenditure (US Dollar Equivalent) |

[ *insert rows as necessary* ]

[REVISED SCHEDULE 7.15[(c)] [and] [7.15 (d)]]

EXHIBIT B-2
TO CREDIT AGREEMENT

**FORM OF NOTICE OF BORROWING**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

NOTICE OF BORROWING NO. [ ] [1]

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

This Notice of Borrowing (this " Notice ") is issued in connection with the Borrowing Certificate No. [ ] and is delivered to the Administrative Agent ten (10) Business Days prior to the date of the proposed Disbursement Date in accordance with Section 4.05 of the Credit Agreement.

The Borrower hereby irrevocably requests a Borrowing under the Credit Agreement, as follows:

(a) Requested Disbursement Date:

(b) Amount of requested Borrowing:

(c) A summary of the specific use of the proceeds of the requested Borrowing:

[1] Notices to be numbered consecutively in the order of their dates.

IN WITNESS WHEREOF, the undersigned has executed this Notice this [ ] day of [ ], 20[ ].

**CERRO DEL AGUILA S.A.,**

By: _____
Name:
Title:

EXHIBIT C-1
TO CREDIT AGREEMENT

**FORM OF PROJECT COMPLETION CERTIFICATE**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

Scotiabank Peru S.A.A., as Onshore Collateral Agent
Av. Dionisio Derteano Nº 102
Piso 5, San Isidro
Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu

The Bank of Nova Scotia, as Offshore Collateral Agent
720 King Street West, 2nd Floor
Toronto, ON M5V 2T3
Canada

Hatch Asociados S.A., as Independent Engineer
Avenida Conquistadores 626, Oficina 301
San Isidro, Lima 27 - Perú
Fax: 511 714 4001
Attn: Doris Hiam-Galvez

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

This Project Completion Certificate (this " Certificate ") is being delivered by the Borrower in connection with the Credit Agreement.

The Borrower hereby certifies, after due inquiry and to induce the Administrative Agent and the Lenders to take action in reliance hereon, that:

1. The Actual Project Acceptance Date has occurred under the EPC Contract, and the Borrower has delivered the Final Acceptance Certificate to the EPC Contractor.

2. No default or event of default related to non compliance with technical requirements or construction deadlines set forth in the Definitive Generation Concession Agreement, the Investment Agreement, the PPAs, the Interconnection Agreement or the Transmission Concession that permits a counterparty to terminate such agreement in accordance with the terms of such agreement.

3. To the Borrower's Knowledge, there is no actual or pending threat to rescind, revoke or terminate the Definitive Generation Concession Agreement, the Investment Agreement, the PPAs, the Interconnection Agreement or the Transmission Concession.

4. All invoiced costs and expenses necessary for the completion of construction in accordance with the Project Construction Budget and Schedule shall have been paid, including any payments of performance and delay-related damages, except those amounts being Contested as of the date hereof and other amounts not in excess of $5,000,000.

5. The Borrower has delivered to the Administrative Agent certificates of insurance with respect to the insurance policies required by Section 8.05 and Schedule 8.05 of the Credit Agreement in respect of the Project, together with evidence of the payment of all premiums therefor which are now due and payable.

6. All Government Approvals required for the Project Development have been validly issued, duly obtained and are in full force and effect, and held in the name of the Borrower or the Operator (as applicable) and are free from conditions or requirements for compliance which the Borrower or the Operator (as applicable) has not satisfied.

7. The Borrower has not received any written notice from (or on behalf of) the Government Authority having jurisdiction that any of Government Approvals or Government Rules, in each case applicable to the Borrower and the Project and required for the Project Development is subject to appeal, modification or revocation that could reasonably be expected to have a Material Adverse Effect.

8. No Default or Event of Default exists under the Credit Agreement.

9. The Debt Service Reserve Account has on deposit (in the form of cash or an Acceptable Letter of Credit (or a combination thereof)) an amount equal to the Required Debt Service Reserve Amount.

10. The Independent Environmental and Social Consultant has confirmed in writing that the Borrower and the Operator are in compliance with the Environmental and Social Standards have achieved each of the requirements set forth in the Action Plan that are required to be completed as a condition precedent to Project Completion.

11. The Project has been constructed in a manner consistent with and in compliance with the Environmental and Social Standards.

12. Any non-compliance with the Environmental and Social Standards and the Action Plan previously identified pursuant to the terms of the Credit Agreement have been remedied to the satisfaction of the Administrative Agent.

13. The Borrower has delivered an Acceptable COD O&M Arrangement, is in compliance with such Acceptable COD O&M Arrangement and the Operator thereunder has mobilized on site with trained, experienced and competent personnel in accordance with such Acceptable COD O&M Arrangement.

14. All punch list items have been completed or, if not completed, sufficient funds have been withheld from payment to the EPC Contractor or secured by a bank guarantee from the EPC Contractor such that withheld or secured amounts can fund completion of such remaining punch list items.

15. Any equipment, temporary facilities, materials and waste brought, built or generated by the EPC Contractor have been removed from the site and properly disposed of. Areas of the site used by the EPC Contractor are reasonably clean and tidy, taking into account the nature of the site.

The Borrower hereby certifies, after due inquiry, that the facts stated in this Certificate are true and complete.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this [ ] day of [ ], 20[ ].

CERRO DEL AGUILA S.A.,

By: _____
Name:
Title:

EXHIBIT C-2
TO CREDIT AGREEMENT

**FORM OF INDEPENDENT ENGINEER'S PROJECT COMPLETION CERTIFICATE**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

This Project Completion Certificate (this " Certificate ") is being delivered by the Independent Engineer in connection with the Credit Agreement.

The undersigned, , an Authorized Officer of the Independent Engineer, hereby certifies that, to the best of our knowledge, which knowledge is based upon our review conducted in accordance with the scope of services as Independent Engineer for the Lenders, that:

1. The Actual Project Acceptance Date has occurred under the EPC Contract, and the Borrower has delivered the Final Acceptance Certificate to the EPC Contractor.

2. Based on the information and supporting documentation provided by the Borrower, all costs and expenses necessary for the completion of construction in accordance with the Project Construction Budget and Schedule shall have been paid, including any payments of performance and delay-related damages under the EPC Contract, have been paid except those amounts being Contested as the date hereof and other amounts not in excess of $5,000,000.

3. The Borrower has delivered an Acceptable COD O&M Arrangement, is in compliance with such Acceptable COD O&M Arrangement and

the Operator thereunder has mobilized on site with trained, experienced and competent personnel in accordance with such Acceptable COD O&M Arrangement.

4. The quality of the construction performed on the Project has been performed in a good and workmanlike manner and in accordance with the terms and conditions of the EPC Contract.

5. All punch list items have been completed or, if not completed, sufficient funds have been withheld from payment to the EPC Contractor or secured by a bank guarantee from the EPC Contractor such that withheld or secured amounts can fund completion of such remaining punch list items.

6. Any equipment, temporary facilities, materials and waste brought, built or generated by the EPC Contractor have been removed from the site and properly disposed of. Areas of the site used by the EPC Contractor are reasonably clean and tidy, taking into account the nature of the site.

IN WITNESS WHEREOF, the undersigned has executed and delivered this certificate as a duly authorized representative of the Independent Engineer this day of , 20 .

**HATCH ASOCIADOS S.A.,**

By: _____
Name:
Title:

EXHIBIT C-3
TO CREDIT AGREEMENT

**FORM OF INDEPENDENT ENGINEER'S CERTIFICATE**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

The undersigned, , an Authorized Officer of the Independent Engineer, hereby certifies that:

1. The Independent Engineer has reviewed the material and data provided by the Borrower in connection with the Borrowing Certificate No. dated (the " Borrowing Certificate ").

2. The Independent Engineer has reviewed technical aspects of the Project, including engineering design and specifications, cost and scheduling estimates and the technical provisions in the Project Documents in accordance with its scope of services as Independent Engineer for the Lenders.

3. The Independent Engineer has performed its review and observations in accordance with generally accepted engineering practices and included such investigation, observation and review as the Independent Engineer in its professional capacity deemed necessary or appropriate in the circumstances and within the scope of its appointment as described in paragraph 2 above. The Independent Engineer has also reviewed the Borrowing Certificate, including any appendices, schedules and requisitions and/or invoices attached thereto or delivered therewith.

Based on the review of the aforementioned information and data provided to the Independent Engineer by others and the understanding and assumption that the Independent Engineer has been provided true, correct and complete information, the Independent Engineer is of the opinion that, to the best of our knowledge, after due inquiry, as of the date hereof: (1) the

progress of the Project Development is proceeding substantially in accordance with or ahead of the Project Construction Budget and Schedule, (2) appropriate personnel have been retained by the Borrower to oversee all major civil works then-currently under construction, (3) all previous Borrowings have been used to pay Project Costs, (4) sufficient committed funds exist to achieve the Commercial Operation Date, the Actual Project Acceptance Date and Project Completion, (5) the funds to be drawn are to be used for approved Project Costs consistent with the terms of the applicable Financing Documents and the EPC Contract and (6) the Project is reasonably expected to achieve the Final Taking-Over Date by the Required Final Taking-Over Date.

The Independent Engineer is not aware of any fact or circumstance which would render any statement made by the Borrower in the attached Borrowing Certificate untrue or misleading.

IN WITNESS WHEREOF, the undersigned has executed and delivered this certificate as a duly authorized representative of the Independent Engineer this day of , 20[ ]. [1]

**HATCH ASOCIADOS S.A.**

By: _____
Name:
Title:

[1] To be dated as of the date of the Notice of Borrowing.

EXHIBIT C-4
TO CREDIT AGREEMENT

**FORM OF INDEPENDENT ENVIRONMENTAL AND SOCIAL CONSULTANT'S CERTIFICATE**

Sumitomo Mitsui Banking Corporation, as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

Reference is made to the Credit Agreement, dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

The undersigned, , an Authorized Officer of the Independent Environmental and Social Consultant, hereby provides this Environmental Consultant's Certificate (this " Certificate ") to you in accordance with Section 6.03(j) of the Credit Agreement and certifies that:

1. The Independent Environmental and Social Consultant has reviewed the material and data provided by the Borrower in connection with the Borrowing Certificate No. dated (the " Borrowing Certificate ").

2. The Independent Environmental and Social Consultant has reviewed environmental and social documents and reports delivered, from time to time, by the Borrower pursuant to the terms of the Credit Agreement concerning the Project in accordance with its scope of services as Independent Environmental and Social Consultant for the Senior Lenders.

3. The Independent Environmental and Social Consultant has performed its review and observations with the degree of care and skill ordinarily exercised by environmental consultants and included such investigation, observation and review as the Independent Environmental and Social Consultant in its professional capacity deemed necessary or appropriate in the circumstances and within the scope of its appointment.

Based on the review of the aforementioned information and data provided to the Independent Environmental and Social Consultant by others and the understanding and assumption that the Independent Environmental and Social Consultant has been provided true,

correct and complete information, the Independent Environmental and Social Consultant is of the opinion that, to the best of our knowledge, after due inquiry, as of the date hereof: (1) the Borrower is in compliance in all material respects with the Action Plan and (2) no act, event or condition has occurred since the Closing Date that materially adversely affects the information and conclusions set forth in our Environmental and Social Consultant Report delivered pursuant to Section 6.01(f)(ii) of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as a duly authorized representative of the Independent Environmental and Social Consultant this day of , 2012. [1]

**WALSH PERÚ S.A.**

By: _____
Name:
Title:

[1] To be delivered no earlier than the date of the Borrowing Certificate and no later than the relevant Notice of Borrowing (i.e., 10 Business Days prior to Disbursement).

EXHIBIT C-5
TO CREDIT AGREEMENT

**FORM OF ENVIRONMENTAL AND SOCIAL MONITORING REPORT**

**[date]**

Periodic Environmental and Social Monitoring Report (" ESMR ")

**Cerro del Aguila Hydropower Project**

**Prepared for:**

**Sumitomo Mitsui Banking Corporation as Administrative Agent on behalf of the Lenders**

and

**Walsh Perú S.A.**

**INTRODUCTION**

This ESMR describes the development and implementation of an E&S Management System in respect of the 525 MW hydroelectric power plant in the department of Huancavelica, Peru (the " Project "). Reference is made to that certain Credit Agreement, dated as of August 17, 2012 (the " Credit Agreement "), by and among Cerro del Aguila S.A. (the " Borrower "), each of the lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), Sumitomo Mitsui Banking Corporation, as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia, as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru, S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

The purpose of this ESMR is to report on:

- The status of development and implementation of an E&S Management System that encompasses all of its activities;
- Compliance with Environmental and Social Laws and the Environmental and Social Standards;
- The status of implementation of the Action Plan and any amendments thereon, and any corrective actions required by the Lenders and/or Government Authorities;
- The status of community relation management and community engagement efforts;
- Environmental and social performance of existing operations;
- Development schedule for planned activities and operations; and
- The annual generation of renewable electricity.

This document outlines the Lenders' preferred format for the ESMR. Documents prepared for reporting (e.g., to Government Authorities) or public relations purposes can supplement or substitute sections of this report as appropriate.

**PURPOSE AND AUDITORS**

Walsh Perú S.A. is the Independent Environmental and Social Consultant pursuant to the Credit Agreement. This ESMR was prepared by the Borrower for review by the Independent Environmental and Social Consultant and the Administrative Agent to verify compliance with the Environmental and Social Standards, E&S Management System, the Action Plan and all other requirements relating to environmental and social matters as required pursuant to Section 8.04(d) of the Credit Agreement for [ *insert applicable quarterly fiscal period of each Fiscal Year of the Borrower* ][ *insert applicable Fiscal Year of the Borrower* ] [1] .

[1] Note : prior to the Project Completion Date, monitoring reports must be submitted within 15 days after the end of each quarterly fiscal period of each Fiscal Year of the Borrower until the first quarterly fiscal period after the Project Completion Date. After the Project Completion Date, monitoring reports must be submitted within 45 days after the end of each Fiscal Year of the Borrower.

**1. DEFINITIONS AND INTERPRETATION**

All capitalized terms used but not otherwise defined in this report have the meanings set forth in the Credit Agreement.

**2. ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (E&S Management System)**

**Cerro del Aguila S.A.**

Report Prepared by (name and title):

Telephone:

E-mail:

Report Date:

Signature:

**E&S Management System Responsibility**

The individuals below hold E&S Management System responsibility in the organization *(edit titles below as necessary)* :

Senior Officer (name and title):

Community Relations and Environmental Manager (name and title):

Safety and Health Manager (name and title):

Quality Manager (name and title):

**Environmental Management Programs and Practices**

Provide an updated summary description of the E&S Management System (organizational chart, budget, reporting lines, responsibilities, policies, procedures, manuals, etc.).

Describe any significant changes since the last report that may affect E&S Management System performance.

Highlight any new or emerging environmental and/or social issues, such as pending Government Rules that could affect the E&S Management System performance.

**Major environmental and social achievements**

Please summarize notable environmental and social achievements during the reporting period (e.g., awards received, high performance recognized, improved community relationships).

**Major challenges and issues**

Summarize major environmental and social challenges and issues that you faced during the reporting period (e.g. major accidents, incidents, spills, fire, explosion or unplanned releases, ecological damage / destruction, failure of emissions or effluent treatment, legal/administrative notice of violation, penalties, complaints, litigation, protest, negative media attention, chance cultural finds, labor unrest or disputes, local community concerns, corrective actions, rehabilitation / improvement programs).

Provide a summary of any complaints received through internal grievance mechanism for workers or through national regulatory agency/courts, particularly about issues of labor union membership, non-discrimination, involuntary retrenchment, and occupational health and safety.

**3. COMPLIANCE WITH GOVERNMENT AUTHORITY AND LENDERS' ENVIRONMENTAL AND SOCIAL REQUIREMENTS**

**Compliance with Country Requirements**

Except for specific ongoing improvements and corrective actions, is the Project currently in compliance with applicable national and local environmental, social, health and safety Government Rules? If no, explain and reference specific projects.

Have any Government Authorities inspected or reviewed the Project's environmental and social compliance? If so, please describe and reference specific projects.

**Compliance with Lenders' Requirements**

Please summarize progress made with regard to the implementation of actions as committed in the Action Plan and the E&S Management System. Please provide a tabular status update in Annex A, and provide copies of relevant deliverables as appendices to this report.

Except for specific ongoing improvements and corrective actions as described above and detailed in Annex A, is the Project currently in compliance with the Environmental and Social Standards? If no, explain.

**4. CONSTRUCTION SCHEDULE FOR PROJECTS UNDER DEVELOPMENT**

Provide an updated construction schedule for the Project and highlight key changes.

Describe the status of Project implementation during the reporting period, including key milestones.

Describe all changes in the Project's design or execution that will or may lead to material deviations in risks, impacts, timelines, locations, organizational structures, or parties involved.

Describe the development of any assets that have not been addressed in the Environmental and Social Impact Assessment or in previous monitoring reports.

**5. ENVIRONMENTAL AND SOCIAL PERFORMANCE OF THE HYDROPOWER PLANT**

Summarize environmental and social performance of the Project in the format provided in Annex B.

**6. GENERATION OF RENEWABLE ELECTRICITY**

The plants generated GWh during the reporting year, which avoided annual greenhouse gas emissions equivalent to an estimated tons of $CO_2$ from displaced thermal generation (based on [ ] grams $CO_2$/kWh from thermal plants in [ ], based on country data for [ ] in the International Energy Agency's Statistics, $CO_2$ Emissions from Fuel Combustion, 20[ ] Edition).

| Plant Name: | Nominal Capacity [MW]: | Total Generation [GWh] during the reporting period ([..] months): |
|---|---|---|

**Annex A**

Tabular Status Update of the Action Plan and the E&S Management System Implementation

**Annex B: Reporting format for hydropower plants under development or in operation**

Information for the following should be provided for the hydroelectric plant under development or in operation.

Plant Name:

Land/Province/River:

Brief description of the Project (e.g., dam or weir; type of construction; lengths of tunnels and canals; generating capacity; transmission lines; access roads; other offsite facilities that are part of the Project):

Project stage (planning, site infrastructure, construction) and key milestones:

Environmental and Social Management (Performance Standard 1)

Describe the status of the Environmental and Social Impact Assessment approval by the authorities as of the end date of the ESMR reporting period. [2]

Describe the status of any supplemental Environmental and Social Impact Assessment as of the end date of the ESMR reporting period. [3]

Describe the status of environmental and social management plan incorporated into the Environmental and Social Impact Assessment and other reports requested by Lenders as of the end date of the ESMR reporting period.

Describe the status of Project review/clearance by the Independent Engineer as of the end date of the ESMR reporting period (i.e. a brief summary of Project Development, which includes the main defined construction and testing milestones in the Project Construction Budget and Schedule, as confirmed by the Independent Engineer).

Provide the name, location and contact information of staff with responsibility for environmental, social and health and safety performance of the Project.

Describe any changes in environmental and social management of the Project during the reporting period, including staffing changes (i.e., changes in procedures, organizational structures and personnel).

[2] Note : Must be in effect prior to the Initial Disbursement Date.
[3] Note : Please note also that this line-item applies to any new activities or investments in the reporting period that would require a supplement to an ESIA.

Describe the schedule for internal compliance audits, periodic monitoring and testing, and other activities to verify compliance with environmental and social requirements.

Discuss the community relations program, covering project disclosure program, involvement of communities in environmental monitoring, consultation with project affected communities, and the mechanisms in place for the public to contact the Project with grievances and any complaints received, and the resolution of grievances and complaints.

Describe corporate social responsibility activities to support host community projects and support local initiatives.

Describe activities and progress made in relation to collaboration initiatives with regard to managing cumulative impacts (watershed management)

Labor Force Management (Performance Standard 2)

Describe labor force management at the Project, including any outsourcing or contracting of primary activities. Identify any strikes or other labor actions that have occurred against the Project or its contractors and issues, if any, which have arisen.

Discuss the mechanisms in place for workers (& contract workers) to raise grievances and handling of any complaints received, and the resolution of grievances and complaints.

Describe quality and implementation of work-specific health and safety programs and training. Summarize mayor findings of health & safety audits. Provide a quantitative summary of work-related accidents by the Project and its contractors, including a discussion of trends, response measures taken, and other actions taken to reduce accidents.

Describe the status of worker accommodation (including methods to eliminate, control or minimize risks in relation to affected communities) and implementation of mitigation measures as outlined in the Action Plan.

Describe the status of commitment to provide for jobs for locals including number of locals engaged in the Project, aggregated salaries disbursed to each community.

Pollution prevention and abatement (Performance Standard 3)

Describe any inspections, audits, or reviews of the Project’s environmental compliance by environmental authorities and corrective measures required/taken.

Provide summaries of any testing (e.g., of solid waste, liquid effluents, noise) by or on behalf of the environmental authorities or the Project.

Describe the implementation status of waste management & hazardous materials plan and the status of waste management audits.

Highlight any issues such as pending Government Rules or changes in environmental minimum flows that could affect future operations or environmental and social performance of the Project.

Provide a calculation of avoided greenhouse gas emissions using the FMO Approved Greenhouse Gas Emission Calculation Tool (Excel Sheet, provided separately).

Summarize status of planning / implementation of construction closure and revegetation plan.

Community Health, Safety and Security (Performance Standard 4)

Provide a summary of any significant accidents, fires, or explosions, or major accidental releases to the environment. Include response measures taken and any improvements made to equipment or procedures as a result.

Describe any other events that may have caused damage, brought about injuries or fatalities or other health problems, attracted the attention of outside parties, affected project labor or adjacent populations, affected cultural property, etc.

Describe the Project's arrangements for security at the Project. Describe any significant security incidents that occurred during the reporting period.

Describe and summarize the results of any dam inspections or dam safety reviews performed by or on behalf of the authorities or the Project during the reporting period.

Describe emergency response planning for the Project and coordination with affected communities on the development and implementation of a comprehensive emergency response plan.

Land Acquisition and Resettlement (Performance Standard 5)

Describe any (additional) [4] land acquisition or resettlement of people that has been required during the reporting period, the process used, and the compensation and benefits that were provided.

Describe the status of disbursements in line with agreed compensation plans.

[4] Note : This line-item applies to all land acquisition or resettlement in the applicable reporting period, both as already identified (in the ESIA, Action Plan or otherwise) and any newly identified need for land acquisition or resettlement.

Describe the status of the assessment and (if applicable) the status of mitigation measures in relation to economic displacement.

Describe status of community relation plan (including amended local purchasing plan, local development support program).

Biodiversity Management (Performance Standard 6)

Discuss any inspections, monitoring, or studies related to reservoir operations and safety (e.g., biodiversity; information on significant species, communities or habitats in the Project vicinity; ecological flow assessments; silt flushing; reservoir sedimentation and turbidity studies; reservoir sideslope studies; information on sediment composition and possible upstream contamination; analysis of day-to-day or time-of-day operation of the Project), including any cumulative impacts issues related to other hydroelectric projects on the same waterway.

Discuss the current status on further hydrobiological monitoring in context of environmental baseflow (including assessment of any documentation).

Discuss the endangered species and vegetation survey and status of mitigation measures (see Action Plan items 1&2) as well as flora and fauna monitoring (i.e. measured impacts on the natural habitat and endangered species. comparing the results to baseline and previous monitoring).

Cultural Heritage (Performance Standard 8)

Discuss any issues arising regarding potential impacts on cultural property in the vicinity of the Project during the reporting year and the status or outcome. Confirm that a chance finds procedure is in place at the Project (Performance Standard 8).

**TERMS OF SUBORDINATION**

These terms refer to the Credit Agreement, dated as of August 17, 2012 (as amended, modified and supplemented and in effect from time to time, the " Credit Agreement ") among Cerro del Aguila S.A. (the " Borrower "), each of the Lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), Sumitomo Mitsui Banking Corporation as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and Sumitomo Mitsui Banking Corporation as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "). All capitalized terms used, but not otherwise defined herein have the meanings given such terms in the Credit Agreement. [1]

All Indebtedness incurred by the Borrower on a subordinated basis (including, without limitation from any Credit Party, the Project Sponsor, Israel Corporation or its Affiliate or any other third party) (the " Subordinated Debt ") from the Project Sponsor or its Affiliates or a Pledgor or its Affiliate or any other third party (collectively, the " Subordinated Creditors "), shall include or be subject to the following terms:

1. General . To the extent and in the manner set forth herein, the payment of the principal of and interest on the Subordinated Debt (including, for all purposes of these subordination terms, all premiums and other amounts payable on or in respect thereof), and all rights of the Subordinated Creditors in respect of Subordinated Debt against the Borrower, are expressly made subordinate and subject in right of payment to the prior payment in full of all of the Secured Obligations (other than inchoate indemnification obligations or similar obligations). The Subordinated Creditors agree that they will not ask, demand, sue for, take or receive from the Borrower, by set-off or in any other manner, or retain payment (in whole or in part) of the Subordinated Debt, or any security therefore, unless and until the Termination Date. The Subordinated Creditors direct the Borrower to make, and the Borrower agrees to make, such prior payment of the Secured Obligations. Notwithstanding the foregoing, payment by the Borrower of or in respect of the Subordinated Debt may be made, and the Subordinated Creditors may take or receive from the Borrower, by set-off or in any other manner, or retain payment (in whole or in part) of the Subordinated Debt, to the extent (and at such times) that the Borrower is entitled to make Restricted Payments pursuant to Section 8.12 of the Credit Agreement or, in the case of Tranche C Loans, when such payments are permitted pursuant to the terms of the Financing Documents.

2. Payment Upon Dissolution, Etc . In the event of:

(a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Borrower or to any of its assets; or

[1] Note: Cross-references to defined terms in the Credit Agreement shall only be included in subordination agreements with affiliates.

(b) any liquidation, dissolution or other winding up of the Borrower, whether partial or complete and whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; or

(c) any assignment for the benefit of creditors generally or any other marshalling of all or any substantial part of the assets and liabilities of the Borrower;

then and in any such event the Secured Parties shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all of the Secured Obligations before the Subordinated Creditors shall be entitled to receive any payment on account of the Subordinated Debt (whether in respect of principal, interest, premium, fees, indemnities, commissions, or otherwise), and to that end, any payment or distribution of any kind or character, whether in cash, property or securities which may be payable or deliverable in respect of the Subordinated Debt in any such case, proceeding, dissolution, liquidation or other winding up or event shall instead be paid or delivered directly to the Secured Parties for application to the Secured Obligations, whether or not due, until the Secured Obligations shall have first been fully paid and satisfied in cash.

3. No Payment When in Default . In the event and during the continuation of any Default or Event of Default (a " Blockage Period "), then no payment shall be made by the Borrower on or in respect of the Subordinated Debt. Following any cure or waiver of a Default or an Event of Default, and so long as no Default or Event of Default then exists, the Subordinated Creditors may be paid any amounts not paid during a Blockage Period.

4. Subordination . All rights of the Subordinated Creditors against the Borrower, including, without limitation, the enforcement of any Lien granted to, or in favor of, the Subordinated Creditors, shall in all respects be subordinate and junior in right of payment to the prior payment in full of all of the Secured Obligations.

5. Defenses Waived . The Subordinated Creditors hereby absolutely, unconditionally and irrevocably waive, to the fullest extent permitted by law, (a) promptness and diligence, (b) presentment, notice of dishonor or nonpayment or any other notice with respect to the Secured Obligations and (c) any requirement that the Secured Parties protect, secure, perfect or insure any collateral security or any property subject thereto or exhaust any right or take any action against the Borrower or any other person or any collateral.

6. Subrogation . The Subordinated Creditors hereby agree that until the payment and satisfaction in full of all of the Secured Obligations, the Subordinated Creditors shall not exercise any right or remedy arising by way of subrogation, contribution, reimbursement, indemnity or otherwise against the Borrower. If any amount shall erroneously be paid to the Subordinated Creditors on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any Subordinated Debt, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Offshore Collateral Agent to be credited against the payment of the Secured Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement.

7. Payment of Subordinated Debt . Notwithstanding Section 6, payment by the Borrower of or in respect of the Subordinated Debt may be made, and the Subordinated Creditors may take or receive from the Borrower, by set-off or in any other manner, or retain payment (in whole or in part) of the Subordinated Debt, to the extent (and at such times) that (x) solely in the case of the Tranche C Lenders, the Borrower is entitled to make payments pursuant to Section 5.05 of the Collateral Agency and Depositary Agreement or (y) such payments are made from amounts standing to the credit of the Onshore Distribution Accounts pursuant to Section 5.10 of the Collateral Agency and Depositary Agreement.

8. Proceedings Against Borrower; No Collateral . The Subordinated Creditors shall not, without the prior written consent of all of the Secured Parties, until the Secured Obligations (other than inchoate indemnification obligations or similar obligations) have been irrevocably and unconditionally paid or discharged in full to the satisfaction of the Secured Parties:

(a) accelerate the maturity of the principal of and accrued interest on the Subordinated Debt; or

(b) commence any judicial action or proceeding to secure or collect payment of principal of or interest on the Subordinated Debt; or

(c) commence any judicial action or proceeding against the Borrower in bankruptcy, insolvency or receivership law; or

(d) take any collateral security for the Subordinated Debt.

9. Authorizations to Secured Parties . If any of the events described in paragraph 2 hereof occurs and continues until the Secured Obligations (other than inchoate indemnification obligations or similar obligations) of the Borrower shall have been fully paid and satisfied, each of the Subordinated Creditors:

(a) irrevocably authorizes and empowers (without imposing any obligation on) the Secured Parties jointly, and the Collateral Agents individually, to demand, sue for, collect, receive and receipt for all payments and distributions on or in respect of its Subordinated Debt which are required to be paid or delivered to the Offshore Collateral Agent, as provided herein, and to file and prove all claims therefore and take all such other action, in the name of the Subordinated Creditor or otherwise, as the Collateral Agents or the Secured Parties may determine to be necessary or appropriate for the enforcement of these subordination terms, all in such manner as the Administrative Agent shall instruct;

(b) irrevocably authorizes and empowers (without imposing any obligation on) the Secured Parties jointly, and the Collateral Agents individually, to vote the Subordinated Debt (including without limitation, voting the Subordinated Debt in favor of or in opposition to any matter which may come before any meeting of creditors of the Borrower generally or in connection with, in anticipation of, any insolvency or bankruptcy case or proceeding, or any proceeding under any laws relating to the relief of debtors, readjustment of indebtedness, arrangements, reorganizations, compositions or extensions relative to the Borrower) in such manner as the Administrative Agent shall instruct;

(c) agrees to execute and deliver to the Secured Parties, upon the request of the Secured Parties through the Administrative Agent, all such further instruments confirming the above authorizations, and all such powers of attorney, proofs of claim, assignments of claim and other instruments, and take all such other action, as may be reasonably requested by the Secured Parties to, formalize the authority granted to the Secured Parties and the Collateral Agents to undertake the actions related to the Subordinated Debt as contemplated in all other sections of these subordination provision and otherwise enforce claims upon or in respect of the Subordinated Debt;

(d) agrees to, upon the request of the Secured Parties through the Administrative Agent, to pledge the Subordinated Debt to the Secured Parties as collateral and agrees to promptly take any actions reasonably requested by the Secured Parties to perfect such security interest; and

(e) agrees that it shall not retain any payments made by the Borrower in contravention of the subordination provisions set forth herein.

10. Notice; Disclosure . The Subordinated Creditors, other than the Project Sponsor, Pledgors or their respective Affiliates, agree, for the benefit of each Secured Party, that they will give the Collateral Agent, on behalf of each Secured Party, prompt notice of any default by the Borrower of which the Subordinated Creditors are aware in respect of the Subordinated Debt.

11. No Waiver; Modification to Financing Documents . (a) No failure on the part of the Secured Parties, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof by Secured Parties, nor shall any single or partial exercise by the Secured Parties of any right, remedy or power hereunder shall preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Secured Parties or allowed to the Secured Parties by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Secured Parties from time to time. All rights and interests of the Secured Parties hereunder and all agreements and obligations of the Subordinated Creditors and the Borrower hereunder shall remain in full force and effect irrespective of:

(i) any lack of validity or enforceability of the Financing Documents; or

(ii) any other circumstance that might otherwise constitute a defense available to, or discharge of, the Borrower.

(b) Without in any way limiting the generality of the foregoing paragraph (a), the Secured Parties may, at any time and from time to time, without the consent of or notice to the Subordinated Creditors, without incurring responsibility to the Subordinated Creditors, and without impairing or releasing the subordination provided herein or the obligations hereunder of the Subordinated Creditors, do any one or more of the following:

(i) change the manner, place or terms of payment of or extend the time of payment of, or renew or alter, the Secured Obligations under the Financing Documents, or otherwise amend or supplement in any manner the Financing Documents or any instruments evidencing the same or any agreement under which the Secured Obligations are outstanding;

(ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing the Secured Obligations;

(iii) release any person liable in any manner for the Secured Obligations; and

(iv) exercise or refrain from exercising any rights against the Borrower or any other person.

12. Provisions Solely to Define Relative Rights . These subordination provisions are intended solely for the purpose of defining the relative rights of the Subordinated Creditors and their successors and assigns, on the one hand, and the Secured Parties and their successors and assigns, on the other hand. Nothing contained in these subordination provisions relating to the Subordinated Debt is intended to or shall (as between the Subordinated Creditors and the Borrower):

(a) impair, as among the Borrower and the Subordinated Creditors, the obligation of the Borrower, which is absolute and unconditional, to pay to the Subordinated Creditors (subject to the rights of the Secured Parties) the Subordinated Debt as and when the same shall become due and payable in accordance with their terms; or

(b) affect the relative rights of the Subordinated Creditors; or

(c) vitiate or otherwise affect the occurrence of a default in respect of the Subordinated Debt to the extent that any failure to make a payment of any Subordinated Debt by reason of these subordination provisions would otherwise constitute such a default; or

(d) prevent any of the Subordinated Creditors from exercising all remedies otherwise permitted by applicable law upon default in respect of the Subordinated Debt, subject to paragraph 4 hereof and the rights, if any, of the Secured Parties under these subordination provisions to receive the cash, property, securities or other assets of the Borrower received upon the exercise of any such remedy.

13. Transfers of Subordinated Debt . The Subordinated Creditors shall not sell, assign, pledge, encumber or transfer the Subordinated Debt unless such sale, assignment, pledge, encumbrance or transfer is to a party that agrees in writing to be bound by the terms hereof; provided that any transfer of Subordinated Debt by a Tranche C Lender shall be subject to the assignment provisions of Section 11.06(b) of the Credit Agreement. The Subordinated Debt shall remain expressly subject to the terms hereof, notwithstanding any sale, assignment, pledge, encumbrance or transfer.

14. Further Assurances . The Subordinated Creditors, at their cost (to be reimbursed by the Borrower), shall take all further action as the Secured Parties may reasonably request in order more fully to carry out the intent and purpose of these subordination provisions.

15. Governing Law . THESE SUBORDINATION PROVISIONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. THE SUBORDINATED CREDITORS SHALL IRREVOCABLY DESIGNATE, APPOINT AND EMPOWER C T CORPORATION SYSTEM, LOCATED AT 111 EIGHTH AVENUE, NEW YORK, NY 10011 (THE "PROCESS AGENT"), AS THEIR AGENT FOR SERVICE OF PROCESS WITH RESPECT TO ANY ACTION OR PROCEEDING IN CONNECTION WITH THE TERMS HEREIN BROUGHT IN THE STATE OF NEW YORK, UNITED STATES, TO RECEIVE FOR AND ON THEIR BEHALF, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING AND AGREE THAT THE FAILURE OF SUCH AGENT FOR SERVICE TO GIVE ANY ADVICE OF ANY SUCH SERVICE OF PROCESS TO THE SUBORDINATED CREDITORS SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR OF ANY BASED THEREON. IF FOR ANY REASON SUCH AGENT FOR SERVICE SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, THE SUBORDINATED CREDITORS SHALL AGREE TO DESIGNATE A NEW AGENT FOR SERVICE IN NEW YORK CITY, NEW YORK, UNITED STATES ON THE TERMS AND FOR THE PURPOSES OF DESCRIBED HEREIN.

16. Amendment . These subordination provisions may not be amended, modified or supplemented without the prior written consent of each of the Secured Parties and the Subordinated Creditors.

17. Successors and Assigns . These subordination provisions shall be binding and inure to the benefit of the Subordinated Creditors and the Secured Parties, and their respective successors and permitted assigns.

EXHIBIT E
TO CREDIT AGREEMENT

**FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT**

This ASSIGNMENT AND ACCEPTANCE AGREEMENT dated as of [ ], 20[ ] (this " Assignment and Acceptance ") is hereby entered into between [ ] (the " Assignor ") and [ ] (the " Assignee ").

Reference is made to the Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders that is a signatory to the Credit Agreement (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

The Assignor named below hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the " Assigned Interest ") in the Assignor's rights and obligations under the Credit Agreement, including, as applicable, the interests set forth below in the Commitments of the Assignor on the Assignment Date and the [Senior Loans]/[Tranche C Loans] owing to the Assignor which are outstanding on the Assignment Date, together with unpaid interest accrued on the assigned [Senior Loans]/[Tranche C Loans] to the Assignment Date held by the Assignor on the Assignment Date, and the amount, if any, set forth below of the fees accrued to the Assignment Date for account of the Assignor. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement.

Accordingly, the Assignee agrees as follows with the Assignor:

1. From and after the Assignment Date (a) the Assignee shall be a party to and be bound by the terms, provisions and conditions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (b) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Administrative Agent together with, if the Assignee is not already a Lender under the Credit Agreement, additional information reasonably required by the Administrative Agent, duly completed by the Assignee.

3. The Assignor shall pay the assignment fees payable to the Administrative Agent pursuant to Section 11.06(b) of the Credit Agreement.

4. The address of the Assignee for purposes of all notices and other communications is set forth below.

5. This Assignment and Acceptance may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract. The word “executed” and words of like import used herein shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

6. This Assignment and Acceptance shall be governed by and construed in accordance with the law of the State of New York.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

**[Lender]**

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment
(" Assignment Date "):

| | Principal Amount Assigned | Percentage Assigned of Commitments (set forth, to at least 8 decimals, as a percentage of the aggregate Commitments, as applicable, of all Lenders thereunder) |
|---|---|---|
| Commitments Assigned (if any): | | % |
| Tranche A: | $ | |
| Tranche B: | $ | |
| Tranche C: | $ | |
| Tranche D: | $ | |
| Loans Assigned (if any): | | |
| Tranche A: | $ | |
| Tranche B: | $ | |
| Tranche C: | $ | |
| Tranche D: | $ | |
| Fees Assigned (if any): | | |

The terms set forth above are hereby agreed to:

[NAME OF ASSIGNOR],
as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE] [1] ,
as Assignee

By: _____
Name:
Title:

The undersigned hereby consent to the within assignment: [2]

CERRO DEL AGUILA S.A.,

By: _____
Name:
Title:

SUMITOMO MITSUI BANKING CORPORATION, as
Administrative Agent

By: _____
Name:
Title:

[1] Each Tranche C Lender may only assign its Tranche C Loan Commitment and its Tranche C Loans to the Senior Lenders.
[2] Consents to be included to the extent required by Section 11.06(b) of the Credit Agreement.

[SACE S.p.A.

By: _____
Name:
Title:] [3]

[CORPORACIÓN FINANCIERA DE DESARROLLO S.A.

By: _____
Name:
Title:] [4]

[3] Note : To be included as necessary pursuant to Section 11.06(h) of the Credit Agreement.
[4] Note : To be included as necessary pursuant to Section 11.06(h) of the Credit Agreement.

**FORM OF EQUITY CONTRIBUTION AND RETENTION AGREEMENT**

[ *Attached* ]

**********

EQUITY CONTRIBUTION AND RETENTION AGREEMENT

Dated as of August 17, 2012

among

CERRO DEL AGUILA S.A., as the Borrower

INKIA HOLDINGS (KALLPA) LIMITED

as Pledgor and Equity Party

ENERGÍA DEL PACÍFICO, S.A.,

as Pledgor and Equity Party

INKIA ENERGY, LIMITED

as the Project Sponsor and Equity Party

SUMITOMO MITSUI BANKING CORPORATION

as the Administrative Agent

and

THE BANK OF NOVA SCOTIA

as the Offshore Collateral Agent

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This EQUITY CONTRIBUTION AND RETENTION AGREEMENT (this " Agreement "), dated as of August 17, 2012, is made by and among CERRO DEL AGUILA S.A., a *sociedad anónima* organized and existing under the laws of Peru (the " Borrower "), INKIA HOLDINGS (KALLPA) LIMITED, a corporation formed under the laws of Bermuda (" Inkia Pledgor "), ENERGÍA DEL PACÍFICO, S.A., a *sociedad anónima* organized and existing under the laws of Peru, (" Quimpac "), INKIA ENERGY, LIMITED, a company organized and existing under the laws of Bermuda (the " Project Sponsor "), SUMITOMO MITSUI BANKING CORPORATION in its capacity as Administrative Agent for the Lenders, as such term is defined in the Credit Agreement referred to below (the " Administrative Agent ") and THE BANK OF NOVA SCOTIA, in its capacity as Offshore Collateral Agent for the Secured Parties, as such term is defined in the Credit Agreement referred to below (the " Offshore Collateral Agent ").

**RECITALS**

A. The Borrower seeks to develop, design, engineer, procure, construct, commission, test, start-up, finance, own, operate and maintain a 525 MW hydroelectric power plant in the department of Huancavelica, Peru (the " Project ").

B. Pursuant to the Credit Agreement, dated as of August 17, 2012 (as amended, modified and supplemented and in effect from time to time, the " Credit Agreement "), among the Borrower, each of the Lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), the Administrative Agent, the Offshore Collateral Agent as offshore collateral agent for the Secured Parties, Scotiabank Peru, S.A.A., as onshore collateral agent for the Secured Parties and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "), the Lenders have agreed to make certain Loans to the Borrower, on the terms and subject to the conditions of the Credit Agreement.

C. Pursuant to the terms of the Credit Agreement, as of the Initial Disbursement Date, the Borrower will be a wholly-owned Subsidiary of the Pledgors on the date hereof.

D. In consideration for the Lenders entering into the Credit Agreement, the Pledgors have agreed to cause the Support Obligations (as defined below) to be made to the Borrower in order for the Borrower to pay certain costs and expenses associated with the Project, the Project Sponsor and the Pledgors have each agreed to provide certain assurances to the Lenders, as set forth in and subject to the terms and conditions of this Agreement.

E. The execution and delivery of this Agreement is a requirement pursuant to the terms of the Credit Agreement.

**NOW** , **THEREFORE** , in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Rules of Interpretation .

1.01 Defined Terms . Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as defined therein. For purposes of this Agreement, the following terms shall have the following meanings:

" Administrative Agent " has the meaning given in the preamble.

" Agreement " has the meaning given in the preamble.

" Bankruptcy Event " has the meaning given in Section 5.01 .

" Borrower " has the meaning given in the preamble.

" Contingency Amount " shall mean the amount of cost overrun contingency of $50,000,000 as set forth in the Base Case Forecast as of the Closing Date, which contingency shall be funded as a Project Cost in accordance with the Debt to Equity Ratio.

" Contingent Equity Contribution " has the meaning given in Section 2.02(a) .

" Contingent Equity Credit Support " shall mean, collectively, (a) in the case of the Inkia Pledgor, the credit support described in Section 2.02(b) and (b) in the case of Quimpac, the Equity Letter of Credit described in Section 2.02(c) .

" Cost Overrun " shall mean, as determined by the Administrative Agent in its reasonable judgment (in consultation with the Independent Engineer), any actual or reasonably anticipated Project Costs which are, individually or in the aggregate, in excess of such Project Costs (including the Contingency Amount) contemplated by the Base Case Forecast in effect on the Closing Date or after the delivery thereof, the Updated Base Case Forecast, regardless of how or why such excess may occur.

" Credit Agreement " has the meaning given in Recital B.

" Deficiency " has the meaning set forth in Section 2.03(b)(iv) .

" DSRA Letter of Credit " has the meaning given in the Collateral Agency and Depositary Agreement.

" Equity Letter of Credit " means an irrevocable standby letter of credit, substantially in the form of Exhibit C attached hereto, containing a one-year term with an automatic renewal clause (except if such Acceptable LC Provider is prohibited from issuing standby letters of credit containing automatic renewal clauses pursuant to internal or Government Rules) naming the Administrative Agent (for the benefit of the Lenders), as the beneficiary and otherwise issued by an Acceptable LC Provider in form, scope and substance satisfactory to the Administrative Agent. Any such letter of credit must be drawable prior to its stated maturity if, (a) it is not renewed or replaced, at least thirty (30) days prior to its stated maturity date or (b) a Negative Credit Event occurs with respect to the issuer and a replacement letter of credit has not been obtained from an Acceptable LC Provider within the earlier of (x) thirty (30) days after the

downgrade giving rise to such Negative Credit Event and (y) two (2) Business Days prior to its stated maturity date. The Borrower shall not be the applicant in respect of any such letter of credit, and any such letter of credit shall not otherwise constitute Indebtedness of the Borrower or be secured by a Lien on any of the property of the Borrower that is subject to the Lien intended to be created by the Security Documents. For avoidance of doubt, in the event the DSRA Letter of Credit is issued without an automatic renewal clause, the beneficiary shall not be required to provide the Borrower or the applicant with any notice prior to drawing thereunder.

" Equity Party " shall mean the Project Sponsor or the Pledgors, or all of the foregoing, as applicable.

" Initial Required Debt Service Reserve Amount " means an amount equal to the Required Debt Service Reserve Amount on the Actual Project Acceptance Date, as set forth in the Base Case Forecast delivered pursuant to Section 6.01(e)(ii) of the Credit Agreement and as revised, if necessary, pursuant to the Updated Base Case Forecast or in the case of any assignments of the Tranche C Loan Commitments after the date hereof.

" Inkia's Maximum Contingent Equity Contribution " has the meaning given in Section 2.02(a)(i) .

" Inkia Pledgor " has the meaning given in the preamble.

" Inkia Pledgor's Aggregate Contingent Exposure " means an amount equal to the sum of (a) Inkia's Maximum Contingent Equity Contribution plus (b) its Shareholder Percentage multiplied by the Initial Required Debt Service Reserve Amount.

" Lenders " has the meaning given in Recital B.

" Material Project Document Credit Support " shall mean any deposits, guarantees, letters of credit or any other form of credit support required by (a) the Concession Agreements, (b) the Investment Agreement, (c) the PPAs and (d) the EPC Contract.

" Material Project Document Guarantee Period " shall mean the period commencing on the date hereof and ending on the date that the Material Project Document Credit Support may be released pursuant to the terms of the applicable Material Project Document.

" Maximum Available Equity Contribution Amount " shall mean, at any date of determination, with respect to each Pledgor, an amount equal to (a) the product of (i) its Shareholder Percentage multiplied by (ii) the Required Equity Contribution minus (b) the aggregate amount, if any, of the Shareholder Contributions actually made to the Borrower prior to such date by or on behalf of such Pledgor (including any Shareholder Contributions that are made from the proceeds of each draw on or other payment from any Required Equity Credit Support).

" Maximum Contingent Equity Contribution " shall mean, collectively, Inkia's Maximum Contingent Equity Contribution and Quimpac's Maximum Contingent Equity Contribution.

" Maximum Guaranteed Obligations " has the meaning assigned to such term in the Israel Corporation Guarantee.

" Non-Defaulting Equity Party " has the meaning given to it in Section 2.05(a) .

" Offshore Collateral Agent " has the meaning given in the preamble.

" Permitted Transfer " shall mean any Transfer of Equity Interests by an Equity Party that is permitted pursuant to Section 3 and is in accordance with the definition of "Change in Control".

" Permitted Transferee " shall mean any transferee of Equity Interests pursuant to a Permitted Transfer.

" Pledgors " means, collectively, the Inkia Pledgor and Quimpac.

" Project Sponsor " has the meaning given in the preamble.

" Quimpac " has the meaning given in the preamble.

" Quimpac's Aggregate Contingent Exposure " means an amount equal to the sum of (a) Quimpac's Maximum Contingent Equity Contribution plus (b) its Shareholder Percentage multiplied by the Initial Required Debt Service Reserve Amount.

" Quimpac's Maximum Contingent Equity Contribution " has the meaning given in Section 2.02(a)(ii) .

" Remedy Notice " has the meaning given to it in Section 2.05(a) .

" Required Equity Contribution Request " means a written request substantially in the form attached hereto as Exhibit A , which may be delivered by the Borrower (with a copy thereof delivered to the Administrative Agent) to the Pledgors as described in Section 2.01(b) .

" Required Equity Credit Support " means the Acceptable Letters of Credit described in Section 2.01(c) .

" Shareholder Percentage " means, as of the date hereof, the percentages set forth below, as the same may be adjusted subsequent to the date hereof in connection with any Permitted Transfer; provided that, subject to any Lien and enforcement thereof pursuant to the Security Documents, the sum of the percentages below (as adjusted from time to time in accordance with the provisions of Section 3 hereof taking into account any Permitted Transferee that becomes a Pledgor pursuant to a Permitted Transfer) shall always equal 100%:

(i) Inkia Pledgor, 74.9%; and

(ii) Quimpac, 25.1%.

" Support Costs " has the meaning given in Section 2.03(c) .

" Support Obligations " means, individually and collectively, the obligations of the Equity Parties set forth in Section 2.01 , Section 2.02 and Section 2.03 .

" Transfer " shall mean any assignment, sale, pledge or other disposition, whether directly or indirectly, of Equity Interests.

1.02 Rules of Interpretation . The rules of interpretation set forth in Sections 1.02 and 1.03 of the Credit Agreement shall apply, *mutatis mutandis* , to this Agreement as if set forth herein.

Section 2. Equity Contribution Obligations .

2.01 Required Equity Contribution .

(a) In satisfaction of the condition precedent to each Disbursement Date (including the Initial Disbursement Date) under the Credit Agreement, each Pledgor on a several basis, shall (i) make (or cause to be made) Shareholder Contributions or (ii) notify the Administrative Agent to make draws under any Required Equity Credit Support in an aggregate amount equal to its Maximum Available Equity Contribution Amount to the Borrower to the extent necessary to cause the Debt to Equity Ratio to be not greater than 65:35 as of each Disbursement Date. For the avoidance of doubt, the obligations in this Section 2.01 are in furtherance of Section 6.03(j) of the Credit Agreement.

(b) On or prior to the time of delivery by the Borrower of each Borrowing Certificate pursuant to the Credit Agreement, in the event that the relevant Borrowing shall cause the Debt to Equity Ratio to exceed 65:35 on the requested Disbursement Date (as certified to the Administrative Agent by the Borrower in such Borrowing Certificate), the Borrower shall deliver to each Pledgor (with a copy to the Administrative Agent) a Required Equity Contribution Request setting forth the amount of the Required Equity Contribution to be made by such Pledgor to cause the Debt to Equity Ratio to equal 65:35; provided , that the failure of the Borrower to deliver such a Required Equity Contribution Request shall not relieve any Pledgor of its obligations under this Section 2.01 .

(c) To the extent that the Required Equity Contribution has not been funded in full prior to the Initial Disbursement Date, in satisfaction of the condition precedent to the Initial Disbursement Date pursuant to Section 6.02(k) of the Credit Agreement, each of the Pledgors shall provide an Equity Letter of Credit, in an amount equal to its Maximum Available Equity Contribution Amount as of the Initial Disbursement Date to support its obligations to thereafter fund its Shareholder Percentage of the Required Equity Contribution to the Borrower.

2.02 Contingent Equity Obligation .

(a) During the period commencing on the date hereof and ending on the Project Completion Date, each Pledgor, on a several basis, agrees to (i) make (or cause to be

made) Shareholder Contributions or (ii) notify the Administrative Agent to make draws under any Contingent Equity Credit Support in an amount equal to its Shareholder Percentage multiplied by the Project Costs constituting Cost Overruns on the date that such amounts are due and payable (the " Contingent Equity Contribution "); provided that the Pledgors' obligation to provide such Contingent Equity Contribution will arise only after the Contingency Amount has been spent by the Borrower or is otherwise not available; and provided further that, the aggregate Contingent Equity Contribution shall not exceed (i) $44,191,000 in the case of the Inkia Pledgor (" Inkia's Maximum Contingent Equity Contribution "), and (ii) $14,809,000 in the case of Quimpac (" Quimpac's Maximum Contingent Equity Contribution ").

(b) From and after the Initial Disbursement Date in satisfaction of the condition precedent in Section 6.02(l) of the Credit Agreement, the Inkia Pledgor agrees, at its option, to procure, provide and maintain in full force and effect, either (i) an Israel Corporation Guarantee, substantially in the form attached hereto as Exhibit B , or (ii) an Equity Letter of Credit, in each case, to support an amount equal to Inkia's Maximum Contingent Equity Contribution for the duration of its obligations under Section 2.02(a) (as such amount may be reduced from time to time pursuant to Section 2.06(d) ); provided , that in the event that the Inkia Pledgor provides an Israel Corporation Guarantee pursuant to sub-clause (i) above and the credit rating of Israel Corporation is downgraded below A+ (S&P Maalot) or its equivalent from Moody's or Fitch, the Inkia Pledgor shall replace such Israel Corporation Guarantee with an Equity Letter of Credit within sixty (60) days of such credit downgrade.

(c) From and after the Initial Disbursement Date, in satisfaction of the condition precedent in Section 6.02(l) of the Credit Agreement, Quimpac agrees to procure, provide and maintain in full force and effect, an Equity Letter of Credit to support an amount equal to Quimpac's Maximum Contingent Equity Contribution for the duration of its obligations under Section 2.02(a) (as such amount may be reduced from time to time pursuant to Section 2.06(d) ).

(d) The Borrower agrees that it shall promptly notify each Pledgor and the Administrative Agent of any Cost Overrun and provide to each of such parties reasonable supporting information.

2.03 Other Support .

(a) Material Project Document Credit Support . The Pledgors agree to procure, provide and maintain in full force and effect the Material Project Document Credit Support for the duration of the Material Project Document Guarantee Period.

(b) Debt Service Reserve .

(i) Each Pledgor agrees, on a several basis, to fund or cause to be funded the Initial Required Debt Service Reserve Amount into the Debt Service Reserve Account (either by means of an DSRA Letter of Credit having been posted for such amount or by cash or cash equivalents or as otherwise provided in Section 2.03(b)(ii) below) by no later than the Actual Project Acceptance Date.

(ii) From and after the Initial Disbursement Date, in satisfaction of the condition precedent in Section 6.02(l) of the Credit Agreement, each Pledgor agrees to procure, provide and maintain in full force and effect until the Project Completion Date, an Acceptable Letter of Credit to support its obligation to provide an amount equal to its Shareholder Percentage multiplied by the Initial Required Debt Service Reserve Amount; provided , that subject to Section 2.03(b)(iv) below, to the extent either Pledgor provides an Equity Letter of Credit or, in the case of the Inkia Pledgor, a guarantee from Israel Corporation pursuant to Section 2.02, such Equity Letter of Credit or guarantee from Israel Corporation shall be deemed to satisfy such Pledgor's obligations under this Section 2.03(b)(ii) .

(iii) Subject to Section 2.03(b)(iv) below, at any time prior to the Project Completion Date, if the Administrative Agent notifies the Borrower and the Equity Parties that there are Cost Overruns in excess of the difference between (A) the Maximum Contingent Equity Contribution minus (B) the Initial Required Debt Service Reserve Amount (such excess, the " Deficiency "), each Pledgor shall, on a several basis, procure, provide and maintain in full force and effect until the Project Completion Date, an Equity Letter of Credit with a stated amount equal to its Shareholder Percentage multiplied by the amount of such Deficiency or, in the case of the Inkia Pledgor, a guarantee from Israel Corporation covering such amount, either in the form of a new guarantee or an increase in the Maximum Guaranteed Obligations under the Israel Corporation Guarantee, as such amount may be increased from time to time in accordance with the terms of such Equity Letter of Credit, or guarantee from Israel Corporation, upon notice by the Administrative Agent to the Borrower of additional Cost Overruns, within the earlier of (x) thirty (30) days of receipt by the Borrower of such notification or (y) the date of any Notice of Borrowing delivered under the Credit Agreement after receipt by the Borrower of such notification; provided , that in the event that the Inkia Pledgor provides a guarantee pursuant to this sub-clause (iii) and the credit rating of Israel Corporation is downgraded below A+ (S&P Maalot) or its equivalent from Moody's or Fitch, the Inkia Pledgor shall replace such corporate guarantee with an Equity Letter of Credit within sixty (60) days of such credit downgrade.

(iv) Notwithstanding anything to the contrary in this Agreement, (i) in the case of the Inkia Pledgor, the sum of (x) the stated amount of any Equity Letter of Credit (or the guaranteed amount pursuant to any corporate guarantee provided by Israel Corporation) delivered pursuant to sub-clause (iii) above plus (y) Inkia Pledgor's Maximum Contingent Equity Contribution shall not exceed Inkia Pledgor's Aggregate Contingent Exposure and (ii) in the case of the Quimpac, the sum of (x) the stated amount of any Equity Letter of Credit delivered pursuant to sub-clause (iii) above plus (y) Quimpac's Maximum Contingent Equity Contribution shall not exceed Quimpac's Aggregate Contingent Exposure.

(c) Tranche C . As a condition precedent to the Initial Disbursement Date pursuant to Section 6.02(m) of the Credit Agreement, each Pledgor agrees, on a several basis, to procure, provide and maintain in full force and effect one or more Equity Letters of Credit in an amount equal to its Tranche C Loan Commitment (if any), as the same may be revised from time to time pursuant to any assignments of the Tranche C Loan Commitments made in accordance with Section 11.06(b) of the Credit Agreement.

(d) Cost of Support . Each Equity Party agrees that the Borrower shall not be responsible for any reimbursement, cash-out obligations, repayment obligations, indemnities or other similar obligations, costs or expenses relating to any guarantees or credit support provided by such Equity Party on behalf of the Borrower pursuant to this Section 2.03 (the " Support Costs ") unless (i) the Senior Loan Commitments have expired or terminated and all outstanding Secured Obligations have been indefeasibly paid or discharged in full in which case such Support Costs may be reimbursed by the Borrower or (ii) if such Support Costs are paid, or such Equity Party is reimbursed for such Support Costs, from the Onshore Distribution Accounts.

2.04 Claims for Equity Party Support .

(a) The liability of the Pledgors under this Agreement shall be several in proportion to each Pledgor's Shareholder's Percentage and all obligations and liabilities of the Pledgors under this Agreement shall be construed accordingly. No Pledgor (i) will be obliged to pay any amount in respect of its obligations hereunder other than its Shareholder Percentage or (ii) shall be liable for any amount which formed all or any part of any amount previously demanded from another Pledgor.

(b) All claims by or on behalf of the Administrative Agent or the Offshore Collateral Agent in respect of the obligations of the Equity Parties hereunder shall, to the extent reasonably possible, be made by the Administrative Agent or the Offshore Collateral Agent simultaneously to each Equity Party, as applicable.

(c) Upon the occurrence of an Event of Default and the exercise of remedies under the Credit Agreement, each Pledgor's Maximum Available Equity Contribution Amount shall become immediately due and payable and shall be applied in accordance with the Collateral Agency and Depositary Agreement. The Administrative Agent may draw the full amount under any Required Equity Credit Support delivered by a Pledgor if such Pledgor has not contributed its Maximum Available Equity Contribution Amount in full within three (3) Business Days of delivery of the notice to the Pledgors that the Offshore Collateral Agent is exercising remedies under the Financing Documents.

2.05 Equity Party Cure .

(a) Following any Equity Party's failure to fulfill any of its obligations under this Agreement, any other Equity Party (a " Non-Defaulting Equity Party ") may (at its sole discretion) give written notice (a " Remedy Notice ") to the Administrative Agent that the Non-Defaulting Equity Party shall cure the other Equity Party's default within five (5) Business Days of the date of the notice by the Administrative Agent of the occurrence of such default to the parties hereto (or such other period as may be agreed by such Non-Defaulting Equity Party and the Administrative Agent in writing).

(b) A Remedy Notice may not be issued to cure any Equity Party's breach of a Remedy Notice.

2.06 Acceptable Credit Support .

(a) In the event that any Pledgor shall (i) notify the Administrative Agent that it should draw upon any Required Equity Credit Support in order to satisfy such Pledgor's Support Obligations under Section 2.01(a) or (ii) fail to make payment of all or any portion of its Support Obligations when due in accordance with Section 2.01(b) , the Administrative Agent shall make a draw under such Equity Letter of Credit in an amount equal to such Pledgor's Support Obligations due and payable on the relevant Disbursement Date.

(b) In the event that any Pledgor shall (i) notify the Administrative Agent that it should draw upon any Contingent Equity Credit Support in order to satisfy such Pledgor's Support Obligations under Section 2.02 or (ii) fail to make payment of all or any portion of its Support Obligations when due in accordance with Section 2.02(a) , the Administrative Agent shall, as applicable, make a drawing, or demand payment, under the relevant Contingent Equity Credit Support, in each case in an amount equal to such Pledgor's Shareholder Percentage of the Contingent Equity Contribution then due and payable, which amount shall be payable on the date five (5) Business Days after demand thereof.

(c) In the event that any Pledgor shall (i) notify the Administrative Agent that it should draw upon any Equity Letter of Credit delivered pursuant to Section 2.03(c) in order to satisfy its obligations to make Tranche C Loans when required pursuant to the Credit Agreement or (ii) fail to disburse all or any portion of the Tranche C Loans when required pursuant to the Credit Agreement, the Administrative Agent shall make a draw under such Equity Letter of Credit in an amount equal to the amount of such Tranche C Loans to be disbursed on the relevant Disbursement Date.

(d) Any Equity Letter of Credit delivered pursuant to this Agreement shall permit partial drawings by the beneficiary thereunder. Any payments made pursuant to drawings on any Equity Letter of Credit or Contingent Equity Credit Support shall be deemed to be a payment by the relevant Pledgor to satisfy, to the extent of such payment, the obligation of such Pledgor to make its Support Obligations under this Agreement and (i) the stated amount of any such Equity Letter of Credit shall be reduced in accordance with the terms of such Equity Letter of Credit or (ii) in the case of an Israel Corporation Guarantee, the Maximum Guaranteed Obligations shall be reduced in accordance with the terms thereof.

(e) The absence of any draw on an any Equity Letter of Credit or Contingent Equity Credit Support pursuant to this Section 2.06 shall not (i) relieve such Pledgor of its obligations under this Agreement or (ii) preclude any further drawings under such Required Equity Credit Support or Contingent Equity Credit Support, as applicable. In the event that any Pledgor has provided two or more Acceptable Letters of Credit in fulfillment of its obligations under this Agreement, drawings shall be made ratably, sequentially or otherwise as directed by the relevant Pledgor, or if no such direction is provided as determined by the Administrative Agent.

(f) In the event that any Pledgor funds any of its Support Obligations without resorting to a draw on any Equity Letter of Credit posted by such Pledgor, the Administrative Agent shall request the applicable Acceptable LC Provider to reduce the amount available for drawing on such Equity Letter of Credit which exceeds (i) such Pledgor's Maximum Available Equity Contribution Amount or (ii) such Pledgor's Shareholder Percentage of the Contingent

Equity Contribution required under this Agreement at such time, in each case as certified to the Administrative Agent by an Authorized Officer of the Borrower, and in accordance with the terms of such Equity Letter of Credit.

(g) On the Final Maturity Date, the Offshore Collateral Agent shall return any DSRA Letter of Credit provided by a Pledgor pursuant to Section 2.03(b) to the Acceptable LC Provider thereof together with a written request from the Offshore Collateral Agent to cancel such DSRA Letter of Credit. On the Project Completion Date, the Administrative Agent shall return any other Equity Letters of Credit provided by a Pledgor hereunder to the Acceptable LC Provider thereof together with a written request from the Administrative Agent to cancel such Equity Letter of Credit.

Section 3. Equity Interest Retention Obligations .

3.01 Equity Interest Retention Obligations of the Equity Parties .

(a) Prior to the Project Completion Date, each Pledgor agrees that it will not (i) make or suffer or permit to occur any Transfer of any Equity Interest in the Borrower, in accordance with the restrictions, substantially in the form of Schedule 1 hereto set forth in the share ledger of the Borrower, or (ii) issue or suffer or permit to occur any issuance of Equity Interests in the Borrower in a manner that would result in a change of the Shareholder Percentage.

(b) The Project Sponsor agrees that (i) prior to the Project Completion Date, it will at all times directly or indirectly own and control, legally and beneficially, 100% of the voting and economic Equity Interests of the Inkia Pledgor and (ii) after the Project Completion Date, it will at all times directly or indirectly own and control, legally and beneficially, at least 50.1% of the voting and economic Equity Interests of the Borrower free and clear of all Liens other than Permitted Liens.

3.02 Effect of Violation of Section 3.01 . Any Transfer or issuance of Equity Interests attempted in violation of this Agreement shall be void *ab initio* . Without limiting this Section 3.02 , the parties hereto agree that breach of the provisions of this Section 3 by any Equity Party shall cause irreparable injury to the interests of the Secured Parties for which monetary damages (or other remedies at law) are inadequate in view of the complexities and uncertainties in measuring the actual damages that would be sustained by reason of such party's noncompliance and the uniqueness of the Borrower's business and the relationship among the parties hereto.

Section 4. Nature of Obligations .

4.01 Specific Performance . Each Equity Party hereby irrevocably waives any defense based on the adequacy of a remedy at law or in equity that may be asserted as a bar to the remedy of specific performance in any action brought against it for specific performance of the obligation of such Equity Party under Section 3 by the Administrative Agent, the Offshore Collateral Agent, any other Secured Party or the Borrower or for any of their benefit by a receiver, custodian or trustee appointed for the Borrower or in respect of all or a substantial part of the Borrower's assets under the bankruptcy, insolvency or similar laws of any jurisdiction to which the Borrower or its assets are subject.

4.02 Subrogation . To the fullest extent permitted by applicable Government Rules, no Equity Party shall exercise, and each hereby irrevocably waives, in each case until such time as the Secured Obligations are fully and finally paid and discharged, expired or terminated, any claim, right or remedy (including, without limitation, any such right arising under applicable bankruptcy or insolvency law) that it may now have or may hereafter acquire against the Borrower arising under or in connection with this Agreement in any claim, right or remedy of any Secured Party against the Borrower or any other Person or any Collateral that any Secured Party may now have or may hereafter acquire until such time as all Secured Obligations shall have been fully and finally discharged, expired or terminated (including, without limitation, any claim, right or remedy of subrogation, contribution, reimbursement (other than exoneration, indemnification or participation arising under contract or by applicable Government Rules)). If, notwithstanding the preceding sentence, any amount shall be paid to an Equity Party on account of such subrogation rights at any time when any of the Secured Obligations shall not have been fully and finally paid and discharged, such amount shall be held by such Equity Party in trust for the benefit of the Offshore Collateral Agent (acting for the benefit of the Secured Parties), segregated from other funds of such Equity Party and turned over to the Offshore Collateral Agent in the exact form received by such Equity Party (duly endorsed by such Equity Party to the Offshore Collateral Agent, if required), to be applied against the Secured Obligations, whether matured or unmatured, in accordance with the Financing Documents. This section shall not prevent the reimbursement by the Borrower to the Equity Parties of any sum payable, or Support Costs incurred by the Equity Party, to the extent such payment or reimbursement is made from the Onshore Distribution Accounts or is otherwise permitted under the Collateral Agency and Depositary Agreement

4.03 Limited Recourse .

(a) The obligations of the Borrower under the Financing Documents shall be secured solely by the Security Documents to which it is a party. Subject to sub-clause (b) below, no recourse shall be had for the payment of any obligations under the Credit Agreement or upon any other obligation, covenant or agreement under any Financing Document, against any Equity Party or any incorporator, direct or indirect stockholder, shareholder, partner, officer, director, employee or agent as such (including shareholders of any management committee or similar body), whether past, present or future, of an Equity Party or the Borrower or any Affiliate or direct or indirect parent thereof or of any successor corporation thereto (each, hereinafter, a " Non-Recourse Person "), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

(b) Notwithstanding the foregoing to the contrary, nothing in this Section 4.03 shall impair or in any way limit any liabilities or obligations of any Non-Recourse Person: (i) under or pursuant to any Financing Document to which such Non-Recourse Person is party (but then only to the extent set forth in or arising under such Financing Document), (ii) for misappropriation of funds, fraud or willful misconduct or (iii) in respect of any misrepresentation made by such Non-Recourse Person in a Financing Document to which it is a party.

4.04 Obligations Unconditional . The Support Obligations are primary, absolute, irrevocable and unconditional irrespective of the validity or enforceability of the Transaction Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any guarantee of or security for any of the Borrower's obligations under the Financing Documents or the Support Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.04 that the Support Obligations shall be primary, absolute, irrevocable and unconditional under any and all circumstances. Without limiting the generality of the foregoing, each of the Equity Parties agrees that:

(a) The occurrence of any one or more of the following shall not alter or impair the rights, remedies, powers and privileges of the Offshore Collateral Agent or any Secured Party under this Agreement, or the liability of such Equity Party for its Support Obligations which shall remain absolute, irrevocable and unconditional as described above:

(i) any modification or amendment (including, without limitation, by way of amendment, extension, renewal or waiver), or any acceleration or other change in the time for payment or performance of the terms of all or any part of the Borrower's obligations under the Transaction Documents, or any other agreement or instrument whatsoever relating thereto;

(ii) any release, termination, waiver, abandonment, lapse or expiration, subordination or enforcement of the liability of the Borrower under the Transaction Documents or of any other guarantee of all or any part of the Borrower's obligations under the Transaction Documents;

(iii) without limiting the right of any Equity Party to receive reimbursement for payments made in respect of Support Obligations pursuant to and as permitted by the Collateral Agency and Depositary Agreement, any application of the proceeds of any guarantee (including, without limitation, any letter of credit or the obligations of any guarantor of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations) to all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations in any such manner as provided or contemplated under the Financing Documents or otherwise;

(iv) any release of any other Person (including, without limitation, any guarantor with respect to all or any part of the Borrower's obligations under the Transaction Documents) from any personal liability with respect to all or any part of the Borrower's obligations under the Transaction Documents;

(v) any settlement, compromise, release, liquidation or enforcement, upon such terms and in such manner as any Secured Party may determine or as applicable law may dictate, of all or any part of the Borrower's obligations under the Transaction Documents or any guarantee of (including, without limitation, any letter of credit issued with respect to) all or any part of the Borrower's obligations under the Transaction Documents;

(vi) the giving of any consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of the Borrower, the Equity Parties or any other Person or any disposition of any shares of the Borrower by any Equity Party or any Affiliate of such Equity Party other than as permitted by this Agreement;

(vii) any proceeding against the Borrower or any of the Equity Parties or any Affiliate thereof or any guarantor of (including, without limitation, any issuer of any letter of credit issued with respect to) all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations or any collateral provided by any other Person or the exercise of any rights, remedies, powers and privileges of the Offshore Collateral Agent or any Secured Party under the Financing Documents or otherwise in such order and such manner as any Secured Party may determine, regardless of whether the Offshore Collateral Agent or any Secured Party shall have proceeded against or exhausted any collateral, right, remedy, power or privilege before proceeding to call upon or otherwise enforce this Agreement;

(viii) the entering into such other transactions or business dealings with the Borrower, any of the Equity Parties, any Subsidiary or Affiliate of the Borrower or the Equity Parties or any guarantor of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations as any Secured Party may desire; or

(ix) all or any combination of any of the actions set forth in this Section 4.04 .

(b) The enforceability and effectiveness of this Agreement and the liability of each of the Equity Parties in respect of its Support Obligations, and the rights, remedies, powers and privileges of the Administrative Agent and each Secured Party under this Agreement shall not be affected, limited, reduced, discharged or terminated, and each Equity Party hereby expressly waives to the fullest extent permitted by law any defense now or in the future arising in respect of the Support Obligations, by reason of:

(i) the illegality, invalidity or unenforceability of all or any part of the Support Obligations, any other Transaction Document or any other agreement or instrument whatsoever relating to all or any part of the Support Obligations;

(ii) any disability or other defense with respect to all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations, including, without limitation, the effect of any statute of limitations that may bar the enforcement of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations or the obligations of any guarantor;

(iii) the illegality, invalidity or unenforceability of any security for or guarantee (including, without limitation, any letter of credit) of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations or the lack of perfection or continuing perfection or failure of the priority of any Lien on any Collateral for all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations;

(iv) the cessation, for any cause whatsoever, of the liability of the Borrower or any guarantor with respect to all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations (other than, subject to Section 4.05 hereof, by reason of the full satisfaction and payment of all Support Obligations);

(v) any failure of the Offshore Collateral Agent or any Secured Party to marshal assets in favor of the Borrower or any other Person (including any guarantor of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations), to exhaust any Collateral for all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any Equity Party, the Borrower or any guarantor of all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations (including any issuer of any letter of credit) or any other Person or to take any action whatsoever to mitigate or reduce such or any other Person's liability under this Agreement;

(vi) any counterclaim, set-off or other claim that any Equity Party, the Borrower or any guarantor of all or any part of the Support Obligations or the Borrower's obligations under the Transaction Documents has or claims with respect to all or any part of the Support Obligations or the Borrower's obligations under the Transaction Documents;

(vii) any failure of the Offshore Collateral Agent or any Secured Party or any other Person to file or enforce a claim in any bankruptcy or other proceeding with respect to any Equity Party, the Borrower or any other Person;

(viii) any bankruptcy, insolvency, reorganization, winding-up or adjustment of debts, or appointment of a custodian, liquidator or the like of any Equity Party or the Borrower, or the same or similar proceedings commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations (or any interest on all or any part of the Borrower's obligations under the Transaction Documents or the Support Obligations) in or as a result of any such proceeding;

(ix) any action taken by the Administrative Agent, the Offshore Collateral Agent or any Secured Party that is authorized by this Section 4 or otherwise in this Agreement or by any other provision of any Financing Document or other Transaction Document or any omission to take any such action; or

(x) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

(c) To the fullest extent permitted by law, each of the Equity Parties expressly waives, for the benefit of the Borrower, the Administrative Agent and each Secured Party, all diligence, presentment, demand for payment or performance, notices of nonpayment or nonperformance, protest, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever and any requirement that any Secured Party exhaust any right, power or remedy or proceed against the Borrower under the Financing Documents or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Support Obligations.

(d) Each of the Equity Parties irrevocably waives any right to which it may be entitled to require that the Borrower be sued and all claims against the Borrower be completed prior to an action or proceeding being initiated against it.

4.05 Reinstatement .

This Agreement and the Support Obligations of any Equity Party shall be automatically reinstated if and to the extent that for any reason any payment made by or on behalf of such Equity Party pursuant to this Agreement is rescinded or must be otherwise restored by any Secured Party, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Equity Party agrees to indemnify the Secured Parties on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Secured Parties in connection with such rescission or restoration related to it, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4.06 Continuing Obligations . Each Equity Party's obligations in Section 2 are continuing obligations, and shall apply to all Support Obligations arising during the relevant period(s) during which such obligations are by their terms in effect.

4.07 Taxes . Any and all payments by any Equity Party hereunder shall be made free and clear of and without deduction for any and all Taxes imposed and all liabilities with respect thereto, if any, on or in respect of this Agreement. In the event that any of the Equity Parties is required by applicable law to deduct or withhold Taxes from any amounts payable on, under or in respect of this Agreement, such Equity Party shall pay such additional amount as may be required, after the deduction or withholding of Taxes, to enable the Person entitled to such amount to receive from such Equity Party an amount equal to the full amount stated to be payable under this Agreement.

4.08 Payments . Any Support Obligation or other payment required to be made hereunder by any Equity Party shall be made promptly when due, in Dollars and in immediately available funds, without any set-off, counterclaim or deduction, for further credit to the applicable account identified in the Collateral Agency and Depositary Agreement.

4.09 Corporate Authorizations . To the extent any Support Obligation pursuant to this Agreement is made as, or is required to be made as, a contribution to the equity capital of the Borrower, and without in any way limiting the obligations of any Equity Party under this Agreement or otherwise, the Borrower and each of the Equity Parties (to the extent of their individual powers to do so) hereby agree to take any actions (corporate or otherwise, including any amendment to the bylaws of the Borrower or any Pledgor) that may be required from time to time pursuant to applicable law to authorize and consummate any contributions to the equity capital of the Borrower contemplated by this Agreement, including, without limitation, to permit and/or require (i) that, pursuant to applicable law of Peru, the Pledgors be required to make supplementary contributions to the equity capital of the Borrower and (ii) the cash calls required hereunder under applicable law of Peru.

Section 5. Purchase of Participating Interest .

5.01 Required Purchase of Participating Interest . If by reason of the Bankruptcy of the Borrower (a " Bankruptcy Event "), all or any portion of any such Support Obligations required to be made hereunder theretofore made to the Borrower is rescinded and/or returned to any Equity Party making such Support Obligation, such Equity Party shall immediately following demand upon it by the Administrative Agent purchase an undivided participating interest in the Loans and Commitments then outstanding ( pro rata amongst all liabilities under the Financing Documents comprising such Loans and Commitments) in an amount equal to such portion of such Support Obligations which have not been so received or which has been so rescinded and/or returned by paying to the Offshore Collateral Agent, in immediately available funds. Additionally, in the event that any Bankruptcy Event precedes the making by the Equity Parties of any Support Obligations required to be made hereunder, the Offshore Collateral Agent shall be entitled to request that such Equity Party effect the purchase contemplated in this Section 5.01 in lieu of such Support Obligation, whereupon such Equity Party shall be obligated to effect such purchase on the date such Support Obligation would otherwise be due.

5.02 Subordinate Nature of Participating Interest . The Equity Parties hereby agree that their participating interest in the Loans and Commitments purchased by it pursuant to Section 5.01 hereof shall be subject and subordinate in all respects, on the terms set forth in Exhibit D to the Credit Agreement, to the interest in such Loans and Commitments retained by the Secured Parties, so that all payments received or collected on account of the Loans and Commitments and applied to the payment thereof shall first be paid to the Secured Parties until all Loans and Commitments retained by such Secured Parties are fully and finally paid and discharged, before any such payments are applied on account of such Equity Party's participating interest in the Loans and Commitments.

5.03 Rights of Secured Parties . Notwithstanding the purchase and ownership by such Equity Party of a participating interest in the Loans and Commitments, the Secured Parties shall have the right, in their sole discretion in each instance and without any notice to such Equity Party, (a) to agree to the modification or waiver of any of the terms of the Transaction Documents or any other agreement or instrument relating thereto, (b) to consent to any action or failure to act by the Borrower, and (c) to exercise or refrain from exercising any rights or remedies which the Secured Parties may have under the Financing Documents or any other agreement or instrument relating thereto, including, without limitation, the right at any time to declare, or refrain from declaring, the Loans due and payable upon the happening of any Event of Default, and to foreclose and sell or exercise any other remedy, or refrain from foreclosing and selling or exercising any other remedy, with respect to any collateral securing the Loans and Commitments. Moreover, such Equity Party shall not have any voting, consent or other decision-making right or power available under any Financing Document as a consequence of its acquisition of a participating interest in the Loans and Loan Commitments pursuant to this Section 5 . No Secured Party shall be liable to any Equity Party for any error in judgment or for any action taken or omitted to be taken by it while the Project Sponsor holds a participating

interest in the Loans and Commitments. No Secured Party shall have any duty or responsibility to provide any Equity Party with any credit or other information concerning the affairs, financial condition or business of the Borrower which may come into their possession or the possession of any of their respective affiliates.

5.04 Obligations Unconditional . The obligation of the Equity Parties under this Section 5 to purchase participating interests in the Loans and Commitments is absolute and unconditional and shall not be affected by the occurrence of any Default or Event of Default or any other circumstance.

Section 6. Restricted Payments .

(a) Each Pledgor, in its capacity as holder of Equity Interests of the Borrower, shall cause the Borrower not to make any Restricted Payment (other than Restricted Payments that are permitted by Section 8.12 of the Credit Agreement) until all Secured Obligations have been indefeasibly satisfied in full, all Senior Loan Commitments have been terminated and no other amount is then outstanding or owing to any Secured Party under the Financing Documents, except as permitted under the Financing Documents.

(b) If any Equity Party receives a Restricted Payment from the Borrower to which it is not entitled, then such Equity Party shall hold such Restricted Payment (or an amount equal thereto) as depository for the benefit of the Secured Parties and deliver the same over to the Trustee (for the benefit of the Secured Parties) as soon as practicable or upon written demand therefor by the Offshore Collateral Agent.

(c) If any Equity Party obtains knowledge that any of its Affiliates has received a Restricted Payment from the Borrower to which such Person is not entitled, then such Equity Party shall use commercially reasonable efforts to cause such Affiliate to hold such Restricted Payment (or an amount equal thereto) as depository for the benefit of the Secured Parties and deliver the same over to the Trustee (for the benefit of the Secured Parties) upon written demand therefor by the Offshore Collateral Agent.

Section 7. Covenants . Each Equity Party covenants and agrees that until such time as such Equity Party's obligations under this Agreement cease:

7.01 Reporting Requirements . For so long as such Equity Party has any obligations outstanding under any Financing Document, such Equity Party (other than the Inkia Pledgor) shall deliver to the Administrative Agent, commencing after the end of the first fiscal quarter after the Closing Date (except in the case of paragraphs (c) through (d) below, which notices shall be delivered as stated therein):

(a) as soon as available and in any event within 45 days after the end of each of the first three quarterly fiscal periods of each fiscal year of such Equity Party, (i) unaudited statements of income of such Equity Party (on a consolidated basis) for such period and for the period from the beginning of the respective fiscal year to the end of such period and (ii) the related balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, each accompanied by a certificate of an Authorized Officer of such Equity Party, which certificate shall state that such financial

statements fairly present in all material respects the financial condition and results of operations of such Equity Party (on a consolidated basis), in accordance with its Accounting Principles consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments);

(b) as soon as available and in any event within 90 days after the end of each fiscal year of such Equity Party, audited statements of income and stockholder equity of such Equity Party (on a consolidated basis) for such year and the related balance sheets as at the end of such year, setting forth in each case, in comparative form the corresponding figures for the preceding fiscal year, each accompanied by an opinion of an Auditor, which opinion shall not be subject to any going concern or like qualification or exception or any qualification or exception as to the scope of the audit, and shall state that such financial statements fairly present in all material respects the financial condition and results of operations of such Equity Party (on a consolidating basis) as at the end of, and for, such fiscal year in accordance with its Accounting Principles;

(c) promptly after an Authorized Officer of such Equity Party knows or has reason to believe that a Default or Event of Default has occurred that the Administrative Agent has not otherwise been notified of, a notice of such event describing the same in reasonable detail and, together with such notice or as soon thereafter as possible, a description of the action that such Equity Party has taken or proposes to take with respect to such event giving rise to such Default or Event of Default; and

(d) at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate of an Authorized Officer of such Equity Party to the effect that to the knowledge of such party, no Default or Event of Default has occurred and is continuing (or, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that such Equity Party has taken and proposes to take with respect to such Default or Event of Default).

7.02 Maintenance of Corporate Existence, Etc . Such Equity Party shall preserve and maintain its corporate existence in the corporate form of such Equity Party as of the date of this agreement under applicable Government Rules.

7.03 Compliance with Government Rules . Such Equity Party shall, and shall cause all Persons that such Equity Party Controls to, at all times comply in all respects with all applicable Government Rules, except to the extent the failure to comply with any such Government Rule could not reasonably be expected to have a Material Adverse Effect on the Project or the ability of such Equity Party or Controlled Person to satisfy its obligations hereunder.

7.04 No Dissolution . Such Equity Party shall not cause a dissolution or termination of any other Equity Party or the Borrower, except as required by applicable Government Rules, join in or consent to any election to dissolve or terminate the Project Sponsor, the Pledgor or the Borrower without the consent of the Administrative Agent (with the approval of the Majority Lenders).

7.05 Prohibition of Fundamental Changes . The Pledgors will not cause or authorize the Borrower to change its legal form, amend its organizational documents (except as otherwise permitted by the Credit Agreement), merge into or consolidate with, or acquire all or any substantial part of the assets or any Equity Interest in, any other Person, or to liquidate or dissolve, except as specifically permitted pursuant to the terms of the Credit Agreement.

7.06 Loans . No Equity Party nor any Affiliate of such Equity Party shall acquire or hold, directly or indirectly, any Senior Loan or Note delivered in connection therewith, whether by purchase, participating interest or otherwise, except in accordance with Section 5 hereof.

7.07 Shareholders' Agreement . No Pledgor shall (a) agree to amend the Shareholders' Agreement in any manner which would materially and adversely affect the Senior Lenders' rights or remedies under the Financing Documents without the prior written consent of the Majority Lenders or (b) take any action under the Shareholders' Agreement that would result in the Borrower breaching an obligation under the Financing Documents.

Section 8. Representations and Warranties . Each Equity Party makes the representations and warranties contained in this Section 8 for the benefit of each Secured Party, which in either case shall survive the execution and delivery of this Agreement and the making of the Loans. Each such representation and warranty shall be deemed made as of the date hereof and as of the date of each Loan.

8.01 Existence . It is either (a) a corporation or (b) a *sociédad anónima* in each case, duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation and has the requisite power and authority to execute and deliver this Agreement and each other Transaction Document to which is it a party and to perform its obligations hereunder and thereunder.

8.02 Due Authorization, Execution and Delivery . It has taken all necessary corporate or limited liability company action to authorize its execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party and each such document has been duly authorized, executed and delivered by it.

8.03 Legality and Enforceability . This Agreement and each other Transaction Document to which it is a party constitute its legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity (regardless of whether enforcement thereof is sought in a proceeding at law or in equity).

8.04 No Consent, Violation or Conflict . None of the execution, delivery or performance of this Agreement or any Transaction Document to which it is a party, or the consummation of any of the transactions contemplated thereby, or performance of or compliance with the terms and conditions thereof:

(a) requires the approval or consent of any counterparty or holder or trustee of any debt or other obligation of such Equity Party that has not been obtained;

(b) constitutes a default by such Equity Party under, or results in the material violation of, any contract, agreement or arrangement to which such Equity Party is a party or by which it or any of its Property or assets may be bound or affected;

(c) violates the terms of any Government Rule applicable to such Equity Party, the Project or any of the Collateral owned by such Equity Party including, without limitation, any Environmental Law;

(d) constitutes a default under or contravenes or violates any provision of the organizational documents of such Equity Party or any Transaction Document; or

(e) results in the creation or imposition of any Liens (other than Permitted Liens) on any of the Collateral owned by the Equity Party.

8.05 [Reserved]

8.06 Governmental Approvals . It possesses all material Government Approvals necessary for it to perform its obligations under this Agreement and each other Transaction Document to which it is a party and it is in compliance in all respects with such Government Approvals, except to the extent (a) that failure to possess or comply with any such Government Approval could not reasonably be expected to have a Material Adverse Effect or (b) that such Governmental Approvals are to be obtained in the ordinary course of business subsequent to the date hereof.

8.07 Representations and Warranties . All representations and warranties and other statements made by it in each other Transaction Document to which it is a party were true and correct as of the date when made.

8.08 Proceedings . There is no action, suit, proceeding or, to its knowledge, claim or investigation at law or in equity (if applicable) pending before any Government Authority, arbitral tribunal or other body that could reasonably be expected to succeed on the merits which could reasonably be expected to result in a material adverse effect on its ability to perform its obligations hereunder or under any other Transaction Document to which it is a party or otherwise challenge or affect the validity or enforceability of any such documents.

8.09 Financial Statements . All financial statements delivered by it to the Administrative Agent in accordance with Section 7.01 hereof (a) fairly present or will fairly present in all material respects its financial condition as of the date thereof in accordance with the relevant Accounting Principles of such Equity Party and (b) are or will be prepared in accordance with the requirements hereof. There are no liabilities or obligations with respect to it of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which such financial statements relate that, either individually or in the aggregate, would be material to it that are not reflected in the financial statements or the notes thereto. It does not know of any reasonable basis for the assertion against it or the Project of any liability or obligation of any nature whatsoever for such relevant period that is not fully reflected in such financial statements in accordance with the relevant Accounting Principles of such Equity Party.

8.10 No Bankruptcy . No steps have been taken or legal proceedings started by or against it and, to its knowledge, no such action has been threatened against it for its bankruptcy, winding up, dissolution or reorganization of or for the appointment of a receiver, trustee or similar officer with respect to it or any of its Property.

Section 9. Miscellaneous .

9.01 No Waiver . No failure on the part of the Administrative Agent, the Offshore Collateral Agent, any Secured Party or the Borrower to exercise, no delay in exercising, and no course of dealing with respect to, any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise by the Administrative Agent, the Offshore Collateral Agent, any Secured Party or the Borrower of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights, powers and remedies provided herein are cumulative and not exclusive of any rights, powers or remedies that any party hereto would otherwise have.

9.02 Notices . Except as otherwise expressly provided herein or in any Financing Document, all notices and other communications provided for hereunder shall be provided pursuant to Section 11.02 of the Credit Agreement (which Section is incorporated, *mutatis mutandis* , as if set forth herein) or, in the case of the Equity Parties, delivered to the address listed on its signature page hereto.

9.03 Expenses . Each Equity Party agrees to pay to the Administrative Agent, the Offshore Collateral Agent, the Secured Parties and the Borrower all duly documented out-of-pocket expenses (including the reasonable fees and expenses of legal counsel) of, or incidental to, the enforcement of any of the provisions of this Agreement by litigation or otherwise. This Section 9.03 shall survive the termination of this Agreement.

9.04 Amendments . This Agreement may be amended or modified only by an instrument in writing signed by each of the parties hereto.

9.05 Successors and Assigns .

(a) This Agreement shall be binding upon and inure to the benefit of the respective successors or assigns of each of the Administrative Agent, the Offshore Collateral Agent, the Secured Parties and the Borrower.

(b) This Agreement shall be binding upon and inure to the benefit of the respective successors or assigns of each Equity Party; *provided , however* , that, except as otherwise provided in Section 3 , no Equity Party shall assign or delegate its rights or obligations hereunder to any other Person without the prior written consent of the Administrative Agent (acting at the direction of the Majority Lenders) and if such consent from the Majority Lenders is provided the obligations set forth in Section 2 of this Agreement will be read and construed so as to include and reflect such Permitted Transfer and Permitted Transferee. Any purported assignment in violation of this provision shall be void *ab initio* .

9.06 Counterparts; Integration; Effectiveness . This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when executed and delivered, shall be effective for purposes of binding the parties thereto but all of which shall together constitute one and the same instrument. This Agreement and the other Financing Documents to which the Equity Parties are parties constitute the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, written or oral, relating to the subject matter hereof. The words "execution," "signed," "signature," and words of like import used in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Government Rule, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

9.07 Termination . The obligations of each Equity Party under this Agreement shall terminate upon indefeasible payment in full of the Secured Obligations.

9.08 Severability . Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, but that shall not invalidate the remaining provisions of this Agreement or affect such provision in any other jurisdiction.

9.09 Collateral Agent . All references in this Agreement to the "Offshore Collateral Agent" shall be deemed to refer to the Offshore Collateral Agent and/or any assignee or designee thereof acting on behalf of the Secured Parties (regardless of whether so expressly provided), and all actions permitted to be taken by the Offshore Collateral Agent under this Agreement may be taken by any such assignee or designee.

9.10 Headings . Headings appearing herein are used solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

9.11 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL; PROCESS AGENT .

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE GOVERNMENT RULES, ANY LEGAL ACTION OR PROCEEDING AGAINST AN EQUITY PARTY WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, EACH EQUITY PARTY HEREBY IRREVOCABLY ACCEPTS FOR ITSELF (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE GOVERNMENT RULES) AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND APPELLATE COURTS

FROM ANY THEREOF. EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PARTIES HERETO AT ITS ADDRESS REFERRED TO IN THIS AGREEMENT OR THE COLLATERAL AGENCY AND DEPOSITARY AGREEMENT.

(b) EACH EQUITY PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS OR ANY OTHER TRANSACTION DOCUMENT BROUGHT IN THE COURT REFERRED TO IN SECTION 9.11(a) HEREOF AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(d) EACH OF THE BORROWER AND EACH EQUITY PARTY IRREVOCABLY APPOINTS C T CORPORATION SYSTEM (THE " PROCESS AGENT "), WITH AN OFFICE ON THE DATE HEREOF AT 111 EIGHTH AVENUE, NEW YORK, NY 10011, AS ITS AGENT AND TRUE AND LAWFUL ATTORNEY-IN-FACT IN ITS NAME, PLACE AND STEAD TO RECEIVE ON BEHALF OF THEM SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK, AND EACH OF THE BORROWER AND EACH EQUITY PARTY AGREES THAT THE FAILURE OF THE PROCESS AGENT TO GIVE ANY NOTICE OF ANY SUCH SERVICE OF PROCESS TO THEM SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE ENFORCEMENT OF ANY JUDGMENT BASED THEREON.

9.12 No Third Party Beneficiaries . The covenants contained herein are made solely for the benefit of the parties hereto, the Secured Parties and the successors and assigns of such parties, and shall not be construed as having been intended to benefit any third party not a party to this Agreement (other than the Secured Parties).

9.13 No Liability . Each Equity Party acknowledges and agrees that none of the Offshore Collateral Agent, the Administrative Agent, any Secured Party or any of their respective designee(s) or assignee(s) shall have any liability or obligation under this Agreement or any other Transaction Document solely as a result of execution and delivery of this Agreement or the Share Pledge Agreement, the Israel Corporation Guarantee or otherwise with respect to the Project, nor shall the Offshore Collateral Agent, the Administrative Agent, any Secured Party or any of their respective designee(s) or assignee(s) be obligated or required to perform any of any Equity Party's obligations hereunder or under any Transaction Document.

9.14 Judgment Currency .

(a) The Equity Parties obligations hereunder to make payments in the Obligation Currency, shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the respective Secured Party of the full amount of the Obligation Currency expressed to be payable to such Secured Party under this Agreement. If for the purpose of obtaining or enforcing judgment against any Equity Party in any court or in any jurisdiction, it becomes necessary to convert into or from any Judgment Currency an amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent fails to quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Judgment Currency Conversion Date.

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, each Equity Party covenants to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date. If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due that results in an Equity Party paying an amount in excess of that necessary to discharge or satisfy any judgment, the Secured Parties shall transfer or cause to be transferred to such Equity Party the amount of such excess (net of any Taxes and reasonable and customary costs incurred in connection therewith).

(c) For purposes of determining the rate of exchange under this Section 9.14 , such amounts shall include any reasonable premium and costs payable in connection with the purchase of the Obligation Currency.

9.15 Waiver of Immunity . Each Equity Party acknowledges and agrees that the activities contemplated by the provisions of this Agreement are commercial in nature rather than governmental or public, and therefore acknowledges and agrees that it is not entitled to any right of immunity on the grounds of sovereignty or otherwise with respect to such activities or in any legal action or proceeding arising out of or relating to this Agreement. To the extent permitted by applicable law, each Equity Party, in respect of itself, its process agent, and its Properties and revenues, expressly and irrevocably waives any such right of immunity which may now or hereafter exist (including any immunity from any legal process, from the jurisdiction of any court or from any execution or attachment in aid of execution prior to judgment or otherwise) or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any such action or proceeding, whether in the United States or otherwise. The foregoing waiver of sovereign immunity shall have effect under the United States Sovereign Immunities Act of 1976.

9.16 Use of English Language . This Agreement has been negotiated and executed in the English language. All reports, notices and other documents and communications given or delivered pursuant to this Agreement (including, without limitation, any modifications or supplements hereto) shall be in the English language. For all purposes, the English language version hereof shall be the original instrument and in case of conflict between the English version and any versions in any other language, the English version shall control.

9.17 Collateral Agency Agreement . Whenever reference is made in this Agreement to any action by, consent, designation, specification, requirement or approval of, notice, request or other communication from, or other direction given or action to be undertaken or to be (or not to be) suffered or omitted by the Offshore Collateral Agent, or to any amendment, waiver or other modification of this Agreement to be executed (or not to be executed) by the Offshore Collateral Agent, or to any election, decision, opinion, acceptance, use of judgment, expression of satisfaction or other exercise of discretion, rights or remedies to be made (or not to be made) by the Offshore Collateral Agent, it is understood that in all cases the Offshore Collateral Agent shall be acting, giving, withholding, suffering, omitting, making or otherwise undertaking and exercising the same (or shall not be undertaking and exercising the same) as directed in accordance with the Collateral Agency and Depositary Agreement. This provision is intended solely for the benefit of the Offshore Collateral Agent and its successors and permitted assigns and is not intended to and will not entitle the other parties hereto to any defense, claim or counterclaim under or in relation to any Transaction Document, or confer any rights or benefits on any party hereto.

9.18 Patriot Act . The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to the USA PATRIOT Act, all financial institutions that are subject to the USA PATRIOT Act are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Agreement agree that they will provide to each of the Offshore Collateral Agent or the Administrative Agent such information as it may request, from time to time, in order for the Offshore Collateral Agent or the Administrative Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF** , the parties hereto have caused this Agreement to be executed and acknowledged by their respective officers or representatives hereunto duly authorized, as of the date first above written.

BORROWER

CERRO DEL AGUILA S.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

PROJECT SPONSOR AND EQUITY PARTY

INKIA ENERGY, LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

PLEDGOR AND EQUITY PARTY

INKIA HOLDINGS (KALLPA) LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

ENERGÍA DEL PACÍFICO, S.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

ADMINISTRATIVE AGENT

SUMITOMO MITSUI BANKING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

OFFSHORE COLLATERAL AGENT

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

By: _____
Name:
Title:

**EXHIBIT A**

**FORM OF**
**REQUIRED EQUITY CONTRIBUTION REQUEST**

[Name] (the " Pledgor ")
[Address]
Attention:

with a copy to:

[Administrative Agent]
[Address]
Attention:

Re: Required Equity Contribution Request

Reference is made to the Equity Contribution and Retention Agreement (the " Equity Contribution and Retention Agreement "), dated as of August 17, 2012, among Cerro del Aguila S.A. (the " Borrower "), Inkia Holdings (Kallpa) Limited (" Inkia Pledgor "), Energía del Pacífico, S.A. (" Quimpac "), Inkia Energy, Limited, Sumitomo Mitsui Banking Corporation, in its capacity as Administrative Agent for the Lenders, as such term is defined in the Equity Contribution and Retention Agreement (the " Administrative Agent ") and The Bank of Nova Scotia, in its capacity as Offshore Collateral Agent for the Secured Parties, as such term is defined in the Equity Contribution and Retention Agreement (the " Offshore Collateral Agent "). Capitalized terms used and not otherwise defined herein have the meanings specified in the Equity Contribution and Retention Agreement.

In accordance with Section 2.01(c) of the Equity Contribution and Retention Agreement, the Borrower hereby requests a Required Equity Contribution as follows:

1. The aggregate amount of the Required Equity Contribution on the requested Disbursement Date is equal to: $ .

2. Your Shareholder Percentage is equal to [ ]% and, accordingly, the amount hereby requested to be made by you under the Equity Contribution and Retention Agreement is equal to: $ (your " Required Equity Contribution Amount ").

3. Your Required Equity Contribution Amount is requested to be made on or prior to [ ], 20[ ] (the " Requested Funding Date "). [1]

4. The aggregate amount of Loans requested to be made under the Credit Agreement on the Requested Funding Date is equal to: $ .

[1] The Requested Funding Date shall be the date of the relevant Borrowing.

IN WITNESS WHEREOF, the Borrower hereby submits this Required Equity Contribution Request as of the date first above written and the undersigned Authorized Officer of the Borrower hereby certifies that the information stated above is, to the Borrower's Knowledge, true and correct.

CERRO DEL AGUILA S.A.,
as Borrower

By: _____
Name:
Title:

**EXHIBIT B**

**FORM OF ISRAEL CORPORATION GUARANTEE**

[ *Attached* ]

**********

LIMITED GUARANTEE AGREEMENT

Dated as of [ ]

ISRAEL CORPORATION LTD.,

as Guarantor

SUMITOMO MITSUI BANKING CORPORATION,
as Administrative Agent

THE BANK OF NOVA SCOTIA,
as Offshore Collateral Agent

**********

Exhibit B-2

LIMITED GUARANTEE AGREEMENT (this " Guarantee Agreement ") dated as of [ ] by Israel Corporation Ltd., a company duly incorporated and validly existing under the laws of Israel (the " Guarantor "), in favor of the Guaranteed Parties (as defined below).

Reference is made to (a) that certain Credit Agreement, dated as of August 17, 2012 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement ") among Cerro del Aguila S.A., a *sociedad anónima* organized and existing under the laws of Peru (the " Borrower "), the Lenders (as defined therein) party thereto (collectively, the " Lenders "), Sumitomo Mitsui Banking Corporation, in its capacity as administrative agent for the Senior Lenders (in such capacity, the " Administrative Agent ") and in its capacity as agent for the Tranche D Lenders (in such capacity, the " SACE Agent "), The Bank of Nova Scotia, as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent ") and Scotiabank Peru, S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and (b) that certain Equity Contribution and Retention Agreement, dated as of August 17, 2012 (as amended, supplemented or otherwise modified from time to time, the " Equity Contribution and Retention Agreement ") among the Borrower, Inkia Holdings (Kallpa) Limited, a corporation formed under the laws of Bermuda (" Inkia Pledgor "), Energía del Pacífico, S.A., a *sociedad anónima* organized and existing under the laws of Peru (" Quimpac Pledgor "), Inkia Energy Limited, a company organized and existing under the laws of Bermuda (the " Project Sponsor "), the Administrative Agent and the Offshore Collateral Agent.

To induce the Lenders from time to time to extend credit and other financial accommodations to the Borrower and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor has agreed to guarantee the Guaranteed Obligations (as hereinafter defined) subject to the terms hereof. Accordingly, the parties hereto agree as follows:

Section 1. Definitions; Terms Generally . Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement and the principles of interpretation set forth therein shall apply herein, in each case, as in effect on the date of this Guarantee Agreement or as subsequently amended, supplemented or otherwise modified from time to time.

" Costs and Expenses " means (i) all costs and expenses accrued or incurred subsequent to the commencement of any bankruptcy, insolvency or other similar proceeding with respect to the Inkia Pledgor, whether or not such costs or expenses are allowed as a claim in such proceeding, (ii) any costs and expenses (including fees of counsel) incurred by the Guaranteed Parties in enforcing their rights under this Guarantee Agreement and (iii) all Taxes imposed or assessed in connection with payments made by the Guarantor in respect of the Guaranteed Obligations.

" Deficiency " has the meaning in the Equity Contribution and Retention Agreement.

" Guaranteed Obligations " has the meaning set forth in Section 2.01(a) .

" Guaranteed Parties " means, collectively, the Secured Parties.

" Initial Required Debt Service Reserve Amount " means an amount equal to the Required Debt Service Reserve Amount on the Actual Project Acceptance Date, as set forth in the Base Case Forecast delivered pursuant to Section 6.01(e)(ii) of the Credit Agreement and as revised, if necessary, pursuant to the Updated Base Case Forecast.

" Inkia's Maximum Contingent Equity Contribution " has the meaning set forth in Section 2.02(a) of the Equity Contribution and Retention Agreement.

" Inkia's Pro Rata Share " means 74.9%.

" Maximum Guaranteed Obligations " means the sum of (a) US$44,190,000, plus (b) Inkia's Pro Rata Share of the Initial Required Debt Service Reserve Amount plus (c) Costs and Expenses, as such amount may be increased or decreased pursuant to Section 2.01 .

" Support Obligations " has the meaning set forth in the Equity Contribution and Retention Agreement.

Section 2. The Guarantee .

2.01 The Guarantee.

(a) The Guarantor hereby absolutely (subject to the next sentence of this Section 2.01), unconditionally and irrevocably guarantees, as primary obligor and not as surety merely, to the Administrative Agent for the benefit of the Guaranteed Parties the prompt payment in full when due of (i) Inkia's Maximum Contingent Equity Contribution and (ii) Inkia's Pro Rata Share of the Support Obligations set forth in Section 2.03(b)(i) of the Equity Contribution and Retention Agreement and, subject to the prior written consent of the Guarantor, Section 2.03(b)(iv) of the Equity Contribution and Retention Agreement, in each case to the extent not otherwise paid or satisfied by the Inkia Pledgor (including, in each case, without limitation by way of an Acceptable Letter of Credit provided by the Inkia Pledgor), including, in each case, Costs and Expenses (collectively, the " Guaranteed Obligations "). The Guarantor hereby further agrees that if the Inkia Pledgor shall fail to pay in full when due any portion of the Guaranteed Obligations, the Guarantor will promptly pay such Guaranteed Obligation within five (5) Business Days of receipt of written demand for payment thereof by the Administrative Agent to the Guarantor, without any other demand or notice whatsoever. This is a continuing guaranty and is a guaranty of payment and not merely of collection, and shall apply to all Guaranteed Obligations whenever arising.

(b) Notwithstanding anything herein or in any of the Financing Documents to the contrary and subject to Section 2.03, in no event shall the Guarantor be liable under this Guarantee Agreement for an amount in excess of the Maximum Guaranteed Obligations. For the avoidance of doubt, the Guarantor shall not be liable under this Agreement for any amounts required to be paid by the Quimpac Pledgor pursuant to the Equity Contribution and Retention Agreement.

(c) In the event that (i) any payments are made by the Guarantor pursuant to this Guarantee Agreement or (ii) the Inkia Pledgor satisfies its Support Obligations that constitute Guaranteed Obligations without requesting a payment pursuant to this Guarantee

Agreement, the Maximum Guaranteed Obligations shall automatically be reduced in an amount equal to such payment by the Guarantor or the amount of Guaranteed Obligations paid by the Inkia Pledgor, as the case may be.

(d) In the event that, as at any time prior to the Project Completion Date that a Deficiency exists and the Guarantor consents to increase the Maximum Guaranteed Obligations as of such date, the Maximum Guaranteed Obligations shall be increased in an amount equal to Inkia's Pro Rata Share of any Deficiency.

2.02 Acknowledgments, Waivers and Consents. The Guarantor agrees that its obligations under this Section shall, to the fullest extent permitted by applicable law, be primary, absolute, irrevocable and unconditional under any and all circumstances and shall apply to any and all Guaranteed Obligations now existing or in the future arising. Without limiting the foregoing, the Guarantor agrees that:

(a) Guarantee Absolute . The occurrence of any one or more of the following shall not affect the enforceability of this Guarantee Agreement in accordance with its terms or affect, limit, reduce, discharge or terminate the liability of the Guarantor, or the rights, remedies, powers and privileges of any of the Guaranteed Parties, under this Guarantee Agreement:

(i) any modification or amendment (including by way of amendment, extension, renewal or waiver), or any acceleration or other change in the manner or time for payment or performance, of the Guaranteed Obligations, any Financing Document or any other agreement or instrument whatsoever relating to the Guaranteed Obligations;

(ii) any release, termination, waiver, abandonment, lapse, expiration, subordination or enforcement of any other guaranty of or insurance for any of the Guaranteed Obligations, or the non-perfection or release of any collateral for any of the Guaranteed Obligations;

(iii) any application by any of the Guaranteed Parties of the proceeds of any other guaranty of or insurance for any of the Guaranteed Obligations to the payment of any of the Guaranteed Obligations;

(iv) any settlement, compromise, release, liquidation or enforcement by any of the Guaranteed Parties of any of the Guaranteed Obligations;

(v) the giving by any of the Guaranteed Parties of any consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of, the Inkia Pledgor or any other Person, or to any disposition of any shares by the Inkia Pledgor or any other Person;

(vi) any proceeding by any of the Guaranteed Parties against the Inkia Pledgor or any other Person or in respect of any collateral for any of the Guaranteed Obligations, or the exercise by any of the Guaranteed Parties of any of their rights, remedies, powers and privileges under the Financing Documents, regardless of whether any of the Guaranteed Parties shall have proceeded against or exhausted any collateral, right, remedy, power or privilege before proceeding to call upon or otherwise enforce this Guarantee Agreement;

(vii) the entering into any other transaction or business dealings with the Inkia Pledgor or any other Person; or

(viii) any combination of the foregoing.

(b) Waiver of Defenses . The enforceability of this Guarantee Agreement and the liability of the Guarantor and the rights, remedies, powers and privileges of the Guaranteed Parties under this Guarantee Agreement shall not be affected, limited, reduced, discharged or terminated, and the Guarantor hereby expressly waives to the fullest extent permitted by law any defense now or in the future arising, by reason of:

(i) the illegality, invalidity or unenforceability of any of the Guaranteed Obligations, any Financing Document or any other agreement or instrument whatsoever relating to any of the Guaranteed Obligations;

(ii) any disability or other defense with respect to any of the Guaranteed Obligations, including the effect of any statute of limitations, that may bar the enforcement thereof or the obligations of the Guarantor relating thereto;

(iii) the illegality, invalidity or unenforceability of any other guaranty of or insurance for any of the Guaranteed Obligations or any lack of perfection or continuing perfection or failure of the priority of any Lien on any collateral for any of the Guaranteed Obligations;

(iv) the cessation, for any cause whatsoever, of the liability of the Inkia Pledgor or the Guarantor with respect to any of the Guaranteed Obligations (other than, subject to Section 2.03 hereof, by reason of the payment thereof or as a consequence of any full or partial release granted by the Administrative Agent for itself and on behalf of the Guaranteed Parties);

(v) any failure of any of the Guaranteed Parties to marshal assets, to exhaust any collateral for any of the Guaranteed Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against the Inkia Pledgor or any other Person, or to take any action whatsoever to mitigate or reduce the liability of the Guarantor under this Guarantee Agreement, the Guaranteed Parties being under no obligation to take any such action notwithstanding the fact that any of the Guaranteed Obligations may be due and payable and that the Inkia Pledgor or any other Credit Party may be in default of its obligations under any Financing Document;

(vi) any counterclaim, set-off or other claim which the Inkia Pledgor or the Guarantor has or claims with respect to any of the Guaranteed Obligations;

(vii) any failure of any of the Guaranteed Parties to file or enforce a claim in any bankruptcy, insolvency, reorganization or other proceeding with respect to any Person;

(viii) any bankruptcy, insolvency, reorganization, winding-up or adjustment of debts, or appointment of a custodian, liquidator or the like of it, or similar proceedings commenced by or against the Inkia Pledgor or any other Person, including any discharge of, or bar, stay or injunction against collecting, any of the Guaranteed Obligations (or any interest on any of the Guaranteed Obligations) in or as a result of any such proceeding;

(ix) any action taken by any of the Guaranteed Parties that is authorized by this Section 2.02 or otherwise in this Guarantee Agreement or by any other provision of any Financing Document, or any omission to take any such action;

(x) any law, regulation, decree or order of any jurisdiction, or any other event, affecting any of the Guaranteed Obligations or any Guaranteed Party's rights with respect thereto, including (A) the application of any such law, regulation, decree or order, including any prior approval, which would prevent the exchange of a non-Dollar currency for Dollars or the remittance of funds outside of such jurisdiction or the unavailability of Dollars in any legal exchange market in such jurisdiction in accordance with normal commercial practice, (B) a declaration of banking moratorium or any suspension of payments by banks in such jurisdiction or the imposition by such jurisdiction or any governmental authority thereof of any moratorium on, the required rescheduling or restructuring of, or required approval of payments on, any indebtedness in such jurisdiction, (C) any expropriation, confiscation, nationalization or requisition by such jurisdiction or any governmental authority that directly or indirectly deprives the Inkia Pledgor of any assets or their use or of the ability to operate its business or a material part thereof, or (D) any war (whether or not declared), insurrection, revolution, hostile act, civil strife or similar events occurring in such jurisdiction which has the same effect as the events described in clause (A), (B) or (C) above (in each of the cases contemplated in clauses (A) through (D) above, to the extent occurring or existing on or at any time after the date of this Guarantee Agreement); or

(xi) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

(c) Waiver of Set-off and Counterclaim, Etc. The Guarantor expressly waives, to the fullest extent permitted by law, for the benefit of each of the Guaranteed Parties, any right of set-off and counterclaim with respect to payment of its obligations hereunder, and all diligence, presentment, demand for payment or performance, notice of nonpayment or nonperformance, protest, notice of protest, notice of dishonor and all other notices or demands whatsoever, and any requirement that any of the Guaranteed Parties exhaust any right, remedy, power or privilege or proceed against the Inkia Pledgor or any Credit Party under the Credit Agreement or any other Financing Document or other agreement or instrument referred to herein or therein, or against any other Person, and all notices of acceptance of this Guarantee Agreement or of the existence, creation, incurring or assumption of new or additional Guaranteed Obligations. The Guarantor further expressly waives the benefit of any and all statutes of limitation, to the fullest extent permitted by applicable law.

(d) Other Waivers . The Guarantor expressly waives, to the fullest extent permitted by law, for the benefit of each of the Guaranteed Parties, any right to which it may be entitled:

(i) that the assets of the Inkia Pledgor or any other Credit Party first be used, depleted and/or applied in satisfaction of the Guaranteed Obligations prior to any amounts being claimed from or paid by the Guarantor; and

(ii) to require that the Inkia Pledgor or any other Credit Party be sued and all claims against the Inkia Pledgor or any other Credit Party be completed prior to an action or proceeding being initiated against the Guarantor.

2.03 Reinstatement. The obligations of the Guarantor under this Section 2 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Inkia Pledgor or any other Person in respect of the Guaranteed Obligations is rescinded or must otherwise be restored by any holder of any of the Guaranteed Obligations, whether as a result of any bankruptcy, insolvency or reorganization proceeding or otherwise, and the Guarantor agrees that it will pay the Guaranteed Parties on demand, but without duplication of the obligations of the Inkia Pledgor under the Equity Contribution and Retention Agreement, all costs and expenses (including fees of counsel) incurred by them in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or the like under any bankruptcy, insolvency, reorganization or similar law.

2.04 Subrogation. The Guarantor agrees that, until the final payment in full of the Guaranteed Obligations and the expiration or termination of the Commitments under the Credit Agreement, the Guarantor shall not exercise any right or remedy arising by reason of any performance by the Guarantor of its obligations hereunder, whether by subrogation, reimbursement, contribution or otherwise, against the Inkia Pledgor or any other Person or any collateral for any of the Guaranteed Obligations.

2.05 Remedies. The Guarantor agrees that, as between the Guarantor and the Guaranteed Parties, the obligations of the Inkia Pledgor under Sections 2.02, 2.03(b) and 2.03(d) of the Equity Contribution and Retention Agreement and the other Financing Documents may be declared to be forthwith due and payable as provided therein (and shall become automatically due and payable in the circumstances provided therein) for purposes of Section 2.01 hereof, notwithstanding any bar, stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Inkia Pledgor, and that, in the event of such declaration (or such obligations becoming automatically due and payable), such obligations shall forthwith become due and payable by the Guarantor for purposes of said Section 2.01.

2.06 Payments. All payments by the Guarantor under this Guarantee Agreement shall be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to the Administrative Account, free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes.

2.07 General Limitation on Guaranteed Obligations. In any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Guarantor under Section 2.01 would otherwise, taking into account the provisions of this Section 2.07, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 2.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by the Guarantor, any Guaranteed Party or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

2.08 Instrument for the Payment of Money. The Guarantor hereby acknowledges that the guaranty in this Section constitutes an instrument for the payment of money, and consents and agrees that any Guaranteed Party, at its sole option, in the event of a dispute by the Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion action under New York Civil Practice Law and Rules Section 3213.

2.09 Termination . This Guarantee Agreement and all obligations and covenants of the Guarantor hereunder shall automatically terminate on the earlier of (i) the Project Completion Date or (ii) the date on which the Inkia Pledgor replaces this Guarantee Agreement with an Equity Letter of Credit pursuant to Section 2.02(b) of the Equity Contribution and Retention Agreement.

Section 3. Representations and Warranties . The Guarantor represents and warrants to the Administrative Agent for the benefit of the Guaranteed Parties on the date of this Guarantee Agreement as follows:

(a) The Guarantor is duly organized and validly existing under the laws of the jurisdiction of its organization. The execution, delivery and performance of this Guarantee Agreement (i) are within the Guarantor's powers and have been duly authorized by all necessary corporate action, (ii) do not require any material consent or approval of, registration or filing with, or any other material action by, any governmental authority or court, except for such as have been obtained or made and are in full force and effect, (iii) will not materially violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any order of any governmental authority or court binding on the Guarantor or its property and (iv) will not materially violate or result in a material default under any material indenture, agreement or other instrument binding upon the Guarantor or any of its assets, or give rise to a right thereunder to require any payment to be made by any such person.

(b) This Guarantee Agreement has been duly executed and delivered by the Guarantor and constitutes, a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (ii) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) There is no action, suit, proceeding or, to the Guarantor's knowledge, claim or investigation at law or in equity (if applicable) pending before any Government Authority, arbitral tribunal or other body that could reasonably be expected to succeed on the merits which could reasonably be expected to result in (i) a material adverse effect on its ability to perform its obligations hereunder or under any other Transaction Document to which it is a party or otherwise challenge or affect the validity or enforceability of any such documents or (ii) an Event of Default.

Section 4. Covenants . The Guarantor covenants and agrees with the Guaranteed Parties that, solely with respect to itself, so long as any Guaranteed Obligation is outstanding and until payment in full of all amounts payable by the Borrower under the Credit Agreement and the other Financing Documents:

(a) Maintenance of Existence . The Guarantor will preserve and maintain its corporate existence.

(b) Compliance with Law . The Guarantor will comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of Government Authorities and all agreements binding on or affecting the Guarantor in connection with the Project and this Guarantee Agreement.

(c) Governmental Authorizations . The Guarantor will promptly from time to time obtain and maintain in full force and effect all licenses, consents, authorizations and approvals of, and make all filings and registrations with, any Government Authority necessary for the entry into and performance by it of this Guarantee Agreement.

(d) Amendment of Constitutional Documents; Merger . The Guarantor will not change or amend its constitutive documents without the previous written consent of the Administrative Agent, except as required by applicable law or to the extent such change or amendment shall not adversely affect the Guarantor's ability to comply in all respects with its obligations under this Guarantee Agreement.

(e) Ranking . The Guarantor will promptly take all actions as may be necessary to ensure that its obligations under this Guarantee Agreement rank and will rank at least *pari passu* in priority of payment and in all other respects with all other present or future unsecured and unsubordinated indebtedness of the Guarantor outstanding at any time.

(f) Notices . At any time after the Guarantor ceases to qualify as a public company or otherwise be required to submit publicly available filings under applicable Israeli securities laws, it will provide to the Guaranteed Parties, promptly upon the commencement of, or any material adverse development in, any litigation, investigation or proceeding against the Guarantor or any other matter that could reasonably be expected to have a Material Adverse Effect with respect to its obligations under this Guarantee Agreement, written notice thereof with a description thereof in reasonable detail.

(g) Further Assurances . From time to time, the Guarantor shall do and perform any and all acts and execute any and all documents as may be necessary or as reasonably requested by the Administrative Agent or any Guaranteed Party in order to effect the purposes of this Guarantee Agreement.

Section 5. Miscellaneous .

5.01 No Waiver. No failure on the part of any of the Guaranteed Parties to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Guarantee Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege under this Guarantee Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

5.02 Notices. All notices, requests, instructions, directions and other communications provided for herein (including any modifications of, or waivers, requests or consents under, this Guarantee Agreement) shall be given or made in writing (including by electronic transmission) delivered to the intended recipient in the manner specified in Section 9.02 of Equity Contribution and Retention Agreement. The Guarantor agrees to conform and comply with the notices obligations undertaken by the Inkia Pledgor in Section 9.02 of the Equity Contribution and Retention Agreement, and the Administrative Agent agrees to perform and comply with the obligations undertaken by the Administrative Agent in Section 9.02 of the Equity Contribution and Retention Agreement. Nothing herein or in Section 9.02 of Equity Contribution and Retention Agreement shall prejudice the right of the Administrative Agent or any Guaranteed Party to give notice or other communication pursuant hereto in any other manner specified.

5.03 Amendments, Etc. Except as otherwise expressly provided in this Guarantee Agreement, any provision of this Guarantee Agreement may be modified or supplemented only by an instrument in writing signed by the Guarantor and the Administrative Agent acting with the consent of the Majority Lenders, and any provision of this Guarantee Agreement may be waived by the Administrative Agent acting with the consent of the Majority Lenders, in each case subject to Section 10.09 of the Credit Agreement.

5.04 Successors and Assigns. The provisions of this Guarantee Agreement shall be binding upon and inure to the benefit of the parties hereto and each holder of any of the Guaranteed Obligations and their respective successors and assigns permitted hereby, except that the Guarantor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent acting with the consent of each Guaranteed Party and neither the Administrative Agent nor any Guaranteed Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Guarantor (other than following a Default or Event of Default), in each case, such approval not to be unreasonably withheld or delayed.

5.05 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Guarantee Agreement.

5.06 Counterparts. This Guarantee Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Guarantee Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signature the Guarantor as of the date hereof. Delivery of an executed counterpart of a signature page of this Guarantee Agreement by telecopy or electronic transmission shall be effective as delivery of a manually executed counterpart of this Guarantee Agreement. The words "execution," "signed," "signature," and words of like import used in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Government Rule, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

5.07 Governing Law; Jurisdiction, Service of Process and Venue.

(a) Governing Law . This Guarantee Agreement shall be governed by, and construed in accordance with, the law of the State of New York excluding choice of law principles of such laws that would require the application of the laws of a jurisdiction other than the State of New York (other than Section 5-1401 of the New York General Obligations Law).

(b) Submission to Jurisdiction . The Guarantor irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any applicable appellate court, in any action or proceeding arising out of or relating to this Guarantee Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee Agreement shall affect any right that any Guaranteed Party may otherwise have to bring any action or proceeding relating to this Guarantee Agreement against the Guarantor or its Property in the courts of any jurisdiction.

(c) Process Agent . The Guarantor irrevocably appoints C T Corporation System (the " Process Agent "), with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent and true and lawful attorney-in-fact in its name, place and stead to accept on behalf of the Guarantor and its Property and revenues service of copies of the summons and complaint and any other process which may be served in any such suit, action or proceeding brought in the State of New York, and the Guarantor agrees that the failure of the Process Agent to give it any notice of any such service of process shall not impair or affect the validity of such service or, to the extent permitted by applicable law, the enforcement of any judgment based thereon.

(d) Alternative Process . Nothing herein shall in any way be deemed to limit the ability of any of the Guaranteed Parties to serve any such process or summonses in any other manner permitted by applicable law.

(e) Waiver of Venue, Etc . Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Guarantee Agreement in any court referred to in subsection (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

5.08 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTEE AGREEMENT OR ANY OF THE OTHER FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTEE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

5.09 Waiver of Immunity. To the extent that the Guarantor may be or become entitled to claim for itself or its Property or revenues any immunity on the ground of sovereignty or the like from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment or execution of a judgment, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), the Guarantor hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity with respect to its obligations under this Guarantee Agreement.

5.10 Judgment Currency. The guaranty contained in Section 2 hereof is a guaranty of an international loan transaction in which the specification of Dollars and payment in New York, New York is of the essence, and the obligations of the Guarantor under this Guarantee Agreement to each Guaranteed Party to make payment in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such Guaranteed Party may in accordance with normal banking procedures purchase, and transfer to New York, New York, Dollars in the amount originally due to such Guaranteed Party. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency (in this Section 5.10 called the "judgment currency"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking

procedures the Administrative Agent could purchase such Dollars at New York, New York, with the judgment currency on the Business Day immediately preceding the day on which such judgment is rendered. The Guarantor hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify each Guaranteed Party against, and to pay to such Guaranteed Party on demand, in Dollars, the amount (if any) by which the sum originally due to such Guaranteed Party in Dollars hereunder exceeds the amount of the Dollars purchased and transferred as aforesaid.

5.11 Set-Off . If the Guarantor shall fail to pay when due any amount payable by it hereunder, each Guaranteed Party (or an affiliated branch of such Guaranteed Party located in a different location) is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other indebtedness at any time owing by such Guaranteed Party (or an affiliated branch of such Guaranteed Party located in a different location) to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing under this Guarantee Agreement to such Guaranteed Party, irrespective of whether or not such Guaranteed Party shall have made any demand under this Guarantee Agreement and although such obligations of the Guarantor may be contingent or unmatured or owed to a branch or office of such Guaranteed Party different from the branch or office holding such deposit or obligated on such indebtedness. Each Guaranteed Party agrees promptly to notify the Guarantor as soon as practicable after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Guaranteed Party (or an affiliated branch of such Guaranteed Party located in a different location) under this Section 5.11 are in addition to other rights and remedies (including other rights of set-off) that such Guaranteed Party (or an affiliated branch of such Guaranteed Party located in a different location) may have.

5.12 Entire Agreement . This Guarantee Agreement constitutes the entire contract among the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

5.13 Severability. If any provision hereof is found by a court to be invalid or unenforceable, to the fullest extent permitted by applicable law the parties agree that such invalidity or unenforceability shall not impair the validity or enforceability of any other provision hereof.

5.14 No Fiduciary Relationship. The Guarantor acknowledges that the Guaranteed Parties have no fiduciary relationship with, or fiduciary duty to, the Guarantor arising out of or in connection with the Financing Documents, and the relationship between each Guaranteed Party and the Guarantor is solely that of creditor and debtor. This Guarantee Agreement and the other Financing Documents do not create a joint venture among the parties.

[ *Remainder of Page is Intentionally Left Blank* ]

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be duly executed and delivered as of the day and year first above written.

GUARANTOR

ISRAEL CORPORATION LTD.

By: _____
Title:
Name:

Address for Notices:

[ ]
[ ]
[ ]

ADMINISTRATIVE AGENT

SUMITOMO MITSUI BANKING CORPORATION,
as Administrative Agent

By: _____
Title:
Name:

OFFSHORE COLLATERAL AGENT

THE BANK OF NOVA SCOTIA,
as Offshore Collateral Agent

By: _____
Title:
Name:

**EXHIBIT C**

**FORM OF EQUITY LETTER OF CREDIT**

Bank
**[** Address **]**

**[** Date **]**

Irrevocable Standby Letter of Credit No. **[ ]**

Beneficiary:
Sumitomo Mitsui Banking Corporation, as the Administrative Agent
[ ]
Attention: [ ]
Facsimile: [ ]
Tel: [ ]
Email: [ ]

Attention: **[ ]**

Ladies and Gentlemen:

At the request of [ *Pledgor* ] (the " **Applicant** "), we, **[** *insert name, address and facsimile number of Bank* **]** (the " **Issuing Bank** "), hereby establish this Irrevocable Standby Letter of Credit No. (this " **Letter of Credit** ") in your favor for the account of the Applicant, [ *Pledgor* ], in the amount of **[** *Write out the amount* **]** dollars ($x,xxx,xxx.00) (as such amount may be reduced in accordance herewith, the " **Stated Amount** "). [2]

As used in this Letter of Credit, " Dollars " and " $ " mean the lawful currency of the United States of America.

This Letter of Credit is valid and effective immediately and, on and after the date hereof, drawings may be made by you from time to time by presentation of a certificate in the form of Annex "A" attached hereto, appropriately completed and purportedly signed by your authorized representative (the " **Draft Certificate** ") without presentation of any other document. Also, the Stated Amount of this Letter of Credit will be reduced automatically from time to time, without amendment, by the amount specified therein upon our receipt of a certificate, appropriately completed and purportedly signed by your authorized representative, in the form of Annex "C" attached hereto (the " **Reduction Certificate** ").

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[2] Note : Acceptable LC Provider to confirm if issuance and drawings can be made by SWIFT messages.

It is expressly understood and agreed that Cerro del Aguila S.A. will not be responsible to us for the reimbursement to us of any claim under this Letter of Credit.

In addition, presentation of such Draft Certificate or Reduction Certificate may also be made by fax transmission to ( **[** *insert fax number* **]** ), or such other fax number identified by **[** *insert name of Issuing Bank* **]** in a written notice to you. To the extent a presentation is made by fax transmission, you must provide telephone notification thereof to **[** *insert name of Issuing Bank* **]** ( **[** *insert telephone number* **]** ) prior to or simultaneously with the sending of such fax transmission. Provided, however, that **[** *insert name of Issuing Bank* **]** 's receipt of such telephone notice shall not be a condition to payment or reduction of the Stated Amount.

Items delivered by facsimile transmission shall be deemed to be the equivalent of originals of such items for all purposes of this Letter of Credit.

We hereby agree to honor each drawing hereunder made in compliance with this Letter of Credit. In the case of a drawing meeting the requirements hereof, such drawing shall be honored by wire transfer in immediately available funds in the amount specified in the Draft Certificate delivered to the Issuing Bank in connection with such drawing to your account number as specified in the signed Draft Certificate. If such Draft Certificate is presented by you on a Business Day at or before **[** *insert time* **]** , such payment will be made not later than the close of business on the date of such drawing; drawings presented by you on a Business Day after **[** *insert time* **]** will be paid on the next Business Day.

This Letter of Credit is effective immediately, and expires on the first to occur of (a) **[** *insert expiration date that is not earlier than twelve (12) months after the issuance date hereof* **]** (as such date may be extended pursuant to the following provisions, the " **LOC Expiry Date** "), (b) the date on which drawings or requested reductions to the Stated Amount hereunder total the initial Stated Amount of this Letter of Credit, or (c) the surrender to the Issuing Bank by you of the original of this Letter of Credit, along with the original(s) of any amendment(s) hereto, for cancellation together with your written consent to such cancellation; provided, however, that in the case of clause (a) above, this Letter of Credit will be automatically extended without amendment for successive one (1) year periods from the present or any future LOC Expiry Date hereof, unless we provide you with written notice of our election not to extend the LOC Expiry Date at least sixty (60) days prior to any such then effective expiration date (the " **LOC Expiration Date** ").

[Communications with respect to this Letter of Credit, including, without limitation, the delivery of the Draft Certificate, shall be in writing and shall be addressed to you at the address set forth above and to us at **[** *insert name and address of Issuing Bank* **]** , and presented to us by delivery in person or facsimile transmission at such address.] [3]

As used herein a " **Business Day** " shall mean any day other than a Saturday, Sunday or a day on which banks are required or authorized to close in New York, New York, USA [or Lima, Peru].

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[3] Note : Acceptable LC Provider to confirm if SWIFT is acceptable.

This Letter of Credit is transferable in whole but not in part. No transfer hereof shall be effective until:

A. An executed transfer request in the form of Annex "B" attached hereto is filed with us; and

B. The original of this Letter of Credit, along with the original(s) of any amendment(s) hereto, is/are returned to us for our endorsement thereon of any transfer effected.

Partial drawings are permitted.

This Letter of Credit, except as otherwise expressly stated herein, is subject to the International Standby Practices, International Chamber of Commerce Publication No. 590 (" **ISP98** ") and as to matters not governed by the ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, USA (without giving effect to its conflict of laws principles (except Section 5-1401 and 5-1402 of the New York General Obligations Law)).

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred herein, except for Annex "A" , Annex "B" and Annex "C" hereto and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

Very truly yours,

**[ ]**

By: _____
Name:
Title:

Our Ref. No.

**ANNEX "A"**

**[Beneficiary Letterhead]**

**DRAFT CERTIFICATE UNDER [INSERT NAME OF BANK]**
**LETTER OF CREDIT NO.**

, 20

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

The undersigned, duly authorized representative of **[** Sumitomo Mitsui Banking Corporation **]** (the " **Beneficiary** ") hereby certifies to **[** *insert name of Bank* **]** (the " **Issuing Bank** "), with reference to the Irrevocable Standby Letter of Credit No. (the " **Letter of Credit** ") issued by the Issuing Bank in favor of the Beneficiary (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) that:

**Use the following for Drawings:**

1. The Beneficiary is making a drawing under the Letter of Credit in the amount of **[ ]** Dollars (US$ ) (the " **Drawing Amount** ").

2. The Drawing Amount hereunder does not exceed the Stated Amount reduced by all payments of any previous drawings or reductions to the Stated Amount under the Letter of Credit.

**3. [APPLICABLE DRAW CONDITION TO BE PROVIDED BY BENEFICIARY]:**

- [ *Applicant* ] has failed to perform its obligations in accordance with the terms of the Equity Contribution Agreement, dated [ ]; or
- [ *Applicant* ] has requested that the Letter of Credit be drawn upon to satisfy such Applicant's obligations under the Equity Contribution Agreement, dated [ ]; or
- The Issuing Bank has notified the Beneficiary that the Letter of Credit will not be extended beyond the [LOC Expiry Date]/[LOC Expiration Date] and the Beneficiary has notified the Issuing Bank that the Letter of Credit has not been replaced at least thirty (30) days prior to the [LOC Expiry Date]/[LOC Expiration Date] by the Applicant with a replacement letter of credit; or
- A downgrade in the long-term unsecured senior debt rating of the Issuing Bank by Moody's Investors Service, Inc. or Standard & Poor's Rating Group (a " **Negative Credit**

**Event** ") has occurred and the Applicant has failed to deliver replacement letter of credit within the earlier of (a) thirty (30) days after the downgrade giving rise to such Negative Credit Event and (b) two (2) Business Days prior to the LOC Expiration Date.

4. The Issuing Bank is hereby directed to make payment of the requested Drawing Amount to **[** Name of Bank **]** , at **[ ]** ABA No. **[ ]** for further credit to Account No. **[ ]** Re: **[ ]** Attention: **[ ]** .

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the day of , 20 .

**[** BENEFICIARY **]**

By: _____
Name:
Title:

**ANNEX "B"**

**FULL TRANSFER OF LETTER OF CREDIT**

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

Re: Irrevocable Transferable Standby Letter of Credit No. **[ ]**

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the " **Beneficiary** ") hereby irrevocably transfers to:

**[** Name of Transferee **]**

**[** Address **]**

all rights of the undersigned Beneficiary to draw under the above-captioned Letter of Credit (the " **Letter of Credit** ").

By this transfer, all rights of the undersigned Beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as Beneficiary thereof; provided that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to such transfers. All amendments to the Letter of Credit are to be consented to by the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit together with any amendments (if any) is returned herewith and in accordance therewith we ask that this transfer be effective and that you transfer the Letter of Credit to our transferee by issuing a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

Very truly yours,

Authorized Signature

SIGNATURE GUARANTEED The Beneficiary's signature(s) with title(s) conforms with that on file with us and such is/are authorized for the execution of this instrument.

(Name of Bank)

(Bank Address)

(City, State, Zip Code)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

**ANNEX "C"**

**[Beneficiary Letterhead]**

**REDUCTION CERTIFICATE UNDER**
**[INSERT NAME OF BANK] LETTER OF CREDIT NO.**

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

The undersigned, duly Authorized Officer of **[ ]** (the " **Beneficiary** ") hereby certifies to **[** *insert name of Bank* **]** (the " **Issuing Bank** "), with reference to the Irrevocable Letter of Credit No. (the " **Letter of Credit** ") issued by the Issuing Bank in favor of the Beneficiary (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) that:

1. The Beneficiary is requesting an immediate reduction to the Stated Amount under the Letter of Credit in the amount of **[ ]** Dollars (US$ ) (the " **Reduction Amount** ").

2. The Beneficiary hereby certifies to you that the Stated Amount under the Letter of Credit is greater than the amount of [ *Pledgor* ]'s obligations under the Equity Contribution Agreement (the " **Excess Amount** ") and that the Reduction Amount does not exceed the Excess Amount.

3. The new Stated Amount will be for **[ ]** Dollars (US$ ).

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the day of , 20 .

**[ ]**

By: _____
Name:
Title:

**SCHEDULE 1**

**SHAREHOLDER REGISTER NOTATION**

**ASIENTO N° [ ]**

**ASIENTO DE ANOTACIÓN DE RESTRICCIÓN A LA TRANSFERENCIA DE ACCIONES**

En virtud del contrato denominado " *Equity Contribution and Retention Agreement* " (el " Contrato ") de fecha [ ] de [ ] de 2012, celebrado por los accionistas de Cerro del Águila S.A. (la " Sociedad "), Sumitomo Mitsui Banking Corporation, como Agente Administrativo y The Bank of Nova Scotia, como Agente de Garantías, en el marco del contrato de financiamiento celebrado con diversos bancos e instituciones financieras con fecha [ ] de [ ] de 2012 (el " Contrato de Préstamo "), los accionistas de la Sociedad, de conformidad con la Sección 3.01(a) del Contrato, se obligaron a no transferir, aceptar, ni permitir la transferencia de acciones representativas del capital social de la Sociedad u otros derechos sobre las mismas. Dicha restricción a la transferencia de las acciones se mantendrá vigente hasta el " *Project Completion Date* ", según éste termino se encuentra definido en el Contrato de Préstamo.

En consecuencia, la totalidad de las acciones del accionista [ ] de la Sociedad no podrán ser transferidas por ninguna circunstancia antes que se haya verificado el " *Project Completion Date* ", según éste termino se encuentra definido en el Contrato de Préstamo.

El texto completo del Contrato consta en los archivos de la Sociedad.

En fe de lo cual se extiende el presente asiento que suscribe el Gerente General de la Sociedad.

Lima, [ ] de [ ] de 2012.

Gerente General

**FORM OF ISRAEL CORPORATION EQUITY RETENTION AGREEMENT**

[ *Attached* .]

**********

EQUITY RETENTION AGREEMENT

Dated as of August 17, 2012

among

CERRO DEL AGUILA S.A., as the Borrower

ISRAEL CORPORATION LTD.

and

SUMITOMO MITSUI BANKING CORPORATION

as the Administrative Agent

**********

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This EQUITY RETENTION AGREEMENT (this " Agreement "), dated as of August 17, 2012, is made by and among Cerro del Aguila S.A., a *sociedad anónima* organized and existing under the laws of Peru (the " Borrower "), Israel Corporation Ltd., a corporation organized and existing under the laws of Israel (" Israel Corporation ") and Sumitomo Mitsui Banking Corporation in its capacity as Administrative Agent for the Lenders, as such term is defined in the Credit Agreement referred to below (the " Administrative Agent ").

**RECITALS**

A. The Borrower seeks to develop, design, engineer, procure, construct, commission, test, start-up, finance, own, operate and maintain a 525 MW hydroelectric power plant in the department of Huancavelica, Peru (the " Project ").

B. Pursuant to the Credit Agreement, dated as of August 17, 2012 (as amended, modified and supplemented and in effect from time to time, the " Credit Agreement "), among the Borrower, each of the Lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), the Administrative Agent, The Bank of Nova Scotia as offshore collateral agent for the Secured Parties, Scotiabank Peru, S.A.A., as onshore collateral agent for the Secured Parties and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders, the Lenders have agreed to make certain Loans to the Borrower, on the terms and subject to the conditions of the Credit Agreement.

C. The Borrower is indirectly owned by Israel Corporation.

D. In consideration for the Lenders entering into the Credit Agreement, Israel Corporation has agreed to provide certain assurances to the Lenders, as set forth in and subject to the terms and conditions of this Agreement.

E. The execution and delivery of this Agreement is a requirement pursuant to the terms of the Credit Agreement.

**NOW** , **THEREFORE** , in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Rules of Interpretation .

1.01 Defined Terms . Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as defined therein. For purposes of this Agreement, the following terms shall have the following meanings:

" Administrative Agent " has the meaning given in the preamble.

" Agreement " has the meaning given in the preamble.

" Borrower " has the meaning given in the preamble.

" Credit Agreement " has the meaning given in Recital B.

" Lenders " has the meaning given in Recital B.

" Permitted Transfer " shall mean any Transfer of Equity Interests by Israel Corporation that is permitted pursuant to Section 2 and is in accordance with the definition of "Change in Control".

" Permitted Transferee " shall mean any transferee of Equity Interests pursuant to a Permitted Transfer.

" Project Sponsor " means Inkia Energy Limited, a corporation organized and existing under the laws of Bermuda.

" Transfer " shall mean any assignment, sale, pledge or other disposition, whether directly or indirectly, of Equity Interests.

1.02 Rules of Interpretation . The rules of interpretation set forth in Sections 1.02 and 1.03 of the Credit Agreement shall apply, *mutatis mutandis* , to this Agreement as if set forth herein.

Section 2. Equity Interest Retention Obligations .

2.01 Equity Interest Retention Obligations . Israel Corporation agrees that prior to the Project Completion Date it will at all times (i) directly or indirectly own and control, legally and beneficially, at least 50.1% of the voting and economic Equity Interests of the Project Sponsor or (ii) to the extent there is an initial public offering of the Project Sponsor on the Tel Aviv Stock Exchange, the Lima, Peru Stock Exchange or any other major stock exchange governed by any Ordinary Member of the International Organization of Securities Commissions, it will Control the Project Sponsor even though it may own less than 50.1% of its Equity Interests.

2.02 Effect of Violation of Section 2.01 . Any Transfer or issuance of Equity Interests attempted in violation of this Agreement shall be void *ab initio* . Without limiting this Section 2.02 , the parties hereto agree that breach of the provisions of this Section 2 by Israel Corporation shall cause irreparable injury to the interests of the Secured Parties for which monetary damages (or other remedies at law) are inadequate in view of the complexities and uncertainties in measuring the actual damages that would be sustained by reason of such party's noncompliance and the uniqueness of the Borrower's business and the relationship among the parties hereto.

Section 3. Nature of Obligations .

3.01 Specific Performance . Israel Corporation hereby irrevocably waives any defense based on the adequacy of a remedy at law or in equity that may be asserted as a bar to the remedy of specific performance in any action brought against it for specific performance of its obligations under Section 2 by the Administrative Agent or the Borrower or for any of their benefit by a receiver, custodian or trustee appointed for the Borrower or in respect of all or a substantial part of the Borrower's assets under the bankruptcy, insolvency or similar laws of any jurisdiction to which the Borrower or its assets are subject.

3.02 Limited Recourse .

(a) The obligations of the Borrower under the Financing Documents shall be secured solely by the Security Documents to which it is a party. Subject to sub-clause (b) below, no recourse shall be had for the payment of any obligations under the Credit Agreement or upon any other obligation, covenant or agreement under any Financing Document, against any Israel Corporation or any incorporator, direct or indirect stockholder, shareholder, partner, officer, director, employee or agent as such (including shareholders of any management committee or similar body), whether past, present or future, of Israel Corporation or the Borrower or any Affiliate or direct or indirect parent thereof or of any successor corporation thereto (each, hereinafter, a " Non-Recourse Person "), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

(b) Notwithstanding the foregoing to the contrary, nothing in this Section 3.02 shall impair or in any way limit any liabilities or obligations of Israel Corporation or the Borrower or any Affiliate or direct or indirect parent thereof or of any successor corporation thereto (i) under or pursuant to any Financing Document to which Israel Corporation or the Borrower or any Affiliate or direct or indirect parent thereof or of any successor corporation thereto is a party (but only then to the extent expressly set forth in or arising under such Financing Document) or (ii) in respect of any misrepresentation made by Israel Corporation or the Borrower or any Affiliate or direct or indirect parent thereof or of any successor corporation thereto in a Financing Document to which it is a party.

Section 4. Miscellaneous .

4.01 No Waiver . No failure on the part of the Administrative Agent or the Borrower to exercise, no delay in exercising, and no course of dealing with respect to, any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise by the Administrative Agent or the Borrower of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights, powers and remedies provided herein are cumulative and not exclusive of any rights, powers or remedies that any party hereto would otherwise have.

4.02 Notices . Except as otherwise expressly provided herein or in any Financing Document, all notices and other communications provided for hereunder shall be provided pursuant to Section 11.02 of the Credit Agreement (which Section is incorporated, *mutatis mutandis* , as if set forth herein) or, in the case of Israel Corporation, delivered to the address listed on its signature page hereto.

4.03 Expenses . Israel Corporation agrees to pay to the Administrative Agent, the Secured Parties and the Borrower all duly documented out-of-pocket expenses (including the reasonable fees and expenses of legal counsel) of, or incidental to, the enforcement of any of the provisions of this Agreement, or any other Financing Document to which Israel Corporation is a party, by litigation or otherwise.

4.04 Amendments . This Agreement may be amended or modified only by an instrument in writing signed by each of the parties hereto.

4.05 Successors and Assigns .

(a) This Agreement shall be binding upon and inure to the benefit of the respective successors or assigns of each of the Administrative Agent, the Secured Parties and the Borrower.

(b) This Agreement shall be binding upon and inure to the benefit of the respective successors or assigns of Israel Corporation; *provided , however* , that, except as otherwise provided in Section 2 , Israel Corporation shall not assign or delegate its rights or obligations hereunder to any other Person without the prior written consent of the Administrative Agent (acting at the direction of the Majority Lenders), and if such consent from the Majority Lenders is provided, the obligations set forth in Section 2 of this Agreement will be read and construed so as to include and reflect such Permitted Transfer and Permitted Transferee. Any purported assignment in violation of this provision shall be void *ab initio* .

4.06 Financial Statements . Israel Corporation shall furnish to the Administrative Agent, solely to the extent not publicly available (including by posting it on its website), (a) as soon as available but in any event no later than the last date after the end of each fiscal year of Israel Corporation permitted by applicable Israeli law for the filing of its annual financial statements, which on the date hereof is the date falling three (3) months thereafter, including the audited balance sheet of Israel Corporation as of the end of and for the previous fiscal year, and the related statements of income and cash flows for the fiscal year ending on that date (on a consolidated and unconsolidated basis) with the opinion thereon of independent public accountants, all in accordance with, and to the extent required pursuant to, the reporting requirements generally applicable to public companies in Israel, and in accordance with its Accounting Principles consistently applied subject to any changes and adjustments permitted pursuant to its Accounting Principles and (b) as soon as available but in any event no later than the last date after the last date of each of the first three fiscal quarters of each fiscal year of Israel Corporation permitted by applicable Israeli law for the filing of its quarterly financial statements, which as of the date hereof is the date falling three (3) months thereafter, including the unaudited balance sheet of Israel Corporation and the related unaudited statements of income and cash flows (on a consolidated and unconsolidated basis) for such quarterly period ending on that date, all in accordance with, and to the extent required pursuant to, the reporting requirements generally applicable to public companies in Israel, and in accordance with its Accounting Principles consistently applied subject to any changes and adjustments permitted pursuant to its Accounting Principles, as at the end of, and for, such period (subject to year-end audit adjustments and the absence of footnotes).

4.07 Counterparts; Integration; Effectiveness . This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when executed and delivered, shall be effective for purposes of binding the parties thereto but all of which shall together constitute one and the same instrument. This Agreement and the other Financing Documents to which Israel Corporation is a party to constitute the entire agreement and understanding among the parties hereto and supersedes any

and all prior agreements and understandings, written or oral, relating to the subject matter hereof. The words "execution," "signed," "signature," and words of like import used in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Government Rule, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

4.08 Termination . The obligations of Israel Corporation under this Agreement shall terminate upon indefeasible payment in full of the Secured Obligations.

4.09 Severability . Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, but that shall not invalidate the remaining provisions of this Agreement or affect such provision in any other jurisdiction.

4.10 Headings . Headings appearing herein are used solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

4.11 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL; PROCESS AGENT .

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE GOVERNMENT RULES, ANY LEGAL ACTION OR PROCEEDING AGAINST ISRAEL CORPORATION, WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK. ISRAEL CORPORATION HEREBY IRREVOCABLY ACCEPTS FOR ITSELF (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE GOVERNMENT RULES) AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND APPELLATE COURTS FROM ANY THEREOF. EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PARTIES HERETO AT ITS ADDRESS REFERRED TO IN THIS AGREEMENT OR THE COLLATERAL AGENCY AND DEPOSITARY AGREEMENT.

(b) ISRAEL CORPORATION HEREBY IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS OR ANY OTHER TRANSACTION DOCUMENT BROUGHT IN THE COURT REFERRED TO IN SECTION 4.11(a) HEREOF AND HEREBY FURTHER

IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(d) EACH OF THE BORROWER AND ISRAEL CORPORATION IRREVOCABLY APPOINTS C T CORPORATION SYSTEM (THE " PROCESS AGENT "), WITH AN OFFICE ON THE DATE HEREOF AT 111 EIGHTH AVENUE, NEW YORK, NY 10011, AS ITS AGENT AND TRUE AND LAWFUL ATTORNEY-IN-FACT IN ITS NAME, PLACE AND STEAD TO RECEIVE ON BEHALF OF THEM SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK, AND EACH OF THE BORROWER AND ISRAEL CORPORATION AGREES THAT THE FAILURE OF THE PROCESS AGENT TO GIVE ANY NOTICE OF ANY SUCH SERVICE OF PROCESS TO THEM SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE ENFORCEMENT OF ANY JUDGMENT BASED THEREON.

4.12 No Third Party Beneficiaries . The covenants contained herein are made solely for the benefit of the parties hereto, the Secured Parties and the successors and assigns of such parties, and shall not be construed as having been intended to benefit any third party not a party to this Agreement (other than the Secured Parties).

4.13 No Liability . Israel Corporation acknowledges and agrees that none of the Administrative Agent, any Secured Party or any of their respective designee (s) or assignee(s) shall have any liability or obligation under this Agreement or any other Transaction Document solely as a result of execution and delivery of this Agreement or the Israel Corporation Guarantee or otherwise with respect to the Project, nor shall the Administrative Agent, any Secured Party or any of their respective designee(s) or assignee(s) be obligated or required to perform any of Israel Corporation's obligations hereunder or under any Transaction Document.

4.14 Waiver of Immunity . Israel Corporation acknowledges and agrees that the activities contemplated by the provisions of this Agreement are commercial in nature rather than governmental or public, and therefore acknowledges and agrees that it is not entitled to any right of immunity on the grounds of sovereignty or otherwise with respect to such activities or in any legal action or proceeding arising out of or relating to this Agreement. To the extent permitted by applicable law, Israel Corporation, in respect of itself, its process agents, and its Properties and revenues, expressly and irrevocably waives any such right of immunity which may now or hereafter exist (including any immunity from any legal process, from the jurisdiction of any court or from any execution or attachment in aid of execution prior to judgment or otherwise) or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any such action or proceeding, whether in the United States or otherwise. The foregoing waiver of sovereign immunity shall have effect under the United States Sovereign Immunities Act of 1976.

4.15 Use of English Language . This Agreement has been negotiated and executed in the English language. All reports, notices and other documents and communications given or delivered pursuant to this Agreement (including, without limitation, any modifications or supplements hereto) shall be in the English language. For all purposes, the English language version hereof shall be the original instrument and in case of conflict between the English version and any versions in any other language, the English version shall control.

4.16 Patriot Act . The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to the USA PATRIOT Act, all financial institutions that are subject to the USA PATRIOT Act are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Agreement agree that they will provide to the Administrative Agent such information as it may request, from time to time, in order for the Administrative Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF** , the parties hereto have caused this Agreement to be executed and acknowledged by their respective officers or representatives hereunto duly authorized, as of the date first above written.

CERRO DEL AGUILA S.A., as Borrower

By: _____
Name:
Title:

By: _____
Name:
Title:

ISRAEL CORPORATION LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

SUMITOMO MITSUI BANKING CORPORATION, as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

Signature Page to the Israel Corporation Equity Retention Agreement

**FORM OF CONFIDENTIALITY AGREEMENT**

CONFIDENTIALITY AGREEMENT

Confidentiality Agreement dated as of [ ], 20[ ] (this " Agreement ") between [ ] (the " Assigning Lender ") and [ ] (the " Prospective Lender ").

This Agreement sets forth the terms and conditions that will apply, in each instance, to the treatment of certain non-public information that either party hereto may supply to the other party hereto in connection with the consideration by the Prospective Lender of its participating in the financing specified in a Schedule specified below (the " Financing ") for CERRO DEL AGUILA S.A. (the " Borrower ").

As used herein: (a) " Evaluation Material " refers to (i) the non-public information furnished to the Assigning Lender, including any information memorandum, in respect of the Financing of the Borrower that the Assigning Lender supplies to the Prospective Lender on or after the date of the Schedule (as defined below) in respect of the Financing, (ii) all memoranda, notes, and other documents and analyses (collectively, " analyses " ) internally developed by the Assigning Lender that it supplies to the Prospective Lender and (iii) all analyses developed by the Prospective Lender using any information specified under clauses (i) and (ii) above; (b) " Internal Evaluation Material " refers to analyses specified under clause (iii) of the definition of Evaluation Material; and (c) " participation " refers to a transfer of a lender's interest in the Financing (or a grant of derivative rights in respect thereof), whether by assignment, participation or otherwise (and " participate " and " participating " shall have correlative meanings thereto).

As a condition to the Assigning Lender's furnishing the Prospective Lender with any Evaluation Material in the Assigning Lender's possession in respect of the Financing, the Prospective Lender shall execute and return to the Assigning Lender a schedule, in substantially the form of Exhibit A attached hereto, that the Assigning Lender may have completed, executed and delivered to it (a " Schedule "). Each Schedule shall identify which party hereto is the Assigning Lender and which party is the Prospective Lender in respect of the Financing and the related Evaluation Material, the name of the Borrower and a description of the documentation (the " Operative Documentation ") in respect thereof.

The Prospective Lender in respect of the Financing agrees that it shall use all Evaluation Material in respect of the Financing solely for the purpose of evaluating its possible participation, or obtaining the participation of another eligible person (an " Additional Assignee "), in the Financing and that the Prospective Lender will use reasonable precautions in accordance with its established procedures to keep such information confidential; provided , however , that any such information may be disclosed to the partners, directors, officers, employees, agents, counsel, auditors, affiliates, advisors and representatives (collectively, " Representatives ") of the Prospective Lender's institution who need to know such information for the purpose of evaluating its participation in the Financing (it being understood that such Representatives shall be informed by the Prospective Lender of the confidential nature of such

information and shall be directed by it to treat such information in accordance with the terms of this Agreement) and to any Additional Assignee and its Representatives (provided that such Additional Assignee shall have previously executed and delivered to the Prospective Lender an agreement in substantially the same substance as this Agreement in respect of the Evaluation Material). The Prospective Lender agrees to be responsible for any breach of this Agreement that results from the actions or omissions of its Representatives. Notwithstanding the foregoing, the Prospective Lender will not use such information to obtain an Additional Assignee if otherwise prohibited by agreements binding on the Prospective Lender.

In addition, the Prospective Lender in respect of the Financing agrees that prior to the settlement of its participation in the Financing, it will not disclose to any person, other than its Representatives, the identity of the Assigning Lender with which discussions or negotiations are taking place concerning the Prospective Lender's possible participation in the Financing or any of the terms or conditions of such proposed participation. The term " person " as used in this Agreement shall be broadly interpreted to include the media and any corporation, partnership, group, individual or other entity and, if the Prospective Lender's participation in the Financing would constitute a secondary market transaction, the Borrower.

The Prospective Lender in respect of the Financing shall be permitted to disclose any related Evaluation Material (and the fact that such Evaluation Material has been made available to it and that discussions or negotiations are taking place concerning the transaction or any of the terms, conditions or other facts with respect thereto) in the event that the Prospective Lender is required by law or regulation or requested by any governmental agency or other regulatory authority (including any self-regulatory organization having or claiming to have jurisdiction) or in connection with any legal proceedings. The Prospective Lender agrees that it will notify the Assigning Lender as soon as practical in the event of any such disclosure (other than as a result of an examination by any regulatory agency), unless such notification shall be prohibited by applicable law or legal process.

The Prospective Lender in respect of the Financing and its Representatives shall have no obligation hereunder with respect to any information in any related Evaluation Material to the extent that such information (i) is or becomes generally available to the public other than as a result of a disclosure by the Prospective Lender in violation of this Agreement, (ii) was within the Prospective Lender's possession prior to its being furnished to it pursuant hereto, provided that the source of such information was not known by the Prospective Lender to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Borrower or any other party with respect to such information or (iii) is or becomes available to the Prospective Lender on a non-confidential basis from a source other than the Borrower or the Assigning Lender, or their respective Representatives, provided that such source is not known by the Prospective Lender to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Assigning Lender, the Borrower or any other party with respect to such information.

To the extent the Operative Documentation for the Financing contains provisions regarding the use of non-public information that \conflict with, are more restrictive than or are in addition to the provisions of this Agreement, then (so long as such Operative Documentation shall be effective as to the Assigning Lender) solely with application to any Evaluation Material concerning the Borrower that is the subject of the Financing (and without application hereunder to any other Evaluation Material or otherwise), such provisions of the Operative Documentation

shall be incorporated herein by this reference and shall supersede and control the terms of this Agreement to the extent that such provisions are in conflict with or more restrictive than the terms hereof or are in addition to those contained herein. Upon the Prospective Lender's request, the Assigning Lender will furnish to the Prospective Lender the provisions of the Operative Documentation for the Financing regarding the use of non-public information. In addition, in the event that the Prospective Lender actually becomes a lender (bound as a party to the Operative Documentation) with respect to the Financing, the application of this Agreement in respect of all Evaluation Material in respect of the Financing shall terminate and the applicable confidentiality provisions, if any, contained in the Operative Documentation shall govern and control.

If the Prospective Lender in respect of the Financing chooses not to participate in the Financing, the Prospective Lender agrees on request of the Assigning Lender to return to the Assigning Lender as soon as practical all related Evaluation Material (other than Internal Evaluation Material) or destroy such Evaluation Material (other than Internal Evaluation Material) without retaining any copies thereof unless prohibited from doing so by its internal policies and procedures.

The Prospective Lender in respect of the Financing understands and agrees that the Assigning Lender will have received the related Evaluation Material from third party sources (including the Borrower) and that the Assigning Lender bears no responsibility (and shall not be liable) for the accuracy or completeness (or lack thereof) of such Evaluation Material or any information contained therein.

The Prospective Lender hereby acknowledges that United States securities laws prohibit any person with material, non-public information about an issuer from purchasing or selling securities of such issuer or, subject to certain limited exceptions, from communicating such information to any other person. The Prospective Lender agrees to comply with its internal compliance policies and procedures with respect to material confidential information.

The Prospective Lender agrees that money damages would not be a sufficient remedy for breach of this Agreement, and that in addition to all other remedies available at law or in equity, the Assigning Lender shall be entitled to seek equitable relief, including injunction and specific performance, without proof of actual damages.

This Agreement (including each Schedule delivered pursuant hereto and the provisions of any Operative Documentation incorporated herein by reference) embodies the entire understanding and agreement between the parties with respect to all Evaluation Material for the Financing and supersedes all prior understandings and agreements relating thereto. Unless otherwise agreed in writing between the parties hereto, the application of this Agreement shall terminate with respect to all Evaluation Material concerning the Financing on the date falling one year after the Schedule in respect of the Financing.

This Agreement shall be governed by and construed in accordance with the law of the State of New York, without regard to principles of conflicts of law (except Section 5-1401 of the New York General Secured Obligation Law to the extent that it mandates that the law of the State of New York govern).

This Agreement may be signed in counterparts, each of which shall be an original and both of which taken together shall constitute the same instrument. The words "execution,"

"signed," "signature," and words of like import used herein shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

It is understood by the parties that the custom in the loan syndications and loan trading markets is to execute and deliver any confidentiality agreement, schedule, confirmation or other transaction documents by email, telecopy or telefax. The parties agree that all emailed, telecopied or telefaxed copies of this Agreement, the Schedules, confirmations and other transaction documents, and signatures hereto and thereto, shall be duplicate originals.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

[ASSIGNING LENDER], as Assigning Lender

By: _____
Name:
Title:

[PROSPECTIVE LENDER], as Prospective Lender

By: _____
Name:
Title:

EXHIBIT A
TO THE CONFIDENTIALITY AGREEMENT

This Schedule, dated as of [ ], 20[ ], is one of the Schedules referred to in the Confidentiality Agreement dated as of [ ], 20[ ] between [ ] and [ ]. Terms used herein, unless defined herein, shall have the respective meanings given them in said Confidentiality Agreement.

1. Name(s) of the Borrower(s): CERRO DEL AGUILA S.A.

2. Description of the Operative Documentation:

(a) The Credit Agreement dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement "), among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the Lenders that is or may from time to time become party thereto (the " Lenders "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "); and

(b) Each other Financing Document and Project Document referred to in the Credit Agreement.

Assigning Lender

**[NAME OF INSTITUTION]**

By: _____
Name:
Title:

Received and accepted as of the date first written above:

Prospective Lender

**[NAME OF INSTITUTION]**

By: _____
Name:
Title:

EXHIBIT H
TO THE CREDIT AGREEMENT

**FORM OF COLLATERAL AGENCY AND DEPOSITARY AGREEMENT**

[ *Attached* ]

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# COLLATERAL AGENCY AND SECURITY DEPOSIT AGREEMENT

Dated as of August 17, 2012

by and among

CERRO DEL AGUILA S.A.,
as the Borrower

SUMITOMO MITSUI BANKING CORPORATION,
as the Administrative Agent

THE BANK OF NOVA SCOTIA,
as the Offshore Collateral Agent

SCOTIABANK PERU S.A.A.,
as the Onshore Collateral Agent

SCOTIABANK PERU S.A.A.,
as the Trustee

and

THE BANK OF NOVA SCOTIA, NEW YORK AGENCY,
as Depositary

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SCHEDULES AND EXHIBITS

This COLLATERAL AGENCY AND SECURITY DEPOSIT AGREEMENT, dated as of August 17, 2012 (this " Agreement "), is entered into by and among CERRO DEL AGUILA S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), SUMITOMO MITSUI BANKING CORPORATION as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), THE BANK OF NOVA SCOTIA as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), SCOTIABANK PERU S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent "), THE BANK OF NOVA SCOTIA, NEW YORK AGENCY as Depositary for the Secured Parties (in such capacity, the " Depositary ") and SCOTIABANK PERU S.A.A. as trustee for the Secured Parties (in such capacity, the " Trustee "). Capitalized terms used in this Agreement have the meanings assigned to them in Section 1.01 or Section 1.03 below.

**RECITALS**

WHEREAS, the Borrower seeks to develop, design, engineer, procure, construct, commission, test, start-up, finance, own, operate and maintain a 525 MW hydroelectric power plant in the department of Huancavelica, Peru (the " Project ").

WHEREAS, pursuant to the Credit Agreement, dated as of August 17, 2012 (as amended, amended and restated, modified and supplemented and in effect from time to time, the " Credit Agreement ") among the Borrower, each of the lenders that is a signatory to the Credit Agreement or that shall become a Lender to the Credit Agreement (individually, a " Lender " and collectively, the " Lenders "), the Administrative Agent, the Collateral Agents and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "), the Lenders have agreed to make certain Loans to the Borrower, on the terms and subject to the conditions of the Credit Agreement.

WHEREAS, the Borrower has granted a Lien in favor of the Collateral Agents (for the benefit of the Secured Parties) on all of its right, title and interest in, to and under the Collateral, including the Project Accounts established pursuant to this Agreement and the Trust Agreement and all of the funds deposited therein or credited thereto, as security for the payment and performance in full of the Secured Obligations.

WHEREAS, the Administrative Agent (on behalf of itself and the Senior Lenders) desires to appoint The Bank of Nova Scotia, a banking institution organized and existing under the laws of Canada, as the Offshore Collateral Agent for the Senior Lenders and the other Secured Parties.

WHEREAS, the Administrative Agent and the Borrower desire to appoint The Bank of Nova Scotia, New York Agency, as the Depositary to hold and administer money deposited in or credited to certain accounts established pursuant to this Agreement and funded with, among other things, revenues received by the Borrower or its Affiliates from the Project.

WHEREAS, the Administrative Agent (on behalf of itself and the Senior Lenders) desires to appoint Scotiabank Peru S.A.A., a financial institution incorporated under the laws of Peru, as the Onshore Collateral Agent for the Senior Lenders and the other Secured Parties.

WHEREAS, it is a condition precedent to the transactions contemplated by the Credit Agreement that this Agreement shall have been executed and delivered by each of the parties hereto.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Borrower hereby agrees with the Administrative Agent, the Collateral Agents, the Trustee and the Depositary (each for the benefit of the Secured Parties) as follows:

**ARTICLE I**

**DEFINITIONS; RULES OF INTERPRETATION**

1.01 Definitions . Unless otherwise defined herein, all capitalized terms used in this Agreement have the respective meanings assigned to such terms in Section 1.01 of the Credit Agreement. In addition, the terms below shall have the following meanings in this Agreement:

" Administrative Agent " has the meaning set forth in the Preamble.

" Agreement " has the meaning set forth in the Preamble.

" Assigned Agreement " has the meaning set forth in Section 6.01(a) .

" Bank Senior Secured Party " means any Senior Secured Party who is not a Non-Bank Senior Secured Party.

" Borrower " has the meaning set forth in the Preamble.

" Borrower POA " means, a revocable power of attorney, granted by the Trustee to the Borrower, substantially in the form attached to the Trust Agreement as Annex V .

" Claims " means any and all actions, suits, penalties, claims and demands and reasonable out-of-pocket liabilities, losses, costs and expenses (including reasonable attorney's fees and expenses) of any nature whatsoever.

" Collateral " has the meaning set forth in Section 6.01 .

" Credit Agreement " has the meaning set forth in the Recitals.

" Debt Service Accrual Accounts " means the Offshore Debt Service Accrual Account and the Onshore Debt Service Accrual Account.

" Debt Service Reserve Accounts " means the Offshore Debt Service Reserve Account and the Onshore Debt Service Reserve Account.

" Delay LD Account " means the Project Account of such name established pursuant to Section 2.02(a) .

" Depositary " has the meaning set forth in the Preamble.

" DSRA Letter of Credit " means an irrevocable standby letter of credit, substantially in the form of Exhibit C attached hereto (or such other form as the Administrative Agent shall agree), containing a one-year term with an automatic renewal clause (except if such Acceptable LC Provider is prohibited from issuing standby letters of credit containing automatic renewal clauses pursuant to internal or Government Rules) naming the Offshore Collateral Agent (for the benefit of the Secured Parties), as the beneficiary and otherwise issued by an Acceptable LC Provider in form, scope and substance satisfactory to the Administrative Agent. Any such letter of credit must be drawable prior to its stated maturity if, (a) it is not renewed or replaced, at least thirty (30) days prior to its stated maturity date or (b) a Negative Credit Event occurs with respect to the issuer and a replacement letter of credit has not been obtained from an Acceptable LC Provider within the earlier of (x) thirty (30) days after the downgrade giving rise to such Negative Credit Event and (y) two (2) Business Days prior to its stated maturity date. The Borrower shall not be the applicant in respect of any such letter of credit, and any such letter of credit shall not otherwise constitute Indebtedness of the Borrower or be secured by a Lien on any of the property of the Borrower that is subject to the Lien intended to be created by the Security Documents. For the avoidance of doubt, in the event the DSRA Letter of Credit is issued without an automatic renewal clause, the beneficiary shall not be required to provide the Borrower or the applicant with any notice prior to drawing thereunder.

" Equity Party " shall mean the Project Sponsor or the Pledgors, or all of the foregoing, as applicable.

" Executed Withdrawal/Transfer Certificate " has the meaning set forth in Section 3.02(b) .

" Indemnified Person " means each of the Agents, including their respective officers, directors, agents, Affiliates and employees.

" Initial Required Debt Service Reserve Amount " has the meaning set forth in the Equity Contribution and Retention Agreement.

" Local Accounts " means one or more Unsecured Accounts that may be established in the name of the Borrower that shall be used solely to make payments for Project Costs or Operation and Maintenance Expenses to be made by the Borrower to Persons in the departments of Huanvelica or Junin.

" Loss Proceeds Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Minimum Monthly Debt Service Accrual Amount " means, for any Monthly Transfer Date, (a) in respect of (x) the Monthly Transfer Date falling in the first month immediately succeeding the Actual Project Acceptance Date or (y) any other Monthly Transfer Date falling immediately after any Payment Date, one-third (1/3) of the Debt Service due and payable on the Payment Date succeeding such Monthly Transfer Date, (b) in respect of (x) the Monthly Transfer Date falling two months prior to the Initial Amortizing Senior Loan Tranche

Principal Payment Date or (y) any other Monthly Transfer Date falling two months after any Payment Date, two-thirds (2/3) of the Debt Service due and payable on the Payment Date succeeding such Monthly Transfer Date and (c) in respect of (x) the Monthly Transfer Date falling one month prior to the Initial Amortizing Senior Loan Tranche Principal Payment Date or (y) any other Monthly Transfer Date falling three months after any Payment Date, the full amount of Debt Service due and payable on the Payment Date succeeding such Monthly Transfer Date (or if such Monthly Transfer Date is a Payment Date, such Principal Payment Date).

" Monthly Transfer Date " means the eighteenth (18 th ) day of each calendar month following the date of the Initial Disbursement Date (or such other calendar day in each calendar month as the Borrower and each of the Agents shall agree prior to the Actual Project Acceptance Date); provided , that if such day is not a Business Day, then the Monthly Transfer Date shall mean the next succeeding Business Day.

" Non-Bank Senior Secured Party " means after the date hereof, any Eligible Assignee who accedes to the Credit Agreement as a Senior Secured Party who is not a bank or financial institution for purposes of Peruvian applicable tax law and is specified as a "Non-Bank Senior Secured Party" by the Borrower in a written notice delivered to the Administrative Agent, the Offshore Collateral Agent and the Onshore Collateral Agent no later than the date of the Assignment and Acceptance

" Non-Voting Party " has the meaning set forth in Section 11.16 .

" Nuevo Soles " means the lawful money of Peru.

" Offshore Account Collateral " has the meaning set forth in Section 6.01(c) .

" Offshore Accounts " means, collectively, the Offshore Construction Account, the Performance LD Account, the Delay LD Account, the Prepayment Account, the Offshore Debt Service Accrual Account and the Offshore Debt Service Reserve Account.

" Offshore Collateral Agent " has the meaning set forth in the Preamble.

" Offshore Construction Account " means the Project Account of such name established pursuant to Section 2.02(a) .

" Offshore Debt Service Accrual Account " means the Project Account named "Debt Service Accrual Account" established pursuant to Section 2.02 (a) .

" Offshore Debt Service Reserve Account " means the Project Account named "Debt Service Reserve Account" established pursuant to Section 2.02 (a) .

" Offshore Deficiency " has the meaning set forth in Section 4.03(b) .

" Onshore Accounts " means the Onshore Distribution Accounts, the Onshore Construction Accounts, the Onshore Operating Accounts, the Onshore Revenue Accounts, the Loss Proceeds Account, the Pre-Acceptance Revenue Accounts, the Onshore Debt Service Accrual Account and the Onshore Debt Service Reserve Account.

" Onshore Construction Accounts " means, collectively, the Onshore Dollar Construction Account and the Onshore Nuevo Sol Construction Account.

" Onshore Debt Service Accrual Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Debt Service Reserve Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Deficiency " has the meaning set forth in Section 4.03(c) .

" Onshore Distribution Accounts " means, collectively, the Onshore Dollar Distribution Account and the Onshore Nuevo Sol Distribution Account.

" Onshore Dollar Construction Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Dollar Distribution Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Dollar Operating Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Dollar Revenue Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Nuevo Sol Construction Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Nuevo Sol Distribution Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Nuevo Sol Operating Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Nuevo Sol Revenue Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Onshore Operating Accounts " means, collectively, the Onshore Dollar Operating Account and the Onshore Nuevo Sol Operating Account.

" Onshore Revenue Accounts " means, collectively, the Onshore Dollar Revenue Account and the Onshore Nuevo Sol Revenue Account.

" Payment Date " shall mean any Interest Payment Date or Principal Payment Date.

" Performance LD Account " means the Project Account of such name established pursuant to Section 2.02(a) .

" Pre-Acceptance Dollar Revenue Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Pre-Acceptance Nuevo Sol Revenue Account " means the Project Account of such name established pursuant to Section 2.03(a) .

" Pre-Acceptance Revenue Accounts " means, collectively, the Pre-Acceptance Dollar Revenue Account and the Pre-Acceptance Nuevo Sol Revenue Account.

" Prepayment Account " means the Project Account of such name established pursuant to Section 2.02(a) .

" Project Accounts " means the Offshore Accounts and the Onshore Accounts.

" Release Notice " has the meaning set forth in Section 3.13(b) .

" Remedies Direction " means a written notice and instruction to the Offshore Collateral Agent and the Onshore Collateral Agent from the Administrative Agent (acting at the direction of the Required Secured Parties) to take the actions specified therein with respect to a Trigger Event which has occurred and is continuing.

" Required Secured Parties " means the Majority Lenders.

" Secured Party Addition Agreement " means the agreement substantially in the form of Exhibit B and provided pursuant to Section 11.13 .

" Senior Secured Party " means any Senior Lender or Permitted Swap Provider.

" SUNAT " shall mean the *Superintendencia Nacional de Administración Tributaria* or any entity that replaces it as the Peruvian tax authority.

" Transfer Period " shall mean, any period beginning on (and including) a Monthly Transfer Date and ending on (but excluding) the immediately succeeding Monthly Transfer Date.

" Trigger Event " means any Event of Default under the Credit Agreement that is designated as a "Trigger Event" by the Administrative Agent in writing to the Borrower and to each other Agent.

" Trigger Event Date " has the meaning set forth in Section 3.04(a) .

" UCC " shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided , however , that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term " UCC " shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions related to such provisions.

" Unsecured Accounts " means certain accounts opened from time to time and held in the name of the Borrower that are not subject to the Lien of the Secured Parties, which may include any Local Accounts and the account used for transactions with SUNAT.

" Withdrawal Date " means any Monthly Transfer Date or any other date on which a withdrawal or transfer is to be made from a Project Account.

" Withdrawal/Transfer Certificate " means a certificate substantially in the form attached hereto as Exhibit A and delivered by the Borrower pursuant to Section 3.02 .

1.02 Rules of Interpretation . For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(i) unless otherwise expressly provided, all references in this Agreement to designated "Articles", "Sections", "Exhibits", "Schedules", "Appendices," "clauses", and other subdivisions are to the designated Articles, Sections, Exhibits, Schedules, Appendices, clauses, and other subdivisions of this Agreement;

(ii) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;

(iii) unless otherwise expressly specified, any agreement, contract or document defined or referred to herein means such agreement, contract or document as in effect as of the date hereof, as the same may thereafter be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and of this Agreement and the other Financing Documents and including any agreement, contract or document in substitution or replacement of any of the foregoing in accordance with the terms of this Agreement and the other Financing Documents;

(iv) unless the context clearly intends to the contrary, pronouns having a masculine or feminine gender shall be deemed to include the other;

(v) any reference to any Person shall include its successors and permitted assigns in the capacity indicated, and in the case of any Government Authority, any Person succeeding to its functions and capacities;

(vi) the words "include" or "including" shall be deemed to be followed by "without limitation" or "but not limited to" whether or not they are followed by such phrases or words of like import; and

(vii) in the event that there is a refinancing of the Credit Agreement, references herein to "Credit Agreement" shall be deemed amended to refer to the applicable document executed in connection with such refinancing.

1.03 Uniform Commercial Code Definitions . The terms " Accounts ", " Bank ", " Chattel Paper ", " Commercial Tort Claim ", " Debtor ", " Deposit Account ", " Document ", " Equipment ", " Fixtures ", " General Intangible ", " Goods ", " Instrument ", " Inventory ",

" Letter-of-Credit Rights ", " Payment Intangible ", " Proceeds " and " Software " have the respective meanings ascribed thereto in Article 9 of the UCC. The terms " Financial Asset " and " Securities Account " have the respective meanings ascribed thereto in Article 8 of the UCC.

## ARTICLE II

## APPOINTMENT OF DEPOSITARY; ESTABLISHMENT OF ACCOUNTS

2.01 Acceptance of Appointment of Depositary . The Depositary hereby agrees to act as depositary agent and as Bank with respect to the Offshore Accounts and credit balances credited thereto and to accept all cash, payments and other amounts to be delivered to or held by the Depositary pursuant to the terms of this Agreement. The Depositary shall hold and safeguard the Offshore Accounts during the term of this Agreement in accordance with the provisions of this Agreement.

None of the Credit Parties or any Affiliate thereof shall have any rights to withdraw or transfer funds from any of the Project Accounts, as third party beneficiary or otherwise, except as permitted by this Agreement and the Trust Agreement and to direct the investment of monies held in the Project Accounts as permitted by Section 3.01 hereof and the Trust Agreement.

2.02 Establishment of Offshore Accounts .

(a) On or prior to the date the Notice of Borrowing is delivered in respect of the Initial Disbursement Date, the Borrower and the Offshore Collateral Agent shall cause the Depositary to establish the following special, segregated non-interest bearing Dollar-denominated Project Accounts (the " Offshore Accounts ") in respect of which the Borrower shall be the Debtor, the account numbers for which shall be set forth in Schedule I hereto, which shall be maintained at all times until the termination of this Agreement unless otherwise closed pursuant to Section 3.10 :

(i) a Project Account entitled "Offshore Construction Account" (the " Offshore Construction Account ");

(ii) a Project Account entitled "Offshore Debt Service Accrual Account" (the " Offshore Debt Service Accrual Account ");

(iii) a Project Account entitled "Offshore Debt Service Reserve Account" (the " Offshore Debt Service Reserve Account ");

(iv) a Project Account entitled "Delay LD Account" (the " Delay LD Account ");

(v) a Project Account entitled "Performance LD Account" (the " Performance LD Account "); and

(vi) a Project Account entitled "Prepayment Account" (the " Prepayment Account ").

All amounts from time to time held in each Offshore Account shall be disbursed in accordance with the terms hereof, shall constitute the Property of the Borrower and shall be (A) subject to the Lien of the Offshore Collateral Agent (for the benefit of the Secured Parties) and (B) held in the sole custody and control of the Offshore Collateral Agent for the purposes and on the terms set forth in this Agreement and all such amounts shall constitute a part of the Collateral and shall not constitute payment of any Secured Obligation or any other obligation of the Borrower, unless and until applied thereto as contemplated hereby. Upon the opening of the Offshore Accounts by the Depositary, Schedule I hereto shall be automatically amended to include the respective account numbers for each Offshore Account.

(b) The Borrower agrees that it shall not maintain Deposit Accounts or Securities Accounts in its name or for its account other than the Project Accounts and the Unsecured Accounts.

(c) The Depositary is the agent and bailee of the Offshore Collateral Agent (for the benefit of the Secured Parties) (such bailments being intended, among other things, to satisfy the requirements of Sections 8-301(a)(2) and 9-313(c) of the UCC) for the purpose of receiving payments contemplated hereunder. This Agreement constitutes a "security agreement" as defined in Article 9 of the UCC.

2.03 Establishment of Onshore Accounts .

(a) On or prior to the date the Notice of Borrowing is delivered in respect of the Initial Disbursement Date, the Borrower and the Offshore Collateral Agent shall cause the Trustee to establish (or cause to be established) the following special, segregated Dollar-denominated and Nuevo Sol-denominated Project Accounts (the " Onshore Accounts ") in the name of the Trustee, the account numbers for which shall be set forth in Schedule II hereto, which shall be maintained at all times until the termination of this Agreement and the Trust Agreement or until closed pursuant to Section 3.10 :

(i) a Project Account entitled "Onshore Dollar Revenue Account" (the " Onshore Dollar Revenue Account ");

(ii) a Project Account entitled "Onshore Nuevo Sol Revenue Account" (the " Onshore Nuevo Sol Revenue Account ");

(iii) a Project Account entitled "Onshore Dollar Operating Account" (the " Onshore Dollar Operating Account ");

(iv) a Project Account entitled "Onshore Nuevo Sol Operating Account" (the " Onshore Nuevo Sol Operating Account ");

(v) a Project Account entitled “Onshore Dollar Construction Account” (the “ Onshore Dollar Construction Account ”);

(vi) a Project Account entitled “Onshore Nuevo Sol Construction Account” (the “ Onshore Nuevo Sol Construction Account ”);

(vii) a Project Account entitled “Loss Proceeds Account” (the “ Loss Proceeds Account ”);

(viii) a Project Account entitled “Onshore Dollar Distribution Account” (the “ Onshore Dollar Distribution Account ”);

(ix) Project Account entitled “Onshore Nuevo Sol Distribution Account” (the “ Onshore Nuevo Sol Distribution Account ”);

(x) a Project Account entitled “Pre-Acceptance Dollar Revenue Account” (the “ Pre-Acceptance Dollar Revenue Account ”);

(xi) a Project Account entitled “Pre-Acceptance Nuevo Sol Revenue Account” (the “ Pre-Acceptance Nuevo Sol Revenue Account ”);

(xii) a Project Account entitled “Onshore Debt Service Accrual Account” (the “ Onshore Debt Service Accrual Account ”); and

(xiii) a Project Account entitled “Onshore Debt Service Reserve Account” (the “ Onshore Debt Service Reserve Account ”).

(b) The Borrower may establish (or cause to be established) one or more Local Accounts upon written notice by the Borrower to the Administrative Agent, the Offshore Collateral Agent, and the Trustee.

(c) All amounts from time to time held in each Onshore Account shall be disbursed in accordance with the terms hereof, shall constitute the property of the estate of the Trustee and shall be subject to the Lien in favor of the Offshore Collateral Agent (for the benefit of the Secured Parties) for the purposes and on the terms set forth in this Agreement and the Trust Agreement and all such amounts shall constitute a part of the Collateral and shall not constitute payment of any Secured Obligation or any other obligation of the Borrower, unless and until applied thereto as contemplated hereby. Each Onshore Account shall be established and maintained in Peru with an Acceptable Bank in the name of the Trustee pursuant to the Trust Agreement, whereby the parties thereto agree to the creation of a *Patrimonio Fideicometido* to be held in trust ( *dominio fiduciario* ) by the Trustee for the benefit of the Borrower. Each of the Borrower and the Trustee hereby agrees not to amend the Trust Agreement without the prior

written consent of the Administrative Agent in accordance with Section 10.09 of the Credit Agreement. Upon the opening of the Onshore Accounts by the Trustee, Schedule II hereto shall be automatically amended to include the respective account numbers for each Onshore Account.

2.04 Accounts Maintained as UCC "Deposit Accounts" . The Depositary hereby agrees and confirms that it has established the Offshore Accounts, each as set forth and defined in this Agreement. The Depositary agrees that (a) each such Offshore Account established by the Depositary is and will be maintained as a Deposit Account and (b) the Borrower is the "Debtor" (within the meaning of Article 9 of the UCC) and the Depositary is the Bank. All property delivered to the Depositary pursuant to this Agreement will be promptly credited to the applicable Offshore Account. The Borrower hereby irrevocably directs, and the Depositary hereby agrees, that the Depositary will comply with all instructions and orders regarding each Offshore Account originated by the Offshore Collateral Agent without the further consent of the Borrower or any other Person. In the case of a conflict between any instruction or order originated by the Offshore Collateral Agent and any instruction or order originated by the Borrower or any other Person other than a court of competent jurisdiction, the instruction or order originated by the Offshore Collateral Agent shall prevail. Neither the Trustee or the Depositary shall change the name or account number of any Project Account (including any sub-account thereof) without the prior written consent of the Offshore Collateral Agent, acting upon the written instructions of the Administrative Agent, and at least five (5) Business Days' prior notice to the Borrower and shall not change the Debtor of any Project Account.

The Depositary shall not have title to the funds on deposit in the Offshore Accounts, and shall credit the Offshore Accounts with all receipts of interest, dividends and other income received on the Property held in the Offshore Accounts. The Depositary shall administer and manage the Offshore Accounts in strict compliance with all the terms applicable to the Offshore Accounts pursuant to this Agreement, and shall be subject to and comply with all the obligations that the Depositary owes to the Offshore Collateral Agent with respect to the Offshore Accounts, including all subordination obligations, pursuant to the terms of this Agreement. Notwithstanding anything herein to the contrary, the Depositary hereby agrees to comply with any and all instructions originated by the Offshore Collateral Agent directing disposition of funds and all other Property in the Offshore Accounts without any further consent of the Borrower.

2.05 Jurisdiction of Depositary . The Borrower, the Offshore Collateral Agent and the Depositary agree that, for purposes of the UCC, notwithstanding anything to the contrary contained in any other agreement relating to the establishment and operation of the Offshore Accounts, the jurisdiction of the Depositary (in its capacity as Bank) is the State of New York and the law of the State of New York shall govern the establishment and operation of the Offshore Accounts.

2.06 Degree of Care; Liens . Each of the Depositary and the Trustee shall exercise the same degree of care with respect to the funds held in the Project Accounts and the investments purchased with such funds in accordance with the terms of this Agreement and the Trust Agreement as the Depositary and the Trustee exercise in the ordinary course of its day-to-day business with respect to other funds and investments for its own account and as required by applicable Government Rule. The Depositary, the Trustee and the Offshore Collateral Agent

shall have no duties or obligations with respect to such funds and investments except as expressly set forth in this Agreement and the Trust Agreement. Except for this Agreement and the Trust Agreement, neither the Depositary or the Trustee is party to nor shall it execute and deliver, or otherwise become bound by, any agreement under which the Depositary or the Trustee agrees with any Person other than the Offshore Collateral Agent to comply with instructions originated by such Person relating to any of the Project Accounts or the security entitlements that are the subject of this Agreement or the Trust Agreement. Neither the Depositary or the Trustee shall grant any Lien on any Financial Asset, other than any Lien granted to the Offshore Collateral Agent (for the benefit of the Secured Parties) under this Agreement and the Trust Agreement.

2.07 Subordination of Lien; Waiver of Set-Off . In the event that the Depositary or the Trustee has or subsequently obtains by agreement, operation of law or otherwise a Lien in any Project Account or in any Offshore Account Collateral, the Depositary or the Trustee, as applicable, agrees that such Lien shall (except to the extent provided in the last sentence of this Section 2.07 ) be subordinate to the Lien of the Offshore Collateral Agent. The Financial Assets standing to the credit of the Project Accounts will not be subject to deduction, set-off, banker's lien, or any other right in favor of any Person other than (i) in accordance with judicial or arbitral order, (ii) the Offshore Collateral Agent (for the benefit of the Secured Parties) and the Depositary to the extent of returned items and chargebacks either for uncollected checks or other items of payment and transfers previously credited to one or more of the Project Accounts, and the Borrower and the Offshore Collateral Agent hereby authorize the Depositary and the Trustee, as applicable, to debit the applicable Project Account for such amounts and (iii) the Depositary for any amounts due to it in respect of its customary fees and expenses for the routine maintenance and operation of the Offshore Accounts.

2.08 No Other Agreements . None of the Depositary, the Trustee, the Offshore Collateral Agent, the Onshore Collateral Agent or the Borrower has entered or will enter into (other than with the approval of the Administrative Agent, acting at the direction of the Majority Lenders) any agreement with respect to any Project Account or any Offshore Account Collateral, other than the agreement establishing such account, this Agreement and the other Financing Documents.

2.09 Notice of Adverse Claims . Each of the Depositary and the Trustee hereby represents (as to itself only) that, except for the Claims and interests of the Offshore Collateral Agent (for the benefit of the Secured Parties) and the Borrower in each of the Project Accounts, the Depositary and the Trustee, (a) as of the Initial Disbursement Date, have no actual knowledge of, and have received no written notice of, and (b) as of each date on which any Project Account is established pursuant to this Agreement or the Trust Agreement, have received no notice of, any Claim to, or interest in, any Project Account or in any other Offshore Account Collateral. If any Person asserts any Lien (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against any Project Account or in any other Offshore Account Collateral, the Depositary and the Trustee, upon obtaining written notice thereof, will notify the Offshore Collateral Agent and the Borrower within two (2) Business Days of such notice, as applicable, thereof.

2.10 Rights and Powers of the Offshore Collateral Agent . The rights and powers granted to the Offshore Collateral Agent by the Secured Parties have been granted in order to, among other things, perfect its Lien in the Project Accounts and the other Offshore Account Collateral and to otherwise act as their agent with respect to the matters contemplated hereby.

2.11 Termination . This Agreement shall remain in full force and effect until the Termination Date.

## ARTICLE III

## PROVISIONS APPLICABLE TO THE PROJECT ACCOUNTS

3.01 Investment of the Project Accounts .

(a) Amounts deposited in the Onshore Accounts under this Agreement shall, at the Borrower's written request and direction, be invested by the Trustee in Permitted Investments described in paragraph (g) of Section 8.14 of the Credit Agreement as specifically instructed pursuant to such written request and direction and in accordance with the Trust Agreement (such written request and direction shall provide for investments which will mature in such amounts and not later than such times as may be necessary to provide monies when needed to make payments from such monies as provided in this Agreement); provided , however , that upon the occurrence of an Event of Default and while it is continuing the Offshore Collateral Agent shall, at the written instruction of the Administrative Agent, direct the Trustee to invest and reinvest such balances in accordance with such written instructions. No amounts on deposit in any Offshore Account shall be invested by the Depositary in Permitted Investments.

(b) Earnings on Permitted Investments in the Onshore Accounts shall be deposited when paid into the Onshore Account from which the investment is made for application as provided in this Agreement.

(c) All funds in an Onshore Account that are invested in a Permitted Investment shall be credited by the Trustee to the relevant Onshore Account from which such funds have been invested and shall be deemed to be held on deposit in such Onshore Account for all purposes of this Agreement, the Trust Agreement and the other Financing Documents.

(d) Absent written instructions from the Borrower or the Offshore Collateral Agent, the Trustee shall not invest the amounts held in the Onshore Accounts under this Agreement or the Trust Agreement.

(e) If and when cash is required for the making of any transfer, disbursement or withdrawal in accordance with this Agreement, the Borrower shall cause Permitted Investments described in paragraph (g) of Section 8.14 of the Credit Agreement to be sold or otherwise liquidated into cash (without regard to maturity) as and to the extent necessary in order to make such transfers, disbursements or withdrawals required pursuant to this Agreement. The Trustee shall comply with any instruction from the Borrower with respect to the liquidation of such Permitted Investments described in the preceding sentence (provided it has not received a conflicting instruction from the Offshore Collateral Agent). In the event any such investments

are so redeemed prior to the maturity thereof, none of the Agents shall be liable for any loss or penalties relating thereto. No Agent shall be liable for the diminution in value of any Permitted Investment which is made pursuant to the terms of this Agreement.

(f) For purposes of determining responsibility for any income tax payable on account of any income or gain on any Permitted Investment hereunder, such Tax shall be for the account of the Borrower.

(g) None of the Administrative Agent, the Collateral Agents, the Depositary, the Trustee, nor any other Secured Party shall have any responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the funds. It is agreed and understood that the Trustee may earn fees associated with the investments outlined above in accordance with the terms of such investments. In no event shall the Trustee be deemed an investment manager or adviser in respect of any selection of investments hereunder. It is understood and agreed that the Trustee or its respective Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (1) serving as investment adviser, administrator, shareholder servicing agent, custodian or sub-custodian with respect to certain of the investments, (2) using affiliates to effect transactions in certain investments and (3) effecting transactions in investments.

(h) Except interests as a secured creditor under any Security Documents, none of the Collateral Agents, the Depositary nor the Trustee has any interest in the funds deposited hereunder but is serving as escrow holder only and having only possession thereof. The Borrower shall pay or reimburse the Depositary or the Trustee upon request for any transfer taxes or other taxes relating to the funds incurred in connection herewith and shall indemnify and hold harmless the Depositary and the Trustee from any amounts that they may be obligated to pay in the way of such taxes. Any payments of income from the related accounts shall be subject to withholding regulations then in force with respect to United States taxes and Peruvian taxes, as applicable. The Borrower will provide the Depositary with appropriate W-9 forms for tax identification number certifications, or W-8 forms for non-resident alien certifications, and provide the Trustee with appropriate documents required by it for the purposes hereof. It is understood that the Depositary shall only be responsible for income reporting with respect to income earned on the funds and will not be responsible for any other reporting. This paragraph shall survive notwithstanding any termination of this Agreement or the resignation or removal of the Depositary or the Trustee.

3.02 Withdrawal and Transfer Procedure .

(a) Maintenance of Funds in Accounts; Withdrawals .

(i) Until withdrawn or transferred pursuant to and in accordance with this Agreement, any amounts deposited into a Project Account shall be held in such Project Account. All withdrawals and transfers from any Project Account shall be made in accordance with the provisions of Articles III , IV and V .

(ii) The Borrower, upon thirty (30) days' prior written notice to the Administrative Agent and the Offshore Collateral Agent, may change the Monthly Transfer Date; provided that the Borrower shall only be permitted to do so two (2) times prior to the Termination Date.

(b) Withdrawal/Transfer Certificate .

(i) Except as otherwise expressly provided herein, the Borrower shall not be entitled to request withdrawals or transfers of monies from any Project Account. Withdrawals or transfers from any Project Account (except as otherwise expressly provided herein, including as set forth in sub-clause (ii) below) shall be made by the Depositary or the Trustee, in each case as instructed by the Offshore Collateral Agent or the Administrative Agent, as applicable, following (and in accordance with): (A) in the case of withdrawals and transfers out of the Onshore Revenue Accounts, the Loss Proceeds Account, the Prepayment Account, the Performance LD Account and the Delay LD Account, receipt of (and in accordance with) a Withdrawal/Transfer Certificate signed by the Borrower and countersigned by the Administrative Agent (an " Executed Withdrawal/Transfer Certificate "), (B) in the case of withdrawals and transfers out of the Offshore Construction Account, the Debt Service Accrual Accounts, the Debt Service Reserve Accounts, or the Onshore Distribution Accounts, written instructions from the Offshore Collateral Agent (at the written instruction of the Administrative Agent) to the Depositary or the Trustee, as applicable or (C) written instructions from the Offshore Collateral Agent in accordance with Section 3.02(g) hereof. Each Withdrawal/Transfer Certificate shall request withdrawals and transfers to and from the Project Accounts in the amounts, at the times and in the order of priority set out in Articles IV and V , as applicable.

(ii) For the avoidance of doubt, (A) the investment of balances in any Onshore Account in Permitted Investments shall not constitute or be considered a transfer or withdrawal for the purposes of this Agreement (and shall not require a Withdrawal/Transfer Certificate), (B) withdrawals and transfers out of the Offshore Construction Account, the Onshore Distribution Accounts, the Debt Service Accrual Accounts or the Debt Service Reserve Accounts shall not require a Withdrawal/Transfer Certificate and shall be made by the Depositary or the Trustee pursuant to written instructions from the Offshore Collateral Agent, (C) except for withdrawals and transfers to a Local Account for payments of Operation and Maintenance Expenses, withdrawals and transfers out of the Onshore Construction Accounts, the Onshore Operating Accounts, the Pre-Acceptance Revenue Accounts (solely for the payment of Operation and Maintenance Expenses or Project Costs), shall not require a Withdrawal/Transfer Certificate and shall be made by the Borrower in accordance with the terms and conditions set forth in the Borrower POA issued pursuant to the Trust Agreement and otherwise in accordance with this Agreement and the other Financing Documents, and (D) amounts transferred pursuant to Section 5.12 shall not require a Withdrawal/Transfer Certificate and shall be made by the Depositary or the Trustee (in each case, at the direction of the Offshore Collateral Agent (acting at the direction of the Administrative Agent)).

(iii) Notwithstanding anything to the contrary in this Section 3.02(b) , for so long as The Bank of Nova Scotia is acting in its capacity as the Offshore Collateral Agent pursuant to this Agreement, it shall not be required to provide written instructions to either the Trustee or the Depositary if such Persons are Affiliates of The Bank of Nova Scotia and shall provide such instructions in accordance with its internal requirements.

(c) Delivery to Administrative Agent and Form of Withdrawal/Transfer Certificate . No later than 11:00 a.m. (New York time) on the date five (5) Business Days prior to each Withdrawal Date, the Borrower shall deliver for purposes of any withdrawal or transfer on such Withdrawal Date (unless no withdrawal or transfer is anticipated in respect of such Withdrawal Date):

(i) to each of the Administrative Agent, the Offshore Collateral Agent, the Trustee (with respect to the Onshore Accounts) and the Depositary (with respect to the Offshore Accounts), a Withdrawal/Transfer Certificate signed by an Authorized Officer of the Borrower specifying:

(A) each Project Account from which a withdrawal or transfer is requested and, in the case of any transfer, the relevant Project Account (s) to which such transfer is to be made;

(B) the amount requested to be withdrawn or transferred from each such Project Account (and the calculation thereof, if required, in accordance with the relevant provisions of Articles IV and V , as applicable);

(C) the relevant Withdrawal Date on which such withdrawal or transfer is to be made;

(D) the purpose for which the amount so withdrawn or transferred is to be applied; and

(E) a copy of the invoices and all other information required to be provided in such Withdrawal/Transfer Certificate under, or to evidence compliance with, the relevant provisions of Articles III , IV and V ; and

(F) a certification that (i) any requested transfers or payments were not the subject of a prior Withdrawal/Transfer Certificate and (ii) that such Withdrawal/Transfer Certificate conforms in all respects to the requirements of this Agreement and the other Financing Documents.

(ii) The Borrower shall deliver no more than one Withdrawal/Transfer Certificate in respect of the Project Accounts during any Transfer Period, although the Borrower shall be permitted to amend or correct any Withdrawal/Transfer Certificate previously delivered following delivery by the Administrative Agent of any comments thereto pursuant to Section 3.02(d) .

(d) Administrative Agent's Review of Certificates .

(i) In the event that, prior to the relevant Withdrawal Date, the Administrative Agent shall determine that either or both: (A) any amounts specified in a Withdrawal/Transfer Certificate (or an amended Withdrawal/Transfer Certificate, as applicable) have been incorrectly calculated; and/or (B) such Withdrawal/Transfer Certificate (or an amended Withdrawal/Transfer Certificate, as applicable) is inconsistent with, or otherwise fails to satisfy the requirements of or is not permitted pursuant to the provisions of this Agreement and the other Financing Documents, the Administrative Agent shall notify Offshore Collateral Agent, the Trustee, the Depositary, and/or the Borrower (as applicable) in writing promptly but in no case later than the Business Day prior to the applicable Withdrawal Date and may either (x) return such Withdrawal/Transfer Certificate (or such amended certificate, as applicable) to the Borrower with its determinations noted thereon; or (y) in consultation with the Borrower make such corrections as it reasonably deems necessary to satisfy the requirements of this Agreement. In the event that the Administrative Agent makes any revisions to a Withdrawal/Transfer Certificate as described above, it shall promptly provide a copy of the same, as so revised, to the Offshore Collateral Agent, the Trustee, the Depositary, and the Borrower. The Administrative Agent and the Borrower will endeavor to agree and complete the final form Withdrawal/Transfer Certificate (or any amended or corrected certificate), and deliver such certificate to the Offshore Collateral Agent, the Trustee (with respect to the Onshore Accounts) and the Depositary (with respect to the Offshore Accounts), no later than two (2) Business Days prior to the Withdrawal Date to which such certificate relates.

(ii) Unless the Administrative Agent determines in its reasonable discretion that such Withdrawal/Transfer Certificate does not satisfy the requirements of Section 3.02(c) , the Administrative Agent shall countersign any accepted Withdrawal/Transfer Certificate (or any amended or corrected Withdrawal/Transfer Certificate, as applicable) (which acceptance or counter-signature shall not be unreasonably withheld or delayed), and upon receipt thereof, the Depositary and the Trustee are hereby authorized to implement such Executed Withdrawal/Transfer Certificate (or such amended or corrected certificate, as applicable) in accordance with Section 3.02(e) and (f) and the other provisions of this Agreement.

(iii) Nothing in this Section 3.02(d) shall preclude any of the Administrative Agent, the Offshore Collateral Agent, the Trustee (with respect to the Onshore Accounts) or the Depositary (with respect to the Offshore Accounts) from consulting with the Borrower, any Secured Party or Independent Advisor or counsel in making its determinations with respect to the accuracy of any Withdrawal/Transfer Certificate (or any amended or corrected Withdrawal/Transfer Certificate, as applicable).

(iv) In no event shall the Offshore Collateral Agent, the Depositary or the Trustee be responsible for reviewing the accuracy of the amounts set forth in any Executed Withdrawal/Transfer Certificate or the consistency thereof with the requirements of this Agreement or the Financing Documents, which shall be the responsibility of the Administrative Agent pursuant to this Section 3.02(d) .

(e) Implementation of Withdrawal/Transfer Certificate – Offshore Accounts . Except as otherwise provided in this Agreement, following receipt of an Executed Withdrawal/Transfer Certificate (with respect to the Offshore Accounts), and subject to the availability of cash in the applicable Project Account, the Depositary shall pay or transfer the amount(s) specified in such Executed Withdrawal/Transfer Certificate by initiating such payment or transfer not later than 2:00 p.m. (New York time) on the Withdrawal Date set out in such Executed Withdrawal/Transfer Certificate for such payment or transfer (or if such certificate is not received by the Depositary at least one (1) Business Day prior to such Withdrawal Date, by 12:00 p.m. (New York time) on the next succeeding Business Day following delivery of such Executed Withdrawal/Transfer Certificate to the Depositary).

(f) Implementation of Withdrawal/Transfer Certificate – Onshore Accounts . Except as otherwise provided in this Agreement, following receipt of an Executed Withdrawal/Transfer Certificate, and subject to the availability of cash in the applicable Project Account, the Trustee shall pay or transfer the amount(s) specified in such Withdrawal/Transfer Certificate by initiating such payment or transfer not later than 1:00 p.m. (Lima time) on the Withdrawal Date set out in such Executed Withdrawal/Transfer Certificate for such payment or transfer (or if such certificate is not received by the Trustee at least one (1) Business Day prior to such Withdrawal Date, by 11:00 a.m. (Lima time) on the next succeeding Business Day following delivery of such Executed Withdrawal/Transfer Certificate to the Trustee).

(g) Failure of the Borrower to Submit Withdrawal/Transfer Certificate. Notwithstanding any other provision of this Agreement to the contrary, if at any time the Borrower fails to timely submit a Withdrawal/Transfer Certificate to the Administrative Agent

for the withdrawal, transfer or payment of amounts from or to any Project Account or Person, each of the Depositary or the Trustee shall, at the direction of the Offshore Collateral Agent (acting at the direction of the Administrative Agent upon the instructions of the Majority Lenders) effect any withdrawal, transfer or payment, as the case may be, of any amounts then due and payable or required to be transferred pursuant to the terms of this Agreement or any other Financing Document (and the Borrower hereby expressly authorizes the Offshore Collateral Agent to so act). The Offshore Collateral Agent shall, as soon as practicable but in any event within three (3) Business Days, provide a copy of such written direction to the Borrower regarding any such withdrawals, transfers or payments. Any such written notice shall be conclusive evidence of such amounts, absent manifest error.

3.03 Transfer of Amounts . Amounts improperly or inadvertently deposited into any Offshore Account shall be transferred by the Depositary into the correct Offshore Accounts as instructed by the Administrative Agent. With respect to amounts improperly or inadvertently deposited into any Onshore Account, the Administrative Agent shall instruct the Trustee to transfer such amount into the correct Onshore Account. Any withdrawals and transfers hereunder shall only be made to the extent that sufficient funds are then available (including as Permitted Investments) in the Project Account from which such withdrawal is to be made.

3.04 Trigger Event .

(a) The Trigger Event Date . Notwithstanding anything in this Agreement to the contrary, on and after receipt by the Collateral Agents, the Trustee, the Depositary and the Borrower of written notice from the Administrative Agent that a Trigger Event has occurred and is continuing (the date of such notice, the " Trigger Event Date "), and until such time, if ever, that the Collateral Agents, the Trustee, the Depositary and the Borrower receive written notice from the Administrative Agent that such Trigger Event is no longer continuing: (i) no transfer or withdrawal of funds from any Project Account shall be requested by the Borrower or implemented by (A) the Depositary or Trustee pursuant to any Withdrawal/Transfer Certificate or (B) otherwise by the Borrower pursuant to the powers granted to the Borrower in the Borrower POA, (ii) each of the Depositary and the Trustee shall thereafter accept all notices and instructions required or permitted to be given pursuant to the terms of this Agreement with respect to the Project Accounts only from the Offshore Collateral Agent (or directly from the Administrative Agent) and not from the Borrower or any other Person and (iii) such funds shall be retained in the applicable Project Account for application by the Offshore Collateral Agent in accordance with a Remedies Direction. An individual Secured Party in its capacity as such shall not have an independent right to exercise the rights or remedies pursuant to this Agreement or against the Borrower or any Collateral and the exercise of such rights or remedies shall be undertaken solely by the Administrative Agent or the Offshore Collateral Agent as provided in the Financing Documents.

(b) Accounting . Promptly upon receipt of notice of the occurrence of (but no later than three (3) Business Days after) any Trigger Event Date, the (i) Depositary shall render an accounting to the Administrative Agent, the Offshore Collateral Agent and the Borrower of all monies in the Offshore Accounts as of the Trigger Event Date and (ii) the Trustee shall provide such an accounting to the Administrative Agent, the Offshore Collateral Agent and the Borrower with respect to the Onshore Accounts. Such accounting may be satisfied by (i)

delivery to the Administrative Agent, the Offshore Collateral Agent and the Borrower of the most recently available bank statement for such Project Account (including any electronically available statement) and a transaction or activity report for each Project Account covering the period from the closing date of the last statement through the delivery date thereof, or, if available, (ii) providing on-line, view only (with respect to the Offshore Accounts, the Onshore Revenue Accounts and the Onshore Distribution Accounts), access to account balances and account activity.

(c) Offshore Collateral Agent's Rights . All of the Offshore Collateral Agent's rights and remedies with respect to the Project Accounts and the Offshore Account Collateral shall be subject to the terms of this Agreement and the Trust Agreement. Accordingly, notwithstanding anything in this Agreement or the Trust Agreement to the contrary, during the occurrence and continuation of an Event of Default and prior to the Trigger Event Date or the receipt of a Remedies Direction by the Offshore Collateral Agent, the Offshore Collateral Agent may, but absent direction from the Administrative Agent shall not be obligated to, effect any withdrawal, transfer or payment, as the case may be, of any amounts then due and payable or required to be paid or transferred pursuant to the terms of this Agreement or any other Financing Document; it being expressly understood and agreed that failure of the Offshore Collateral Agent to effect any such withdrawal, transfer or payment of any such amounts absent written direction from the Administrative Agent shall not result in any liability, negligence or willful misconduct of the Offshore Collateral Agent. From and after the Trigger Event Date and while such Trigger Event is continuing, the Offshore Collateral Agent shall have the right to control the Project Accounts, withdraw and transfer funds on deposit in the Project Accounts (or instruct the Trustee do so with respect to the Onshore Accounts) as directed by the Administrative Agent, use the Offshore Account Collateral to repay the Secured Obligations and sell, dispose or realize on the Offshore Account Collateral and otherwise pursue remedies, in each case in accordance with this Agreement and with any Remedies Direction received by it.

(d) Administrative Agent's Rights During Event of Default . Notwithstanding anything in this Agreement to the contrary, during the occurrence and continuance of an Event of Default and prior to the Trigger Event Date or the delivery of a Remedies Direction to the Offshore Collateral Agent, or upon the failure of the Borrower to make payments as contemplated in Section 11.03 of the Credit Agreement, the Administrative Agent may (but shall not be obligated to) direct the Offshore Collateral Agent (and the Offshore Collateral Agent shall so instruct the Trustee and the Depositary, as applicable) to effect and implement any withdrawal, transfer or payment, as the case may be, of any amounts then due and payable or required to be paid or transferred pursuant to the terms of this Agreement or any other Financing Document.

3.05 Distribution of Collateral Proceeds . Upon the occurrence and during the continuation of a Trigger Event and following delivery of a Remedies Direction to the Offshore Collateral Agent in connection with the sale, disposition or other realization, collection or recovery of any amounts in the Project Accounts or any other Collateral (or any portion thereof), the Offshore Collateral Agent shall apply the proceeds of such sale, disposition, or other realization, collection or recovery toward the payment of the Secured Obligations in the order of priority set forth in Section 8.03(c) .

3.06 Accounts Balance Statements .

(a) The (i) Depositary, with respect to the Offshore Accounts and (ii) Trustee, with respect to the Onshore Accounts, shall, on a monthly basis within twenty (20) days after the end of each month and at such other times as the Offshore Collateral Agent, the Administrative Agent or the Borrower may from time to time reasonably request, provide to the Offshore Collateral Agent, the Administrative Agent and the Borrower, balance statements in respect of the Project Accounts. Such balance statement shall also include deposits, withdrawals and transfers from and to any Project Account and the net investment income or gain received and collected in each such Project Account, sub-accounts and amounts segregated in any of the Project Accounts.

(b) In lieu of providing the statements and information required in Section 3.06(a) , the Depositary or Trustee may provide the Borrower, the Administrative Agent and the Offshore Collateral Agent with on-line, view only (with respect to the Offshore Accounts, the Onshore Revenue Accounts and the Onshore Distribution Accounts), access to the account balances and the withdrawal/deposit transaction activity for the Offshore Accounts and Onshore Accounts, respectively; provided that such access shall solely be granted to the extent available to the Depositary or Trustee and if the respective parties submit to the standard agreements and documentation of the Depositary or Trustee required for such access.

(c) The (i) Depositary, with respect to the Offshore Accounts and (ii) Trustee, with respect to the Onshore Accounts, shall maintain records of all receipts, disbursements, and investments of funds with respect to the Offshore Accounts and Onshore Accounts, respectively, until the third (3 rd ) anniversary after the Termination Date. The (i) Depositary, with respect to the Offshore Accounts and (ii) Trustee, with respect to the Onshore Accounts, shall give notice, upon written request from any of the following parties, to the Offshore Collateral Agent, the Administrative Agent and the Borrower of the location of the Project Accounts and sub-accounts, as applicable.

3.07 Continuity of Liens . Notwithstanding anything herein to the contrary, at all times prior to the Termination Date, regardless of the title to or name of, or intended purposes of any monies in, any Project Account and monies, Financial Assets and other Offshore Account Collateral on deposit therein or related thereto shall remain property of the Borrower or the Trustee, as applicable, and subject to the Liens at all times prior to the withdrawal or transfer therefrom to a Person other than the Borrower in accordance with the terms of this Article III .

3.08 Remittance to the Borrower . In the event that any payments or other amounts required pursuant to this Agreement to be deposited directly into one of the Project Accounts are remitted instead to the Borrower, the Borrower shall promptly remit such payments or other amounts, in the form received, with any necessary endorsements, to the Depositary for deposit into the relevant Offshore Account and, to the Trustee, with respect to an Onshore Account, as provided herein and pending such remittance to the Depositary or the Trustee, as applicable, the Borrower shall segregate such payments and other amounts from all other funds of the Borrower and hold the same in trust for the Secured Parties.

(b) In furtherance (and without limitation) of the foregoing, the Borrower shall promptly, but in any event no later than two (2) Business Days after receipt thereof, remit such amounts from SUNAT with respect to VAT refunds received in the Borrower's Unsecured Accounts, with any necessary endorsements, to the Trustee for deposit into the Onshore Nuevo Sol Construction Account.

3.09 No Right of Withdrawal . Except as specifically set forth in the Financing Documents, none of the Agents or the Borrower shall have any rights of withdrawal in respect of any of the Project Accounts.

3.10 Closing of Accounts . At any point prior to the Termination Date and subject to the other terms and conditions of this Agreement, if the Borrower requests in writing (and the Administrative Agent consents thereto in writing) at any time after the date on which an Project Account is no longer intended to be utilized pursuant to this Agreement that such Project Account be closed, the Administrative Agent shall direct the Depositary or the Trustee (as applicable) to close such Project Account and to transfer any amount standing to the credit of that Project Account (together with any accrued interest or profit on or income from such amount) to the Onshore Dollar Revenue Account or Onshore Nuevo Sol Revenue Account (as applicable), for application pursuant to Sections 5.05 or 5.06 , as applicable.

3.11 Disposition of Accounts upon Termination Date . Upon the Termination Date, the (a) Depositary shall pay any sums remaining in the Offshore Accounts to the order of the Borrower or as otherwise required by applicable law upon receipt of a certificate of an Authorized Officer of the Borrower certifying that the Termination Date has occurred, which certificate shall be acknowledged by the Administrative Agent (which acknowledgement shall not be unreasonably withheld or delayed) and (b) Offshore Collateral Agent shall instruct the Trustee to pay any sums remaining in the Onshore Accounts to the order of the Borrower or as otherwise required by applicable law upon receipt of a certificate of an Authorized Officer of the Borrower certifying that the Termination Date has occurred, which certificate shall be acknowledged by the Administrative Agent (which acknowledgement shall not be unreasonably withheld or delayed).

3.12 Currency Conversion . For so long as no Default or Event of Default has occurred and is continuing, any currency conversion of funds held or to be held in any Onshore Account from or into Nuevo Soles pursuant to this Agreement shall be effected by the Trustee with a bank or financial institution selected by the Borrower pursuant to the written instructions of an Authorized Officer of the Borrower appointed pursuant to the Trust Agreement to provide such instructions to the Trustee. The reasonable expenses (including taxes payable in connection therewith) with respect to such conversion shall be deducted from the applicable amount received upon such conversion. Notwithstanding anything to the contrary provided herein, the Borrower shall ensure that each currency conversion under this Section 3.12 results in the required amount being available in the applicable currency for transfer or payment as required under this Agreement, and any additional amounts required in connection with such obligation of the Borrower shall be for the account of the Borrower payable on demand from the applicable Onshore Account. The Trustee shall not assume the obligation to undertake any foreign exchange transaction or transfer funds, unless it has received from the Borrower all documents and information necessary to the remittance of funds and shall not be further responsible for any

losses which could result in possible delays or impairment to undertake a foreign exchange transaction and/or transfer the funds, according to this section, unless such delays or impairment are resulted of its gross negligence or willful misconduct as determined by a court of competent jurisdiction in an order not subject to appeal or review.

3.13 Acceptable Credit Support .

(a) Notwithstanding anything herein to the contrary, the Borrower may at any time, and when required pursuant to the terms of the Equity Contribution and Retention Agreement, shall deliver to the Offshore Collateral Agent (with a copy to the Administrative Agent) a DSRA Letter of Credit issued in favor of the Offshore Collateral Agent as the beneficiary in place of all or a portion of the cash deposited in, or required to be deposited in, the Debt Service Reserve Accounts. Each DSRA Letter of Credit shall include the following terms and provisions:

(i) the initial expiration date thereof shall be at least twelve (12) months beyond the date of issuance, and shall automatically renew (except if such Acceptable LC Provider is prohibited from issuing standby letters of credit containing automatic renewal clauses pursuant to internal or Government Rules) upon its expiration (which renewal period shall be at least twelve (12) months) unless, at least thirty (30) calendar days prior to any such expiration, the Acceptable LC Provider shall provide the Offshore Collateral Agent with a notice of non-renewal of such DSRA Letter of Credit;

(ii) upon any failure to (x) deposit sufficient cash in the Debt Service Reserve Accounts in an amount equal to the excess, if any, of (A) the Required Debt Service Reserve Amount, less (B) the sum of (1) the aggregate amount then on deposit in the Debt Service Reserve Accounts plus (2) the amount drawable under any Acceptable Letter of Credit, or (y) renew (as long as the issuing bank continues to satisfy the ratings requirements set forth in the definition of "Acceptable LC Provider") or (z) replace such letter of credit at least thirty (30) calendar days prior to such expiration date, the entire face amount thereof shall be drawable by the Offshore Collateral Agent; and

(iii) such DSRA Letter of Credit shall additionally be drawable in all cases in which this Agreement provides for a transfer of funds from the Debt Service Reserve Accounts (and at such time sufficient monies are not on deposit in the Debt Service Reserve Accounts) and there shall be no conditions to any drawing thereunder other than the submission of a drawing request substantially in the form attached to such DSRA Letter of Credit.

(b) Upon receipt of any DSRA Letter of Credit in respect of the Debt Service Reserve Accounts, the Offshore Collateral Agent shall notify the Depositary and the Trustee thereof (the " Release Notice ") and the Depositary and the Trustee shall, within five (5) Business Days of receipt of such Release Notice, (i) release monies (if any) on deposit in the Debt Service Reserve Accounts in an aggregate amount equal to the initial stated face amount of such DSRA Letter of Credit to the Borrower without regard to any of the conditions for the making of Restricted Payments set forth in Section 8.12 of the Credit Agreement and (ii) treat any undrawn or unutilized amount of such DSRA Letter of Credit as monies (with no imputed

interest) on deposit in the Debt Service Reserve Accounts. In the case of sub-clause (ii), the amounts transferred into the Onshore Debt Service Reserve Account shall be the amount notified in a written instruction of the Administrative Agent equal to the pro rata share of the amounts required to be on deposited for the Debt Service payable to the Non-Bank Senior Secured Parties.

(c) In the event of a Negative Credit Event, the Borrower shall replace such issuing entity promptly upon becoming aware or receiving notice of such Negative Credit Event, but in no event later than thirty (30) days after becoming aware of such Negative Credit Event, with an Acceptable LC Provider. The Borrower shall use reasonable efforts to require that each Acceptable LC Provider promptly gives notice to the Offshore Collateral Agent and the Administrative Agent if it no longer satisfies the criteria set forth in the definition of "Acceptable LC Provider" (or such notice shall be provided by such Borrower).

(d) If the Borrower shall not have replaced the entity issuing an DSRA Letter of Credit within the thirty (30) day period referenced in paragraph (c) above, or if the Offshore Collateral Agent has not been provided with a satisfactory renewal or replacement DSRA Letter of Credit within thirty (30) day period referenced in paragraph (a)(ii) above prior to any expiration or termination of any Acceptable Letter of Credit, the Offshore Collateral Agent shall be entitled to draw the entire remaining unutilized amount of such Acceptable Letter of Credit as instructed by the Administrative Agent and the Depositary shall deposit such amount into the Debt Service Reserve Accounts as instructed by the Offshore Collateral Agent and the Onshore Collateral Agent (acting on the instructions of the Administrative Agent); provided , that no such drawing shall be made if, prior to the date specified above for the making of such drawing (or, if later, but before such drawing occurs), the Borrower shall have deposited cash into the Debt Service Reserve Accounts or delivered one or more replacement DSRA Letters of Credit, in each case, in an amount equal to the excess, if any, of (x) the Required Debt Service Reserve Amount less (y) the aggregate amount then on deposit in the Debt Service Reserve Accounts. The amounts released by the Depositary and the Trustee shall be the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with amounts from the respective Debt Service Accrual Accounts.

(e) If amounts are to be withdrawn from the Debt Service Reserve Accounts and a DSRA Letter of Credit was delivered pursuant to paragraph (a) above, monies on deposit in the Debt Service Reserve Accounts shall be utilized prior to making any drawings on any DSRA Letter of Credit and, to the extent all such amounts in the Debt Service Reserve Accounts shall have been (or would be) utilized and amounts are required or contemplated to be withdrawn or transferred from the Debt Service Reserve Accounts pursuant to the provisions hereof, the Offshore Collateral Agent shall be entitled and is hereby authorized and directed to make a drawing on such DSRA Letter of Credit at such time as shall be necessary to provide for sufficient amounts to be on deposit in the Debt Service Reserve Accounts on the date such amounts are required or contemplated to be withdrawn or transferred from the Debt Service Reserve Accounts pursuant to the provisions hereof.

(f) Within five (5) Business Days after receipt of any proposed DSRA Letter of Credit from the Borrower pursuant to paragraph (a) above, the Offshore Collateral Agent shall confirm to the Borrower that the proposed Acceptable Letter of Credit meets the requirements of the definition thereof or shall specify in writing the changes required thereto; provided , that nothing in this paragraph (f) shall preclude the Offshore Collateral Agent from consulting with, and relying upon, any consultant, legal counsel or other expert advisor in making such determination in accordance with the Credit Agreement.

## ARTICLE IV

## THE OFFSHORE ACCOUNTS

4.01 Offshore Construction Account .

(a) All proceeds of Borrowings of the Loans under the Credit Agreement shall be deposited into the Offshore Construction Account. No Senior Lender shall be entitled to fund its Loan part of such Borrowing on a net basis against amounts owed to such Senior Lender as interest to be paid with such Borrowing.

(b) The Borrower hereby irrevocably authorizes the Administrative Agent to deliver such proceeds directly to the Depositary at its New York office for deposit into the Offshore Construction Account using the wire instructions set forth in Schedule I .

(c) The Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Depositary to make the withdrawals and transfers of amounts from time to time on deposit in the Offshore Construction Account promptly to the Onshore Dollar Construction Account on the relevant Disbursement Date, or to the extent the proceeds of the Borrowings are received by the Depositary after 3:00 p.m. New York time on such Disbursement Date, on the next succeeding Business Day and shall be applied in accordance with Section 5.01 . No Withdrawal/Transfer Certificate shall be required for the Depositary to make the withdrawals and transfers pursuant to this Section 4.01 .

(d) Upon the later of (i) the termination of the Tranche A Loan Commitment Period and the Tranche D Loan Commitment Period and (ii) the Actual Project Acceptance Date, any amounts remaining in the Offshore Construction Account shall, at the direction of the Administrative Agent, be transferred to the Onshore Dollar Revenue Account. The Offshore Construction Account shall thereafter be closed pursuant to Section 3.10 .

4.02 Debt Service Accrual Accounts .

(a) The Debt Service Accrual Accounts shall be funded from (i) the Onshore Dollar Revenue Account in accordance with Section 5.05(c) , (ii) the Onshore Nuevo Sol Revenue Account in accordance with Section 5.06(d) and (iii) from such other Project Accounts specified in Sections 4.03 and 5.12 .

(b) Amounts from time to time on deposit in the Debt Service Accrual Accounts shall be available to the Borrower to be applied solely to pay, when due and payable, interest or principal on the Senior Loans under the Credit Agreement or scheduled amounts

under the Permitted Swap Agreements. In no event shall any amounts on deposit in the Debt Service Accrual Accounts be applied to the payment of any interest or principal on the Tranche C Loans.

(c) Subject to Section 3.04 , the Offshore Collateral Agent hereby irrevocably authorizes the Depositary, upon receipt of written instructions from the Offshore Collateral Agent, to make withdrawals and transfers on any date on which interest or principal in respect of the Senior Loans of the Bank Senior Secured Parties under the Credit Agreement (other than voluntary or mandatory prepayments of principal), or scheduled amounts or termination payments under the Permitted Swap Agreements of the Bank Senior Secured Parties becomes due and payable to the extent of funds then available in the Offshore Debt Service Accrual Account, for the payment of such interest, principal or scheduled amounts, as the case may be.

(d) Subject to Section 3.04 , the Offshore Collateral Agent hereby irrevocably authorizes the Trustee, upon receipt of written instructions from the Offshore Collateral Agent, to make withdrawals and transfers on any date on which interest or principal in respect of the Senior Loans of the Non-Bank Senior Secured Parties under the Credit Agreement (other than voluntary or mandatory prepayments of principal), or scheduled amounts or termination payments under the Permitted Swap Agreements of Non-Bank Senior Secured Parties becomes due and payable to the extent of funds then available in the Onshore Debt Service Accrual Account, for the payment of such interest, principal or scheduled amounts, as the case may be.

4.03 Debt Service Reserve Account .

(a) Subject to Section 3.13 , the Debt Service Reserve Accounts shall be funded from (i) the Onshore Dollar Revenue Account pursuant to Section 5.05 (c) and (ii) from amounts paid by or on behalf of the Pledgors in accordance with Section 2.03(b) of the Equity Contribution and Retention Agreement, in an amount sufficient to satisfy the Required Debt Service Reserve Amount, using the wire instructions set forth in Schedule I .

(b) On any date on which interest or principal in respect of the Senior Loans of the Bank Senior Secured Parties (other than voluntary or mandatory prepayments) or scheduled amounts under the Permitted Swap Agreements of Bank Senior Secured Parties becomes due and payable in accordance with the Financing Documents, in the event the balance in the Offshore Debt Service Accrual Account is insufficient to pay such interest, principal, scheduled amounts or termination payments due on such date (such amount, the " Offshore Deficiency "), the Offshore Collateral Agent hereby authorizes the Depositary, upon receipt of written instructions from the Offshore Collateral Agent (acting at the direction of the Administrative Agent), to make a withdrawal and transfer from the Offshore Debt Service Reserve Account, to the extent of funds then available on deposit therein, to the Offshore Debt Service Accrual Account, in an amount equal to the Offshore Deficiency.

(c) On any date on which interest or principal in respect of the Senior Loans of the Non-Bank Senior Secured Parties (other than voluntary or mandatory prepayments) or scheduled amounts under the Permitted Swap Agreements of Non-Bank Senior Secured Parties becomes due and payable in accordance with the Financing Documents, in the event the balance in the Onshore Debt Service Accrual Account is insufficient to pay such interest, principal or

scheduled amounts or termination payments due on such date (such amount, the " Onshore Deficiency "), the Offshore Collateral Agent hereby authorizes the Trustee, upon receipt of written instructions from the Offshore Collateral Agent (acting at the direction of the Administrative Agent), to make a withdrawal and transfer from the Onshore Debt Service Reserve Account, to the extent of funds then available on deposit therein, to the Onshore Debt Service Accrual Account, in an amount equal to the Onshore Deficiency.

(d) If funds on deposit in the Debt Service Reserve Accounts are not sufficient to make the foregoing transfers, then the Depositary and the Trustee shall inform the Borrower and the Administrative Agent, and the Offshore Collateral Agent shall instruct the Depositary and the Trustee (in each case, upon the direction of the Administrative Agent) to make such transfers among the Debt Service Reserve Accounts as may be needed so that aggregate amounts on deposit in the Debt Service Reserve Accounts are shared pro rata by the Senior Secured Parties to be paid with such amounts.

(e) If funds on deposit in the Debt Service Reserve Accounts are not sufficient to make the foregoing transfers, then the Depositary shall inform the Borrower, the Administrative Agent and the Offshore Collateral Agent, and the Offshore Collateral Agent shall have the right to draw upon any Acceptable Letter of Credit provided to satisfy, in whole or in part, the Required Debt Service Reserve Amount, in the amount of the Onshore Deficiency and the Offshore Deficiency, and the Offshore Collateral Agent shall deposit the proceeds of such drawing as soon as practicable into the Offshore Debt Service Accrual Account to transfer amounts due therefrom (including to the Onshore Debt Service Accrual Account to pay Non-Bank Senior Secured Parties, which amount shall be transferred by the Trustee to pay amounts due from the Onshore Debt Service Accrual Account).

(f) Subject to Section 3.13 , upon any reduction in the Required Debt Service Reserve Amount, on any Monthly Transfer Date in the event that the aggregate amount in the Debt Service Reserve Accounts is in excess of the then applicable Required Debt Service Reserve Amount (as notified by the Administrative Agent to the Offshore Collateral Agent and the Onshore Collateral Agent, and after giving effect to any DSRA Letter of Credit posted in respect thereof), each of the Depositary and the Trustee shall, acting at the written direction of the Offshore Collateral Agent, deposit into the Onshore Dollar Revenue Account, such excess for application in accordance with Section 5.05 hereof (such direction not to be unreasonably withheld or delayed). The directions given by the Offshore Collateral Agent pursuant to this clause (f) shall be in the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Reserve Accounts.

(g) On any Monthly Transfer Date in the event that the amount in a Debt Service Reserve Account is in excess of the then applicable pro rata share of the Senior Secured Parties to be paid from such Debt Service Reserve Account (as notified by the Administrative Agent to the Offshore Collateral Agent and the Onshore Collateral Agent), each of the Depositary and the Trustee shall, acting at the written direction of the Offshore Collateral Agent, transfer amounts among the Debt Service Reserve Accounts in such amounts as directed by the Administrative Agent. The directions given by the Offshore Collateral Agent and the Onshore

Collateral Agent pursuant to this clause (g) shall be in the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Reserve Accounts.

4.04 Prepayment Account.

(a) The Borrower shall deposit or transfer (or shall cause to be deposited or transferred) the following amounts to the Prepayment Account:

(i) Net Available Amount resulting from the Disposition of the Borrower's physical assets as and to the extent required to be applied towards the prepayment of Secured Obligations pursuant to Section 3.04 of the Credit Agreement;

(ii) any net proceeds from the Material Project Parties as required to be applied to the prepayment of the Secured Obligations pursuant to Section 3.04 of the Credit Agreement;

(iii) any amounts transferred from the Loss Proceeds Account at such time and in such amounts as provided in Section 5.09(c) as required to be applied to the prepayment of the Secured Obligations pursuant to Section 3.04 of the Credit Agreement;

(iv) any amounts transferred from the Performance LD Account at such time and in such amounts as provided in Section 4.05(b) as required to be applied to the prepayment of the Secured Obligations pursuant to Section 3.04 of the Credit Agreement; and

(v) any amounts required to be transferred from the Onshore Distribution Accounts at such time and in such amounts as provided in Section 5.10(c) as required to be applied to the prepayment of the Secured Obligations pursuant to Section 3.04 of the Credit Agreement.

(b) Subject to Section 3.04 , the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Depositary to make withdrawals and transfers of all amounts on deposit in the Prepayment Account, as directed in writing by the Administrative Agent (in accordance with the procedure set out in Section 3.02 ) from time to time to be applied to the prepayment of the Secured Obligations in accordance with Section 3.04 of the Credit Agreement.

4.05 Performance LD Account .

(a) The Borrower shall deposit (or shall cause to be deposited) all performance liquidated damages (including, without limitation, the proceeds of any drawings under the Advance Payment Bond or the Performance Bond, as each such term is defined in the EPC Contract) paid by the EPC Contractor under the EPC Contract to the Performance LD Account. In furtherance (and without limitation) of the foregoing, the Borrower hereby agrees to irrevocably instruct the EPC Contractor to pay such liquidated damages directly to the Depositary at its New York office for deposit into the Performance LD Account using the wire instructions provided in Schedule I and the Depositary shall have the right to receive all payments directly from the Persons making such payments.

(b) Subject to Section 3.04 , the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Depositary to make withdrawals and transfers of all amounts on deposit in the Performance LD Account (in accordance with the procedure set out in Section 3.02 ) to the Prepayment Account for application to the prepayment of the Secured Obligations in accordance with Section 3.04 of the Credit Agreement.

4.06 Delay LD Account .

(a) The Borrower shall deposit (or shall cause to be deposited) all delay liquidated damages (including, without limitation, the proceeds of any drawings under the Advance Payment Bond or the Performance Bond, as each such term is defined in the EPC Contract) payable by the EPC Contractor under the EPC Contract to the Delay LD Account. In furtherance (and without limitation) of the foregoing, the Borrower hereby agrees to irrevocably instruct the EPC Contractor and the issuing bank who has provided such Advance Payment Bond or Performance Bond to pay such delay liquidated damages directly to the Depositary at its New York office for deposit into the Delay LD Account using the wire instructions provided in Schedule I and the Depositary shall have the right to receive all payments directly from the Persons making such payments.

(b) Subject to Section 3.04 , the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Depositary to make withdrawals and transfers (in accordance with the procedure set out in Section 3.02 ), of all amounts on deposit of all amounts on deposit in the Delay LD Account for application to fund (i) the Onshore Dollar Construction Account (prior to the Actual Project Acceptance Date) or (ii) the Onshore Dollar Operating Account (on or following the Actual Project Acceptance Date).

## ARTICLE V

## THE ONSHORE ACCOUNTS

5.01 Onshore Dollar Construction Account .

(a) There shall be deposited into the Onshore Dollar Construction Account, the following amounts:

(i) all Shareholder Contributions denominated in Dollars;

(ii) all drawings under the Equity Letters of Credit delivered pursuant to Section 2.01(c) and Sections 2.02(b) and (c) of the Equity Contribution and Retention Agreement;

(iii) amounts on deposit in the Offshore Construction Account as provided in Section 4.01(c) ;

(iv) all amounts from the Delay LD Account at such times and in such amounts as provided in Section 4.06(b) ; and

(v) prior to the Actual Project Acceptance Date, all Dollar-denominated amounts received by the Borrower under any Permitted Swap Agreements.

(b) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , the Borrower shall withdraw and transfer funds, on any date on which a Dollar-denominated Project Cost is due and payable, to the extent then available in the Onshore Dollar Construction Account, in amounts required for the direct payment of the Dollar-denominated Project Costs then due and payable.

(c) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , the Borrower shall withdraw and transfer funds to the Onshore Nuevo Sol Construction Account, to the extent of any deficiency in the Onshore Nuevo Sol Construction Account, in amounts required for (i) transfer to any Local Account or (ii) the direct payment of Nuevo Sol-denominated Project Costs then due and payable.

(d) Upon the later of (i) the termination of the Tranche A Loan Commitment Period and the Tranche D Loan Commitment Period and (ii) the Actual Project Acceptance Date, any amounts remaining in the Onshore Dollar Construction Account shall, at the written direction of the Administrative Agent (such direction not to be unreasonably withheld or delayed), be transferred to the Onshore Dollar Revenue Account. The Onshore Dollar Construction Account shall thereafter be closed pursuant to Section 3.10 .

5.02 Onshore Nuevo Sol Construction Account .

(a) There shall be deposited into the Onshore Nuevo Sol Construction Account, the following amounts:

(i) all Shareholder Contributions denominated in Nuevo Soles;

(ii) amounts transferred from the Onshore Dollar Construction Account required for the payment of Nuevo Sol-denominated Project Costs as provided in Section 5.01(c) ;

(iii) prior to the Actual Project Acceptance Date, all Nuevo Sol-denominated amounts received by the Borrower under any Permitted Swap Agreements; and

(iv) any VAT recoveries or refunds denominated in Nuevo Soles received from time to time in respect of the VAT that was paid by the Borrower on or prior to the Actual Project Acceptance Date.

(b) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , the Borrower shall withdraw and transfer funds, on any date on which Nuevo Sol-denominated Project Costs are due and payable, to the extent then available in the Onshore Nuevo Sol Construction Account, in amounts required for (i) transfer to any Local Account or (ii) the direct payment of Nuevo Sol-denominated Project Costs then due and payable.

(c) Upon the later of (i) the termination of the Tranche A Loan Commitment Period and the Tranche D Loan Commitment Period and (ii) the Actual Project Acceptance Date,

any amounts remaining in the Onshore Nuevo Sol Construction Account shall, at the written direction of the Administrative Agent (such direction not to be unreasonably withheld or delayed), be transferred to the Onshore Nuevo Sol Revenue Account. The Onshore Nuevo Sol Construction Account shall thereafter be closed pursuant to Section 3.10 .

5.03 Pre-Acceptance Dollar Revenue Account .

(a) During any time commencing on the Initial Partial Taking-Over Date and ending on the Actual Project Acceptance Date, promptly upon receipt, the Borrower shall deposit or shall cause to be deposited into the Pre-Acceptance Dollar Revenue Account (i) all Dollar-denominated Project Revenues and (ii) other amounts denominated in Dollars in relation to the Project received by the Borrower. If any of the foregoing amounts are received by the Borrower, the Borrower shall hold such payments in trust for the Trustee and shall promptly remit such payments to the Trustee for deposit into the Pre-Acceptance Dollar Revenue Account, in the form received, with any necessary endorsement.

(b) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , amounts from time to time on deposit in the Pre-Acceptance Dollar Revenue Account shall be available to the Borrower (i) to be applied for the direct payment when due and payable of Dollar-denominated Operation and Maintenance Expenses and (ii) (x) to be transferred to any Local Account or (y) for the direct payment of Nuevo Sol-denominated Project Costs then due and payable and of Nuevo Sol-denominated Operation and Maintenance Expenses.

(c) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , to the extent that (i) amounts on deposit in the Onshore Construction Accounts are insufficient for the payment of Project Costs then due and payable and (ii) the Maximum Contingent Equity Contribution has already been provided by the Pledgors pursuant to Section 2.02(a) of the Equity Contribution and Retention Agreement, amounts from time to time on deposit in the Pre-Acceptance Dollar Revenue Account shall be available to the Borrower (x) to be applied for the direct payment when due and payable of Dollar-denominated Project Costs or (y) (A) transfer to any Local Account or (B) the direct payment when due and payable of Nuevo Sol-denominated Project Costs.

(d) On the Actual Project Acceptance Date and subject to Section 3.04 , at the written direction of the Administrative Agent to the Trustee, any amounts on deposit in the Pre-Acceptance Dollar Reserve Account (up to an amount equal to the Initial Required Debt Service Reserve Amount) shall be transferred to the Debt Service Reserve Accounts and the stated amount of the DSRA Letters of Credit delivered pursuant to Section 2.03(b) of the Equity Contribution and Retention Agreement shall be reduced in an amount equal to such transferred amount in accordance with the terms thereof. Such transfer shall be made in such amounts as directed by the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Reserve Accounts.

(e) Subject to Section 3.04 , upon the Actual Project Acceptance Date, at the written direction of the Administrative Agent to the Trustee (pursuant to the instructions provided by the Borrower, acting in its sole discretion), any amounts remaining on deposit in the

Pre-Acceptance Dollar Revenue Account shall be transferred either to (i) the Onshore Dollar Distribution Account or (ii) after conversion to Nuevo Soles in accordance with Section 3.12 , the Onshore Nuevo Sol Distribution Account. The Pre-Acceptance Dollar Revenue Account shall thereafter be closed pursuant to Section 3.10 .

5.04 Pre-Acceptance Nuevo Sol Revenue Account .

(a) During any time commencing on the Initial Partial Taking-Over Date and ending on the Actual Project Acceptance Date, promptly upon receipt, the Borrower shall deposit or shall cause the following amounts to be deposited into the Pre-Acceptance Nuevo Sol Revenue Account, all Nuevo Sol-denominated Project Revenues and other amounts denominated in Nuevo Soles in relation to the Project received by the Borrower. If any of the foregoing amounts are received by the Borrower, the Borrower shall hold such payments in trust for the Trustee and shall promptly remit such payments to the Trustee for deposit into the Pre-Acceptance Nuevo Sol Revenue Account, in the form received, with any necessary endorsement.

(b) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , amounts from time to time on deposit in the Pre-Acceptance Nuevo Sol Revenue Account shall be available to the Borrower (i) to transfer to any Local Account or (ii) to be applied for the direct payment when due and payable of (x) Nuevo Sol-denominated Operation and Maintenance Expenses or (y) Dollar-denominated Operation and Maintenance Expenses.

(c) Prior to the Actual Project Acceptance Date and subject to Section 3.04 , to the extent that (i) amounts on deposit in the Onshore Construction Accounts are insufficient for the payment of Project Costs then due and payable and (ii) the Maximum Contingent Equity Contribution has already been provided by the Pledgors pursuant to Section 2.02(a) of the Equity Contribution and Retention Agreement, amounts from time to time on deposit in the Pre-Acceptance Nuevo Sol Revenue Account shall be available to the Borrower to (x) transfer to any Local Account or (y) be applied for (A) the direct payment when due and payable of Nuevo Sol-denominated Project Costs or (B) the direct payment when due and payable of Dollar-denominated Project Costs.

(d) Subject to Section 3.04 , upon the Actual Project Acceptance Date, at the written direction of the Administrative Agent to the Trustee (pursuant to the instructions provided by the Borrower, acting in its sole discretion), amounts on deposit in the Pre-Acceptance Nuevo Sol Revenue Account shall be transferred to (i) the Onshore Nuevo Sol Distribution Account or (ii) after conversion to Dollars in accordance with Section 3.12 , the Onshore Dollar Distribution Account. The Pre-Acceptance Nuevo Sol Revenue Account shall thereafter be closed pursuant to Section 3.10 .

5.05 Onshore Dollar Revenue Account .

(a) On and after the Actual Project Acceptance Date, the Borrower shall deposit or shall cause the following amounts to be deposited into the Onshore Dollar Revenue Account:

(i) promptly upon receipt, all Dollar-denominated Project Revenues and other Dollar amounts in relation to the Project received by the Borrower;

(ii) promptly upon receipt, any amount of insurance proceeds and other payments received for interruption of operations in respect of any Event of Loss of the Borrower, except to the extent any such amounts are to be deposited into the Loss Proceeds Account pursuant to Section 5.09 ;

(iii) on and after the Actual Project Acceptance Date, all Dollar-denominated amounts received under Permitted Swap Agreements;

(iv) whenever required under this Agreement (and, if not specified herein, promptly), all amounts required to be transferred to the Onshore Dollar Revenue Account from any other Project Accounts and as contemplated under this Agreement, including the Onshore Dollar Construction Account; and

(v) amounts referred to in paragraph (b) below.

If any of the foregoing amounts are received by the Borrower, the Borrower shall hold such payments in trust for the Trustee and shall promptly remit such payments to the Trustee for deposit into the Onshore Dollar Revenue Account, in the form received, with any necessary endorsements. In furtherance (and without limitation) of the foregoing, the Borrower hereby agrees to irrevocably instruct each Project Party, each Equity Party and, to the extent practicable, each other Person making Dollar-denominated payments to or for the benefit of the Borrower pursuant to the Project Documents, Section 6(b) of the Equity Contribution and Retention Agreement or otherwise, to deliver such amounts directly to the Trustee for deposit into the Onshore Dollar Revenue Account and the Trustee shall have the right to receive all payments directly from the Persons making such payments for deposit into the Onshore Dollar Revenue Account.

(b) In the event the Trustee receives monies denominated in Dollars without adequate instruction with respect to the proper Project Account in which such monies are to be deposited, the Trustee shall deposit such monies into the Onshore Dollar Revenue Account and segregate such monies from all other amounts on deposit in the Onshore Dollar Revenue Account and notify the Borrower and the Offshore Collateral Agent of the receipt of such monies. Upon receipt of written instructions from the Borrower, the Trustee shall transfer such monies from the Onshore Dollar Revenue Account to the Project Account (other than the Onshore Distribution Accounts) specified by such instructions and consented to in writing by the Administrative Agent.

(c) On each Monthly Transfer Date beginning on and after the earlier to occur of (x) the Monthly Transfer Date that occurs in the month immediately succeeding the Actual Project Acceptance Date and (y) last date of the Tranche A Loan Commitment Period and the Tranche D Loan Commitment Period (as notified by the Administrative Agent to the Offshore Collateral Agent), subject to Section 3.04 , the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Trustee to make the withdrawals and transfers of amounts on deposit in the Onshore Dollar Revenue Account (in accordance with the procedure set out in Section 3.02 ) for application in the following order of priority, in each case, to the extent of available funds:

*First* , to transfer to ( pro rata to the extent of insufficient funds):

(i) the Onshore Dollar Operating Account, an aggregate amount set forth in the Executed Withdrawal/Transfer Certificate and certified therein which equals the excess, if any, of: (A) the amount needed to pay the aggregate amount of Dollar-denominated Operation and Maintenance Expenses and Spot Market Expenses projected to be due and payable in the next forty-five (45) days succeeding the date of the Withdrawal/Transfer Certificate in accordance with the then-applicable Operating and Capital Budget less (B)(x) the aggregate amount then on deposit in the Onshore Dollar Operating Account minus (y) any such amounts on deposit that have been previously designated for payment of Dollar-denominated Operation and Maintenance Expenses and Spot Market Expenses that have not yet been paid; and

(ii) the Onshore Nuevo Sol Operating Account and any Local Account, after conversion to Nuevo Soles in accordance with Section 3.12 , to the extent of any deficiency of amounts available for transfer from the Onshore Nuevo Sol Revenue Account to the Onshore Nuevo Sol Operating Account or any Local Account (or then on deposit in the Onshore Nuevo Sol Operating Account or any Local Account) to pay Nuevo Sol-denominated Operation and Maintenance Expenses and Spot Market Expenses as set forth in Section 5.06(c) .

*Second* , after giving effect to the withdrawals and transfers specified in clause *First* above, to pay ( pro rata to the extent of insufficient funds) an amount set forth in the Executed Withdrawal/Transfer Certificate and certified therein which equals the amount required to pay any and all Secured Obligations comprising any fees, costs and expenses (including (i) attorneys' fees and expenses and (ii) VAT payable to FMO pursuant to Section 11.03(d) of the Credit Agreement) due and payable to any Secured Party under and in accordance with the Financing Documents (other than amounts paid in connection with Clause *First* above);

*Third* , after giving effect to the withdrawals and transfers specified in clauses *First* through *Second* above, to transfer ( pro rata to the extent of insufficient funds) to the Debt Service Accrual Accounts an amount set forth in the Executed Withdrawal/Transfer Certificate and certified therein which equals one-third (1/3) of: (i) any amounts anticipated to become due and payable on the next succeeding Interest Payment Date in respect of Interest Expense related to the Senior Loans plus (ii) any amounts anticipated to become due and payable on the next succeeding Interest Payment Date in respect of any ordinary course settlement payments under any Permitted Swap Agreement plus (iii) any unpaid amounts due and payable in respect of any ordinary course settlement payments under any Permitted Swap Agreement, including applicable interest on such unpaid amounts; provided , that if such Monthly Transfer Date is on an Interest Payment Date, or is the last Monthly Transfer Date occurring prior to the next Interest Payment Date, the amount transferred pursuant to this Clause *Third* shall equal all amounts due and payable on such Interest Payment Date minus any amounts then on deposit in the Debt Service Accrual Accounts; provided , further , that amounts transferred to the Debt Service Accrual Accounts shall be the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Accrual Accounts;

*Fourth* , after giving effect to the withdrawals and transfers specified in clauses *First* through *Third* above, to transfer ( pro rata to the extent of insufficient funds) to the Debt Service Accrual Accounts an amount set forth in the Executed Withdrawal/Transfer Certificate and certified therein which equals the sum of one-third (1/3): (i) the amounts then due and payable on the next succeeding Principal Payment Date in respect of outstanding principal on the Senior Loans, plus (ii) any amounts then due and payable on the next succeeding Principal Payment Date in respect of termination payments under any Permitted Swap Agreement; provided , that if such Monthly Transfer Date is on a Principal Payment Date, or is the last Monthly Transfer Date occurring prior to the next Principal Payment Date, the amount transferred pursuant to this Clause *Fourth* shall equal all amounts due and payable on such Principal Payment Date minus any amounts then on deposit in the Debt Service Accrual Accounts; provided , further , that amounts transferred to the Debt Service Accrual Accounts shall be the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Accrual Accounts;

*Fifth* , after giving effect to the withdrawals and transfers specified in clauses *First* through *Fourth* above, to fund the Debt Service Reserve Accounts to the extent necessary to cause the balance therein (whether in cash or as a result of posting an Acceptable Letter of Credit for such purpose) to equal the then-current Required Debt Service Reserve Amount; provided , further , that amounts transferred to the Debt Service Reserve Accounts shall be the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Reserve Accounts;

*Sixth* , after giving effect to the withdrawals and transfers specified in clauses *First* through *Fifth* above, to make payments directly to the Tranche C Lenders with respect to (i) any Interest Expense due and payable in respect of the Tranche C Loans and (ii) any outstanding principal due and payable in respect of the Tranche C Loans;

*Seventh* , after giving effect to the withdrawals and transfers specified in clauses *First* through *Sixth* above, to make any voluntary prepayments of principal of the Senior Loans (including applicable breakage costs, fees and expenses) and any associated termination payments then due and payable under any Permitted Swap Agreement; and

*Eighth,* after giving effect to the withdrawals and transfers specified in clauses *First* through *Seventh* above and to the extent any funds remain after application thereof, to transfer all remaining amounts to, in the sole discretion of the Borrower, (i) the Onshore Dollar Distribution Account or (ii) after the conversion of such funds into Nuevo Soles accordance with Section 3.12 hereof, the Onshore Nuevo Sol Distribution Account; provided , that if the Borrower does not indicate how to distribute the remaining amounts between the Onshore Distribution Accounts, all of such funds shall be transferred to the Onshore Dollar Distribution Account.

(d) If at any time any Secured Obligation of the Borrower shall become due and payable on a Withdrawal Date that is not a Monthly Transfer Date (other than mandatory prepayments of principal of the Senior Loans required to be made pursuant to Section 3.04 of the Credit Agreement to be made from funds or proceeds on deposit in a different Project Account), the Administrative Agent is expressly authorized to instruct the Trustee (at the written direction of the Administrative Agent) to withdraw from the Onshore Dollar Revenue Account as and to the extent necessary to pay such Secured Obligation; provided , however that in the case of scheduled interest and principal under the Credit Agreement in respect of the Senior Loans, the Depositary shall have first withdrawn and transferred funds on deposit in the Debt Service Accrual Accounts for such purpose and then withdrawn and transferred funds on deposit in the Debt Service Reserve Accounts for such purpose.

5.06 Onshore Nuevo Sol Revenue Account .

(a) On and after the Actual Project Acceptance Date, the Borrower shall deposit or shall cause the following amounts to be deposited into the Onshore Nuevo Sol Revenue Account:

(i) promptly upon receipt, all Nuevo Sol-denominated Project Revenues or amounts denominated in Nuevo Soles otherwise received in relation to the Project received by the Borrower;

(ii) whenever required under this Agreement (and, if not specified herein, promptly), all amounts required to be transferred to the Onshore Nuevo Sol Revenue Account from any other Project Accounts and as contemplated under this Agreement, including the Onshore Nuevo Sol Construction Account; and

(iii) amounts referred to in paragraph (b) below.

If any of the foregoing amounts are received by the Borrower, the Borrower shall hold such payments in trust for the Trustee and shall promptly remit such payments to the Trustee for deposit into the Onshore Nuevo Sol Revenue Account, in the form received, with any necessary endorsements. In furtherance (and without limitation) of the foregoing, the Borrower hereby agrees to irrevocably instruct each Project Party, each Equity Party and, to the extent practicable, each other Person making Nuevo Sol-denominated payments to or for the benefit of the Borrower pursuant to the Project Documents, Section 6(b) of the Equity Contribution and Retention Agreement or otherwise, to deliver such amounts directly to the Trustee for deposit into the Onshore Nuevo Sol Revenue Account and the Trustee shall have the right to receive all payments directly from the Persons making such payments for deposit into the Onshore Nuevo Sol Revenue Account.

(b) In the event the Trustee receives monies denominated in Nuevo Soles without adequate instruction with respect to the proper Project Account in which such monies are to be deposited, the Trustee shall deposit such monies into the Onshore Nuevo Sol Revenue Account and segregate such monies from all other amounts on deposit in the Onshore Nuevo Sol

Revenue Account and notify the Borrower and the Offshore Collateral Agent of the receipt of such monies. Upon receipt of written instructions from the Borrower, the Trustee shall transfer such monies from the Onshore Nuevo Sol Revenue Account to the Project Account (other than the Onshore Distribution Accounts) specified by such instructions and consented to in writing by the Administrative Agent.

(c) On each Monthly Transfer Date beginning on and after the earlier to occur of (x) the Monthly Transfer Date that occurs in the month immediately succeeding the Actual Project Acceptance Date and (y) last date of the Tranche A Loan Commitment Period and the Tranche D Loan Commitment Period (as notified by the Administrative Agent to the Offshore Collateral Agent), subject to Section 3.04 , the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Trustee to make the withdrawals and transfers of amounts on deposit in the Onshore Nuevo Sol Revenue Account (in accordance with the procedure set out in Section 3.02 ) for application in the following order of priority, in each case, to the extent of available funds:

*First* , to transfer (pro rata to the extent of insufficient funds):

(i) the Onshore Nuevo Sol Operating Account or any Local Account, an aggregate amount set forth in the executed Withdrawal/Transfer Certificate and certified therein which equals the excess, if any, of: (i) the amount needed to pay the aggregate amount of Nuevo Sol-denominated Operation and Maintenance Expenses and Spot Market Expenses projected to be due and payable in the next forty-five (45) days succeeding the date of the Withdrawal/Transfer Certificate in accordance with the then-applicable Operating and Capital Budget less (ii)(x) the aggregate amount then on deposit in the Onshore Nuevo Sol Operating Account or any Local Account minus (y) any such amounts on deposit that have been previously designated for payment of Nuevo Sol-denominated Operation and Maintenance Expenses and Spot Market Expenses that have not yet been paid; and

(ii) the Onshore Dollar Operating Account, after conversion to Dollars in accordance with Section 3.12, to the extent of any deficiency of amounts available for transfer from the Onshore Dollar Revenue Account to the Onshore Dollar Operating Account (or then on deposit in the Onshore Dollar Operating Account) to pay Dollar-denominated Operation and Maintenance Expenses and Spot Market Expenses as set forth in Section 5.05(c) .

*Second* , after giving effect to the withdrawals and transfers specified in clause *First* above and, solely to the extent the Borrower is not required to make the transfers set forth in clause (d) below and the aggregate amount on deposit in the Debt Service Reserve Accounts is equal to the then-current Required Debt Service Reserve Amount, to the extent any funds remain after application thereof, to transfer all remaining amounts to, in the sole discretion of the Borrower, (i) the Onshore Nuevo Sol Distribution Account or (ii) after the conversion of such funds into Dollars accordance with Section 3.12 hereof, to the Onshore Dollar Distribution Account; provided , that if the Borrower does not indicate how to distribute the remaining amounts between the Onshore Distribution Accounts, all of such funds shall be transferred to the Onshore Nuevo Sol Distribution Account.

(d) To the extent not previously transferred to the Onshore Nuevo Sol Operating Account or any Local Account pursuant to clause (c) above, all Nuevo-Sol Project Revenues received pursuant to any PPA shall be converted into Dollars in accordance with Section 3.12 and transferred into the Debt Service Accrual Accounts within ten (10) days of receipt of such amounts; provided , that the Borrower shall not be required to make transfers of such Nuevo-Sol Project Revenues received pursuant to any PPA during a month when the amounts on deposit in the Debt Service Accrual Accounts are equal to or are in excess of the relevant Minimum Monthly Debt Service Accrual Amount; provided , further , that amounts transferred to the Debt Service Accrual Accounts shall be the amounts notified in a written instruction of the Administrative Agent, which amounts shall be calculated by the Administrative Agent based on the pro rata shares of the Senior Secured Parties to be paid with such amounts from the respective Debt Service Accrual Accounts.

5.07 Onshore Dollar Operating Account .

(a) The Onshore Dollar Operating Account shall be funded from transfers from (i) the Onshore Dollar Revenue Account in accordance with Section 5.05 , (ii) the Onshore Nuevo Sol Revenue Account in accordance with Section 5.06 , (iii) the Delay LD Account in accordance with Section 4.06(b)(ii) , and (iv) from such other Project Accounts as specified in Section 5.12 .

(b) Subject to Section 3.04 , amounts from time to time on deposit in the Onshore Dollar Operating Account shall be available to the Borrower to be applied solely for the payment when due and payable of Dollar-denominated Operation and Maintenance Expenses and Spot Market Expenses.

5.08 Onshore Nuevo Sol Operating Account .

(a) The Onshore Nuevo Sol Operating Account shall be funded from transfers from (i) the Onshore Dollar Revenue Account in accordance with Section 5.05 , (ii) the Onshore Nuevo Sol Revenue Account in accordance with Section 5.06 and (iii) from such other Project Accounts as specified in Section 5.12 .

(b) Subject to Section 3.04 , amounts from time to time on deposit in the Onshore Nuevo Sol Operating Account shall be available to the Borrower to be applied solely for the payment when due and payable of Nuevo Sol-denominated Operation and Maintenance Expenses and Spot Market Expenses.

5.09 Loss Proceeds Account .

(a) The Borrower shall deposit or shall cause to be deposited in the Loss Proceeds Account any Net Available Amount of Loss Proceeds (including the Loss Proceeds from an Event of Total Loss). In furtherance (and without limitation) of the foregoing, the Borrower hereby agrees to irrevocably instruct each insurance and reinsurance provider to deliver such Loss Proceeds directly to the Trustee at its Lima office for deposit into the Loss Proceeds Account, using the wire instructions set forth in Schedule II , and the Trustee shall have the right to receive all payments directly from the Persons making such payments for deposit into the Loss Proceeds Account.

(b) If any of the foregoing amounts are received by any other Credit Party or an Affiliate thereof, such Person shall hold such payments in trust for the Trustee and shall promptly remit such payments to the Trustee for deposit in the Loss Proceeds Account, in the form received, with any necessary endorsements.

(c) Subject to Section 3.04 , amounts on deposit in the Loss Proceeds Account shall be available to the Borrower (i) to be applied to pay for Restoration following any Event of Loss in respect of the Project, pursuant to the requirements of Section 8.05(l) of the Credit Agreement and (ii) to be transferred to the Prepayment Account for the prepayment of the Secured Obligations, in accordance with Sections 8.05(l) and 3.04 of the Credit Agreement, in each case in accordance with the procedure set out in Section 3.02 .

5.10 Distributions and Onshore Distribution Accounts .

(a) The Onshore Distribution Accounts shall be funded (i) from transfers from the relevant Onshore Revenue Account in accordance with Section 5.05 or 5.06 above and (ii) on the Actual Project Acceptance Date, from transfers from the relevant Pre-Acceptance Revenue Account in accordance with Section 5.03 or 5.04 .

(b) After the Project Completion Date and subject to Section 3.04 , and subject to the satisfaction of the conditions set forth in Section 8.12 of the Credit Agreement (as confirmed in writing by the Administrative Agent to the Offshore Collateral Agent and the Trustee on the third (3 rd ) Business Day prior to the requested Restricted Payment Date set forth in the relevant certificate delivered by the Borrower pursuant to Section 8.12(h) of the Credit Agreement), the Borrower and the Offshore Collateral Agent hereby irrevocably authorize the Trustee to make withdrawals and transfers of amounts from the Onshore Distribution Accounts in the amounts and to the Persons or account specified in the relevant certificate delivered by the Borrower pursuant to Section 8.12(h) of the Credit Agreement (including the Unsecured Accounts).

(c) To the extent that any amount remains on deposit in any Onshore Distribution Account for a period of equal to or greater than twelve (12) consecutive months from the date of such transfer pursuant to Clause *Eighth* of Section 5.05(c) , solely as a consequence of not satisfying each of the conditions set forth in Section 8.12 of the Credit Agreement, such amount shall be transferred to the Prepayment Account and applied in accordance with Section 4.04 .

5.11 Local Accounts .

(a) Any Local Account shall be funded from:

(i) Prior to the Actual Project Acceptance Date, transfers from (w) the Onshore Dollar Construction Account in accordance with Section 5.01 , (x) the Onshore Nuevo Sol Construction Account in accordance with Section 5.02 , (y) the Pre-Acceptance Dollar Revenue Account in accordance with Section 5.03 , and (z) the Pre-Acceptance Nuevo Sol Revenue Account in accordance with Section 5.04 ; and

(ii) After the Actual Project Acceptance Date, transfers from (v) the Pre-Acceptance Dollar Revenue Account in accordance with Section 5.03 , (w) the Pre-Acceptance Nuevo Sol Revenue Account in accordance with Section 5.04 , (x) the Onshore Dollar Revenue Account in accordance with Section 5.05 , (y) the Onshore Nuevo Sol Revenue Account in accordance with Section 5.06 and (z) from such other Project Accounts as specified in Section 5.12 .

(b) Prior to the Actual Project Acceptance Date, amounts from time to time transferred to any Local Account shall be limited to the amount set forth in the Borrower's Borrowing Certificate for payment of Project Costs to Persons located near the Project and amounts on deposit in any Local Account shall be available to the Borrower to be applied solely for the payment when due and payable of Project Costs to Persons located near the Project.

(c) After the Actual Project Acceptance Date, amounts from time to time transferred to any Local Account shall be limited to the amount set forth in the relevant Executed Withdrawal/Transfer Certificate and amounts from time to time on deposit in any Local Account shall be available to the Borrower to be applied solely for the payment when due and payable of Operation and Maintenance Expenses to Persons located near the Project.

5.12 Invasion of Accounts .

(a) Without limiting the rights provided under Section 3.04 , one (1) Business Day prior to any Business Day on which (i) Dollar-denominated Operation and Maintenance Expenses or Spot Market Expenses are due and payable and the monies on deposit in or credited to the Onshore Dollar Operating Account are not anticipated to be adequate to pay such Dollar-denominated Operation and Maintenance Expenses and Spot Market Expenses, (ii) Nuevo Sol-denominated Operation and Maintenance Expenses or Spot Market Expenses are due and payable and the monies on deposit in or credited to the Onshore Nuevo Sol Operating Account or any Local Operating Account are not anticipated to be adequate to pay such Nuevo Sol-denominated Operation and Maintenance Expenses and or Spot Market Expenses, (iii) Interest Expense is due and payable under the Financing Documents and the monies on deposit in or credited to the Debt Service Accrual Accounts plus the Debt Service Reserve Accounts are not anticipated to be adequate to pay such Interest Expense, (iv) scheduled amounts or termination payments are due and payable under the Permitted Swap Agreements and the monies on deposit

in or credited to the Debt Service Accrual Accounts plus the Debt Service Reserve Accounts are not anticipated to be adequate to pay such or (v) principal is due and payable in respect of the Senior Loans under the Credit Agreement and the monies on deposit in or credited to the Debt Service Accrual Accounts plus the Debt Service Reserve Accounts are not anticipated to be adequate to pay such principal, the Administrative Agent may (but shall not be obligated to) direct the Offshore Collateral Agent (and the Offshore Collateral Agent shall so instruct the Trustee) to withdraw from any Onshore Account and transfer (after conversion to Dollars or Nuevo Soles, as applicable, in accordance with Section 3.12 ), to the Onshore Dollar Operating Account, Onshore Nuevo Sol Operating Account or the Debt Service Accrual Accounts, an amount sufficient to cause the balance in such Project Accounts (when taken together with all other amounts deposited therein or credited thereto at such time) to equal the amount of such Operation and Maintenance Expenses, Spot Market Expenses, Interest Expense, scheduled amounts under the Permitted Swap Agreements and principal on the Senior Loans (if any) due and payable by the Borrower on such Business Day or Interest Payment Date (as applicable).

(b) Without limiting the rights provided under Section 3.04 , within one (1) Business Day after any Monthly Transfer Date on which the Borrower does not have sufficient amounts in the Onshore Dollar Revenue Account to make each of the withdrawals and transfers contemplated by levels *Third* and *Fourth* in Section 5.05(c) into the Debt Service Accrual Accounts, the Administrative Agent may (but shall not be obligated to) direct the Offshore Collateral Agent (and the Offshore Collateral Agent shall so instruct the Trustee) to withdraw from the Onshore Distribution Accounts and transfer (after conversion to Dollars (if required) in accordance with Section 3.12 ), to the Debt Service Accrual Accounts, an amount sufficient to cause the balance on deposit therein (when taken together with all other amounts deposited therein or credited thereto at such time) to equal to the relevant Minimum Monthly Debt Service Accrual Amount.

## ARTICLE VI

## GRANT OF SECURITY INTEREST

6.01 Collateral.

As collateral security for the performance by the Borrower of all of its covenants, agreements and obligations under the Financing Documents and the prompt repayment in full when due and payable (whether at stated maturity, by acceleration or otherwise) of the Senior Loans and all other Secured Obligations of Borrower, now existing or hereafter arising, Borrower hereby grants a security interest to the Offshore Collateral Agent for the benefit of the Secured Parties, in all of Borrower's right, title and interest in the following, whether now owned by Borrower or hereafter acquired and whether now existing or hereafter coming into existence (all being collectively referred to herein as the " Collateral ", subject to the proviso at the end of this Section 6.01 ):

(a) all agreements, contracts and documents, including each Project Document and each Permitted Swap Agreement, to which the Borrower is a party, as each such agreement, contract and document may be amended, supplemented or modified and in effect from time to time (such agreements, contracts and documents, including all exhibits and

schedules thereto being, individually, a " Assigned Agreement " and, collectively, the " Assigned Agreements "), including: (i) all rights of the Borrower to receive monies due and to become due under or pursuant to the Assigned Agreements, (ii) all rights of the Borrower to receive proceeds of any insurance, bond, indemnity, warranty or guarantee with respect to the Assigned Agreements, (iii) all Claims of the Borrower for damages arising out of or for breach of or default under the Assigned Agreements and (iv) all rights of the Borrower to terminate, amend, supplement, modify or waive performance under the Assigned Agreements, to perform thereunder and to compel performance and otherwise to exercise all remedies thereunder;

(b) all Government Approvals now or hereafter held in the name, or for the benefit, of the Borrower (provided that any Government Approvals which by its terms or by operation of applicable law (i) would become void, voidable, terminable or revocable or would be breached or defaulted under if mortgaged, pledged or assigned hereunder or if a security interest therein were granted hereunder or (ii) cannot legally be mortgaged, pledged, assigned or made subject to a security interest, is expressly excepted and excluded from the Lien and terms hereof to the extent necessary so as to avoid such voidability, avoidability, terminability, revocability, breach, default or illegality);

(c) (i) each Offshore Account and (ii) all cash, at any time on deposit in any Offshore Account, whether now owned or hereafter acquired and whether now existing or hereafter coming into existence, including whatever is received or receivable upon any collection, exchange, sale or other disposition of any of the foregoing and any property into which any of the foregoing is converted, whether cash or non-cash proceeds, and any and all other amounts paid or payable under or in connection with any of the foregoing (collectively, the " Offshore Account Collateral ");

(d) all Documents;

(e) all Chattel Paper (whether tangible or electronic);

(f) all Inventory;

(g) all Equipment;

(h) all Fixtures, including those located upon or forming part of the Project site;

(i) all Goods not covered by the preceding clauses of this Section 6.01 ;

(j) all Letter-of-Credit Rights;

(k) all General Intangibles (except for General Intangibles permitted to be credited to an Onshore Account), Payment Intangibles and Software;

(l) all Commercial Tort Claims; and

(m) all other tangible and intangible personal Property whatsoever of the Borrower and any of the Borrower's rights or interests relating thereto), including all cash,

products, rents, revenues, issues, profits, royalties, income, benefits, accessions, supporting obligations, additions, substitutions and replacements of and to any and all of the foregoing, including all Proceeds of and to any of the foregoing property described in the preceding paragraphs of this Section 6.01 (including any Proceeds of insurance thereon (whether or not a Collateral Agent is loss payee thereof)), and any indemnity, warranty or guarantee, payable by any reason of loss or damage to or otherwise with respect to any of the foregoing, and all causes of action, Claims and warranties now or hereafter held by the Borrower in respect of any of the items listed above);

provided , however , that the Collateral shall not include, and no security interest is granted in, (i) any lease, license, insurance policy (including any proceeds of insurance thereon (whether or not a Collateral Agent is loss payee thereof)), contract or agreement to which the Borrower is a party, any of its rights or interests thereunder or any assets subject thereto or any property rights of the Borrower of any nature if the grant of the security interests hereunder shall constitute or result in (A) the abandonment, invalidation or unenforceability of any right, title or interest of the Borrower therein or result in such the Borrower's loss of use of such asset or (B) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, property rights or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law or principles of equity), (ii) any lease, license, insurance policy (including any proceeds of insurance thereon (whether or not a Collateral Agent is loss payee thereof)), contract, property rights or agreement to which the Borrower is a party, any of its rights or interests thereunder or any assets subject thereto to the extent that any applicable law prohibits the creation of a security interest thereon and (iii) the Unsecured Accounts.

6.02 Perfection . The Borrower shall file such financing statements and other documents in such offices in the United States of America, as are legally required or otherwise necessary or as the Collateral Agents may request to perfect the security interests granted by it pursuant to this Article VI . This Agreement constitutes a "security agreement" as defined in Article 9 of the UCC. Without limiting the foregoing, the Borrower authorizes UCC financing statements to be filed describing the Collateral as "all assets" or "all personal property" of the Borrower, in each case, whether now owned or hereafter acquired.

6.03 Certain Representations and Warranties . The Borrower represents and warrants to the Collateral Agents, for the benefit of the Secured Parties, that as of the date hereof, as of the Initial Disbursement Date and each subsequent Disbursement Date (in each case, both immediately before and immediately after giving effect to such Borrowing occurring on such date):

(a) (i) its full and correct legal name is Cerro del Aguila S.A. (or such other name as the Borrower shall have notified the Administrative Agent and the Offshore Collateral Agent at least 30 days prior to changing its name) and (ii) it has not, at any time prior to the date of this Agreement, changed its name.

(b) its mailing address and the address of its principal place of business, in each case, as at the date of this Agreement is correctly listed in Section 11.02 . The Borrower has not, within the period of four (4) months prior to the date of this Agreement, changed its location (as defined in Section 9-307 of the UCC).

6.04 Security Interest Absolute . Until the Termination Date, all rights of the Offshore Collateral Agent and security interests hereunder shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Financing Documents or any other agreement or Instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Financing Documents or any other agreement or Instrument relating thereto;

(c) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to any departure from any guaranty, for all or any of the Secured Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, a Credit Party or third party pledgor.

Nothing in this Article VI purports to amend or modify any of the Security Documents governed by the laws of Peru and, in the case of any inconsistency between the provisions of this Agreement and those contained in such Security Documents, the Security Documents governed by the laws of Peru shall prevail; provided that in the case of any inconsistency in respect of the provisions relating to the Project Accounts, this Agreement shall prevail.

## ARTICLE VII

## DEPOSITARY

7.01 Appointment of Depositary, Powers and Immunities . The Borrower and the Offshore Collateral Agent, at the direction of the Administrative Agent acting on behalf of the Secured Parties, hereby appoint the Depositary to act as their agent hereunder, with such powers as are expressly delegated to the Depositary by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Depositary shall not have any duties or responsibilities except those expressly set forth in this Agreement and no implied duties or covenants shall be read against the Depositary. Without limiting the generality of the foregoing, the Depositary shall take all actions as the Offshore Collateral Agent, Administrative Agent or the Borrower shall direct it to perform in accordance with the express provisions of this Agreement. Notwithstanding anything to the contrary contained herein, the Depositary shall not be required to take any action which is contrary to this Agreement or Government Rule. Neither the Depositary nor any of its Affiliates shall be responsible to the Secured Parties for any recitals, statements, representations or warranties made by the Borrower and contained in this Agreement or any other Security Document or Financing Document or in any certificate or other document referred to or provided for in, or received by any Lender under this Agreement or any

other Security Document or Financing Document for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Security Document or any other document referred to or provided for herein or therein or for any failure by the Borrower to perform its obligations hereunder or thereunder. The Depositary shall not be required to ascertain or inquire as to the performance by the Borrower of any of its obligations under this Agreement or any other document or agreement contemplated hereby or thereby. The Depositary shall not be (a) required to initiate or conduct any litigation or collection proceeding hereunder or under any other Security Document or (b) responsible for any action taken or omitted to be taken by it hereunder (except for its own gross negligence or willful misconduct as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review) or in connection with any other Security Document. Except as otherwise provided under this Agreement, the Depositary shall take action under this Agreement only as it shall be directed in writing. Whenever in the administration of this Agreement the Depositary shall deem it necessary or desirable that a factual matter be proved or established in connection with the Depositary taking, suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may be deemed to be conclusively proved or established by an officer's certificate of an Authorized Officer of the Borrower or a certificate of a senior officer of the Administrative Agent or the Offshore Collateral Agent, if appropriate. The Depositary shall have the right at any time to seek instructions concerning the administration of this Agreement from the Offshore Collateral Agent, Administrative Agent, the Borrower or any court of competent jurisdiction. The Depositary shall have no obligation to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Depositary shall not be liable for any error of judgment made in good faith by an officer or officers of the Depositary, unless it shall be conclusively determined by a court of competent jurisdiction that the Depositary was grossly negligent or acting with willful misconduct (as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review) in ascertaining the pertinent facts. The Depositary may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or gross negligence on the part of, or for the supervision of, any agent, attorney, custodian or nominee so appointed. Neither the Depositary nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Agreement or in connection therewith except to the extent caused by the Depositary's own gross negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review. The Depositary shall not be deemed to have knowledge of a Default or an Event of Default unless the Depositary shall have received written notice thereof from the Offshore Collateral Agent. The rights, privileges, protections and benefits given to the Depositary, including, without limitation, its rights to be indemnified, are extended to, and shall be enforceable by, the Depositary in each of its capacities hereunder, and to each agent, custodian and other Persons employed by the Depositary in accordance herewith to act hereunder.

7.02 Reliance by Depositary . The Depositary shall be entitled to conclusively rely upon and shall not be bound to make any investigation into the facts or matters stated in any certificate of the Borrower, the Offshore Collateral Agent, the Administrative Agent or any other notice or other document (including any telecopy or electronic mail) reasonably believed by it to be genuine and to have been signed or sent by or on behalf of the proper Person or Persons, and

upon advice and statement of legal counsel, independent accountants and other experts selected by the Depositary with reasonable care and shall have no liability for its actions taken thereupon. Without limiting the foregoing, the Depositary shall be required to make payments to the Secured Parties only as set forth herein. The Depositary shall be fully justified in failing or refusing to take any action under this Agreement (a) if such action would, in the reasonable opinion of the Depositary, be contrary to applicable Government Rule or the terms of this Agreement, (b) if such action is not specifically provided for in this Agreement, it shall not have received any such advice or concurrence of the Offshore Collateral Agent as it deems appropriate or (c) if, in connection with the taking of any such action that would constitute an exercise of remedies under this Agreement (whether such action is or is intended to be an action of the Depositary or the Offshore Collateral Agent), it shall not first be indemnified to its reasonable satisfaction by the Secured Parties (other than the Offshore Collateral Agent (in its individual capacity) or any other agent or trustee under any of the Financing Documents (in their respective individual capacities)) against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Depositary shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Offshore Collateral Agent or the Administrative Agent, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties.

7.03 Court Orders . The Depositary is hereby authorized, in its exclusive discretion, to obey and comply with all writs, orders, judgments or decrees issued by any court or administrative agency affecting any money, documents or things held by the Depositary. The Depositary shall not be liable to any of the parties hereto or any of the Secured Parties or their successors, heirs or personal representatives by reason of the Depositary's compliance with such writs, orders, judgments or decrees, notwithstanding such writ, order, judgment or decree is later reversed, modified, set aside or vacated.

7.04 Resignation or Removal . Subject to the appointment and acceptance of a successor Depositary as provided below, the Depositary may resign at any time by giving thirty (30) days' written notice thereof to the Offshore Collateral Agent and the Borrower, *provided* that in the event the Depositary is also the Offshore Collateral Agent, it must also resign as the Offshore Collateral Agent at the same time. The Depositary may be removed at any time with or without cause by the Offshore Collateral Agent. So long as no Trigger Event shall have then occurred and be continuing, the Borrower shall have the right to remove the Depositary for cause upon sixty (60) days' notice to the Depositary and the Offshore Collateral Agent. In the event that the Depositary shall decline to take any action without first receiving adequate indemnity from the Borrower or the Secured Parties and, having received an indemnity, shall continue to decline to take such action, the Borrower and the Administrative Agent shall be deemed to have sufficient cause to remove the Depositary. Notwithstanding anything to the contrary, no resignation or removal of the Depositary shall be effective until: (i) a successor Depositary is appointed in accordance with this Section 7.04 , (ii) the resigning or removed Depositary has transferred to its successor all of its rights and obligations in its capacity as the Depositary under this Agreement and the other Financing Documents, and (iii) the successor Depositary has executed and delivered an agreement to be bound by the terms hereof and perform all duties required of the Depositary hereunder. Within thirty (30) days of receipt of a written notice of any resignation or removal of the Depositary, so long as no Trigger Event shall have then occurred and be continuing, the Borrower shall appoint a successor Depositary reasonably

acceptable to the Administrative Agent; provided , that if the Administrative Agent does not confirm such acceptance or reject such appointee in writing within thirty (30) days following selection of such successor by the Borrower, then it shall be deemed to have given acceptance thereof and such successor shall be deemed appointed as the Depositary hereunder. If no successor Depositary shall have been appointed by the Borrower and shall have accepted such appointment within thirty (30) days after the retiring Depositary's giving of notice of resignation or the removal of the retiring Depositary or if a Trigger Event shall have then occurred and be continuing, then the retiring Depositary may, at the sole cost and expense of the Borrower, apply to a court of competent jurisdiction to appoint a successor Depositary, which shall be an Acceptable Bank and reasonably acceptable to the Administrative Agent. Upon the acceptance of any appointment as Depositary hereunder by the successor Depositary, such successor Depositary shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Depositary, and the retiring Depositary shall be discharged from its duties and obligations hereunder. After the retiring Depositary's resignation or removal hereunder as the Depositary, the provisions of this Article VII and of Article VIII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Depositary. Any corporation into which the Depositary may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Depositary shall be a party, or any corporation succeeding to the corporate trust business of the Depositary shall be the successor of the Depositary hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding. Any successor Depositary must be capable of acting, and shall act, as a Bank. The fees payable by the Borrower to a successor Depositary shall be same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor.

7.05 Exculpatory Provisions . Beyond the exercise of reasonable care in the custody thereof and as otherwise specifically set forth herein, the Depositary shall have no duty as to any of the Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Depositary shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any security interest in the Collateral. The Depositary shall not be liable or responsible for any loss or diminution in the value of any of the Collateral by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Depositary in good faith.

The Depositary shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Depositary (as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review), for the validity or sufficiency of the Collateral or any agreement or assignment contained therein, for the validity of the title of the Borrower to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

## ARTICLE VIII

## COLLATERAL AGENTS

8.01 Appointment; Powers and Immunities .

(a) The Administrative Agent, on behalf of each of the Secured Parties, hereby designates and appoints The Bank of Nova Scotia to act as the Offshore Collateral Agent and Scotiabank Peru S.A.A. to act as the Onshore Collateral Agent under the Financing Documents, and authorizes (i) the Offshore Collateral Agent and the Onshore Collateral Agent to enter into this Agreement, each of the other Financing Documents to which it is intended to be a party and the Credit Agreement (and ratifies any such Financing Document entered into prior to the date hereof), (ii) the Offshore Collateral Agent to appoint the Depositary pursuant to the terms of this Agreement, (iii) take such actions on its and their behalf under the provisions of the Financing Documents to which it is a party and (iv) to exercise such powers and perform such duties as are expressly delegated to the Offshore Collateral Agent and the Onshore Collateral Agent, as applicable, by the terms of the Financing Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in the Financing Documents, neither Collateral Agent shall have any duties, responsibilities or fiduciary relationship with any Secured Party, except those expressly set forth in this Agreement and the other Financing Documents, and no implied covenants, functions or responsibilities, fiduciary or otherwise, shall be read into this Agreement or any other Financing Document or otherwise exist against either Collateral Agent and any such implied duties that may exist under any applicable Government Rule are hereby waived to the fullest extent permitted under such applicable Government Rule.

(b) The Offshore Collateral Agent will give notice to the Administrative Agent on behalf of the Secured Parties of any action to be taken by the Offshore Collateral Agent under any Financing Document to which it is a party; such notice shall be given prior to the taking of such action unless the Offshore Collateral Agent determines that to do so would be detrimental to the interests of the Secured Parties, in which event such notice shall be given promptly after the taking of such action.

(c) The Onshore Collateral Agent will give notice to the Administrative Agent on behalf of the Secured Parties of any action to be taken by the Onshore Collateral Agent under any Financing Document to which it is a party; such notice shall be given prior to the taking of such action unless the Onshore Collateral Agent determines that to do so would be detrimental to the interests of the Secured Parties, in which event such notice shall be given promptly after the taking of such action.

(d) No Collateral Agent shall be required to exercise any discretionary rights or remedies under any of the Financing Documents or give any consent under any of the

Financing Documents or enter into any agreement amending, modifying, supplementing or waiving any provision of any Financing Document unless it shall have been expressly directed in writing to do so by the Administrative Agent; provided , that the Administrative Agent shall obtain the consent of the Lenders, the Majority Lenders or the Supermajority Lenders, as required under the Credit Agreement, before giving any such direction to the relevant Collateral Agent.

(e) Notwithstanding anything herein or in any other Financing Document to the contrary, the Offshore Collateral Agent shall be entitled to rely conclusively on any direction or instruction received from the Administrative Agent without any duty whatsoever to inquire as to whether the Administrative Agent has received any direction or instruction that may be required hereunder (including where any direction or instruction of the Administrative Agent herein is conditioned upon the Administrative Agent itself acting upon the instruction of the Lenders).

8.02 Rights of the Collateral Agents .

(a) Each of the Offshore Collateral Agent and the Onshore Collateral Agent may execute any of its duties under the Financing Documents by or through agents or attorneys-in-fact and shall not be liable for any acts or omissions of any such agent appointed with due care by it hereunder. Each of the Offshore Collateral Agent and the Onshore Collateral Agent shall be entitled to seek the advice of its independent counsel concerning all matters pertaining to such duties and shall not be liable for any action or inaction based in good faith on such advice.

(b) Neither the Offshore Collateral Agent, the Onshore Collateral Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable to any of the Secured Parties for any action lawfully taken or omitted to be taken by it under or in connection with any Financing Document (except for its own gross negligence or willful misconduct as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review) or (ii) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Borrower or any other party to a Financing Document or any Authorized Officer of any thereof contained in any Financing Document or in any certificate, report, statement or other document referred to or provided for in, or received by the applicable Collateral Agent under or in connection with, any Financing Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Financing Documents or for any failure of the Borrower or any other party to a Financing Document to perform its obligations thereunder. Neither the Offshore Collateral Agent nor the Onshore Collateral Agent shall be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, any Financing Document, or to inspect the properties, books or records of the Borrower or any other party to a Financing Document.

(c) Each of the Offshore Collateral Agent and the Onshore Collateral Agent shall be entitled to rely and shall be fully protected in relying upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, electronic mail message, telex or teletype message, statement, order or other document (including Executed Withdrawal/Transfer

Certificates) (whether in original or facsimile form) reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable.

(d) Neither the Offshore Collateral Agent, the Onshore Collateral Agent nor any of their respective officers, directors, employees, agents, or attorneys-in-fact shall be liable to the Borrower or any of the Secured Parties or any other Person for any act or omission on its part except for any such act or omission which is the result of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction in an order not subject to appeal or review. The powers conferred on the Collateral Agents hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of the Collateral in its possession and the accounting for monies actually received by it hereunder, no Collateral Agent shall have any other duty as to the Collateral, whether or not such Collateral Agent or any of the other Secured Parties has or is deemed to have knowledge of any matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to the Collateral. Each of the Offshore Collateral Agent and the Onshore Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equal to that which such Collateral Agent accords its own property.

(e) Each of the Offshore Collateral Agent and the Onshore Collateral Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Financing Document unless it shall first receive instruction from the Administrative Agent (acting with the authority of the Lenders, Majority Lenders or the Supermajority Lenders, as applicable) as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Secured Parties against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action, and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties. Each of the Offshore Collateral Agent and the Onshore Collateral Agent shall affirmatively act under this Agreement and the other Financing Documents in accordance with any instructions by the Administrative Agent made pursuant to and not in contravention of this Agreement. Neither the Offshore Collateral Agent nor the Onshore Collateral Agent shall incur any liability for any determination made or instruction given by the Administrative Agent. The Onshore Collateral Agent shall not incur any liability for any determination made or instruction given by the Offshore Collateral Agent. In no event shall either Collateral Agent be required to take any action that exposes it to personal liability or that is contrary to this Agreement, any other Financing Document or any applicable Government Rule.

(f) Each of the Offshore Collateral Agent, the Onshore Collateral Agent and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and the other parties to the Transaction Documents, without regard to its acting as the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, hereunder and under the other Financing Documents. With respect to the extensions of credit made by it under a Financing Document, the Offshore Collateral Agent or the Onshore Collateral Agent shall have the same rights and powers under this Agreement and the other

Financing Documents as any other Lender making a comparable extension of credit to the Borrower and may exercise the same as though it were not the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable.

(g) For the purposes of this Agreement and all other Financing Documents, none of the Offshore Collateral Agent or the Onshore Collateral Agent shall be deemed to have knowledge of, or have any duty to ascertain or inquire into, (i) the occurrence of any Default, Event of Default or Trigger Event unless and until it has received written notice from the Administrative Agent informing such Collateral Agent of such Default, Event of Default or Trigger Event or (ii) the existence, the content, or the terms and conditions of, any other agreement, instrument or document, in each case, to which it is not a party or beneficiary, whether or not referenced herein. Each of the Offshore Collateral Agent and the Onshore Collateral Agent may take such action with respect to such Default, Event of Default or Trigger Event as is required and permitted to be taken by it pursuant to each Financing Document following the occurrence of a Default, Event of Default or Trigger Event, as the case may be. Without prejudice to the foregoing, none of the knowledge or information that any department or division of the Offshore Collateral Agent, the Onshore Collateral Agent or any of their respective Affiliates may have from time to time shall be attributed to the Offshore Collateral Agent or the Onshore Collateral Agent, neither the Offshore Collateral Agent nor the Onshore Collateral Agent shall have any duty to disclose nor shall the Offshore Collateral Agent or the Onshore Collateral Agent be liable for the failure to disclose, any information relating to the Borrower that is communicated to or obtained by the Offshore Collateral Agent, the Onshore Collateral Agent or any of their respective affiliates in any capacity.

(h) None of the Offshore Collateral Agent or the Onshore Collateral Agent shall be deemed to have knowledge of facts and circumstances unless it has received written notice of such facts and circumstances, nor shall the Offshore Collateral Agent or the Onshore Collateral Agent have any obligation to perform any actions or respond to any matters without express authorization to do so.

(i) In the event that the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, is required to acquire title to an asset for any reason, or take any managerial action of any kind in regard thereto, in order to carry out any obligation for the benefit of another, which in the Offshore Collateral Agent or the Onshore Collateral Agent's sole discretion may cause the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, to incur potential liability for any Environmental and Social Claim, each Collateral Agent reserves the right, instead of taking such action, to resign as such Collateral Agent. No Collateral Agent shall be liable to the Borrower, the Secured Parties or any other Person for any Environmental and Social Claims by reason of such Collateral Agent's actions and conduct as authorized, empowered and directed under the Financing Documents

8.03 Remedies; Application of Proceeds .

(a) The Offshore Collateral Agent, at the direction of the Administrative Agent (acting at the instruction of the Required Secured Parties) and the Onshore Collateral Agent, at the direction of the Administrative Agent (acting at the instruction of the Required Secured Parties), shall each have the exclusive right to enforce rights, exercise remedies

(including set-off and the right to credit bid their Indebtedness) and make determinations regarding the release, disposition, or restrictions with respect to the Collateral and may enforce the provisions of the Financing Documents and exercise remedies thereunder including appointing legal counsel and attorneys at law, all in such order and in such manner as the Administrative Agent (acting at the instructions of the Required Secured Parties in the exercise of their sole discretion) may direct. Such exercise and enforcement shall include the rights of the Offshore Collateral Agent and the Trustee to sell or otherwise dispose of Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, to draw upon any Acceptable Letter of Credit, and to exercise all the rights and remedies of a secured creditor under the UCC and the Financing Documents and of a secured creditor under the bankruptcy code of any Government Authority; provided that unless and until the Offshore Collateral Agent and the Onshore Collateral Agent shall have received such direction, the Offshore Collateral Agent and the Onshore Collateral Agent may (but shall not be obligated to) also take such action, or refrain from taking such action, in order to preserve or protect its rights under the Financing Documents, the Liens on the Collateral and to preserve the value of the Collateral, with respect to any Default or Event of Default as it shall deem advisable in the best interests of the Secured Parties.

(b) Regardless of whether any Bankruptcy has been commenced by or against the Borrower or any other Credit Party, any money collected or to be applied by the Offshore Collateral Agent and Onshore Collateral Agent pursuant to this Agreement and the other Financing Documents (other than monies for its own account), whether upon disposition of Collateral in accordance with the terms of this Agreement and the other Security Documents or pursuant to direction from the Administrative Agent (acting at the instruction of the Required Secured Parties), together with any other monies which may then be held by, or under the control of, the Offshore Collateral Agent in any of the Project Accounts shall be applied in the order provided in Section 8.03(c) (it being agreed that the Offshore Collateral Agent and the Onshore Collateral Agent shall apply such amounts as promptly as is reasonably practicable after the receipt thereof).

(c) If at any time Section 8.03(b) applies or there shall be insufficient funds available to the Collateral Agents in accordance with the terms and conditions of the Financing Documents (whether from the Borrower or from or on behalf of any Equity Party under the Equity Contribution and Retention Agreement or in connection with the preservation, realization or enforcement of all or any part of the Collateral) to pay all obligations that are then due and payable, all payments on account of any obligations (including payments from amounts from time to time thereafter held, received or recovered by the Collateral Agents or otherwise received or recovered by a Secured Party and required to be shared with other Secured Parties hereunder) shall be made and applied in the following order of priority:

(i) first , toward the payment pro rata of any costs, expenses and indemnities of any of the Agents then due and payable (including legal costs and costs and expenses incurred in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the Financing Documents, but excluding any breakage costs), together with any unpaid fees of any Agent;

(ii) second , toward the payment pro rata of any past due Interest Expense (excluding default interest) or other settlement amounts payable to the Senior Lenders and the Permitted Swap Providers under the Financing Documents;

(iii) third , toward the payment pro rata of any other accrued Interest Expense (excluding default interest) or other settlement amounts then due and payable, any other gross up amount and/or any other break funding payments then due and payable to the Senior Lenders and the Permitted Swap Providers under the Financing Documents;

(iv) fourth , toward the payment pro rata of any past due principal then payable to the Senior Lenders or any termination payments to the Permitted Swap Providers under the Permitted Swap Agreements (such amount calculated on a net basis in accordance with the relevant Permitted Swap Agreement);

(v) fifth , toward the payment pro rata of any other principal then due and payable to the Senior Lenders and any legal fees and out-of-pocket expenses referred to in Section 11 under the Permitted Swap Agreements;

(vi) sixth , toward the payment pro rata of any and all other obligations under the Financing Documents that are remaining after giving effect to the preceding provisions and are then due and payable to any Secured Party; and

(vii) seventh , the balance, if any, to the Borrower (but solely if all Senior Loan Commitments have expired or have otherwise been cancelled or terminated and the Borrower has no further actual or contingent liability under any Financing Document) or otherwise to be credited to the Onshore Distribution Accounts.

8.04 Indebtedness Balances . Upon the written request of the Offshore Collateral Agent, each Permitted Swap Provider and the Administrative Agent shall promptly (and, in any event, within five (5) Business Days) give the Offshore Collateral Agent written notice of the aggregate amount of the Secured Obligations then outstanding and due and payable by the Borrower to such Secured Parties under the applicable Financing Documents and any other information that the Offshore Collateral Agent may reasonably request of such Secured Parties, which written notice shall be updated by such Secured Parties from time to time upon request of the Offshore Collateral Agent after receipt of proceeds of Collateral or otherwise.

8.05 Release of Collateral .

(a) If in connection with the exercise of any of the Secured Parties' remedies under the Security Documents, the Offshore Collateral Agent or the Onshore Collateral Agent disposes of any part of the Collateral or in connection with any conveyance, sale, lease, transfer or other disposition permitted under the Financing Documents, then the Liens, if any, of the Offshore Collateral Agent and the Onshore Collateral Agent for the benefit of any of the Secured Parties on such Collateral shall be automatically, unconditionally and simultaneously released. The Offshore Collateral Agent and the Onshore Collateral Agent (on behalf of the Secured Parties) shall promptly execute and deliver such termination statements, releases and other documents as reasonably required or requested by the Administrative Agent and provided to it to effectively confirm such release.

(b) To the extent that the Offshore Collateral Agent, the Onshore Collateral Agent or any of the Secured Parties (i) have released any Lien on Collateral and any such Liens are later reinstated or (ii) obtain any new Liens, then each such reinstated Lien or new Liens shall be subject to the provisions of this Agreement.

8.06 Further Assurances . The Borrower hereby agrees that, at any time and from time to time, at its sole cost and expense, upon the written request of the Administrative Agent or the Offshore Collateral Agent, it shall promptly execute and deliver all further agreements, instruments, documents and certificates and take all further action that may be necessary in order to fully effect the purposes of this Agreement and the other Financing Documents (including, to the extent required by any Financing Document, the delivery of possession of any Collateral represented by certificated securities that hereafter comes into existence or is acquired in the future by the Offshore Collateral Agent as pledgee for the benefit of the Secured Parties) and to enable the Offshore Collateral Agent to exercise and enforce its rights and remedies under the Financing Documents with respect to the Collateral or any part thereof.

## ARTICLE IX

## RESIGNATION OR REMOVAL OF THE COLLATERAL AGENTS

9.01 Resignation; Removal . Each of the Offshore Collateral Agent and the Onshore Collateral Agent (a) may resign as Offshore Collateral Agent or Onshore Collateral Agent upon sixty (60) days' written notice to the Administrative Agent and the Borrower and (b) may be removed at any time with or without cause by the Administrative Agent acting at the direction of the Majority Lenders with any such resignation or removal to become effective only upon the appointment of a successor Offshore Collateral Agent or the Onshore Collateral Agent under this Article IX . If the Offshore Collateral Agent or the Onshore Collateral Agent shall resign or be removed as Offshore Collateral Agent or the Onshore Collateral Agent, then the Administrative Agent acting at the direction of the Majority Lenders shall (and if no such successor shall have been appointed within thirty (30) days of the Offshore Collateral Agent's or the Onshore Collateral Agent's resignation or removal, the Offshore Collateral Agent or the Onshore Collateral Agent may apply to a court of competent jurisdiction for the appointment of a successor at the sole expense of the Borrower) or appoint a successor agent for the Secured Parties, which successor agent shall be (so long as (i) the Administrative Agent has not given written notice to the Offshore Collateral Agent or the Onshore Collateral Agent that a Default has occurred and is continuing and (ii) a Trigger Event is not in effect) reasonably acceptable to the Borrower (and which successor agent shall be an Acceptable Bank) whereupon such successor agent shall succeed to the rights, powers and duties of the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, and the term "Offshore Collateral Agent" or "Onshore Collateral Agent" shall mean such successor agent effective upon its appointment, and the former Offshore Collateral Agent's or the Onshore Collateral Agent's, as applicable, rights, powers and duties as Offshore Collateral Agent or the Onshore Collateral Agent shall be terminated, without any other or further act or deed on the part of such former Offshore Collateral Agent or the Onshore Collateral Agent (except that the former Offshore Collateral Agent and the Onshore Collateral Agent shall deliver all Collateral then in its possession to the successor Offshore Collateral Agent or the Onshore Collateral Agent, as applicable) or any of the

other Secured Parties. After resignation or removal hereunder as Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, the provisions of this Agreement shall continue to inure to the former Offshore Collateral Agent's or the Onshore Collateral Agent's benefit as to any actions taken or omitted to be taken by it while it was Offshore Collateral Agent or the Onshore Collateral Agent. The fees payable by the Borrower to a successor Collateral Agent shall be same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor.

9.02 Substitute Collateral Agent . If at any time the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, shall reasonably determine that it shall be necessary or appropriate under any applicable Government Rule or in order to permit action to be taken hereunder, the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, and the Borrower shall execute and deliver all instruments necessary to appoint any Person as a co-Offshore Collateral Agent or co-Onshore Collateral Agent, as applicable, or substitute Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, with respect to all or any portion of the Collateral, in any case with such powers, rights, duties, obligations and immunities conferred upon the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, hereunder as may be specified therein. If the Borrower shall refuse to join in the execution of any such instrument within ten (10) Business Days of any written request therefor by the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, or if (a) the Administrative Agent has given written notice to the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, that a Default has occurred and is continuing or (b) a Trigger Event is in effect, then in any such instance the Offshore Collateral Agent or the Onshore Collateral Agent, as applicable, may act under the foregoing provisions without the concurrence of the Borrower. The Borrower hereby irrevocably makes, constitutes and appoints the Offshore Collateral Agent and the Onshore Collateral Agent, as applicable, as the Borrower's agent and attorney-in-fact to act for the Borrower under the provisions of this Section 9.02 . The Borrower shall not be obligated to pay or reimburse any fees to a co-Offshore Collateral Agent, co-Onshore Collateral Agent, substitute Offshore Collateral Agent or substitute Onshore Collateral Agent unless agreed by the Borrower.

## ARTICLE X

## EXPENSES; INDEMNIFICATION; FEES

10.01 Compensation and Expenses .

(a) The Borrower agrees to pay to the Depositary (i) the Depositary's fees as separately agreed by the Borrower and the Depositary and (ii) the amount of any and all of the Depositary's reasonable and documented out-of-pocket expenses, including the reasonable and documented fees and expenses of its counsel (and any local counsel) and of any accountants, experts or agents, which the Depositary may incur in connection with (x) the administration of this Agreement, (y) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Offshore Account Collateral or (z) the exercise or enforcement (whether through negotiations, legal proceedings or otherwise) of any of the rights of the Depositary under this Agreement.

(b) The Borrower agrees to pay to the Offshore Collateral Agent and the Onshore Collateral Agent, (i) the Collateral Agent fees as separately agreed by the Borrower in the Collateral Agency Fee Letter and (ii) the amount of any and all of the Collateral Agents' reasonable and documented out-of-pocket expenses, including the reasonable and documented fees and expenses of its counsel (and any local counsel) and of any accountants, experts or agents, which the Collateral Agents may incur in connection with (x) the administration of this Agreement, (y) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral or (z) the exercise or enforcement (whether through negotiations, legal proceedings or otherwise) of any of the rights of the Collateral under this Agreement and any other Financing Document.

10.02 Indemnification .

(a) The Borrower, whether or not any of the transactions contemplated hereby shall be consummated, hereby assumes liability for and agrees to defend, indemnify and hold harmless each Indemnified Person from and against any Claims which may be imposed on, incurred by or asserted against an Indemnified Person in any way relating to or arising or alleged to arise out of: (i) the financing, ownership, operation or maintenance of the Project, or any part thereof; (ii) any latent or other defects in the Project whether or not discoverable by an Indemnified Person or the Borrower; (iii) a violation of Environmental and Social Laws, Environmental and Social Claim or other loss of or damage relating to the Project; (iv) any breach by the Borrower of any of its representations or warranties under the Financing Documents or failure by the Borrower to perform or observe any covenant or agreement to be performed by it under any of the Financing Documents; (v) personal injury, death or property damage relating to the Project, including Claims based on strict liability in tort and (vi) the transactions contemplated hereby and by the Financing Documents (including the performance by each of the Depositary and the Collateral Agents of its duties, rights and obligations hereunder and thereunder); provided , that the foregoing indemnities in clauses (i) through (vi) shall not, as to any Indemnified Person, apply to Claims to the extent they are determined to have been caused by (x) the gross negligence or willful misconduct of such Indemnified Person as determined in a final, non-appealable judgment by a court of competent jurisdiction, or (y) any Taxes owed by the Indemnified Person in its individual capacity.

(b) To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in paragraph (a) may be unenforceable in whole or in part because they violate of any law or public policy, the Borrower shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified liabilities incurred pursuant to paragraph (a) by any Indemnified Person.

(c) The agreements in this Section 10.02 shall survive termination of this Agreement.

10.03 Prompt Payment . All amounts due under this Article X shall be payable by the Borrower within thirty (30) days after receipt of written demand therefor.

**ARTICLE XI**

**MISCELLANEOUS**

11.01 Amendments; Etc. No amendment, restatement, supplement, modification or waiver of any provision of this Agreement nor consent to any departure by the Borrower herefrom shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto and is otherwise in accordance with the terms of this Agreement. Any such amendment, restatement, supplement, modification, waiver or consent shall be effective only in the specific instance and for the specified purpose for which given.

11.02 Addresses for Notices . All notices, requests and other communications provided for hereunder shall be in writing and, except as otherwise required by the provisions of this Agreement, shall be sufficiently given and shall be deemed given (a) when personally delivered or (b) if mailed by registered or certified mail, postage prepaid, or sent by overnight delivery or telecopy ( provided , that if any notice is delivered by means of telecopy, such notice shall only be effective if the recipient confirms via telephone, electronic mail or facsimile receipt of such notice to the sender), upon receipt by the addressee, in each case addressed to the parties as follows (or such other address as shall be designated by such party in a written notice to each other party):

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|---|---|
| Borrower: | CERRO DEL AGUILA S.A.<br><br>Av. Santo Toribio 115 Piso 7<br>San Isidro – Lima 27 – Peru<br>Attn: Daniel Urbina<br>Telephone: (511) 706 - 7878<br>Facsimile: (511) 708 - 2201<br>Email: daniel.urbina@inkiaenergy.com |
| Offshore Collateral Agent: | THE BANK OF NOVA SCOTIA<br><br>Global Wholesale Services<br>720 King Street West, 2nd Floor<br>Toronto, Ontario<br>Canada M5V 2T3<br>Attention: Director Agency<br>Reference: Cerro Del Aguila – PERU<br>Telephone: 416-866-2800<br>Facsimile: 416-933-2295<br>Email: richard.mccorkindale@scotiabank.com |

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|---|---|
| Onshore Collateral Agent: | SCOTIABANK PERU S.A.A.<br><br>Av. Dionisio Derteano Nº 102, Piso 5, San Isidro<br>Lima 27, Perú<br>Attention: Cecilia Marín Armas / Claudia Alarcón Leu / Italo Benavides Ocampo<br>Telephone: 511-211-6599 / 511-211-6000 Ext. 16533 / 511-211-6000 Ext. 15782<br>Facsimile: 511-211-6822<br>Email: cecilia.marin@scotiabank.com.pe /<br>claudia.alarcon@scotiabank.com.pe /<br>italo.benavides@scotiabank.com.pe |
| Trustee: | SCOTIABANK PERU S.A.A.<br><br>Av. Dionisio Derteano Nº 102, Piso 5, San Isidro<br>Lima 27, Perú<br>Attention: Cecilia Marín Armas / Claudia Alarcón Leu / Italo Benavides Ocampo<br>Telephone: 511-211-6599 / 511-211-6000 Ext. 16533 / 511-211-6000 Ext. 15782<br>Facsimile: 511-211-6822<br>Email: cecilia.marin@scotiabank.com.pe /<br>claudia.alarcon@scotiabank.com.pe /<br>italo.benavides@scotiabank.com.pe |
| Wiring Instructions: | Included in Schedule II |
| Depositary: | THE BANK OF NOVA SCOTIA, NEW YORK AGENCY<br><br>1 Liberty Plaza, Floors 22-26<br>New York, NY 10016<br>Attention: Vice President, US Operations<br>Facsimile: 212-866-5344 |
| Wiring Instructions: | Included in Schedule I |

11.03 Governing Law; Jurisdiction .

(a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE OF LAW PRINCIPLES OF SUCH LAWS WHICH WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND ANY ACTION FOR ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND APPELLATE COURTS FROM ANY THEREOF. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER FINANCING DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER FINANCING DOCUMENT IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER, THE DEPOSITARY AND THE OFFSHORE COLLATERAL AGENT, THE ONSHORE COLLATERAL AGENT AND THE TRUSTEE AT ITS ADDRESS REFERRED TO IN SECTION 11.02 . EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED IN ANY OTHER JURISDICTION.

(c) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING HEREUNDER.

11.04 Process Agent . The Borrower hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be made upon C T Corporation System currently located at 111 Eighth Avenue, New York, New York 10011 (the " Process Agent "), and the Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to receive such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to the Borrower shall not impair or affect the validity of such service or of any judgment based thereon. The Borrower hereby further irrevocably consents to the service of process in any suit, action or proceeding in such courts by the mailing thereof by the Offshore Collateral Agent, the Onshore Collateral Agent, the Depositary, the Trustee or Administrative Agent by registered or certified mail, postage prepaid, at its address set forth beneath its signature hereto.

11.05 Headings . Section and Article headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

11.06 Letters of Credit . The Offshore Collateral Agent shall be entitled to draw upon any Acceptable Letter of Credit when so entitled pursuant to the terms of the Financing Documents, as applicable.

11.07 No Waiver . No failure on the part of the Depositary, the Offshore Collateral Agent, the Onshore Collateral Agent, the Trustee or any of the Secured Parties or any of their nominees or representatives to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Depositary, the Offshore Collateral Agent, the Onshore Collateral Agent, the Trustee or any of the Secured Parties or any of their nominees or representatives of any right, power or remedy hereunder preclude any other or future exercise thereof or the exercise of any other right, power or remedy, nor shall any waiver of any single Event of Default or other breach or default be deemed a waiver of any other Event of Default or other breach or default theretofore or thereafter occurring. Without limiting the generality of the foregoing, if the Offshore Collateral Agent, the Onshore Collateral Agent, the Depositary or the Trustee fails to make any transfers or withdrawals as and when specified in this Agreement, such failure shall not operate as a waiver of any of the rights that the Secured Parties may have under the Financing Documents (or obligations of the Borrower) and the Offshore Collateral Agent, the Depositary or the Trustee, as applicable, will promptly take any such action which it previously failed to take in accordance with the terms of this Agreement. All remedies either under this Agreement or by law or otherwise afforded to any Lender shall be cumulative and not alternative.

11.08 Severability . If any provision of this Agreement or the application thereof shall be invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of such remaining provisions shall not be affected thereby and (b) each such remaining provision shall be enforced to the greatest extent permitted by law.

11.09 Successors and Assigns . All covenants, agreements, representations and warranties in this Agreement by each party hereto shall bind and, to the extent permitted hereby, shall inure to the benefit of and be enforceable by their respective successors and assigns and the Secured Parties, whether so expressed or not; provided , however , that the Borrower shall not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent, the Offshore Collateral Agent and each Lender.

11.10 Execution in Counterparts . This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable. The words “execution,” “signed,” “signature,” and words of like import in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Government Rule, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.11 Force Majeure . In no event shall the Offshore Collateral Agent, the Onshore Collateral Agent, the Trustee, the Administrative Agent, any Secured Party or the Depositary be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of god, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Offshore Collateral Agent or the Depositary, as applicable, shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

11.12 Consequential Damages . Anything in this Agreement to the contrary notwithstanding, in no event shall any party hereto be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if such party has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

11.13 Additional Secured Parties; Third-Party Beneficiaries .

(a) Any Person that executes and delivers a counterpart of, and is designated as a Secured Party pursuant to the terms of, an Assignment and Acceptance Agreement or Secured Party Addition Agreement shall be deemed to be a Secured Party and shall be bound by and subject to the terms and conditions hereof and the covenants, stipulations and agreements contained herein. In furtherance of the foregoing, any counterparty to a Permitted Swap

Agreement shall be deemed to have agreed to be bound by the provisions of the Credit Agreement for the limited purposes of indemnifying the Agents pursuant to Section 10.05 thereof (assuming for purposes of calculating such Person's liability to make payments on any indemnity claimed thereunder, that any net settlement amount payable to such counterparty to a Permitted Swap Agreement is treated as such Person's outstanding principal amount of the Senior Loans).

(b) Nothing in this Agreement, express or implied, is intended to shall be construed to confer upon, or to give to, any Person other than the parties hereto and their respective successors and assigns and Persons for whom the parties hereto are acting as agents or representatives, any right, remedy or Claim under to by reason of this Agreement or any covenant, agreement or stipulation hereof; and the covenants, stipulations and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the parties hereto and their respective successors and assigns and Persons for whom the parties hereto are acting as agents or representatives.

11.14 Provisions Solely to Define Relative Rights . Nothing in this Agreement is intended to or shall impair the obligations of the Borrower, which are absolute and unconditional, to pay the Secured Obligations as and when the same shall become due and payable in accordance with their terms.

11.15 Reinstatement . This Agreement and any Lien created hereunder shall automatically be reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Secured Obligations is rescinded or must otherwise be restored by any holder of the Secured Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

11.16 Non-Voting Parties . No Credit Party or any Affiliate of any such Person that is a Tranche C Lender (each, a " Non-Voting Party ") shall be entitled to participate in any vote contemplated in this Agreement.

11.17 USA PATRIOT Act . The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act) all financial institutions that are subject to the USA PATRIOT Act are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Agreement agree that they will provide to the Depositary such information as it may request, from time to time, in order for the Depositary to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Collateral Agency and Security Deposit Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CERRO DEL AGUILA S.A.,
as Borrower

By: _____
Name:
Title:

SUMITOMO MITSUI BANKING CORPORATION,
not in its individual capacity, but solely as Administrative Agent

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
not in its individual capacity, but solely as Offshore Collateral Agent

By: _____
Name:
Title:

SCOTIABANK PERU S.A.A,
not in its individual capacity, but solely as Onshore Collateral Agent

By: _____
Name:
Title:

SCOTIABANK PERU S.A.A.,
not in its individual capacity, but solely as Trustee

By: _____
Name:
Title:

Signature Page to the Collateral Agency and Depositary Agreement

THE BANK OF NOVA SCOTIA, NEW YORK AGENCY, not in its individual capacity, but solely as Depositary

By: _____
Name: William R. Ebbels
Title: Vice President, US Operations

Signature Page to the Collateral Agency and Depositary Agreement

**SCHEDULE I**
**TO COLLATERAL AGENCY AND SECURITY DEPOSIT AGREEMENT**

Account Numbers and Wire Transfer Information – Offshore Accounts

**Wire Transfer Information:**

THE BANK OF NOVA SCOTIA, NEW YORK AGENCY
ABA #02600253-2
Name: Cerro del Aguila S.A. Depositary, reference for credit to GWS Loan Agency Operations, Toronto, Ontario
Account Number: 06180-39
Attn: Director, Agency, Global Wholesale Services

**Offshore Account Numbers:**

| | |
|---|---|
| Offshore Construction Account | 03416-14 |
| Debt Service Accrual Account | 03417-11 |
| Debt Service Reserve Account | 03418-19 |
| Prepayment Account | 03422-11 |
| Performance LD Account | 03421-14 |
| Delay LD Account | 03419-16 |

**SCHEDULE II**
**TO COLLATERAL AGENCY AND SECURITY DEPOSIT AGREEMENT**

Account Numbers and Wire Transfer Information – Onshore Accounts

**Wire Transfer Information:**

Beneficiary: Scotiabank Perú S.A.A.
Swift Code: BSUDPEPL
Address: Av. Dioniso Derteano N° 102, Piso 5, San Isidro Lima, Perú
Ref: Fid. Cerro del Aguila
Attn: Administración Fiduciaria

**Onshore Account Numbers:**

CdA Onshore Dollar Construction Account
CdA Onshore Nuevo Sol Construction Account
CdA Pre-Acceptance Dollar Revenue Account
CdA Pre-Acceptance Nuevo Sol Revenue Account
CdA Onshore Dollar Revenue Account
CdA Onshore Nuevo Sol Revenue Account
CdA Onshore Dollar Operating Account
CdA Onshore Nuevo Sol Operating Account
CdA Loss Proceeds Account
CdA Onshore Dollar Distribution Account
CdA Onshore Nuevo Sol Distribution Account

**FORM OF WITHDRAWAL/TRANSFER CERTIFICATE**

Date of Transfer Certificate: [ ]

Sumitomo Mitsui Banking Corporation,
as Administrative Agent
277 Park Avenue
New York, NY 10172
Attention: Amena Nabi / Daron Davis
Telephone: 212-224-4857 / 4847
Facsimile: 212-224-5222
Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com

The Bank of Nova Scotia,
as Offshore Collateral Agent

720 King Street West, 2nd Floor
Toronto, ON M5V 2T3
Canada
Attention: Director Agency, Global Wholesale Services
Telephone No.: 416-866-2800
Facsimile No 416-933-2295

The Bank of Nova Scotia, New York Agency
as Depositary

1 Liberty Plaza, Floors 22-26
New York, NY 10016

Attention: Vice President, US Operations
Telephone No.: 212-225-5444
Facsimile No 212-866-5344

Scotiabank Peru S.A.A.
as Trustee

Av. Dionisio Derteano Nº 102
Piso 5, San Isidro
Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu / Italo Benavides
Telephone No.: 511-211-6599 / 511-211-6000 Ext. 16533 / 511-211-6000 Ext. 15782
Facsimile No 511-211-6822

Re: Cerro del Aguila S.A. – Withdrawal/Transfer Certificate

Ladies and Gentlemen:

1. This Withdrawal/Transfer Certificate (the " Withdrawal/Transfer Certificate ") is delivered to you pursuant to Section 3.02(b) of the Collateral Agency and Security Deposit Agreement (as amended, modified and supplemented and in effect firm time to time the " Collateral Agency and Depositary Agreement ") dated as of August 17, 2012 among Cerro del Aguila S.A. (the " Borrower "), a *sociedad anónima* organized under the laws of Peru (the " Borrower "), Sumitomo Mitsui Banking Corporation as administrative agent for the Senior Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent "), The Bank of Nova Scotia, New York Agency as depositary for the Secured Parties (in such capacity, the " Depositary ") and Scotiabank Peru S.A.A. as trustee for the Secured Parties (in such capacity, the " Trustee "). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Collateral Agency and Depositary Agreement.

2. This Withdrawal/Transfer Certificate is being provided to you on a date falling at least five (5) Business Days prior to the proposed Withdrawal Date.

3. This Withdrawal/Transfer Certificate is the only Withdrawal/Transfer Certificate being provided to you in respect of the Project Accounts during this Transfer Period.

4. The proposed date upon which the withdrawals or transfers described herein shall be made is the upcoming date occurring on , 20 (such date, the " Withdrawal Date ").

5. Consistent with the terms of each "Applicable Section" of the Collateral Agency and Depositary Agreement identified in column (A) of Schedule 1 , the Borrower hereby requests the withdrawal or the transfers of funds set forth in Schedule 1 be made on the Withdrawal Date from the Project Accounts to the Persons and/or accounts set forth in column (B) of Schedule 1 , in the amounts set forth in column (C) of Schedule 1 , for the purposes set forth in column (D) of Schedule 1 and, as applicable, based upon the calculations and/or certifications of the Borrower set forth in column (E) of Schedule 1 .

6. The undersigned, an Authorized Officer of the Borrower, on behalf of the Borrower hereby certifies, as of the date hereof, the following:

(i) none of the transfers or payments requested hereunder were the subject of any prior Withdrawal/Transfer Certificate;

(ii) this Withdrawal/Transfer Certificate conforms in all respects to the requirements set forth in the Collateral Agency and Depositary Agreement, the Trust Agreement and the other Financing Documents, and attached hereto as Annex I is evidence of compliance (if any) with the Collateral Agency and Depositary Agreement, the Trust Agreement and the other Financing Documents as may be required by the relevant provisions therein;

(iii) attached hereto as Annex II are copies of all invoices and other information required to be provided in this Withdrawal/Transfer Certificate under Articles III , IV and V of the Collateral Agency and Depositary Agreement; and

(iv) no Default or Event of Default has occurred or is continuing or would result from the transfers, payments or withdrawals contemplated herein.

*[SIGNATURE PAGES FOLLOW]*

IN WITNESS WHEREOF, the undersigned has executed this Withdrawal/Transfer Certificate on this day of , 20 .

**CERRO DEL AGUILA S.A.**

By: _____
Name:
Title:

Countersigned and confirmed by:

SUMITOMO MITSUI BANKING CORPORATION
as Administrative Agent

By: _____
Name:
Title:

ANNEX I
To the Withdrawal/Transfer Certificate

[EVIDENCE OF COMPLIANCE WITH COLLATERAL AGENCY AND DEPOSITARY AGREEMENT, TRUST AGREEMENT AND OTHER FINANCING DOCUMENTS]

ANNEX II
To the Withdrawal/Transfer Certificate

[COPIES OF INVOICES]

Schedule 1 to
Withdrawal/Transfer Certificate

**Withdrawals and Transfers**

| **(A) Applicable Section** | **(B) Relevant Account(s) [1]** | **(C) US$/PEN Amount to Transfer or Withdraw** | **(D) Purpose for which Amount Transferred or Withdrawn is to be Applied** | **(E) Required Calculations/Certifications** ARTICLE I |
|---|---|---|---|---|
| Section [ ] | [insert as applicable] | $ | [ ] | [ ] |

[1] Include complete payment instructions.

EXHIBIT B
TO COLLATERAL AGENCY AND SECURITY DEPOSIT AGREEMENT

**FORM OF SECURED PARTY ADDITION AGREEMENT**

Reference is made to the Collateral Agency and Security Deposit Agreement (as amended, modified and supplemented and in effect firm time to time the " Collateral Agency and Depositary Agreement ") dated as of August 17, 2012 among Cerro del Aguila S.A. (the " Borrower "), a *sociedad anónima* organized under the laws of Peru (the " Borrower "), Sumitomo Mitsui Banking Corporation as administrative agent for the Senior Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru S.A.A. as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent "), The Bank of Nova Scotia, New York Agency as depositary for the Secured Parties (in such capacity, the " Depositary ") and Scotiabank Peru S.A.A. as trustee for the Secured Parties (in such capacity, the " Trustee "). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Collateral Agency and Depositary Agreement.

This agreement is a Secured Party Addition Agreement referred to in the Collateral Agency and Depositary Agreement.

The undersigned hereby agrees to be bound by, and to benefit from, the Collateral Agency and Depositary Agreement as if a Secured Party thereunder and to appoint the Onshore Collateral Agent on its behalf pursuant to Section 8.01 of the Collateral Agency and Depositary Agreement for purposes of the Loan Documents.

Date: _____

[ ]

By: _____
Name:
Title:

Address for Notices:
[ ]
Fax No: [ ]
Telephone No: [ ]
Attention: Attention: [ ]

SUMITOMO MITSUI BANKING CORPORATION, solely in its capacity as the Administrative Agent

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, solely in its capacity as the Offshore Collateral Agent

By: _____
Name:
Title:

SCOTIABANK PERU S.A.A., solely in its capacity as the Onshore Collateral Agent

By: _____
Name:
Title:

SCOTIABANK PERU S.A.A., solely in its capacity as the Trustee

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, NEW YORK AGENCY, solely in its capacity as the Depositary

By: _____
Name:
Title:

CERRO DEL AGUILA S.A.,
as the Borrower

By: _____
Name:
Title:

EXHIBIT C
TO COLLATERAL AGENCY AND DEPOSITARY AGREEMENT

Bank
**[** Address **]**

**[** Date **]**

Irrevocable Standby Letter of Credit No. **[ ]**

Beneficiary:
The Bank of Nova Scotia, as the Offshore Collateral Agent
Global Wholesale Services
720 King Street West, 2nd Floor
Toronto, Ontario
Canada M5V 2T3
Attention: Director Agency
Reference: Cerro Del Aguila – PERU
Telephone: +1 416-866-2800
Facsimile: +1 416-933-2295
Email: richard.mccorkindale@scotiabank.com

Attention: **[ ]**

Ladies and Gentlemen:

At the request of [ ] (the " **Applicant** "), we, **[** *insert name, address and facsimile number of Bank* **]** (the " **Issuing Bank** "), hereby establish this Irrevocable Standby Letter of Credit No. (this " **Letter of Credit** ") in your favor for the account of the Applicant, [ *Borrower* ], in the amount of **[** *Write out the amount* **]** dollars ($x,xxx,xxx.00) (the " **Initial Amount** ").

" **Stated Amount** " means, as of any date, (a) the Initial Amount *plus* (b) the aggregate amount of all Increase Amounts (as defined in Annex D) set forth in all Increase Certificates (as defined below) *minus* (c) the sum of (i) any amounts paid by us to The Bank of Nova Scotia (the " **Beneficiary** ") under this Letter of Credit prior to such date and (ii) the aggregate amount of all Reduction Amounts (as defined in Annex C) set forth in all Reduction Certificates (as defined below) received by us prior to such date.

As used in this Letter of Credit, " Dollars " and " $ " mean the lawful currency of the United States of America.

This Letter of Credit is valid and effective immediately and, on and after the date hereof, drawings may be made by you from time to time by presentation of a certificate in the form of

Annex "A" attached hereto, appropriately completed and purportedly signed by your authorized representative (the " **Draft Certificate** "). Also, the Stated Amount of this Letter of Credit will be (i) reduced automatically from time to time, without amendment, by the amount specified therein upon our receipt of a certificate, appropriately completed and purportedly signed by your authorized representative, in the form of Annex "C" attached hereto (the " **Reduction Certificate** ") and (ii) increased automatically from time to time, without amendment, by the amount specified therein upon our receipt of a certificate, appropriately completed and purportedly signed by your authorized representative, in the form of Annex "D" attached hereto (the " **Increase Certificate** ").

It is expressly understood and agreed that Cerro del Aguila S.A. will not be responsible to us for the reimbursement to us of any claim under this Letter of Credit.

In addition, presentation of such Draft Certificate, Increase Certificate or Reduction Certificate may also be made by fax transmission to ( **[** *insert fax number* **]** ), or such other fax number identified by **[** *insert name of Issuing Bank* **]** in a written notice to you. To the extent a presentation is made by fax transmission, you must provide telephone notification thereof to **[** *insert name of Issuing Bank* **]** ( **[** *insert telephone number* **]** ) prior to or simultaneously with the sending of such fax transmission. Provided, however, that **[** *insert name of Issuing Bank* **]** 's receipt of such telephone notice shall not be a condition to payment, increase or reduction of the Stated Amount.

Items delivered by facsimile transmission shall be deemed to be the equivalent of originals of such items for all purposes of this Letter of Credit.

We hereby agree to honor each drawing hereunder made in compliance with this Letter of Credit. In the case of a drawing meeting the requirements hereof, such draw shall be honored by wire transfer in immediately available funds in the amount specified in the Draft Certificate delivered to the Issuing Bank in connection with such drawing to your account number as specified in the signed Draft Certificate. If such Draft Certificate is presented by you on a Business Day at or before **[** *insert time* **]** , such payment will be made not later than the close of business on the date of such drawing; drawings presented by you on a Business Day after **[** *insert time* **]** will be paid on the next Business Day.

This Letter of Credit is effective immediately, and expires on the first to occur of (a) **[** *insert expiration date that is not earlier than twelve (12) months after the issuance date hereof* **]** (as such date may be extended pursuant to the following provisions, the **"LOC Expiry Date"** ), (b) the date on which drawings or requested increases or reductions to the Stated Amount hereunder total the Stated Amount of this Letter of Credit as increased or reduced from time to time in accordance with the terms of this Letter of Credit, or (c) the surrender to the Issuing Bank by you of the original of this Letter of Credit, along with the original(s) of any amendment(s) hereto, for cancellation together with your written consent to such cancellation; provided, however, that in the case of clause (a) above, this Letter of Credit will be automatically extended without amendment for successive twelve (12) month periods from the present or any future LOC Expiry Date hereof, unless we provide you with written notice of our election not to extend the LOC Expiry Date at least sixty (60) days prior to any such the then effective expiration date (the " **LOC Expiration Date** ").

[Communications with respect to this Letter of Credit, including, without limitation, the delivery of the Draft Certificate, shall be in writing and shall be addressed to you at the address set forth above and to us at **[** *insert name and address of Issuing Bank* **]** , and presented to us by delivery in person or facsimile transmission at such address.] [2]

As used herein a " **Business Day** " shall mean any day other than a Saturday, Sunday or a day on which banks are required or authorized to close in New York, New York, USA or [Lima, Peru].

This Letter of Credit is transferable in whole but not in part. No transfer hereof shall be effective until:

A. An executed transfer request in the form of Annex "B" attached hereto is filed with us; and

B. The original of this Letter of Credit, along with the original(s) of any amendment(s) hereto, is/are returned to us for our endorsement thereon of any transfer effected.

Partial drawings are permitted.

This Letter of Credit, except as otherwise expressly stated herein, is subject to the International Standby Practices, International Chamber of Commerce Publication No. 590 (" **ISP98** ") and as to matters not governed by the ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, USA (without giving effect to its conflict of laws principles (except Section 5-1401 and 5-1402 of the New York General Obligations Law)).

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred herein, except for Annex "A" , Annex "B" , Annex "C" and Annex "D" hereto and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

---

[2] Note : Acceptable LC Provider to confirm if SWIFT is acceptable.

Very truly yours,

**[ ]**

By: _____
Name:
Title:

Our Ref. No.

**ANNEX "A"**

**[Beneficiary Letterhead]**

**DRAFT CERTIFICATE UNDER [INSERT NAME OF BANK]**
**LETTER OF CREDIT NO.**

, 20

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: [ ]

Reference is made to the Collateral Agency and Security Deposit Agreement dated as of August 17, 2012 (the " **Collateral Agency and Depositary Agreement** ") among Cerro del Aguila S.A. (the " **Borrower** "), Sumitomo Mitsui Banking Corporation, as Administrative Agent, the Beneficiary, in its capacity as Offshore Collateral Agent, Scotiabank Peru S.A.A., as Onshore Collateral Agent and as Trustee and The Bank of Nova Scotia, New York Agency, as Depositary. Capitalized terms used herein and not otherwise defined herein shall have the meanings herein ascribed thereto in the Collateral Agency and Depositary Agreement.

The undersigned, duly authorized representative of The Bank of Nova Scotia (the " **Beneficiary** ") hereby certifies to **[** *insert name of Bank* **]** (the " **Issuing Bank** "), with reference to the Irrevocable Standby Letter of Credit No. (the " **Letter of Credit** ") issued by the Issuing Bank in favor of the Beneficiary (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) that:

**Use the following for Drawings:**

1. The Beneficiary is making a drawing under the Letter of Credit in the amount of **[ ]** Dollars (US$ ) (the " **Drawing Amount** ").

2. The Drawing Amount hereunder does not exceed the Stated Amount reduced by all payments of any previous drawings or reductions to the Stated Amount under the Letter of Credit.

3. **[APPLICABLE DRAW CONDITION TO BE PROVIDED BY BENEFICIARY]:**

- Pursuant to Section 3.13(a)(ii) of the Collateral Agency and Depositary Agreement, Borrower has failed to deposit sufficient cash in the Debt Service Reserve Accounts in an amount equal to the excess, if any, of (A) the Required Debt Service Reserve Amount, less (B) the sum of (1) the aggregate amount then on deposit in the Debt Service Reserve Accounts plus (2) the amount drawable under any Acceptable Letter of Credit; or

- Pursuant to Section 3.13(a)(ii) of the Collateral Agency and Depositary Agreement, the Issuing Bank has notified the Beneficiary that the Letter of Credit will not be extended beyond the [LOC Expiry Date]/[LOC Expiration Date] and the Beneficiary has notified the Issuing Bank that the Letter of Credit has not been replaced at least thirty (30) days prior to the [LOC Expiry Date]/[LOC Expiration Date] by the Applicant with a replacement DSRA Letter of Credit; or
- Pursuant to Section 3.13(a)(iii) of the Collateral Agency and Depositary Agreement, the Collateral Agency and Depositary Agreement calls for a transfer of funds from the Debt Service Reserve Accounts, and at this time, sufficient monies are not on deposit in the Debt Service Reserve Accounts; or
- Pursuant to Section 3.13(c) of the Collateral Agency and Depositary Agreement, a Negative Credit Event has occurred with respect to the Issuing Bank and the Applicant has failed to deliver a replacement Acceptable Letter of Credit within thirty (30) days after becoming aware of the downgrade giving rise to such Negative Credit Event.

4. The Issuing Bank is hereby directed to make payment of the requested Drawing Amount to **[** Name of Bank **]** , at **[ ]** ABA No. **[ ]** for further credit to Account No. **[ ]** Re: **[ ]** Attention: **[ ]** .

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the day of , 20 .

[ ]

By: _____
Name:
Title:

**ANNEX "B"**

**FULL TRANSFER OF LETTER OF CREDIT**

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

Re: Irrevocable Standby Letter of Credit No. **[ ]**

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the " **Beneficiary** ") hereby irrevocably transfers to:

_____
**[** Name of Transferee **]**

_____
**[** Address **]**

all rights of the undersigned Beneficiary to draw under the above-captioned Letter of Credit (the " **Letter of Credit** ").

By this transfer, all rights of the undersigned Beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as Beneficiary thereof; provided that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to such transfers. All amendments to the Letter of Credit are to be consented to by the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit together with any amendments (if any) is returned herewith and in accordance therewith we ask that this transfer be effective and that you transfer the Letter of Credit to our transferee by issuing a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

Very truly yours,

_____
Authorized Signature

SIGNATURE GUARANTEED The Beneficiary's signature(s) with title(s) conforms with that on file with us and such is/are authorized for the execution of this instrument.

(Name of Bank)

(Bank Address)

(City, State, Zip Code)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

**ANNEX "C"**

**[Beneficiary Letterhead]**

**REDUCTION CERTIFICATE UNDER**
**[INSERT NAME OF BANK] LETTER OF CREDIT NO.**

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

The undersigned, duly Authorized Officer of The Bank of Nova Scotia (the " **Beneficiary** ") hereby certifies to **[** *insert name of Bank* **]** (the " **Issuing Bank** "), with reference to the Irrevocable Letter of Credit No. (the " **Letter of Credit** ") issued by the Issuing Bank in favor of the Beneficiary (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) that:

1. The Beneficiary is requesting an immediate reduction to the Stated Amount under the Letter of Credit in the amount of **[ ]** Dollars (US$ ) (the " **Reduction Amount** ").

2. The Beneficiary hereby certifies to you that the Stated Amount under the Letter of Credit is greater than (i) the amount of the Required Debt Service Amount minus (ii) the aggregate amount on deposit in the Debt Service Reserve Accounts (the " **Excess Amount** ") and that the Reduction Amount does not exceed the Excess Amount.

3. The new Stated Amount will be for **[ ]** Dollars (US$ ).

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the day of , 20 .

[ ]

By: _____
Name:
Title:

**ANNEX "D"**

**[Beneficiary Letterhead]**

**INCREASE CERTIFICATE UNDER**
**[INSERT NAME OF BANK] LETTER OF CREDIT NO.**

**[** *insert name of Bank* **]**
**[** *address* **]**
Attn: **[ ]**

The undersigned, duly Authorized Officer of The Bank of Nova Scotia (the " **Beneficiary** ") hereby certifies to **[** *insert name of Bank* **]** (the " **Issuing Bank** "), with reference to the Irrevocable Letter of Credit No. (the " **Letter of Credit** ") issued by the Issuing Bank in favor of the Beneficiary (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) that:

1. The Beneficiary is requesting an immediate increase to the Stated Amount under the Letter of Credit in the amount of **[ ]** Dollars (US$ ) (the " **Increase Amount** ").
2. The Beneficiary hereby certifies to you that the Stated Amount under the Letter of Credit is less than (i) the amount of the Required Debt Service Amount minus (ii) the aggregate amount on deposit in the Debt Service Reserve Accounts (the " **Deficiency Amount** ") and that the Increase Amount does not exceed the Deficiency Amount.
3. The new Stated Amount will be for **[ ]** Dollars (US$ ).

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the day of , 20 .

[ ]

By: _____
Name:
Title:

**FORM OF CONSENT AND AGREEMENT (EPC CONTRACTOR)**

[ *Attached* ]

**CONSENT AND ACKNOWLEDGMENT AGREEMENT**

**(TURNKEY ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT FOR THE CERRO DEL AGUILA HYDROELECTRIC POWER PLANT)**

Dated as of [ ], 2012

Among

ASTALDI S.P.A. AND GYM SA,

collectively, as Project Party

and

CERRO DEL AGUILA S.A.,

as Assignor

SCOTIABANK PERU S.A.A.,

as Onshore Collateral Agent

and

THE BANK OF NOVA SCOTIA,

as Offshore Collateral Agent

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**CONSENT AND ACKNOWLEDGMENT AGREEMENT**

This CONSENT AND ACKNOWLEDGMENT AGREEMENT, dated as of [ ], 2012 (this " Consent "), is entered into by and among ASTALDI S.P.A. (" Astaldi "), a company organized and existing under the laws of Italy and GYM SA (" GyM "), a company organized and existing under the laws of Peru, acting in joint-venture (together with Astaldi and each of their permitted successors and assigns, the " Project Party "), CERRO DEL AGUILA S.A., a *sociedad anónima* , duly incorporated and validly existing under the laws of Peru (the " Assignor "), SCOTIABANK PERU S.A.A., in its capacity as onshore collateral agent for the Secured Parties (together with its successors, designees and assigns in such capacity, the " Onshore Collateral Agent ") and THE BANK OF NOVA SCOTIA, in its capacity as offshore collateral agent for the Secured Parties (together with its successors, designees and assigns in such capacity, the " Offshore Collateral Agent ", and together with the Onshore Collateral Agent, the " Collateral Agents "). Capitalized terms used herein shall have the meanings given to them in Exhibit 1 hereto or the Assigned Agreement (as defined below), as applicable.

**RECITALS**

A. WHEREAS, the Assignor and the Project Party have entered into that certain Turnkey Engineering, Procurement and Construction Contract for Cerro del Aguila Hydroelectric Power Plant dated as of November 4, 2011 (attached as Annex 1 hereto and as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, together the " Assigned Agreement "), whereby the Project Party has agreed to provide all the goods and services necessary for the design, engineering, procurement, construction, commissioning and testing related to the completion of a 525 MW hydroelectric power plant identified in the Assigned Agreement as the "Plant" to be located in the districts of Surcubamba and Colcabamba, department of Huancavelica, Peru (the " Project ");

B. WHEREAS, the Assignor, the Collateral Agents, the Lenders and the other Persons party thereto from time to time have entered into that certain Credit Agreement, dated as of August [15], 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the " Credit Agreement ");

C. WHEREAS, the Assignor, the Collateral Agents and the other Persons party thereto from time to time (the " Secured Parties ") have entered into certain security documents, pursuant to which the Assignor has pledged substantially all of its assets as collateral security to secure its obligations under the Credit Agreement and the other financing documents (the " Secured Obligations "), including all of the right, title and interest of the Assignor under, in and to the Assigned Agreement;

D. WHEREAS, it is a requirement under the Credit Agreement that the parties hereto execute and deliver this Consent; and

E. WHEREAS, this Consent is being executed in accordance with Sections 22.18 and 22.19 of the Assigned Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereto hereby agree, notwithstanding anything in the Assigned Agreement to the contrary, as follows:

ARTICLE 1

CONSENT AND ACKNOWLEDGMENT AGREEMENT

SECTION 1.1 Consent and Acknowledgment Agreement . The Project Party hereby acknowledges, consents to and agrees that:

(a) A pledge and an assignment to the Collateral Agents for the benefit of the Secured Parties of all of the Assignor's right, title and interest in, to and under the Assigned Agreement have been executed as collateral security for all of the Secured Obligations of the Assignor.

(b) The Collateral Agents and any designees or assignees thereof shall have the right, but not the obligation, to pay any sum due from the Assignor under the Assigned Agreement and, upon receipt by the Project Party of written notice from the Collateral Agents that an Event of Default has occurred and is continuing under the Credit Agreement, the Collateral Agents and any permitted assignees thereof shall be entitled to exercise any and all rights and remedies of the Assignor under the Assigned Agreement in accordance with its terms directly against the Project Party; provided that nothing herein shall require the Project Party to inquire or to be concerned as to whether an Event of Default has actually occurred and is continuing under the Credit Agreement and whether such notice was proper in the circumstances.

(c) Until such time as the Collateral Agents notify the Project Party that an Event of Default has occurred and is continuing under the Credit Agreement, the Project Party shall continue to communicate directly with the Assignor with regard to the Assignor's continuing obligations under the Assigned Agreement. After the Collateral Agents notify the Project Party that an Event of Default has occurred and is continuing under the Credit Agreement, the Project Party agrees to (i) recognize the Collateral Agents as the Assignor under the Assigned Agreement, (ii) treat any and all written instructions received from the Collateral Agents as if received directly from the Assignor and (iii) deliver to the Collateral Agents at the addresses set forth on the signature pages hereof, or at such other addresses as the Collateral Agents may designate in writing from time to time to the Project Party, concurrently with the delivery thereof to the Assignor, a copy of all notices, requests or demands given by the Project Party pursuant to the Assigned Agreement.

It is expressly agreed that the occurrence of an Event of Default under the Credit Agreement, whether or not such notice of an Event of Default has been given to the Project Party, will not affect the validity and enforceability of the Assigned Agreement which shall continue in full force and effect.

If an Event of Default under the Credit Agreement is thereafter cured by the Assignor and/or waived in accordance with the terms of the Credit Agreement, in either case after the

Collateral Agents have notified the Project Party of the occurrence of such Event of Default in accordance with the first paragraph of this Section 1.1(c) , then the Collateral Agents shall send a notice to the Project Party and thereafter the Project Party shall resume its communications with the Assignor as if no notice of an Event of Default under the Credit Agreement had been given.

(d) The Project Party will not, without the prior written consent of the Collateral Agents take any action to:

(i) cancel or terminate, or suspend performance under, the Assigned Agreement, unless the Project Party shall have first delivered to the Collateral Agents written notice stating that it intends to exercise such right (x) with respect to a cancellation or termination, on a date not less than ninety (90) days after the date of such notice, or (y) with respect to a suspension, on the date permitted under the Assigned Agreement for the suspension by the Project Party of its work under the Assigned Agreement, specifying the nature of the default giving rise to such right (and, in the case of a payment default, specifying the amount thereof) and permitting the Collateral Agents to cure such default by performing or causing to be performed the obligation in default, or by making a payment in the amount in default, within a period of forty-five (45) days after the later of (A) the date on which the notice of cancellation, termination or suspension is received by the Collateral Agents and (B) the date on which the applicable cure period provided in the Assigned Agreement with respect to such default expires, as the case may be;

(ii) amend, supplement or otherwise modify the Assigned Agreement (as in effect on the date hereof as amended by Exhibit 2 hereto); provided that no consent shall be required to amend, supplement or otherwise modify the Assigned Agreement (A) to cure any ambiguity, typographical error, defect or inconsistency therein or (B) if required by operation of law, it being understood that Variations that individually give rise to an increase in cost in excess of $2,000,000, or together with all other Variations entered into in a Fiscal Year in excess of $10,000,000, shall be deemed to amend, supplement or otherwise modify the Assigned Agreement;

(iii) sell, assign or otherwise dispose of any part of its interest in the Assigned Agreement, except if required by operation of law; or

(iv) petition, request or take any other legal or administrative action which seeks, or may reasonably be expected, to rescind, terminate, suspend (other than as permitted under the Assigned Agreement), amend or modify the Assigned Agreement or any part thereof, without giving ninety (90) days prior notice to the Collateral Agents of the default that would entitle the Project Party to petition, request or take any other legal or administrative action seeking to rescind, terminate, suspend the Assignment Agreement.

Nothing in this Section 1.1(d) shall limit the Project Party's ability to invoke the dispute resolution provisions of the Assigned Agreement.

In furtherance of the foregoing subclause(d)(i) , the Project Party agrees that notwithstanding anything contained in the Assigned Agreement to the contrary (i) (x) upon the occurrence of a default under the Assigned Agreement that cannot by its nature be cured by the payment of money or (y) if the Collateral Agents shall otherwise be prohibited by any court order or bankruptcy, insolvency or similar proceedings from curing such default or from commencing or

prosecuting foreclosure proceedings (an " Enforcement Action "), it will not cancel or terminate such Assigned Agreement for a period of sixty (60) days in addition to the cure period set forth in subclause (d)(i) above so long as the Collateral Agents or their designees or assignees shall be diligently seeking to cure such default, institute an Enforcement Action or otherwise to acquire the Assignor's interest in such Assigned Agreement, and (ii) it shall grant the Collateral Agents sixty 60 days to cure such default upon the occurrence of such Enforcement Action or acquisition. If the Assignor's default under the Assigned Agreement permits the Project Party, pursuant to the Assigned Agreement, to suspend its performance thereunder, the Project Party shall be entitled to receive those suspension-related costs specifically contemplated in the Assigned Agreement, which costs shall be payable upon the Collateral Agents' (or their permitted assignees') cure of the Assignor's default.

(e) The Project Party shall deliver to the Collateral Agents at the address set forth on the signature pages hereof, or at such other address as the Collateral Agents may designate in writing from time to time to the Project Party, concurrently with the delivery thereof to the Assignor, a copy of each material notice, request or demand given by the Project Party pursuant to the Assigned Agreement. For purposes of this clause (e) , a material notice shall be deemed to be any notice with respect to, or otherwise in connection with, defaults, suspensions and any Variation that would require consent hereunder (and any event necessitating such Variation).

(f) In the event that the Collateral Agents, or their designees or assignees succeed to the Assignor's interest under the Assigned Agreement, whether by foreclosure or otherwise, the Collateral Agents or their designees or assignees shall assume liability for all of the Assignor's obligations under such Assigned Agreement. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Collateral Agents in accordance with this Consent shall not give rise to any duties or obligations whatsoever on the part of any of the Secured Parties owing to the Project Party. For the avoidance of doubt, the Assignor shall remain liable for its obligations during the period prior to the assignment and assumption of the Assignor's obligations by the Collateral Agents or their respective designees or assignees and the Project Party shall, except as provided in this Consent, remain entitled to exercise its remedies against the Assignor under the Assigned Agreement in respect thereto.

(g) Upon the exercise by the Collateral Agents of any of their remedies in respect of the Assigned Agreement, the Collateral Agents may assign their rights and interests and the rights and interests of the Assignor under the Assigned Agreement to any Person with the prior consent of the Project Party if such Person shall assume all of the obligations of the Assignor under the Assigned Agreement. Upon such assignment and assumption, the Collateral Agents shall be relieved of all obligations under the Assigned Agreement arising after such assignment and assumption, except for those obligations in the process of being fulfilled by the Collateral Agents when such assignment occurs and the Project Party shall recognize such Person to whom the Assigned Agreement is assigned and will continue to perform its obligations under the Assigned Agreement in favor of such Person.

(h) All references in this Consent to the "Collateral Agents" shall be deemed to refer to the Collateral Agents and/or any of their designee(s) or transferee(s) thereof acting on behalf of the Secured Parties (regardless of whether so expressly provided), and all actions permitted to be taken by either of the Collateral Agents under this Consent may be taken by any such designee or transferee

SECTION 1.2 Replacement Agreement . In the event that (i) the Assigned Agreement is rejected by a trustee, liquidator, debtor-in-possession or similar Person in any bankruptcy, insolvency or similar proceeding involving the Assignor or (ii) the Assigned Agreement is terminated as a result of any bankruptcy, insolvency or similar proceeding involving the Assignor and, if within 120 days after such rejection or termination, the Collateral Agents or their designee(s) shall so request and shall certify in writing to the Project Party that it intends to perform the obligations of the Assignor as and to the extent required under such Assigned Agreement, the Project Party will execute and deliver to the Collateral Agents or such designee(s) a new agreement (the " Replacement Agreement ") which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and the Project Party prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to the Replacement Agreement.

SECTION 1.3 Limitation on Liability . In the event the Collateral Agents or their designee(s), or any purchaser, transferee, grantee or assignee of the interests of any of the Collateral Agents or their designee(s) in the Project assumes or becomes liable under the Assigned Agreement (as contemplated in this Article 1 or otherwise), liability in respect of any and all obligations of any such Person under the Assigned Agreement shall be limited to such Person's interest in the Project (and no officer, director, employee, shareholder or agent thereof shall have any liability with respect thereto).

## ARTICLE 2

## PAYMENTS UNDER THE ASSIGNED AGREEMENT

SECTION 2.1 Payments . The Project Party shall pay all amounts (if any) payable by it to the Assignor under the Assigned Agreement in the manner and as and when required by the Assigned Agreement directly into the account specified on Annex 2 hereto, or to such other person, entity or account as shall be specified from time to time by the Collateral Agents to the Project Party in writing.

SECTION 2.2 No Offset, Etc. All payments required to be made by the Project Party to the Assignor under the Assigned Agreement shall be made without any offset, recoupment, abatement, withholding, reduction or defense whatsoever, other than those allowed by the terms of the Assigned Agreement.

## ARTICLE 3

## AMENDMENTS

SECTION 3.1 Amendments . In accordance with Section 22.19 of the Assigned Agreement, during the period that this Consent is in effect, the Assigned Agreement is hereby amended in the manner contemplated in Exhibit 2 .

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

SECTION 4.1 Representations and Warranties . Each of Astaldi and GyM, severally, hereby represents and warrants to the Collateral Agents:

(a) It is duly organized under the laws of the jurisdiction of its formation and is duly qualified to do business and is in good standing in all jurisdictions where necessary in light of the business it conducts and the property it owns and the business that it intends to conduct and the property that it intends to own in light of the transactions contemplated by the Assigned Agreement and this Consent.

(b) It has the full power, authority and legal right to execute, deliver and perform its obligations under this Consent and under the Assigned Agreement. The execution, delivery and performance by it of this Consent and the Assigned Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate, shareholder and governmental action on its part. This Consent and the Assigned Agreement have been duly executed and delivered by it and constitute the legal, valid and binding obligations of it, enforceable against it in accordance with their respective terms, except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) the application of general principles of equity or law (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) The execution, delivery and performance by it of this Consent and the Assigned Agreement does not and will not (i) require any consent or approval of its board of directors (or similar body) or any shareholder or of any other Person which has not been obtained and each such consent or approval that has been obtained has not been modified and is in full force and effect, (ii) result in, or require the creation or imposition of any, lien, security interest, charge or encumbrance upon or with respect to any of its assets or properties now owned or hereafter acquired, (iii) violate any provision of any law, rule, regulation, order, writ, judgment, decree, determination or award having applicability to it, or any provision of its certificate of incorporation or bylaws or other constitutive documents or (iv) conflict with, result in a breach of, or constitute a default under, any provision of its certificate of incorporation, bylaws or other constituent documents or any resolution of its board of directors (or similar body) or any indenture or loan or any other agreement, lease or instrument to which it is a party or by which it or its properties and assets are bound or affected. It is not in violation of any such law, rule, regulation, order, writ, judgment, decree, determination or award referred to in clause (iii) above or its certificate of incorporation or by laws or other constitutive documents or in breach of or default under any provision of its certificate of incorporation or by-laws other constitutive documents or any agreement, lease or instrument referred to in clause (iv) above.

(d) No governmental approval is required to be obtained by it in connection with the execution or performance of the relevant obligations of the Project Party under this Consent and the Assigned Agreement or the consummation of the transactions contemplated thereunder or hereunder[, except for such government approvals listed on Schedule 4.1(e) . Each such

governmental approval has been validly issued by the appropriate issuing authority and duly obtained by the Project Party, is not subject to any condition, does not impose restrictions or requirements inconsistent with the terms hereof or thereof, as the case may be, is in full force and effect and is not subject to appeal. It has no reason to believe that any such governmental approval that has been issued will be revoked, modified, suspended or not renewed on substantially the same terms as are currently in effect.] [1]

(e) To the best of its knowledge, there is no action, suit or proceeding at law or in equity by or before any Government Authority, arbitral tribunal or other body now pending or threatened against or affecting it or its properties, rights or assets which (i) if adversely determined, individually or in the aggregate, could reasonably be expected to have a material adverse effect on it or its ability to perform its obligations under the Assigned Agreement or this Consent or (ii) affects the validity, binding effect or enforceability of the Assigned Agreement or this Consent or any action taken or to be taken pursuant hereto or thereto or any of the transactions contemplated hereby or thereby.

(f) The Project Party is not in default under any covenant or obligation hereunder or under the Assigned Agreement and no such default has occurred prior to the date hereof. [To the best of our knowledge, the Assignor is not in default under any covenant or obligation of the Assigned Agreement and no such default has occurred prior to the date hereof. After giving effect to the assignment by the Assignor to the Collateral Agents of the Assigned Agreement pursuant to this Consent, and after giving effect to the acknowledgment of and consent to such assignment by the Project Party (as constituted by this Consent), there exists no event or condition that would constitute a default, or that would, with the giving of notice or lapse of time or both, constitute a default under the Assigned Agreement.]

(g) This Consent and the Assigned Agreement, and any other agreement specifically contemplated herein or therein, constitute and include all agreements entered into by the Project Party and Assignor relating to, and required for the consummation of, the transactions contemplated by this Consent and the Assigned Agreement.

(h) [The Assigned Agreement has not been amended, modified or supplemented, and no changes, amendments or modifications have been proposed by the Assignor or Astaldi or GyM] [2] , except as amended by those amendments set forth on Exhibit 2 hereto.

(i) To the best of its knowledge, no event of Force Majeure (as defined under the Assigned Agreement) has occurred and is continuing under the Assigned Agreement.

(j) The Project Party does not have any notice of, nor has consented to, any previous assignment, pledge or hypothecation by the Assignor of all or any part of its rights under the Assigned Agreement.

1 Note: To be confirmed.

2 Note: Borrower to confirm there have been no amendments to the EPC Contract.

(k) Each representation and warranty made by it in the Assigned Agreement is true and correct as of the date of this Consent (or, if stated to have been made solely as of an earlier date, each such representation and warranty was true and correct as of such earlier date).

(l) Each of the representations and warranties set forth in this Article 4 shall survive the execution and delivery of this Consent and the consummation of the transactions contemplated hereby.

ARTICLE 5

COVENANTS

SECTION 5.1 Covenants . The Project Party hereby covenants and agrees with the Collateral Agents:

(a) it shall cause the Collateral Agents or any other Secured Party, as applicable, to be named as loss payee, and the Administrative Agent to be named as additional insured under the insurance policies required to be maintained under the Assigned Agreement;

(b) it shall deliver an opinion of outside counsel, in form and substance set forth in Exhibit 3;

(c) Section 18.1 of the Assigned Agreement shall apply, *mutatis mutandis* , to the Lenders pursuant to this Consent as if fully set forth herein; and

(d) Section 22.20 of the Assigned Agreement shall apply, *mutatis mutandis* , to this Consent as if fully set forth herein.

ARTICLE 6

TERM

SECTION 6.1 Term . This Consent shall terminate upon the earlier of (a) the notice by the Collateral Agents (such notice not to be unreasonably delayed or withheld) of the satisfaction of all the Assignor's obligations under the Credit Agreement and the other financing documents and (b) the termination of the Warranty Period under the Assigned Agreement.

ARTICLE 7

MISCELLANEOUS

SECTION 7.1 Notices . All notices and other communications provided for hereunder shall be either (i) in writing (including telegraphic, telecopier or telex communication) and mailed, telegraphed, telecopied, telexed or otherwise delivered or (ii) by electronic mail (if electronic mail addresses are designated as provided below) confirmed immediately in writing, addressed to the relevant party at the address set forth on the signature pages hereof or at such other address as shall

be designated by such party in a written notice to the other parties. All notices and other communications to the Lender's Representative shall be addressed to Hatch Asociados, S.A., at the following address [ ], Attention: [ ], Email: [ ] with a copy to the Administrative Agent. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed, sent by electronic mail or otherwise, be effective when deposited in the mails, delivered to the telegraph company, telecopied, confirmed by telex answerback, sent by electronic mail and confirmed in writing, or otherwise delivered (or confirmed by a signed receipt), respectively, addressed as aforesaid; except that notices and other communications to the Collateral Agents shall not be effective until received by the Collateral Agents. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Consent shall be effective as delivery of an original executed counterpart thereof.

SECTION 7.2 Governing Law; Submission to Jurisdiction . This Consent shall be governed by, and construed in accordance with, the laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Consent, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Consent shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Consent or any of the other Financing Documents in the courts of any jurisdiction. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Consent in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Project Party hereby irrevocably appoints C T Corporation System located at 111 Eighth Avenue, New York, NY 10011 (the " Process Agent "), as its agent to receive on behalf of itself and its property, service of summons and complaint and any other process which may be served in any such action or proceeding. Such service is hereby acknowledged by the Project Party to be effective and binding on it in every respect as if such service of process were made personally. The Project Party shall deliver to the Collateral Agents evidence of such irrevocable appointment, in form and substance satisfactory to the Collateral Agents.

To the extent that the Project Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Project Party hereby irrevocably and unconditionally waives such immunity in respect of its obligations under the Assigned Agreement or this Consent.

SECTION 7.3 Execution in Counterparts . This Consent may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Consent by telecopier or portable document format (.pdf) shall be effective as delivery of an original executed counterpart of this Consent.

SECTION 7.4 Headings Descriptive . The headings of the several sections and subsections of this Consent are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Consent.

SECTION 7.5 Severability . In case any provision in or obligation under this Consent shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 7.6 Amendment, Waiver . Neither this Consent nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Project Party, the Assignor and the Collateral Agents.

SECTION 7.7 Successors and Assigns . This Consent shall bind and benefit the Project Party, the Collateral Agents, and their respective successors and assigns.

SECTION 7.8 Third Party Beneficiaries . The Project Party and the Collateral Agents hereby acknowledge and agree that the Secured Parties are intended third party beneficiaries of this Consent.

SECTION 7.9 Exercise of Rights . No failure or delay on the part the Project Party, the Assignor, the Collateral Agents, any Secured Party or any of their respective agents or designees to exercise, and no course of dealing with respect to, any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise of any other right, power or privilege.

SECTION 7.10 Remedies . The remedies of the Collateral Agent and each of their designees or assignees provided herein are cumulative and not exclusive of any remedies provided by law. In addition, the Collateral Agents may exercise their rights in respect of the Assigned Agreement in such order as the Collateral Agents may deem expedient.

SECTION 7.11 Waiver of Jury Trial . Each of the Assignor, the Project Party and the Collateral Agents irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Consent.

SECTION 7.12 Entire Agreement . This Consent and any agreement, document or instrument attached hereto or referred to herein integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations and prior writings between the parties hereto in respect of the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Consent and any such agreement, document or instrument (including, without limitation, the Assigned Agreement), the terms, conditions and provisions of this Consent shall prevail.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, intending to be legally bound, have caused this Consent to be duly executed and delivered as of the date first above written.

**Assignor:**

CERRO DEL AGUILA S.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

Cerro del Aguila S.A.
Av. Santo Toribio 115 Piso 7
San Isidro – Lima 27 – Peru
Attn: Daniel Urbina
Telephone: (511) 706 - 7878
Facsimile: (511) 708 - 2201
Email: daniel.urbina@inkiaenergy.com

**Project Party:**

ASTALDI S.P.A.

By: _____
Name:
Title:

Address for Notices:

GYM SA

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

**Onshore Collateral Agent:**

SCOTIABANK PERU S.A.A.

By: _____
Name:
Title:

Address for Notices:

Scotiabank Perú
Av. Dionisio Derteano Nº 102, Piso 5, San Isidro
Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu
Telephone: 511-211-6599
Facsimile: 511-211-6822
Email: cecilia.marin@scotiabank.com.pe

**Offshore Collateral Agent:**

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

Address for Notices:

The Bank of Nova Scotia
Global Wholesale Services
720 King Street West, 2nd Floor
Toronto, Ontario
Canada M5V 2T3
Attention: Director Agency
Reference: Cerro Del Aguila – PERU
Telephone: +1 416-866-2800
Facsimile: +1 416-933-2295
Email: richard.mccorkindale@scotiabank.com

1. Defined Terms . As used in this Consent, the following terms shall have the following meanings:

" Administrative Agent " shall mean [ ] in its capacity as administrative agent for the Lenders pursuant to the Credit Agreement.

" Assigned Agreement " shall have the meaning ascribed thereto in the recitals.

" Assignor " shall have the meaning ascribed thereto in the preamble.

" Astaldi " shall have the meaning ascribed thereto in the preamble.

" Collateral Agents " shall mean the Onshore Collateral Agent and the Offshore Collateral Agent.

" Consent " shall have the meaning ascribed thereto in the preamble.

" Credit Agreement " shall have the meaning ascribed thereto in the recitals.

" Enforcement Action " shall have the meaning ascribed to such term in Section 1.1(d) .

" Fiscal Year " shall mean a fiscal year of the Assignor ending on December 31 of each calendar year.

" Government Authority " shall mean any national, state, county, city, town, village, municipal or other local governmental department, commission, board, bureau, agency, authority or instrumentality of the United States, Peru or any other national authority or any political subdivision of any thereof and any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing entities and having jurisdiction over the Persons or matters in question.

" GyM " shall have the meaning ascribed thereto in the preamble.

" Lenders " shall mean, collectively, all lenders from time to time party to the Credit Agreement.

" Offshore Collateral Agent " shall have the meaning ascribed thereto in the preamble.

" Onshore Collateral Agent " shall have the meaning ascribed thereto in the preamble.

" Person " shall mean any individual, corporation, partnership (including, without limitation, association), joint stock company, trust, unincorporated organization or government or political subdivision thereof.

" Process Agent " shall have the meaning ascribed thereto in Section 7.2 of this Consent.

" Project " shall have the meaning ascribed thereto in the recitals.

" Project Party " shall have the meaning ascribed thereto in the preamble.

" Replacement Agreement " shall have the meaning ascribed thereto in Section 1.2 of this Consent.

" Secured Obligations " shall have the meaning ascribed thereto in the preamble.

" Secured Parties " shall have the meaning ascribed thereto in the preamble.

Exhibit 2 to
the Consent

AMENDMENTS TO THE ASSIGNED AGREEMENT

The Assignor and the Project Party hereby acknowledge and agree that for the period that this consent is in effect the Assigned Agreement shall be amended as follows:

[To be inserted.]

Exhibit 2 to the Consent

LEGAL OPINION FORM

[ *To be inserted* ]

Exhibit 3 to the Consent

ASSIGNED AGREEMENT

[To be inserted.]

Annex 1 to the Consent

ACCOUNT INFORMATION

[To be inserted.]

Annex 2 to the Consent

GOVERNMENT APPROVALS

[Project Party to provide.]

Schedule 4.1(e) to the Consent

**CONSENT AND ACKNOWLEDGMENT AGREEMENT**

**[(OPERATIONS AND MAINTENANCE AGREEMENT)]**

Dated as of [ ]

Among

[ ],

as Project Party

and

CERRO DEL AGUILA S.A.,

as Assignor

SCOTIABANK PERU S.A.A., [1]

as Onshore Collateral Agent

and

THE BANK OF NOVA SCOTIA,

as Offshore Collateral Agent

[1] Note : To be included as a party if the operations and maintenance agreement is governed by Peruvian law.

**TABLE OF CONTENTS**

**CONSENT AND ACKNOWLEDGMENT AGREEMENT**

This CONSENT AND ACKNOWLEDGMENT AGREEMENT, dated as of [ ] (this " Consent "), is entered into by and among [ ], a [ ] existing under the laws of [ ], (the " Project Party "), CERRO DEL AGUILA S.A., a *sociedad anónima* , duly incorporated and validly existing under the laws of Peru (the " Assignor "), SCOTIABANK PERU S.A.A., in its capacity as onshore collateral agent for the Secured Parties (together with its successors, designees and assigns in such capacity, the " Onshore Collateral Agent ") and THE BANK OF NOVA SCOTIA, in its capacity as offshore collateral agent for the Secured Parties (together with its successors, designees and assigns in such capacity, the " Offshore Collateral Agent ", and together with the Onshore Collateral Agent, the " Collateral Agents "). Capitalized terms used herein shall have the meanings given to them in Exhibit 1 hereto or the Assigned Agreement (as defined below), as applicable.

**RECITALS**

A. WHEREAS, the Assignor and the Project Party have entered into that certain [Operation and Maintenance Agreement] for Cerro del Aguila Hydroelectric Power Plant dated as of [ ], 20[ ] (attached as Annex 1 hereto and as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, together the " Assigned Agreement "), whereby the Project Party has agreed to provide all the operation and maintenance services related to that certain 525 MW hydroelectric power plant identified in the Assigned Agreement and located in the districts of Surcubamba and Colcabamba, department of Huancavelica, Peru (the " Project ");

B. WHEREAS, the Assignor, the Collateral Agents, the Lenders and the other Persons party thereto from time to time have entered into that certain Credit Agreement, dated as of August 17 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the " Credit Agreement ");

C. WHEREAS, the Assignor, the Collateral Agents and the other Persons party thereto from time to time (the " Secured Parties ") have entered into certain security documents, pursuant to which the Assignor has pledged substantially all of its assets as collateral security to secure its obligations under the Credit Agreement and the other financing documents (the " Secured Obligations "), including all of the right, title and interest of the Assignor under, in and to the Assigned Agreement; and

D. WHEREAS, it is a requirement under the Credit Agreement that the parties hereto execute and deliver this Consent.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereto hereby agree, notwithstanding anything in the Assigned Agreement to the contrary, as follows:

ARTICLE 1

CONSENT AND ACKNOWLEDGMENT AGREEMENT

SECTION 1.1 Consent and Acknowledgment Agreement . The Project Party hereby acknowledges and agrees that:

(a) The Project Party irrevocably acknowledges and consents to the pledge and assignment to the Collateral Agents for the benefit of the Secured Parties of all of the Assignor's right, title and interest in, to and under the Assigned Agreement as collateral security for all of the Secured Obligations of the Assignor.

(b) The Collateral Agents and any designees or assignees thereof shall have the right, but not the obligation, to pay any sum due from the Assignor under the Assigned Agreement and, upon receipt by the Project Party of written notice from the Collateral Agents that an Event of Default has occurred and is continuing under the Credit Agreement, the Collateral Agents and any permitted assignees thereof shall be entitled to exercise any and all rights of the Assignor under the Assigned Agreement in accordance with its terms and the Project Party shall comply in all respects with such exercise; provided that nothing herein shall require the Project Party to inquire or to be concerned as to whether an Event of Default has actually occurred and is continuing under the Credit Agreement and whether such notice was proper in the circumstances. Without limiting the generality of the foregoing, the Collateral Agents and any permitted assignees thereof shall have the full right and power to enforce directly against the Project Party (subject to Project Party's defenses under the Assigned Agreement) all obligations of the Project Party under the Assigned Agreement and otherwise to exercise all remedies thereunder and to make all demands and give all notices and make all requests required or permitted to be made by the Assignor under the Assigned Agreement.

(c) Until such time as the Collateral Agents notify the Project Party that an Event of Default has occurred and is continuing under the Credit Agreement, the Project Party shall continue to communicate directly with the Assignor with regard to the Assignor's continuing obligations under the Assigned Agreement. After the Collateral Agents notify the Project Party that an Event of Default has occurred and is continuing under the Credit Agreement, the Project Party agrees to (i) recognize the Collateral Agents as the Assignor under the Assigned Agreement, (ii) treat any and all written instructions received from the Collateral Agents as if received directly from the Assignor and (iii) deliver to the Collateral Agents at the addresses set forth on the signature pages hereof, or at such other addresses as the Collateral Agents may designate in writing from time to time to the Project Party, concurrently with the delivery thereof to the Assignor, a copy of all notices, requests or demands given by the Project Party pursuant to the Assigned Agreement.

It is expressly agreed that the occurrence of an Event of Default under the Credit Agreement, whether or not such notice of an Event of Default has been given to the Project Party, will not affect the validity and enforceability of the Assigned Agreement which shall continue in full force and effect.

If an Event of Default under the Credit Agreement is thereafter cured by the Assignor and/or waived in accordance with the terms of the Credit Agreement, in either case after the Collateral Agents have notified the Project Party of the occurrence of such Event of Default in accordance with the first paragraph of this Section 1.1(c) , then the Collateral Agents shall send a notice to the Project Party and thereafter the Project Party shall resume its communications with the Assignor as if no notice of an Event of Default under the Credit Agreement had been given.

(d) The Project Party will not, without the prior written consent of the Collateral Agents, take any action to (i) cancel or terminate, or suspend performance under, the Assigned Agreement, unless the Project Party shall have first delivered to the Collateral Agents written notice stating that it intends to exercise such right (x) with respect to a cancellation or termination, on a date not less than 180 days after the date of such notice, or (y) with respect to a suspension, on the date permitted under the Assigned Agreement for the suspension by the Project Party of its work under the Assigned Agreement, specifying the nature of the default giving rise to such right (and, in the case of a payment default, specifying the amount thereof) and permitting the Collateral Agents to cure such default by performing or causing to be performed the obligation in default, or by making a payment in the amount in default, within a period of forty-five (45) days after the later of (A) the date on which the notice of cancellation, termination or suspension is received by the Collateral Agents and (B) the date on which the applicable cure period provided in the Assigned Agreement with respect to such default expires, as the case may be, (ii) amend, supplement or otherwise modify the Assigned Agreement (as in effect on the date hereof); provided that no consent shall be required to amend, supplement or otherwise modify the Assigned Agreement to cure any ambiguity, typographical error, defect or inconsistency therein, (iii) sell, assign or otherwise dispose of (by operation of law or otherwise) any part of its interest in the Assigned Agreement or (iv) petition, request or take any other legal or administrative action which seeks, or may reasonably be expected, to rescind, terminate, suspend (other than as permitted under the Assigned Agreement), amend or modify the Assigned Agreement or any part thereof. Nothing in this Section 1.1(d) shall limit the Project Party's ability to invoke the dispute resolution provisions of the Assigned Agreement.

In furtherance of the foregoing subclause (d)(i) , the Project Party agrees that notwithstanding anything contained in the Assigned Agreement to the contrary (i) (x) upon the occurrence of a default under the Assigned Agreement that cannot by its nature be cured by the payment of money or (y) if the Collateral Agents shall otherwise be prohibited by any court order or bankruptcy, insolvency or similar proceedings from curing such default or from commencing or prosecuting foreclosure proceedings (an " Enforcement Action "), it will not cancel or terminate such Assigned Agreement for a period of ninety (90) days in addition to the cure period set forth in sub-clause (d)(i) above so long as the Collateral Agents or their designees or assignees shall be diligently seeking to cure such default, institute an Enforcement Action or otherwise to acquire the Assignor's interest in such Assigned Agreement and (ii) that it shall grant the Collateral Agents a reasonable period of time to cure such default upon the occurrence of such Enforcement Action or acquisition. If the Assignor's default under the Assigned Agreement permits the Project Party, pursuant to the Assigned Agreement, to suspend its performance thereunder, the Project Party shall be entitled to receive those suspension-related costs specifically contemplated in the Assigned Agreement, which costs shall be payable upon the Collateral Agents' (or their permitted assignees') cure of the Assignor's default.

(e) The Project Party shall deliver to the Collateral Agents at the address set forth on the signature pages hereof, or at such other address as the Collateral Agents may designate in writing from time to time to the Project Party, concurrently with the delivery thereof to the Assignor, a copy of each material notice, request or demand given by the Project Party pursuant to the Assigned Agreement. For purposes of this clause (e) , a material notice shall be deemed to be any notice with respect to, or otherwise in connection with, defaults, suspensions and any Variation that would require consent hereunder (and any event necessitating such Variation).

(f) In the event that the Collateral Agents, or their designees or assignees succeed to the Assignor's interest under the Assigned Agreement, whether by foreclosure or otherwise, the Collateral Agents or their designees or assignees shall assume liability for all of the Assignor's obligations under such Assigned Agreement. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Collateral Agents in accordance with this Consent shall not give rise to any duties or obligations whatsoever on the part of any of the Secured Parties owing to the Project Party. For the avoidance of doubt, the Assignor shall remain liable for its obligations during the period prior to the assignment and assumption of the Assignor's obligations by the Collateral Agents or their respective designees or assignees and the Project Party shall, except as provided in this Consent, remain entitled to exercise its remedies against the Assignor under the Assigned Agreement in respect thereto.

(g) Upon the exercise by the Collateral Agents of any of their remedies in respect of the Assigned Agreement, the Collateral Agents may assign their rights and interests and the rights and interests of the Assignor under the Assigned Agreement to any Person with the prior consent of the Project Party (such consent shall be deemed given if such Person has equal or greater financial resources as the Assignor), if such Person shall assume all of the obligations of the Assignor under the Assigned Agreement. Upon such assignment and assumption, the Collateral Agents shall be relieved of all obligations under the Assigned Agreement arising after such assignment and assumption, except for those obligations in the process of being fulfilled by the Collateral Agents when such assignment occurs and the Project Party shall recognize such Person to whom the Assigned Agreement is assigned and will continue to perform its obligations under the Assigned Agreement in favor of such Person.

(h) All references in this Consent to the "Collateral Agents" shall be deemed to refer to the Collateral Agents and/or any of their designee(s) or transferee(s) thereof acting on behalf of the Secured Parties (regardless of whether so expressly provided), and all actions permitted to be taken by either of the Collateral Agents under this Consent may be taken by any such designee or transferee.

SECTION 1.2 Replacement Agreement . In the event that (i) the Assigned Agreement is rejected by a trustee, liquidator, debtor-in-possession or similar Person in any bankruptcy, insolvency or similar proceeding involving the Assignor or (ii) the Assigned Agreement is terminated as a result of any bankruptcy, insolvency or similar proceeding involving the Assignor and, if within 120 days after such rejection or termination, the Collateral Agents or their designee(s) shall so request and shall certify in writing to the Project Party that it intends to perform the obligations of the Assignor as and to the extent required under such Assigned Agreement, the Project Party will execute and deliver to the Collateral Agents or such designee(s) a new agreement (the " Replacement Agreement ") which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and the Project Party prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to the Replacement Agreement.

SECTION 1.3 Limitation on Liability . In the event the Collateral Agents or their designee(s), or any purchaser, transferee, grantee or assignee of the interests of any of the Collateral Agents or their designee(s) in the Project assumes or becomes liable under the Assigned Agreement (as contemplated in this Article 1 or otherwise), liability in respect of any and all obligations of any such Person under the Assigned Agreement shall be limited to such Person's interest in the Project (and no officer, director, employee, shareholder or agent thereof shall have any liability with respect thereto).

## ARTICLE 2

## PAYMENTS UNDER THE ASSIGNED AGREEMENT

SECTION 2.1 Payments . The Project Party shall pay all amounts (if any) payable by it to the Assignor under the Assigned Agreement in the manner and as and when required by the Assigned Agreement directly into the account specified on Annex 2 hereto, or to such other person, entity or account as shall be specified from time to time by the Collateral Agents to the Project Party in writing.

SECTION 2.2 No Offset, Etc. All payments required to be made by the Project Party to the Assignor under the Assigned Agreement shall be made without any offset, recoupment, abatement, withholding, reduction or defense whatsoever, other than those allowed by the terms of the Assigned Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

SECTION 3.1 Representations and Warranties . The Project Party hereby represents and warrants to the Collateral Agents and each of the Secured Parties:

(a) It is duly organized under the laws of the jurisdiction of its formation and is duly qualified to do business and is in good standing in all jurisdictions where necessary in light of the business it conducts and the property it owns and the business that it intends to conduct and the property that it intends to own in light of the transactions contemplated by the Assigned Agreement and this Consent.

(b) It has the full power, authority and legal right to execute, deliver and perform its obligations under this Consent and under the Assigned Agreement. The execution, delivery and performance by it of this Consent and the Assigned Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate, shareholder and governmental action on its part. This Consent and the Assigned Agreement have been duly executed and delivered by it and constitute the legal, valid and binding obligations of it, enforceable against it in accordance with their respective terms, except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) the application of general principles of equity or law (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) The execution, delivery and performance by it of this Consent and the Assigned Agreement does not and will not (i) require any consent or approval of its board of directors (or similar body) or any shareholder or of any other Person which has not been obtained and each such consent or approval that has been obtained has not been modified and is in full force and effect, (ii) result in, or require the creation or imposition of any, lien, security interest, charge or encumbrance upon or with respect to any of its assets or properties now owned or hereafter acquired, (iii) violate any provision of any law, rule, regulation, order, writ, judgment, decree, determination or award having applicability to it, or any provision of its certificate of incorporation or bylaws or other constitutive documents or (iv) conflict with, result in a breach of, or constitute a default under, any provision of its certificate of incorporation, bylaws or other constituent documents or any resolution of its board of directors (or similar body) or any indenture or loan or any other agreement, lease or instrument to which it is a party or by which it or its properties and assets are bound or affected. It is not in violation of any such law, rule, regulation, order, writ, judgment, decree, determination or award referred to in clause (iii) above or its certificate of incorporation or bylaws or other constitutive documents or in breach of or default under any provision of its certificate of incorporation or bylaws other constitutive documents or any agreement, lease or instrument referred to in clause (iv) above.

(d) This Consent (assuming the due authorization, execution and delivery by, and binding effect on, the Collateral Agents and the Assignor) and the Assigned Agreement (assuming the due authorization, execution and delivery by, and the binding effect on, the Assignor) are in full force and effect.

(e) No governmental approval is required to be obtained by it in connection with the execution, delivery or performance of this Consent and the Assigned Agreement or the consummation of the transactions contemplated thereunder of hereunder[, except for such government approvals listed on Schedule 3.1 (e) . Each such governmental approval has been

validly issued and duly obtained, taken or made, is not subject to any condition, does not impose restrictions or requirements inconsistent with the terms hereof or thereof, as the case may be, is in full force and effect and is not subject to appeal. It has no reason to believe that any such governmental approval that has been issued will be revoked, modified, suspended or not renewed on substantially the same terms as are currently in effect.] [1]

(f) There is no action, suit or proceeding at law or in equity by or before any Government Authority, arbitral tribunal or other body now pending or threatened against or affecting it or its properties, rights or assets which (i) if adversely determined, individually or in the aggregate, could reasonably be expected to have a material adverse effect on it or its ability to perform its obligations under the Assigned Agreement or this Consent or (ii) affects the validity, binding effect or enforceability of the Assigned Agreement or this Consent or any action taken or to be taken pursuant hereto or thereto or any of the transactions contemplated hereby or thereby.

(g) The Project Party is not in default under any covenant or obligation hereunder or under the Assigned Agreement and no such default has occurred prior to the date hereof. The Assignor is not in default under any covenant or obligation of the Assigned Agreement and no such default has occurred prior to the date hereof. After giving effect to the assignment by the Assignor to the Collateral Agents of the Assigned Agreement pursuant to this Consent, and after giving effect to the acknowledgment of and consent to such assignment by the Project Party (as constituted by this Consent), there exists no event or condition that would constitute a default, or that would, with the giving of notice or lapse of time or both, constitute a default under the Assigned Agreement.

(h) This Consent and the Assigned Agreement, and any other agreement specifically contemplated herein or therein, constitute and include all agreements entered into by the Project Party and Assignor relating to, and required for the consummation of, the transactions contemplated by this Consent and the Assigned Agreement.

(i) The Assigned Agreement has not been amended, modified or supplemented, and no changes, amendments or modifications have been proposed by the Assignor or the Project Party.

(j) No event of Force Majeure (as defined under the Assigned Agreement) has occurred and is continuing under the Assigned Agreement.

(k) The Project Party does not have any notice of, nor has consented to, any previous assignment, pledge or hypothecation by the Assignor of all or any part of its rights under the Assigned Agreement.

[1] Note : To be confirmed by Project Party.

(l) Each representation and warranty made by it in the Assigned Agreement is true and correct as of the date of this Consent (or, if stated to have been made solely as of an earlier date, each such representation and warranty was true and correct as of such earlier date).

(m) Each of the representations and warranties set forth in this Article 3 shall survive the execution and delivery of this Consent and the consummation of the transactions contemplated hereby.

ARTICLE 4

COVENANTS

SECTION 4.1 Covenants . The Project Party hereby covenants and agrees with the Collateral Agents and each of the Secured Parties:

(a) it shall cause the Collateral Agents or any other Secured Party, as applicable, to be named as loss payee, and the Administrative Agent to be named as additional insured under the insurance policies required to be maintained under the Assigned Agreement;

(b) it shall deliver an opinion of outside counsel, in form and substance satisfactory to the Lenders, as required pursuant to the Credit Agreement; and

(c) [other]

ARTICLE 5

TERM

SECTION 5.1 Term . This Consent shall terminate upon the earlier of (a) notice by the Collateral Agents (such notice not to be unreasonably delayed or withheld) of the satisfaction of all the Assignor's obligations under the Credit Agreement and the other financing documents and (b) the termination in full of all rights and obligations of the Project Party and the Assignor pursuant to the Assigned Agreement.

ARTICLE 6

MISCELLANEOUS

SECTION 6.1 Notices . All notices and other communications provided for hereunder shall be either (i) in writing (including telegraphic, telecopier or telex communication) and mailed, telegraphed, telecopied, telexed or otherwise delivered or (ii) by electronic mail (if electronic mail addresses are designated as provided below) confirmed immediately in writing, addressed to the relevant party at the address set forth on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties. All notices and other communications to the Lender's representative shall be addressed to Hatch Asociados, S.A., at the following address Avenida Conquistadores 626,

Oficina 301, San Isidro, Lima 27 - Peru, Phone: 511-714-4000, Fax: 511-714-4001 with a copy to the Administrative Agent. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed, sent by electronic mail or otherwise, be effective when deposited in the mails, delivered to the telegraph company, telecopied, confirmed by telex answerback, sent by electronic mail and confirmed in writing, or otherwise delivered (or confirmed by a signed receipt), respectively, addressed as aforesaid; except that notices and other communications to the Collateral Agents shall not be effective until received by the Collateral Agents. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Consent shall be effective as delivery of an original executed counterpart thereof.

SECTION 6.2 Governing Law; Submission to Jurisdiction . This Consent shall be governed by, and construed in accordance with, the laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Consent, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Consent shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Consent or any of the other Financing Documents in the courts of any jurisdiction. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Consent in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Project Party hereby irrevocably appoints C T Corporation System located at 111 Eighth Avenue, New York, NY 10011 (the " Process Agent "), as its agent to receive on behalf of itself and its property, service of summons and complaint and any other process which may be served in any such action or proceeding. Such service is hereby acknowledged by the Project Party to be effective and binding on it in every respect as if such service of process were made personally. The Project Party shall deliver to the Collateral Agents evidence of such irrevocable appointment, in form and substance satisfactory to the Collateral Agents.

To the extent that the Project Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Project Party hereby irrevocably and unconditionally waives such immunity in respect of its obligations under the Assigned Agreement or this Consent.

SECTION 6.3 Execution in Counterparts . This Consent may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Consent by telecopier or portable document format (.pdf) shall be effective as delivery of an original executed counterpart of this Consent. The words "execution," "signed," "signature," and words of like import used herein shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 6.4 Headings Descriptive . The headings of the several sections and subsections of this Consent are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Consent.

SECTION 6.5 Severability . In case any provision in or obligation under this Consent shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 6.6 Amendment, Waiver . Neither this Consent nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Project Party, the Assignor and the Collateral Agents.

SECTION 6.7 Successors and Assigns . This Consent shall bind and benefit the Project Party, the Collateral Agents, and their respective successors and assigns.

SECTION 6.8 Third Party Beneficiaries . The Project Party and the Collateral Agents hereby acknowledge and agree that the Secured Parties are intended third party beneficiaries of this Consent.

SECTION 6.9 Exercise of Rights . No failure or delay on the part the Project Party, the Assignor, the Collateral Agents, any Secured Party or any of their respective agents or designees to exercise, and no course of dealing with respect to, any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise of any other right, power or privilege.

SECTION 6.10 Remedies . The remedies of the Collateral Agent and each of their designees or assignees provided herein are cumulative and not exclusive of any remedies provided by law. In addition, the Collateral Agents may exercise their rights in respect of the Assigned Agreement in such order as the Collateral Agents may deem expedient.

SECTION 6.11 Waiver of Jury Trial . Each of the Assignor, the Project Party and the Collateral Agents irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Consent.

SECTION 6.12 Entire Agreement . This Consent and any agreement, document or instrument attached hereto or referred to herein integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations and prior writings between the parties hereto in respect of the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Consent and any such agreement, document or instrument (including, without limitation, the Assigned Agreement), the terms, conditions and provisions of this Consent shall prevail.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, intending to be legally bound, have caused this Consent to be duly executed and delivered as of the date first above written.

**Assignor:**

CERRO DEL AGUILA S.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

**Project Party:**

[ ]

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

**Onshore Collateral Agent:**

SCOTIABANK PERU S.A.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

Scotiabank Perú
Av. Dionisio Derteano Nº 102, Piso 5, San Isidro
Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu
Telephone: 511-211-6599
Facsimile: 511-211-6822
Email: cecilia.marin@scotiabank.com.pe

**Offshore Collateral Agent:**

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

By: _____
Name:
Title:

Address for Notices:

The Bank of Nova Scotia
Global Wholesale Services
720 King Street West, 2nd Floor
Toronto, Ontario
Canada M5V 2T3
Attention: Director Agency
Reference: Cerro Del Aguila – PERU
Telephone: +1 416-866-2800
Facsimile: +1 416-933-2295
Email: richard.mccorkindale@scotiabank.com

1. Defined Terms . As used in this Consent, the following terms shall have the following meanings:

" Administrative Agent " shall mean Sumitomo Mitsui Banking Corporation in its capacity as administrative agent for the Lenders pursuant to the Credit Agreement, or any successor agent appointed pursuant to the terms of the Credit Agreement.

" Assigned Agreement " shall have the meaning ascribed thereto in the recitals.

" Assignor " shall have the meaning ascribed thereto in the preamble.

" Collateral Agent[s] " shall mean the [Onshore Collateral Agent and] the Offshore Collateral Agent.

" Consent " shall have the meaning ascribed thereto in the preamble.

" Credit Agreement " shall have the meaning ascribed thereto in the recitals.

" Enforcement Action " shall have the meaning ascribed to such term in Section 1.1(d) .

" Government Authority " shall mean any national, state, county, city, town, village, municipal or other local governmental department, commission, board, bureau, agency, authority or instrumentality of the United States, Peru or any other national authority or any political subdivision of any thereof and any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing entities and having jurisdiction over the Persons or matters in question.

" Lenders " shall mean, collectively, all lenders from time to time party to the Credit Agreement.

" Offshore Collateral Agent " shall have the meaning ascribed thereto in the preamble.

[" Onshore Collateral Agent " shall have the meaning ascribed thereto in the preamble.]

" Person " shall mean any individual, corporation, partnership (including, without limitation, association), joint stock company, trust, unincorporated organization or government or political subdivision thereof.

" Process Agent " shall have the meaning ascribed thereto in Section 6.2 of this Consent.

" Project " shall have the meaning ascribed thereto in the recitals.

" Project Party " shall have the meaning ascribed thereto in the preamble.

" Replacement Agreement " shall have the meaning ascribed thereto in Section 1.2 of this Consent.

" Secured Obligations " shall have the meaning ascribed thereto in the preamble.

" Secured Parties " shall have the meaning ascribed thereto in the preamble.

ASSIGNED AGREEMENT

[To be inserted.]

Annex 1 to the Consent

ACCOUNT INFORMATION

[To be inserted.]

Annex 2 to the Consent

GOVERNMENT APPROVALS

[Project Party to provide.]

Schedule 4.1(e) to the Consent

EXHIBIT J
TO THE CREDIT AGREEMENT

**FORM OF PROCESS AGENT ACCEPTANCE**

To: Sumitomo Mitsui Banking Corporation, as Administrative Agent and the Appointing Parties (defined below)

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement (the " Credit Agreement "), dated as of August 17, 2012 (the " Effective Date ") among Cerro del Aguila S.A., a *sociedad anónima* organized under the laws of Peru (the " Borrower "), each of the lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), Sumitomo Mitsui Banking Corporation, as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia, as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent "), Scotiabank Peru S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent ").

Pursuant to Section 11.08 of the Credit Agreement, the Borrower has irrevocably appointed the undersigned (at the undersigned's office located at 111 Eighth Avenue, New York, New York 10011) as its agent in its name, place and stead to receive service of any summons and complaint and any other process exclusively with respect to any legal actions or proceedings in New York arising out of or in connection with the Credit Agreement.

In connection with the Credit Agreement, each of the Borrower, Inkia Holdings (Kallpa) Limited (" Inkia Pledgor "), Energía del Pacifico S.A. (" Quimpac Pledgor "), Inkia Energy Limited (the " Project Sponsor ") and Israel Corporation Ltd. (" Israel Corporation " and together with the Borrower, Inkia Pledgor, Quimpac Pledgor, Project Sponsor and Israel Corporation, the " Appointing Parties " ) have entered into those agreements set forth on Schedule I attached hereto that they are a signatory thereto (the " Operative Agreements ") and pursuant to the Credit Agreement and each Operative Agreement, each of the Appointing Parties has irrevocably appointed the undersigned (at the undersigned's office located at 111 Eighth Avenue, New York, New York 10011) as its agent in its name, place and stead to receive service of any summons and complaint and any other process exclusively with respect to any legal actions or proceedings in New York arising out of or in connection with the Operative Agreements.

The undersigned hereby acknowledges receipt of $[ ] as payment in full of all C T Corporation System's charges for the full period of such appointment.

The undersigned hereby (a) informs you that it accepts such appointment by the Borrower, each of the Pledgors, the Project Sponsor and Israel Corporation Ltd. pursuant to each Operative Agreement and (b) agrees with you that (i) it will not terminate such agency relationship prior to August 17, 2028 (at which date the agency relationship shall terminate), except in the case of the Upfront Fee Letter and Syndication Fee Letter, which relationship shall terminate on August 17, 2013, (ii) it will maintain an office in New York, U.S.A. at all times to and including said date and will give you prompt notice of any change of its address during such period and (iii) it will promptly forward by two day courier to the relevant Person any summons, complaint or other legal process that the undersigned receives in connection with its appointment as such agent for receipt of service or process at the following address:

Cerro del Aguila S.A.
Cerro del Aguila S.A.
Av. Santo Toribio 115 Piso 7
San Isidro – Lima 27 – Peru
Attention of: Daniel Urbina
E-Mail Address:
daniel.urbina@inkiaenergy.com
Telephone: (511) 706 -7878
Facsimile: (511) 708 - 2201

Israel Corporation Ltd.
Israel Corporation Ltd.
Millennium Tower
23 Aranha Street
P.O. Box 20456
Tel Aviv, 61204, Israel
Attention of: Financial Department,
Company Secretary and In-house counsel
E-Mail Address: natany@israelcorp.com;
mayak@israelcorp.com
Telephone: +972 3 684 4500
Facsimile: +972 3 684 4587

Inkia Energy Limited
Inkia Energy Limited
Av. Santo Toribio 115 Piso 7
San Isidro – Lima 27 – Peru
Attention of: Daniel Urbina
E-Mail Address: Email:
daniel.urbina@inkiaenergy.com
Telephone: (511) 706 -7878
Facsimile: (511) 708 - 2201

Inkia Holdings (Kallpa) Limited
Inkia Holdings (Kallpa) Limited
Av. Santo Toribio 115 Piso 7
San Isidro – Lima 27 – Peru
Attention of: Daniel Urbina
E-Mail Address:
daniel.urbina@inkiaenergy.com
Telephone: (511) 706 -7878
Facsimile: (511) 708 - 2201

Energía del Pacifico S.A.
Energía Del Pacífico S.A.
Address: Av. Felipe Pardo y Aliaga 699
Of. 501
San Isidro – Lima 27 – Peru
Attention of: Esteban Viton
E-Mail Address:
eviton@quimpac.com.pe
Telephone: (511) 616 - 5707
Facsimile: (511) 616 - 5708

Each of the Appointing Parties shall promptly notify C T Corporation System of any change(s) to the addresses above or its billing address. C T Corporation System's services are limited to the receipt and forwarding of service of process.

Very truly yours,

C T CORPORATION SYSTEM

By: _____
Name:
Title:

Schedule I

Capitalized terms used but not defined in this Schedule I have the meanings given to such terms in the Credit Agreement.

| | Document Name | Date of Agreement | Parties |
|---|---|---|---|
| 1. | Credit Agreement | August 17, 2012 | Cerro del Aguila S.A., as Borrower<br>Sumitomo Mitsui Banking Corporation, as Administrative Agent<br>Sumitomo Mitsui Banking Corporation, as SACE Agent<br>The Bank of Nova Scotia, as Offshore Collateral Agent<br>Scotiabank Peru S.A.A., as Onshore Collateral Agent<br>The Lenders party thereto from time to time |
| 2. | Equity Contribution and Retention Agreement | August 17, 2012 | Cerro del Aguila S.A., as Borrower<br>Inkia Holdings (Kallpa) Limited, as Pledgor and Equity Party<br>Energía del Pacífíco S.A., as Pledgor and Equity Party<br>Inkia Energy Limited, as Project Sponsor and Equity Party<br>Sumitomo Mitsui Banking Corporation, as Administrative Agent<br>The Bank of Nova Scotia, as Collateral Agent |
| 3. | Tranche C Subordination Agreement | August 17, 2012 | Inkia Holdings (Kallpa) Limited and Energía del Pacífico S.A., as Tranche C Lenders<br>Sumitomo Mitsui Banking Corporation, as Administrative Agent<br>The Bank of Nova Scotia, as Collateral Agent |
| 4. | Israel Corporation Equity Retention Agreement | August 17, 2012 | Cerro del Aguila S.A., as Borrower<br>Israel Corporation Ltd.<br>Sumitomo Mitsui Banking Corporation, as Administrative Agent |

| | Document Name | Date of Agreement | Parties |
|---|---|---|---|
| 5. | Upfront Fee Letter | August 17, 2012 | BBVA Banco Continental |
| | | | Banco de Crédito del Perú |
| | | | Banco Internacional del Perú |
| | | | Deutsche Investitions – und Entwicklungsgesellschaft mbH |
| | | | Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. |
| | | | HSBC Bank USA, National Association |
| | | | Intesa Sanpaolo, S.p.A., New York Branch |
| | | | Sumitomo Mitsui Banking Corporation |
| | | | The Bank of Nova Scotia |
| | | | Cerro del Aguila S.A. |
| | | | Sumitomo Mitsui Banking Corporation, as Administrative Agent |
| 6. | Administrative Agency Fee Letter | August 17, 2012 | Sumitomo Mitsui Banking Corporation, as Administrative Agent |
| | | | Sumitomo Mitsui Banking Corporation, as SACE Agent |
| | | | Cerro del Aguila S.A. |
| 7. | Offshore Collateral Agency Fee Letter | August 17, 2012 | The Bank of Nova Scotia, as Offshore Collateral Agent |
| | | | The Bank of Nova Scotia, New York Agency, as Depositary |
| | | | Cerro del Aguila S.A. |
| 8. | Syndication Fee Letter | August 17, 2012 | BBVA Banco Continental |
| | | | HSBC Bank USA, National Association |
| | | | Sumitomo Mitsui Banking Corporation |
| | | | The Bank of Nova Scotia |
| | | | Cerro del Aguila S.A. |

| | Document Name | Date of Agreement | Parties |
|---|---|---|---|
| 9. | Collateral Agency and Depositary Agreement | August 17, 2012 | The Bank of Nova Scotia, as Offshore Collateral Agent<br>Scotiabank Peru S.A.A., as Onshore Collateral Agent and Trustee<br>The Bank of Nova Scotia, New York Agency, as Depositary<br>Sumitomo Mitsui Banking Corporation, as Administrative Agent<br>Cerro del Aguila S.A. |

EXHIBIT K
TO THE CREDIT AGREEMENT

**FORM OF EXPORTER DECLARATION**

**From:** **Astaldi S.p.A. as " Eligible Contractor "**

**To:** **Cerro del Aguila S.A., as " Borrower "**
**Av. Santo Toribio 115 Piso 7**
**San Isidro – Lima 27 – Peru**
**Attn: Mr. Daniel Urbina**
**Telephone: (511) 706 - 7878**
**Facsimile: (511) 708 - 2201**
**Email: daniel.urbina@inkiaenergy.com**

**Copy:** **Sumitomo Mitsui Banking Corporation, as " SACE Agent "**
**277 Park Avenue**
**New York, NY 10172**
**Attention: Amena Nabi / Daron Davis / Robert Doyle / Daniel Minzer**
**Telephone: 212-224-4857 / 4847 / 4835 / 4286**
**Facsimile: 212-224-5222**
**Email: Amena_Nabi@smbcgroup.com / Daron_Davis@smbcgroup.com /**
**robert_doyle@smbcgroup.com / daniel_minzer@smbcgroup.com**

**Date:** **[INSERT DATE]**

Ref: CERRO DEL AGUILA – Hydroelectric Power Plant
The turnkey engineering procurement and construction contract for Cerro del Aguila hydroelectric power plant (the " Eligible Contract "), dated November 4, 2011, by and between the Borrower and the EPC Contractor.

Dear Sirs,

We refer to the Credit Agreement, dated as of August 17, 2012 (the " Credit Agreement "), by and among Cerro del Aguila S.A. (the " Borrower "), each of the lenders (as defined in the Credit Agreement) that is or may from time to time become party thereto (collectively, the " Lenders "), Sumitomo Mitsui Banking Corporation, as administrative agent for the Lenders (in such capacity, the " Administrative Agent "), The Bank of Nova Scotia, as offshore collateral agent for the Secured Parties (in such capacity, the " Offshore Collateral Agent ") Scotiabank Peru S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " Onshore Collateral Agent ") and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " SACE Agent "). Capitalized terms used herein without definition have the meanings given to them in the Credit Agreement. This exporter declaration (this " Exporter Declaration ") is issued pursuant to article 11 of General Conditions of the SACE Policy.

1 We hereby certify that, as at the date of this Exporter Declaration:

a) the cumulative total amount invoiced by Eligible Contractor and approved by the Borrower for payment under the terms of the Eligible Contract is as itemized below:

| | **Purchase price of the Goods/ Services** | **Percentage of the contract price** |
|---|---|---|
| Italian Goods and Services | | |
| EU Goods and Services | | |
| Non-EU Goods and Services | | |
| Total for (i) Italian Goods and Services and (ii) EU Goods and Services | | |
| Total: | | |

b) the total contract price under the Eligible Contract is [ ].

c) as at the date of this Exporter Declaration, the cumulative total amount of payments received by us from the Borrower in respect of goods and/or services supplied or provided under the Eligible Contract is [ ].

d) we have received an advance payment under the Eligible Contract in the amount of [ ] (such amount, the " Advance Payment "), and such Advance Payment equals or exceeds fifteen percent (15%) of the Eligible Contract price payable directly by the Borrower to the Eligible Contractor in relation to the Eligible Contract.

e) the goods and services referred to in paragraph (a) of this Exporter Declaration and invoiced or to be invoiced have a level of foreign content which complies with the requirements of the SACE Policy and, in particular, the total amount transferred or to be transferred abroad ( *importi trasferiti all'estero)* for any reason connected with the performance of the Eligible Contract and the Credit Agreement up to and including the date of this Exporter Declaration will be [ ].

2 We hereby further certify that:

a) To the best of our knowledge, there is no outstanding breach of or claim under the Eligible Contract, nor has any event occurred which would entitle either the Borrower or us to suspend and/or terminate the Eligible Contract.

b) No litigation or arbitration proceedings have been initiated between the Borrower and us in respect of any Eligible Contract nor, to the best of our knowledge and belief, are any such proceedings likely to be initiated.

c) You may rely on the accuracy and completeness of all information and documents contained in or supplied with this Exporter Declaration.

d) All approvals, authorizations and consents required in Italy (and any other relevant jurisdiction) in connection with the Eligible Contract have been obtained and are in full force and effect.

e) the amount of the Eligible Contract Expenditures invoiced as described in the commercial invoice(s) attached to the SACE Facility Payment Request n. [ ] relates to goods and/or services as itemised below:

| | **Purchase price of the Goods/Services** | **Percentage of the contract price** |
|---|---|---|
| Italian Goods and Services | | |
| EU Goods and Services | | |
| Non-EU Goods and Services | | |
| Total for (i) Italian Goods and Services and (ii) EU Goods and Services | | |
| Total: | | |

f) the commercial invoices attached to the SACE Facility Payment Request n. [ ] have been issued by Eligible Contractor in full compliance with terms and conditions of the Borrower.

3 This Exporter Declaration is irrevocable.

Yours faithfully,

EXHIBIT M
TO THE CREDIT AGREEMENT

FORM OF OFFSHORE ASSIGNMENT OF REINSURANCE PROCEEDS

[ *Attached* ]

**OFFSHORE ASSIGNMENT OF REINSURANCES AND REINSURANCE PROCEEDS**

**dated [ ], 20[ ]**

**between**

**CERRO DEL AGUILA S.A.**
**as Company**

**SCOTIABANK PERU S.A.A.**
**as Trustee**

**and**

**[ ]**
**as Insurer**

**CONTENTS**

**THIS OFFSHORE ASSIGNMENT OF REINSURANCES AND REINSURANCE PROCEEDS** (this " **Deed** ") is made as a deed on [ ], 20[ ]

**BETWEEN** :

1. **[ ]** of [ ] registered in [ ] with registration number [ ] (the " **Insurer** ");
2. **CERRO DEL AGUILA S.A.** (the " **Company** "); and
3. **SCOTIABANK PERU S.A.A.** , as trustee for the Secured Parties (the " **Trustee** ").

Each of the Insurer, the Company and the Trustee is herein individually referred as a " **Party** " and collectively as the " **Parties** ".

**WHEREAS:**

(A) The Lenders have agreed on terms to provide financing to the Company in connection with the Project, including the provision of certain security to the Lenders, and satisfaction by the Company of other terms and conditions set out in the Financing Documents.

(B) The Company, each of the lenders that is or shall become a signatory to the credit agreement as a Senior Lender (each, individually, a " **Lender** " and collectively, the " **Lenders** "), Sumitomo Mitsui Banking Corporation, as administrative agent for the Lenders (in such capacity, the " **Administrative Agent** "), The Bank of Nova Scotia, as offshore collateral agent for the Secured Parties (in such capacity, the " **Offshore Collateral Agent** "), Scotiabank Peru S.A.A., as onshore collateral agent for the Secured Parties (in such capacity, the " **Onshore Collateral Agent** ") and Sumitomo Mitsui Banking Corporation, as administrative agent for the Tranche D Lenders (in such capacity, the " **SACE Agent** ") have entered into that certain credit agreement dated on or about the date hereof (and as amended, restated, modified or varied and in effect from time to time, the " **Credit Agreement** ").

(C) It is a condition precedent to the provision of finance to the Company by the Lenders that the parties enter into this Deed.

(D) It is intended that this document shall take effect as a deed of those parties that execute it as such.

**IT IS AGREED** as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions

" **Collateral Agency and Security Deposit Agreement** " means the Collateral Agency and Security Deposit Agreement, to be entered into prior to the Initial Disbursement Date, among the Offshore Collateral Agent, the Onshore Collateral Agent, The Bank of Nova Scotia, New York Agency, as Depositary for the Secured Parties, the Trustee, the Administrative Agent and the Company.

**"Insolvency Event"** means:

(a) an inability of the Insurer (or an admission of an inability) to pay its debts as they fall due,

(b) the suspension (or the threat to suspend) of the making of payments on any of the debts of the Insurer;

(c) commencement of negotiations by the Insurer with one or more of its creditors with a view to rescheduling any of its indebtedness (by reason of actual or anticipated financial difficulties);

(d) the declaration of an moratorium in respect of any indebtedness of the Insurer;

(e) the taking of any corporate action, legal proceedings or other procedure or step in relation to:

(1) the suspension of payments, a moratorium of any indebtedness, winding–up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Insurer;

(2) a composition, compromise, assignment or arrangement with any creditor of any member of the Insurer;

(3) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Insurer or any of its assets; or

(4) the enforcement of any security over any assets of the Insurer

or any analogous procedure or step is taken in any jurisdiction.

" **Insurance Default** " means (a) the failure by the Insurer to discharge any of the Insurance Liabilities immediately upon them becoming due for any reason whether within or beyond the control of any Party or (b) the occurrence of an Insolvency Event.

" **Insurance Liabilities** " means all monies, debts and liabilities which now are or have been or at any time hereafter may be or become due, owing or incurred by the Insurer to the Company or to the Trustee (in any capacity) under or in connection with any Underlying Insurance Policy (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently) or in respect of any breach by the Insurer of this Deed.

" **Financing Documents** " shall have the meaning given to it in the Credit Agreement.

" **Insureds** " means the Company, the Trustee, the Secured Parties and any other person named as an insured under the Underlying Insurance Policies.

" **Lien** " shall mean any mortgage, lien, pledge, charge, lease, easement, servitude, security interest, fiduciary or conditional assignment, sale or transfer or encumbrance of any kind.

**"Loss Proceeds Account"** means the account of the Company held with Scotiabank Peru S.A.A. under account number [ ].

" **Reinsurance Policies** " means the reinsurance policies detailed in Part B of Schedule 1 of this Deed (Reinsurance Policies) including all future renewals of such reinsurance policies.

" **Reinsurer** " means the Reinsurers listed in the relevant column of the table set out at Part B of Schedule 1 of this Deed and each reinsurance company and reinsurance underwriter, from time to time, of, or in relation to, any Reinsurance Policy.

" **Secured Parties** " shall mean the Administrative Agent (solely in its capacity as agent to the Lenders), the Offshore Collateral Agent, the Onshore Collateral Agent, the Trustee (as defined in the Credit Agreement), each Lender and any person constituting a "Permitted Swap Provider" under the terms of the Credit Agreement.

" **Trust Agreement** " means the Trust Agreement *(Contrato de Fideicomiso en Administración y Garantía)* , to be entered into prior to the Initial Disbursement Date, by and among, the Company and the Trustee, executed before a notary public in Peru, to be registered in the Peruvian Public Registry

" **Underlying Insurance Policies** " means the insurance policies detailed in Part A of Schedule 1 of this Deed including all future renewals of such insurance policy.

SECTION 1.2 Headings and Definitions

The headings in this Deed shall not affect its interpretation.

SECTION 1.3 Interpretation

Any reference in this Deed to:

(a) the " **Trustee** ", the " **Administrative Agent** ", any " **Lender** ", the " **Insurer** " or the " **Reinsurers** " shall be construed so as to include any respective subsequent successors, transferees and permitted assigns in accordance with their respective interests;

(b) a " **clause** " shall, subject to any contrary indication, be construed as a reference to a clause of this Deed;

(c) an " **Appendix** " is, unless the contrary is indicated, a reference to an appendix of this Deed;

(d) an " **amendment** " includes an amendment, novation, re-enactment, restatement, supplement or variation, and " **amended** " shall be construed accordingly;

(e) " **including** " shall be construed as meaning "including without limitation" and all derived terms shall be construed accordingly;

(f) a " **person** " shall be construed as a reference to any natural person, company, corporation, partnership, joint venture, association, trust, unincorporated organization or governmental authority; and

(g) the singular includes the plural and vice versa.

SECTION 1.4 Agreements and Statutes

Save where the contrary is indicated, any reference in this Deed to:

(a) this Deed, a Financing Document, any Underlying Insurance Policy, any Reinsurance Policy or any other agreement or document shall be construed as a reference to this Deed, such Financing Document, such Underlying Insurance Policy, such Reinsurance Policy or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated or supplemented or replaced or renewed (and so that any reference thereto shall include, unless the context otherwise requires, any agreement or document expressed to be supplemental thereto or expressed to be collateral therewith or which is otherwise entered into pursuant to or in accordance with the provisions thereof); and

(b) a statute, statutory provision or treaty shall be construed as a reference to such statute, statutory provision or treaty as the same may have been, or may from time to time be, amended, or in the case of a statute or statutory provision re–enacted.

SECTION 1.5 Third Party Rights

A person who is not a party to this Deed may not enforce any of its terms pursuant to the Contracts (Rights of Third Parties) Act 1999.

ARTICLE 2 ASSIGNMENT

SECTION 2.1 Assignment of Reinsurance Policies

To secure on a continuing basis the due and prompt payment in full of all monies that may become due to the Insureds under the Underlying Insurance Policies, the Insurer assigns absolutely in favour of the Trustee on behalf of the Secured Parties with full title guarantee and free from any Lien, all of its present and future rights, title, benefit and interest in, to and in respect of, and all proceeds under, the Reinsurance Policies, including, without limitation all return premiums becoming due under the Reinsurance Policies,

SECTION 2.2 Notice of Assignment

The Insurer agrees:

(a) that it shall serve on each Reinsurer a Notice of Assignment substantially in the form set out in Schedule 2 (Form of Notice of Assignment) promptly upon execution of

this Deed and, in addition, upon renewal of any Reinsurance Policies or entry into any additional such policies and provide evidence of delivery of such notice to the Trustee; and

(b) to procure that each such notice referred to in sub-clause (a) above is acknowledged by the relevant addressee and provide evidence of delivery of such notice to the Trustee.

SECTION 2.3 Further Assurance

The Insurer covenants with the Trustee that it shall promptly execute and deliver all further instruments and documents and take all further action that may be necessary in order to effect the above assignment (with the Insurer's reasonable external costs being for the account of the Company). The Insurer hereby irrevocably and unconditionally authorises the Trustee to take any such action in its name in respect of this Deed or any reinsurance Policy in the event that the Insurer fails promptly to do so.

SECTION 2.4 Secured Parties not Liable

Neither any assignment provided for or referred to in this Deed, nor the receipt by any of the Secured Parties of any payment pursuant to this Deed or to the Underlying Insurances or the Reinsurance Policies, shall cause any of the Secured Parties to be under any obligation or liability to any other Party or to be responsible for any other Party's failure to perform its obligations.

SECTION 2.5 Acknowledgement

It is acknowledged and agreed by the Insurer and the Company that:

(a) all remedies provided for in a Reinsurance Policy or available at law or in equity are exercisable by the Trustee;

(b) all rights to compel performance of a Reinsurance Policy are exercisable by the Trustee;

(c) subject always to Clause 4 ( *Undertakings of the Insurer* ) the Insurer shall remain liable under each Underlying Insurance and Reinsurance Policy to the extent set forth therein to perform all of its duties and obligations (including ensuring the payment of any premiums and all other things necessary to keep the Reinsurance in full force and effect) thereunder to the same extent as if this Deed had not been executed;

(d) the Insurer shall not to or permit anything to be done which may cause a Reinsurance Policy to be void, voidable or cancelled, or any claim under a Reinsurance Policy to be uncollectible in full;

(e) the Insurer shall remain liable under the Reinsurance Policies to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Deed had not been executed;

(f) nothing in this Deed affects the obligations of the Insurer to perform all of its respective obligations under each Reinsurance Policy and Insurance Policy and discharge the Insurance Liabilities when due in accordance with the terms of each Insurance Policy, any notice given to the Reinsurer in connection with this Deed;

(g) shall not release the Insurer from any of its duties or obligations under a Reinsurance Policy;

(h) all rights, interests and benefits whatsoever accruing to or for the benefit of the Insurer arising from, and all proceeds under, the Reinsurance Policy, belong to the Trustee; and

(i) the Insurer waives any right it may have of first requiring any Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before exercising the rights in relation to the Reinsurance Policies assigned to it under this Deed. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

SECTION 2.6 Receipt by Insurer

If, notwithstanding the Parties' express intention, the Insurer shall at any time and for any reason receive payment of any monies from the Reinsurers in respect of or relating to the Reinsurance Policies, without prejudice to any claim that may result from any breach of this Deed, those monies shall be held by the Insurer on behalf of and for the benefit of the Trustee.

SECTION 2.7 Reinstatement

If any payment by the Insurer is avoided or reduced as a result of the insolvency of the Insurer or any similar event affecting the Insurer, the liability of the Insurer shall continue as if the payment, discharge, avoidance or reduction had not occurred. For the avoidance of doubt, the Insurer shall not be required to make payments in excess of the amount of loss insured under the respective Underlying Insurance Policies.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

(a) The Insurer makes the representations and warranties set out in this Clause 3 to the Trustee for itself and for the benefit of the Secured Parties.

(b) The Insurer represents and warrants to the Insured that:

(1) it is duly organised and validly existing under the laws of the jurisdiction of its incorporation;

(2) it has the necessary power to enter into and perform the obligations expressed to be assumed by it under this Deed, each Underlying Insurance and each Reinsurance Policy to which it is expressed to be a party;

(3) the obligations expressed to be assumed by it in this Deed, each Underlying Insurance and each Reinsurance Policy to which it is expressed to be a party are valid and legal obligations binding on it in accordance with the terms thereof;

(4) all consents and authorisations required in connection with the entry into, performance and validity of, and the transactions contemplated by, this Deed, so far as the same relate to it, have been obtained or effected (as appropriate) and are in full force and effect;

(5) it is the sole beneficial owner of the rights to all monies payable from the Reinsurer under and in respect of the Reinsurance Policies and such rights are free from any Lien (other than as created by this Deed);

(6) so far as the Insurer is aware, having made reasonable enquiries, no event or circumstance has occurred, nor has there been any act or omission by the Insured, the Insurer, a Reinsurer or any other person which might cause any Underlying Insurance or Reinsurance to be void, voidable, suspended or cancelled, or any indemnifiable claim thereunder to be uncollectable in full, net of any applicable excesses; and

(7) except as disclosed in writing to the Insured prior to the date of this Deed, the Insurer has not made any claim under the Reinsurance Policies.

(c) The representations and warranties set out in Clause 3 ( *Representations and Warranties of the Insurer* ) are made on the date of this Deed and are deemed to be repeated by the Insurer on each renewal date of any Underlying Insurance or Reinsurance Policy, as applicable with reference to the facts and circumstances then existing.

ARTICLE 4 UNDERTAKINGS OF THE INSURER

The Insurer undertakes to the Trustee for its own benefit and as Trustee for the Secured Parties that the Insurer shall:

(a) maintain each Reinsurance Policy;

(b) comply in all material respects with all obligations under and in connection with each Underlying Insurance and each Reinsurance Policy;

(c) not do or permit anything to be done which may cause any Reinsurance Policy to be or become void, voidable, suspended or cancelled, or which may cause any claim under any Reinsurance Policy to be uncollectable in its full amount;

(d) provide to the Trustee:

(1) upon request by the Company or the Trustee, evidence of timely payment of each premium payable under each Reinsurance Policy;

(2) upon request by the Company or the Trustee, certified copies of each Reinsurance Policy, certified copies of each certificate, cover note or renewal confirmation relating to each Reinsurance Policy received by it or any of its agents and any other communication relating to each Reinsurance Policy received by it or any of its agents from any Reinsurer or any third party;

(3) details of any claim made under any Reinsurance Policy and, on reasonable request, copies of all correspondence relating to any such claim between the Insurer and the relevant Reinsurer or their respective agents;

(4) at least semi-annually, details of any claim under any Reinsurance Policy or any Underlying Insurance (not already provided under paragraph (3) above); and

(5) such further information in its possession or control regarding any Underlying Insurance or Reinsurance Policy as the Offshore Security Agent may reasonably request.

ARTICLE 5 INSURER'S RIGHTS

Notwithstanding the assignment of the Reinsurance Policies, the Trustee hereby agrees that, until an Insurance Default exists, the Insurer shall be exclusively entitled to continue to deal with each Reinsurer in relation to all aspects of the Reinsurance Policies including without limitation receiving and sending notices from and to each Reinsurer, but excluding the right to receive payments under the Reinsurance Policies.

ARTICLE 6 TRUSTEE'S RIGHTS – DELEGATION

The Trustee shall have full power to delegate (either generally or specifically) the powers, authorities and discretions conferred on it by this Deed (including the power of attorney) on such terms and conditions as it shall see fit, but no such delegation shall preclude either the subsequent exercise of such power, authority or discretion by the Trustee or any subsequent delegation or revocation thereof.

ARTICLE 7 APPLICATION OF REINSURANCE PROCEEDS

Subject to the rights and claims of any person having prior rights thereto, all proceeds of the Reinsurance Policies shall be applied:

(a) until the occurrence of a Insurance Default, in payment to the Insurer for payment in accordance with the relevant Insurance Policy; and

(b) in all other cases, in payment to the Loss Proceeds Account or in accordance with the instructions of the Trustee (pending which, where the same are held by, or paid to, the Insurer, they shall be held by it in trust for the Trustee) for application in accordance with the Collateral Agency and Security Deposit Agreement and the Trust Agreement.

ARTICLE 8 IRREVOCABLE

The authorities and delegation given by the Insurer in favour of the Trustee hereunder are irrevocable unless the Trustee otherwise agrees in writing.

ARTICLE 9 DECLARATION OF TRUST

The undertakings and the agreements of the Insurer set out in this Deed and of the Reinsurers set out in the relevant Acknowledgement of Assignment are given to the Trustee both for itself and as trustee for the Secured Parties from time to time. The Trustee shall hold the benefit of this Deed and any rights given to or held by the Trustee in respect of the Reinsurance Policies upon trust for the Secured Parties from and the obligations, rights and benefits vested or to be vested in the Trustee by this Deed and the Financing Documents shall be performed and exercised in accordance with the Financing Documents.

ARTICLE 10 MISCELLANEOUS

SECTION 10.1 Partial Invalidity

If any provision of this Deed is invalid, illegal or unenforceable in any respect the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and the parties hereto will negotiate in good faith to achieve (so far as possible) all the objectives of this Deed in a manner that is valid, legal and enforceable.

SECTION 10.2 Amendment

This Deed may only be amended by an instrument in writing signed by or on behalf of all parties hereto.

SECTION 10.3 Successors and Assigns

This Deed shall be binding on, and inure to the benefit of, the respective successors and assigns of the parties hereto.

SECTION 10.4 Waivers and Remedies Cumulative

The right of the Insured under this Deed may be exercised as often as necessary, are cumulative and not exclusive of its rights under the general law and may be waived only in writing and specifically. Delay in exercising or non-exercise of any such right is not a waiver of that right.

SECTION 10.5 Counterparts

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

## ARTICLE 11 NOTICES

SECTION 11.1 Communications in Writing

All notices, requests and other communications provided for hereunder shall be in writing and, except as otherwise required by the provisions of this Deed, shall be sufficiently given and shall be deemed given when personally delivered or, if mailed by registered or certified mail, postage prepaid, or sent by overnight delivery or telecopy (provided, that if any notice is delivered by means of telecopy, such notice shall only be effective if the recipient confirms via telephone, electronic mail or facsimile receipt of such notice to the sender), upon receipt by the addressee, in each case addressed to the parties as follows (or such other address as shall be designated by such Party in a written notice to each other Party):

(a) The address and facsimile number of the Insurer are:

[ ]

(b) The address and facsimile number of the Company are:

Cerro del Aguila S.A.
Av. Santo Toribio 115 Piso 7
San Isidro – Lima 27 – Peru
Attn: Daniel Urbina
Telephone: (511) 706 - 7878
Facsimile: (511) 708 - 2201
Email: daniel.urbina@inkiaenergy.com

(c) The address and facsimile number of the Trustee are:

Scotiabank Perú
Av. Dionisio Derteano Nº 102, Piso 5, San Isidro
Lima 27, Perú
Attention: Cecilia Marín Armas / Claudia Alarcón Leu
Telephone: 511-211-6599
Facsimile: 511-211-6822
Email: cecilia.marin@scotiabank.com.pe

SECTION 11.2 Language

Each communication or document to be made or delivered hereunder shall be in English or, if not, shall be accompanied by a translation thereof into English certified as being true and accurate by an officer of the person making or delivering the same.

ARTICLE 12 ASSIGNMENT

SECTION 12.1 Assignment by the Trustee

The Trustee is entitled to assign the whole or any part of this Deed and shall be entitled to impart any information concerning the Insurer and the Reinsurers, as the Insured shall consider appropriate to any successor or proposed successor of the Insured or to any person who may otherwise enter into contractual relations with the Insured in relation to this Deed.

SECTION 12.2 No Assignment

The Insurer and the Company shall not be entitled to assign or transfer all or any of their rights, benefits or obligations hereunder, without the prior written consent of the Trustee.

ARTICLE 13 GOVERNING LAW

This Deed and all non–contractual obligations arising out of or in connection with it shall be governed by English law.

ARTICLE 14 ENFORCEMENT

SECTION 14.1 Jurisdiction of English Courts

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to its existence, validity or termination or any non–contractual obligation arising out of or in connection with it) (a "Dispute").

(b) The parties hereto agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly none of them will argue to the contrary.

(c) The Company and the Insurer agrees not to institute proceedings in relation to a Dispute or seeking any interim remedies before any court other than the courts of England and (but without prejudice to the rights of the Trustee to seek injunctive relief in the circumstances) each further agrees that if it does so it will be liable to pay damages to the Trustee, and this whether the court before which the proceedings were brought accepted or declined jurisdiction.

SECTION 14.2 Proceedings Elsewhere

(a) Clause 1401 (Jurisdiction of English Courts) is for the benefit of the Trustee only, and accordingly the Trustee shall not be prevented from taking proceedings relating to a Dispute in any other courts having jurisdiction.

(b) To the extent allowed by applicable law, the Trustee may take concurrent proceedings in any number of jurisdictions.

SECTION 14.3 Service of process

(a) Without prejudice to any other mode of service allowed under any relevant law, the Company: [40]

(1) agrees that the documents by which any legal proceedings connected with this Deed are begun and any other documents required to be served in relation to those legal proceedings may be served on it by delivery to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX (or, if such company no longer has an office at that address, at its registered office for the time being); and

(2) agrees that failure by the company named in the preceding paragraph to notify the Company of the service of any process will not invalidate the proceedings concerned.

(b) The Company shall ensure that at all times there is a body corporate with a registered office in England authorised to accept service of process on its behalf; if it appears to the Trustee that there is no such body corporate so authorised, the Trustee shall be entitled to appoint one on the Company's behalf (and, if it does so, it shall promptly thereafter give notice of the appointment to the Company).

ARTICLE 15 EXECUTION AS A DEED

Each of the parties to this Deed intend it to be a deed and confirm that it is executed and delivered as a deed notwithstanding that some or all the parties may only execute this Deed under hand.

**THIS DEED** has been executed and delivered as a deed by each Party on the date specified above.

[40] Note : Insert as applicable.

**Schedule 1**
**PART A – UNDERLYING INSURANCE POLICIES [41]**

| Insurance Policy | Insurer | Broker | Insured amounts | Covered period |
|---|---|---|---|---|
| | | | | |

**PART B - REINSURANCE POLICIES [42]**

| Reinsurance Policy | Reinsurer | Broker | Insured amounts | Covered period |
|---|---|---|---|---|
| | | | | |

41 Note : Insert as applicable.
42 Note : Insert as applicable.

**Schedule 2**

**FORM OF NOTICE OF ASSIGNMENT**

To: [ *Reinsurer* ]

Date: [ • ]

Dear Sirs

We hereby give you notice that, pursuant to a deed of assignment dated [ ], 20[ ], [ ], (the " **Insurer** ") assigned to Scotiabank Peru, S.A.A. (the " **Trustee** ") (as trustee for the persons referred to therein (the " **Secured Parties** ")) all its present and future rights, title, benefit and interest in and to and in respect of, and all proceeds and other receivables under the following Reinsurance Policy:

**[** *enter details of assigned Reinsurance Policy taken out with relevant Reinsurer* **]** (the " **Relevant Reinsurance Policy** ")

We hereby further give you notice that:

(a) you are irrevocably and unconditionally instructed to pay all loss proceeds, returned premiums and any other monies payable under or in relation to the Relevant Reinsurance Policy (" **Proceeds** ") as follows:

(i) if the Proceeds are in respect of third party claims to be paid directly to a third party, such sums shall be paid directly to that third party; and

(ii) to the extent that paragraph (i) above does not apply, or payments have not been made to the third party as contemplated therein, all amounts payable by the Reinsurer in respect of the Relevant Reinsurance Policy shall be paid to the Insurer:

unless and until you receive written notice from the Trustee to the contrary, in which event you shall make all future payments to the Loss Proceeds Account (account number:[ ] bank code: [ ]) or as otherwise directed by the Trustee;

(b) you shall not honour any other instruction, whether by the Company, the Insurer or by any person other than the Trustee, to make any payment to any other person or account unless given or countersigned by the Trustee, or such other person as the Trustee may notify to you in writing;

(c) a payment made by you in accordance with this provision shall, to the extent of that payment, discharge your liability to the Insurer under the Relevant Reinsurance Policy;

(d) you shall accept any payment of premium, call or other sum payable in respect of the Relevant Reinsurance Policy which the Trustee or the Company may make and such payment shall, to the extent of such payment, discharge the liability of the Insurer to pay premium to you;

(e) these arrangements shall continue to apply notwithstanding the liquidation or insolvency of the Company or the Insurer;

(f) you are authorised (and are hereby requested) to provide to the Trustee, without further approval from the Insurer, such information regarding the Agreement and matters relating to it as the Trustee may from time to time in writing request;

(g) at all times the Insurer continues to be liable for all obligations for which the Insurer is expressed to be liable under the Relevant Reinsurance Policy, [and neither the Company nor the Trustee has any liability or obligation in respect of the Relevant Reinsurance Policy] / [including payment of the premium thereunder] [43] ; and

(h) this notice and your acknowledgement hereof may only be changed if the Trustee so agrees in writing.

This Notice of Assignment and any related acknowledgement shall be governed by, and shall be construed in accordance with English law and each of the parties hereto irrevocably agrees for the benefit of the Trustee that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Notice of Assignment and any acknowledgement thereof and, for such purposes, irrevocably submits to the jurisdiction of such courts.

Please acknowledge receipt of this notice by signing the acknowledgement on the enclosed copy hereof and returning it to the Trustee at Av. Dionisio Derteano Nº 102, Piso 5, San Isidro, Lima 27, Perú marked for the attention of Cecilia Marín Armas and Claudia Alarcón Leu.

Yours faithfully

for and on behalf of
**[Insurer]**

for and on behalf of
**SCOTIABANK PERU, S.A.A.**

[43] Note : Inclusion contingent on content of insurance endorsements.

for and on behalf of
**Cerro del Aguila S.A.**

*  *  *

**Schedule 1**
**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT**

To: [On copy]

To: [ ]

and to: Scotiabank Peru, S.A.A., as Trustee for and on behalf of the Secured Parties

[ *Date* ]

We acknowledge receipt of a Notice of Assignment from [ ] dated [ ], 20[ ] (the " **Notice of Assignment** "), a copy of which is attached and duly note how the Notice of Assignment effects the manner in which we are required to perform our obligations under the Relevant Reinsurance Policy, as detailed more precisely below. Words and expressions defined in the Notice of Assignment shall have the same meanings in this letter. Our compliance with the terms and conditions of the Notice of Assignment is given in reliance upon the confirmation by the Insurer, in the Notice of Assignment, that such compliance shall be and be deemed to constitute due performance of our obligations under the Relevant Reinsurance Policy and results in good discharge to the extent of the performance.

1. We confirm that no premium payments are due as at the date of this letter of acknowledgement.
2. We hereby agree to the assignment by the Insurer of its interest in the Relevant Reinsurance Policy to the Trustee to which the Notice of Assignment relates.
3. We duly note the interest of the Trustee in the Relevant Reinsurance Policy as ultimate assignee of the benefit of the Relevant Reinsurance Policy.
4. We will pay all sums due, and give notices, under or in respect of the Relevant Reinsurance Policy as directed in the Notice of Assignment.
5. We confirm that we have not, as at the date of this letter, received notice that any person (other than the Insurer) has or will have any right or interest whatsoever in, or has made or will be making any claim or demand on the Relevant Reinsurance Policy or any part thereof, and if, after the date hereof, we receive any such notice, we shall immediately give written notice thereof to the Trustee.
6. We will comply with the terms of the Notice of Assignment to the extent that such compliance will not constitute a breach of any applicable law or regulation and provided always that we shall not be required to pay more than once in respect of the same loss or any part, whether by the Company, any liquidator or otherwise.

7. [We will not agree to any amendment reducing or restricting the coverage of the Relevant Reinsurance Policy (and will not exercise any termination right we may have in relation thereto) unless the Trustee has consented thereto in writing.]

8. We shall accept any payment of premium, call or other sum payable which may be made by the Trustee or the Company in respect of the Relevant Reinsurance Policy and such payment shall, to the extent of such payment, discharge the liability of the Insurer to pay premium to us.

9. We have not claimed or exercised, and have no outstanding right to claim or exercise, any right of set-off or counter-claim in relation to any sum owed to us under the Relevant Reinsurance Agreement other than in respect of any unpaid premium due to us under the Relevant Reinsurance Agreement.

10. We will send the Trustee copies of all notices that we give under or in connection with the Agreement and provide to the Trustee such information regarding the Agreement and matters relating to it as it may from time to time in writing request.

11. We will look only to the Insurer for performance of its obligations under the Relevant Reinsurance Agreement (and acknowledge and agree that neither the Trustee nor any of the other Secured Parties will be liable to perform any such obligation or have any liability for any failure on the part of the Company in connection therewith).

This letter shall be governed by and construed in accordance with English law.

Yours faithfully

_____

for and on behalf of
[ ***Reinsurer*** ]
Date:

**The Company**

**EXECUTED** as a deed by
**[Insurer]** ,
acting by

[ *insert name of authorised signatory* ]

and

[ *insert name of authorised signatory* ]

who, in accordance with the laws of that territory, are acting under the authority of that company

Authorised Signatory

Authorised Signatory

**The Company**

**EXECUTED** as a deed by
**CERRO DEL AGUILA S.A.**
a *sociedad anónima* organized under the laws of Peru,
acting by

[ *insert name of authorised signatory* ] — Authorised Signatory

and

[ *insert name of authorised signatory* ] — Authorised Signatory

who, in accordance with the laws of that territory, are acting under the authority of that company

**The Trustee**

**EXECUTED** as a deed by
**SCOTIABANK PERU, S.A.A.** ,
a Peruvian *sociedad anónima abierta* , not in
its individual capacity, but solely as Trustee,
acting by

[ *insert name of authorised signatory* ] Authorised Signatory

and

[ *insert name of authorised signatory* ] Authorised Signatory

who, in accordance with the laws of that territory, are acting under the authority of that company

**Exhibit 8.1**

| Entity Name | Jurisdiction of Incorporation | Name(s) Under Which it Does Business |
|---|---|---|
| IC Power Ltd. | Israel | IC Power Ltd. |
| Compania Boliviana de Energia Electrica S.A. - Bolivian Power Company Limited | Canada | Compania Boliviana de Energia Electrica S.A. – Bolivian Power Company Limited |
| Servicios Energéticos S.A - SESA | Bolivia | Servicios Energéticos S.A. - SESA |
| Kallpa Generación S.A. | Peru | Kallpa Generación S.A. |
| Cerro del Aguila S.A. | Peru | Cerro del Aguila S.A. |
| Hidro Chilia S.A.C. | Peru | Hidro Chilia S.A.C. |
| Pacahuasi Energía S.A. | Peru | Pacahuasi Energía S.A. |
| Nejapa Power Company LLC | USA | Nejapa Power Company LLC |
| Samay III S.A | Peru | Samay III |
| Surpetroil SAC | Peru | Surpetroil SAC |
| Samay I S.A. | Peru | Puerto Bravo |
| PanaGen, Limited | Bermuda | PanaGen, Limited |
| Verde Securities Limited | Bermuda | Verde Securities Limited |
| Compañía de Electricidad Puerto Plata S.A. | Dominican Republic | Compañía de Electricidad Puerto Plata S.A. |
| Compañía de Energía de Centroamérica, S.A. de C. V. | El Salvador | Compañía de Energía de Centroamérica, S.A. de C. V. |
| IC Power DR Operations S.A.S. | Dominican Republic | IC Power DR Operations |
| Central Cardones S.A. | Chile | Central Cardones S.A. |
| Lihuen S.A. | Chile | Lihuen S.A. |
| Cerro El Plomo S.A. | Chile | Cerro El Plomo S.A. |
| Termoeléctrica Colmito Ltda. | Chile | Termoeléctrica Colmito Ltda. |
| Hura Power S.R.L. | Dominican Republic | Hura Power |
| Taino Power S.R.L. | Dominican Republic | Taino Power |
| OPC Rotem Ltd. | Israel | OPC Rotem Ltd. |
| Jamaica Private Power Company Ltd. | Jamaica | Jamaica Private Power Company |
| Consorcio Eólico Amayo (Fase II) S.A. | Panama | Consorcio Eolico Amayo (Fase II) S.A. |
| Empresa Energética Corinto Ltd. | Cayman Islands | Empresa Energética Corinto Ltd. |
| Tipitapa Power Company Ltd. | Cayman Islands | Tipitapa Power Company Ltd. |
| Surpetroil S.A.S. | Colombia | Surpetroil S.A.S. |
| IC Power Trading S.A.S ESP | Colombia | IC Power Trading SAS |
| Surenergy S.A.S ESP | Colombia | Surenergy S.A.S ESP |
| Inkia Energy Ltd. | Bermuda | Inkia Energy Ltd. |
| Inkia Americas Ltd. | Bermuda | Inkia Americas Ltd. |
| Inkia Americas Holding Ltd. | Bermuda | Inkia Americas Holding Ltd. |
| IC Power Holdings (Kallpa) Limited | Bermuda | IC Power Holdings (Kallpa) Limited |
| Inkia Holdings (Cobee) Ltd. | Bermuda | Inkia Holdings (Cobee) Ltd. |
| IC Power Holdings (CEPP) Limited | Bermuda | IC Power Holdings (CEPP) Limited |
| IC Power Holdings (Panama Generation) Limited | Cayman Islands | IC Power Holdings (Panama Generation) Limited |
| Inkia Holdings (JPPC) Limited | Barbados | Inkia Holding (JPPC) Limited |
| IC Power Panama Management S.de R.L. | Panama | IC Power Panama Management S.de R.L. |
| Inkia Energy Guatemala Ltd | Guatemala | Inkia Energy Guatemala Ltd |
| Inkia Salvadorian Power Ltd. | Cayman Islands | Inkia Salvadorian Power Ltd. |
| IC Power Holdings (Nejapa) Limited | Cayman Islands | IC Power Holdings (Nejapa) Limited |
| Nejapa Holdings Company Ltd. | Cayman Islands | Nejapa Holdings Company Ltd. |
| IC Power Holdings (Cepp - Cayman) Limited | Cayman Islands | IC Power Holdings (Cepp - Cayman) Limited |
| West Indies Development Corporation Ltd. | Jamaica | West Indies Development Corporation Ltd. |
| IC Power Chile Inversiones Ltd. | Chile | IC Power Chile Inversiones Ltd. |
| IC Power Chile SPA | Chile | IC Power Chile SPA |
| IC Power Holdings (Chile) Limited | Bermuda | IC Power Holding (Chile) Limited |
| Kanan S.A. de C.V. | El Salvador | Kanan S.A. de C.V. |
| Kanan Overseas I Inc. | Panamá | Kanan Overseas I Inc. |
| Kanan Overseas II Inc. | Panamá | Kanan Overseas II Inc. |
| Kanan Overseas III Inc. | Panamá | Kanan Overseas III Inc. |
| Cenérgica Panamá Holdings II, S.A. | Panamá | Cenérgica Panamá Holdings II, S.A. |
| Cenérgica Panamá Holdings I, S.A. | Panamá | Cenérgica Panamá Holdings I, S.A. |
| IC Power Holdings (Colombia) Trading Limited | Bermuda | IC Power Holdings (Colombia) Trading Limited |
| IC Power Israel Ltd. | Israel | IC Power Israel Ltd. |

| Entity Name | Jurisdiction of Incorporation | Name(s) Under Which it Does Business |
|---|---|---|
| IC Power Nicaragua Holding | Cayman Islands | IC Power Nicaragua Holding |
| AEI Nicaragua S.A | Nicaragua | AEI Nicaragua S.A |
| IC Power Jamaica Holdings Ltd. | Cayman Islands | AEI Jamaica Holdings Ltd. |
| IC Power Jamaica I Ltd. | Saint Lucia | AEI Jamaica I Ltd. |
| IC Power Jamaica II Ltd. | Saint Lucia | AEI Jamaica II Ltd. |
| IC Power Jamaica Inc. | United States | AEI Jamaica Inc. |
| Private Power Operator Ltd | Jamaica | Private Power Operator Ltd. |
| IC Power Jamaica III Ltd | Saint Lucia | AEI Jamaica III Ltd |
| Inversiones Waxere S.A | Guatemala | Inversiones Waxere S.A |
| Amayo O&M Services S.A | Nicaragua | Amayo O&M Services S.A |
| Nicaragua Energy Holdings Ltd. | Cayman Islands | Nicaragua Energy Holdings Ltd. |
| Centrans Energy Holdings (Amayo) S.A | Panama | Centrans Energy Holdings (Amayo) S.A |
| Consorcio Eólico Amayo S.A | Panama | Consorcio Eólico Amayo S.A |
| Arctas Amayo (Fase II) S.A | Panama | Arctas Amayo (Fase II) S.A |
| IC Power Guatemala Ltd. | Guatamala | IC Power Guatemala Ltd. |
| Poliwatt Limited | Guatamala | Poliwatt Limited |
| IC Power Guatemala Holdings Limited | Cayman Islands | IC Power Guatemala Holdings Limited |
| AGS Rotem Ltd. | Israel | AGS Rotem Ltd. |
| Puerto Quetzal Power LLC | United States | Puerto Quetzal Power (PQP) Company |
| Quantum (2007) LLC | USA | Quantum (2007) LLC |
| IC Green Energy Ltd. | Israel | IC Green Energy Ltd. |
| Primus Green Energy, Inc. | USA | Primus Green Energy, Inc. |
| HelioFocus Ltd. | Israel | HelioFocus Ltd. |
| Heliofocus Technologies INC. | USA | Heliofocus Technologies INC. |
| Heliofocus Hong-Kong Ltd. (HK) | China | Heliofocus Hong-Kong Ltd. (HK) |
| Heliofocus Solar Power (Alxa) Co., Ltd (China) | China | Heliofocus Solar Power (Alxa) Co., Ltd (China) |
| I.C.G. Fuel U.S.A. Inc. | USA | I.C.G. Fuel U.S.A. Inc. |
| ICG Solar 3 Ltd.* | Israel | ICG Solar 3 Ltd. |
| ICG Solar 4 Ltd.* | Israel | ICG Solar 4 Ltd. |
| ICG Solar 5 Ltd.* | Israel | ICG Solar 5 Ltd. |

* In voluntary liquidation.

**Exhibit 12.1**

**Certification of the Chief Executive Officer**

I, Yoav Doppelt, certify that:

1. I have reviewed this annual report on Form 20-F of Kenon Holdings Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2015

By: /s/ Yoav Doppelt
Name: Yoav Doppelt
Title: Chief Executive Officer

**Exhibit 12.2**

**Certification of the Chief Financial Officer**

I, Tzahi Goshen, certify that:

1. I have reviewed this annual report on Form 20-F of Kenon Holdings Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2015

By: /s/ Tzahi Goshen
Name: Tzahi Goshen
Title: Interim Chief Financial Officer and Controller

**Exhibit 13.1**

**Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 20-F (the "Report") of Kenon Holdings Ltd. (the "Company") for the fiscal year ended December 31, 2014 as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof, Yoav Doppelt, as Chief Executive Officer of the Company, and Tzahi Goshen, as Interim Chief Financial Officer and Controller of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yoav Doppelt
Name: Yoav Doppelt
Title: Chief Executive Officer
Date: March 31, 2015

/s/ Tzahi Goshen
Name: Tzahi Goshen
Title: Interim Chief Financial Officer and Controller
Date: March 31, 2015

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

**Exhibit 15.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors
Kenon Holdings Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-201716) on Form S-8 of Kenon Holdings Ltd. of our report dated March 31, 2015, with respect to the combined carve-out statements of financial position as of December 31, 2014 and 2013, and the related combined carve-out statements of income, other comprehensive income, changes in parent company investment and cash flows for each of the years in the three-year period ended December 31, 2014, which report appears in the December 31, 2014 annual report on Form 20-F of Kenon Holdings Ltd.

/s/ Somekh Chaikin
Certified Public Accountants (Israel)
A Member firm of KPMG International

Tel Aviv, Israel
March 31, 2015

**Exhibit 15.2**

Deloitte
Brightman Almagor Zohar

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the annual report on Form 20-F and the registration statement on Form S-8 (No. 333-201716) of Kenon Holdings Ltd. of our report dated March 4 th , 2015 with respect to the consolidated financial statements of Tower Semiconductor Ltd. and subsidiaries for the years ended December 31, 2014 and 2013.

Sincerely,

/s/ Brightman Almagor Zohar & Co.
**Brightman Almagor Zohar & Co.**
**Certified Public Accountants**
**A Member of Deloitte Touche Tohmatsu Limited**
**Tel Aviv, Israel**
**March 26th, 2015**


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**Exhibit 15.3**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors
Qoros Automotive Co., Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-201716) on Form S-8 of Kenon Holdings Ltd. of our report dated 30 March 2015, with respect to the consolidated statements of financial position of Qoros Automotive Co., Ltd. as of 31 December 2014 and 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended 31 December 2014, which report appears in the 31 December 2014 annual report on Form 20-F of Kenon Holdings Ltd.

/s/ KPMG Huazhen (SGP)
Shanghai, China
31 March 2015