

Generation Capital Ltd.
("the Fund")

May 18, 2026

To
Securities Authority

To
The Tel Aviv Stock Exchange Ltd.

Re: Engagement in a Memorandum of Understanding for the acquisition of Shikun & Binui Energy Ltd.

Further to the Immediate Report of the Fund dated May 15, 2026¹ regarding advanced negotiations conducted by the Fund for the acquisition of Shikun & Binui Energy Ltd. ("**Shikun & Binui Energy**")², the Fund is honored to update that on May 15, 2026, it signed³ with Shikun & Binui and with its controlling shareholder, Shikun & Binui Ltd. ("**S&B**"), a primarily non-binding memorandum of understanding regarding such a transaction (the "**MOU**" and the "**Transaction**", respectively).

A. The Transaction

According to the MOU, the Fund (alone or together with additional investors), by itself or through a corporation under its control ("**the Purchaser**"), will purchase the full share capital (100%) of S&B Energy by way of a reverse triangular merger, where S&B Energy will be the absorbing company and will become, following the completion of the Transaction, a private company fully owned by the Fund or by a corporation under its control ("**the Merged Company**"), but will remain a reporting corporation since its BONDS are listed for trading on the TASE and are held by the public.

At the closing date of the Transaction, all S&B Energy shares will be transferred to the Purchaser in exchange for a cash total of NIS 4.05 billion ("**the Base Consideration**"), subject to customary adjustments in agreements of this type which will be applied starting from the date of signing the MOU. In addition to the Base Consideration, the Purchaser will pay the shareholders of S&B Energy at the closing date of the Transaction an additional amount reflecting payment for the passage of time from the date of signing the MOU until the closing date, in the amount of NIS 150 million.

Furthermore, subject to meeting milestones related to the advancement of certain existing material projects of S&B Energy, within a period of up to 60 months from the closing date of the Transaction, there is a possibility that an additional future contingent consideration will be paid to those who will be shareholders of S&B Energy at the closing date, in a maximum cumulative amount of up to NIS 300 million, under the terms specified in the MOU.

B. Conditions Precedent for Completion of the Transaction

Completion of the Transaction will be subject to the fulfillment of customary conditions precedent, including approval of the General Meeting of S&B Energy, regulatory approvals (including the Competition Authority and the Electricity Authority), approval of the holders of the BONDS of S&B Energy, and approval of financing entities, as may be required.

1 Reference No.: 2026-01-045010.
2 A public company whose shares and other securities are traded on the Tel Aviv Stock Exchange Ltd. ("**the Exchange**").

3 The MOU was approved by the boards of directors of S&B Energy and S&B on May 16, 2026, and by the board of directors of the Fund on May 17, 2026.

C. Exclusivity Period

Within the framework of the memorandum of understanding, the parties committed to conduct negotiations in good faith for the purpose of entering into a detailed and binding reverse triangular merger agreement.

Upon the signing of the memorandum of understanding, the purchaser will conduct due diligence regarding SHIB Energy for a period of 30 days from the date of the opening of a data room to the purchaser and its advisors, which will include the documents specified in the memorandum of understanding ("**the Inspection Period**").

During the Inspection Period, SHIB Energy and SHIB committed to immediately terminate all existing discussions and/or negotiations with any third party that were conducted prior to the signing of the memorandum of understanding, and not to conduct negotiations with any entity, not to enter into any agreement, and not to reach any understandings with any other party during the Inspection Period. In addition, SHIB Energy and SHIB committed that to the extent an unsolicited approach from a third party is received by the company or SHIB for a competing transaction (as defined in the memorandum of understanding) during the Inspection Period, they will not promote it.

In accordance with the memorandum of understanding, agreed and binding mechanisms were established for the provision of monetary compensation to SHIB Energy by the Fund in the event that a detailed agreement is not signed by the end of the Inspection Period, and for the provision of compensation by SHIB Energy or SHIB in the event that either of them completes a competing transaction (as defined in the memorandum of understanding) within a certain period of time from the end of the Inspection Period.

D. Financing of the Transaction

The Fund intends to finance the transaction as stated through a variety of financing sources including, among others, available liquid balances, expected consideration for the realization of the investment in Fortberberk, raising capital and debt in the Fund, and the formation of consortiums of additional investors for the purpose of executing the transaction.

According to the Fund's assessment, against the background of the increasing demand in the local and global electricity market, combined with the market position of the merged company, the merger is expected to generate high returns for its investors. The merged company will generate overhead, operational, and financing synergies that will be translated into a significant improvement in profitability, support the accelerated growth of Bezeq-Gen Supplier, and allow for the expansion and streamlining of business development efforts for production facilities in a variety of technologies and storage alongside new server farms, all of which will constitute significant value creation potential. Effective implementation of this merger is consistent with the Fund's strategy for the long-term creation of an innovative and leading company in the energy production, storage, and supply market, which is expected to streamline the electricity sector and generate competition.

For details regarding SHIB Energy, see its public reports.

The memorandum of understanding constitutes a document of principles only, intended to serve as a basis for negotiation between the parties, and is not binding on the parties, except with respect to certain provisions. It is clarified that there is no certainty that a binding agreement will be signed between the parties and to the extent it is signed, there is no certainty that the transaction will be completed. The information provided in this report regarding the possibility of entering into a binding agreement and completing the transaction, including its terms, as well as regarding the Fund's assessments that the merger is expected to generate high returns and synergies that will be translated into a significant improvement in profitability, support the accelerated growth of Bezeq-Gen Supplier, expand and streamline business development efforts, create significant value, and streamline the electricity market and generate competition, is forward-looking information as defined in the Securities Law, 1968, based on the assessments of

the Fund's management as of this date, and which there is no certainty will materialize, in whole or in part, and it may materialize in a materially different way, inter alia, due to the non-fulfillment of the closing conditions, non-signing of a binding agreement, or the realization of additional risk factors.

Sincerely,
Generation Capital Ltd.

By: Itai Peled, CFO
and Baruch Sauta, General Counsel and Fund Secretary