

# MESHEK ENERGY-RENEWABLE ENERGIES LTD

("the Company")

August 21, 2025

To:

Israel Securities Authority  
[www.magna.isa.gov.il](http://www.magna.isa.gov.il)

Tel Aviv Stock Exchange Ltd.  
[maya.tase.co.il](http://maya.tase.co.il)

Dear Sir/Madam,

**Subject: Follow-up Immediate Report - Dalia 2 Project and Eshkol Avshal Project - Signing of EPC Agreement and Binding Memorandum of Understanding for the Construction of New H CLASS Generation Units at the Tzafit and Eshkol Sites, and Termination of the Early Works Agreement**

Further to the provisions of Sections 12.3 and 12.4 of Appendix A to Chapter A of the Company's 2024 periodic report as published on March 25, 2025 (Reference No.: 2025-01-020377) (the "periodic report"), regarding the advancement of the project for the construction of a new generation unit at the Eshkol site ("Eshkol Avshal Project") by Eshkol Avshal Energies Ltd. ("Eshkol Avshal"<sup>101</sup>) and the advancement of the project for the construction of a new H Class generation unit at the Tzafit site ("Dalia 2 Project") by Dalia Energies Expansion Ltd. ("Dalia Expansion"<sup>102</sup>), respectively; and further to Dalia Expansion's engagement in a main equipment supply agreement for the Dalia 2 Project<sup>103</sup>, and further to Eshkol Avshal's engagement in a main equipment supply agreement for the construction of the Eshkol Avshal Project<sup>104</sup>, the Company is honored to announce that, according to Dalia's reports, on August 20, 2025, Dalia Expansion signed a procurement, design, and construction agreement (EPC) (the "Agreement" or the "EPC Agreement") for the construction of the power plant in the Dalia 2 Project with an EPC contractor (the "Contractor") as described below, and Eshkol Avshal signed a binding memorandum of understanding (the "Binding MoU") with the Contractor for the construction of the power plant in the Eshkol Avshal Project, the main points of which are summarized below:

1. The EPC Agreement for the Construction of the Dalia 2 Project

- **A.** The agreement was signed with the contractor, which includes three companies incorporated in China, jointly and severally responsible to Dalia Expansion: CHEC, HEI, and THCC. These companies have significant expertise and experience, among other things, in the design and construction of power plants and infrastructure projects worldwide, including the construction of combined cycle power plants with H Class generation units from Siemens (Siemens Energy Global GmbH & CO.KG, the main equipment supplier with whom Dalia Expansion contracted on June 12, 2025<sup>105</sup>).
- **B.** According to the EPC Agreement, the contractor will carry out the design, procurement, and construction works for the power plant (and the main equipment supply agreement with Siemens Energy Global GmbH & CO.KG will be assigned to it according to its terms, in addition to Siemens control systems to be purchased under the EPC Agreement). Dalia Expansion is responsible for obtaining the permits and approvals required for the construction and operation of the plant.
- **C.** The total investment in the construction of the Dalia 2 Project, according to a planned capacity of about 850 MW<sup>106</sup>, will amount to approximately NIS 3.8 billion (excluding financial fees and interest during construction), and includes, among other things,



Alt: Company Logo



*Alt: General Logo or Image*

all payments under the EPC Agreement with the contractor, payments for the main equipment supply agreement, payments to the Israel Land Authority for the land, payments for connecting the Dalia 2 Project to the electricity transmission grid and to the national gas system, management, supervision, and control costs for the Dalia 2 Project, insurance payments for the Dalia 2 Project, allocation of budget for unforeseen expenses – contingency at the customary rate for such projects, and more.

**D.** According to the agreement, some payments will be linked to relevant indices and will be made according to milestones dependent on the progress of the project until commercial operation is achieved, as customary in such projects.

- E.** The commercial operation date is set for December 31, 2028, or a period of 35 months from the date Dalia Expansion gives notice of the fulfillment of the conditions precedent in the agreement for its entry into force (depending on the date of Dalia Expansion's notice).
- F.** The agreement includes a liquidated damages mechanism, whereby the contractor must pay for failure to meet the commercial operation schedule, according to terms customary in such agreements. The agreement also sets a bonus mechanism for early achievement of the agreed commercial operation date, according to the agreement's terms. The liquidated damages and bonus mechanisms are subject to caps as customary in such agreements.
- G.** To secure its obligations under the agreement, the contractor must provide a bank performance guarantee of 10% of the Dalia 2 Project cost, and a bank warranty guarantee of 5% of the Dalia 2 Project cost for the warranty period.
- H.** The EPC Agreement includes an obligation to perform performance and acceptance tests, as well as to meet guaranteed performance of the power plant. Agreed compensation mechanisms for failure to meet agreed minimum requirements and bonus payment mechanisms for actual performance improvements over the guaranteed performance are also included, as customary in such agreements.
- I.** The agreement includes provisions regarding force majeure events as customary in such agreements, as well as provisions regarding "justified events" mainly arising from the security situation in Israel, which will entitle the contractor to request extensions and/or various payments under certain conditions as set in the agreement.
- J.** According to the agreement, commencement of works on the Dalia 2 Project is subject to receipt of Dalia Expansion's notice of fulfillment of the following conditions precedent: achieving financial close and obtaining the permits and approvals required for the construction of the power plant by an agreed date. If Dalia Expansion does not give notice of fulfillment of the conditions precedent, the agreement will terminate according to its provisions.
- K.** The agreement includes provisions regarding suspension of the agreement in various circumstances, provisions regarding termination of the agreement in cases of material breach by any party, as well as in cases of prolonged force majeure events with significant effects.
- L.** In addition, the agreement includes standard clauses for such agreements, including all-risk construction insurance, liability and indemnity clauses, intellectual property rights, confidentiality, permitted assignment of rights, and more.
-

## 2. Termination of the Early Works Agreement

Additionally, according to Dalia's report, on August 20, 2025, Dalia Expansion gave notice of termination of the early works agreement signed on April 22, 2025, between Dalia Expansion and SHIKUN & BINUI LTD. SOLEL BONEH BUILDING & INFRASTRUCTURE LTD.



*Alt: General Logo or Image*

Infrastructures Ltd. and a wholly owned subsidiary of Electricidad Ingernieria De TSK Electronica y Manutencion Austriana, S.A. (Ingemas, S.A), in accordance with the provisions of the early works agreement.

## 3. Binding Memorandum of Understanding for Signing the EPC Agreement for the Construction of the Eshkol Avshal Project

- **A.** On August 20, 2025, Eshkol Avshal signed with the contractor a binding memorandum of understanding (as defined above) for signing a detailed EPC agreement by an agreed date, whose terms will be materially similar to those of the Dalia Expansion EPC Agreement, except for defined non-material changes agreed between the parties.
- **B.** According to the binding MoU, the commercial operation date of the Eshkol Avshal Project is set for June 15, 2029, or a period of 35.5 months from the date Eshkol Avshal gives notice of the fulfillment of the conditions precedent for the EPC Agreement to enter into force (depending on the date of Eshkol Avshal's notice).
- **C.** The total investment in the Eshkol Avshal Project, with a capacity of about 850 MW, will amount to approximately NIS 3.3 billion (excluding the cost invested in acquiring the rights to construct the Eshkol Avshal Project and excluding financial fees and interest during construction), and includes all payments under the EPC Agreement with the construction contractor, payments for the main equipment supply agreement, payments for connecting the Eshkol Avshal Project to the electricity transmission grid and to the national gas system, payments for management, control, and supervision of the Eshkol Avshal Project, insurance payments for the Eshkol Avshal Project, allocation of budget for unforeseen expenses – contingency at the customary rate for such projects, and more.

This is an unofficial AI generated translation of the official Hebrew version and has no binding force. The only binding version is the official Hebrew version. For more information, please review the legal disclaimer.

Payments will be made according to milestones dependent on the progress of the Eshkol Avshal Project until commercial operation is achieved, as customary in such projects.

**As detailed in Dalia's reports, the information regarding the total cost of the Dalia 2 Project and the Eshkol Avshal Project, as well as the fulfillment of the conditions precedent for entry into force and/or reaching a detailed EPC agreement between Eshkol Avshal and the contractor, and the binding commercial operation dates for both projects, is forward-looking information as defined in the Securities Law, 1968, based on Dalia's estimates and the information available to it as of the date of this report, including the agreement and the binding MoU. However, actual results may differ materially from Dalia's estimates and some may not materialize, due to changes in markets, exchange rates, indices, delays in schedules, statutory delays, significant regulatory changes, obtaining approvals and their timing, macroeconomic changes, and the realization of Dalia's risk factors as detailed in Section 26 of Appendix A to Chapter A of the periodic report.**

Respectfully,

**MESHEK ENERGY-RENEWABLE ENERGIES LTD**

Signed by:

- Avner Arad, CEO of the Company
- Galit Bik, Legal VP and Head of Company Staff

**FOOTNOTE:**

<sup>101</sup> Dalia holds 75% and the Company holds 2.5% of its share capital.

<sup>102</sup> Dalia holds 100% of its share capital.

<sup>103</sup> See immediate report dated June 15, 2025 (Reference No.: 2025-01-042461).

<sup>104</sup> See immediate report dated July 27, 2025 (Reference No.: 2025-01-055467).

<sup>105</sup> See immediate report Note 3.

<sup>106</sup> Calculation under ISO conditions – an international standard based on adjusting the data according to temperature, humidity, and barometric pressure conditions.

<sup>307</sup> See immediate report dated April 23, 2025 (Reference No.: 2025-01-028713).

<sup>308</sup> Calculation under ISO conditions – an international standard based on adjusting the data according to temperature, humidity, and barometric pressure conditions.