O.Y. Nofar Energy Ltd. ("the Company")

August 04, 2026

To:

Securities Authority

www.magna.isa.gov.il

Via the MAGNA

To:

The Tel Aviv Stock Exchange Ltd.

https://maya.tase.co.il

Subject: Clarification regarding the calculation method of the "Consolidated Net Financial Debt" covenant

Further to the summons for the meetings of the holders of the Company's BONDS scheduled for August 5, 2026, which were published by the Trustee on July 28, 2026, and amended on August 4, 2026, in connection with proposed amendments to the Trust Deeds of the Company's BONDS ("the Meeting Summons"), and further to discussions held between the Company and the Securities Authority ("the Authority") and in coordination with it, the Company wishes to clarify its position regarding the calculation method of the financial covenant "Consolidated Net Financial Debt" as set forth in the Trust Deeds.

Sub-section (d) of the definition of Consolidated Net Financial Debt allows for the deduction from the financial debt of "**liabilities in respect of assets that have not yet been commercially operated or for which a year has not yet passed from the date of their commercial operation or from the date of completion of their acquisition, whichever is later, at the testing date**, whereby within this framework liabilities taken by the Company and provided by it as **financing** for the establishment of such asset or **instead of financing** for the establishment of such asset (at the height of said financing) will also be included, provided that there is no other financial debt senior to the financing provided by the Company in connection with that same asset".

The Company's understanding of the language of the Deed is that the language refers to three groups. "**Liabilities in respect of assets**", appearing at the preamble of sub-section (d), is a general group describing all liabilities (equity and debt at the asset level) that the Company takes upon itself when it comes to establish or purchase an asset ("the Liabilities"). In contrast, the words "**liabilities taken by the Company and provided by it as financing for the establishment of such asset**", appearing at the end of the section, describe a sub-group of the main group - liabilities given as asset financing ("financing-replacement liabilities"). Additionally, there is a third group of liabilities which is the difference between the first general group of "**liabilities in respect of assets**" and the sub-group of "**liabilities taken by the Company and provided by it as financing for the establishment of such asset**", which is the group of liabilities embodying the equity liabilities that the Company invests in the asset ("equity liabilities").

Accordingly, the Company's interpretation is that the statement in sub-section (d) - "provided there is no debt senior to the financing" - refers to liabilities of the "financing-replacement liabilities" type, appearing at the end of the section, and that taking senior financial debt does not affect the deduction of liabilities belonging to the "equity liabilities" group.

In the dialogue the Company held with the Authority, and at the Authority's request, the Company also examined its approach regarding the calculation of the covenant in relation to the Company's first projects, including Olmedilla, Sabinar, and Buxton-1 ("the First Projects"), and found that its approach regarding these projects is consistent with the Company's position as presented to the Authority and the holders of the BONDS.

In the First Projects, all liabilities taken by the Company were classified at the time as financing-replacement liabilities, given the lack of certainty at that time regarding the raising of senior debt, its timing, and scope. Therefore, upon drawing the senior debt in these projects, the Company ceased deducting the liabilities it had provided for them and continued to deduct only the senior debt, in accordance with its interpretation of the Deed's provisions.

In contrast, in later projects of the Company, where the Company had greater confidence in its ability to obtain senior debt as well as visibility regarding its scope and timing of provision, the Company initially provided equity liabilities, and subsequently financing-replacement liabilities were provided which were replaced by senior debt. According to the Company's position, the equity liabilities continued to be deducted, while the financing-replacement liabilities ceased to be deducted upon their replacement by senior debt, and only the senior debt that replaced them was deducted.

Further support for the consistency of the Company's interpretation is that throughout the entire period of calculating the covenants, in relation to those same First Projects, the Company continues to apply the same calculation method: the Company deducts only the senior debt for these projects, as the entire amount provided by the Company as an investment in those First Projects was invested as a **financing-replacement liability.** Therefore, according to the language of the Deed, where initially a financing-replacement liability was provided by the Company and subsequently senior debt was drawn, the Company deducts only the senior debt and not that same replaced financing, even if the amount of the senior debt is lower than the original financing amount.

This is parallel to other projects in which taking senior debt does not neutralize the Company's liabilities which are equity liabilities.

This calculation, as presented above, clarifies and proves that the Company did not change its perception regarding the interpretation of the covenants. **Had the Company changed its interpretation, the Company would now be deducting, for the First Projects, both the amounts it invested and the senior debt. The fact that this change was not made clarifies the consistency of the Company's position from the first day until today.**

The Company adds that also in the summons for the holders' meetings, its position was clarified, according to which the Company is entitled to deduct, up to the total establishment costs and subject to the rest of the definition's terms, both equity liabilities and financing-replacement liabilities, where financing-replacement liabilities are removed from deduction in the case of raising senior debt. And in the language of the summons: "only if senior debt was taken intended to actually replace the owner's financing, in whole or in part, which was provided before taking the senior debt, <u>**will the relevant owner's financing component cease to be deducted, this in order to prevent deduction of an amount exceeding the scope of the total financing actually provided in relation to the asset**</u>" (emphasis not in original).

The Company wishes to emphasize that although on the surface it appears that the way it calculated the covenants in relation to the First Projects <u>only</u> could also align with the "other interpretation", as presented by the Authority[1], <u>**this does not indicate that the Company has adopted an interpretation different from the one presented by it today.**</u>

In addition, the Company wishes to note that in the calculation of the EBITDA to Consolidated Net Financial Debt covenant - and solely for the purpose of calculating this covenant - the revenues of the Buxton project[2], which contribute approximately NIS 6.5 million to the Company's EBITDA, were not included. These revenues were omitted unnecessarily. Adding this EBITDA amount to the covenant calculation as of December 31, 2025, the Company meets all covenants even according to the other interpretation mentioned by the Authority.

O.Y. Nofar Energy Ltd.

By: Ofer Yannay, CEO and Director

[1] According to this interpretation, where senior financial debt was taken to finance the project, in any amount, the Company's liabilities cannot continue to be deducted from the Consolidated Net Financial Debt.

[2] Buxton project is a project whose construction has not yet been completed as it is partially active.