

Convenience translation

In any case of inconsistency, the immediate report in Hebrew shall prevail

Cellcom Israel Ltd.

Immediate report dated September 3, 2023

Subject: **Entering into a founder's agreement and electricity purchase agreements with Meshek energy**

Further to what is stated in Sections 9.2.2(8), 22.13 and 26.5 of chapter A of the Company's periodic report for 2022 regarding the Company's activities, as part of a joint venture between the Company and Mashek Energy - Renewable Energies Ltd. ("**Meshek Energy**"), to supply electricity to households and business customers, the Company updates as follows:

1. **Entering into a founder's agreement**

A. On August 31, 2023, the Company entered into a founder's agreement with Mashek Energy (the "**Founder's Agreement**"), for the establishment of a registered limited partnership ("**Cellcom Energy**" or the "**Partnership**") whose purpose is to operate in marketing, sales and electrical supply to households and business consumers (except the rural sector¹ and certain activities as agreed upon by the parties, regarding which each of the parties will be entitled to act independently). For this purpose, Cellcom Energy will operate to obtain a license to supply electricity without means of production, from the Electricity Authority (the "**License**").

Cellcom Energy as well as Cellcom Energy's general partner will be held in equal parts (50% - 50%) by the parties.

B. In accordance with the business plan approved by the parties as a part of the Founder's Agreement (the "**Business Plan**"), each of the parties will provide to the partnership, according to its relative share in the partnership's capital, the financing amounts detailed in the business plan (including budget updates, if any, that will be approved during the period of the business plan, which is for 5 years as of January 1, 2024). This funding could be through capital injection, Shareholder loan, credit raising as well as provision of guarantees and collateral, all in accordance with the business plan and as determined by the general partner. In addition, provisions were established regarding additional funding, to the extent necessary for the partnership as determined by the general partner, as well as a dilution mechanism in cases where a certain party did not provide its part of the funding amounts.

C. The parties have committed that as long as they hold 25% or more of the partnership's capital, 25% or more of the general partner's share capital, or be entitled to appoint a director in the general partner, they will operate in the collaboration field through Cellcom Energy only, except for certain exceptions as agreed between the parties.

¹ The "Rural Sector"-kibbutzim and cooperative Israeli settlements ("Moshavim Shitufiim") (including major organizations such as organizing kibbutzim and Moshavim Shitufiim), factories operating on kibbutz or moshavim land, and corporations in which a kibbutz or moshav holds at least 26% of their issued capital, as well as other rural settlements to be determined by agreement between the parties.

- D. For the purpose of promoting Cellcom Energy's activities, it was agreed that the Company will provide services to the partnership, mainly in sales and customer management, within the framework of a services agreement that will be signed between the parties; It was also agreed that Mashek Energy will sell to Cellcom Energy electricity from four facilities of Mashek Energy (and its related entities), which are integrated solar storage facilities, under the essence conditions that will be detailed in section 2 below ("the **Electricity Purchase Agreements**").

In addition, Cellcom Energy will have the first right offer to submit proposals for the purchase of electricity from integrated solar storage facilities that will be established by Meshek Energy and its related entities (as they are established) at the dates agreed upon in the Founder's Agreement and in accordance with the mechanism set forth therein. On the other hand, Meshek Energy (and its related entities) will have the first right offer to submit proposals for the supply of electricity in any procedure conducted by Cellcom Energy for the purchase of electricity, in accordance with the mechanism set forth in the Founder's Agreement. The first rights offer above will remain valid as long as the Company or Meshek Energy, as applicable, will hold at least 30% of Cellcom Energy.

- E. From the date of establishment of Cellcom Energy until 31.12.2028, the Company (as long as it owns at least 50% of the rights of Cellcom Energy and the shares of the general partner) will have the right to appoint the Chairman of the board of directors and the Chairman of the general meeting of the general partner of Cellcom Energy, and the aforementioned Chairman will have a casting vote on certain issues determined between the parties, in accordance with and subject to the mechanism agreed between the parties ("the **Casting Vote Mechanism**"). The validity of the casting vote mechanism will be automatically extended for additional periods of 5 years each if the casting vote mechanism is not used in the aforementioned period, more than twice, subject to the approval of the business plan for each additional period by the parties.
- F. As part of the Founder's Agreement, limitations were set on the transfer of rights in Cellcom Energy and in the general partner, and any transfer should be subject to transfer of full holdings of each party, and a right of first refusal was established that could be activated after a certain period of time from the date of receipt of the license by the partnership as defined in the agreement. Furthermore, starting at the end of 5 years from the date of entry into force of the Founder's Agreement, each of the parties will have the right to purchase the other party's share in the partnership and the general partner, in accordance with the "BMBY" mechanism that was established. To the extent that the Company will initiate the "BMBY" mechanism and acquires the share of Mashek Energy in the partnership and in the general partner, then Mashek Energy will be entitled to cancel the Electricity Purchase Agreements, according to the mechanism and periods stipulated in the Founder's Agreement.

2. Entering into Electricity Purchase Agreements

- A. Simultaneously with the signing of the Founder's Agreement, the Company and Mashek Energy entered into 4 Electricity Purchase Agreements for Cellcom Energy with an entity related to Mashek Energy ("the **Manufacture**") for a period of 20 years from the date on which each production facility will be associated with Cellcom

Energy, in accordance for each of the aforementioned agreements (Subject to, inter alia, to what is stated in section 1.f. above), and this from 4 production facilities that will be established by Meshek Energy and entities related to it during the year 2024, with an installed solar power of approximately 45 megawatts DC and a storage capacity of approximately 100 megawatt hour, in relation to all facilities

- B. The total payments expected by Cellcom Energy in connection with the purchase of electricity from the four production facilities, for the term of the agreements in the aggregate, is approximately NIS 500 million, which will be partly linked to the Consumer Price Index with an agreed ceiling, and partly to the production rate (a weighted production component rate that is published by the Electricity Authority - "the **Weighted Rate**") ("the **Linkage Mechanism**") in addition, floor and ceiling rates linked to the consumer price index were set that Cellcom Energy will have to pay in respect of supply of electric power from any such production facility. Such consideration embodies a discount at the agreed rate from the Weighted Rate.
 - C. At the time the parties signed the Electricity Purchase Agreements, the Company and Mashek Energy provided parent company guarantees (limited in amount) according to their part, to guarantee the payments of Cellcom Energy to the manufacturer in accordance with the agreements. The amount of such guarantees will be updated in accordance with the Linkage Mechanism as of the date of signing the Electricity Purchase Agreements, in the aggregate for the entire period of such agreements.
 - D. If the commercial operation of each of the production facilities (after receiving approval for commercial operation from the Israel Electricity Company (IEC)), in accordance with the Electricity Purchase Agreements, did not occur until various dates as determined, during the year 2024, an agreed compensation will be paid to Cellcom Energy in accordance with the agreed mechanism, and if the commercial operation has not occurred until the end of 12 months from the aforementioned date, the manufacture will be entitled to cancel the Electricity Purchase Agreements so that they will end at the end of the said 12 months and in such case a mechanism agreed between the parties for the purchase of electricity will be activated. In addition, if the manufacturer does not meet its obligations regarding the scope and hours of electricity supplied to Cellcom Energy according to the agreement, in relation to each of the production facilities separately, Cellcom Energy will be paid the agreed compensation up to a compensation ceiling in accordance with the agreed mechanism, If the manufacturer reaches the compensation ceiling, Cellcom Energy will have the right to cancel the agreement.
3. The entry and validity of the Founder's Agreement, including the Electricity Purchase Agreements, is conditional on obtaining the approval of the Competition Authority (without conditions that are unacceptable to either party), within 90 days from the date of signing.
 4. In light of the rights granted to the Company as part of the Founder's Agreement, (including the casting vote mechanism as mentioned in section 1.e. above), the Company is expected to consolidate Cellcom Energy's results in its financial statements as long as the casting vote mechanism remains in effect.

5. It should be noted that in accordance with the business plan as attached to the Founder's Agreement, Cellcom Energy aims to reach a market share of approximately 270,000 electricity consumers by the end of 2028.

What is stated in this report in connection with the Company's engagement in the Founder's Agreement, including the Electricity Purchase Agreements and the entry into force of these agreements, as well as in connection with the business plan as stated above, including all that is stated regarding the expectation of obtaining the license, the services that the parties will provide to Cellcom Energy and the sale of electricity by Meshek Energy and their scope and the consideration for such services as well as models, evaluations, estimates and subjective analyzes carried out and used by the Company for its evaluations within the framework of the aforementioned engagements are forward-looking statements, as defined in the Securities Law, 1968, which may or may not materialize or materialize differently (including substantially) from what is described above, and this, inter alia, due to factors and/or influences which cannot be estimated in advance, including dependence of such agreements on obtaining the approval of the Competition Authority (without conditions that are unacceptable to either party), changes that may occur in the business plan and the expected start dates of the activity, Including changes that may occur the electricity sector and regulatory changes (including in connection with electricity rates), dates for obtaining required permits, changes in construction and financing costs of projects that form the basis of such engagements, effects of market competition on the business plan, a changing economic and geopolitical environment, and more.