

NewMed Energy – Limited Partnership

(the “Partnership”)

10 March 2025

To
The Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem
Via Magna

To
Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit Street
Tel Aviv
Via Magna

Dear Sir/Madam,

Re: Grant of Equity-Based Compensation to the CEO of the Partnership by way of ‘Overruling’

The Partnership respectfully reports that on 9 March 2025, the compensation committee and the board of directors resolved to approve the grant of equity-based compensation in the Bulgaria project to Mr. Yossi Abu, CEO of the Partnership (“**Mr. Abu**”), despite the objection of the general meeting (“**Overruling**”), in accordance with the provisions of Sections 65SS(c) and 65WW(a)(3) of the Partnerships Ordinance [New Version], 5735-1975 (the “**Ordinance**”), as extensively specified below.

Background

1. On 28 November 2024, NewMed Energy Balkan Limited, a wholly owned subsidiary of the Partnership incorporated in England (“**NewMed Balkan**”), entered into an agreement with an unrelated third party for acquisition of a 50%-interest in a petroleum asset situated in the exclusive economic zone of the Republic of Bulgaria (the “**Bulgaria Project**”). The Partnership intends to concentrate all its future operations in Southeast Europe (if and to the extent there are any) under NewMed Balkan.
2. On 27 November 2024, the audit committee, compensation committee and board of directors of the general partner in the Partnership (the “**General Partner**”, “**Compensation Committee**” and “**Board**”, respectively) approved the grant of equity-based compensation to Mr. Abu, which consists of: (1) Allotment of 5% of the share capital of NewMed Balkan; and (b) Participation in the funding of Mr. Abu’s proportionate share (5%) of the cost of the Partnership’s initial investment in NewMed Balkan up to a cap of 173 million U.S. dollars (100%, “\$”), in deviation from the Partnership’s compensation policy¹ (the “**Original Equity Compensation**” and the “**Compensation Policy**”, respectively).

¹ The Partnership’s compensation policy and the current terms of Mr. Abu’s office and employment were approved by the Compensation Committee and the Board on 28 September 2022 by way of overruling, in relation to which a motion has been filed against the Partnership for the issuance of a

The terms and conditions of the Original Equity Compensation stipulate, *inter alia*, that the shares to be allotted to Mr. Abu will be contingent on the completion of a 36-month vesting period beginning on the date of approval of the proposed compensation (the “**Vesting Period**”). According to a valuation received by the Partnership from an independent valuator (the “**Valuator**”), the fair value of the Original Equity Compensation totaled approx. \$2.35 million.

3. On 28 November 2024, the Partnership released a report giving notice of the convening of a special general meeting of the holders of the participation units of the Partnership (the “**Units**” or “**Participation Units**” and the “**Meeting**”, respectively), on the agenda of which were two independent proposed resolutions that were not contingent upon one another: The first, to approve the Bulgaria Project; and the second, to approve the grant of the equity-based compensation to Mr. Abu in deviation from the Compensation Policy.

Further thereto, on 9 January 2025, the Meeting approved the proposed resolution to approve the Bulgaria Project by a majority of approx. 79.3% but rejected the proposed resolution to approve the Original Equity Compensation, after approx. 91.5% of the Participation Unit holders other than the General Partner or the controlling shareholders thereof and having no personal interest in the transaction voted against it.

For further details with respect to the Bulgaria Project, the proposed resolutions on the agenda of the Meeting and the resolutions of the Meeting, see the Partnership’s immediate reports of 28 November 2024, 2 January 2025 and 9 January 2025 (Ref. 2024-01-620288, 2025-01-000782 and 2025-01-003240, respectively), the information included in which is incorporated herein by reference.

The power of overruling – the Attorney General’s position and the ISA’s position of December 2024

4. The Ordinance sets down provisions that subject the Partnership, with certain changes, to provisions prescribed by the Companies Law, 5759-1999 (the “**Companies Law**”), which grant the Compensation Committee and the Board the final deciding power on the establishment of a compensation policy and the compensation of officers, and authorize such organs to approve the Compensation Policy and the compensation granted to the CEO, despite the objection of the Meeting, in special cases, based on detailed grounds, and after the matter is revisited, examining, *inter alia*, the objection of the Meeting.
5. In the context of several motions for the issuance of a pre-derivative suit document discovery and inspection order that had been filed with the

pre-derivative suit document discovery and inspection order. As of the date of this report, such proceeding is pending. For further details, see Section 13 below.

Economic Department of the Tel Aviv-Jaffa District Court, in December 2024 the Attorney General submitted a position that addresses the circumstances and conditions for exercising the power of overruling (the “**Attorney General’s Position**”), and, at the same time, the Israel Securities Authority (ISA) released Legal Staff Position 101-28 on the disclosure required with respect to the approval of compensation by way of overruling (the “**ISA’s Position**”). The Attorney General’s Position and the ISA’s Position guided the Compensation Committee and the Board when rediscussing the grant of the equity-based compensation, and this report was prepared in accordance with the ISA’s Position.

Rediscussion of the equity-based compensation

6. Following the Meeting’s resolutions, on 4 February 2025, the Compensation Committee held an initial discussion of the results of the Meeting and considered the possible courses of action pertaining to the grant of the equity-based compensation, taking into account, *inter alia*, the position of the institutional investors that objected to the approval of the Original Equity Compensation, with some of whom the Partnership’s representatives had held meetings prior to the date of the Meeting (the “**Institutional Investors**”). Subsequently, the Compensation Committee rediscussed the grant of equity-based compensation in two additional meetings, which were held on 6 March 2025 and 9 March 2025, wherein the following options were examined: (a) Approval of the Original Equity Compensation, i.e., unchanged, under its original terms and conditions as presented for approval by the Meeting, by way of overruling; (b) Amendment of the terms and conditions of the Original Equity Compensation in a manner favorable to the Partnership and approval thereof by way of overruling; (c) Amendment of the terms and conditions of the Original Equity Compensation and presentation thereof once more for approval by the general meeting; and (d) Rejection of the grant of the equity-based compensation (the “**Rediscussion**”).
7. In the context of the Rediscussion, on 9 March 2025, the Compensation Committee unanimously resolved, despite the objection of the Meeting, to approve the grant of updated equity-based compensation to Mr. Abu, based on the terms and conditions of the Original Equity Compensation with certain changes that are favorable to the Partnership, key of which are: (a) Reduction of the amount of participation in the funding of Mr. Abu’s proportionate share (5%) of the cost of the Partnership’s initial investment in NewMed Balkan to a cap of \$100 million (*in lieu* of \$173 million); (b) The addition of mechanisms that secure the Partnership’s rights by means of a trustee and a security interest in the shares; and (c) Addition of the Partnership’s right to purchase the shares from Mr. Abu in the event of termination of his employment (the “**Updated Equity Compensation**”).
8. According to an updated valuation the Partnership received from the Valuator, the fair value of the Updated Equity Compensation as of the date of the valuation totals approx. \$829 thousand, reflecting a reduction of approx.

65% as compared with the value attributed to the Original Equity Compensation. This amount, divided over the Vesting Period (3 years) on a linear basis, amounts to approx. \$276 thousand a year, and constitutes less than 9% of Mr. Abu's total annual compensation (including the equity-based compensation). The Valuator further determined that if the amount of participation in Mr. Abu's proportionate share of the investments in NewMed Balkan had been limited to \$100 million to begin with, then the financial value of the compensation on the original approval date (27 November 2024) would have totaled approx. \$1.09 million, reflecting a reduction of approx. 53% as compared with the value of approx. \$2.35 million attributed to the Original Equity Compensation.

A detailed description of the terms and conditions of the Updated Equity Compensation and further details about the updated valuation are attached hereto as **Annex A**.

9. All the members of the Compensation Committee participated in its aforementioned Redisdiscussion meetings: Mr. Yoram Cohen (external director and Committee Chairman), Mr. Efraim Sadka (external director) and Mr. Eli Zamir (independent director). The Valuator and tax consultants, among others, participated as well. Furthermore, during the committee's meeting of 6 March 2025, Mr. Abu was invited to present his position on the matter.

All the committee members voted unanimously for approval of the Overruling decision.

10. Further to the Compensation Committee's decision, on 9 March 2025, the Board held a meeting in which the Overruling decision was affirmed, based on the special grounds that had been listed by the Compensation Committee.

The participants in the Board's Redisdiscussion meeting were the aforementioned three members of the Compensation Committee, as well as Mr. Gabi Last (Chairman of the Board), and directors Leora Pratt-Levin and Messrs. Tamir Polikar and Yair Neuman. The Valuator, among others, also participated in the meeting.

All the directors present in the meeting voted unanimously for approval of the Overruling decision.

The Compensation Committee's and Board's grounds for approval of the Updated Equity Compensation

11. In the context of the Redisdiscussion, the members of the Compensation Committee and the Board (in this section, collectively: the "**Board**") exercised the power of overruling having been convinced that this was a special case that merits the exercise of this power, considering, *inter alia*, the underlying reasons for the Meeting's objection.

In accordance with the Attorney General's Position and the ISA's Position, the following detailed description focuses on the new grounds that justified the Overruling decision. However, it is stressed that all the original grounds, as specified in the report giving notice of the Meeting for approval of the Original Equity Compensation, still stand and join in with all the considerations and reasons specified below.

11.1. The power to approve compensation by way of overruling is reserved for special cases

The Board members are well aware and conscious of the fact that the power to approve compensation by way of overruling is reserved for special and exceptional cases, and they believe that this case constitutes a clearcut example of special and exceptional circumstances that justify the exercise of this power.

11.2. Special circumstances that pertain to the Partnership (in this section, also: "NewMed")

The Board members addressed the unique nature of the Partnership, its operations and its accomplishments with Mr. Abu at the helm for the past 14 years. NewMed is currently among the largest public corporations in the economy, and it is listed on the TA-35 Index according to a market cap of approx. ILS 15 billion. The Partnership has developed the Tamar and Leviathan gas reservoirs, which have endowed the State of Israel with energetic independence for generations to come, and it has forged ties in neighboring Arab countries, which have led to the execution of export agreements amounting to billions of dollars for many years. These ties, over and above their immense commercial value, also hold a strategic value for the State of Israel. The fact that these ties, which were put to the test during the Swords of Iron War, have remained stable and even strengthened, is proof of their quality and the sound foundations on which they rest.

Israel knows no comparable public corporation of NewMed's magnitude in its line of business. Moreover, the Board believes that the Partnership's accomplishments are also of rare quality, and it would be hard to find equivalents thereto, particularly as pertains to the Partnership's ability to forge and cultivate years'-long international commercial relationships, all the more so as concerns ties with Arab countries.

11.3. Special circumstances relating to the identity of the incumbent CEO

The Board members are closely familiar with Mr. Abu's work, his strengths, and his critical contribution to the Partnership's accomplishments in the past 14 years, and they are of the opinion

that it was largely thanks to Mr. Abu's talents, experience and remarkable personal abilities in a wide range of areas that the Partnership has attained its outstanding achievements.

Among Mr. Abu's prominent accomplishments, one may recall, merely as examples, the ties he has forged in Egypt, leading to the execution of major export agreements with Blue Ocean Energy, which agreements are also expected to unprecedently deepen and broaden in the upcoming year toward the development of Phase 1B of the Leviathan reservoir's development plan ("**Phase 1B**"); the ties that Mr. Abu has forged with Mubadala Investment Company PJSC, a company owned by the Government of Abu Dhabi, which have facilitated the transaction for the forced sale of the Partnership's interests in the Tamar reservoir; and recently, his work to establish the Partnership's new business ventures in Morocco and Bulgaria.

The Board has no doubt that, thanks to his remarkable abilities and extensive experience, Mr. Abu receives, or may receive, as he testified before the Compensation Committee, generous offers from local and international energy corporations, which would happily hire him to fill the most senior positions or receive consultancy services from him. According to their conversation with Mr. Abu, the members of the Compensation Committee are of the impression that if the equity-based compensation is not approved at present, Mr. Abu will consider his path moving forward. Therefore, when the Board considers the best interest of the Partnership, the directors believe that they must also take into account a scenario where a decision not to approve the equity-based compensation leads to Mr. Abu deciding to step down from his office as CEO of the Partnership, requiring the Partnership to find a substitute CEO to step into his shoes.

In the Board's estimation, finding a CEO to step into Mr. Abu's shoes and have similar (or better) qualifications is expected to be a task that is neither simple nor brief, which may adversely affect the managerial stability required at the present time.

The Partnership is significantly dependent on the agreements for export of natural gas produced from the Leviathan reservoir to Egypt and Jordan, and in order to facilitate the development of Phase 1B of the reservoir, the Partnership will also need to significantly expand the scope of the export agreements. There is no guarantee that the Partnership will be able to recruit to the position of CEO a person who is able to maintain and strengthen the ties that Mr. Abu has forged with NewMed's partners in Arab countries.

The Board members believe that finding a suitable successor for Mr. Abu will prove difficult, as Mr. Abu plainly holds nearly all the attributes and characteristics of a CEO whose office brings a unique

and significant contribution to the corporation, as stated in the professional literature and mentioned by the Attorney General in her position, including: Outstanding past performance; charisma, vision, leadership and other personality traits that are relevant to the company's success; as well as a unique vision that is essential in order for the company to outperform its competitors or unique [sic] for accomplishment of the company's strategy (*ibid*, Footnote 11).

The Vesting Period of the last equity-based compensation granted to Mr. Abu under the overruling decision of September 2022 is about to expire within 5 months or thereabouts (upon the vesting of the third tranche of options granted to Mr. Abu, on 1 August 2025), and to the best of the Board's judgment and discretion, the best interest of the Partnership now warrants that Mr. Abu be "tied" to the Partnership for another, as long as possible, term. It is noted in this context that the Board members also looked into the possibility of pushing forward the discussion on the adoption of a new compensation policy and the determination of new employment terms and conditions for Mr. Abu, which discussion is scheduled to take place toward September 2025, but they deemed it in the Partnership's best interest, at this stage and as soon as possible, that only the equity-based compensation currently at issue be arranged, which includes the mechanism of a significant effective vesting period, rather than advancing the time of the discussion in relation to the renewal of the Compensation Policy and the renewal of Mr. Abu's employment agreement, which discussion is expected to delve deep and be lengthy.

11.4. Special circumstances relating to the identity of the company

In general, and particularly since the outbreak of the Swords of Iron war, the geopolitical situation in the Middle East poses challenges that may affect the Partnership's operations, as the lion's share of the production from the Leviathan reservoir is directed to neighboring countries, and with the Partnership in the midst of a process for adoption of a final investment decision in Phase 1B, which is sufficient justification for preserving the Partnership's stability and refraining from replacement of the CEO. The Partnership is currently facing extremely significant challenges, chief of which is promoting the development of Phase 1B, along with promoting the development of the Aphrodite reservoir, which has recently been approved by the Government of Cyprus, as well as promoting the new projects in Morocco and Bulgaria.

At this time, the Board members believe that it is of utmost importance to ensure stability in the management of the Partnership and avoid changes, the results of which are uncertain. This is particularly true in relation to the Partnership's primary goal at present, which is to very significantly increase the scope of purchase

commitments under the agreements for gas export to Egypt that serve as the bedrock for Phase 1B.

Naturally, this issue is of unparalleled sensitivity, especially at this time, with the Swords of Iron war still ongoing and geopolitical risks in the background. During such a sensitive time, it is not in the Partnership's best interest to undergo the dramatic managerial upheaval of replacement of the CEO, which, in the estimation of the Board members, may arise from a decision not to approve the equity-based compensation in this case, and which might even have a material negative impact on the prices of the Participation Units listed on the Tel Aviv Stock Exchange (TASE).

11.5. Special circumstances relating to the Board's relative advantage over the general meeting in examining the best interests of the company

The Board members believe that the Unit holders and the Institutional Investors are not exposed to the totality of the information required in order to properly assess Mr. Abu's share in and the extent of his direct contribution to the Partnership's achievements. At the same time, the Board members believe that the public of Unit holders and the Institutional Investors are unable to fully assess the vast importance of Mr. Abu's retention by the Partnership in the upcoming years, given the significant challenges that it faces.

The details of and the manner in which Mr. Abu has contributed to the Partnership's dramatic accomplishments in the past decade are known to the Board members, who, as directors of the company, are exposed to Mr. Abu's work behind the scenes and his remarkable abilities to produce and facilitate accomplishments of this type. However, as noted, these details are not fully known to the public at large.

The Board members attest that, in his work, Mr. Abu demonstrates a diverse and unique array of outstanding qualifications and personal traits which are highly compatible with the array of qualities required of the CEO of the Partnership, considering the type, nature and scale of its business.

As noted, the Partnership is currently facing a series of significant challenges. In the Board members' opinion, the Unit holders, who are not exposed to all the intricate details of the timetable and work plans related to the various projects, and who are not aware of the managerial and executive complexity entailed by the advancement thereof, are unable to fully appreciate the critical importance of retaining Mr. Abu with the Partnership in the upcoming years, both in terms of the importance of avoiding managerial upheaval during this time, and due to the need to utilize Mr. Abu's singular qualifications,

his vast experience and his in-depth knowledge of the Partnership's needs, as well as his connections with various relevant parties.

It is on these grounds, among others, that the Board members believe that the public, in this case, does not hold all the information required for making a decision with respect to the proposed compensation.

11.6. Rediscovery of the terms and conditions of the equity-based compensation

Based on the aforementioned grounds, the Board members are convinced that, as noted, it is in the Partnership's best interest to "tie" Mr. Abu to the Partnership for as long as possible a period of time.

The Board members believe that the exploration project in Bulgaria serves as an excellent opportunity to "tie" Mr. Abu for a substantial vesting period at a relatively low cost.

In the absence of other operations in NewMed Balkan, as of the date of this report, and since the project at issue is an exploration project, NewMed Balkan shares presently hold no significant value, such that the cost paid by the Partnership for the equity-based compensation is relatively low.

On the other hand, in the Board members' position, the consideration the Partnership will receive by means of the Vesting Period mechanism inherent in the compensation is extremely substantial, and will ensure Mr. Abu's continued service at least until the expected date of expiration of the license in the absence of a discovery (October 2026), and for much longer in the event of discovery in the first well.

As part of the update of the terms and conditions of compensation, the cap of the Partnership's participation in funding Mr. Abu's proportionate share (5%) out of the total funding of NewMed Balkan's operations has been considerably reduced to a maximum amount of \$100 million (100%). According to an updated valuation received by the Partnership, as of the date of the valuation the value of the Updated Equity Compensation totals approx. \$829 thousand only, and if the amount of the participation in the funding of Mr. Abu's proportionate share of the investments in NewMed Balkan had been limited to \$100 million in the first place, the financial value of the compensation on the original approval date (27 November 2024) would have amounted to only \$1.09 million or thereabouts, which is approx. 53% less than the value of the Original Equity Compensation on that date (approx. \$2.35 million). According to the valuation, the value of the Updated Equity Compensation, when divided across the Vesting Period on a linear basis, amounts to approx. \$276 thousand

per annum, and constitutes less than 9% of Mr. Abu's total annual compensation (including the equity-based compensation). In the position of the Board members, this is a relatively small amount, considering the value of the consideration the Partnership will receive by means of the Vesting Period mechanism.

Furthermore, under these circumstances, the deviation from the Partnership's Compensation Policy has been considerably reduced.

11.7. Examination of the general meeting's objection

In meetings held between the Partnership's management and leading institutional investors prior to the date of the Meeting, all the Institutional Investors expressed their objection to the approval of the Original Equity Compensation for Mr. Abu. Furthermore, in their meetings, the members of the Compensation Committee reported of additional background talks that some of them had held with institutional bodies in order to understand the basis for their objection to such approval.

As a rule, the Institutional Investors expressed great appreciation for the performance of Mr. Abu as CEO of the Partnership and for the Partnership's performance, but they objected to approval of the Original Equity Compensation, arguing that the proposed compensation required approval by the investment committee, which would likely be withheld, for two principal reasons, as specified below.

The compensation deviates from the institutional body's overarching policy

The first reason for the objection voiced by the institutional bodies originates from the fact that the proposed compensation deviates from institutional investors' general compensation policy, primarily as relating to the amount of the compensation as well as the other components of Mr. Abu's compensation. As explained to the Partnership's representatives, the Institutional Investors have mechanisms in place to allow, in certain cases, for approval of compensation the amount or type of which deviate from the policy, but such mechanisms are not frequently employed.

Some of the Institutional Investors also addressed the fact that the proposed compensation deviates from the Partnership's Compensation Policy, which had been approved by way of overruling, thereby making it harder for them to approve compensation that deviates from the institutional body's policy to begin with.

The Board members' impression is that the decision of institutional bodies not to deviate from their "generic" voting policy, which is

applied to public companies across the board, was based on the inadequate weight assigned to the special circumstances in this case that justify the grant of the compensation, including the unmistakable singularity of NewMed, the unmistakable singularity of Mr. Abu and the special circumstances relating to the company's identity, as specified above.

In the estimation of the Board members, the insufficient weight the institutional bodies assigned to these components of their decision arose, *inter alia*, from information gaps due to which the institutional bodies' representatives are unable to properly assess the contribution and importance of Mr. Abu to the Partnership's success, and, as noted, particularly the importance of retaining him with the Partnership in the upcoming years, as well as the conservative and inflexible nature typical of the management of investment operations in these bodies, making it more difficult for them to deviate from the rigid "generic" policy they adopted, even in clear cases, such as this, where the company's best interest warrants doing so.

Under these circumstances, the objection of the Institutional Investors based on their overarching voting policy did not assign sufficient weight to the consideration of the Partnership's specific best interests and its unique circumstances. In the Board members' opinion, the weight to be attributed to objection by institutional bodies, which arises from their overarching voting policy and is not underpinned by considerations of the Partnership's best interests in recognition of its specific characteristics, should be relatively low, as noted in this context in the Attorney General's Position (*ibid*, Paragraph 8.2.7).

However, the Board emphasized that, according to the updated valuation, the value of the Updated Equity Compensation was brought down and is approx. 65% lower than the value of the Original Equity Compensation, *inter alia*, with the aim of taking the objection of the Meeting into account to the greatest possible extent.

The equity-based compensation is granted by means of a specific asset, rather than on Partnership level

Some of the institutional bodies with which the Partnership's representatives met raised another reason for objecting, which concerns the fact that the equity-based compensation is not granted at Partnership level, but rather by means of a specific asset (NewMed Balkan), which is not in keeping with such bodies' policy.

The members of the Compensation Committee were presented with the policy of some of the aforementioned bodies on this issue, as released, which states that "[The] grant of equity-based compensation

in securities of subsidiaries will be approved in special cases and will not exceed, in the aggregate, 30% of the total amount of the officer's compensation", and that "[The] grant of options in an affiliate will be examined in accordance with the extent of the officer's involvement in the business of the affiliate".

The Compensation Committee's members acknowledged that the official policy document of the institutional bodies does not absolutely negate compensation by means of a specific asset. Thus, in the first instance quoted, it is stated that aggregate compensation by means of a specific asset will not exceed 30% of the total amount of the officer's compensation – a higher rate than the rate out of Mr. Abu's total compensation represented by the equity-based compensation in this case (9%).

Moreover, the grant of officers' compensation that is contingent on meeting measurable targets related to the performance of specific assets or projects of the corporation is a common and prevalent practice, which, as a rule, is even preferable to the grant of compensation that is not contingent on a measurable target (i.e., discretion-based grants).

Given that the equity-based compensation related to the performance of a specific asset (as opposed to the Partnership's entire operations) does not exceed a certain bar (e.g., 30%) of the officer's total compensation, it is the opinion of the Board members that there is no room to deny the grant of such compensation.

Lastly, in relation to these reason for objection, it is useful to reiterate the Board members' position, whereby it is specifically because the equity-based compensation is contingent on the performance of NewMed Balkan, whose current value is negligible considering the early stage of the exploration operations, that the cost of the compensation to the Partnership is low in relation to the value of the consideration it will be getting in the form of the Vesting Period mechanism.

11.8. Additional aspects pertaining to the general meeting's objection

In the Meeting, the rate of dissenting public unitholders was sweeping, as noted, at approx. 91.5%. All the institutional bodies opposed the approval of the proposed compensation. The Board is not aware of the grounds for the objection of other unitholders, and to the best of their knowledge, no position statements on behalf of public unitholders have been submitted to the Partnership.

11.9. Examination of the option to present the Updated Equity Compensation once more for approval by the meeting

In the context of the Rediscussion, the Compensation Committee considered the various options available thereto, and particularly the possible option of presenting the Updated Equity Compensation again for approval by the Meeting. In relation to this option, the committee noted that, given the grounds for the Institutional Investors' objection, it appears that the updated terms and conditions of the equity-based compensation will still deviate from their overarching voting policy, both as relating to the total amount of Mr. Abu's compensation and as relating to the objection to the approval of compensation by means of a specific asset. Therefore, and given the conservative nature of the Institutional Investors as pertaining to deviation from their overarching voting policy, as specified above, the members of the Compensation Committee estimated that the Institutional Investors were expected to also oppose the grant of the Updated Equity Compensation, under which circumstances, there was no use in presenting the reduced compensation for another vote by the general meeting.

11.10. Additional background materials

In the context of the Rediscussion, the committee was presented with additional background materials and data that had been requested, including data prepared by the Partnership's management regarding the total compensation of CEOs in an assortment of public oil and gas companies listed on the London Stock Exchange (small and mid-cap oil and gas E&P), as well as cross-listed companies, which are listed both in Israel and on foreign stock exchanges, with a market cap similar to that of the Partnership and with international operations.

12. Summary of the position of the committee and the Board

- 12.1. Having examined and factored in all the pertinent facts, the Board members reached the conclusion that, under the circumstances, the Updated Equity Compensation should be approved, despite the sweeping objection of the Meeting to its approval, particularly after considering the grounds for the objection, since the Partnership's best interest requires approval of the grant of the proposed compensation, on all the grounds that have been specified in Section 11 above.
- 12.2. The Board members expressed their regret in relation to the extremely high rate of opposition recorded in the Meeting in this case, which actually includes all the Partnership's Institutional Investors. However, the Board has made note of the fact that the institutional bodies' objection was mainly explained by the deviation of the terms and conditions of Mr. Abu's total compensation from the overarching voting policy of those bodies, and by the fact that the Partnership's Compensation Policy itself had previously been approved by way of overruling. These considerations should be given

appropriate and balanced weight, accounting for, *inter alia*, the fact that these reasons for the objection are not guided by consideration of the Partnership's best interest and specific circumstances, and, in the position of the Board members, they should not be given precedence over a decision guided by consideration of the Partnership's best interest, which, as noted, leads in this case to a conclusion that supports the approval of the Updated Equity Compensation by way of overruling.

13. **Previous overruling decisions in the past three years**

As noted in Section 2 above, the Partnership's Compensation Policy and the current terms and conditions of Mr. Abu's compensation were approved on 28 September 2022 by the Compensation Committee and the Board, by way of overruling. For further details, see the Partnership's immediate report of 29 September 2022 (Ref. 2022-01-121942), the information included in which is incorporated herein by reference. Of note, on 3 December 2023, a holder of the Partnership's Participation Units filed a motion against the Partnership, in accordance with Section 6500 of the Ordinance and Section 198A of the Companies Law, for the issuance of a pre-derivative suit document discovery and inspection order against the General Partner; Mr. Abu; and the members of the Board of the General Partner (including the members of the Compensation Committee) at the relevant time (the "**Discovery Motion**"). The Discovery Motion argues, *inter alia*, that the overruling decision in that case, despite the meeting's objection, was made in violation of the law, in breach of the duties of care and fiduciary duties imposed on the Board members and in breach of Mr. Abu's duty as the CEO to act in the Partnership's best interests. As of the date of this report, the Discovery Motion proceeding is still pending with the Economic Department of the Tel Aviv-Jaffa District Court. In the Partnership's estimation, based on the opinion of its legal counsel, the probability that the Discovery Motion will be granted is less than 50%.

Sincerely,

NewMed Energy Management Ltd.
General Partner in NewMed Energy – Limited Partnership
By: Yossi Abu, CEO
and Sari Singer Kaufman, General Counsel, Senior VP

Annex A

Terms and Conditions of the Updated Equity Compensation

1. Terms and conditions of the Updated Equity Compensation
 - 1.1. NewMed Balkan (in this annex: the “**Company**”) will allot ordinary shares representing 5% of its post-allotment issued share capital to Mr. Abu. Following this allotment, the Partnership will hold 95% of the Company’s issued share capital.
 - 1.2. The ordinary shares so allotted to Mr. Abu are identical in rights to the ordinary shares of the same class in the Company’s capital and will grant Mr. Abu the right to participate and vote in shareholders meetings and the right to participate in distributions of the Company’s profits and in the allocation of its assets upon liquidation, according to the shares’ relative rate of the Company’s issued share capital.
 - 1.3. According to the incorporation documents of the Company, the Partnership will have the right to appoint all the members of the board of directors of the Company and will be deemed the controlling shareholder of the Company. It is clarified that the Company, through its competent organs, will be authorized and at liberty to make decisions from time to time according to its discretion, without any restriction or need to obtain any consent from Mr. Abu, in accordance with the incorporation documents and the law applicable thereto, and, *inter alia*: (a) Any decision pertaining to the management of its assets, rights and obligations in general, and particularly in respect of the Bulgaria Project, including decisions to sell or transfer to third parties its aforesaid rights in whole or in part, with or without consideration, according to its discretion; and (b) Any decision to allot shares or other securities to third parties, thereby leading to the dilution of Mr. Abu’s proportionate interest in the Company’s capital.
 - 1.4. The Partnership will make investments in the Company from time to time by way of capital injections, shareholder loans or otherwise, for the purpose of funding the first two wells in the Bulgaria Project, in accordance with the agreement with OMV Offshore Bulgaria GmbH (“**OMV Bulgaria**”), and covering additional costs of the Company, if any, in relation to other possible collaborations with OMV Bulgaria on other ventures (the “**Partnership’s Investments**”).
 - 1.5. According to the terms and conditions of the compensation, the initial investment of up to \$100 million out of the total of the Partnership’s Investments (the “**Initial Investment**”) will also cover Mr. Abu’s proportionate share (5%) of this investment (“**Funding of the Initial Investment**”).

- 1.6. According to advice given to the Partnership by its external advisors, Mr. Abu is not expected to be liable for Israeli tax in respect of the grant of the shares until the date of disposition and sale of the shares and is not expected to be liable for U.K. tax as long as he is not subject to U.K. tax laws. Notwithstanding the foregoing, the Partnership has undertaken that if any such tax liability is imposed on Mr. Abu before the disposition and sale of the shares by him, the Partnership will provide him with funding to cover such tax liability (the “**Tax Funding**”, and together with the Funding of the Initial Investment: the “**Amounts of the Funding**”).
- 1.7. As concerns the Amounts of the Funding, it has been determined that Mr. Abu will be entitled to receive profit from the Company in respect of his proportionate share in the Company’s capital only after the Company shall have paid the Partnership (by way of profit distribution and/or loan repayment) amounts that are equal in the aggregate to the amount of the Initial Investment actually made in the Company plus the amount of the Tax Funding (if any), all plus interest at the rate of 7.5% per annum, or, in the alternative, after Mr. Abu shall have fully repaid the Partnership, out of his own resources, the Amounts of the Funding plus interest at the rate of 7.5% per annum (“**Repayment of the Amounts of the Funding**”). It is clarified that, other than the foregoing, Mr. Abu shall be subject to no further obligation to reimburse or repay the Amounts of the Funding.
- 1.8. Subject to the provisions of Section 1.5 above with respect to the Funding of the Initial Investment, any and all expenses, costs and additional liabilities imposed on the Company in the context of its current operations and conduct of its business and assets will be imposed on all of its shareholders, including Mr. Abu, on a *pro rata* basis according to the rate of their holdings in the Company’s capital as being from time to time, such that Mr. Abu will be obligated to bear a proportionate share of any further investment required of the shareholders pursuant to the Company’s decisions (the “**Required Investments**”).
- 1.9. In the event that Mr. Abu fails to provide the Company with his *pro rata* share of the Required Investments (the “**Missing Amount**”) within 14 days of the date on which he is required to provide the same pursuant to the Company’s decision, the Partnership shall be entitled to provide the Missing Amount in Mr. Abu’s stead in consideration for an allotment of additional shares in the Company that will dilute Mr. Abu’s share of the Company on a relative basis, at such rate as shall be established according to the fair value of the Company at such time, as determined by an outside and independent valuator whose identity shall be approved by the audit committee of the board of directors of the General Partner.

- 1.10. The shares allotted to Mr. Abu shall be subject to a reverse vesting mechanism, whereby in the event that Mr. Abu terminates his office as CEO of the Partnership of his own initiative before the lapse of a 36-month period beginning on the date of approval of the proposed compensation (the "**Vesting Period**"), the Company and/or the Partnership shall be entitled to receive or buy his shares in the Company without [sic].
- 1.11. During the Vesting Period and until the date of repayment of the Amounts of the Funding, whichever is later (the "**Restriction Period**"), Mr. Abu and the Company shares held by him (in this section: the "**Shares**") will be subject to specific provisions and restrictions in accordance with the Company's incorporation documents, as being from time to time, including:
 - 1.11.1. During the Restriction Period, the Shares will be deposited with a trustee and pledged in favor of the Partnership to secure Abu's obligations in relation to the terms and conditions of vesting and the funding to be provided for his benefit.
 - 1.11.2. During the Vesting Period, Mr. Abu shall not be allowed to transfer, sell, assign, pledge or grant any other right in the Shares, directly or indirectly.
 - 1.11.3. Until the expiration of the Vesting Period, the voting rights in respect of the Shares shall be conferred upon the Partnership. After the Vesting Period, the voting rights in respect of the Shares shall be conferred upon Mr. Abu.
 - 1.11.4. Until the expiration of the Restriction Period, the rights to receive dividends in respect of the Shares shall be conferred upon the Partnership and used for the purpose of repayment of the Amounts of the Funding.
 - 1.11.5. After the Vesting Period and until the expiration of the Restriction Period, sale of the Shares to a third party shall be contingent on the full repayment of the Amounts of the Funding, and sale of some of the Shares shall be contingent on the repayment of a proportionate share of the Amounts of the Funding.
 - 1.11.6. After the Vesting Period and until the expiration of the Restriction Period, pledge of the Shares for the purpose of receipt of financing shall be contingent on the pledge being second in rank after the pledge in the Partnership's favor, and the terms and conditions of the pledge shall stipulate that sale of the Shares to a third party in the context of enforcement of

the pledge shall be contingent on full repayment of the Amounts of the Funding to the Partnership.

1.12. Without derogating from the restrictions specified in Section 1.11 above, Mr. Abu and the Shares shall be subject to the following provisions and restrictions at all times:

1.12.1. Any sale of all or some of the Shares to a third party shall be subject to receipt of the Partnership's prior consent.

1.12.2. The Partnership shall be granted the right of first refusal to buy the Shares in the event that Mr. Abu reaches an agreement with any third party regarding the sale of all or any of the Shares.

1.12.3. Mr. Abu may pledge the Shares in favor of an Israeli banking corporation or a financial institution supervised in Israel, or another financing body that shall be approved by the audit committee of the board of the General Partner, subject to giving the Partnership a 14-day prior notice, and provided that the pledge documents determine that enforcement of the pledge, to the extent that it shall occur, will be subject to the Partnership's rights as specified in paragraphs 1.12.1 and 1.12.2 above.

1.12.4. In a case where the Partnership wishes to sell all its shares in the Company (or a substantial part thereof) to any third party, the Partnership may compel Mr. Abu to sell his Shares to the buyer, in whole or in part (according to the rate of shares sold by the Partnership), under the same terms and conditions and at the same price per share as shall be agreed between the Partnership and the buyer, and Mr. Abu shall be obligated to take all necessary steps for completion of the sale of his shares to the buyer in accordance with the terms and conditions of the transaction, including the signing of any document required for such purpose. In any such sale, the Partnership shall be entitled to full repayment of the Amounts of the Funding, plus interest at the rate of 7.5% per annum.

1.13. The Partnership's right to buy the Shares from Mr. Abu

The Partnership has the right to buy all or any of the Shares from Mr. Abu in accordance with the following provisions:

1.13.1. During the Vesting Period

(a) In the event of voluntary resignation by Mr. Abu, or in the event of dismissal for cause, the Partnership shall be

entitled to buy the Shares without consideration or in consideration for their nominal value.

(b) In the event of involuntary resignation by Mr. Abu (disability, death, Heaven Forbid), or resignation by Mr. Abu due to an adverse change in the terms and conditions [of his employment] or in the event of dismissal without cause, Mr. Abu shall be entitled to the Shares, and the Partnership shall be entitled to buy the Shares for such consideration as shall be determined based on a statement of discounted cash flow prepared by the operator or by the reserves evaluator of the Partnership (“DCF”).

1.13.2. After the Vesting Period

In any case of termination of Mr. Abu’s employment, either due to resignation or dismissal, the Partnership shall be entitled to buy the Shares for such consideration as shall be determined based on the DCF.

2. Subject to and without derogating from the Partnership's obligation to provide Mr. Abu with funding as specified above, Mr. Abu shall exclusively bear any and all tax consequences and liabilities, of whatever nature and kind, arising from his being awarded, his holding of and/or selling of the shares (including any payment, levy, mandatory fee or other mandatory payment). Mr. Abu undertakes to indemnify the Company and/or the Partnership for any damage and/or expense incurred thereby in connection with such tax consequences and liabilities.
3. Given Mr. Abu’s personal interest in the Bulgaria Project and his potential conflict of interest in connection therewith, future material decisions the Partnership will be required to make in connection with the Company in general and the Bulgaria Project in particular, will be adopted and approved by the board of directors of the General Partner, which may authorize for such purpose the audit committee of the board of the General Partner or another officer of the Partnership acting under its direct supervision. Nothing in the foregoing shall derogate from additional requirements the law prescribes with respect to the approval of acts and transactions in which an officer has a personal interest or acts with respect to which he is in a conflict of interest.
4. A detailed agreement will be signed with Mr. Abu specifying the terms and conditions of the proposed compensation, which shall include, *inter alia*, additional details as per the standard in grants of this type, according to the tax rules applicable to the award of shares under a reverse vesting mechanism, including reference to cases where the restrictions are removed and Mr. Abu retains ownership of the shares, such as events of, Heaven Forbid, death, disability, dismissal of Mr. Abu under circumstances that do

not amount to the definition of ‘cause’, i.e., serious circumstances relating to a serious act or omission, or Mr. Abu’s resignation as a result of reasons that are defined as ‘justified’, such as a material adverse change in the nature of the position, a significant salary reduction, etc., as well as reference to cases where the restrictions are removed upon an offering and/or sale of all of the interests in the Company.

5. Additional details regarding the proposed compensation

- a. For the purpose of rediscussion of the approval of the equity-based compensation, the Partnership received from the Valuator an updated valuation as of 28 February 2025, whereby the fair value of the shares to be granted to Mr. Abu under the Updated Equity Compensation was estimated at approx. \$828,610. For details with respect to the updated valuation, see Section 6 below.
- b. The following table presents additional details, presented according to Schedule VI to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding the maximum annual compensation components that may be paid to a CEO (in thousands of dollars), in terms of cost to the Partnership on an annual basis, in accordance with the terms and conditions of the CEO’s office and including the Updated Equity Compensation approved by way of overruling:

Name	Position	Position %	Participation Unit Holding Rate ²	Compensation for Services							Other Compensation			Total
				Cost of Salary	Bonuses	Security-Based Payment	Management Fees	Consulting Fees	Fee	Other	Interest	Rent	Other	
Mr. Yossi Abu	CEO of the Partnership	100%	0.05%	914	885	905 for options under Scheme 102(*); 276 for the award of 5% in the Company (**)	-	-	-	-	-	-	84	3,064

(*) This amount reflects the annual benefit value deriving from options granted to the CEO in July 2022, i.e., the economic value of the options on the date of approval divided by 3 (the options’ vesting period). The aforesaid amount of the annual benefit differs from the amount of the annual expense in the Partnership’s financial statements as per the standard in accounting payment scheduling.

(**) This amount reflects the fair value of the award of ordinary shares of NewMed Balkan to be granted to the CEO of the Partnership in accordance with the overruling decision, divided by 3.

² The holding rate specified in the table does not include Participation Units that may derive from the exercise of options that have been granted to the CEO.

6. The updated valuation

The Partnership has received an updated valuation of the equity-based compensation from the Valuator, the key points of which are specified below, whereby the value of the Updated Equity Compensation is approx. \$828.6 thousand.

The purpose of the valuation is to determine the fair value of the award of ordinary shares of NewMed Balkan to be granted to the CEO (the “**CEO’s Shares**”). The valuation date is 28 February 2025. The valuation was prepared by S-Cube Financial Consulting Ltd., which has confirmed that it is an independent valuator according to ISA Position 105-3, and it was provided to the Compensation Committee and Board of the General Partner³.

The valuation was prepared using the method of the asset value of NewMed Balkan, considering that its only asset is the agreement for the acquisition of a 50%-interest in the Bulgaria Project. The assignment of value to the CEO’s Shares was carried out by means of the Option Pricing Model (OPM), using the Black–Scholes model.

The main assumptions in the valuation: (a) The Company’s value was estimated at approx. \$100 million, reflecting some of the expected investment in the first two wells in the area of the block and related costs. In the context of the conditions for allotment of the CEO’s Shares, the Partnership shall bear the funding of the CEO’s proportionate share of the costs of funding the first wells and the related costs up to this amount. Following an opinion received on this issue, the Valuator was not asked to account for the Partnership’s obligation to fund the cost of the tax exposure (if any) of the Partnership’s CEO; (b) An expected lifespan lasting until October 2026, announcement of a discovery in the license allowing for an initial public offering (IPO), receipt of outside financing, mergers and acquisitions (“**Monetization Event**”); the Valuator further notes that given a discovery, the term of the license will be extended by an additional year, until October 2027, for discovery appraisal purposes (c) A fluctuation rate of 36.39%, which is based on several comparable companies, over the course of two years. The comparable companies are: The Partnership, Tamar Petroleum Ltd., Ratio Energies Limited Partnership, Capricorn Energy PLC and Diversified Energy Company PLC; (d) A risk-free interest rate of 4.02% (the U.S. bond interest rate for a 1.67-year term (as of the valuation date); and (e)

³ The Valuator received an indemnity undertaking from the Partnership whereby, insofar as it is ordered by a non-appealable judgment to pay any amount to a third party in relation to the valuation, the Partnership will pay the Valuator such amount as imposed on the Valuator which exceeds the amount of the fee paid for the valuation multiplied by 3. This indemnity undertaking shall not apply if it is determined that the Valuator acted with malice or gross negligence in connection with the performance of the valuation. In addition, after 3 years, the Valuator shall no longer bear any liability and/or responsibility for the services, except in respect of legal proceedings instituted prior to the lapse of such 3 years.

The CEO's Shares constitute 5% of the Company's capital and are subject to a reverse vesting mechanism for a period of 3 years.

According to the valuation, the fair value of the CEO's Shares is set at approx. \$828,610. In sensitivity analyses, assuming an expected lifespan of 3 years, the value of the CEO's Shares rises to approx. \$1.062 million, and assuming an expected lifespan of one year, the value of the CEO's Shares drops to approx. \$662 thousand.
