21 Ha'Arba'a St. | Platinum Tower
Tel Aviv, 6473921 Israel
Tel. +972-3-6844700 | Fax. +972-3-6855002
www.midroog.co.il

Ellomay Capital Ltd.

Monitoring Report | August 2023

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.

The binding version is the one in the original language.

Contacts:

Yaniv Gafni
Senior Analyst, Lead Rating Analyst
yaniv.g@midroog.co.il

Shir Kahiri
Analyst, Secondary Rating Analyst
shir.k@midroog.co.il

Elad Seroussi, VP
Head of Project and Infrastructure Finance
elad.seroussi@midroog.co.il

Ellomay Capital Ltd.

Issuer Rating	Baa1.il	Outlook: Stable

Midroog affirms the Baa1.il issuer rating of Ellomay Capital Ltd. (Hereinafter: the "Company" or "Ellomay Capital"). The rating outlook is stable.

Summary of Rating Rationale

The rating takes into account the following considerations, among others: **(1)** The Company engages primarily in the production of electricity from renewable energy sources, in Israel and the world, which is rated by Midroog as a moderate risk sector. The risk arises mainly from exposure to regulation in the production segment and exposure to market prices in the countries in which the Company operates; **(2)** An acquisitions strategy and project finance structure (usually non-recourse debt) that provides fixed tariffs in long-term agreements, supporting cash flow certainty while causing slow coverage ratios due to long-term project finance debt; **(3)** Low entry barriers to the renewable energy power production market, compared with the market of fossil fuel power production plants, which is characterized by high entry barriers due, among other things, to significant capital investments coupled with technological and engineering complexity; **(4)** The regulatory environment in the countries in which the Company operates, along with long-term energy sale agreements with strong end-customers, creating relative certainty regarding stability of the expected cash flow; **(5)** The growth trend characterizing the renewable energy industry in Israel and the world, which is supported by the setting of targets for the promotion of renewable energies; **(6)** The small size of the Company and its market share compared with the industry peer group, noting however that the scope of the Company's operations is expected to grow significantly in the medium to long term, with the start of commercial operation of additional projects in Israel, Italy, Spain and the U.S; **(7)** The Company presents relatively low operating profit margins, due, among other things, to a high component of development costs; **(8)** Exposure to the financial markets, to interest rates and to credit risks of the countries in which the Company operates (Italy, Spain, the Netherlands, Israel and in the future also the U.S.), along with exposure to exchange rates, which is partly moderated by hedging transactions; **(9)** As of the date of this report, the Company's operating cash flow derives mainly from PV[1] projects owned by the Company in Spain and Israel, the biogas projects in the Netherlands and dividends paid in respect of the holding in the Dorad project. In the short to medium term, the Company's activity in the PV sector is expected to continue growing, following the completion of the construction of additional projects in Italy, Spain and the U.S; **(10)** Completion of the Talasol and Ellomay Solar projects

[1] Photovoltaic.

has significantly increased the concentration of activities and cash flows from Spain, up to the maturation of a significant new portfolio of projects in Italy and completion of the construction of the planned projects in Israel and the U.S., which is expected to moderate this concentration; **(11)** Improved ability to generate revenues, following the commercial operation of Talasol and Ellomay Solar, coupled with expectations for an additional improvement following completion of the projects under construction; **(12)** The Company has a substantial multiannual investment plan, mainly consisting of the establishment of the Pumped Storage project at the Manara Cliff, which is in the process of construction, as well as a new portfolio of projects in Italy and the construction of new projects in Israel and the U.S. We estimate that CapEx expenditures during 2023-2025 will be within a range of €400-450 million, including project financing at the level of the companies held by the Company; **(13)** The level of the Company's balance sheet leverage as of the end of March 2023 is significantly higher than the typical for the sector, among other things because of the full consolidation of the debt in the Talasol project, which is 51% owned by the Company, as well as due to the effect of the hedging of electricity prices in that project on the Company's equity; **(14)** Expectations for growth in the EBITDA, contrasted with relatively weak and slow coverage ratios; **(15)** The Company maintains substantial liquidity reserves, along with a high standalone ratio of sources to uses; **(16)** The Company has good financial flexibility, reflected among other things in substantial liquidity reserves, in a track record of adding partners to projects and in the realization of assets, as well as access to the capital market and to banks; **(17)** Structural and cash flow subordination of the Company to its senior debts at the level of the projects owned by it; **(18)** The Company's declaration of no dividend distribution in the coming years **(19)** We rate the Company's exposure to environmental and social risks as low, in light of its activity in the renewable energy sector coupled with supportive regulatory frameworks and increasing demand in this sector. As far as governance risks are concerned, we rate the Company's exposure as low.

Midroog's base-case scenario sees the Company focusing in the short term on the completion of the development of projects in Italy, which are expected to enter into commercial operation during 2023-2024, while concurrently promoting the construction of additional projects in Israel, Italy and the U.S. Based on these assumptions, the adjusted EBITDA is expected to be in the range of €25-35 million in 2023, mainly in light of the expected improvement in revenues from the biogas plants in the wake of the possibility to sell gas at the market price, instead of at the subsidized tariff, with the market price projected to continue to be higher. In addition, the prices of the green certificates sold by the Company as part of this activity are also expected to remain high. Concurrently, solar power projects in Italy are expected to enter into commercial operation. During 2024-2025, after these projects have become operational, this metric is expected to be in the range of €35-45 million. We believe that the environment of declining electricity prices in Europe, as observed in 2023 (following extremely sharp price rises in 2022), will continue into the coming years. In our estimation, the expected growth in the capacity of the projects in operation may somewhat offset the price moderation effect, such that the uptrend in revenues is expected to be maintained, albeit at lower rates. Simultaneously, the Company's coverage ratios in the coming years are expected to be low and slow in relation to the rating, even after the start of operation of the additional projects in the investment plan, due among other things to the debts of the projects in Italy and of the Manara Pumped Storage project. Additionally, according to declarations of the Company's management, we have taken into account that the Company will not be distributing dividends to the shareholders in the years in which it is implementing an extensive investment plan.

Rating Outlook

The stable rating outlook is supported by cash flow certainty, based on a supportive regulatory framework and long-term energy sale agreements with quality end-customers, as well as the relatively high liquidity of the Company.

Factors That Could Lead to a Rating Upgrade

- A significant improvement in the leverage and in the coverage ratios
- Increased diversification of cash flows from quality underlying assets

Factors That Could Lead to a Rating Downgrade

- A change in the sector's risk profile, including deterioration in the supportive regulatory environment
- Leverage ratios, financial strength and debt service coverage ratios significantly below Midroog's base case scenario

Ellomay Capital Ltd. – Key Financial Indicators (in thousands of euro)

	31.03.2023	31.03.2022	31.12.2022	31.12.2021	31.12.2020
Revenues	12,028	11,761	53,360	45,721	9,645
Adjusted EBITDA[2]	4,337	5,073	25,479	25,846	2,575
Cash and cash equivalents[3]	91,911	121,194	49,294	71,585	76,719
Equity	112,536	69,220	83,077	114,107	125,026
Gross financial debt[4]	456,247	436,851	404,867	370,565	296,469

[2] Including adjustment of cash flows for the Talmei Yosef financial asset and revenues from the Dorad power station.
[3] Including securities and short-term deposits.
[4] Net of debt service reserves for projects.

Total assets	617,925	630,499	576,157	551,979	460,172
Debt to cap	79.4%	85.3%	81.8%	75.1%	69.1%

Detailed Rating Considerations

A moderate operating risk profile, benefiting from a supportive regulatory framework, including renewable energy production targets and regulation of tariffs

The Company engages in the production of electricity from renewable energy sources sector, in Europe and in Israel, through projects owned by it and mostly funded with project finance (non-recourse, senior debt). The Company's operations rely in large part on a supportive regulatory framework, whereby there is an undertaking by the Israel Electric Corporation Ltd.[5] (Hereinafter: "**Israel Electric Corp.**" or "**IEC**") and/or local transportation companies and/or another external entity to purchase most or all of the electricity produced in the relevant projects (off-taker), over a long period, under PPA agreements. Accordingly, Midroog rates the operating risk in the renewable energy power production sector as moderate, mainly in light of high exposure to regulation in the production segment and exposure to market prices in the countries in which the Company operates. In addition, regulators in Israel and in some of the markets around the world[6] are promoting the transition to a new regulatory regime that encourages stronger competition in this segment, while reducing infant industry protections. This risk is moderated by the existence of a supportive regulatory framework accompanied by renewable energy programs and production targets for the short to medium term, creating cash flow certainty and transparency, which are appropriate for the rating.

A supportive regulatory framework in the areas of operation, relaying on long-term energy sale agreements with quality end-customers

The Company's core activity is the production of electricity using both renewable energy and conventional technologies, in various countries, each of which applies a different regulatory regime to the industry. Energy production plants are essential infrastructure and a significant component of the electricity sector, with their operation usually anchored in PPA agreements with the local system administrator, and in our opinion, they contribute greatly to the Company's cash flow stability. The Company's main source of revenues is the PV and biogas plants owned by it. Revenues from these plants are based, among other things, on payments by government and private bodies, hence, any impairment of the financial strength of these bodies could directly or indirectly affect revenues from this activity. In Israel, revenues from sales

[5] Israel Electric Corporation Ltd. is rated Aa1.il with a stable outlook.
[6] Changes in the Electricity Sector and Their Effect on Credit Risks, Midroog, July 2023.

of electricity produced from renewable energy in the Company's existing projects are mostly hedged and fixed throughout the license period, whereas the fossil fuel power plants are exposed, among other things, to fluctuations in the production component. In Spain, the revenues of plants under tariff regulation are set for each plant at the time of its connection to the power grid and consist of three components: operation, investment and spot prices, with the spot component accounting for 20%-25% of the tariff. In the Netherlands, the Company's revenues comprise several components related to in-process gas production as well as the generation of heat and electricity. We note in this connection that the Dutch government is planning to impose, starting from January 1, 2025, an obligation to mix green gas, that is produced in the Netherlands, such that energy suppliers in that country will be required to supply certain levels of green gas in each year. Simultaneously, the Company is planning to sell gas at the market price, instead of at the subsidized tariff, with the market price projected to continue to be higher. In addition, the prices of the green certificates sold by the Company as part of this activity are also expected to remain high. Furthermore, in the framework of this activity, payment is received from the supplier for the removal of the by-products of the production process (which is deducted from the payment transferred to the supplier for the sludge removal). We further note that the Company plans to begin producing electricity in the U.S. as well. In our estimation, the regulatory framework in the U.S. is among the most supportive and stable in the industry, compared with the other western countries.

A relatively small portfolio with diversified energy sources and a wide geographical dispersion, with expectations for the continued expansion of the asset portfolio

The Company operates as the promoter, developer and owner of plants for the production of electricity from renewable energy sources. The business model is based on investments in the promotion and construction of projects and recovery of the investments from the revenues received from the sale of the generated electricity to the power grid and/or from the realization of the assets owned by the Company, through the sale of its interests in the plants. The projects are funded by a combination of equity and debt raised from banks (project level) and/or from the public (standalone level). The Company has adequate experience in project financing in Israel and the world, with the collaboration and involvement of local and international banks and institutional bodies. In the Israeli market, the Company owns approximately 9.4% of the Dorad Energy Ltd. (Hereinafter: "**Dorad**") power plant, the Talmei Yosef PV plant and the Manara Pumped Storage project (which is in the process of construction). In Spain[7], the company owns interests in the Talasol and Ellomay Solar projects, which commenced commercial operations at the end of 2020 and during 2022, respectively. As of the date of this report, the Company's share of the production of the

[7] Spain has a Moody's rating of Baa1 with a stable outlook.

Talasol project accounts for 50% of the total production of all its projects and 30% of its total EBITDA. Simultaneously, the Company is presently working on the promotion, development and construction of multiple PV projects in Italy,[8] which are expected to enter into commercial operation during 2023-2025. In the Netherlands[9] the Company owns three biogas plants, the last of which was acquired in 2020. In addition, the Company plans to build additional solar power projects both in Israel and in the U.S.[10] We believe that the entry of the projects in Italy into commercial operation and the start of operations in the U.S. will somewhat improve the geographical dispersion of the Company's operations.

A relatively small market share, along with a diversified and financially robust customer base and high exposure to a single project in the short to medium term

The Company holds a limited global market share compared with other companies in the peer group. The income-producing projects owned by the Company are the Talmei Yosef project in Israel, with a capacity of 9 MW,[11] PV projects with a capacity of approximately 7.9 MW in Spain, biogas projects with a capacity of approximately 19 MW in the Netherlands, and the Talasol and Ellomay Solar projects in Spain with a capacity of approximately 300 MW and approximately 28 MW, respectively. As of the date of this report, the Company's customers are the IEC as well as the local electricity authorities in Spain and in the Netherlands, which purchase the electricity and the gas from the PV and biogas plants owned by the Company. We note that in respect of the Talasol project, the Company entered into a hedging transaction for the price of electricity. The hedging transaction relates to 80% of total electricity production in the project, which is to be sold at a pre-agreed price for a period of ten years, while the electricity produced in the project is expected to be sold at the market price at the time of the sale. We note that this project is expected to continue to generate most of the Company's EBITDA in the coming years, until after the maturation of the projects under construction in Italy. In our estimation, the hedging transaction significantly moderates the high exposure to revenues from this asset.

Increase in the Company's revenues, along with expectations for continued growth in revenues with the start of operation of additional projects

In recent years the Company is in a process of growth, while accelerating promotion and acquisition of projects, including the promotion of additional PV projects in Italy and in Spain. In 2022, the Company's revenues stood at approximately €53 million, compared with approximately €45 million in 2021. The growth in revenues is primarily attributable to the start of commercial operation of the Ellomay Solar

[8] Italy has a Moody's rating of Baa3 with a negative outlook.
[9] The Netherlands has a Moody's rating of Aaa with a stable outlook.
[10] The U.S. has a Moody's rating of Aaa with a stable outlook.
[11] In addition, a low holding percentage of approximately 9.4% in the Dorad project (approximately 80 MW).

project in Spain in 2022 and to a rise in electricity tariffs in Europe. We foresee in the coming years a continued growth in revenues to between €55-65 million, in light of the expected entry into operation of additional projects in Italy, the U.S. and Israel, along with an improvement in revenues from the biogas plants, as discussed above. We estimate that electricity prices in Europe will remain relatively low in the coming years. However, the expected growth in the capacity of the projects in operation may somewhat offset the future decline in prices, such that the uptrend in revenues is expected to be maintained. In addition, the Company's revenues are expected to significantly increase in 2027, following the full commissioning of the Manara Pumped Storage project.

Low operating profit margins compared with the industry peer group

The Company presented an operating loss in the years 2019-2020, due to significant project development costs of the Manara Pumped Storage project, the Talasol project and the of new projects in Italy, Spain and Israel, and owing also to low profit margins of the biogas activity in the Netherlands. However, in 2021 the Company presented an operating profit, mainly due to the start of commercial operation of the Talasol project. In 2022 the Company's profit margin stood at 6.6% of total revenues, compared with 10.6% the year before, with the decline in profitability mainly attributable to increased project development costs in 2022. We foresee a significant improvement in the Company's operating profit in 2023-2025, among other things in light of the start of commercial operation of additional projects in Italy as well as a significant improvement in revenues from activities in the biogas sector, mainly following the transition to selling at the market price and the increase in prices of the green certificates, as discussed above.

High balance sheet leverage compared to the peer group, due among other things to the full consolidation of the debt in the Talasol project, which is 51% owned by the Company, coupled with the effect of the hedging of the electricity prices in this project on the Company's equity

Recent years have seen an uptrend in the level of balance sheet leverage of the Company, as reflected in the debt to cap ratio, which increased significantly from approximately 61% at the end of 2019 to approximately 87% as of September 30, 2022. The increase in leverage occurred primarily as a result of the acquisition of projects (acquisition of biogas projects in the Netherlands) and the promotion of new projects, which involved significant development costs, concurrently with an increase in the consolidated debt and mainly due to a sizable decrease in equity, which was affected by the hedging of the Talasol electricity prices, with the balance of the liability for this hedging transaction standing at approximately €109 million as of September 30, 2022. The Company's equity increased significantly at the end of the first quarter of 2023, with the balance of the liability for the hedging transaction standing at approximately €18.4 million and the debt-to-cap ratio improving to 79.4%. The increase in equity was due to the effect of the hedging of the Talasol electricity prices, whereby following a significant moderation in the price environment compared with 2022, the Company recorded a book profit under the hedging item, which was carried to the equity. According to the Company, a further improvement is expected in the equity following changes in the hedging stemming from a further drop in the electricity price. We estimate that the Company's level of leverage will remain relatively high in the coming years compared to the peer group, ranging between 75%-85%, insofar as no further funding rounds are held and/or no projects are sold.

Expectations for growth in the Company's EBITDA following the start of commercial operation of new projects

The Company's EBITDA[12] remained stable in 2022, standing at approximately €25.5 million compared with approximately €25.8 million in 2021, due, among other things, to an operating loss in the projects in the Netherlands and high expenses in the Talasol project, stemming mainly from the placing of a cap on the electricity price, which came into effect in September 2021 and, as of the date of this report, is to remain in effect until the end of 2023. These factors moderated the effect of the growth in revenues due to the rise in electricity prices in that year. We expect the EBITDA during 2023-2025 to be in the range of €25-45 million, in light of the entry into operation of additional projects in Italy, Spain, Israel and the U.S. Simultaneously, during 2023-2025 the Company's annual CapEx investments are expected to be within a broad range of €50-250 million, due to the construction of the Manara Pumped Storage project and the new projects in Italy, Israel and the U.S. We consider the period of construction of projects on a significant scale in these years as a risk factor in the rating of the Company, with delays in the commercial operation and/or increases in the construction budgets of the projects liable to affect its rating. In our estimation, the free cash flow (FCF) will be materially affected during 2023-2025 by the construction of the Manara Pumped Storage project and by the investments in the additional projects in Italy and the U.S. This cash flow is expected to be negative within a broad range of €50-200 million.

Weak and slow debt service coverage ratios compared with the peer group

The Company's coverage ratios are weak in comparison with the peer group and currently inappropriate for the rating. This environment is, among other things, a result of the full consolidation of the project finance debt in the Talasol project, which is 51% owned by the Company, as well as low profitability/ losses in the biogas projects and significant development costs. Furthermore, the sale of the PV portfolio in Italy at the end of 2019 led to a substantial decrease in the operating cash flows and in the coverage ratios,

[12] Calculated net of development and general and administrative costs and after adjustment of a financial asset from the revenues of the Talmei Yosef project and revenues from the Dorad power plant.

reflected, among other things, in the gross financial debt to EBITDA ratio, which stood in 2022 at approximately 16.0. We expect this ratio in 2023-2025 to be in the range of 13.0-20.0. It is worth noting that the Company's accelerated growth due to the promotion and financing of new projects significantly slows the debt service coverage ratios, but we foresee an improvement in the coverage ratios in the coming years, as the projects currently under planning and construction become commercially operational.

A financial policy that includes the holding of substantial liquidity reserves and adequate financial flexibility

Throughout the years of its operation, the Company has maintained substantial liquidity reserves, which create a high standalone ratio of sources to uses. We consider the Company to have good financial flexibility, reflected among other things in access to the capital and debt markets and in capital and debt funding rounds held in recent years. Furthermore, the Company is compliant, with large margins, with its covenants to the holders of its bond series. In addition, the Company presents a low level of leverage in on a standalone basis. However, the Company has exposure to foreign currency on a standalone basis due to bond issues and repayments in the local market in shekels. This exposure is expected to increase due to the effect of the cash flows from additional projects in Italy and in the U.S. We note that this exposure is partly moderated by hedging transactions.

Additional Rating Considerations

Structural and cash flow subordination of the Company to projects owned by it

The Company is subordinated structurally and in the cash flow priority due to its holdings in projects with mostly senior debts, including a significantly high concentration of cash flows from the Talasol project. The underlying assets of these companies, including the cash flows arising from them, are for the most part subject to a first lien in favor of the lenders of the senior debts. Additionally, the distribution of surpluses from the project companies is subject to compliance with distribution triggers. We foresee a reduction in the high cash flow concentration in the coming years, after the projects under construction in Italy will start commercial operation and following the projected improvement in profitability of the projects in the Netherlands.

The Company's declaration of no dividend distribution in the coming years

The Company has not distributed any dividends in the years 2017-2023. The Company has declared that it will not be distributing dividends in the coming years, as long as the Company is involved in a significant investment program. In our estimation, this declaration of the Company's management reduces uncertainty over the extent of the debt-service sources and supports the Company's rating.

Environmental, Social and Governance Considerations (ESG)

The Company's exposure to environmental risks is low, since it engages mainly in the development and maintenance of renewable energy projects (specifically, using photovoltaic, biogas and pumped storage technologies), however the Company also has a significant stake in the Dorad power station, which is a non-core operation. Solar power projects and their by-products do not emit greenhouse gases. The Company has indirect exposure to climate risks, such as extensive fires in the geographical areas in which it operates. We note that this risk is moderated by various insurance coverage. In light of the Company's activity in the field of renewable energy, the Company enjoys from the growth of the global social preference for solar power, coupled with the commitment of most western countries to zero greenhouse gas emissions by 2050. As far as governance risk is concerned, we rate the Company's exposure as low.

Company Profile

Ellomay Capital Ltd. develops, builds, operates and maintains power plants that generate electricity using both renewable energy and conventional technologies, in Israel and in Europe. The Company was incorporated in 1987, and its shares are traded on the New York Stock Exchange (NYSE) since 2011 and on the Tel Aviv Stock Exchange (TASE) since 2013. The Company's main activity is the production of electricity from renewable energy sources. The Company holds photovoltaic plants and this segment currently accounts for the major part of its revenues. In this segment the Company owns several projects, including the Talasol project in Talaván, Spain, with a capacity of approximately 300 MW (51% stake), the Ellomay Solar project in Spain with a capacity of approximately 28 MW, four photovoltaic plants in Spain with a capacity of approximately 7.9 MW, and the Talmei Yosef project in Israel with a capacity of approximately 9 MW (wholly owned). The Company also owns three biogas plants in the Netherlands with a green gas production capacity of approximately 18 million cubic meters (equivalent to approximately 19.0 MW). In addition, the Company owns approximately 9.4% of Dorad Energy Ltd., one of Israel's largest private power plants with a production capacity of approximately 860 MW. It likewise holds 83.34% of the shares in the Ellomay Pumped Storage project at the Manara Cliff in Israel, which is in the process of construction and is to have a capacity of approximately 156 MW, and it owns additional photovoltaic projects which are under construction in Italy. The Company's controlling shareholders are Shlomo Nehama, the chairman of the board (27.92%[13]), Kanir LP (20.27%), in which the general partner is controlled by Ran Fridrich, who is

[13] Through S. Nechama Investments (2008) Ltd. and directly.

also the Company's CEO, and by Ms. Anat Raphael, and the estate of the late Mr. Menahem Raphael (1.98%). The above controlling core holds approximately 50.17% of the Company's shares.

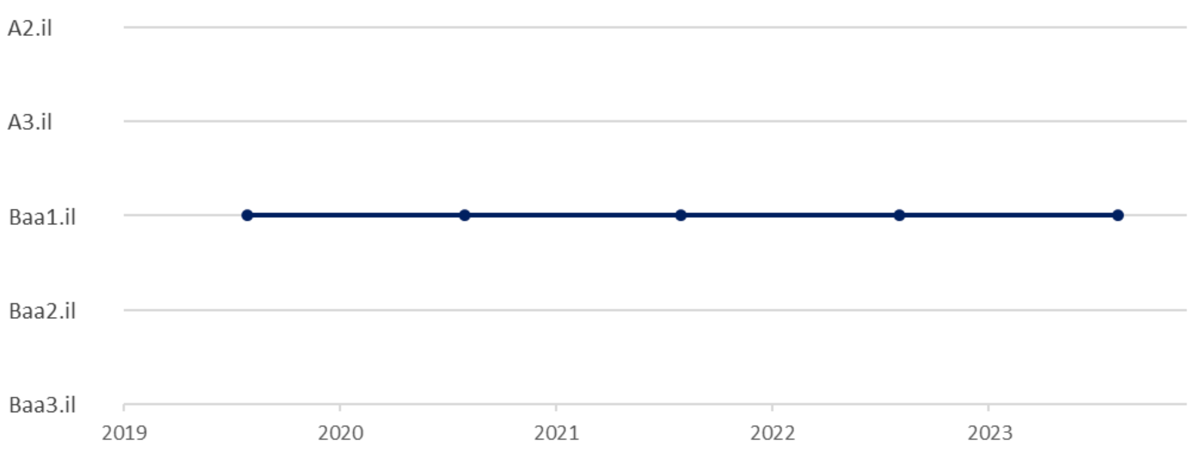
Rating Scorecard

		As of 31.03.2023 – LTM		Midroog Forecast	
Category	**Parameters**	**Measurement**	**Score**	**Measurement**	**Score**
Operating environment	Cash flow certainty	---	A.il	---	A.il
	Entry barriers	---	A.il	---	A.il
	Regulatory framework	---	A.il	---	A.il
Business profile	Total balance sheet	NIS 2,533,000	Baa.il	NIS 2,900,000	Baa.il
	Quality of geographical spread	---	A.il	---	A.il
	Quality and diversification of products and operating segments	---	A.il	---	A.il
Profitability	CapEx/PPE	12%	Aa.il	18%	A.il
	EBITDA/gross debt	18.5	Baa.il	15.7	Baa.il
Financial profile	EBIT/int.	0.5	Ba.il	0.9	Ba.il
	Debt/cap	79.4%	Baa.il	80.2%	Baa.il-Ba.il
	Financial policy	--	A.il	--	A.il
Implied score					**Baa1.il**
Final score					**Baa1.il**

** The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its baseline scenario and forecast, and not the issuer's assessments*

Midroog

Rating History



Related Reports

[Ellomay Capital Ltd. – Related Reports]

[Rating of Electricity Producers – Methodology Report, January 2023]

[Rating Fossil-Energy and Renewable Energy Power Plant Projects – Methodology Report, February 2018]

[Financial Statements Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, May 2020]

[Guidelines for examining environmental, social and corporate governance risks within the framework of credit ratings – Methodology Report, February 2022]

[Table of Relationships and Holdings]

[Midroog Rating Scales and Definitions]

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	August 15, 2023
Date of last revision of the rating:	August 9, 2022
Date of first publication of the rating:	August 29, 2019
Rating commissioned by:	Ellomay Capital Ltd.
Rating paid for by:	Ellomay Capital Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Midroog

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

Caveat regarding the limitations of a rating and the risks of relying on a rating, and caveats and reservations in respect to the activity of Midroog Ltd. and the information appearing on its website

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