AFI Properties Ltd.

(hereinafter: the "Company")

Date: 27.7.2026

Subject: Immediate report in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000 regarding a material private offering and regarding a private offering that is not material and not exceptional

In accordance with the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 (hereinafter: the "**Regulations**" or "**Private Offering Regulations**"), an immediate report is hereby given regarding a private offering that is not material and not exceptional (as defined in the Private Offering Regulations) of up to 367,477 ordinary shares of 1 NIS par value each of the Company ("**ordinary shares**") to up to 13 employees of the Company (of which 6 are officers) and of subsidiaries of the Company, as well as regarding a material private offering (as defined in the Private Offering Regulations) of 63,358 ordinary shares of the Company to the Company's CEO (all such offerees shall hereinafter be referred to as: the "**Offerees**"). To the best of the Company's knowledge, the Offerees are not interested parties in the Company and will not become such interested parties after the allocation of the shares, except for the Company's CEO who is an interested party by virtue of his position and not by virtue of his holdings.

1. General

1.1. Private offering that is not material and not exceptional

On 29.6.2026, the Company's Board of Directors approved, after receiving the approval of the Company's Audit Committee from that same day (including in its capacity as the Company's Compensation Committee) (hereinafter: the "**Audit Committee**" or the "**Compensation Committee**") (the Audit Committee's approval was given regarding Offerees who are officers of the Company), an allocation of up to 367,477 ordinary shares of the Company to up to 13 Offerees who are employees of the Company (of which 6 are officers of the Company) and of subsidiaries of the Company, in accordance with the terms as specified in this report below. It is clarified that the Offerees as mentioned in this sub-section 1.1 do not include the Company's CEO.

1.2. Material Private Offering

On the same date, the Company's Board of Directors approved, after the approval of the Company's Audit Committee from that same day, allocations of up to 63,358 ordinary shares of the Company to the Company's CEO.

1.3. The allocations to the Offerees as mentioned in sections 1.1 and 1.2 above are against payment of cash consideration, as detailed below, which will be financed by dedicated loans from a financial institution. Each such loan is the full responsibility of the Offerees and under the Company's guarantee. The provision of guarantees for the Offerees' loans is in accordance with the Company's compensation policy, as approved by the Company's General Meeting on 22.4.2025, as attached to the Company's meeting summons report published on 11.3.2025 (reference number 2025-01-015938) and regarding the CEO - in accordance with the Company's CEO's employment agreement, as stated in Regulation 21 of the "Additional details about the Company" chapter, included in the Company's Periodic report for the year 2025, as published on 9.3.2026 (reference: 2026-01-020583).

The shares to be allocated to the Offerees according to this report shall hereinafter be called: the "**Shares**".

2. The Offerees

The Offerees (including the CEO) are employees between whom and the Company or subsidiaries of the Company, as applicable, employee-employer relations exist, except for one offeree, to whom up to 25,343 ordinary shares of the Company will be allocated ("the other offeree") (together: "the Offerees").

It is clarified that none of the Offerees constitutes a "controlling shareholder" as defined in Section 32(9) of the Income Tax Ordinance [New Version], 5721-1961 or an offeree who will become a controlling shareholder in the Company and/or an interested party as a result of the allocation, as the shares to be allocated to the Offerees will constitute, as of the date of this report, up to approximately 1.03% of the Company's issued and paid-up capital and the voting rights therein, and up to approximately 1.01% of the Company's issued and paid-up capital and the voting rights therein, on a fully diluted basis.

Since the offeree as mentioned in section 1.2 above is the Company's CEO, the allocation to him constitutes a material private offering (as this term is defined in the Regulations) with respect to the Company's CEO, and therefore this immediate report is also in the format prescribed in section 20 of the Regulations, regarding a material private offering.

Additionally, since the rest of the Offerees are officers or employees in the Company group, who are not a director or the CEO of the Company, this report also constitutes an immediate report in the format prescribed in section 21 of the Regulations, regarding the details of the offering as a private offering that is not material and not exceptional.

3. Terms of the securities proposed for issuance, their quantity, and the percentage they will constitute of the voting rights and of the issued and paid-up capital of the Company after the allocation

3.1. Quantity of shares allocated to the Offerees and their percentage of the Company's issued and paid-up capital

3.1.1. As mentioned above, the shares to be allocated to the Offerees will constitute, as of the date of this report, up to approximately 1.03% of the Company's issued and paid-up capital and the voting rights therein, and up to approximately 1.01% of the Company's issued and paid-up capital and the voting rights therein, on a fully diluted basis.

3.1.2. The Company's issued and paid-up share capital on the eve of the allocation according to this plan is 41,427,455 NIS, divided into 41,427,455 ordinary shares of 1 NIS par value each (and on a fully diluted basis stands at 42,166,055 NIS divided into 42,166,055 ordinary shares of 1 NIS par value each).

3.1.3. After the share allocation, the Company's issued and paid-up share capital will stand at up to 41,858,290 NIS, divided into up to 41,858,290 ordinary shares of 1 NIS par value each (and on a fully diluted basis will stand at up to 42,596,890 NIS divided into up to 42,596,890 ordinary shares of 1 NIS par value each).

3.1.4. After the allocation, the CEO will hold approximately 0.15% of the Company's issued capital (and on a fully diluted basis, i.e., assuming exercise of all existing convertible securities, approximately 0.5% of the Company's issued and paid-up capital).

3.2. Lack of marketability or transferability of the shares, pledge of the shares and restrictions on resale

3.2.1.

As mentioned above, for the purpose of paying the consideration for the shares offered to him, each offeree will enter into an agreement with a financial institution for the purpose of receiving an unlinked loan for a period of up to 8 years to finance the purchase of the shares, under terms of the offeree's full responsibility, where the Company will provide a guarantee to ensure the said loan towards that financial institution (hereinafter: the "Financial Institution").

3.2.2 To ensure the offeree's obligations in connection with the loan and the Company's guarantee, or alternatively, if the offeree provides the financing from other sources, the offeree will pledge to the Financial Institution the shares that will be allocated to him according to this report ("the Pledged Shares"). The total amount of the loans that will be secured by the guarantees provided by the Company as mentioned above is in an amount of up to 68 million NIS.

3.2.3 The Offerees will not be entitled to sell and/or transfer the shares for a period of up to 48 months from the date of the Board of Directors' decision (hereinafter: the "Blocking restriction"), subject to the terms set in the agreements between the Company and the Offerees (this, among other things, for the purpose of securing the loans that will be provided to the Offerees to finance the purchase of the shares under Company guarantee, in accordance with the provisions of the compensation policy).

3.2.4 In the event of termination of an offeree's engagement with the Company at the initiative of the offeree for any reason, the blocking restriction will continue to apply to the shares allocated to him by virtue of the allocation subject of this report, and the offeree will act to release the Company from its obligations under the guarantee provided by the Company to the Financial Institution.

3.2.5 In the event of termination of engagement between the Company and an offeree, at the Company's initiative, for any reason, but not for a reason for which severance pay can be denied according to law, or in case of termination of engagement due to death, disability, or loss of legal capacity (God forbid):

A. In the event that the Company's share price on the stock exchange at the time of termination of engagement with the offeree is higher than the economic value per share, the Company shall be entitled to choose at its sole discretion one of the following two options: (1) release of the Company from its obligations under the guarantee against the release of the blocking restriction; or (2) the blocking restriction will continue to apply, and the Company will continue to be a guarantor according to the terms of the guarantee until the expiration of the transferability restriction, according to the share allocation terms.

B. In the event that the Company's share price on the stock exchange at the time of termination of engagement with the offeree is lower than the economic value per share, the Company will repay the loan, release the blocking restriction, and the offeree will sell the shares and transfer the consideration of the Pledged Shares to the Company, subject to approvals.

3.2.6 In addition to the blocking restriction and the pledge of shares as mentioned above, restrictions on resale will apply to the shares, in accordance with the provisions of section 15C1 of the Securities Law, 5728-1968 and the Securities Regulations (Details regarding sections 15A1 to 15C1 of the Law), 5760-2000.

3.3. **<u>Consideration for the proposed securities and mode of payment</u>**

The consideration for each share (total of 157.8 NIS) was determined based on the economic value of the shares as detailed in section 4.1 below, and it will be paid in cash to the Company.

3.4. **Dividend distribution**

Insofar as a dividend is paid in respect of the Pledged Shares, cash surpluses that accumulate in the account in which the Pledged Shares will be held ("the Cash Surpluses"), may be used to purchase shares of the Company and/or an affiliated company, which will also be deposited in the dedicated account and continue as security to ensure repayment of the loan similar to cash, or will be used for early repayment on account of the loan principal, at the offeree's choice. Alternatively, the offeree shall be entitled to use the dividend amounts for investment in a money market fund and/or a deposit.

If the ratio between the security value of the Pledged Shares plus the cash surpluses and the outstanding balance of the loan given to the offeree exceeds 1.3, the offeree shall be entitled to release part of the Pledged Shares and/or the cash surpluses to an extent such that thereafter the ratio between the remaining security value of the shares

pledged and the cash surpluses versus the outstanding balance of the loan shall not be less than 1.3, subject to agreements with the Financial Institution.

3.5. **Rights attached to the shares**

Subject to the blocking restriction, the shares allocated according to this report will be equal in their rights to the existing ordinary shares in the Company's capital, for all intents and purposes, from the date of their issuance, and will be entitled to any dividend or other benefit for which the record date for receiving them occurs on or after the date of exercise.

For further details regarding the rights attached to the exercise shares, see the Company's Articles of Association published on 9.11.2022 (reference: 2022-01-135118). The information included in the Company's Articles is hereby brought by way of reference.

3.6. **Miscellaneous**

The share allocation does not grant any of the Offerees any right in connection with the continuation of their employment or tenure in the Company or in a company controlled by the Company, as applicable, and the share allocation by the Company does not constitute a commitment on the part of the Company or on the part of a company controlled by the Company, as applicable, to continue the employment or tenure of any of the Offerees. It is hereby clarified that the contents of this report prevail over any provision found in an agreement that any of the Offerees has with the Company or with a company controlled by the Company, as applicable.

4. The consideration for the shares

4.1. The consideration to be paid to the Company by each offeree for the shares to be allocated within the framework of the allocation subject of this report to each such offeree is in the amount of the economic value of the shares to be allocated to him. The economic value of each share offered within the framework of the allocation subject of this report was determined based on the closing price of the Company's share on the stock exchange on 26.6.2026, which is the end of the trading day preceding the date of the Board's approval ("the stock exchange price"), minus the discount rate for lack of marketability due to the blocking restriction (DLOM) ("the discount rate"). The discount rate was determined according to a valuation performed by an independent external appraiser.

4.2. Accordingly, the price of each share offered according to this report is as follows:

Quantity of shares	Blocking period	The stock exchange price in NIS	The discount rate	The price per share (The economic value of the share)
430,835	48 months	184.6	14.5%	157.8

5. <u>Data on the Company's share price</u>

The closing price of the Company's share on the stock exchange on 26.6.2026 (which is the end of the trading day preceding the date on which the Board approval was received) stood at 184.6 NIS. Taking into account the blocking restriction and the discount rate for it, the price of each share offered within the framework of this allocation subject of this report is lower than the said closing price, by a rate of approximately 14.5%.

6. The Company's Issued and Paid-up Share Capital and Holding Rates Therein

6.1. The registered share capital of the Company is NIS 60,000,000, divided into 60,000,000 ordinary shares of NIS 1 par value each.

6.2. The issued and paid-up share capital of the Company on the eve of the allocation under this plan, is NIS 41,427,455, divided into 41,427,455 ordinary shares, of NIS 1 par value each (and on a fully diluted basis stands at NIS 42,166,055 divided into 42,166,055 ordinary shares of NIS 1 par value each).

6.3. Below is a breakdown of the quantity and holding rates of interested parties in the Company, the CEO and the rest of the shareholders, in the issued and paid-up share capital of the Company and the voting rights therein:

Name of Shareholder	Quantity of securities as of the date of the report	Quantity of shares offered in the report	Rights in capital and voting before the allocation (and on a fully diluted basis)				Rights in capital and voting immediately after the allocation (and on a fully diluted basis)			
			Capital	Capital (fully diluted)	Voting	Voting (fully diluted)	Capital	Capital (fully diluted)	Voting	Voting (fully diluted)
Mr. Avi Barzilai - Company CEO	150,000 warrants for shares	63,358	-	0.36%	-	0.36%	0.15%	0.5%	0.15%	0.5%
BIG Shopping Centers Ltd.	33,101,900	-	79.9%	78.5%	79.9%	78.50%	79.08%	77.71%	79.08%	77.71%
Ezri Gonen	1,325	-	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%
Yehuda Naftali	1,600	-	0.004%	0.004%	0.004%	0.004%	0.004%	0.004%	0.004%	0.004%
Altshuler - shares for employees	588,600 warrants	-	-	1.40%	-	1.40%	-	1.382%	-	1.382%
The rest of the offerees (excluding the other offeree)	-	342,134	-	-	-	-	0.82%	0.803%	0.82%	0.803%
The other offeree	-	25,343	-	-	-	-	0.06%	0.06%	0.06%	0.06%
Other shareholders	8,322,630	-	20.09%	19.74%	20.09%	19.74%	19.88%	19.538%	19.88%	19.538%
Total	**41,427,455**	**430,835**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

7. Personal Interest of Each Material Shareholder or officer of the Company

To the best of the Company's knowledge, except for the personal interest of the CEO and other officers of the Company in the allocation of shares subject to this report, by virtue of being offerees of the shares and being party to the guarantee and lien arrangement described in Section 3.2.2 above, no material shareholder in the Company or officer in the Company has a personal interest in the share offering subject to this report.

8. The Approvals Required for Executing the Allocation According to the Offer

8.1. On June 29, 2026, the Company's Board of Directors approved the allocation of shares to the CEO and the other offerees (after receiving approval from the Company's Audit Committee, in its capacity as the Remuneration Committee, from that same day).

8.2. TASE approval for the listing of the shares for trading. The Company intends to apply to the TASE for its approval as aforementioned close to the publication of this report.

9. Agreements Between the Offerees and a Shareholder of the Company

To the best of the Company's knowledge, and based on an inquiry conducted with the offerees, there are no agreements, whether written or oral, between the offerees and a shareholder of the Company, or between the offerees and others, regarding the purchase or sale of securities of the Company or regarding the voting rights therein.

10. Restrictions on Performing Transactions in the Offered Securities that Will Apply to the Offerees

For details regarding the restrictions on performing transactions in the offered securities that will apply to the offerees, see Section 3.2 above.

11. Date of Allocation

All shares will be allocated to the offerees shortly after receiving all the approvals detailed in Section 8 above and within the period to be determined for this in the TASE approval.

12. Additional Details Regarding a Material Private Offering to the CEO in Accordance with the Private Offering Regulations

12.1. For details about the Company's CEO and his employment terms, including his right to have a Company guarantee for financing the purchase of Company shares, see Regulations 21 and 26a of the Additional Details chapter included in the Company's Periodic report for the year 2025. The information included in the Periodic report is hereby brought by way of reference. To remove doubt, unlike the provision of the guarantee arranged within the framework of the remuneration policy and anchored in the CEO's employment terms, based on the opinion of its external legal advisors, the Company does not see the share offering subject to this report as part of the CEO's (or any other offeree's) remuneration.

12.1.1 The CEO is not an interested party, as the term is defined in the Companies Law, 5759-1999 ("Companies Law"), by virtue of his holdings in the Company's shares, and will not become an interested party as aforementioned after the allocation of the shares. The Company's CEO is an interested party by virtue of his position. The offerees are not an "interested party" in the Company (as the term is defined in Section 270(5) of the Companies Law) and will not become an "interested party" in the Company following the allocation of the shares subject to this report.

12.2. The Manner in Which the Consideration Was Determined and Reasons for Approving the Allocation to the CEO

12.2.1 During the meetings of the Audit Committee and the Board of Directors, information was provided, among other things, regarding the CEO's right to have a Company guarantee for financing the purchase of shares, and a calculation of the economic value of the shares allocated to the CEO was presented to them.

12.2.2 The fair value of the shares was determined in accordance with a valuation, and based on the discount rate due to the blocking restriction,

as determined in the economic work.

12.2.3 Beyond the fact that the allocation to the CEO is in accordance with the economic value of the shares, since the Company is anyway obligated to provide a guarantee for the purchase of shares (whether from it or from a third party), there are additional advantages in the allocation to the CEO from the Company's perspective, including receiving payment for the shares and creating an additional incentive for the CEO to continue his tenure throughout the blocking period, all without granting the CEO a financial benefit on behalf of the Company.

12.2.4 The Company implements International Financial Reporting Standard IFRS 2 in its financial reports regarding share-based payment. The main provisions of the standard are the recording of expenses for the allocation of shares in the Company's financial reports in accordance with the value of the benefit at the time of their actual allocation, if any. Since the share allocation is performed against a payment identical to their economic value, based, among other things, on an external valuation of an independent third party, and since the loans to be provided by the financial entity are full recourse loans under the full responsibility of the offerees, each of the offerees (including the CEO) assumes the full economic risk involved in purchasing the shares, and therefore the Company is not expected to record an expense in its financial reports for said allocation.

12.2.5 The provision of the Company's guarantee to secure the financing provided for the purchase of the CEO's shares is done in accordance with the remuneration policy and the CEO's employment terms, as approved by the Company's shareholders, where the maximum amount for providing a guarantee by the Company to ensure the repayment of the loan by the Company's CEO shall not exceed NIS 10 million. In accordance with what is stated in this report, the loan amount to be provided to the CEO by the financial institution for the purpose of purchasing the CEO's shares with a Company guarantee shall not exceed NIS 10 million and it will also be secured by a lien on the shares.

12.2.6 Given these data, the allocation of shares to the CEO in combination with the provision of the guarantee for the loan to be provided to him is reasonable, appropriate, and for the benefit of the Company.

12.3 Prevention or Restriction on Performing Transactions in Shares that Will Apply to the CEO

For details see Section 3.2 of this report.

12.4 Required Approvals and Date of Share Allocation

The shares offered under this report will be allocated shortly after receiving all the required approvals by law, as detailed in Section 8 of this report.

12.5 Agreements Between the Offerees and Other Shareholders

For details see Section 9 of this report.

12.6 Data on the Company's Share Price

For details see Section 5 of this report.

12.7 The Economic Value of the Shares

For details regarding the economic value of the shares and the payment of consideration for them, see Section 4 above.

Sincerely,

AFI Properties Ltd.

Signed by: Mr. Avi Barzilai, Company CEO

Ms. Anna Daphna, CFO