

July 15, 2025

Phoenix Financial Ltd ("The Company")

To	To
The Securities Authority	The Tel Aviv Stock Exchange Ltd.
www.isa.gov.il	www.tase.co.il

Re: Indirect acquisition of approximately 17.19% of the issued capital of The Phoenix Insurance Agency 1989 Ltd ("Phoenix Agencies") in exchange for the issuance of Company shares and cash payment, as well as updating targets for Phoenix Agencies' activities

Part A -The Transaction

Phoenix Financial Ltd. ("The Company") reports that on July 14, 2025, the Company entered into an agreement with Mr. Yitzhak Oz ("Oz" or "The Offeree"), the active Chairman of the Board of Phoenix Agencies, who holds the entire share capital of HagOz (2015) Ltd. ("HagOz"), whereby the Company will purchase from Oz all his holdings in HagOz, which holds approximately 17.19% in Phoenix Agencies, in exchange for the issuance of Company shares and a cash payment, totaling approximately NIS 763 million, all as detailed below ("The Transaction").

As of this date, the Company holds approximately 78% of the capital of Phoenix Agencies, a subsidiary through which the Company's activities in the field of insurance agencies, pension program administration, pension advisory, and distribution of financial products are concentrated. Phoenix Agencies (Brokers and Advisors) constitutes a reportable segment in the Company's financial statements and a field of activity of the Company. For details regarding Phoenix Agencies, see the Company's regular reports. After the acquisition, the Company will hold approximately 95% of the shares of Phoenix Agencies.

The issuance of Company shares to Oz under the transaction constitutes a private offer that is neither unusual nor material ("The Private Offer"), as defined in the Securities Regulations (Private Offer of Securities in a Registered Company), 2000 ("Private Offer Regulations"). Accordingly, this report will also include the details required according to the Private Offer Regulations.

1. Summary of the Transaction

1.1. At the completion date of the transaction, and effective as of the date of signing the agreement, the Company will purchase and receive from Oz the entire share capital of HagOz, and Oz will sell and transfer the entire share capital of HagOz in exchange for Company shares and cash, as detailed below (subject to adjustments detailed in section 1.2 below):

1.1.1. Issuance of 3,946,437 (three million nine hundred forty-six thousand four hundred thirty-seven) ordinary shares with a nominal value of 1

NIS each of the Company¹, constituting approximately 1.548% of the issued capital and voting rights of the Company at the date of this report and approximately 1.529% of the issued capital of the Company and voting rights therein, on a fully diluted basis² after the issuance of the Offered Shares ("**the Offered Shares**"). The Offered Shares will be held by ESOP Management & Trust Services Ltd., as trustee.

1.1.2. Oz will receive a cash payment totaling approximately NIS 381.5 million plus agreed interest that will accrue until the completion date ("**the Cash Consideration**").

1.1.3. It was agreed between the parties that at the completion date of the transaction, the only asset HagOz will hold is approximately 17.19% of the issued capital of Phoenix Agencies and voting rights therein.

1.2. The parties agreed that in the event that during the period between the signing of the agreement and its completion, any of the actions detailed below are performed, an adjustment to the share value will be made as detailed below ("**the Updated Share Value**"), and the number of Offered Shares will be updated to be a number equal to half the value of HagOz divided by the Updated Share Value (however, it is agreed that changes in the issued capital of the Company, including as a result of the exercise of convertible securities, share issuance, share buyback, etc., that occur after the signing of this agreement, will not affect the number of allocated shares):

1.2.1. **Dividend Distribution** - If the Company distributes a dividend to its shareholders, and the record date for the right to receive the dividend distribution occurs before the completion date, then the share value will be reduced by: (a) in the case of a cash dividend distribution - the full amount of the cash dividend distribution per share; and/or (b) in the case of a dividend in kind distribution - the full value of the dividend in kind distribution per share, according to the valuation mechanism in the tax ruling received for the purpose of executing the distribution in kind as mentioned.

1.2.2. **Rights Issue** - In the case of a rights issue by the Company to its shareholders, where the record date for the right to receive the rights occurs before the completion date, then the share value will be reduced by multiplying it by the ratio between the base price of the Company's share "**ex-rights**" and the closing price of the Company's share on the

¹ The allocated shares may be new shares issued by the Company or dormant shares existing in the Company's capital.

² Assuming the full exercise of convertible securities or those exercisable into the Company's shares, excluding the dormant shares.

Tel Aviv Stock Exchange Ltd. ("**the Exchange**") on the last trading day before the "ex" day.

- 1.2.3. **Adjustments for Bonus Share Distribution** - In the case of a bonus share distribution by the Company where the record date for eligibility to participate in the distribution occurs before the completion date, additional shares will be added to the Offered Shares, in a number that Oz would have been entitled to as bonus shares had the transaction been completed before the record date.
- 1.2.4. **Adjustments for Changes in Share Capital** -The number of Offered Shares to which Oz is entitled will be adjusted proportionally if the number of the company's shares increases or decreases as a result of a stock split, reverse split, or capital reorganization.
- 1.2.5. The parties agreed that the adjustments detailed above will be subject to the tax ruling.
- 1.3. The transaction includes customary representations made by the parties to the agreement. Additionally, the agreement includes Oz's commitment to indemnify the Company for any damage or loss incurred by it or its representatives due to any incorrect representation by Oz or HagOz, due to taxes applicable to HagOz, and due to claims arising prior to the completion date, all for the period and scope specified in the agreement.
- 1.4. The completion of the transaction is subject to the fulfillment of conditions precedent, the main ones being the receipt of approval from tax authorities, including a preliminary tax ruling from the Tax Authority in accordance with Section 104H(b)(1)(e) of the Income Tax Ordinance [New Version], which will confirm that the transaction meets the conditions specified in Section 104H of the Ordinance ("**Tax Ruling**"), approval from the Israel Competition Authority (if required), and approval from the stock exchange for the listing of the offered shares for trading. The completion date of the transaction will be referred to above and hereinafter as the "**Completion Date**".
- 1.5. Without derogating from the lock-up rules that will apply to Oz concerning the offered shares according to Section 15C of The Securities Law, 5728-1968 ("**Securities Law**"), Oz has committed not to perform any action with the offered shares, except as detailed below: In the first 36 months following the Completion Date - up to 50% of the offered shares, and thereafter, no restriction will apply to Oz regarding actions with the offered shares. "**Action**" means any action, including transfer and/or sale (whether during trading on the stock exchange or outside of trading on the stock exchange).

1.6. Additionally, it was agreed that Oz will continue to serve as the Chairman of the Board of Phoenix Agencies in exchange for a total annual compensation cost of approximately NIS 4 million (excluding equity components), for a period of 5 years. Oz will be subject to a non-compete commitment under terms similar to those currently existing. Additionally, after the Completion Date, Oz will be granted the right to Restricted Stock Units (RSUs) for shares in Phoenix Agencies under the Section 102 capital gains track, amounting to NIS 32 million, according to the value of Phoenix Agencies as reflected in the transaction. These RSUs will be subject to a three-year vesting period, with one-third vesting each year. It was further agreed that at the Completion Date, all other management agreements with Oz and/or companies under his control will be canceled, and in exchange for the cancellation of the management agreements and waiver of claims related to them, a payment of approximately NIS 8.5 million will be made to a company owned by Oz. Additionally, at the Completion Date, all provisions of the existing shareholders' agreement concerning Phoenix Agencies, relating to the parties to the transaction and/or companies under their control, will be terminated and become redundant. In this context, it should be noted that prior to the completion of the transaction, the Company will pay HagOz a capital payment according to the existing agreement between them, a sum of approximately NIS 22 million, and HagOz will distribute the amount (net after the required tax provision for this payment) as a dividend to Oz before the Completion Date.

2. Terms of the Offered Shares, Their Quantity, and Their Percentage of the Company's Capital

The offered shares constitute, as of this report date, approximately 1.548% of the Company's issued capital and voting rights, and approximately 1.529% of the Company's issued capital and voting rights on a fully diluted basis³ after the issuance of the offered shares. The offered shares will be allocated to a trustee at a stock exchange member, so that these shares will be registered in the company's shareholder register in the name of the company for the records of the Tel Aviv Stock Exchange Ltd., or any registration company that may replace it, or alternatively, dormant shares existing in the Company's capital will be transferred to the trustee's account at a stock exchange member.

3. The Company's Share Price on the Stock Exchange and the Ratio Between This Price and the Share Price in the Private Offering

The closing price of a regular share of the Company on the stock exchange on July 13, 2025, the date of Board approval, was NIS 101.7 and on July 14, 2025 the trading day preceding the publication date of this report, was NIS 104.1.

³ See footnote 2 above.

The consideration for the offered shares (see Section 1.1.1 above) is half the value of HagOz in the transaction, i.e., NIS 381.5 million (reflecting approximately NIS 96.615 per offered share). Accordingly, the ratio between the Company's share price in the transaction and the closing price of the Company's share on the stock exchange on July 13, 2025, stands at approximately 95%, representing an illiquidity premium and the ratio considering the closing price of the Company's share on the stock exchange on July 14, 2025 stands at approximately 92.8%,.

4. Consideration

In exchange for the issuance of the offered shares and the cash payment, as detailed above, the Company is acquiring HagOz's entire share capital, which will hold approximately 17.19% of Phoenix Agencies' issued capital at the Completion Date of the transaction.

According to external valuations conducted for the Company and HagOz, the value of HagOz for the purpose of the transaction was set at approximately NIS 763 million (reflecting a value for Phoenix Agencies of approximately NIS 4.4 billion on a fully diluted basis). As mentioned, half of HagOz's value will be paid through the issuance of the allocated shares, and half against a cash payment. The value of each allocated share of the Company for the purpose of the transaction is as detailed in Section 3 above. Regarding the cash consideration, it should be noted that the cash payment is expected to reduce the Company's equity by approximately NIS 291 million.

5. Required Approvals

The completion of the transaction is subject to conditions precedent, as detailed in Section 1.4 above.

6. Absence of Agreements

Within the agreement's framework, Oz declared that he is not a party to any agreements, whether written or oral, with shareholders in the company, among themselves, or with others, regarding the purchase or sale of the Company's securities or regarding voting rights therein.

7. Prevention and/or Restriction on Actions with the Offered Shares

The offered shares will be subject to the following restrictions: (a) restrictions on resale according to the provisions of Section 15C of the Securities Law and the regulations enacted under it; (b) additional lock-up restrictions to which Oz has committed, as detailed in Section 1.5 above; (c) any restriction that will apply to the offered shares according to the Tax Ruling.

8. Issuance Date of the Offered Shares

The offered shares will be issued upon the completion of the transaction after all suspensive conditions have been fulfilled.

The completion of the transaction is contingent, among other things, on obtaining third-party approvals, including approval from the Tax Authority and the Competition Authority, and therefore, there is no certainty that the transaction will be completed.

Part B -Update of Targets in Phoenix Agencies' Activities

Additionally, following the strategic target map published by the Company on September 9, 2024 (Reference No.: 2024-01-601901), Phoenix Agencies has updated its work plan for the years 2025-27, and the Company is updating its targets for Phoenix Agencies' activities for the year 2027 from the previous targets as follows:

1. The adjusted EBITDA targets for 2027 (without deducting minority interests) have been updated from NIS 600-700 million to NIS 700-800 million.
2. The core income target for 2027 (comprehensive net income after deducting minority interests and special effects) has been updated from NIS 250-350 million to NIS 350-450 million.

The Company estimates that the acquisition and update of work plans will add a total net income of NIS 50-70 million in 2026.

The Company's estimates regarding the adjusted EBITDA and core profit targets from Phoenix Agencies' activities for 2027 constitute forward-looking information, as defined in the Securities Law. These estimates are based on the Company's subjective assessment and its advisors, and among other things, rely on past experience, the professional knowledge accumulated by the company, existing information, and current expectations and assessments, including regarding future developments as known to the Company today. The realization or non-realization of these estimates will be influenced by risk factors characteristic of the Company's activities and the companies in the Phoenix Group, as detailed in the Company's periodic report, including the economic situation, the state of capital markets in Israel and worldwide, geopolitical conditions, the development of competition in the markets relevant to the group's activities, regulatory changes, changes in consumer preferences and consumption habits, and changes in the assumptions data which cannot be assessed in advance and are not under the Company's control. Therefore, there is no certainty that these estimates will materialize, and they may differ, including materially, from those detailed above.

Respectfully,
Phoenix Financial Ltd.
c/o Adv. Menachem Neeman
Chief Legal Counsel