

SHAPIR ENGINEERING AND INDUSTRY LTD

Immediate Supplementary Report Regarding Substantial Private Allocation of Bonds (Series 3 and D) of the Company

To:
Israel Securities Authority
www.isa.gov.il

To:
Tel Aviv Stock Exchange Ltd.
www.tase.co.il

23 November 2025

Re: Immediate Supplementary Report Regarding Substantial Private Allocation of Bonds (Series 3 and D) of the Company

The company hereby announces, in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company), 2000 (the Regulations), that on 19 November 2025, the company's Board of Directors approved a significant private allocation of NIS 121,244,186 par value Bonds (Series 3) of the company, each with a par value of NIS 1 (the Offered Bonds (Series 3)), and NIS 100,000,000 par value Bonds (Series 4) of the company (the Offered Bonds (Series 4)), each with a par value of NIS 1, which will be registered for trading on the Tel Aviv Stock Exchange Ltd. (the Exchange), by way of expanding the company's existing series of bonds (Series 3 and D) (collectively, the Offered Bonds and the Private Allocation, as applicable), all as detailed below.

1. The Offeree

The Offered Bonds will be allocated to The Phoenix Insurance Company Ltd. (Phoenix) in exchange for the transfer of ordinary shares of Ad 120 Residential Centers for the Elderly Ltd. (Ad 120) to Shapir Housing and Building Ltd. (a subsidiary of the company; Shapir Housing).

For further details, see Section 7 below and the immediate report of the company dated 20 November 2025 (Reference No.: 2025-01-089478).

The controlling company of Phoenix is Phoenix Financials Ltd. (Phoenix Financials), which holds the entire share capital of Phoenix.¹

Phoenix is an interested party in the company as defined in Section 270(5) of the Companies Law, 1999 due to Phoenix Financials (including through controlled corporations) being a significant shareholder in the company. Phoenix is among the types of investors listed in the First Schedule to the Securities Law, 1968 (Securities Law).

2. Terms, Quantities, and Proportions of the Offered Bonds (Series 3)

2.1. The company's Bonds (Series 3) were first issued pursuant to a shelf prospectus dated 11 July 2021 (Reference No.: 2021-01-115320; Shelf Prospectus for Series 3) and were expanded from time to time in accordance with the company's shelf prospectuses. It should be noted that as of the date of this report (before the private allocation), NIS 915,416,667 par value company Bonds (Series 3) are outstanding.

2.2. The terms of the Bonds (Series 3) in the private allocation are identical to the terms of the Bonds (Series 3) offered under the shelf prospectus for Series 3.

2.3. The Bonds (Series 3) mature (principal) in sixteen (16) equal annual installments, each in the amount of 6.25% of the principal, which were paid and will be paid on 30 November of each year

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¹ According to the public reports of Phoenix Financials, Phoenix Financials has had no controlling shareholder since Q3 2024.

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For the years 2022 through 2037 (inclusive).

The outstanding balance of the principal of the bonds (Series 3) bears a fixed annual interest rate of 2.34%. The interest on the outstanding balance, as it shall be from time to time, of the principal of the bonds (Series 3), is paid in 33 installments starting from November 2021, twice a year, on the following dates: May 31 of each of the years 2022 through 2037 (inclusive) and November 30 of each of the years 2021 through 2037 (inclusive).

2.4. The bonds (Series 3) of the company that are already outstanding and the offered bonds (Series 3) shall, from the date of their issuance, constitute a single series for all intents and purposes. The provisions of the deed of trust, which was signed on July 11, 2021, between the company and Hermetic Trust (1975) Ltd., the trustee for the bondholders (Series 3) of the company (the Deed of Trust (Series 3) and the Trustee, as applicable), shall apply with respect to the offered bonds (Series 3), including regarding their dates for payment of interest and principal. The offered bonds (Series 3) will have equal security ranking, *pari passu*, among themselves and with the existing bonds (Series 3) in circulation, with no priority or preference of one over the other.

2.5. Upon completion of the private allocation, if and to the extent it is completed, the total size of the company's bonds (Series 3) will stand at NIS 1,036,660,853 par value. Upon allocation, the offered bonds will make up approximately 11.7% of the outstanding par value of the company's bonds (Series 3).

2.6. All the offered bonds (Series 3) will be registered in the company's securities register in the name of the Registration Company for the Tel Aviv Stock Exchange Ltd. or another registration company who may replace it, through which all of the company's securities will be held (the Registration Company).

3. Terms, Quantities, and Proportions of the Offered Bonds (Series 4)

3.1. The bonds (Series 4) of the company were first issued pursuant to a shelf offering report dated July 30, 2025 (Reference No.: 2025-01-056788; the Shelf Offering Report for Series 4). It is noted that as of the date of this report (prior to the private allocation), NIS 300,000,000 par value bonds (Series 4) of the company are outstanding.

3.2. The terms of the bonds (Series 4) in the private allocation are identical to the terms of the bonds (Series 4) that were offered according to the Shelf Offering Report for Series 4.

3.3. The bonds (Series 4) will be repaid (principal) in thirteen (13) annual installments, such that each of the first four (4) payments will be in the amount of 7% of the par value of the bonds (Series 4), and the remaining nine (9) payments will each be 8% of the par value of the bonds (Series 4). Payments will be made on October 3, in each of the years 2028 through 2040.

The bonds (Series 4) will be repaid (principal) in thirteen (13) annual installments, such that each of the first four (4) payments will be in the amount of 7% of the par value of the bonds (Series 4), and the remaining nine (9) payments will each be 8% of the par value of the bonds (Series 4). Payments will be made on October 3, in each of the years 2028 through 2040.

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- 3.4.** The bonds (Series 4) of the company that are already outstanding and the offered bonds (Series 4) shall, from the date of their issuance, constitute a single series for all intents and purposes. The provisions of the deed of trust, which was signed on July 30, 2025 between the company and the trustee, as trustee for the bondholders (Series 4) of the company (the Deed of Trust (Series 4)), will apply with respect to the offered bonds (Series 4), including regarding their dates for payment of interest and principal. The offered bonds (Series 4) will have equal security ranking, pari passu, among themselves and with the existing bonds (Series 4) in circulation, with no priority or preference of one over the other.
- 3.5.** Upon completion of the private allocation, if and to the extent it is completed, the total size of the company's bonds (Series 4) will stand at NIS 400,000,000 par value. Upon allocation, the offered bonds will make up approximately 25% of the outstanding par value of the company's bonds (Series 4).
- 3.6.** All the offered bonds (Series 4) will be registered in the company's securities register in the name of the company for registrations.

4. The company's issued and paid-up share capital, and, to the best of the company's knowledge, the quantity and rates of holdings of interested parties, offerees, and the public in the company's securities

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² The data in the tables regarding holding rates in equity and voting are net of 66,051 dormant shares held by the company. Additionally, the data detailed below are to the best knowledge of the company as of the reporting date.

4. The company's issued and paid-up share capital, and, to the best of the company's knowledge, the quantity and rates of holdings of interested parties, offerees, and the public in the company's securities

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² The data in the tables regarding holding rates in equity and voting are net of 66,051 dormant shares held by the company. Additionally, the data detailed below are to the best knowledge of the company as of the reporting date.

5. Discount Rates for Bonds (Series 3 and 4)

5.1. The bonds (Series 3) were initially issued according to the shelf offering report for Series 3 at their nominal value and without a discount. On July 7, 2022, and August 2, 2023, expansions were made to the Series 3 bonds, whereby the weighted discount rate for all Series 3 bonds in circulation as of the date of this report is 8.91420%. The offered bonds (Series 3) will be issued at a price of NIS 0.90726 per NIS 1 par value, which is lower than the adjusted value of the Series 3 bonds before this report's publication (NIS 1.011 per NIS 1 par value). Accordingly, the bonds offered (Series 3) under this report are issued at a discount. On July 5, 2022, the company received approval from the Israeli Tax Authority via the green track, that for the purpose of tax withholding on the discount income from the bonds (Series 3), a unified discount rate will be determined according to a formula weighing the various discounted rates in the series, if any. The discount rate in the issuance under this report is 10.26112%, and thus - the weighted discount rate for tax withholding purposes for all of the Series 3 bonds (i.e., both existing and offered Series 3 bonds) is 9.21698%.

5.2. The bonds (Series 4) were initially issued according to the shelf offering report for Series 4 at their nominal value and without a discount. The offered bonds (Series 4) will be issued at a price of NIS 1 per NIS 1 par value, which is lower than the adjusted value of the Series 4 bonds before this report's publication (NIS 1.016 per NIS 1 par value). Accordingly, the bonds offered (Series 4) under this report are issued at a discount. On October 21, 2025, the company received the Israeli Tax Authority approval via the green track, that for the purpose of tax withholding on the discount income from the bonds (Series 4), a unified discount rate will be determined according to a formula weighing the various discounted rates in the series, if any. The discount rate in the issuance under this report is 1.57480%, and thus - the weighted discount rate for tax withholding purposes for all of the Series 4 bonds (i.e., both existing and offered Series 4 bonds) is 0.38378%.

6. Bond Prices (Series 3-4) on the Stock Exchange

6.1. The price of the offered bonds Series 3 is about 0.05% higher than the closing price of the company's Series 3 bonds on the stock exchange on November 19, 2025, which stood at NIS 0.9068 per NIS 1 par value of Series 3 bonds.

6.2. The price of the offered bonds Series 4 is about 5% lower than the closing price of the company's Series 4 bonds on the stock exchange on November 19, 2025, which stood at NIS 1.0532 per NIS 1 par value of Series 4 bonds.

7. Consideration and how the consideration was determined

On November 19, 2025, a share purchase agreement was signed between the company and its subsidiaries, SHAPIR ENGINEERING AND INDUSTRY LTD and SHAPIR RESIDENTIAL, and Ad 120, and The Phoenix, whereby SHAPIR RESIDENTIAL will purchase from The Phoenix 1,163 shares of Ad 120 (the sold shares) for a total consideration of NIS 279,750,000 (the consideration), which will be paid at the completion date as detailed below (the transaction): a. An amount of about NIS 110,000,000 of the consideration will be paid to The Phoenix via a private placement of NIS 121,244,186 par value of the offered bonds (Series 3); b. An amount of about NIS 100,000,000 of the consideration will be paid to The Phoenix via a private placement of NIS 100,000,000 par value of the offered bonds (Series 4); c. The balance of the consideration of about NIS 69,750,000 will be paid as a vendor loan. For more details about the transaction see the company's immediate report from November 20, 2025 (reference number: 2025-01-089478) included in this report by way of reference. Accordingly, the consideration for the allocation subject of this report is the sold shares, where the amount of consideration was determined by negotiation between the parties within the transaction framework.

The company's issued and paid-up share capital, and, to the best of the company's knowledge, the quantity and rates of holdings of interested parties, offerees, and the public in the company's securities

² The data in the tables regarding holding rates in equity and voting are net of 66,051 dormant shares held by the company. Additionally, the data detailed below are to the best knowledge of the company as of the reporting date.

8. A substantial shareholder or officer of the company who has a personal interest in the consideration and the nature of that interest

To the best of the company's knowledge, except for The Phoenix Financials (which is the controlling shareholder of the offeree), none of the substantial shareholders or senior officers of the company has a personal interest in the consideration for the allocation subject to this immediate report.

9. Details of agreements between the offeree and other shareholders regarding the allocation of the company's securities

To the best of the company's knowledge, and based on confirmation received from The Phoenix, there are no agreements, whether written or oral, between the offeree and other shareholders of the company regarding the purchase or sale of the company's securities or regarding voting rights therein.

On November 19, 2025, a share purchase agreement was signed between the company and its subsidiaries, SHAPIR RESIDENTIAL and AD 120, and The Phoenix, under which SHAPIR RESIDENTIAL will purchase from The Phoenix 1,163 shares of AD 120 (the sold shares), with the consideration for the sold shares being a total of NIS 279,750,000 (the consideration), to be paid at the closing date as detailed below (the transaction): a. A total of approximately NIS 110,000,000 of the consideration will be paid to The Phoenix via a private placement of NIS 121,244,186 par value of the offered bonds (Series 3); b. A total of approximately NIS 100,000,000 of the consideration will be paid to The Phoenix via a private placement of NIS 100,000,000 par value of the offered bonds (Series 4); c. The remaining consideration of approximately NIS 69,750,000 will be paid by way of a vendor loan. For further details regarding the transaction, see the company's immediate report dated November 20, 2025 (reference number: 2025-01-089478), which is incorporated herein by reference. Accordingly, the consideration for the allocation subject to this report consists of the sold shares, with the consideration amount determined through negotiations between the parties as part of the transaction.

The company's issued and paid-up share capital, and, to the best of the company's knowledge, the quantity and rates of holdings of interested parties, offerees, and the public in the company's securities

SHAPIR ENGINEERING AND INDUSTRY LTD

10. Approvals required for the allocation of the offered bonds

10.1. On November 19, 2025, the Company's Board of Directors approved the allocation of the offered bonds (as part of the transaction) that are the subject of this immediate report.

10.2. The Company has received approvals from the Tax Authority for the calculation of the weighted discount rate as detailed in Section 5 above.

10.3. The Company notified the trustee regarding the expansion of the bonds (Series 3 and Series 4) and that the expansion meets the conditions set forth in section 3.2.2 of the Trust Deed (Series 3) and in the Trust Deed (Series 4). It is also noted that on November 20, 2025, Standard & Poor's Maalot Ltd. (the rating agency) published a rating report in which a rating of iIA+ was given to the bonds (Series 3 and Series 4) up to a total of NIS 230 million par value, to be issued by the Company through an expansion of Series 3 and Series 4. For details, see the rating agency's report from November 20, 2025 (reference number: 2025-15-089534).

10.4. The private placement according to this report is subject to and conditional upon receipt of the stock exchange approval for listing the offered bonds for trading (stock exchange approval). The Company intends to apply to the stock exchange for approval as stated shortly after the publication of this report. It is noted that except for the stock exchange approval for listing the offered bonds for trading, all the conditions for the issuance of the offered bonds have been fulfilled. Furthermore, it is noted that according to the terms of the transaction (as defined above), if stock exchange approval is not received by December 10, 2025, the transaction will not be completed and the private placement will not be executed, unless otherwise agreed by the parties to the transaction, including the Company and The Phoenix.

11. Prohibition or restriction on actions regarding the offered bonds

Restrictions on resale on the stock exchange shall apply to the offered bonds in accordance with the provisions of Section 15C of the Securities Law and the Securities Regulations (Details Regarding Sections 15A and 15C of the Law), 2000 (Regulation 5 of said regulations).

12. Date of allocation of the offered bonds

The allocation date of the offered bonds as per the allocation subject to this report will be after receiving stock exchange approval for their listing for trading and concurrently with the completion of the transaction (as defined above).

SHAPIR ENGINEERING AND INDUSTRY LTD

By: Adv. Amir Shaked, Chief Legal Counsel and Company Secretary