

M.YOCHANANOF AND SONS (1988) LTD

("the Company")

October 16, 2025

To:

Israel Securities Authority
Via MAGNA

Tel Aviv Stock Exchange Ltd.
Via MAGNA

Dear Sir/Madam,

Subject: Combination Transaction Regarding Company Real Estate in Or Yehuda

The Company is pleased to announce that it has entered into a combination agreement and joint venture with a third-party contractor who is not related to the Company or its controlling shareholders ("the Partner"), for the initiation, planning, and execution of a real estate project on three plots of land totaling approximately 18.5 dunams, part of the Company's real estate in Or Yehuda¹⁰¹, expected to include a commercial center and logistics areas with a built area, as currently estimated, of about 69,000 sqm ("the Agreement", "the Plot", and "the Project", respectively), of which approximately 49,000 sqm are rental areas.

According to the terms of the agreement, the Partner will construct the Project on the Plot, with the majority of the construction costs of the Project until its completion, including construction expenses, fees, and related costs, to be borne and paid by the Partner.¹⁰² Upon completion of the construction, the parties will be equal partners in the Project (the Company's share – 50%), including in the income and expenses ("the Joint Venture"). The construction costs as mentioned above for the Company's share – 50% (which constitutes the consideration for the Company in the transaction), are currently estimated, according to a valuation received by the Company, at approximately NIS 140 million.¹⁰³

It is clarified that the Project to be built on the Plot is expected to be constructed to a scope of about 69,000 sqm, and is not expected to utilize all the building rights attached to the Plot according to the applicable zoning plan, which currently total about 105,000 sqm (for commerce, offices, and logistics, including underground areas). According to the parties' agreements, the partnership will only be in the Project as described, so that building rights not actually used for the Project's construction,¹⁰⁴ will remain the exclusive property of the Company, but cannot be utilized on the same Plot without the Partner's consent. In addition, the Company will continue to be the sole owner of the remaining land in Or Yehuda, about 13 dunams, including all building rights attached to it.

According to the parties' agreements, the Company will lease from the Joint Venture, for a period of about 25 years, most of the areas designated for rent in the Project, currently estimated at about 49,000 sqm, expected to



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Image alt: Line for completion

include, among other things, a Company sales store in a commercial area with a gross area currently estimated at about 6,000 sqm, which the Company will receive as a shell, additional commercial areas, as well as a modern logistics center, spread over several floors, with a gross area currently estimated at about 29,000 sqm, which the Company will use according to its needs.

The ongoing management of the Project after completion will be carried out by the Company, in return for management fees to be paid by the tenants in the complex, with the profits from the operation of the Project, including rental fees paid for the leased areas to the Company, to be divided between the parties according to their respective holdings in the Project. Costs for the construction of additional areas, beyond the Project area detailed above, if any in the future, will be borne equally by the parties.

It was also agreed between the parties that if the Company sells its share in the Project in the future (and not less than half of its holdings in the Project), at a price that values the Project as a completed project at less than NIS 650 million, then the Company will pay the Partner up to an additional NIS 20 million.²⁰⁵

In addition, standard mechanisms were set in the agreements, such as provisions regarding dispute resolution, transfer of rights and separation, as well as mechanisms for providing the parties' funds for the needs of the Project after its construction.

As of this date, the parties have begun planning procedures regarding the Project, for the purpose of obtaining a building permit for the complex, with the Company expecting that the construction period, after obtaining permits, will last up to 4 years.

Except as stated above regarding the Company's entry into the series of agreements with the Partner as described above, all information in this report constitutes forward-looking information (as defined in the Securities Law, 1968), including the submission and receipt of a building permit for the Project and the total utilization of building rights for it, the costs of constructing the Project, the start and completion of the Project's construction, and as a result, the entry into force of the joint venture agreement, the establishment of a sales store and logistics center in the complex, including their areas and the use to be made of them. The aforementioned events and estimates are not under the Company's control and their actual realization may differ materially from what is planned.

Respectfully,

M.YOCHANANOF AND SONS (1988) LTD

Signed by:

- Oz Yosef, CFO
- Hezi Sidon, Head of Legal Department and Company Secretary



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FOOTNOTE:

¹⁰¹ Land totaling approximately 31.5 dunams. For details about the land and all building rights attached to it, see section 7.8.11 of Part A of the Company's 2024 periodic report (reference 2025-01-021840).

¹⁰² In this context, mechanisms were set in the agreement regarding certain payments for which additional provisions will apply and which the Company will participate in their cost – including costs for parceling related to the Plot, partial participation in planning costs, handling the relocation of fixtures on the Plot, dealing with contamination, antiquities, etc., as applicable. Also, for betterment levy, if applicable, for the period prior to signing, will be borne by the Company, as well as payments for extending the lease agreement with the Israel Land Authority, if required, will be fully borne by the Company during the first 3 years from the signing date.

¹⁰³ For the sale of half the Plot to the Partner, the Company expects to incur a land appreciation tax of approximately NIS 2 million.

¹⁰⁴ Approximately 35,000 sqm as mentioned.

²⁰⁵ The amount is derived from the actual sale of the Company's holdings. If the Company sells all its holdings – NIS 20 million will be paid; but if it sells a lower percentage of its holdings, the payment will be reduced proportionally to the percentage of the holding sold out of the Company's total holdings in the Project.