

Azrieli Group Ltd.
(the "Company")

22 June 2025

To
Israel Securities Authority
Via Magna

To
Tel Aviv Stock Exchange Ltd.
Via Magna

Dear Sir/Madam,

Re: **Engagement in a Reverse Triangular Merger Transaction for the Acquisition of Z.M.H Hammerman Ltd.**

Further to the immediate reports of the Company of 3 November 2024 and 31 March 2025¹ regarding a proposal submitted by the Company to Z.M.H Hammerman Ltd. ("**ZMH Hammerman**") to conduct negotiations for engagement in a 'reverse triangular' merger transaction for the acquisition of some of the shares of ZMH Hammerman (the "**Transaction**"), the Company respectfully reports that on 19 June 2025, the Company, a (special-purpose) subsidiary wholly owned by the Company (the "**Target Company**") and ZMH Hammerman entered into a binding merger agreement (the "**Merger Agreement**"), and the Company engaged with the controlling shareholders of ZMH Hammerman² (the "**Managers Group**") in a shareholders' agreement with respect to the parties' holdings in ZMH Hammerman and management thereof after the closing of the Transaction (the "**Shareholders' Agreement**").

The engagement in the Merger Agreement and in the Shareholders' Agreement was approved by the Company's board on 19 June 2025. In addition, the Merger Agreement was signed by ZMH Hammerman on 19 June 2025, after, to the best of the Company's knowledge, receipt of the approval of the audit committee (including in its capacity as a special committee) and approval of the board of ZMH Hammerman. The closing of the Transaction is subject to receipt of the approval of ZMH Hammerman's general meeting, as required by ZMH Hammerman's articles of association³ and

¹ Immediate reports of 3 November 2024 and 31 March 2025 (Ref. 2024-01-613198 and 2025-01-023164, respectively), which are incorporated herein by reference.

² According to ZMH Hammerman's reports, the Managers Group holds ~43.3% of the issued and paid-up share capital of ZMH Hammerman, and includes:

- (a) The Ben-Avraham Group – Ruth Ben-Avraham, Ran Ben-Avraham, Shlomo Sharon, Anat Sharon, in person and through a company owned by them, and Battalion Entrepreneurship and Organizational Consulting Ltd.; and
- (b) The Feiglin Group – Haim Feiglin, in person and through a company wholly owned by him, Matia Grinholtz, Tamar Baram and Rovgil Adi Ltd. (a private company held by Mr. Haim Feiglin (50.05%) and Messrs. Yuval Feiglin, Roi Feiglin and Adi Feiglin).

³ To the best of the Company's knowledge, according to ZMH Hammerman's articles of association, a resolution regarding approval of the merger is subject to a majority of at least 75% of the votes of ZMH Hammerman's shareholders who are present at the meeting and vote on the resolution.

pursuant to the provisions of Section 275 of the Companies Law, 5759-1999 (the "**Companies Law**"), and other closing conditions, as specified below.

Main principles of the Merger Agreement:

- (a) The transaction: On the Closing Date (as defined below), the Target Company shall merge with and into ZMH Hammerman (the surviving company, as defined in the Companies Law), and ZMH Hammerman shall become a private company (that is a bond company, within the meaning thereof in the Companies Law) and shall remain a reporting corporation, within the meaning thereof in the Securities Law, 5728-1968, and the Company shall acquire and hold ordinary shares of par value NIS 0.01 each of ZMH Hammerman ("**Ordinary Shares**") in a quantity that shall constitute ~66.67% of its issued share capital (the "**Acquired Shares**"), out of which shares constituting ~10% of ZMH Hammerman's share capital shall be sold by the Managers Group. The remaining Ordinary Shares, constituting ~33.33% of the issued share capital of ZMH Hammerman, shall continue to be held by the Managers Group (the "**Remaining Managers' Shares**").
- (b) The Merger Consideration: On the Closing Date, and in consideration for the acquisition of the Acquired Shares, the Company shall pay the holders of the Acquired Shares, as being on the record date (the "**Record Date**"), the sum of approx. NIS 41.90 per Acquired Share and the sum total of approx. NIS 559,378 thousand for all of the Acquired Shares (the "**Merger Consideration**"). The Merger Consideration was determined according to a ZMH Hammerman valuation of NIS 855 million, net of deductions and adjustments in the sum of approx. NIS 15.9 million, all in accordance with and subject to the provisions of the Merger Agreement. In addition, any amount that is distributed by ZMH Hammerman as a dividend from the date of signing of the agreement until the Closing Date (as defined below), shall be deducted from the Merger Consideration. The Company intends to finance the Merger Consideration from its own resources.
- (c) Transaction closing date: The Transaction shall be closed on the third business day after the Record Date (the "**Closing Date**").
- (d) Transaction closing conditions: The closing of the merger is subject to fulfillment of standard closing conditions as specified in the Merger Agreement, including:
 - (a) approval by the meeting of ZMH Hammerman's shareholders of the merger by a super majority, pursuant to the provisions of Section 275 of the Companies Law, due to the personal interest in the Transaction of members of the Managers Group who are ZMH Hammerman's controlling shareholders;
 - (b) receipt of the regulatory approvals required by law for the merger, including approval by the Competition Commissioner (the "**Commissioner**") of the merger and receipt of a certificate of merger from the Registrar of Companies;
 - (c) approval of the holders of the bonds of ZMH Hammerman;
 - (d) receipt of approvals of certain third parties (as specified in the Merger Agreement);
 - (e) the veracity of the parties' representations as of the Closing Date and subject to the exceptions set

forth in the Merger Agreement; (f) on the Closing Date, there shall be no legal impediment to fulfillment of the Transaction, including no valid judicial order preventing the closing of the Transaction according to the terms and conditions thereof; and (g) there is no material adverse change (as defined in the Merger Agreement) in relation to ZMH Hammerman.

- (e) More Favorable Acquisition Offer: The Merger Agreement includes an arrangement whereby, in any case where ZMH Hammerman receives a binding offer for a transaction (other than at its initiative) for the acquisition of at least all of the public holdings in ZMH Hammerman, and in respect of which ZMH Hammerman's relevant organs determine that – considering all its terms and conditions – it is more favorable to ZMH Hammerman and its public shareholders than the Transaction ("**More Favorable Acquisition Offer**"), ZMH Hammerman shall be entitled to terminate the Merger Agreement (subject to a mechanism set forth in the Merger Agreement), with payment of a breakup fee to the Company, as determined in the Merger Agreement.
- (f) Termination of the agreement: The Merger Agreement includes provisions regarding the conditions for termination of the Merger Agreement, *inter alia* in the following cases: (1) by ZMH Hammerman – if a More Favorable Acquisition Offer is received and ZMH Hammerman decides to terminate the agreement as aforesaid; or (2) by Azrieli – within 7 days from 15 October 2025 in the event of non-fulfillment of some of the closing conditions (as set forth in the Merger Agreement) by such date; or (3) by either one of the parties if not all of the closing conditions are fulfilled by 25 December 2025.
- (g) Other standard arrangements: The Merger Agreement includes other arrangements that are standard for transactions of this type, including standard representations and warranties of the parties; the parties' actions after the signing of the Merger Agreement, including the summoning of a meeting of ZMH Hammerman's shareholders for approval of the Transaction as a transaction in which controlling shareholders of ZMH Hammerman have a personal interest, applications to the Commissioner, to third parties whose approval is required as aforesaid, to the trustee for receipt of the approval of the bondholders for the Transaction, etc.; standard restrictions that shall apply to ZMH Hammerman during the interim period from the date of signing of the Merger Agreement until the Closing Date or the date of termination of the agreement (whichever is earlier); ZMH Hammerman's undertaking to continue maintaining D&O insurance and the continued applicability of letters of indemnity and exemption after the closing of the Transaction (including run-off insurance); and the granting of letters of waiver by the Company to members of the special committee (both incumbent and as being after the signing of the agreement) and directors whose term of office ends on the Closing Date.

By the Closing Date, the Company intends to purchase R&W insurance which shall indemnify it in the event of certain breaches of representations made in the Merger Agreement by ZMH Hammerman.

Main principles of the Shareholders' Agreement:

Concurrently with the engagement in the Merger Agreement, and as part of the Transaction, the Company engaged with the Managers Group in a shareholders' agreement which regulates, *inter alia*, the relationship between them with regards to their holdings in ZMH Hammerman and management thereof after the closing of the Transaction, the main principles of which are:

- (a) The Managers Group's undertaking to vote in favor of the Transaction: The Managers Group undertook that it will vote in favor of the Transaction at the meeting of ZMH Hammerman's shareholders.
- (b) Restrictions on the transfer of shares of ZMH Hammerman: The Shareholders' Agreement prescribes standard restrictions on the transfer of shares of ZMH Hammerman by any of the parties thereto, including a no sale clause for a limited period of time after the closing of the Transaction; a right of first offer in any transfer of shares by either of the parties; a tag-along right for members of the Managers Group in a sale of shares by Azrieli; a bring-along right in the event of the sale of 100% of ZMH Hammerman; and a pre-emptive right in the event of the allotment of new shares of ZMH Hammerman.
- (c) Composition of ZMH Hammerman's board of directors: The Company shall be entitled to appoint up to 6 directors on its behalf to the board of directors. The Managers Group shall be entitled to appoint up to two directors on its behalf to the board of directors, subject to a minimum holdings threshold determined in the Shareholders' Agreement. As required by law, outside directors shall hold office on ZMH Hammerman's board of directors.
- (d) Management of ZMH Hammerman and definition of business: The Shareholders' Agreement determines the Transaction's arrangements for a minimum period after the closing of the Transaction, in relation to the incumbent CEO and Chairman of the Board of ZMH Hammerman, under the same terms of office as their current terms of office. The Merger Agreement also prescribed a definition of business arrangement, whereby the parties undertook that ZMH Hammerman shall be the sole framework for their work in the business segment, subject to certain exclusions as set forth in the Shareholders' Agreement.
- (e) Call option and put option: The Shareholders' Agreement includes the granting of a call option by the Managers Group to the Company (the "**Company's Option**"), according to which the Company will be entitled to require the members of the Managers Group to sell thereto shares of ZMH Hammerman that are held by them (the "**Option Shares**"), and the granting of a put option by the Company to the Managers Group (the "**Managers' Option**"), according to which the Managers Group will be entitled to require the Company to purchase the Option Shares therefrom. As a rule, the consideration for the Option Shares shall be determined by an independent valuator to be appointed by the parties, and subject to an adjustment-coefficient mechanism, as determined in the Shareholders' Agreement.

- (f) Financing: The Company undertook to provide ZMH Hammerman with the financing it shall require for its operations, including financing of certain projects and activity of ZMH Hammerman, according to the terms and conditions determined in the Shareholders' Agreement. The Shareholders' Agreement also determines that the members of the Managers Group will not be required to provide financing for ZMH Hammerman's operations.
- (g) Validity of the agreement: The Shareholders' Agreement shall take effect on the transaction closing date, and shall remain in effect vis-à-vis each one of the parties thereto so long as it is a shareholder of ZMH Hammerman.
- (h) Other standard arrangements: The Shareholders' Agreement includes other arrangements that are standard for agreements of this type, including standard representations and warranties of the parties; certain matters that are subject to approvals by a super majority; adoption of a dividend distribution policy; reports and information rights, etc.

For a description of ZMH Hammerman, including a description of its operations, the business environment in which it operates and financial data, see ZMH Hammerman's 2024 periodic report, as released on 31 March 2025 (Ref. 2025-01-023165) and ZMH Hammerman's quarterly report as of 31 March 2025, as released on 29 May 2025 (Ref. 2025-01-039111), which are incorporated herein by reference.

The Company's plans with respect to ZMH Hammerman

ZMH Hammerman is being acquired as part of the Company's growth strategy, in the context of which the Company wishes to expand into the field of residential real estate for sale in Israel.

The Company intends, through its experienced management, and the professional knowledge, extensive activity and business ties of ZMH Hammerman, to enter this business segment. The Company also aims to work in the future to expand ZMH Hammerman's current operations.

The information included in this report regarding the closing of the Transaction, fulfillment of the closing conditions, sources for financing the Merger Consideration and the Company's plans with regards to ZMH Hammerman, constitute forward-looking information, as defined in the Securities Law, 5728-1968, which there is no certainty will materialize or may materialize in a manner that materially differs from the aforesaid. The said information is primarily based on the Company's plans and its estimates and assumptions, which are uncertain. The information presented above may not materialize due to factors beyond the Company's control, and *inter alia*, non-receipt of regulatory approvals and/or consents from third parties for the Transaction, or non-fulfillment of any of the Transaction's other closing conditions and/or non-closing of the Transaction for any other reason and/or the materialization of any of the risk factors specified in Section 29 of Part A of the Company's 2024 periodic report, which was released on 20 March 2025 (Ref. 2025-01-018529), which is incorporated herein by reference.

Sincerely,
Azrieli Group Ltd.

Signed by: Adv. Nirit Zeevi, VP, General Counsel and Corporate Secretary.