

Shufersal Ltd. (the “Company”)

Shelf Offering Report

In accordance with the Company’s Shelf Prospectus dated December 31, 2018¹ (the “**Shelf Prospectus**”), and under the provisions of the Securities (Shelf Offering of Securities) Regulations, 5766-2005 (the “**Shelf Offering Regulations**”), the Company hereby respectfully publishes a shelf offering report for the issue and listing on the Tel Aviv Stock Exchange Ltd. (“TASE”) of the securities set forth below (the “**Shelf Offering Report**” or “**Offering Report**” or “**Report**”):

Terms in this Shelf Offering Report shall have the meaning prescribed to them in the Shelf Prospectus, unless set forth otherwise.

The securities offered under this Shelf Offering Report are offered by way of non-uniform offering to Institutional Investors (as defined in the Securities (Method of Offering Securities to the Public) Regulations, 5767-2007 (the “**Offerees**” or “**Institutional Offerees**” and “**Offering Method Regulations**” respectively)), including institutional offerees incorporated outside Israel as set forth hereunder (in this Report: the “**Foreign Institutional Offerees**”) (the “**Offer**”), all in accordance with Regulation 11(a)(1) of the Offering Method Regulations and as set forth below. The Offer under this Report is partially underwritten by Epsilon Underwriting & Issuing Ltd. (the “**Lead Underwriter**” or “**Underwriter**”), as set forth below in Section 8 of this Report.

The Shelf Prospectus and this Shelf Offering Report have not been submitted to the U.S. Securities and Exchange Commission. Subject to the following, the securities offered to the Institutional Offerees under the Shelf Prospectus and this Shelf Offering Report were not and shall not be registered under the U.S. Securities Act of 1933, as amended from time to time (“Securities Act”), or under any state law in the U.S., and the owners of the securities offered under the Shelf Prospectus and this Shelf Offering Report are prohibited from offering, selling, pledging and/or transferring them in any way in the U.S. (subject to trading them on TASE, as set forth below) or to a person that is a U.S. Person (as defined in Regulation S of the Securities Act), or on its behalf, unless they are registered under the Securities Act, or if there is a registration exemption under the Securities Act, and according to U.S. state law. It is clarified that the Company does not undertake to list the securities offered under this Shelf Offering Report for trading in the U.S. according to the Securities Act.

¹ As published on December 30, 2018 (reference number: 2018-01-120283) and with respect thereto on December 28, 2020 permission was granted for the extending of its validity until December 30, 2021.

The Offer to the Foreign Institutional Offerees shall only be made to Offerees who are “Qualified Investor” (as defined hereunder), who participates in an offer outside of Israel and outside of the U.S. according to Regulation S of the Securities Act.

“Qualified Investor” is an investor listed in sub-clause (I) under “CATEGORIES OF CLIENT WHO ARE CONSIDERED TO BE PROFESSIONALS” included in Annex II of Directive 2014/65/EU.

In addition, the Offer to the Foreign Institutional Offerees is limited also to said Offerees complying with one of the conditions set forth below, and any Foreign Institutional Offeree that purchases the securities offered in an issue outside Israel shall be deemed to have declared, when purchasing the securities offered in the issue, that it meets one of the following conditions: (1) The investor is an entity with equity exceeding ILS 50 million or an equivalent amount in a different currency, on the basis of its latest financial statements; or (2) the investor, together with any entity controlling it, under its control, or under the same control as it, which cumulatively (a) manages assets of a total amount exceeding ILS 100 million or an equivalent amount in a different currency, provided that the offered securities that were purchased in the Offer shall be purchased for the assets that it manages; and/or (b) an owner and investor on a discretionary basis of securities of issuers that are not affiliated therewith, in a cumulative amount exceeding ILS 100 million or an equivalent amount in a different currency.

Foreign Institutional Offerees, shall be deemed to have declared that they meet the following conditions: (1) They are not purchasing the offered securities for a person located in the U.S. or they did not engage in any agreement for transferring the offered securities or any other economic right thereto to any person in the U.S.; (2) they are not in the U.S. when submitting the request to purchase the offered securities and they shall not be in the U.S. when purchasing them.

Foreign Institutional Offerees who purchase the securities offered under the Shelf Offering Report, shall be deemed to have declared that they meet all the above conditions.

According to the foregoing, the Company shall be entitled to offer the Foreign Institutional Offerees the securities offered under the Shelf Offering Report, to list them for trading on TASE, and the offerees under this Offering Report shall be entitled to trade them on TASE.

The distributors of this Offer shall not offer the offered securities to any person located in the US or to any U.S. Person (As defined under Regulation S to the Securities Act).

A decision to purchase the securities offered under this Offering Report shall only be made based on the information included in this Report (including by way of reference).

1. **The Offered Securities**

1.1 The securities offered under this Report are offered to Institutional Offerees,

by way of a non-uniform offer, as stated in Regulation 11(a)(1) of the Offering Method Regulations, and they are as follows:

27,000,000 ordinary shares of the Company, registered, par value ILS 0.1 (the “**Shares**”, “**Offered Shares**” or “**Offered Securities**”) are offered to the Offerees in 270,000 units (“**Units**”), in a non-uniform offering and at a uniform price of ILS 2,600 per Unit (the “**Unit Price**”), while each Unit includes 100 Shares, and the price per share is ILS 26 (the “**Share Price**”). All Units shall be sold to the Offerees at the Unit Price set forth above without any discount or benefit.

- 1.2 Following their issue the Offered Shares shall be registered in the Company’s shareholder’s registry to the name of Discount Bank Nominee Company Ltd. (the “**Nominee Company**”), and they shall have rights equal to the rights of the current ordinary shares in the Company’s share capital on the Offering Report date, and they shall entitle their owners to all dividends, bonus shares, or any other distribution (if any), if the record date for receiving such is after their issue date.
- 1.3 For details about the main rights attached to the Company’s ordinary shares, see Chapter 3 of the Shelf Prospectus and the provisions of the Company’s articles of association that are included in this Report by way of reference.

2. **Method of Offering the Securities**

- 2.1 Prior to the publication date of this Report, a Building Book process was conducted with Institutional Offerees in Israel, through the Lead Underwriter, and with Foreign Institutional Offerees through CITIGROUP GLOBAL MARKETS LIMITED (“**Citigroup**” or the “**International Distributor**”). The allocation of the Units between the Offerees in the Offer was determined at the Company’s discretion, upon consulting the Lead Underwriter and the International Distributor
- 2.2 Offering the Offered Securities under the Shelf Offering Report is partially underwritten. For details about the main points of the underwriting agreement (including the fees to be paid under the underwriting agreement), see Section 8 of this Report below.
- 2.3 Assuming the raise of the entire capital offered under this Shelf Offering Report, the Company does not anticipate that within 180 days as of the Shelf Offering Report Date, it will carry out another public issuance of shares
- 2.4 **The allocation of the Units to the Offerees; special account; payment of the issue consideration**
 - 2.4.1 The allocation of the Offered Securities under the Offering Report shall be made by sending certificates for the securities allocated to the Nominee Company. All the Offered Securities shall be registered

in the Company's securities register to the name of the Nominee Company.

- 2.4.2 The Issuance Coordinator shall open a special income generating trust account at a banking corporation for the Company (the "**Special Account**"), and it shall deliver all or part of the details of the Special Account to the Offerees whose order was accepted. The Special Account shall be used for the funds to be received by the parties ordering the Offered Securities.
- 2.4.3 The Special Account shall be exclusively managed by the issue coordinator on behalf of the Company, according to the provisions of Section 28 of the Securities Law, 5728-1968 ("**Securities Law**"). The funds to be paid for the orders that were accepted by the Company shall be deposited in the Special Account, in full or in part. Funds to be accumulated in the Special Account shall be invested by the issue coordinator until their delivery to the Company as set forth in this Report, in unlinked cash deposits, bearing interest on a daily basis, insofar as possible.
- 2.4.4 The Offerees whose offer shall be accepted (in full or in part) shall transfer to Poalim I.B.I - Underwriting & Issuing Ltd. (the "**Issue Coordinator**") the issue proceeds, no later than three trading days after the publication date of the Offer results report the funds of the Foreign Institutional Offerees whose subscription was accepted (fully or partially) shall be transferred to the Trust Account by the International Distributor (less the distribution commission to which he is entitled therefor)
- 2.4.5 At the end of the term set forth in Section 2.4.4 hereinabove, the Issuance Coordinator shall notify the Company he has received the full issuance proceeds, and the Company shall allocate the securities for which the Issuance Coordinator received the proceeds as foregoing, and it shall concurrently publish a report on changes to the Company's issued and outstanding share capital.
- 2.4.6 The Securities allocated by the Company as aforesaid with respect to the subscriptions of Institutional Offerees who are not Foreign Institutional Offerees, accepted fully (or partially, as applicable) shall be credited by the the Issuance Coordinator, and the securities allocated by the Company as aforesaid with respect to the subscriptions of Foreign Institutional Offerees accepted fully (or partially, as applicable) shall be credited by a Stock Exchange member on behalf of the the International Distributor, who shall be responsible for their transference to the Foreign Institutional Offerees.

The Issue Coordinator shall transfer to the Company the issue proceeds with any accrued income and less the full fee amounts as set forth in Section 8.3 below, within one trading day from the date it received such, and after the Offered Securities allocated by the Company for the Offerees in such Offer were credited in its account and in the account of the Stock Exchange member on behalf of the International Distributor (as applicable) for the purpose of transferring them to the Offerees whose subscriptions were accepted.

2.4.7 If for any reason whatsoever the securities shall not be listed for trade, the Issue Coordinator shall refund the consideration for the Units paid by the ordering parties, if any, plus income accrued thereon, if any, and less tax according to law, if applicable.

Until the Company’s final acceptance notices are received by the Offerees in the Offer, the Company shall be entitled to terminate the offering of the shares under the Offering Report. In such event, all of the orders made in connection with such terminated Offer shall be deemed void. In case of terminating the Offer, no securities shall be issued thereunder, they shall not be listed for trade on TASE, and no funds shall be collected from the investors in connection with those Units.

3. **Details About the Company’s Issued and Outstanding Share Capital**

- 3.1 The Company’s share capital consists of ordinary shares par value ILS 0.1 each.
- 3.2 For information with respect to the holdings of the interested parties in the Company’s securities prior to the issue under this Offering Report, see the Company’s immediate report dated January 7, 2021 (Reference Number: 2021-01-003256).
- 3.3 Below are the details about the registered share capital, the issued share capital, and the outstanding share capital of the Company, as of a date close to the report date and after completion of the issue:

	Registered share capital (ordinary shares)	Issued and outstanding share capital less dormant shares owned by the Company (“Issued	Fully diluted Issued and Outstanding Share Capital ² (ordinary shares)	The share capital issued to the Offerees under the Offering Report
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² In this regard, “fully diluted” - means - assuming that all of the Company’s securities that can be exercised into Company shares shall be exercised (meaning, unregistered options and performance share units (PSU) that were allocated by the Company to the officers and that are valid as of the Report date and which have yet to be exercised into shares). The assumption regarding full realization of such options is purely theoretical, since in practice the Offerees who shall exercise the unregistered options shall not be allocated all the shares arising therefrom, but rather only an amount of shares reflecting the amount of financial benefit inherent in the options (**net realization**).

		and Outstanding Share Capital") (ordinary shares)		
Before the issue		238,233,976	243,100,704	-
Immediately after the issue assuming the issue of the full amount of shares offered under the Offering Report	400,000,000	265,233,976	270,100,704	27,000,000

3.4 Immediately after the issue, the Offered Shares shall constitute approximately 10.18% of the voting rights and of the Company's Issued and Outstanding Share Capital after the issue (approximately 10% fully diluted³).

3.5 For the purpose of completing the picture, it shall be stated that on February 4, 2021 the Company's Board of Directors, having received the approval of the Remuneration Committee, allocated 413,753 options for Company Shares and 28,279 PSU to the Company's Chairman of the Board of Directors, as well as allocated 250,000 options for Company Shares and 22,454 RSU to the Company's Deputy- CEO and Manager of the Trade and Marketing Division who shall commence his term in office on April 2021. The *de facto* allocation to the Chairman of the Board of Directors required the approval of the General Meeting, which has yet to be received as of the date of this Shelf Offering Report, and the allocation to the Deputy-CEO is subject to him commencing work at the Company. For further information, see the Company's Immediate Report dated February 4, 2021 (Reference Number: 2021-01-014979). The information included in table 3.3 hereinabove does not include the aforementioned options, PSU and RSU.

3.6 The Offered Shares shall be registered in the shareholders registry to the name of the Nominee Company.

4. Details About the Company's Share Price on TASE

Below are details about the highest and lowest (adjusted) closing price of the Company's shares on TASE in 2019 and 2020, and in 2021 until immediately before the publication date of the Offering Report (in Agorot):⁴

	2019	2020	In the period starting January 1, 2021, until immediately before the

³ In this regard, "fully diluted" - means - assuming full exercise of the Company's securities that can be exercised into Company shares as stated in footnote 2.

⁴ The data is taken from TASE's website. It is noted that insofar as there is an identical high or low closing price on additional dates during the relevant period, one of the dates is randomly chosen.

					publication date of the Offering Report ⁵	
	Price	Date	Price	Date	Price	Date
High price	2710.86	8-Aug-2019	2758	17-Sep-2020	2790	02/02/2021
Low price	2130.94	23-Dec-2019	1877.35	5-Apr-2020	2480	17/01/2021

5. Taxation

As customary when making decisions pertaining to investing funds, the tax implications in connection with investments in the Offered Securities in this Offering Report must be considered. The provisions included in this Offering Report regarding the taxation of its Offered Securities do not purport to constitute a competent interpretation of the provisions of law mentioned in this Offering Report, and do not replace professional consultation, according to the special data and the unique circumstances of each investor.

According to current law, the tax arrangements briefly described below apply to the publicly Offered Securities under this Offering Report:

5.1 Capital gains from selling the Offered Securities

According to Section 91 of the Income Tax Ordinance [New Version], 5721-1961 (the “**Ordinance**”), real capital gains from the sale of securities by an individual who is a resident of Israel is liable for tax according to the individual’s marginal tax rate under Section 121 of the Ordinance, but at a rate not exceeding twenty-five percent (25%), and the capital gains shall be deemed the highest level on its taxable income ladder. This, except with respect to the sale of securities by an individual who is a “material shareholder” of the company - meaning, who directly or indirectly, alone or together with others,⁶ holds at least ten percent (10%) of one or more of the company’s means of control⁷ - on the date the securities are sold or on any date in the 12 months preceding such sale, for which the tax rate applicable to its real capital gains shall be at a rate not exceeding thirty percent (30%). Notwithstanding the above, with respect to an individual who claimed real interest expenses and linkage differentials for the securities, capital gains from selling the securities shall be taxed at a rate of thirty percent (30%), until provisions and conditions are determined for deducting real interest expenses under Sections 101A(a)(9) or 101A (b) of the Ordinance. Such reduced tax rate shall not apply to an individual whose income from selling the securities is considered income from a “business”, according to the provisions of Section 2(1) of the Ordinance.

⁵ Until March 5 2021.

⁶ As such term is defined in Section 88 of the Ordinance.

⁷ As such term is defined in Section 88 of the Ordinance.

A body corporate shall be liable for tax on real capital gains from selling securities at the corporate tax rate (23% at the issuance date).

An exempt trust fund and provident funds and entities that are exempt from tax under Section 9(2) of the Ordinance, are exempt from tax on capital gains for the sale of such securities. The income of a taxable trust fund from sale of securities shall be subject to the tax rate applicable to the income of an individual whose income does not constitute income from a “business” or “occupation”, unless it was explicitly set forth otherwise. If no special tax rate was determined for income, the income shall be taxed at the maximum rate set forth in Section 121 of the Ordinance.

Losses during the tax year, originating from selling the Offered Securities during the tax year, which would have been liable for tax had they been capital gains, shall be offset against capital gains and land betterment including profit from selling a security, whether traded or not traded, Israeli or foreign, and against dividends paid for such Offered Security or for interest and dividends paid due to other securities (provided the tax rate applying to such interest or dividends does not exceed the corporate tax rate with respect to a company and does not exceed the tax rate set forth in Sections 125B(1) of the Ordinance and 125C(b) of the Ordinance with respect to an individual (a tax rate of 25%), in the same tax year. The losses shall be offset by way of offsetting the capital loss against capital gains or against interest or dividends income.

According to the Income Tax (Withholding from Consideration, Payments, or Capital Gains when Selling a Security, when Selling a Unit in a Trust Fund, or in a Future Transaction) Regulations, 5763-2002 (“**Capital Gains Withholding Regulations**”), when calculating the capital gains for purpose of withholding tax from the sale of traded securities, units of trust funds, and future transactions (“**Negotiable Securities**”), the party owing withholding shall offset the capital loss created from the sale of the Negotiable Securities that were under its management, provided the profit is created in the same tax year when the loss was created, whether before the loss was created or after such date.

When a body corporate sells a share, dividends received for the share during the 24 months preceding the sale shall be deducted from the capital loss created from selling the share, except for dividends for which tax was paid (except for tax paid outside Israel) at a rate of fifteen percent (15%) or more, but no more than the loss amount.

With respect to withholding tax at source on real capital gains from selling the Offered Securities, according to the Capital Gains Withholding Regulations, a taxpayer (as such term is defined in such regulations) who pays the seller consideration for selling the securities, shall withhold tax at a rate of twenty-five percent (25%) from the real capital gains when the seller is an individual,

and at the corporate tax rate (23% at the issuance date) from the real capital gains when the seller is a body corporate. This is subject to tax withholding exemption (or reduced rate) approvals, and subject to offsetting losses that the tax withholder is entitled to perform. In addition, no tax shall be withheld for provident funds, trust funds, and additional entities that are exempt from withholding tax under law. If the full tax amount was not withheld from the real capital gains on the date of sale, the provisions of Section 91(d) of the Ordinance shall apply, as well as the provisions thereunder regarding reporting and advance payment by the seller for such sale.

Insofar as the Offered Securities under this Offering Report shall be delisted from TASE, the rate of withholding tax at source when selling them (after being delisted) shall be thirty percent (30%) of the proceeds, so long as no approval from the assessing officer has been provided for a different rate of withholding tax (including an exemption from withholding tax).

The provisions of the Capital Gains Withholding Regulations shall not apply to a taxpayer that is a financial institution paying consideration or other payment for exempt capital gains to a seller who is a foreign resident, if the foreign resident submitted a declaration to the financial institution on Form 2402 with respect to being a foreign resident and its entitlement to an exemption within 14 days from the day the account was opened, and once every three years, by itself or through counsel on its behalf.

In general, a foreign resident (individual or company) is exempt from tax on capital gains when selling securities that are traded on TASE, if the capital gains are not at its permanent establishment in Israel. The foregoing shall not apply with respect to a foreign resident company that is held by an Israeli resident, according to that set forth in Section 68A of the Ordinance. In the event such exemption does not apply, the provisions of the tax treaty (if any) between Israel and the foreign resident's country of residence shall apply. In addition, no tax shall be withheld at source by a banking corporation or TASE member for a foreign resident upon the fulfillment of certain conditions.

5.2 The tax rate that applies to income from dividends for the Company's shares

Dividends originating in the Company's shares, shall generally be liable for tax in the hands of Israeli resident individuals - at a rate of twenty-five percent (25%), except with respect to an individual who is a material shareholder of the Company on the date dividends are received or on any date during the proceeding 12 months, for which the tax rate shall be thirty percent (30%). Dividends for Israeli resident companies are generally exempt from income tax (provided the dividends do not originate from income deriving from or accruing outside Israel, and the dividends do not originate from outside of Israel, in which case the tax rate shall be corporate tax). However, when dividends originate from outside of Israel or its originating from income from outside of Israel, the tax rate shall be the corporate tax for a foreign resident

(individual or company) that is not a material shareholder - at a rate of twenty-five percent (25%), subject to the tax treaties the State of Israel is a party to, with respect to a foreign resident who is a material shareholder of the Company on the date the dividends are received or on any date during the proceeding 12 months, thirty percent (30%), subject to the tax treaties the State of Israel is a party to; and for taxable trust funds - according to the tax rates that apply to an individual. An exempt trust fund and a provident fund and other entities that are exempt from tax according to Section 9(2) of the Ordinance, shall be exempt from tax for such dividends provided such income does not constitute income from a “business” or “occupation”.

According to the provisions of the Ordinance, when a company distributes dividends originating in revaluation profits, in general, capital gains tax may apply at the level of the company distributing dividends for conceptual realization of the revaluation amount distributed as dividends.

According to the Income Tax (Deduction from Interest, Dividends, and Certain Profits) Regulations, 5766-2005 (the “**Deduction Regulations**”), the rate of tax to be withheld⁸ on dividends to an individual and to a foreign resident for Company shares, including when distributing to such shareholder who is a material shareholder of the Company⁹ and whose shares are registered with and held by the Nominee Company, shall be at a rate of 25%. With respect to an individual or foreign resident who is a material shareholder and whose shares are not registered with and are not held by the Nominee Company, tax shall be withheld at source for such dividends income at a rate of 30%. With respect to a foreign resident, the rate of withholding tax shall be subject to the provisions of a treaty for preventing double taxation executed between the Company’s country of residence and its country of residence. In addition, insofar as with respect to the dividends a tax rate was set forth that is limited by law, tax shall be withheld according to the rate that was set forth, even if the shareholder is a body corporate that is an Israeli resident. According to these regulations, if dividend were paid to an Israeli resident individual, for whom a limited tax rate was set forth by applicable law, tax shall be withheld according to the rate that was set forth.

5.3 Tax on high income

According to Section 121B of the Ordinance, an individual whose taxable income in the tax year 2021 exceeds ILS 647,640 (an amount that is adjusted annually), shall be liable for tax on the part of its taxable income that exceeds such amount, at an additional rate of 3%. The provisions of this section apply

⁸ Starting from January 1, 2013, the tax withholding from the dividend paid by the group of individuals that is an Israeli resident, whose shares are listed for trade on TASE, due to shares held by the Nominee Company, shall be through a financial entity.

⁹ On the date the dividend is received or on any date in the twelve months preceding the payment.

inter alia to capital gains from securities, except to the inflationary capital gains component, and to income from dividends and interest.

The above description is only general and does not constitute a substitute for individual expert consultation, considering the unique circumstances of each investor. It is recommended for every person seeking to purchase securities under this Offering Report to turn to professional consultation in order to clarify the tax implications that shall apply to it while considering the unique circumstances of the investor and of the offered security.

6. **Avoiding Arrangements**

6.1 The Company and the directors, with their signature on the Shelf Offering Report, undertake to avoid making arrangements that are not set forth in the Shelf Prospectus or in the Shelf Offering Report in connection with the Offering of the securities to be offered in the Shelf Offering Report, their public distribution and dispersion, and undertake to avoid granting a right to the buyers of the securities to be offered under the Shelf Offering Report to sell the purchased securities beyond what is set forth in the Shelf Prospectus or in the Shelf Offering Report.

6.2 The Company and the directors - with their signature on the Shelf Offering Report, undertake to inform the Israel Securities Authority of any arrangement known to them with any third party in connection with the registration and offering of the securities that shall be offered under the Shelf Offering Report, their public distribution and dispersion, which contradicts such undertaking in Section 6.1 above.

6.3 The Company and the directors - with their signature on the Shelf Offering Report, undertake to avoid engaging with any third party, in connection with the registration and offering of the securities to be offered under the Shelf Offering Report, their distribution, and their public circulation, who to the best of their knowledge made arrangements contrary to that set forth in Section 6.3above.

7. **Avoiding Capital Dilution**

In the period starting on the publication date of the Shelf Offering Report and until the allocation of the Offered Securities thereunder, the Company shall not take any action that involves capital dilution within the meaning set forth in the Prospect Details Regulations.

8. **Underwriting**

The issuance of the shares under this Offering Report is secured by an underwriting commitment. On March 7, 2021, the Company, of the first part, and the Underwriter, of the second part, engaged under an underwriting agreement in connection with offering the Offered Shares (the “**Underwriting Agreement**”).

The key terms of the Underwriting Agreement are as follows:

8.1 The undertakings of the Underwriter

8.1.1 within the framework of the Underwriting Agreement, the Underwriter undertook to purchase, from the Company, 67,500 Units from the Units offered under the Offering Report (the “**Secured Units**”), with respect to which the Company shall announce that the Company was not paid the full price for any reason whatsoever on the date set forth for such in the Offering Report. When calculating the number of Units that the Underwriter shall be required to purchase out of the Secured Units, firstly, the number of Units for which subscriptions were received by subscribing parties, whose consideration was received by the Issuance Coordinator and/or the Company (namely, to the extent the Company shall be paid by the Institutional Offerees and/or the Foreign Institutional Offerees the full price of 67,500 units out of the units offered or a greater price, the underwriter shall not be obliged to purchase the secured units pursuant to the provisions of the underwriting agreement) should be deducted. Such undertaking is subject to that set forth in Section 8.1.2 below.

8.1.2 The Underwriter’s obligation in this respect is subject to the fulfillment of the conditions for listing the Offered Securities. Purchasing the secured securities, if and insofar as this shall be required as foregoing, shall be according to the Unit Price, less taxes and levies, if any.

8.1.3 The Underwriter has undertaken that any sale to be made through it or through a distributor with whom it has engaged for purpose of marketing the Offered Securities in the Offering Report, shall be made at a uniform price - the Unit Price set forth in the Shelf Offering Report, and that under any circumstances it may not directly or indirectly pay any buyer of the securities any fee and/or grant any discount on the price to be paid by any buyer of Units for Units that it purchased and/or grant it any benefit whatsoever compared to the Unit Price set forth in the Shelf Offering Report, all except for the distribution fee to the distributor, according to law.

8.2 Realizing the underwriting obligation

In the event it shall be necessary to realize its underwriting undertaking and purchase Units from the Secured Units, the Underwriter shall pay the Company through the issue coordinator, and according to the terms of the Offering Report, the consideration for those securities that it must purchase as stated in the Underwriting Agreement, no later than 17:00 on the first trading day after the last date determined for transferring the consideration of the sale, provided all the conditions for listing on TASE have been fulfilled, as defined in the Offering Report.

8.3 Fees

In consideration for all of the Underwriter's undertakings and services under the Underwriting Agreement, including management, distribution and coordination services, the Company shall pay the amounts set forth below:

8.3.1 Underwriting Management and Distribution fees

A fee as aforesaid, to be paid to the Underwriter and to Citigroup at an overall rate of 1.5% of the overall gross immediate consideration, to be actually received for all the units, including for units to be purchased (if purchased) by the Underwriter due to the realization of his Underwriting undertaking. The fees shall be paid plus VAT, to the extent applicable, pursuant to its legal rate, and shall be divided between the Underwriter and Citigroup (0.825% and 0.675% respectively).

8.3.2 Coordination fees to the Issuance Coordinator

A coordination fee of ILS 32,000 plus VAT, pursuant to its legal rate.

8.3.3 In addition, the Company shall bear the costs of the due diligence conducted by the Lead Underwriter for purpose of performing due diligence.

8.3.4 To entities that are "registered dealers" with respect to the Value Added Tax Law, the Company shall pay the fees and amounts set forth above along with value added tax against tax invoices.

8.3.5 The Company may terminate the issuance at any time until final acceptance notices are provided to the Offerees in the Offer. Should the Company terminate the issue, the Underwriting Agreement shall also terminate, and the Company shall have no obligation to pay any amounts or fees to the Underwriter by virtue thereof, except for the Company's undertaking to bear the due diligence costs as stated in Section 8.3.3 above, which shall remain valid.

8.4 Indemnification

The Company shall indemnify the Underwriter for a financial liability imposed thereon, to the extent imposed, in favor of a person or another entity under a judgment whose execution was not withheld, including a judgment given in a settlement or an arbitrator's judgment approved by the court, due to the Prospectus having a misleading item, as well as for reasonable litigation expenses, including attorney fees, expensed thereby or charged by the court in said proceedings; or a financial liability imposed on the Underwriter in favor of the victims of a violation, as part of an Administrative Enforcement Proceeding and/or for the Underwriters' expenses with respect to the an

Administrative Enforcement Proceeding held in his regard, as well as reasonable litigation expenses, including attorney fees, provided that the Underwriter informed the Company of any application with respect to an Administrative Enforcement Proceeding and/or any claim and/or demand with respect thereof the Company might be charged by force of this Section, and shall allow the Company to defend itself therefrom and shall reasonably collaborate with the Company in said defense; the Underwriter shall not settle any such claim without obtaining prior written consent from the Company.

“Administrative Enforcement Proceeding” – a proceeding pursuant to Chapters H3 (the Imposing of a Financial Sanction by the ISA) and H4 (Imposing Means of Administrative Enforcement by the Administrative Enforcement Committee) to the Securities Law, or to Chapter II to the Securities Law (Arrangement to Refrain from Taking Proceedings or to Cease Proceedings, Contingent upon Conditions) as well as a proceeding pursuant to Part D to the Fourth Chapter of the Ninth Section of the Companies Law, as well as any similar proceeding thereto, whichever name it shall bear, or with respect to a criminal charges criminal charge for which the Underwriter was acquitted, or in a criminal charge for which the Underwriter was convicted for an offense which does not require proof of mens rea; or due to an investigation or proceeding conducted against him by the authority authorized to conduct said investigation or proceeding, which was concluded without the submission of an indictment against the him and without imposing a financial liability in lieu of a criminal proceeding(as defined under the Companies Law – 5759-1999); or if it concluded without the submission of an indictment against him but with the imposing of a financial liability in lieu of a criminal proceeding for an offense which does not require proof of mens rea; or with respect to a financial sanction – due to the Prospectus having a misleading item.

The Company’s undertaking to the foregoing indemnification shall be up to an amount equal to the immediate gross issuance consideration, linked to the increase in the Consumer Price Index applicable as of the index known at the date of the Underwriting agreement and until the index to be knowns at the de facto payment of the indemnification (**“Maximum Indemnification Amount”**).

Notwithstanding the foregoing, no indemnification as aforesaid, shall be paid in an amount exceeding, in aggregate, 25% of the Company’s equity according to its most recent Consolidated Financial Statements (audited or reviewed as, applicable) at the date of the Underwriter’s indemnity demand pursuant to the Underwriting agreement (**“Interim Amount”**) if there be reasonable concern that making a payment which exceeds the Interim Amount shall prevent the Company from meeting its obligations (excluding the Company’s undertakings towards its Controlling Shareholders) both existent and expected when due, upon the date of the Underwriter’s

indemnity demand (“**Condition**”). It is hereby clarified and agreed that as of the time in which the aforementioned reasonable concern ceases to exist, the Underwriter shall be entitled to the completing of his indemnification up to the difference between the Maximum Indemnification Amount and the Interim Amount. It is further clarified that the payment of an indemnification up to the Interim Amount shall not be subject to the Condition, and the Condition shall not derogate from the Underwriter’s rights to relief with respect to the Company according and pursuant to any law, and the Condition shall not apply in the event the Company was issued a liquidation order or was appointed a temporary receiver in a proceeding not initiated by the Underwriter by virtue of the causes under the Underwriting agreement.

The Underwriter shall be entitled to request from the Company, in writing, that it shall handle in his name any negotiation or defense against a claim, proceeding and/or demand and for said purpose, the Underwriter shall grant the Company his full cooperation in a reasonable manner. If the Company does not fulfill the Underwriter’s request within fourteen (14) business days as of the date in which said request was received thereby, the Underwriter shall be entitled, without need of the Company’s consent, to settle with the plaintiff any amount he shall deem appropriate, and the Company shall be obliged to indemnify him for the settlement amount as well as for any reasonable amount expensed thereby during the handling of said claim and with respect thereto; this, provided the Company was granted a fourteen (14) business days’ notice of his intent to settle as aforesaid and the Company did not assume the handling of the proceedings as set forth hereinabove; all, subject to the restriction of the amount as set forth in this Section hereinabove.

The foregoing duty of indemnity towards the Underwriter shall not apply to any amount for which he shall be charged due to the existence of a misleading item in the Prospectus which was founded, or due to a claim whose cause was founded on information provided to the Company by the pricing entity (or whomever on its behalf), for the purpose of using said information in the preparation of the Prospectus. Additionally, indemnification shall not be granted to the Underwriter if it is not proven that the Underwriter believed, bona fide, that the Prospectus does not include a misleading item, or due to an action carried out by the Underwriter intentionally or recklessly.

Upon the Underwriter being delivered of any demand and/or request for payment as aforesaid, the Underwriter undertakes to immediately inform the Company about that.

8.5 Release of the Underwriter from obligations

- 8.5.1 Should it transpire that the Offering Report or Prospectus includes a misleading detail, or in the event the Israel Securities Authority issues instructions to the Company under Section 25(a) and/or Section 25A(b) of the Securities Law, to publish an amendment to the Prospectus or publish an amended prospectus, or if the Company asks (without obtaining the advance consent of the Underwriter) to amend the Prospectus according to Section 25A(a) of the aforementioned law, the Underwriter, by providing notice to the Company within two (2) business days of learning about one of the events listed above as applicable, but no later than the completion date of the sale, may be released from all of its obligations towards the Company under the Underwriting Agreement, if: (1) the misleading detail in the Prospectus as foregoing was not known to the Underwriters at the time the Underwriting Agreement was executed; or (2) if instructions are given or requests submitted due to any issue that was unknown to the Underwriter at the time the Underwriting Agreement was executed, and who would have reasonably not engaged with the Company under the Underwriting Agreement had it been known, or who would have not engaged under this Underwriting Agreement on the same conditions.
- 8.5.2 It is clarified that in case the Israel Securities Authority or the Stock Exchange shall issue instructions to the Company to publish an amendment to the Prospectus or to publish an amended prospectus, due to technical amendments solely, and the amendment does not change, in its essence, the Underwriter's undertakings under the Underwriting Agreement or the commercial conditions of the issue, and the Company shall publish an amended prospectus as required, the Underwriter shall not have the option to be released from its undertakings under the Underwriting Agreement.
- 8.5.3 The Company shall forthwith provide notice to the Underwriter regarding instructions from the Israel Securities Authority for publishing of an amendment to the Prospectus as foregoing, or about the Company's request to publish an amended prospectus as foregoing.
- 8.5.4 Should the Underwriter exercise its aforementioned right and release itself from its undertakings under the Underwriting Agreement as aforesaid, the Underwriting Agreement shall be cancelled and the Company shall not be obliged to pay any amounts or fees to the Underwriter by virtue thereof; this except for the Company's undertaking to bear the expenses of the due diligence examination as set forth in Section 8.3.3 hereinabove, which shall remain in effect, and the the Company shall approach the Israel Securities Authority with a request to amend the Prospectus according to the provisions of

Sec. 25A(a) of the Securities Law, or shall cancel the issuance, all pursuant to its discretion.

If the Underwriter exercised its right as aforesaid and released itself from its obligations under the Underwriting Agreement, the Underwriting Agreement shall be terminated, the Company shall not be obligated to pay any amounts or commissions to the Underwriter by virtue thereof, except for the Company's undertaking to bear the due diligence expenses and the Company shall approach the Israel Securities Authority with a request to amend the Prospectus or terminate the issue, at its discretion. Should the Company choose not to terminate the issue and execute it without the Underwriter's signature on the Prospectus, the Company shall approach the Israel Securities Authority with a request to publish an amended prospectus which would not include the Underwriting Agreement and would not include the Underwriter's signature. If for any reason such amended prospectus shall not be published, the issue shall be terminated.

8.6 Circumstances for terminating the issue

- 8.6.1 Subject to that set forth in the underwriting agreement, it is agreed that the Underwriter shall be entitled, at his sole discretion, to terminate all of the Underwriter's undertakings under the Underwriting Agreement, no later than the date set forth as the final date for the completion of the sale according to the Prospectus, if at its discretion there was an adverse change in the Israeli capital market, or if there is a change in the security, economic, or political situation in Israel or the world, which adversely affects or may adversely affect the Israeli capital market or the Company, as opposed to the situation when the Underwriting Agreement was executed.
- 8.6.2 Should the Underwriter request to terminate all obligations under the Underwriting Agreement, the Company shall approach the Israel Securities Authority with a request to amend the Prospectus or terminate the issue, all at its discretion.
- 8.6.3 Notice of the cancelation of the Underwriter's undertakings and the cancelation of the Underwriting Agreement as aforesaid shall be signed by the Underwriter and deemed delivered to the Company upon its delivery in the Company's registered office or in the office of its attorneys for the purpose of the issuance
- 8.6.4 Should the Company choose not to terminate the issue, it shall approach the Israel Securities Authority with a request to publish an amended prospectus which would not include the Underwriting Agreement and would not include the Underwriter's signature. If for

any reason such amended prospectus shall not be published, the issue shall be terminated.

- 8.6.5 The Company may terminate the issue at any time until final acceptance notices are provided to the Offerees in the Offer. Should the Company terminate the issue, the Underwriting Agreement shall also terminate, and the Company shall have no obligation to pay any amounts or fees to the Underwriter by virtue thereof, except for the Company's undertaking to bear the due diligence costs as stated in Section 8.3.3 above, which shall remain valid.

9. **A Placing Agreement with an International Distributer**

- 9.1 For the purpose of marketing and distributing the Shares to the Foreign Institutional Offerees, the Company engaged on March 7, 2021 in a placing agreement with Citigroup as its International Distributor (in this Section 9 – the “**Distributor**” and the “**Placing Agreement**” respectively) according to which the Shares were offered in various countries throughout the world (except for Israel and the United States) and pursuant to Regulation S.
- 9.2 Pursuant to the Placing Agreement. The Distributor shall make reasonable efforts to offer the Shares to foreign investors outside of Israel and the United States. The distribution shall be only to investor who comply with the requirements set forth in the preamble to this Shelf Offering Report.
- 9.3 The Placing Agreement includes representations provided to the Distributor by the Company, *inter alia*, with respect to the Shares Offering Documents (including the lack of misleading items in the Shelf Offering Report and in the Offering Documents outside of Israel), to the Company's business, the Company's Share Capital, to compliance with legal provisions and other representations.
- 9.4 The Company undertook to indemnify the Distributor and whomever on its behalf for claims and damages deriving from the International Distribution, including those deriving from a misleading item in the Shares Offering Documents as set forth in the Placing Agreement.
- 9.5 The Placing Agreement sets forth that the Distributor shall be entitled to terminate the agreement if, subject to its sole discretion, and having provided explanations to the Company by way of notice, and having consulted with the Company to the extent possible, following the signing of the Placing Agreement and prior to the Company publishing an Immediate Report with respect to the Issuance results: (1) a representation was made in an incorrect, inaccurate or misleading manner in the Distributor's opinion; (2) a breach or alleged breach of each of the undertakings; (3) any change to the Financial Markets in the U.K., in Israel, in the U.S. , in the EU economic regopmn or the occurrence of an act of terrorism or war, currency supervision or changes to the Capital Markets or a catastrophe or other crisis which according to the

Distributor's discretion have a materially adverse impact making the Offer and the manner set forth in the Placing Agreement and in the Offer Documents inapplicable or unfeasible; (4) if there is a cessation or material restriction of trade in the NYSE, TASE or other trade arenas; (5) an overall ceasing of the provision of commercial banking services was declared in Israel, in the U.K., in the U.S. (Federal or New York) or in the EU economic region; (6) an adverse change in Israeli Taxation, which impacts the Company's Shares, the allocation, issuance or transference thereof, has occurred or is expected to occur; (7) an event requiring the publishing of an amendment to the Offering Documents, impacting the Company in a materially adverse manner has occurred.

10. **Permits and Approvals**

10.1 TASE has provided its approval to list the shares that are included in the Units offered to the public under the Shelf Offering Report.

10.2 **Such approval by TASE is not to be deemed approval of the details presented in the Shelf Offering Report or their reliability or completeness and does not constitute an expression of an opinion regarding the Company or the quality of the Offered Securities in the Shelf Offering Report or about the price at which they are being offered.**

10.3 The trading of the Offered Securities under this Offering Report shall commence after it is listed for trading.

11. **Payment of Fees**

According to the provisions of Regulation 4A to the Securities (Application Fee for Permitting the Publication of a Prospectus) Regulations, 5755-1995, the Company shall pay the Israel Securities Authority the additional fee for the Offered Securities under the Shelf Offering Report.

12. **Issue Proceeds**

12.1 The immediate proceeds anticipated to the Company from the issue under the Shelf Offering Report, less expenses related to the issue under the Shelf Offering Report, shall be as follows:¹⁰

The immediate anticipated proceeds (gross) approximately ILS 702,000 thousand

Less underwriting, coordination, and distribution fees¹¹

¹⁰ The expenses shown are without VAT. The Company will add the VAT to the relevant payments.

¹¹ The Pricing Underwriter and Citigroup, shall serve as distributors with respect to the Offered Securities under this Offering Report. For information with respect to commissions and other payments to which they shall be entitled with respect to their services associated with the Issuance, as well as to the Issuance Coordination fee see Sections 8.3.1 and 8.3.3 to the Report.

thousand	approximately	ILS	10,562
Less other expenses (estimated) thousand	approximately	ILS	3,167
Expected proceeds (net) thousand	approximately	ILS	688,271

12.2 The issue proceeds shall be added to the Company's current cash balance, which shall serve the Company *inter alia* for financing its ongoing business activity, making various investments, utilizing business opportunities, and repaying obligations, all - according to the decisions of the Company's board of directors, as they shall be from time to time.

12.3 Until the issue proceeds are used, these funds shall be deposited and invested by the Company as it shall deem fit, and according to the decisions of the Company's investments committee, as they shall be from time to time. As of the Report date, the Company's investment policy in connection with its available cash balances are as follows: [a] Funds designed for the repayment of debentures, current investments and payments in a range of six (6) months shall be invested in bank deposits according to cash flow needs; and [b] funds designed for such purposes in a range of more than six (6) months shall be invested according to an updated investments policy the key points of which are as follows: Up to 15% of the Company's investments portfolio (and no more than ILS 30 million) may be invested in share-oriented channels, as follows - exchange traded funds/tracking funds that track share indices (TA-35 Index, TA-90 Index, and TA-125 Index). It is noted that the policy allows for investment of up to 20% of the share-oriented channel in the investments portfolio of the exchange traded funds in the US and Europe. At least 55% of the investments portfolio shall be invested in government bonds, bank deposits, and short-term loans, and the rest (up to 30% of the portfolio) shall be mainly invested in corporate bonds with a rating of A or more.

The Company may change the investments policy according to the decisions of its competent organs, as they shall be from time to time.

13. **Material Changes and Innovations in the Company's Activity**

For details regarding material changes and innovations that applied to the Company's business starting from the publication date of the Shelf Prospectus and until the publication date of the Offering Report, see the Company's current reports published on the distribution website of the Israel Securities Authority at: <http://www.magna.isa.gov.il> and on the TASE website at: <https://maya.tase.co.il>. Such current reports are included in this Offering Report by way of reference, according to the provisions of Section 4(a) of the Shelf Offering Regulations.

14. **Consent to Inclusion**

A letter of consent by the Company's auditor is attached as **Annex A** to this Shelf Offering Report, which includes its consent whereby its expert opinions and/or review reports on the Company's financial statements shall be included in this Shelf Offering Report by way of reference, all in form of the attached letter of consent and subject thereto.

15. **Attorney Expert Opinion:**

The Company received the following legal opinion:



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March 7, 2021

To
Shufersal Ltd.
30 Binyamin Shmotkin Street
Rishon Lezion

Re: Shufersal Ltd. (the “Company”) - Shelf Offering Report dated March 7, 2021 (the “Shelf Offering Report)

With respect to the Company’s Shelf Prospectus dated December 31, 2018 (the “**Shelf Prospectus**”) and the Shelf Offering Report published thereunder, we hereby provide our opinion as follows:

1. In our opinion, the rights attached to the securities offered under the Shelf Offering Report were accurately described in the Shelf Prospectus and in the Shelf Offering Report.
2. In our opinion, the Company has the power to issue the securities offered under the Shelf Offering Report in the form and subject to the terms set forth in the Shelf Prospectus and in the Shelf Offering Report.
3. In our opinion, the Company’s directors were duly appointed, and their names are included in the Shelf Offering Report.

We hereby agree that this opinion be included in the Shelf Offering Report.

Respectfully,

Doron Segal, Adv.

Shuki Gottlieb, Adv.

Galit Bar Cahana, Adv.

Signatures

The Company

Shufersal Ltd.

The Directors

Yaki Vadmani

Michael Bar Haim

Ayelet Ben Ezer

Gideon Schurr

Eldad Avraham

Ran Gottfried

Michal Kamir

Yoav Chelouche

The Underwriter

Epsilon Underwriting & Issuing Ltd.

Annex A

Letter of Consent from the Company's Auditor