

Report for the period ended June 30, 2026

Chapter A Update to the Description of the Corporation's
Business
to the Periodic report for the year 2025

Chapter B Report of the Board of Directors on the State of the
Corporation's Business for the period
ended June 30, 2026

Chapter C Financial Statements as of June 30, 2026

Chapter D Quarterly report on the effectiveness of internal
control
over financial reporting and disclosure pursuant to
Regulation 38C(a)

Chapter A

Update to the Description of the Corporation's Business to the Periodic report for the year 2025

Chapter A \ Update to the Description of the Corporation's Business to the Periodic report for the year 2025 of AFI Properties Ltd (hereinafter: "the Company")

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the following details regarding material changes or innovations that occurred in the Company's business in any matter that must be described in the Company's Periodic report, which occurred from the date of publication of the Company's Periodic report for 2025 until the date of publication of this quarterly report, are provided below. It is clarified that, as a rule, the description included in this quarterly report includes only information which is, in the Company's opinion, material information; however, in some cases, for the sake of a complete picture, the Company has included a more detailed description than required, which also includes information that in its opinion is not necessarily material information.

The update was prepared on the assumption that the reader has before them the Company's Periodic report for the year 2025 (as published on the "Magna" information system on March 9, 2026 (reference no.: 2026-01-020583) (hereinafter: "**the Periodic report**")).

In any case of contradiction between the provisions of Part A of this quarterly report and the provisions of the Company's business description chapter in the Periodic report, the provisions of this quarterly report shall prevail.

In this quarterly report, terms provided herein shall have the meaning attributed to them in the Periodic report, unless stated otherwise.

Updates to Part Three - Description of the Corporation's Business by Areas of Activity

1. To Section 3.1.2.6(b) of the Description of the Corporation's Business chapter included in the Periodic report - following is information regarding a "very material investment property" of the Group in Israel: Landmark Tel Aviv Project (Building A):

	Data for the year/three months ended on		
(Data according to the Group's share in the property - 50%)	30.06.2026	31.3.2026	31.12.2025
	In thousands of NIS		
Property value (thousands of NIS)	2,093,200	2,037,329	2,019,000
NOI in the period (thousands of NIS)	28,426	28,300	105,492
Valuation gains (losses) in the period (thousands of NIS)	34,737	-	226,819
Average occupancy rate in the period (%)	100%	100%	100%
Actual yield rate (%) in annual terms	5.4%	5.6%	5.2%
Average monthly rent per sqm (in NIS per sqm)	172	170	170
Average monthly rent per sqm in contracts signed during the period (in NIS per sqm)	240	180	176

To Section 3.1.2.6(d) of the Description of the Corporation's Business chapter included in the Periodic report - following is information regarding a "very material investment property under construction" of the Group in Israel: Landmark Tel Aviv Project (Building B):

	Data for the year/three months ended on		
(Data according to the Group's share in the property - 50%)	30.06.2026	31.3.2026	31.12.2025
	In thousands of NIS		
Total cumulative cost at the end of the period (thousands of NIS)	371,000	354,000	335,000
Fair value at the end of the period (thousands of NIS)	531,800	476,363	458,500
Valuation gains in the period (thousands of NIS)	53,055	-	91,379
Percentage of the constructed area for which lease agreements were signed (cumulative) (%) ⁽¹⁾	99% ⁽¹⁾	48%	-
Average monthly rent per sqm in contracts signed during the period (in NIS per sqm)	166	165	-

As of the date of the report, approximately 99% of the office space was leased to third parties of the Company and Melisron Ltd (the Company's partner in the Landmark project). Regarding lease agreements in relation to Building B in the project, see the immediate reports published by the Company on March 11, 2026 (reference: 2026-01-021582) and April 14, 2026 (reference: 2026-01-034157). The information included in the aforementioned immediate reports is hereby incorporated by reference.

Q2 Report for 2026 | Part A Description of Company's Business

2. To Section 3.1.2.6(a)(12) and Section 3.1.2.7(13) of the Description of Corporate Business chapter included in the Periodic report - following are data regarding yielding properties of the Group in Israel and Europe which are in construction stages (in thousands of NIS):

Project	Holding Rate	Project Type	Leasable Area (sqm)	Leased Area (sqm)	Annual rental income based on signed contracts	Balance in books as of 30.06.2026 ⁽¹⁾	Expected costs to complete the project	Expected completion date ⁽²⁾	Credit balance as of 30.06.2026
Airport City Building 3 West Belgrade, Serbia	100%	Offices	13,203	-	-	112,818	4,244	Q4 2026	-
Airport City Building 2 West Belgrade, Serbia	100%	Offices	23,643	-	-	104,897	120,205	Q1 2027	-
AFI Zmai North Building (4) C	96%	Offices	26,074	-	-	89,606	49,336	Q4 2026	-
AFI Home North, Building A Bucharest, Romania (4)	100%	Apartments for rent	10,691	-	-	129,613	-	Q3 2026	-
AFI Home North, Building B Bucharest, Romania	100%	Apartments for rent	8,527	-	-	24,243	71,085	Q3 2028	-
AFI Central Tower Bucharest, Romania	100%	Offices	29,425	-	-	127,637	211,942	Q1 2028	-
AFI Brasov Building 2 Bucharest, Romania	100%	Offices	11,782	-	-	31,403	50,850	Q3 2027	-
AFI Home Stratnice Prague, Czech Republic	100%	Offices	23,386	-	-	123,098	228,562	phase 1: 2028 phase 2: 2029	-
AFI Tower Building A1 Warsaw, Poland	70%	Offices	38,472	-	-	99,274	433,147	Q4 2028	-
Towarowa 22, Building E1 Warsaw, Poland	70%	Offices	8,530	-	-	36,221	79,050	Q4 2027	-
					8				

Project	Holding Rate	Project Type	Leasable Area (sqm)	Leased Area (sqm)	Annual rental income based on signed contracts	Balance in books as of 30.06.2026 ⁽¹⁾	Expected costs to complete the project	Expected completion date ⁽²⁾	Credit balance as of 30.06.2026
Landmark, Tel Aviv Phase B (3)	50%	Offices	24,391	24,036	60,171	556,500	181,456	2026	-
Additional building in Weizmann Park	60%	Offices	22,000	-	-	127,123	146,534	2027	98,561

Q2 Report for 2026 | Part A Description of Company's Business

- (1) The balance in books includes revaluations carried out until 30.06.2026.
- (2) The information detailed above is forward-looking information based on the data available to the Company at the report date.
- (3) For details regarding the leasing of the remaining office space, see Section 1 above.
- (4) An occupation permit was received after the report date.

3.2.2(b) To the Description of Corporate Business chapter included in the Periodic report - following are tables regarding residential apartment inventory as of 30.06.2026 whose construction was completed and which have not yet been sold by the Company (in thousands of NIS):

Project Name	Project Completion Date	Apartments sold until 31.12.2025 (Cumulative)	Apartments sold until 30.06.2026 (Cumulative)	Apartments not yet sold as of 30.06.2026	Apartments sold but not delivered as of 30.06.2026	Cost in books of apartments as of 30.06.2026	Apartments sold after 30.06.2026 and until 30.07.2026
Trebu Home, Phase 4 Riga, Latvia	Q4 2024	30	42	111	2	50,446	1
Total		30	42	111	2	50,446	1

4. To Sections 3.1.2.5(c) and 3.2.2(c)(1) of the Description of Corporate Business chapter included in the Periodic report - following is a summary of data on residential projects that the Group is performing as of 30.06.2026, (data according to 100%):

Project Name and Location	Holding Rate	No. of units	Completion rate of the project	Project start date	Expected completion date (1)	No. of units sold as of 31.12.2025	No. of units sold as of 30.06.2026	No. of units sold after 30.06.2026 and until 30.07.2026
Lagera, Phase 3 Sofia, Bulgaria (2)	100%	39	100%	Q4 2023	Q3 2026	39	39	-
T22 A2 Warsaw, Poland	70%	185	8%	Q4 2025	Q4 2028	-	-	-
Landmark, Tel Aviv (Building B)	50%	116	51%	2023	Q3 2027	-	11	-
Total		340				39	50	-

(1) The information detailed above is forward-looking information and is based on the data available to the Company as of the date of the report.

5. To Section 3.2.1.7(a)(3) of the Description of Corporate Business chapter included in the Periodic report - acquisitions and sales of yielding properties

For details regarding AFI Europe's entry into an agreement for the purchase of a Cypriot company holding a wholly-owned Serbian company that holds land in Belgrade, Serbia, with a total area of approximately 75 thousand sqm, see Note 5 to the Company's consolidated financial statements as of 30.06.2026, included in this quarterly report.

6. **To Section 3.1.2.7 (16) of the Description of Corporate Business chapter included in the Periodic report - following is information regarding "Very Material Investment Property" of the Group in Europe: Cotroceni Mall in Romania**

	(Data according to 100%. Group's share in property - approx. 98.6%)		
Data for the year/three months ended on	30.06.2026	31.3.2026	31.12.2025
	In thousands of Euros	In thousands of Euros	In thousands of Euros
Property value (thousands of Euros)	(1) 625,530	(1) 625,484	(1) 625,065
NOI in period (thousands of Euros)	12,986	12,401	50,479
Revaluation gains in period (thousands of Euros)	-	-	32,042
Average occupancy rate in period (%)	100%	100%	100%
Actual yield rate (%) in annual terms	8.3%	7.9%	8.1%
Average monthly rent per sqm (in Euros per sqm)	45.2	45.4	45.5
Average monthly rent per sqm in contracts signed in the period (in Euros per sqm)	93.9	95.7	72.9

(1) The data do not include the AFI Loft project, approx. 15.4 thousand sqm of offices above the mall at a value of approx. 28.9 million Euros, construction of which was completed at the end of 2024.

7. **To Section 3.1.2.7 (18) of the Description of Corporate Business chapter included in the Periodic report - disclosure regarding Airport City Belgrade project**

Data for the year/three months ended on	30.06.2026	31.3.2026	31.12.2025
		In thousands of Euros	
Property value (thousands of Euros)	338,796	338,347	338,268
NOI in period (thousands of Euros)	7,088	6,851	27,531
Revaluation gains (losses) in period (thousands of Euros)	(23)	(427)	27,896
Average occupancy rate in period (%)	97%	98%	98%
Actual yield rate (%) in annual terms	8.4%	8.1%	8.1%

Data for the year/three months ended on	30.06.2026	31.3.2026	31.12.2025
		In thousands of Euros	
Average monthly rent per sqm (in Euros per sqm)	17.7	16.9	16.9
Average monthly rent per sqm in contracts signed in the period (in Euros per sqm)	16.6	16.9	16.4

Following are details in connection with the Airport City Belgrade project, given the pledges created by the Company and its subsidiaries in connection with this project to secure the Company's obligations to the holders of the Company's BONDS (Series 12), as stated in Section 3.1.2.7(18) of the Description of Company's Business chapter included in the Periodic report.

It should be noted that as part of Note 6 to the Company's consolidated financial statements as of 30.06.2026, included in this quarterly report, the Company included a summary of the financial statements of the Company holding the Airport City Belgrade project (including a summary balance sheet, profit and loss statement, and cash flow statement).

8. To Section 3.2.3.3(b) of the Description of Corporate Business chapter included in the Periodic report - Port 7 transaction

During the second quarter of 2026, the transaction for the acquisition of full holdings in five designated companies holding the Port 7 office project in Prague was completed, following the completion of the established conditions and the payment of the balance of the consideration.

To Section 3.2.3.3(b) of the Description of Corporate Business chapter included in the Periodic report -

On July 8, 2026, a transaction was completed whereby AFI Europe acquired full (100%) holdings of a company incorporated in Romania (which is not related to the Company and/or its controlling shareholder) in eight designated companies incorporated in Romania (hereinafter: "the Property Companies") which own six open commercial shopping centers (retail park properties) in Romania, including a total of gross leasable commercial space (GLA) of approximately 126 thousand sqm, and approximately 4,600 parking spaces, following the fulfillment of the established conditions precedent, the completion of the payment of consideration to the seller, and the provision of owner loans to the Property Companies in a total amount of approximately 282 million Euros. For further details, see the immediate report published by the Company on May 25, 2026 (reference: 2026-01-047608) and the immediate report published by the Company on July 8, 2026 (reference: 2026-01-064881). The information included in the said immediate reports is hereby brought by way of reference.

9. To Section 1.13 of the Description of Corporate Business chapter included in the Periodic report

On May 31, 2026, the Company completed the issuance of 800 million NIS par value BONDS (Series 18) as part of the issuance of a new series of BONDS.

In addition, on June 1, 2026, the Company completed the issuance of 450 million NIS commercial papers as part of the issuance of a new series of commercial papers (CP 6).

10. To Section 4.4.16(b) of the Description of Corporate Business chapter included in the Periodic report (Credit lines)

On June 30, 2026, the Company repaid the full amount of credit subject to the credit lines in connection with phases A and B in the Landmark project, and on the same date, the term of said credit lines ended.

It should be noted that as of the date of the report, the Company and the Company's partner in the Landmark project have a credit line of a voucher arrangement type without financial support for the provision of Sale Law guarantees in relation to the sale of apartments in the project.

For details regarding AFI Europe entering into credit lines with banking corporations in Israel, see Notes 5 K and 7 B to the Company's consolidated financial statements as of June 30, 2026, included in this quarterly report.

11. Regarding Section 4.4.22.3 of the Description of the Corporation's Business chapter included in the Periodic report

Below is a detail of the Company's material loans and/or credit facilities:

No.	Loan Amount/ Credit Facility	Lender Characteristics	Description of the Agreement/ Credit Facility	Restrictions Applicable to the Corporation	Collateral Provided to the Lender
1	A loan taken by AFI Europe and a Romanian subsidiary in which it holds (directly and indirectly) 98.6% of the share capital ("AFI Cotroceni") in connection with the Cotroceni Mall project and the AFI Loft office building in Bucharest, Romania, in a total amount of 372 million EUR, for a period of 5 years. <u>Loan balance as of June 30, 2026 - 366.4 million EUR</u>	Several foreign banking corporations	<u>Loan Repayment Dates (Principal and Interest)</u> <u>Principal</u> Ongoing once a quarter - total of 3% of the original principal balance per year. <u>Interest</u> Ongoing once a quarter. Interest rate: Variable interest at a margin of 2.4% above the 3-month EURIBOR rate. Final loan maturity date - 15.12.2030.	A. The ratio between the loan balance and the market value of AFI Cotroceni's assets (LTV) shall not exceed 65% in the first year (hereinafter: "the Maximum LTV"), and each year the Maximum LTV will decrease by 1.5%. As of June 30, 2026, the LTV stands at approximately 57%. B. The ratio of operating income to total debt service payments (DSCR) shall be higher than 110% relative to the year preceding the relevant testing date and 120% relative to the year after it (hereinafter: "the Minimum DSCR"). If the DSCR ratio for the coming year is lower than 130%, restrictions regarding fund transfers from AFI Cotroceni will apply. As of June 30, 2026, the DSCR ratio for the coming year stands at approximately 155.5%¹. C. AFI Europe's equity (as defined in the loan agreement) shall not be less than a total of 1.2 billion EUR. As of June 30, 2026, the equity stands at approximately 2.4 billion EUR. D. The ratio between AFI Europe's equity (as defined in the loan agreement) and AFI Europe's total assets shall not be less than 40%; as of June 30, 2026, the ratio stands at 53%. E. The ratio between AFI Europe's debt to third parties (as defined in the loan agreement) and CAP as defined in the agreement, shall not exceed 50%. As of June 30, 2026, the ratio stands at 38%. The loan agreement stipulates that in case the loan is called for immediate repayment, AFI Europe will not be entitled to transfer funds to the Company (including in connection with the repayment of loans the Company provided to it) until full settlement of the debt to the lenders.	To ensure repayment of the loan (principal and interest), liens will be registered in favor of the lenders, including, among others, pledges on AFI Cotroceni shares and on all its assets, including a mortgage on Cotroceni Mall, as well as a pledge on a loan that AFI Cotroceni will provide to AFI Europe.

¹ The loan agreement stipulates mechanisms whereby subsidiaries will be entitled to remedy certain deviations from the aforementioned financial covenant ratios.

No.	Loan Amount/ Credit Facility	Lender Characteristics	Description of the Agreement/ Credit Facility	Restrictions Applicable to the Corporation	Collateral Provided to the Lender
2	<u>Loan balance as of June 30, 2026 - 998.1 million NIS</u>	BONDS (Series 8) listed for trading on the TASE	<u>BONDS Maturity Dates (Principal and Interest)</u> <u>Principal</u> Payable in 4 unequal annual installments, which will be paid on October 15 in each of the years 2020, 2024 - 2026, according to the following distribution: (A) 15% of the BONDS (Series 8) principal balance will be paid on each of October 15, 2020; October 15, 2024; and October 15, 2025; and (B) 55% of the BONDS (Series 8) principal balance will be paid on October 15, 2026. <u>Interest</u> Ongoing once every six months, on every April 15 and October 15 of the years 2018-2026. Interest rate: 2.75% linked to the Consumer Price Index.	For details see Section 4.3 of Chapter A of the Board of Directors Report included in the Periodic report. As of June 30, 2026, the Company met the financial covenants stipulated according to the calculation detailed in Section 4.3 of the Board of Directors Report.	None
3	<u>As of June 30, 2026 - 671 million NIS</u>	BONDS (Series 12) listed for trading on the TASE	<u>BONDS Maturity Dates (Principal and Interest)</u> <u>Principal</u> Payable in 13 unequal semi-annual installments, which will be paid according to the following distribution: (A) 1.5% of the BONDS (Series 12) principal will be paid on September 15, 2021; (B) 1.5% of the BONDS (Series 12) principal will be paid on March 15, 2022; (C) 1.5% of the BONDS (Series 12) principal will be paid on September 15, 2022; (D) 1.5% of the BONDS (Series 12) principal will be paid on March 15, 2023; (E) 1.5% of the BONDS (Series 12) principal will be paid on September 15, 2023; (F) 2.5% of the BONDS (Series 12) principal will be paid on March 15, 2024; (G) 2.5% of the BONDS (Series 12) principal will be paid on September 15, 2024; (H) 2.5% of the BONDS (Series 12) principal will be paid on March 15, 2025; (I) 2.5% of the BONDS (Series 12) principal will be paid on September 15, 2025; (J) 2.5% of the BONDS (Series 12) principal will be paid on March 15, 2026; (K) 2.5% of the BONDS (Series 12) principal will be paid on September 15, 2026; (L) 2.5% of the BONDS (Series 12) principal will be paid on March 15, 2027 and (M) 75% of the BONDS (Series 12) principal will be paid on September 15, 2027. <u>Interest</u> Ongoing once every six months, on every September 15 in each of the years 2021 to 2027 and on every March 15 of each of the years 2022 to 2027 inclusive. Interest rate: 2.3% not linked to any indexation basis.	For details see Section 4.5 of Chapter A of the Board of Directors Report included in the Periodic report. According to the Company's financial reports as of June 30, 2026, the Company met the financial covenants stipulated according to the calculation detailed in Section 4.5 of the Board of Directors Report.	For details regarding the collateral provided in favor of the BONDS (Series 12) holders as well as regarding additional obligations undertaken by the Company towards the BONDS (Series 12) holders, see Section 4.4.8 of the Periodic report. The information is hereby brought by way of reference.

Q2 Report for 2026 | Chapter A Description of the Company's Business

No.	Loan Amount/ Credit Facility	Lender Characteristics	Description of the Agreement/ Credit Facility	Restrictions Applicable to the Corporation	Collateral Provided to the Lender
4	<u>As of June 30, 2026 - approx. 843.9 million NIS</u>	BONDS (Series 16) listed for trading on the TASE	<u>BONDS Maturity Dates (Principal and Interest)</u> <u>Principal</u> Payable in 5 unequal annual installments, which will be paid according to the following distribution: (A) 12.5% of the BONDS (Series 16) principal will be paid on September 30, 2030; (B) 12.5% of the BONDS (Series 16) principal balance will be paid on September 30, 2031; (C) 25% of the BONDS (Series 16) principal balance will be paid on September 30, 2031; (D) 25% of the BONDS (Series 16) principal balance will be paid on September 30, 2032; and (E) 25% of the BONDS (Series 16) principal balance will be paid on September 30, 2033. <u>Interest</u> Ongoing once every six months, on every March 30 and September 30 of the years 2025 to 2034. Interest rate: 4.02% linked to the Consumer Price Index.	For details see Section 4.6 of Chapter A of the Board of Directors Report included in the Periodic report. According to the Company's financial reports as of June 30, 2026, the Company met the financial covenants stipulated according to the calculation detailed in Section 4.6 of the Board of Directors Report.	None
5	<u>As of June 30, 2026 - approx. 1,025.9 million NIS</u>	BONDS (Series 17) listed for trading on the TASE	<u>BONDS Maturity Dates (Principal and Interest)</u> <u>Principal</u> Payable in 6 unequal annual installments, which will be paid according to the following distribution: (A) 10% of the BONDS (Series 17) principal will be paid on March 30, 2028; (B) 5% of the BONDS (Series 17) principal balance will be paid on March 30, 2029; (C) 27.5% of the BONDS (Series 17) principal balance will be paid on March 30, 2030; (D) 27.5% of the BONDS (Series 17) principal balance will be paid on March 30, 2031; (E) 15% of the BONDS (Series 17) principal balance will be paid on March 30, 2032; and (F) 15% of the BONDS (Series 17) principal balance will be paid on March 30, 2033. <u>Interest</u> Ongoing once every six months, on every March 30 of the years 2026 to 2033 and on every September 30 of the years 2025 to 2032. Interest rate: 5.5% NIS.	For details see Section 4.6 of Chapter A of the Board of Directors Report for the Periodic report. The information is hereby brought by way of reference. According to the Company's financial reports as of June 30, 2026, the Company met the financial covenants stipulated according to the calculation detailed in Section 4.6 of the Board of Directors Report.	

No.	Loan Amount/ Credit Facility	Lender Characteristics	Description of the Agreement/ Credit Facility	Restrictions Applicable to the Corporation	Collateral Provided to the Lender
6	<u>As of June 30, 2026 - approx. 793.2 million NIS</u>	BONDS (Series 18) listed for trading on the TASE	<u>BONDS Maturity Dates (Principal and Interest)</u> <u>Principal</u> Payable in 6 unequal annual installments, which will be paid according to the following distribution: (A) 10% of the BONDS (Series 18) principal will be paid on November 30, 2029; (B) 15% of the BONDS (Series 18) principal will be paid on November 30, 2030; (C) 15% of the BONDS (Series 18) principal will be paid on November 30, 2031; (D) 20% of the BONDS (Series 18) principal balance	According to the Company's financial reports as of June 30, 2026, the Company met the financial covenants stipulated according to the calculation detailed in Section 4.5 of the Board of Directors Report.	

No.	Loan Amount/ Credit Facility	Lender Characteristics	Description of the Agreement/ Credit Facility	Restrictions Applicable to the Corporation	Collateral Provided to the Lender
			payment on November 30, 2032; (E) 20% of the BONDS (Series 18) principal will be paid on November 30, 2033; and (F) 20% of the BONDS (Series 18) principal will be paid on November 30, 2034. <u>Interest</u> Ongoing once every six months, on May 30 of each of the years 2027 to 2034 (inclusive) and on November 30 of each of the years 2026 to 2034 (inclusive). Interest rate: 4.48% NIS.		

For details regarding the Company's tradable BONDS, in respect of which there is a cause for acceleration in the event of immediate repayment of other debts of the Company (including in the case of immediate repayment of another series of BONDS), see the Board of Directors Report included in this quarterly report.

It should be noted that as of June 30, 2026, the Company has loans and credit facilities in Israel in a total volume of approximately 1,425 million NIS (without taking into account the loans and credits detailed in the table above), each of which does not constitute reportable credit, but in light of "cross-default provisions" may be called for immediate repayment upon immediate repayment of BONDS or due to immediate repayment of other debts of the Company (in Israel).

Furthermore, it should be noted that as of June 30, 2026, the Company Group has loans in Europe in a total volume of approximately 3,197 million NIS (without taking into account the loans and credits detailed in the table above) each of which does not constitute reportable credit, but in light of "cross-default provisions" may be called for immediate repayment upon immediate repayment of other debts of AFI Europe.

12.
- Regarding Regulation 22 of the Additional Details chapter (Transactions with the controlling shareholder)
- Transactions listed in Section 270(4) of the Companies Law

On July 22, 2026, the General Meeting of the Company approved (after receiving approval from the Audit Committee and the Company's Board of Directors) the Company's entry into an activity delimitation arrangement between the Company and BIG Shopping Centers Ltd., the controlling shareholder of the Company, all as detailed in the meeting notice report published by the Company on June 14, 2026 (reference: 2026-01-055996). The information included in the meeting notice report is hereby brought by way of reference.

- 13. Regarding the Company's liabilities schedule as of June 30, 2026, according to maturity dates, see **T126** published by the Company on August 12, 2026. The information included in the said report is hereby brought by way of reference.

Chapter B

Board of Directors' Report

January-June 2026



August 11, 2026

Chapter B Board of Directors' Report on the State of the Company's Affairs

Part One

Board of Directors' Explanations of the State of the Company's Business

This report was prepared on the assumption that the reader has the Company's Periodic report for 2025 (as published on the "Magna" information system on March 8, 2026 (reference number: 2026-01-020583) (hereinafter: the "**Periodic report**"). In this report, terms provided herein shall be assigned the meaning given to them in the Periodic report, unless otherwise stated.

1 General

The Company has been active in the field of income-producing real estate since its founding in 1971. The Company operates, by itself and through group companies, in the acquisition, development, construction, leasing, and operation of buildings for offices, commerce, and residential rentals in Europe and Israel. The Company conducts its activities in Israel, the Czech Republic, Romania, Serbia, Poland, Bulgaria, and Latvia.

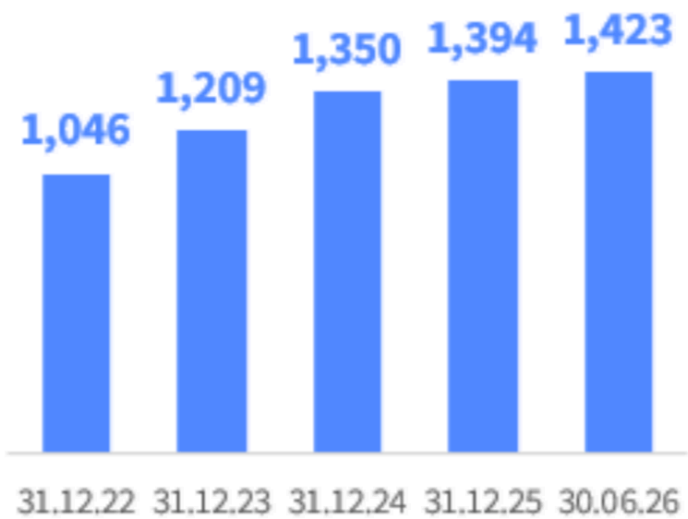
1.1 The Company's Areas of Activity

The Company has two areas of activity as detailed below:

Income-producing assets in Israel and income-producing assets in Europe.

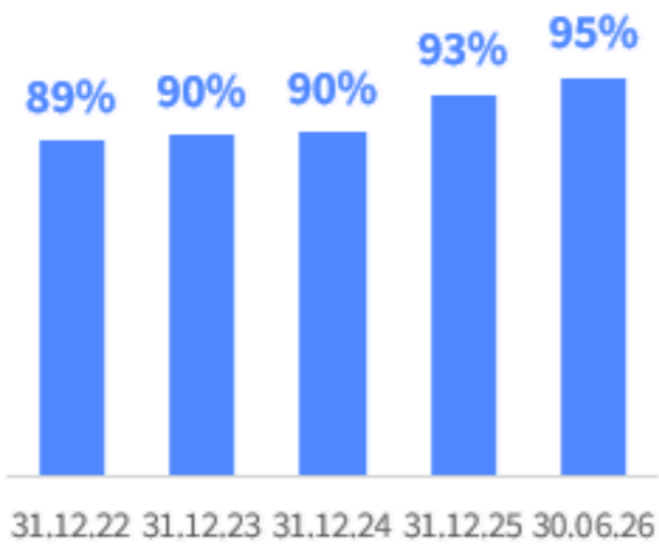
For details regarding the areas of activity, see sections 3.1 and 3.2 of the Description of the Company's Business chapter included in the Periodic report. The information included in the Periodic report is hereby included by way of reference.

התפתחות שטח נכסים מניבים (אלפי מ"ר)

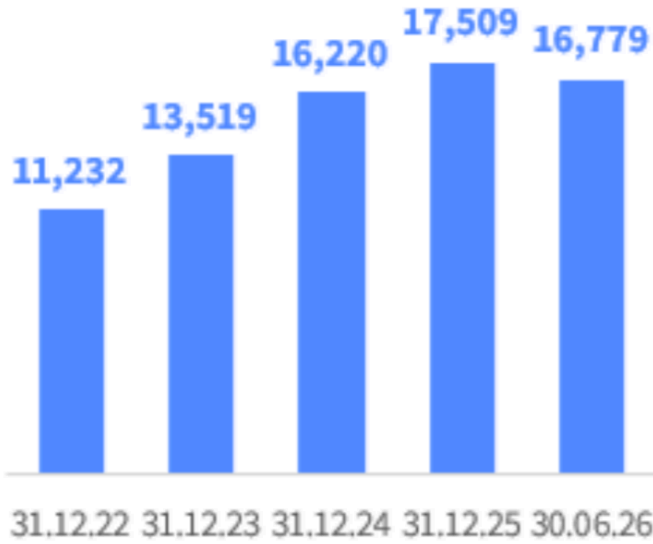


Key
Data
2026

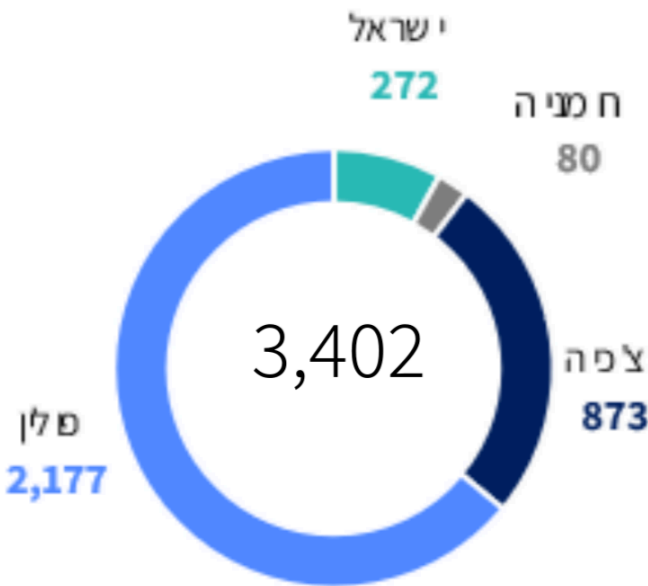
התפתחות תפוסה נכסים מניבים (%)



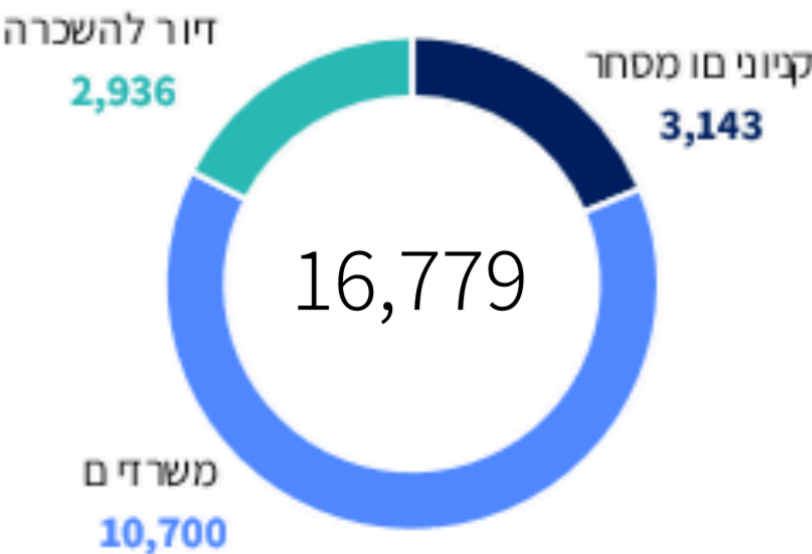
התפתחות שווי נכסים מניבים (מיליוני ש"ח)



פילוח דירות להשכרה פעילות לפי מדינות (יח"ד מניבות, סוף תקופה)

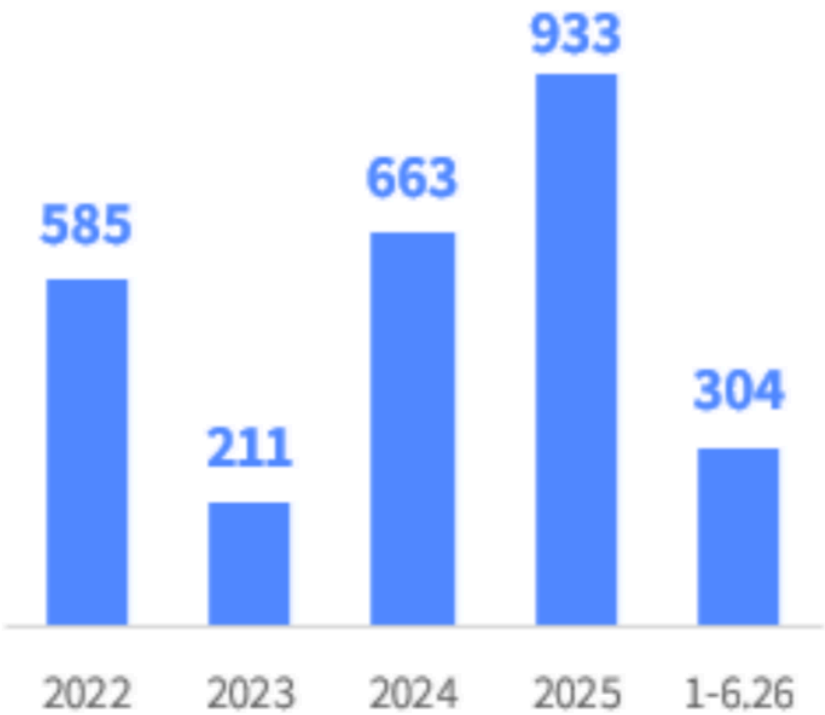


פילוח שווי נכסים מניבים לפי סוג (מיליוני ש"ח, סוף תקופה)

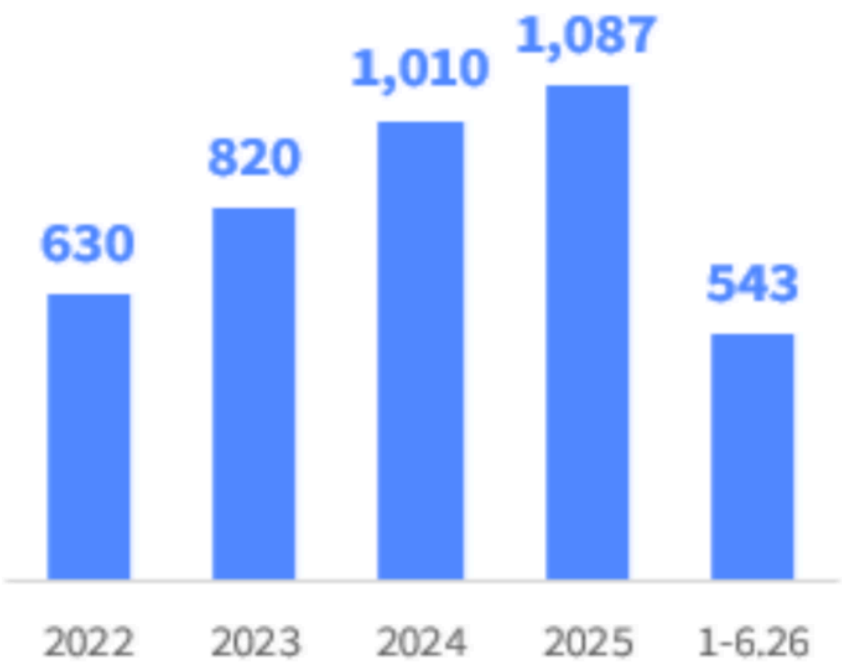


Key
Data
2026

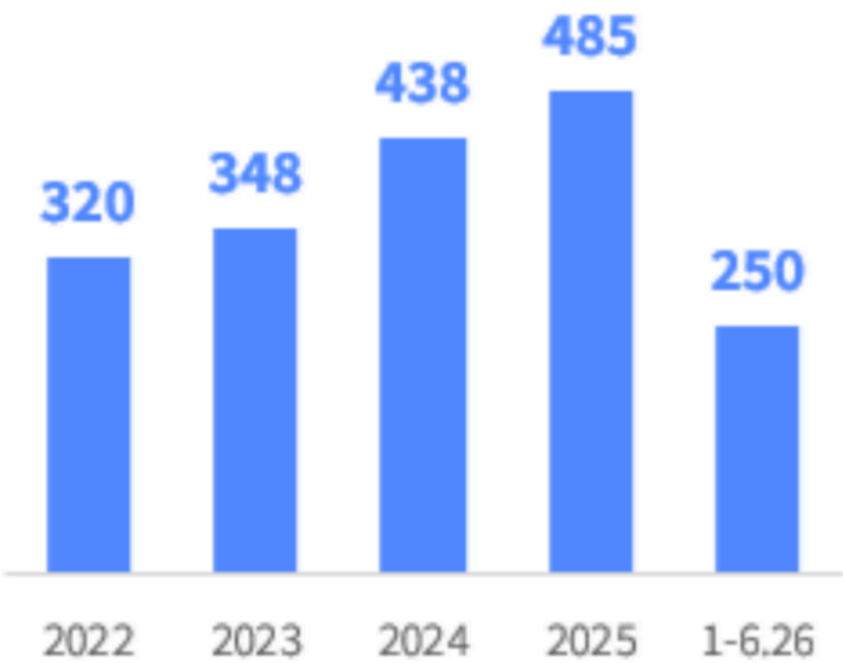
Net Profit to Owners (NIS millions)



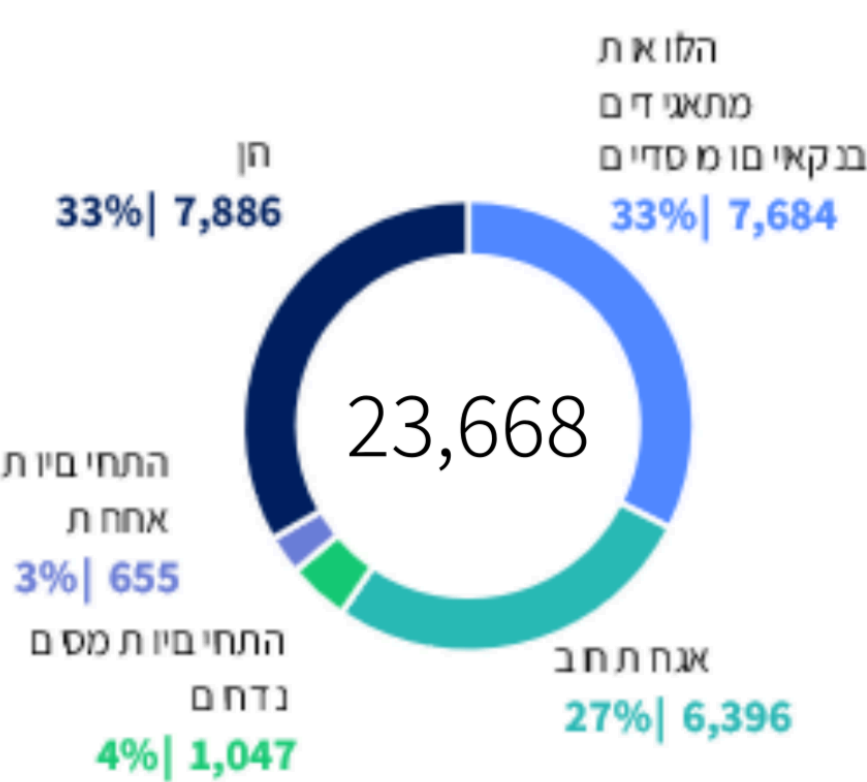
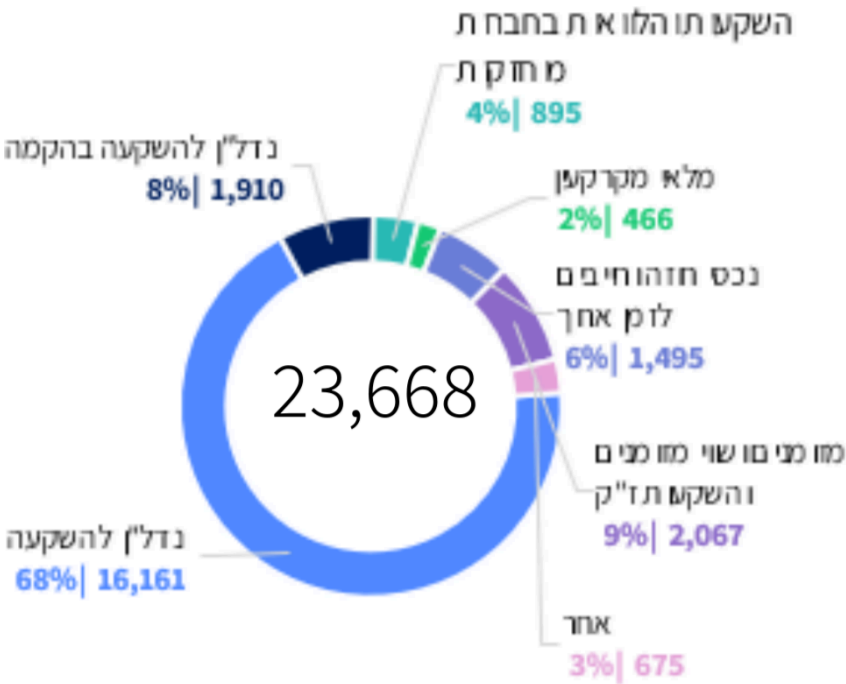
Company's Share NOI (NIS millions)



AFFO (NIS millions, end of period)



Main Balance Sheet Components (NIS millions, end of period)

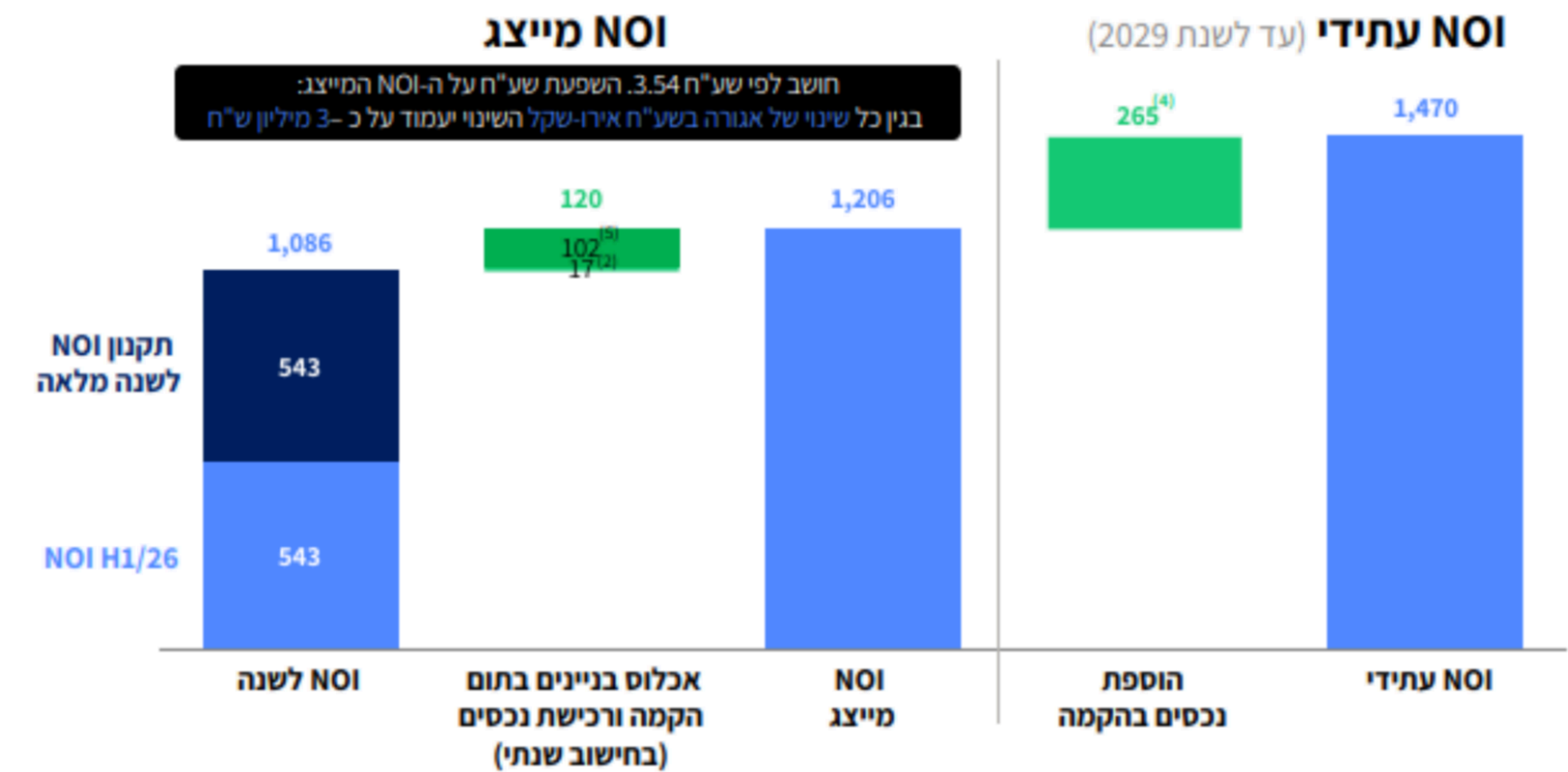


1.2 Key data from the Company's financial statements

The net profit of the Company (consolidated) in the first six months of 2026 amounted to approximately NIS 304 million, compared to a net profit of approximately NIS 170 million in the corresponding period last year. The net profit of the Company (consolidated) for the full year 2025 amounted to approximately NIS 937.3 million.

	For the six months ended June 30		For the three months ended June 30		For the year
(in NIS millions)	2026	2025	2026	2025	2025
NOI from rental and operation of properties	530	513.6	262.2	269.9	1,062.6
Net profits from construction and real estate transactions	4	3.5	0.9	2.6	9.1
Inventory impairment	-	-	-	-	29.9
Revaluation of investment property and investment property under construction, net	83.8	41	108.3	58.5	715.8
Operating profit	549	495.5	335.7	294.9	1,666.3
Net profit	304	170	208.3	115	937.3
End of period data:					
Total equity	7,886	7,338	7,886	7,338	8,290
Total balance sheet	23,668	22,536	23,668	22,536	23,597

1.3 Future and Representative NOI for the Company's share in existing properties (in NIS millions) (1)
(3)



(1) Expectation for the NOI rate towards the end of 2026 based on the assumptions detailed above. The figure does not constitute a forecast for 2026.

(2) Stabilization of income from income-producing properties whose construction has been completed to 90% occupancy (based on the latest valuation). Also includes the stabilization of the AFI Home Skyline project in Belgrade, Serbia, where apartments in this project will be sold gradually. Additionally, the stabilization takes into account further adjustments at the Company's discretion.

(3) The assumptions underlying the information regarding the representative and future NOI for the end of 2026 constitute forward-looking information as defined in Section 32A of the Securities Law, which may not materialize and/or may materialize differently, among other things, if the pace of project construction and the Company's estimates for their completion differ from the Company's estimates, if contractual breaches by tenants occur, regulatory requirements increase, etc., and therefore these actual figures may differ materially from such figures.

(4)

For details regarding income-producing properties under construction, see Section 3 of the "Update to the Description of the Corporation's Business included in the 2025 Periodic report" chapter, included in this quarterly report. The figure does not include the ACB Business Avenue Hotel project.

- (5) Includes the impact of the acquisition of the Port7 projects in the Czech Republic, the acquisition of which was completed in the second quarter, and 6 commercial centers in Romania, the acquisition of which was completed in the third quarter.

Key data from the description of the corporation's business

1.4

Offices, Science Park, Parking Lot, and Residential for Rent in Israel

As of the report date, the primary assets of the Company's group in Israel are:

Landmark Tel Aviv Project Building A (50%), Weizmann Park offices project (60%), part of the HaYovel Tower in Tel Aviv (50%), Glil Yam Herzliya residential for rent project (50%), Hod HaSharon office park (50%), and Shoham residential for rent project (50%).

Properties under construction - an additional building in Weizmann Park (60%) and Landmark Tel Aviv Project Building B (50%) (offices and residential).

Offices, Commercial, and Residential in Europe

As of the report date, the Company holds office, commercial, and residential projects for rent and sale in Europe. Below are the primary assets (the full list of income-producing assets is attached as Appendix B to this chapter):



 **Czech Republic**

Port 7 | AFI Karlin (Offices and Residential) | AFI Vokovice | Avenir | AFI City Tower | Classic 7 | AFI Home Kolbenova



 **Romania**

Cotroceni Mall | Brasov Mall and Office Park | AFI City and AFI Arad commercial centers | AFI Park | AFI Tech | AFI Floreasca Business Park | AFI Timisoara Business Park



 **Poland**

AFI V Krakow | T-Mobile Building Warsaw | T22 Project (Offices and Residential) | AFI Home Zlota | AFI Home Swedzka

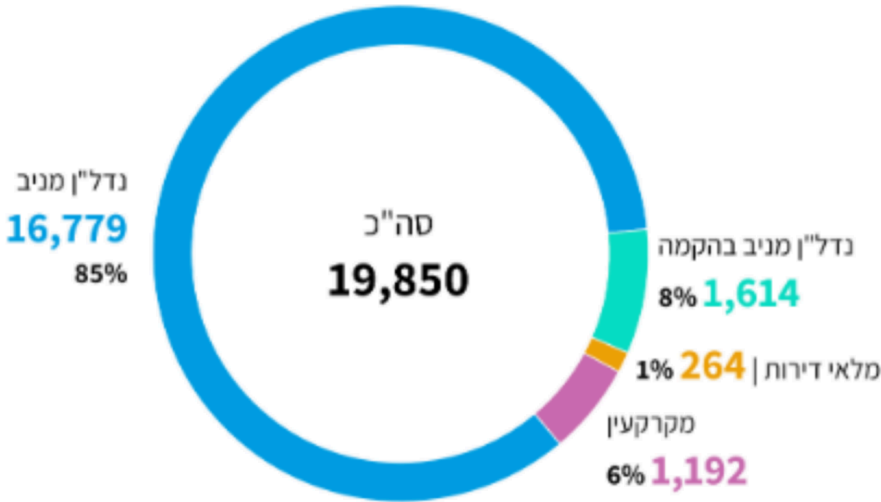


 **Serbia**

Airport City Business Park | Skyline Belgrade (Offices and Residential for Rent) | AFI Zmaj

Below are the key data regarding the Company's assets1.5

A. Assets breakdown as of 30.6.2026 (in NIS millions):



* Asset composition based on the Company's share, including assets of associated companies.

** Asset breakdown differs from the balance sheet classification. Lands classified in the financial statements as "Investment property under construction" or "Investment property" where construction has not yet begun are presented above as real estate. Income-producing real estate under construction includes projects presented in the financial report as payments on account of the purchase of investment property within receivables and long-term debit balances.

B. Total income-producing assets of the Company by geographical distribution as of 30.6.2026:

Country	Number of Assets	Rental Area (thousand sqm) ⁽¹⁾	Actual Income for the six-month period ended 30.06.2026 (in NIS millions) ⁽¹⁾	Book Value as of ⁽¹⁾ 30.06.2026 (in NIS millions)	Average Occupancy Rate as of 30.06.2026
Czech Republic	9	201	55	2,282	97%
Romania	14	477	210	5,233	94%
Serbia	5	278	87	2,283	95%
Poland	12	203	66	2,213	94%
Bulgaria	1	44	5	95	95%

Country	Number of Assets	Rental Area (thousand sqm) (1)	Actual Income for the six-month period ended 30.06.2026 (in NIS millions) (1)	Book Value as of (1) 30.06.2026 (in NIS millions)	Average Occupancy Rate as of 30.06.2026
Total Europe	41	1,203	422	12,105	95%
Israel	9	220	128	4,674	92%
Total	50	1,423	551	16,779	95%

Data is presented based on the Company's share and includes companies presented on an equity basis.

1.6 FFO (Funds From Operations) data regarding the company's assets

FFO is an accepted index for providing additional information on the results of operations of income-producing real estate companies, providing a proper basis for comparison between income-producing real estate companies.

FFO, as defined, expresses net (reported) profit neutralizing profits and losses from the sale of assets, changes in the fair value of assets recognized in total comprehensive income, depreciation and various amortizations, deferred tax expenses and income, and other additional income or expenses that are not recurring in nature.

According to the Company's assessment, the publication of FFO will allow a better basis for comparing the Company's operating results in a certain period compared to previous periods and will increase uniformity and comparability relative to other income-producing real estate companies that publish this index. This is despite the fact that real estate investment activity does not constitute more than 90% of the Company's total income in the reporting periods.

It should be noted that the Company included in the calculation of the consolidated FFO attributed to shareholders of the Company its relative share in the FFO of the associated companies/joint control.

It should be emphasized that the FFO:

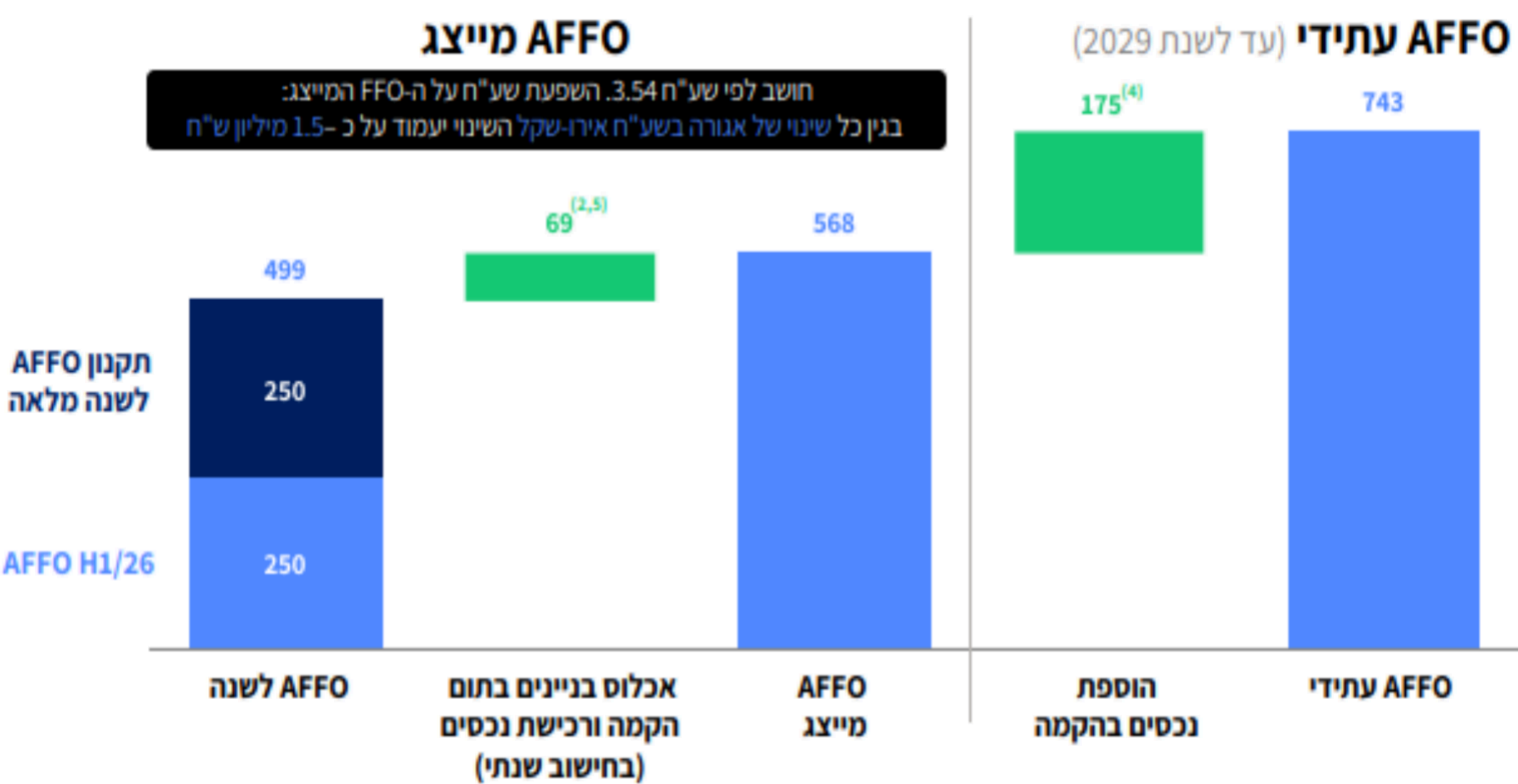
- A. Does not present cash flows from operating activities according to accepted accounting principles;
- B. Does not reflect the Company's cash balances and the ability to distribute them;
- C. Should not be considered a substitute for the net reported profit for the purpose of assessing the results of the Company's operations.

Below is the FFO calculation (in NIS millions) relative to the following reporting periods:

	For a period of six months ended on		For a period of three months ended on		For a period of one year ended on
	30.06.2026	30.06.2025	30.06.2026	30.06.2025	31.12.2025
Net profit for the period from continuing operations	304	169.7	208.3	114.7	937.3
Adjustments to profit:					
Profits and losses from change in fair value of investment property	(83.8)	(41)	(108.3)	(58.5)	(715.8)
Inventory impairment	-	-	-	-	29.9

	For a period of six months ended on		For a period of three months ended on		For a period of one year ended on
	30.06.2026	30.06.2025	30.06.2026	30.06.2025	31.12.2025
Deferred taxes and effect of current taxes from items above	67	37.4	49	30	186.4
Adjustments (detailed above) regarding associated companies or joint ventures presented according to the equity method	3.3	2.8	2.1	0.7	(54.1)
FFO per Authority approach	290	168.9	150.6	86.9	383.7
Adjustments resulting from non-controlling interests' share in FFO (1)	(1)	(0.9)	(0.5)	(0.5)	(2)
FFO per Authority approach attributed to shareholders	289	168	150.1	86.4	381.7
Additional adjustments to AFFO:					
Neutralization of (profit) loss from residential activity for sale	0.3	(1.1)	1.2	(1.1)	(2.7)
Share-based payment	8.6	3.5	4.9	1.7	7
Expenses/income for exchange rate differences and changes in fair value of financial instruments	(105.6)	(3.4)	(84.9)	(17.9)	(49.7)
Expenses for indexation of the debt principal	54.2	64.2	49.5	51.9	118.3
Depreciation and amortization	3.5	2.7	1.8	1.5	6.5
Other expenses (income)	2.8	(2.2)	3.2	0.1	1.8
Quarterly receipt from franchise agreements	4.4	4	2.2	2	8.1
Correction of other effects	(7.6)	5	(3.1)	5	14.2
FFO per Management approach (AFFO)	249.6	240.7	124.9	129.1	485.2

*Additional adjustments include adjustments according to the management approach in order to more properly estimate the Company's income-producing real estate activity results. Correction of other effects adjustments in 2025-2026 include expenses for an equity compensation plan for employees and officers in the Company's group.



(1) Expected rate of AFFO towards the end of 2026 based on the assumptions detailed below. The figure does not constitute a forecast for 2026.

(2) Normalization of income from income-producing assets whose construction was completed to 90% occupancy (based on the latest valuation). Also includes normalization of the AFI Home Skyline project in Belgrade, Serbia, whose apartments will be sold gradually. In addition, the normalization takes into account additional adjustments at the Company's discretion.

(3) The assumptions underlying the information regarding the representative and future AFFO for the end of 2026 constitute forward-looking information according to Section 32A of the Securities Law, which may not materialize and/or materialize differently, among other things, as long as the rate of project establishment and the Company's estimates for their completion are different from the Company's estimates, as long as contractual breaches by tenants occur, regulatory requirements increase, etc., and therefore these actual figures may be materially different from the figures as stated above.

(4) For details regarding income-producing assets under construction, see Section 3 of the chapter "Update to the Description of the Corporation's Business chapter included in the 2025 Periodic Report", included in this quarterly report. Additionally includes the AFFO from the BOT District Government Complex project in Jerusalem and from the ACB Business Avenue Hotel project. In the calculation, assessments regarding interest rates related to assets under construction were taken into account.

(5) Includes the effect of the acquisition of the Port7 projects in the Czech Republic, the acquisition of which was completed in the second quarter, and 6 commercial centers in Romania, the acquisition of which was completed in the third quarter.

2 Financial Position Analysis

2.1 Below are main data from the items of the Statement of Financial Position (in NIS millions):

Item	30.6.2026	30.6.2025	31.12.2025	Notes
Investment property	16,161	16,288	16,830	The decrease as of 30.6.2026 compared to 31.12.2025 stems mainly from the weakening of the Euro against the NIS by approximately 9% during the first half of 2026 (hereinafter: "the report period"); which affected the measurement of investment property in Europe by a total of approximately NIS 1,230 million, as well as from the sale of residential units in a project in Serbia totaling approximately NIS 24 million. The decrease was partially offset mainly by the following factors: (1) the acquisition of several companies in the Czech Republic holding an office project in Prague, where the value of the income-producing part of the project is approximately NIS 398 million; (2) valuation gains totaling approximately NIS 28 million recorded mainly from Phase A of the Landmark project based on an update to the valuation performed for this asset, offsetting investments and tenant improvements made by the Company in projects during the period; and (3) investments in existing projects in Europe and Israel totaling approximately NIS 146 million.
Investment property under construction	1,909	1,861	1,777	The increase as of 30.6.2026 compared to 31.12.2025 stems mainly from the following factors: (1) continued additional investments in projects under construction in Israel totaling approximately NIS 82 million and in projects in Europe totaling approximately NIS 158 million; (2) acquisition of land for rental housing in the Czech Republic holding a project in Prague, part of which, in the amount of approximately NIS 35 million, was classified as investment property under construction; and (3) valuation gains in the amount of approximately NIS 55 million. The increase was partially offset mainly due to the weakening of the Euro against the NIS by approximately 9% during the report period, which affected the measurement of investment property in Europe by a total of approximately NIS 105 million, as well as from a classification made by the Company to assets held for sale in the amount of approximately NIS 76 million following the signing of sale agreements for two assets in Poland.
Investments and loans in held companies	895	1,157	914	The decrease as of 30.6.2026 compared to 31.12.2025 stems mainly from the weakening of the Euro against the NIS during the report period, which affected the measurement of the equity value of held companies in Europe by approximately NIS 49 million, as well as from the return of investments and/or loans totaling approximately NIS 12 million from joint control entities holding the Yovel Tower and Shoham rental housing projects in Israel. The decrease was partially offset by the Company's share in the profits of joint control entities in Israel, as mentioned above, totaling approximately NIS 9 million, as well as from loans granted to companies in Europe during the report period totaling approximately NIS 33 million.
Contract assets and long-term receivables	1,494	1,133	1,244	The increase as of 30.6.2026 compared to 31.12.2025 stems mainly from an increase in the fair value of currency swap transaction assets against the Euro totaling approximately NIS 230 million following the weakening of the Euro against the NIS during the report period, as well as from continued investments (net of receipts) for franchise agreement assets (BOT) totaling approximately NIS 41 million and from interest and linkage differences accumulated for those projects. The increase was partially offset mainly by the weakening of the Euro against the NIS during the report period, which affected the measurement of long-term receivables in Europe by approximately NIS 20 million.
Receivables, contract assets	214	206	217	Below are the main changes during the first half of 2026:

Quarter 2 Report for 2026 | Chapter B Board of Directors Report on the State of the Company's Affairs

Item	30.6.2026	30.6.2025	31.12.2025	Notes
Short-term debit balances				Decrease in receivables mainly resulting from the release of NIS 50 million deposited in trust accounts as a result of the sale of an asset in Israel. Conversely, an increase in prepaid expenses in companies in Europe totaling approximately NIS 25 million, mainly from the prepayment of annual property taxes, as well as an increase in receivables for apartment contracts sold in the Landmark Tel Aviv project totaling approximately NIS 10 million, whose delivery is expected during 2027.
Cash and short-term investments	2,067	1,054	1,730	The balance includes cash balances and short-term deposits in banks. The increase in the Group's liquidity balances as of June 30, 2026, compared to December 31, 2025, is mainly due to the following factors: (1) Issuance of a BONDS series (Series 18') of the Company in a total amount of approximately NIS 794 million (net of issuance expenses); (2) Expansion of a BONDS series (Series 17') of the Company in a total amount of approximately NIS 742 million (net of issuance expenses); (3) Issuance of commercial papers (Series 6) of the Company in a total amount of approximately NIS 450 million; (4) Receiving loans by AFI Europe in the amount of approximately EUR 61 million (approx. NIS 210 million); (5) Consideration from the sale of several projects in Europe totaling approximately EUR 28 million (approx. NIS 100 million); (6) Continued receipt of loans for the construction of assets in Israel in a total amount of approximately NIS 95 million; and (7) From cash flow from operating activities. The increase in the Company's liquidity balances was partially offset by the following factors: (1) Completion of the acquisition of several companies in June 2026 holding an office project in Prague expected for a consideration of approximately EUR 127 million (approx. NIS 428 million); (2) Repayment of bank loans attributed to the Landmark project in a total amount of approximately NIS 1,140 million; (3) Principal and interest payments for BONDS of the Company during the report period in a total amount of approximately NIS 106 million; (4) Repayment of commercial papers (Series 5) of the Company in a total amount of approximately NIS 110 million; (5) From the acquisition of a company holding residential land in Serbia and payment of approximately EUR 25 million (approx. NIS 85 million); (6) From current principal payments for income-producing asset loans; and (7) Continued investments in investment property and under construction in a total amount of approximately NIS 360 million.

Item	30.6.2026	30.6.2025	31.12.2025	Notes
Current liabilities	3,342	3,975	4,217	The decrease in current liability balances as of June 30, 2026, compared to December 31, 2025, is mainly due to the following reasons: (1) Repayment of bank loans attributed to the Landmark project in a total amount of approximately NIS 1,140 million; (2) Repayment of commercial papers (Series 5) of the Company in a total amount of approximately NIS 110 million; (3) Long-term classification following the refinancing of loans attributed to an office project in the Czech Republic in a total amount of approximately NIS 120 million; (4) Partial principal repayments for BONDS (Series 12') of the Company in a total amount of approximately NIS 21 million; and

Quarter 2 Report for 2026 | Chapter B Board of Directors Report on the State of the Company's Affairs

Item	30.6.2026	30.6.2025	31.12.2025	Notes
				(5) The effect of the weakening of the Euro currency during the report period on the measurement of current liabilities in Europe. The decrease was partially offset by the issuance of commercial papers (Series 6) of the Company in a total amount of approximately NIS 450 million and the classification of current maturities for BONDS (Series J and L) of the Company in a total amount of approximately NIS 90 million.
Non-current liabilities	12,440	11,223	11,091	The increase as of June 30, 2026, compared to December 31, 2025, is mainly due to the following factors: (1) Issuance of a BONDS series (Series 18') of the Company in a total amount of approximately NIS 794 million (net of issuance expenses); (2) Issuance of BONDS (Series 17') of the Company in a total amount of approximately NIS 742 million, net (net of issuance expenses); (3) Continued drawdowns of loans in the amount of approximately EUR 61 million (approx. NIS 210 million) by AFI Europe. The increase was partially offset by the effect of the Euro currency on the measurement of non-current liabilities in Europe and current maturities of bank loans.
Equity attributable to the owners of the Company	7,857	7,308	8,258	The decrease as of June 30, 2026, compared to December 31, 2025, is mainly due to the effect of the weakening of the Euro currency against the NIS, at a rate of approximately 9%, during the report period, on the translation differences fund for foreign operations, in a total amount of approximately NIS 720 million. Conversely, the equity attributable to owners increased from the profit attributable to the shareholders of the Company during the period in a total amount of approximately NIS 304 million and from an increase in the capital fund from hedging variable to fixed interest in a total amount of approximately NIS 7 million.

2.2 For details regarding material valuations and very material valuations of investment property assets and investment property under construction used by the Company for the financial statements as of June 30, 2026, see [Appendix A](#) to the Board of Directors Report.

3 Below are main data from the items of the profit and loss statement (in NIS millions)

Item	1-6/26	1-6/25	4-6/26	4-6/25	For the year 2025	Notes
Income from rental and operation of assets, net	530.3	513.6	262	269.8	1,062.6	The increase in the first six months of 2026 compared to the corresponding period last year is mainly due to an increase in income from existing assets totaling approximately NIS 41 million compared to the corresponding period last year and due to an increase in results totaling approximately NIS 26 million from new projects in Europe (which did not yield in the corresponding period last year). The increase was partially offset due to the sale of assets which yielded a total of approximately NIS 10 million in the corresponding period last year and from the weakening of the Euro against the NIS in the first half of 2026 at a rate of approximately 10% compared to the average exchange rate of the Euro against the NIS in the corresponding period last year, which affects the measurement of total income from rental of assets in Europe totaling approximately NIS 40 million.
Profits from construction and real estate transactions	4	3.5	0.9	2.6	9.1	The profits from construction and real estate transactions in the first six months of 2026 arise mainly from two projects, the Landmark project (residential part) (Company's share - 50%) whose construction is expected to be completed during 2027 and a project in Bulgaria in which all apartments in the project were sold (apartments began to be delivered during the third quarter of 2026).
Increase (decrease) in fair value of investment property, net	28.3	28.8	47.6	46.3	654.2	The increase in fair value in the first half of 2026 mainly arises from a positive valuation totaling approximately NIS 35 million for Phase A of the Landmark project. The increase was partially offset by investments and tenant improvements made by the Company in other projects during the period.
Increase in fair value of investment property under construction, net	55.5	12.2	60.6	12.2	61.6	The increase in fair value in the first half of 2026 was mainly due to the valuation of Phase B of the Landmark project in a total amount of approximately NIS 53 million with the completion of office leasing and the progress of the project's construction. Additionally, the Company recorded a net valuation of approximately NIS 2 million from the sale of two projects in Poland.
Inventory impairment	-	-	-	-	(29.9)	--

Item	1-6/26	1-6/25	4-6/26	4-6/25	For the year 2025	Notes
Selling and marketing expenses	(8.4)	(7.6)	(4.1)	(4.5)	(18.2)	Mainly marketing expenses for the sale of apartments in Europe and Israel, marketing expenses for actual area leasing, and advertising costs.

Item	1-6/26	1-6/25	4-6/26	4-6/25	For the year 2025	Notes
General and administrative expenses	(69.5)	(58.4)	(34)	(32.6)	(134.5)	--
Other income (expenses), net	(2.8)	2.2	(3.2)	(0.1)	(1.8)	--
Company's share in profits of companies accounted for by the equity method, net of tax	7	0.9	1.8	0.8	62	The Company's share in the profits of companies accounted for by the equity method in the first half of 2026 included a profit of approximately NIS 9 million from the jointly controlled entities holding the Jubilee Tower and Shoham rental housing projects in Israel. For the full year 2025, the profit stood at approximately NIS 62 million, of which the Company's share in the profits of the Polish company (Company's share – 70%) stood at approximately NIS 36 million, and additionally, a profit of approximately NIS 26 million from the jointly controlled entities holding the Jubilee Tower and Shoham rental housing projects in Israel.
Operating profit	548.7	495.5	335.7	294.9	1,666.2	
Financing expenses, net	(153.3)	(263.6)	(65.6)	(137.6)	(491.3)	The decrease in net financing expenses in the first six months of 2026 compared to the corresponding period last year is mainly due to the following factors: (1) As a result of an increase in the fair value of EUR/NIS currency swap transactions due to the weakening of the Euro as of June 30, 2026, compared to a decrease in fair value in the corresponding period last year; the decrease was partially offset by exchange rate effects on the balances of the Company's Euro financial assets; (2) From a more moderate increase in the consumer price index during the period at a rate of 1.2% compared to an increase of 1.6% in the corresponding period last year which affected the Company's index-linked loans and BONDS. (3) From the weakening of the Euro against the NIS in the first half of 2026 at a rate of approximately 10% compared to the average exchange rate in the corresponding period last year, which affects the measurement of total financing expenses in Europe. The decrease was partially offset by an increase in BONDS balances and the weighted interest rate in loans in Europe which led to a real increase in the Company's financing expenses.
Taxes on income	(91)	(62.2)	(61.7)	(42.7)	(237.6)	--
Net profit for the period	304	169.7	208	114.7	937.3	

Below are key figures from the Cash Flow Statement items (in NIS millions)

Item	1-6/26	1-6/25	4-6/26	4-6/25	For the year 2025	Notes
Net cash flows from operating activities	385.5	382.7	179.4	197.3	845.9	The increase in cash flow from operating activities in the first half of 2026 compared to the same period last year results mainly from an increase in gross profit from rental and operation of properties in the amount of approximately NIS 17 million due to improved operating results of existing properties as well as the addition of completed or acquired properties, offset by the effect of the Euro's weakening on gross profit from property rental and operation in Europe.
Net cash used for investing activities	(757.4)	(689.4)	(614.7)	(244.6)	(899.7)	Most of the cash flow in the first half of 2026 was used for investment in investment real estate and real estate under construction in the amount of approximately NIS 309 million including property acquisitions, as well as the acquisition of companies in Europe in the amount of approximately NIS 513 million. Offsetting this were receipts from the disposal of income-producing real estate and the sale of a company in Czechia in the amount of approximately NIS 105 million. In the same period last year, most of the cash flow was used for investment in investment real estate and real estate under construction in the amount of approximately NIS 460 million including property acquisitions, and for providing additional loans (net of repayments) to Mahatzit HaYovel in the amount of approximately NIS 144 million.
Net cash from (used for) financing activities	793.8	8.5	159	200.2	476.8	In the first half of 2026, cash from financing activities mainly includes flow from BONDS issuance (issuance of BONDS 18' and expansion of BONDS 17' series) in the amount of approximately NIS 1,535 million (net of issuance expenses), issuance of commercial papers series 6 in the amount of approximately NIS 450 million, and from loans the company took from banking corporations and financial institutions in the amount of approximately NIS 348 million; on the other hand, beyond routine interest activities, the company repaid loans from banking corporations and financial institutions in the amount of approximately NIS 1,221 million, primarily loans attributed to the Landmark project in the amount of approximately NIS 1,140 million, and repaid BONDS payments (principal) in a total amount of approximately NIS 21 million. In the same period last year, cash from financing activities mainly includes flow from BONDS issuance in the amount of approximately NIS 298 million (net of issuance expenses), issuance of commercial papers in the amount of 110 million NIS, and from loans the company took from banking corporations and financial institutions in the amount of approximately NIS 420 million; on the other hand, beyond routine principal and interest activities, the company repaid credit facilities in Israel in the amount of approximately NIS 210 million and repaid BONDS payments (principal) in a total amount of approximately NIS 342 million.

4 Sources of Financing and Liquidity

Item	Data as of 30.06.2026		Data as of 30.06.2025		Data as of 31.12.2025	
	NIS millions	% of Total Balance Sheet	NIS millions	% of Total Balance Sheet	NIS millions	% of Total Balance Sheet
Equity	7,886	33%	7,338	33%	8,290	35%
Long-term liabilities	12,441	53%	11,223	50%	11,091	47%
Current liabilities	3,342	14%	3,975	18%	4,217	18%
Total	23,668	100%	22,536	100%	23,597	100%

4.1 Below is the structure of the Company's financial debt as of 30.6.2026 (in NIS millions):

Item	Debt Amount	Debt Percentage
BONDS (Series H, J and L through R)	6,396	45.5%
Credit facilities in Israel	100	0.7%
commercial papers (commercial papers)	782.1	5.6%
Loans from financial institutions in Israel (secured by assets)	1,144	8.1%
Bank and institutional loans for AFI Europe	468	3.3%
Loans from banks in Europe (secured by assets) (Non-Recourse)	5,183	36.8%
Total Debt	14,073	100%

Details Regarding the Company's BONDS

4.2 BONDS (Series 8)

For details regarding the financial covenants the Company committed to towards the holders of BONDS (Series 8) of the Company and regarding additional commitments to the BONDS holders (Series 8) (including regarding financial covenants for dividend distribution), see section 4.3 of the Board of Directors' Report included in the Periodic report. The information included in the Periodic report is hereby brought by way of reference.

As of 30.6.2026, the Company met the financial covenants set regarding the BONDS (Series 8), in accordance with the calculations detailed below (in thousands of NIS):

As of 30.06.2026	
7,346,154	The Debt (solo) (as defined in the trust deed (Series 8))
12,249,289	The Debt (consolidated) (as defined in the trust deed (Series 8))
15,508,499	Total equity and debt (solo) (CAP) (as defined in the trust deed (Series 8))

As of 30.06.2026	
21,168,508	Total equity and debt (consolidated) (CAP) (as defined in the trust deed (Series 8))
47%	Ratio between the debt (solo) and the total equity and debt (solo) (CAP) shall not exceed 60%
58%	Ratio between the debt (consolidated) and the total equity and debt (consolidated) (CAP) shall not exceed 75%
47%	The ratio of the Company's equity (solo) to the Company's balance sheet (solo) (as defined in the trust deed) shall not be less than 40%
33%	The ratio of the Company's equity (consolidated) to the Company's balance sheet (consolidated) (as defined in the trust deed) shall not be less than 20%
Did not occur	Demand for immediate repayment of another series of BONDS issued by the Company or another loan of the Company in an amount exceeding NIS 150 million or if cumulative loans of the Company, which are in an amount exceeding NIS 200 million, and such demand was not canceled within 15 days from the date of demand for immediate repayment
Did not occur	Provisions for dividend distribution limitation upon fulfillment of certain conditions

4.3 BONDS (Series J and M)

For details regarding the financial covenants the Company committed to towards the holders of BONDS (Series J and M) of the Company and regarding additional commitments to the BONDS holders (Series J and M) (including regarding financial covenants for dividend distribution), see section 4.4 of the Board of Directors' Report included in the Periodic report. The information included in the Periodic report is hereby brought by way of reference.

As of 30.6.2026, the Company met the financial covenants set regarding the BONDS (Series J and M), in accordance with the calculations detailed below (in thousands of NIS):

	As of 30.06.2026
The debt (consolidated) (as defined in the trust deeds (Series J and M), hereinafter: the " <u>Trust Deeds</u> ")	12,097,670
Total equity and debt (consolidated) (CAP) (as defined in the Trust Deeds (Series J and M))	21,016,889
Ratio between the debt (consolidated) and the total equity and debt (consolidated) (CAP) shall not exceed 75%	58%
The ratio of the Company's equity to the Company's balance sheet (solo) (as defined in the Trust Deeds) shall not be less than 40%	47%
The ratio of the Company's equity to the Company's balance sheet (consolidated) (as defined in the Trust Deeds) shall not be less than 22%	33%

	As of 30.06.2026
Demand for immediate repayment of another series of BONDS issued by the Company or another loan of the Company in an amount exceeding NIS 150 million or an amount equal to 10% of the total consolidated balance sheet of the Company, whichever is lower, or if cumulative loans of the Company, which are in an amount exceeding NIS 200 million, and such demand was not canceled within 10 days from the date of demand for immediate repayment	Did not occur
Provisions for dividend distribution limitation upon fulfillment of certain conditions	Did not occur

BONDS (Series 12)

4.4

For details regarding the financial covenants the Company committed to towards the holders of BONDS (Series 12) of the Company and regarding additional commitments to the BONDS holders (Series 12) (including regarding financial covenants for dividend distribution), see section 4.5 of the Board of Directors' Report included in the Periodic report. The information included in the Periodic report is hereby brought by way of reference.

As of 30.6.2026, the Company met the financial covenants set regarding the BONDS (Series 12), in accordance with the calculations detailed below (in thousands of NIS):

	As of 30.06.2026
<u>The debt (consolidated) (as defined in the trust deed (Series 12)).</u>	12,097,670
<u>Total equity and debt (consolidated) (CAP) (as defined in the trust deed (Series 12)).</u>	21,016,889
<u>Ratio between the debt (consolidated) and the total equity and debt (consolidated) (CAP) shall not exceed 75%</u>	58%
<u>The ratio of the Company's equity (solo) to the Company's balance sheet (solo) (as defined in the trust deed) shall not be less than 40%</u>	47%
<u>The ratio of the Company's equity (consolidated) to the Company's balance sheet (consolidated) (as defined in the trust deed) shall not be less than 22%</u>	33%
<u>Ratio of net debt to collateral shall not exceed 75%</u>	59%
<u>The net debt (as this term is defined in the trust deed (Series 12)).</u>	683,438
<u>Value of collateral (as this term is defined in the trust deed (Series 12)).</u>	1,150,043
Demand for immediate repayment of another series of BONDS issued by the Company or another loan of the Company in an amount exceeding NIS 150 million or an amount equal to 10% of the total consolidated balance sheet of the Company, whichever is lower, or if cumulative loans of the Company, which are in an amount exceeding NIS 200 million, and such demand was not canceled within 10 days from the date of demand for immediate repayment	Did not occur
Provisions for dividend distribution limitation upon fulfillment of certain conditions	Did not occur

4.5 BONDS (Series 14 to 18) and commercial papers (Series 6)

For details regarding the financial covenants the company undertook towards the holders of BONDS (Series 14 to 18) of the company and regarding additional obligations towards the holders of BONDS (Series 14 to 18) (including in connection with financial covenants for dividend distribution), see Section 4.6 of the Board of Directors Report included in the Periodic report. The information included in the Periodic report is hereby provided by way of reference.

It should be noted that on June 1, 2026, the company completed the issuance of BONDS (Series 18) (new series), under which the company committed to comply with financial covenants identical to the financial covenants towards the holders of BONDS (Series 14 to 17) as well as additional obligations similar to the obligations detailed in Section 4.6 of the Board of Directors Report included in the Periodic report. The information included in the Periodic report is hereby provided by way of reference.

As of June 30, 2026, the company complied with the financial covenants set regarding BONDS (Series 14 to 18) and the terms of commercial papers (Series 6), in accordance with the calculations detailed below (in NIS thousands):

	As of 30.06.2026
The Debt (consolidated) (as defined in the Trust Deeds (Series 14 to 18), hereinafter: "Trust Deeds")	12,097,670
Total Equity and Debt (consolidated) (CAP) (as defined in the Trust Deeds (Series 14 to 18))	21,016,889
Ratio between Debt (consolidated) and Total Equity and Debt (consolidated) (CAP) shall not exceed 75%	58%
The ratio of the company's equity to the company's (consolidated) balance sheet (as defined in the Trust Deeds) shall not be less than 22%	33%
Immediate repayment call of another series of BONDS issued by the company or another loan of the company in an amount exceeding NIS 150 million or an amount equal to 10% of the total consolidated balance sheet of the company, whichever is lower, or if cumulative loans of the company exceed NIS 200 million, and such demand was not canceled within 10 days of the date of the immediate repayment call	Did not occur
Provisions for dividend distribution limitations upon fulfillment of certain conditions	Did not occur

Part Two
Corporate Governance Aspects

5 Donations Policy

The company regularly contributes to the community, both by organizing joint activities with various entities and through direct donations to disadvantaged populations. Total community donations, in Israel and abroad, for the report period amount to approximately NIS 1,700 thousand.

6 The Board of Directors and Company Management

In the first six months of 2026, 14 meetings of the Board of Directors and its committees were held and 3 written resolutions were adopted.

On February 19, 2026, Mr. Daniel Bernstein completed his term as an external director of the company, after a 9-year tenure.

Part Three

Disclosure Provisions regarding the Financial Reporting of the Corporation

7 Material Events during the Reporting Period

7.1 For details regarding additional material events during the reporting period, see the "Update to the Description of Corporate Business" chapter, included in this quarterly report.

8 Events after the Date of the Report on the Financial Position

For details regarding events after the date of the report on the financial position, see the "Update to the Description of the Company's Business" chapter and Note 7 to the financial statements of the company as of 30.6.2026, included in this quarterly report.

9 Discussion of Liquidity Position

In accordance with Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 1970, when warning signs as defined in the regulations exist, a reporting corporation must attach a projected cash flow report detailing the existing and expected liabilities of the corporation during the two years following the publication date of the financial report (hereinafter: **"Projected Cash Flow Report"**). One of the said warning signs is negative working capital or continuous negative cash flow from operating activities, unless the corporation's board of directors has determined that this does not indicate a liquidity problem.

According to the company's financial statements, the company's cash flow from operating activities in 2025 and the first six months of 2026 was positive. Furthermore, the company has a (consolidated) working capital deficit as of 30.6.2026 of approximately NIS 748 million, as well as a (solo) working capital deficit as of 30.6.2026 of approximately NIS 666 million.

In light of this, the company's board of directors examined whether the said negative working capital indicates a liquidity problem of the company.

After a discussion on the matter held by the company's board of directors, in the opinion of the board of directors, the said negative working capital does not indicate a liquidity problem for the company, noting, among other things, the actions the company has taken and is taking with the aim of increasing its liquid balances and reducing its short-term liabilities, as detailed below.

The primary part of the company's working capital deficit as of 30.6.2026 stems from financing agreements granted for income-producing assets in Europe and Israel in amounts of approximately NIS 446 million and approximately NIS 207 million respectively, which are expected to be repaid in the coming twelve months, from the classification of current maturities in the amount of approximately NIS 998 million for BONDS (Series 8) which is expected to be

Q2 2026 Report | Chapter B Board of Directors Report on the State of the Company's Affairs

repaid in October 2026, as well as from commercial papers (marketable and non-marketable) (for a period shorter than a year) in the amount of approximately NIS 782 million.

As of the report date, the company is acting with the aim of increasing its liquid balances and decreasing its short-term liabilities through various actions.

As of 30.6.2026, the company had existing credit facilities, some of which are secured against income-producing assets in Israel, in a total amount of approximately NIS 930 million, which as of the date of the report on the financial position, facilities in the amount of approximately NIS 100 million are utilized (a total of approximately NIS 320 million out of the unutilized credit facilities stands against commercial papers). Holding the credit facilities stems from the company's policy to hold unutilized credit facilities instead of providing long-term loans against maintaining cash and deposits.

The company intends to enter into new financing agreements or public or private debt raising in relation to loans provided to it for income-producing assets in Europe as mentioned above. According to the estimation of the company's management, it will enter into new long-term financing agreements even before the final repayment dates of all loans in amounts that will not be less than the remaining balance of the liabilities, as will be agreed with the funding entities as mentioned, and this noting the fact that the company group continues to regularly enter into new loan agreements or extensions of existing agreements with financial corporations, and given the fact that the company maintains negotiations at various stages with various financial entities with which it has long-standing relationships.

Based on the above and noting the projected cash flow presented to the members of the board of directors, in the opinion of the company's board of directors, there is no indication of a liquidity problem for the company in the negative working capital (solo) and the negative working capital (consolidated) as mentioned above, and therefore no warning signs exist in the company.

The above constitutes forward-looking information. The company's assumptions and estimates regarding entering into new financing agreements and regarding performing the expansion of BONDS series are based on the data held by the company as of the date of this Periodic report, and under the assumption of the continuation of its activities in the ordinary course of business. There is no certainty that these assumptions, evaluations, and estimates will be fully or partially realized, as they depend on external and macro-economic factors over which the company has no ability to influence or its ability to influence is limited. Should the company's said assumptions, evaluations, and estimates not be fully or partially realized, a material adverse change in the company's liquidity may occur.

Part Four

Dedicated Disclosure for Bondholders

10 Details regarding the company's liability certificates held by the public as of the report date:

Series	Deposit Dates	Par Value at Original Issuance (NIS millions)	Par Value (NIS millions) as of 30.06.2026	Interest Rate (%)	Linkage Type (Principal and Interest)	No. of Payments for Principal Repayment	Final Repayment Date	Interest Payment Dates	BONDS balance to pay as of 30.06.2026, including linkage	Book value of BONDS as of 30.06.2026	Book value of interest to pay as of 30.06.2026	Midroog/ Maalot Rating
H	Nov 2017, Apr 2018, Sept 2020, Oct 2020 and May 2023	764.6	829.8	2.57	CPI-linked	4 annual payments	15.10.26	Semi-annual payment from Apr 2018	999	998.1	5.3	A+ / A1
J	Oct 2019 and Sept 2020	247.1	240.3	3.25	NIS, unlinked	5 unequal annual payments	30.3.29	Semi-annual payment from Mar 2020	240.3	239.2	2.0	A+ / A1
L	Mar 2021, Jan 2024	610.8	678.9	2.3	NIS, unlinked	13 unequal semi-annual payments	15.9.27	Semi-annual payment from Sept 2021	678.9	671	4.5	A+ / A1
M	July 2021, Nov 2021, May 2023 and May 2024	350	711.7	1.09	CPI-linked	2 equal annual payments	30.6.29	Semi-annual payment from Dec 2021	837.5	817.1	-	A+ / A1
N	Feb 2022 and May 2024	350	596.4	1.54	CPI-linked	4 unequal annual payments	30.3.31	Semi-annual payment from Sept 2022	692	668.4	2.7	A+ / A1

Series	Deposit Dates	Par Value at Original Issuance (NIS millions)	Par Value (NIS millions) as of 30.06.2026	Interest Rate (%)	Linkage Type (Principal and Interest)	No. of Payments for Principal Repayment	Final Repayment Date	Interest Payment Dates	BONDS balance to pay as of 30.06.2026, including linkage	Book value of BONDS as of 30.06.2026	Book value of interest to pay as of 30.06.2026	Midroog/ Maalot Rating
O	Sept 2023	316.5	316.5	4	CPI-linked	3 unequal annual payments	15.10.29	Semi-annual payment from Apr 2024	341	339.6	2.8	A+ / A1
P	Sept 2024 and Nov 2024	350	806.7	4.02	CPI-linked	5 unequal annual payments	30.9.34	Semi-annual payment from Mar 2025	842.3	844	8.5	A+
Q	Apr 2025 and Jan 2026	300	1,000	5.5	NIS, unlinked	6 unequal annual payments	30.3.33	Semi-annual payment from Sept 2025	1,000	1,026.0	13.9	A+
R	May 2026	800	800	4.5	NIS, unlinked	6 unequal annual payments	30.11.34	Semi-annual payment from Nov 2026	800	793.2	2.9	A+
CP 6	May 2026	450	450	bank of Israel interest +0.27%	NIS, unlinked	One payment	28.5.27	28.5.27	451.4	451.4	1.4	P1

Regarding the BONDS detailed in the table above, the following is noted:

A. BONDS Rating

For details regarding the changes in the Company's BONDS rating, see the table below:

Series	Rating Agency Name	Rating set at the time of series issuance	Determining rating as of the report date	Additional ratings between the date of series issuance and the report date
H	Midroog/ Maalot	A3 Rating outlook stable	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
J	Midroog/ Maalot	A3 Rating outlook positive	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
L	Midroog/ Maalot	A2 Rating outlook stable / A+ stable outlook	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
M	Midroog/ Maalot	A2 Rating outlook stable / A+ stable outlook	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
N	Midroog/ Maalot	A2 Rating outlook stable / A+ stable outlook	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
O	Midroog/ Maalot	A2 Rating outlook stable / A+ stable outlook	A1 Rating outlook stable / A+ positive outlook	April 2026 - A1 rating outlook stable / May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
P	Maalot	A+ stable outlook	A1 A+ positive outlook	May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.

Series	Rating Agency Name	Rating set at the time of series issuance	Determining rating as of the report date	Additional ratings between the date of series issuance and the report date
N	Midroog	A1 stable outlook	A1 rating outlook stable	April 2026 - A1 stable rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.
R	Maalot	A1 A+ positive outlook	A1 A+ positive outlook	May 2026 - A+ positive rating outlook. For details regarding the additional ratings from the original rating date until the publication date of the 2025 Periodic report, see the 2025 Periodic report published on 9.3.2026. The information included in the aforementioned Periodic report is hereby included by way of reference.

B. For additional details regarding the BONDS rating, see the Board of Directors Report as of 31.12.2025, which was included in the Periodic report. The information included in the Periodic report is hereby included by way of reference.

C. As of the report date, the Company complies with all terms and obligations under the trust deeds.

D. Details of the trustees for the BONDS series specified above:

Series	Trust Company Name	Name of the person responsible on behalf of the trust company	Contact Details
H	Hermetic (1975) Trust Ltd.	Mr. Dan Avnon and/or Merav Ofer-Oren	03-5274867
J, L, N-R	Strauss Lazer Trust Company (1992) Ltd.	Mr. Uri Lazer	03-6237777
M	Reznik Paz Nevo Trusts Ltd.	Mr. Yossi Reznik	03-6389200

E. For details regarding the possibility of early redemption at the Company's initiative of the Company's BONDS (Series H, J, and L through N), see Chapter D Section 8.9 of the Board of Directors Report included in the Periodic report. The provisions of the trust deed (Series 18) regarding the matter stated in this section are identical to the provisions of the trust deed (Series 17). For details see Chapter D Section 8.9 of the Board of Directors Report included in the Periodic report. The information included above is hereby included by way of reference.

F. For details regarding the Company's commitment to a negative pledge towards the holders of the Company's BONDS (Series H, J, and L through N), see Chapter D Section 8.10 of the Board of Directors Report included in the Periodic report. The provisions of the trust deed (Series 18) regarding the matter stated in this section are identical to the provisions of the trust deed (Series 17). For details see Chapter D Section 8.9 of the Board of Directors Report included in the Periodic report. The information included above is hereby included by way of reference.

G. For details regarding the collateral provided by the Company for the benefit of the BONDS holders (Series 12), see section 3.2.1.8(17) of the Description of the Company's Business chapter in the Periodic report.

All information included in this quarterly report by reference to the Periodic report is hereby included by way of reference.

Company Employees

The Board of Directors expresses its appreciation to the Company's management, the management of the Company's subsidiaries, and the entire staff for their dedicated work and contribution to the advancement of the Company.

Eitan Bar Zeev

Chairman of the Board

Avi Barzilai

Company CEO

Date: 11.8.2026

Appendix A

Below are details regarding very material valuations of investment real estate assets and regarding material valuations of investment real estate assets used by the Company for its financial statements as of 30.6.2026:

Valuations performed for assets in Israel

Valued Asset	Fair Value (in NIS thousands)		Appraiser Identification	Valuation model used by the appraiser	Key assumptions according to which the valuation was performed
	Asset value as of 30.06.2026	Asset value as of 31.12.2025			
Buildings in Weizmann Park, Ness Ziona	1,194,449	1,154,344	Dovrat Olpiner, partner in the Greenberg Olpiner & Co. real estate appraisal office. Real estate appraiser since 1992. The appraiser was granted an indemnification letter. To the best of the Company's knowledge, the appraiser has suitable knowledge and experience for performing valuations for this asset.	Income Capitalization	Capitalization rate for leased areas 6%-7.75% Capitalization rate for vacant areas 7.5%-8.75% Representative cash flow for valuation purposes (per the Company's 60% share) 74,027 NIS thousands.
Landmark Project, Tel Aviv (Company's share - 50%)(1)	2,625,000	2,493,383	Raanan David, partner in the Barak Friedman Kaplener Shimkovitz & Co. real estate appraisal office. Real estate appraiser since 2005. The appraiser was granted an indemnification letter. To the best of the Company's knowledge, the appraiser has suitable knowledge and experience for performing valuations for this asset.	Building A - Income Capitalization Building B - Residual method	Building A and Parking lot - (100%) Weighted capitalization rate for leased office areas approx. 5.94% Parking lot 6.5% Retail 6.5% Representative cash flow for valuation purposes approx. NIS 251 million. Building B- Weighted capitalization rate for offices 6.25% Retail 6.5% Representative cash flow for Building B approx. NIS 101 million Remaining construction costs approx. NIS 363 million Risk and uncertainty deferral factor for Building B approx. 0.9

(1) Includes Building A and the parking lot presented in the reports under investment real estate as well as Building B presented under investment real estate under construction; the change results from the current cost invested during the period.

Valuations performed for assets in Europe¹

The Valued Asset	Fair Value (in thousands NIS)		Identification of the Valuator	Valuation model used by the Valuator	Key assumptions under which the valuation was performed
	Asset value as of 31.12.2025	Asset value as of 30.06.2026			
Airport City Belgrade, Serbia	1,266,983	1,150,043	Nebojsa Nesovanovic MRICS, certified appraiser at CBRE. No indemnity letter was provided to the appraiser. To the best of the Company's knowledge, the appraiser has appropriate knowledge and experience to perform valuations for this asset.	Capitalization of Income	Cap rate - mainly 7.75%-8.02% Representative cash flow for the purpose of the valuation - 28,152 thousand Euro.
Cotroceni Mall, Romania	2,341,181	2,123,362	Ion Ovidiu, MRICS, certified appraiser at CBRE Romania ⁽²⁾ . No indemnity letter was provided to the appraiser. To the best of the Company's knowledge, the appraiser has appropriate knowledge and experience to perform valuations for this asset.	Capitalization of Income	Cap rate - 7.5% Representative cash flow for the purpose of the valuation - 49,411 thousand Euro;

All valuations detailed above were prepared in connection with the financial statements for the period ended September 30, 2025, except for an update to the valuation regarding the Landmark Tel Aviv project, which was prepared as of June 30, 2026. However, even though more than 90 days have passed since the date of the aforementioned valuations, the Company is of the opinion that no changes have occurred that would change the conclusions of the valuations. Regarding the valuation for AFI Cotroceni (hereinafter: the "**Asset**"), which is a very material valuation, it should be noted that close to the date of approval of the Company's financial statements as of June 30, 2026, the Company's management examined the changes in the assumptions detailed in the subject valuation. Based on the data held by the Company, there has been no material change in the occupancy of the asset compared to the date of the subject valuation. Furthermore, there has been no material change in the income from the asset or in the asset's operating costs (NOI) in the period since the asset's valuation. In addition, to the best of the Company's knowledge, no transaction was made in the period since the valuation date that would lead to a change in the capitalization rate of the asset. Given the above, the Company's management is satisfied that it can be relied upon for the purposes of the Company's financial statements as of June 30, 2026.

The valuation of AFI Cotroceni, Romania, which is a very material valuation, was attached to the Company's financial statements as of September 30, 2025, published on November 16, 2025 (Reference: 2025-01-087854) (hereinafter: the "**Quarterly Report as of September 30, 2025**").

An update to the valuation of the Landmark Tel Aviv project, which is a very material valuation, is attached to the Company's financial statements as of June 30, 2026.

¹ As of September 30, 2025, CBRE in Romania (hereinafter: the "Valuator") performed a valuation for a very material part of the Company's assets in Romania with a total value of approximately NIS 6.6 billion and is therefore considered a very material valuator. The Company chose to engage with the Valuator due to its extensive experience and professionalism in the field of income-producing assets in Romania, which provide it with the necessary skills to determine the fair value of the Company's assets in this country. The details of the engagement with the Valuator, applicable to all Company assets valued by it, in accordance with Section 2 of the Third Schedule to the Securities Regulations (Periodic report and Immediate Reports), 1970, are detailed in the valuation for Cotroceni Mall, which was attached to the Company's financial statements as of September 30, 2025.

It should be noted that within the framework of the trust deed for the holders of BONDS (Series 12), the Company committed to ordering a valuation regarding the Airport City Belgrade project, Serbia from an external, independent, and internationally reputable valuator to be selected by the Company, at least once a year and every year, which will be attached to the Company's consolidated financial statements. A valuation regarding the Airport City Belgrade project was attached to the Quarterly Report as of September 30, 2025. The information included in the Quarterly Report as of September 30, 2025, is hereby presented by way of reference.

Appendix B'

Below is a list of the Company's investment real estate assets in Israel and Europe as of June 30, 2026:

Israel:

Asset Name	Location	Asset Type	Total Leasable Area ⁽¹⁾	Company's Holding Rate in the Asset	Book Value as of 30.06.26 (thousands NIS) ⁽¹⁾	Actual Income 1-6/26 (thousands NIS) ⁽¹⁾	Occupancy Rates 30.06.26
Kiryat Weizmann	Ness Ziona	Science Park	83,745	60%	1,052,268	32,924	87%
Landmark A	Tel Aviv	Offices	51,856	50%	2,093,200	55,519	100%
Neve Neeman Park	Hod HaSharon	Offices	24,810	50%	302,119	9,943	85%
Floors 33-35 in HaYovel Tower	Tel Aviv	Offices	3,102	50%	76,200	2,025	100%
Avaya	Yehud	Offices	2,724	40%	32,036	1,060	82%
Galil Yam Rental Housing (273 units)	Herzliya	Rental Housing	10,945	50%	404,000	5,829	100%
Total Assets			177,182		3,959,823	107,300	
Operating Lease (BOT)							
HaBarzel Parking (540 spaces)	Tel Aviv	BOT Parking	17,515	100%	31,440	5,154	-
Equity Companies							
HaYovel Tower	Tel Aviv	Offices	10,731	50%	337,500	10,522	100%
Shoham Rental Housing (271 units)	Shoham	Rental Housing	14,427	50%	345,150	5,445	100%
Total Assets in Equity Companies			25,158		682,650	15,967	

Asset Name	Location	Asset Type	Total Leasable Area ⁽¹⁾	Company's Holding Rate in the Asset	Book Value as of 30.06.26 (thousands NIS) ⁽¹⁾	Actual Income 1-6/26 (thousands NIS) ⁽¹⁾	Occupancy Rates 30.06.26
Total Assets including Equity Companies			219,855		4,673,913	128,422	92%

1. Book value, annual income, and area are presented according to the holding rate in the asset.

Europe (Offices, Malls, and Retail):

Asset Name	Country	City	Type	Total Leasable Area ⁽¹⁾	Company's Holding Rate in Asset	Book Value as of 30.06.26 (thousands NIS) ⁽¹⁾	Actual Income 1-6 2026 (thousands NIS) ⁽¹⁾	Occupancy Rates as of 30.06.26
AFI Cotroceni	Romania	Bucharest	Mall	86,544	99%	2,093,210	82,396	99%
AFI Loft	Romania	Bucharest	Offices	15,227	99%	96,738	706	17%
AFI Park 1-5	Romania	Bucharest	Offices	71,335	100%	597,028	23,498	99%
AFI Palace Ploiesti	Romania	Ploiesti	Mall	33,810	100%	249,160	12,185	99%
AFI Tech Park 1-2	Romania	Bucharest	Offices	48,313	100%	280,817	12,493	100%
AFI Victoriei Plaza	Romania	Bucharest	Offices	8,281	100%	145,149	6,266	100%
AFI Floreasca Business Park	Romania	Bucharest	Offices	38,692	100%	354,966	12,146	90%
AFI Lakeview	Romania	Bucharest	Offices	26,525	100%	215,415	8,740	100%
AFI Timisoara Business Park	Romania	Timisoara	Offices	48,635	100%	288,763	12,242	84%
AFI Brasov Mall	Romania	Brasov	Mall	43,653	100%	540,791	24,473	99%
AFI Park Brasov	Romania	Brasov	Offices	16,569	100%	104,676	4,636	100%
AFI City Commercial Center	Romania	Bucharest	Retail	4,075	100%	31,369	1,265	100%
AFI Arad	Romania	Arad	Retail	30,480	100%	179,033	7,570	100%
Airport City Belgrade	Serbia	Belgrade	Offices	167,701	100%	1,394,656	56,019	95%
Business Garden	Serbia	Belgrade	Offices	14,355	100%	125,311	5,090	99%
AFI Skyline	Serbia	Belgrade	Retail and Offices	38,106	100%	372,361	16,535	99%
Roda Mega	Serbia	Belgrade	Retail	16,272	96%	49,547	2,149	100%
Total in Consolidated Balance Sheet				1,037,971		9,917,903	368,157	95%

Asset Name	Country	City	Type	Total Leasable Area ⁽¹⁾	Company's Holding Rate in Asset	Book Value as of 30.06.26 (thousands NIS) ⁽¹⁾	Actual Income 1-6 2026 (thousands NIS) ⁽¹⁾	Occupancy Rates as of 30.06.26
ZMAJ A-B	Serbia	Belgrade	Offices	29,513	96%	153,848	5,195	83%
Classic 7 (1-3)	Czech Republic	Prague	Offices	33,457	100%	308,519	10,934	99%
AFI Karlin	Czech Republic	Prague	Offices	22,717	100%	286,927	8,006	100%
AFI Vokovice	Czech Republic	Prague	Offices	15,396	100%	200,513	5,759	97%
AFI Avenir	Czech Republic	Prague	Offices	25,739	100%	217,275	6,922	86%
AFI City Tower	Czech Republic	Prague	Offices	17,219	100%	154,076	4,561	100%
AFI Port7(2)	Czech Republic	Prague	Offices	39,984	100%	405,032	-	98%
AFI V Krakow	Poland	Krakow	Offices	25,220	100%	205,113	7,280	92%
T-Mobile Building	Poland	Warsaw	Offices	43,068	100%	294,856	12,844	88%
Office House (T22 B)	Poland	Warsaw	Offices	33,019	100%	478,149	13,557	99%
Business Park Varna	Bulgaria	Varna	Offices	44,066	100%	94,605	4,689	95%
Total in Consolidated Balance Sheet				1,037,971		9,917,903	368,157	95%

1. Book value, annual income, and area are presented according to the holding rate in the asset.
2. The asset was acquired on 30.06.26.

Europe (Residential for Rent):

Property Name	Country	City	Type	Total leasable area (1)	Company's holding rate in the property	Book value as of 30.06.26 (NIS thousands) (1)	Actual income 1-6 2026 (NIS thousands)(1)	Occupancy rates as of 30.06.26	Number of units(1)
AFI Home Kolbenova D+E	Czech Republic	Prague	Residential for Rent	16,688	100%	217,990	6,030	99%	313
AFI Home Kolbenova F+G	Czech Republic	Prague	Residential for Rent	16,508	100%	228,654	6,022	97%	327
AFI Home Karlin	Czech Republic	Prague	Residential for Rent	10,380	100%	206,413	5,183	96%	172
AFI Home Trebesin	Czech Republic	Prague	Residential for Rent	3,328	100%	56,514	1,379	98%	61
AFI Home Dajwor	Poland	Krakow	Residential for Rent	1,315	100%	24,657	466	92%	23
AFI Home Bagry	Poland	Krakow	Residential for Rent	3,929	100%	37,640	1,327	95%	132
AFI Home Europejskie	Poland	Krakow	Residential for Rent	8,007	100%	82,397	2,819	97%	219
AFI Home Zlota 83	Poland	Warsaw	Residential for Rent	7,921	100%	162,740	3,505	97%	146
AFI Home MetroPark	Poland	Warsaw	Residential for Rent	7,239	100%	101,392	3,134	96%	226
AFI Home Czyzewskiego	Poland	Krakow	Residential for Rent	13,000	100%	134,664	3,784	94%	311
AFI Home Dluga	Poland	Wroclaw	Residential for Rent	10,243	100%	124,241	3,248	97%	232
AFI Home Metro Swedzka	Poland	Warsaw	Residential for Rent	25,667	100%	289,091	6,711	93%	371
AFI Home Metro Zachod	Poland	Warsaw	Residential for Rent	24,150	100%	278,151	7,258	99%	517
AFI Home North C	Romania	Bucharest	Residential for Rent	5,053	100%	55,619	1,616	93%	80
Total in consolidated balance sheet				153,428		2,000,163	52,483	96%	3,130

1. Book value, annual income, area and number of units are presented according to the holding rate in the property.

Chapter C

Financial Statements

AFI Properties Ltd.

Condensed Consolidated Financial Statements

As of June 30, 2026

(Unaudited)

AFI Properties Ltd.

Condensed Consolidated Financial Statements
As of June 30, 2026
Unaudited

Table of Contents

	<u>Page</u>
Review Report of the Accountants	2
Condensed Consolidated Financial Statements (Unaudited):	
Condensed Consolidated Statements of Financial Position	3
Condensed Consolidated Statements of Profit or Loss	5
Condensed Consolidated Statements of Comprehensive Income	6
Condensed Consolidated Statements of Changes in Equity	7
Condensed Consolidated Statements of Cash Flows	12
Notes to the Condensed Consolidated Financial Statements	15

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Review Report of the independent accountant to the Shareholders of AFI Properties Ltd

Introduction

We have reviewed the accompanying financial information of AFI Properties Ltd and its subsidiaries (hereinafter - the Company), which includes the condensed consolidated statement of financial position as of June 30, 2026 and the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with International Accounting Standard IAS 34 - "Interim Financial Reporting", and they are also responsible for the preparation of financial information for these interim periods according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to the above in the previous paragraph, nothing has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with the disclosure requirements according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Kost Forer Gabbay & Kasierer
Accountants

Tel-Aviv,
August 11, 2026

AFI Properties Ltd

Condensed Consolidated Statements of Financial Position

	As of June 30		As of December 31
	2026	2025	2025
	Unaudited		Audited
	NIS in thousands		
Non-current assets			
Investment property	16,161,268	16,288,557	16,830,271
Investment property under construction	1,909,835	1,861,029	1,776,544
Fixed assets, net	133,136	61,633	103,382
Investments and loans in held companies	895,050	1,157,221	914,414
Contract assets and long-term receivables	1,494,625	1,133,702	1,243,810
Deferred tax assets	14,029	9,991	16,128
Real estate inventory	465,919	456,375	417,368
Total non-current assets	21,073,862	20,968,508	21,301,917
Current assets			
Inventory of buildings for sale	201,165	220,430	224,484
Trade receivables	78,937	74,963	93,347
Current tax assets	9,001	11,738	10,626
Receivables, contract assets and debit balances	214,491	206,439	216,864
Short-term investments	77,789	90,449	87,113
Cash and cash equivalents	1,988,957	963,329	1,643,045
	2,570,340	1,567,348	2,275,479
Assets held for sale, net	24,257	-	20,012
Total current assets	2,594,597	1,567,348	2,295,491
Total assets	23,668,459	22,535,856	23,597,408

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

AFI Properties Ltd

Condensed Consolidated Statements of Financial Position

	As of June 30		As of December 31 2025
	2026	2025	
	Unaudited		Audited
	NIS in thousands		
Equity			
Share capital	69,321	65,950	69,321
Share premium	3,697,245	3,092,621	3,697,245
Capital reserves	(1,895,124)	(798,786)	(1,183,590)
Receipts on account of warrants	-	37,215	-
Retained earnings	5,985,915	4,911,112	5,675,386
Total equity attributable to owners of the Company	7,857,357	7,308,112	8,258,362
Non-controlling interests	28,402	29,569	31,159
Total equity	7,885,759	7,337,681	8,289,521
Non-current liabilities			
Loans from banking and other institutions	5,948,222	5,195,407	6,001,660
BONDS	5,288,213	4,782,406	3,815,800
Other long-term liabilities	153,519	185,437	145,557
Liabilities for employee benefits	3,145	2,088	2,673
Deferred tax liabilities	1,047,489	1,057,504	1,124,924
Total non-current liabilities	12,440,588	11,222,842	11,090,614
Current liabilities			
Short-term credit from banking and other institutions and current maturities of long-term loans	1,735,534	3,098,615	2,618,106
Current maturities of BONDS	1,108,200	307,903	1,026,728
Trade payables, creditors and credit balances	480,288	528,982	553,125
Provisions	8,650	28,844	8,650
Current tax liabilities	9,440	10,989	10,664
Total current liabilities	3,342,112	3,975,333	4,217,273

	As of June 30		As of December 31 2025
	2026	2025	
	Unaudited		
	NIS in thousands		Audited
Total equity and liabilities	23,668,459	22,535,856	23,597,408

Eitan Bar Zeev - Chairman of the Board

Avi Barzilai - CEO

Anat Dafna – CFO

Date of approval of the financial statements: August 11, 2026

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

AFI Properties Ltd

Condensed Consolidated Statements of Profit or Loss

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS in thousands				
Rental income from properties	536,415	527,766	261,905	272,980	1,086,536
Income from maintenance and management of properties	191,736	183,815	94,667	91,378	383,774
Operating and maintenance expenses	(197,765)	(197,968)	(94,365)	(94,499)	(407,664)
Gross profit from property rental and operation	530,386	513,613	262,207	269,859	1,062,646
Income from construction and real estate transactions	23,667	19,634	8,317	15,545	36,021
Expenses from construction and real estate transactions	(19,681)	(16,105)	(7,397)	(12,897)	(26,921)
Inventory write-down	-	-	-	-	(29,930)
Gross profit (loss) from construction and real estate transactions	3,986	3,529	920	2,648	(20,830)
Income from construction works of BOT projects	39,213	34,537	10,689	15,527	80,864
Expenses for construction works of BOT projects	(34,988)	(34,326)	(6,951)	(15,247)	(79,746)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS in thousands				
Gross profit from construction works of BOT projects	4,225	211	3,738	280	1,118
Total gross profit	538,597	517,353	266,865	272,787	1,042,934
Fair value increase of investment property, net	28,351	28,801	47,691	46,262	654,203
Fair value increase of investment property under construction, net	55,453	12,233	60,591	12,233	61,564
Selling and marketing expenses	(8,377)	(7,589)	(4,100)	(4,453)	(18,169)
General and administrative expenses	(69,487)	(58,373)	(34,004)	(32,647)	(134,459)
Other income	8,784	8,952	3,578	4,561	10,461
Other expenses	(11,594)	(6,726)	(6,801)	(4,616)	(12,296)
Share in profits of companies accounted for using the equity method, net of tax	6,940	888	1,839	821	62,030
Operating profit	548,667	495,539	335,659	294,948	1,666,268
Finance expenses	(453,016)	(359,644)	(271,833)	(149,617)	(645,126)
Finance income	299,674	96,017	206,172	12,040	153,777
Finance expenses, net	(153,342)	(263,627)	(65,661)	(137,577)	(491,349)
Profit before taxes on income	395,325	231,912	269,998	157,371	1,174,919
Taxes on income	(91,338)	(62,181)	(61,693)	(42,657)	(237,639)
Net profit for the period	303,987	169,731	208,305	114,714	937,280
Attributable to:					
Owners of the Company	303,817	169,024	207,978	114,326	933,298
Non-controlling interests	170	707	327	388	3,982
	303,987	169,731	208,305	114,714	937,280
Earnings per 1 ordinary share (in NIS) of NIS 1 par value attributable to owners of the Company:					
Basic earnings per share (in NIS)	7.33	4.44	5.02	3.00	24.08
Diluted earnings per share (in NIS)	7.33	4.42	5.02	2.99	23.83

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

AFI Properties Ltd

Condensed Consolidated Statements of Comprehensive Income

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Net profit for the period	303,987	169,731	208,305	114,714	937,280
Other comprehensive income (loss):					
Amounts that were or will be reclassified in the future to profit or loss:					
Gain (loss) from cash flow hedges, net of tax	6,641	(26,817)	(9,734)	(17,417)	(13,237)
Translation differences of foreign operations, net of tax	(723,032)	310,099	(484,034)	151,304	(93,456)
Other comprehensive income (loss) for the period	(716,391)	283,282	(493,768)	(168,721)	(106,693)
Total comprehensive income (loss) for the period	(412,404)	453,013	(285,463)	(54,007)	830,587
Total comprehensive income (loss) for the period attributable to:					
Owners of the company	(409,647)	451,140	(283,773)	(53,894)	827,124
Non-controlling interests	(2,757)	1,873	(1,690)	(113)	3,463
	(412,404)	453,013	(285,463)	(54,007)	830,587

The notes to the condensed consolidated interim financial statements are an integral part thereof.

AFI Properties Ltd

Condensed Consolidated Statements of Changes in Equity

	For the six-month period ended June 30, 2026										
	Attributable to owners of the company										
	Share capital	Share premium	Receipts on account of share warrants	Capital reserve from cash flow hedges	Capital reserve from transactions with a controlling shareholder	Capital reserve for translation differences of foreign operations	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS thousands										
Balance as of January 1, 2026 (Audited)	69,321	3,697,245	-	(4,798)	20,544	(1,168,284)	(31,052)	5,675,386	8,258,362	31,159	8,289,521
Net profit for the period	-	-	-	-	-	-	-	303,817	303,817	170	303,987
Gain from cash flow hedges, net of tax	-	-	-	6,641	-	-	-	-	6,641	-	6,641
Translation differences of foreign operations, net of tax	-	-	-	-	-	(720,105)	-	-	(720,105)	(2,927)	(723,032)

	For the six-month period ended June 30, 2026										
	Attributable to owners of the company										
	Share capital	Share premium	Receipts on account of share warrants	Capital reserve from cash flow hedges	Capital reserve from transactions with a controlling shareholder	Capital reserve for translation differences of foreign operations	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS thousands										
Total comprehensive income (loss) for the period	-	-	-	6,641	-	(720,105)	-	303,817	(409,647)	(2,757)	(412,404)
Cost of share-based payment	-	-	-	-	1,930	-	-	6,712	8,642	-	8,642
Balance as of June 30, 2026	69,321	3,697,245	-	1,843	22,474	(1,888,389)	(31,052)	5,985,915	7,857,357	28,402	7,885,759

The notes to the condensed consolidated interim financial statements are an integral part thereof.

AFI Properties Ltd

Condensed Consolidated Statements of Changes in Equity

For the six-month period ended June 30, 2025											
Attributable to owners of the company											
	Share capital	Share premium	Receipts on account of share warrants	Capital reserve from cash flow hedges	Capital reserve from transactions with a controlling shareholder	Capital reserve for translation differences of foreign operations	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
NIS thousands											
Balance as of January 1, 2025 (Audited)	65,942	3,091,234	37,300	8,439	13,572	(1,075,347)	(29,653)	4,742,088	6,853,575	29,566	6,883,141
Net profit for the period	-	-	-	-	-	-	-	169,024	169,024	707	169,731
Loss from cash flow hedges, net of tax	(26,817)	-	-	-	-	-	-	-	(26,817)	-	(26,817)
Translation differences of foreign operations, net of tax	-	-	-	-	-	308,933	-	-	308,933	1,166	310,099
Total comprehensive income (loss) for the period	-	-	-	(26,817)	-	308,933	-	169,024	451,140	1,873	453,013
Cost of share-based payment	-	-	-	-	3,486	-	-	-	3,486	-	3,486
Purchase of non-controlling interests	-	-	-	-	-	-	(1,399)	-	(1,399)	(1,870)	(3,269)
Exercise of share warrants	8	1,387	(85)	-	-	-	-	-	1,310	-	1,310
Balance as of June 30, 2025	65,950	3,092,621	37,215	(18,378)	17,058	(766,414)	(31,052)	4,911,112	7,308,112	29,569	7,337,681

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Statements of Changes in Equity

AFI Properties Ltd

For the three-month period ended June 30, 2026

	Attributable to owners of the company									Non-controlling interests	Total equity
	Share capital	Share premium	Receipts on account of share warrants	Capital reserve from cash flow hedges	Capital reserve from transactions with a controlling shareholder	Capital reserve for translation differences of foreign operations	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
Unaudited											
NIS thousands											
Balance as of April 1, 2026	69,321	3,697,245	-	11,577	21,509	(1,406,372)	(31,052)	5,773,956	8,136,184	30,092	8,166,276
Net profit for the period	-	-	-	-	-	-	-	207,978	207,978	327	208,305
Loss from cash flow hedges, net of tax	-	-	-	(9,734)	-	-	-	-	(9,734)	-	(9,734)
Translation differences of foreign operations, net of tax	-	-	-	-	-	(482,017)	-	-	(482,017)	(2,017)	(484,034)
Total comprehensive income (loss) for the period	-	-	-	(9,734)	-	(482,017)	-	207,978	(283,773)	(1,690)	(285,463)
Cost of share-based payment	-	-	-	-	965	-	-	3,981	4,946	-	4,946
Balance as of June 30, 2026	69,321	3,697,245	-	1,843	22,474	(1,888,389)	(31,052)	5,985,915	7,857,357	28,402	7,885,759

The notes to the condensed consolidated interim financial statements are an integral part thereof.

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AFI Properties Ltd.

Condensed Consolidated Statements of Changes in Equity

For the three-month period ended June 30, 2025
Attributable to the Company's shareholders

	Attributable to the Company's shareholders										
	Share capital	Share premium	Receipts on account of warrants for shares	Capital reserve from cash flow hedges	Capital reserve from transactions with controlling shareholder	Capital reserve for translation differences for foreign activities	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited NIS thousands										
Balance as of April 1, 2025	65,950	3,092,621	37,215	(961)	15,315	(615,611)	(31,052)	4,796,786	7,360,263	29,682	7,389,945
Net profit for the period	-	-	-	-	-	-	-	114,326	114,326	388	114,714
Loss from cash flow hedge, net of tax	-	-	-	(17,417)	-	-	-	-	(17,417)	-	(17,417)
Translation differences for foreign activities, net of tax	-	-	-	-	-	(150,803)	-	-	(150,803)	(501)	(151,304)
Total comprehensive profit (loss) for the period	-	-	-	(17,417)	-	(150,803)	-	114,326	(53,894)	(113)	(54,007)
Share-based payment cost	-	-	-	-	1,743	-	-	-	1,743	-	1,743
Balance as of June 30, 2025	65,950	3,092,621	37,215	(18,378)	17,058	(766,414)	(31,052)	4,911,112	7,308,112	29,569	7,337,681

The accompanying notes to the condensed consolidated interim financial statements form an integral part thereof.

Condensed Consolidated Statements of Changes in Equity

AFI Properties Ltd.

For the year ended December 31, 2025
Attributable to the Company's shareholders

	Share capital	Share premium	Receipts on account of warrants for shares	Capital reserve from cash flow hedges	Capital reserve from transactions with controlling shareholder	Capital reserve for translation differences for foreign activities	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
Audited											
NIS thousands											
Balance as of January 1, 2025	65,942	3,091,234	37,300	8,439	13,572	(1,075,347)	(29,653)	4,742,088	6,853,575	29,566	6,883,141
Net profit for the year	-	-	-	-	-	-	-	933,298	933,298	3,982	937,280
Loss from cash flow hedge, net of tax	-	-	-	(13,237)	-	-	-	-	(13,237)	-	(13,237)
Translation differences for foreign activities, net of tax	-	-	-	-	-	(92,937)	-	-	(92,937)	(519)	(93,456)
Total comprehensive income (loss) for the year	-	-	-	(13,237)	-	(92,937)	-	933,298	827,124	3,463	830,587
Share-based payment cost	-	-	-	-	6,972	-	-	-	6,972	-	6,972

	Share capital	Share premium	Receipts on account of warrants for shares	Capital reserve from cash flow hedges	Capital reserve from transactions with controlling shareholder	Capital reserve for translation differences for foreign activities	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
Audited											
NIS thousands											
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,399)	-	(1,399)	(1,870)	(3,269)
Exercise of warrants for shares, (see note 15B)	3,379	606,011	(37,300)	-	-	-	-	-	572,090	-	572,090
Balance as of December 31, 2025	69,321	3,697,245	-	(4,798)	20,544	(1,168,284)	(31,052)	5,675,386	8,258,362	31,159	8,289,521

The accompanying notes to the condensed consolidated interim financial statements form an integral part thereof.

Condensed Consolidated Statements of Cash Flows

AFI Properties Ltd.

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Cash flows from operating activities					
Net profit for the period	303,987	169,731	208,305	114,714	937,280
Adjustments required to present cash flows from operating activities:					
Group's share in profits of companies accounted for using the equity method	(6,940)	(888)	(1,839)	(821)	(62,030)
Depreciation and amortization	3,501	2,735	1,769	1,475	6,518
Inventory impairment	-	-	-	-	29,930
Capital gain from realization of assets	(2,912)	-	-	-	-
Finance expenses recognized in statement of profit or loss, net	153,342	263,627	65,661	137,577	491,349
Tax expenses recognized in statement of profit or loss	91,338	62,181	61,693	42,657	237,639
Change in fair value of investment property, net	(28,351)	(28,801)	(47,691)	(46,262)	(654,203)
Change in fair value of investment property under construction, net	(55,453)	(12,233)	(60,591)	(12,233)	(61,564)
Share-based payment cost	8,642	3,486	4,946	1,743	6,972
Change in long-term employee benefits	480	(3,661)	461	(3,724)	(3,039)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
	163,647	286,446	24,409	120,412	(8,428)
Change in asset and liability items:					
Change in real estate inventory	(3,541)	(4,763)	(892)	(1,996)	(11,083)
Change in debtors and debit balances	(55,526)	(47,387)	(9,073)	(2,213)	3,234
Change in trade receivables	7,369	13,465	755	4,429	(9,686)
Change in inventory of buildings for sale	16,995	(738)	8,576	1,014	(15,077)
Change in suppliers, payables, credit balances and provisions	(23,102)	(2,621)	(33,915)	(15,037)	4,257
	(57,805)	(42,044)	(34,549)	(13,803)	(28,355)
Income taxes paid, net	(24,299)	(31,463)	(18,745)	(23,976)	(54,590)
Net cash generated from operating activities	385,530	382,670	179,420	197,347	845,907

The accompanying notes to the condensed consolidated interim financial statements form an integral part thereof.

Condensed Consolidated Statements of Cash Flows

AFI Properties Ltd.

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Cash flows from investing activities					
Investments and loans to associates, net	(20,736)	(151,920)	(1,103)	(2,854)	(82,962)
Taxes paid attributable to investing activity	-	(31,677)	-	-	(31,677)
Net receipts from realization/on account of sale of held companies	22,436	-	-	-	-
Interest received	38,518	12,967	21,473	7,013	30,698
Investment in investment property and advances for purchase of investment property	(147,666)	(119,629)	(87,616)	(63,751)	(299,927)
Investment in investment property under construction	(160,974)	(339,949)	(73,950)	(149,088)	(583,515)
Receipt regarding long-term franchise agreement	27,979	5,168	7,753	-	50,855
Purchase and investments in fixed assets	(40,668)	(14,142)	(24,316)	(9,106)	(31,234)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Acquisition of companies consolidated for the first time, net of cash acquired (see Annex A)	(513,254)	-	(513,254)	-	(86,294)
Investment in long-term contract asset regarding franchise agreement	(50,367)	(38,214)	(18,500)	(21,799)	(86,219)
Proceeds from realization of investment property and investment property under construction	83,852	-	78,353	-	203,655
Repayment (investments in) deposits, net	4,179	(11,995)	(2,841)	(5,016)	16,958
Net cash used for investing activities	(756,701)	(689,391)	(614,001)	(244,601)	(899,662)
Cash flows from financing activities					
Short-term credit from banking and other corporations, net	435,125	(104,354)	437,087	(4,742)	(275,682)
Repayment of long-term liabilities	(1,220,980)	(148,906)	(1,174,961)	(102,323)	(2,588,266)
Repayment of BONDS	(21,216)	(341,891)	-	(269,187)	(633,995)
Interest paid	(282,160)	(225,831)	(143,212)	(109,186)	(512,887)
Proceeds from exercise of warrants for shares	-	1,310	-	-	572,090
Purchase of shares from non-controlling interest holders in consolidated companies	-	(3,269)	-	-	(14,928)
Receipt of long-term loans	347,561	533,845	247,080	388,083	3,632,967
Issuance of BONDS (after deduction of issuance expenses)	1,535,485	297,548	793,114	297,548	297,548
Net cash generated from financing activities	793,815	8,452	159,108	200,193	476,847
Effect of exchange rate fluctuations on cash and cash equivalents balances	(76,732)	22,113	(51,781)	(11,159)	(18,532)
Cash balance for asset classified as held for sale	-	-	-	-	(1,000)
Increase (decrease) in cash and cash equivalents	422,644	(298,269)	(275,473)	152,939	423,092
Balance of cash and cash equivalents at the beginning of the period	1,643,045	1,239,485	2,316,211	821,549	1,239,485
Balance of cash and cash equivalents at the end of the period	1,988,957	963,329	1,988,957	963,329	1,643,045

The accompanying notes to the condensed consolidated interim financial statements form an integral part thereof.

AFI Properties Ltd.

Condensed Consolidated Statements of Cash Flows

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
(A) <u>Acquisition of companies consolidated for the first time, net of cash acquired</u>					
Assets and liabilities of the consolidated companies as of the acquisition date:					
Working capital (excluding cash and cash equivalents)	1,429	-	1,429	-	(6,261)
Investment property	398,300	-	398,300	-	469,855
Investment property under construction	35,303	-	35,303	-	-
Inventory	85,455	-	85,455	-	-
Investments and loans in held companies	-	-	-	-	(212,762)
Loans from banking and institutional corporations	-	-	-	-	(163,234)
Other long-term liabilities	(7,234)	-	(7,234)	-	-
Company's liabilities to the seller for the acquisition of the consolidated company	-	-	-	-	(1,304)
	513,253	-	513,253	-	86,294

The notes attached to the condensed consolidated interim financial statements are an integral part thereof.

Note 1:- General

- A.** AFI Properties Ltd. (hereinafter - "the Company") is a resident of Israel. The condensed consolidated financial statements of the Group as of June 30, 2026, include those of the Company and its subsidiaries (hereinafter together - "the Group"), as well as the Group's rights in associated companies and jointly controlled entities. The Group is engaged in the initiation, construction, leasing, and operation of income-producing buildings in Israel and abroad. The Company's securities are listed for trading on the Tel Aviv Stock Exchange. The Company is a company controlled by BIG Shopping Centers Ltd. (hereinafter - "BIG") which holds approximately 79.9% of the Company's issued and paid-up capital.
- B.** These condensed consolidated statements should be reviewed in context of the Company's annual financial statements as of December 31, 2025, and for the year then ended and the notes accompanying them, which were approved on March 8, 2026 (hereinafter - "the Annual Financial Reports").

C. Effects of the "Lion's Roar" Operation on the Company's Business Activities

On February 28, 2026, the "Lion's Roar" operation began with a combined attack by the State of Israel and the United States against Iran. In response, Iran began firing towards Israel as well as towards American and civilian targets in the Persian Gulf countries and the Middle East, including the United Arab Emirates and Saudi Arabia. In addition, a front was opened against the Hezbollah organization and Israel operated in Lebanon. The attacks towards Israel ended mainly during April 2026, while during June 2026, memoranda of understanding were signed between the United States and Iran regarding an agreement to end the fighting.

At this stage, the Company is unable to assess the future effects, if any, of the renewal of fighting or escalation in the various fronts, on the activity of the economy as a whole or on the Company's activity and results, but in the Company's assessment, the Company's exposure to the ongoing crisis is low in light of its financial stability and the condition of its assets.

- D.** As of the date of the financial report, the Company has a consolidated working capital deficit of approximately NIS 748 million and a solo working capital deficit of approximately NIS 666 million. The main part of the working capital deficit arises from financing agreements granted for income-producing properties in Europe and Israel in the amount of approximately NIS 446 million and approximately NIS 207 million respectively which are expected to be repaid in the next twelve months, from the classification of current maturities in the amount of approximately NIS 998 million for BONDS (Series 8') which are expected to be repaid in October 2026, and from commercial papers in the amount of approximately NIS 782 million.

The Company acts with a trend to increase the liquid balances in its hands and to decrease its short-term liabilities through several actions:

- (1) The Company has short-term credit facilities, some of which are secured against income-producing properties in Israel in the amount of approximately NIS 930 million, of which, as of the date of the statement of financial position, facilities in the amount of approximately NIS 100 million are utilized (a total of approximately NIS 320 million of the unutilized credit facilities stand against commercial papers). Holding the credit facilities stems from the Company's policy to hold unutilized credit facilities instead of providing long-term loans against the retention of cash and deposits.
- (2) Entering into new financing agreements for several loans given for income-producing properties in Europe which are expected to be repaid in the next twelve months and converting them to long-term loans, for which the Company has begun contacts with the financing entities and expects that it will enter into new agreements before the final maturity date.
- (3) Recycling funds by refinancing income-producing properties in the countries of the Company's operations.
- (4)

If necessary, raising capital or BONDS.

Accordingly, in the assessment of the Company's management, these actions plus the positive cash flow from current activity will allow the Company to meet the repayment of its current liabilities on time.

- E. The financial statements of the subsidiary AFI Europe were attached to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

Note 2: - Main Accounting Policies

A. Basis for Preparation of the Financial Statements:

The condensed consolidated financial statements (hereinafter - "Condensed Consolidated Financial Statements") of the Group were prepared in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" (hereinafter - "IAS 34").

In preparing these interim financial statements, the Group applied accounting policies, presentation rules and calculation methods identical to those applied in the preparation of the annual financial statements.

- B. The condensed consolidated financial statements were prepared in accordance with the disclosure instructions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.
- C. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on August 11, 2026.

D. Exchange Rates and Linkage Basis:

- (1) Balances in foreign currency, or linked to it, are included in the financial statements according to the representative exchange rates published by the Bank of Israel and were valid for the end of the reporting period.
- (2) Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the index of the month preceding the month of the financial statement date).
- (3) Below are data on the exchange rate of foreign currencies and the Consumer Price Index (based on 2002):

	Representative Exchange Rate of			Index in Israel	
	Euro	Czech Koruna	Polish Zloty	Known Index	Index for
	(NIS to 1 Euro)	(NIS to 1 Koruna)	(NIS to 1 Zloty)	Points	Points
Financial Statements Date:					
As of June 30, 2026	3.3945	0.140	0.790	148.32	147.05

	Representative Exchange Rate of			Index in Israel	
	Euro	Czech Koruna	Polish Zloty	Known Index	Index for
	(NIS to 1 Euro)	(NIS to 1 Koruna)	(NIS to 1 Zloty)	Points	Points
As of June 30, 2025	3.9552	0.160	0.932	145.49	147.05
As of December 31, 2025	3.7455	0.155	0.887	146.63	146.63
Change Rates:	%	%	%	%	%
For the six-month period ended:					
June 30, 2026	(9.4)	(9.5)	(11.0)	1.2	0.3
June 30, 2025	4.2	6.0	5.1	1.6	2.9
For the three-month period ended:					
June 30, 2026	(6.6)	(5.7)	(6.8)	1.3	-
June 30, 2025	(1.7)	(0.3)	(2.6)	1.3	1.9
For the year ended:					
December 31, 2025	(1.3)	2.5	-	2.4	2.6

Note 2: - Main Accounting Policies (Continued)

E. Determination of Fair Value of Investment Property and Investment Property under Construction in Interim Reports:

For the purpose of determining the fair value of investment property, the Company relies on a valuation performed by an independent appraiser once a year. In addition, at each interim reporting date, the Company examines the need to update the estimate of the fair value of its investment property relative to its fair value which was determined at the last time a valuation was performed for it, in order to examine whether this estimate represents a reliable estimate for the fair value as of the interim reporting date. This examination is done through a review of changes in the relevant real estate market, in the lease agreements in the property, in the macroeconomic environment of the property, as well as new information regarding material transactions made in the property's vicinity and in similar properties and any other information that may indicate changes in the fair value of the property.

If in the Company's assessment there are signs for certain assets that the fair value as of the interim reporting date is materially different from the fair value estimated at the last time a valuation was performed, the Company estimates the fair value of these assets as of the interim reporting date through an external appraiser.

Regarding investment property under construction, at each interim reporting date, the Company also examines the costs invested in the construction of the property, the estimate of the costs required for its completion, the progress of construction and other changes in the relevant real estate market such as rental prices.

As of June 30, 2026, the Company performed an update to the valuation through an independent external appraiser for the Landmark project in Tel Aviv and accordingly the Company recorded an increase in the fair value of investment property and investment property under construction for its share in the project in the amount of approximately NIS 88 million.

Note 3: - Financial Instruments

A. Financial Instruments Which Are Not Measured at Fair Value:

The table below details the carrying value and the fair value of a group of financial instruments, presented in the financial statements, not according to their fair value:

Except as detailed in the following table, the Group believes that the carrying value of the financial assets and liabilities presented at amortized cost in the financial statements is close to their fair value.

The fair value of financial instruments traded in an active market (the Company's BONDS Series H, J, L-R), was calculated based on the closing rates quoted on the Tel Aviv Stock Exchange for the days June 30, 2026 and 2025 and December 31, 2025, respectively, multiplied by the issued quantity of the tradable financial instrument at that date.

The fair value of financial instruments that are not traded was estimated using accepted pricing models, such as present value of future cash flows discounted at the accepted interest rate for a similar loan with similar characteristics, in the Company management's assessment, reflecting the risk level inherent in the financial instrument. For further details regarding measurement, see Note 29E to the Annual Financial Reports.

Note 3: - Financial Instruments (Continued)

	Carrying amount		
	As of June 30		As of December 31
	2026	2025	2025
	Unaudited		Audited
	NIS thousands		
Financial liabilities:			
Loans from banking and other corporations	6,784,316	7,649,327	8,163,588
BONDS including current maturities	6,439,129	5,120,679	4,872,599

	Fair value		
	As of June 30		As of December 31
	2026	2025	2025
	Unaudited		Audited
	NIS thousands		
Financial liabilities:			
Loans from banking and other corporations	6,868,782	7,651,549	8,303,283
BONDS including current maturities	6,546,298	5,110,270	4,926,130

B. Financial instruments measured at fair value:

Financial assets and liabilities include interest rate swap contracts designated by the Group for cash flow hedging, as well as Cross Currency Swap transactions not designated by the Group for cash flow hedging. These instruments are all measured according to Level 2 in the fair value hierarchy (based on observable data regarding exchange rates and interest rates that are not quoted prices). The aforementioned financial instruments are presented in the financial statements at their fair value. Below is the fair value of the financial instruments:

	Fair value		
	As of June 30		As of December 31
	2026	2025	2025
	Unaudited		Audited
	NIS thousands		
<u>Financial asset:</u>			
Euro-NIS currency swap transactions	323,943	20,045	94,189

	Fair value		
	As of June 30		As of December 31
	2026	2025	2025
	Unaudited		Audited
	NIS thousands		
Interest rate swap contracts from variable Euro to fixed Euro	25,279	14,898	12,450
<u>Financial liability:</u>			
Interest rate swap contracts from variable Euro to fixed Euro	4,379	21,978	11,754
Interest rate swap contracts from variable NIS to CPI-linked fixed rate	-	10,974	23,851
Euro-NIS currency swap transactions	-	26,078	-

Fair value was estimated based on the discounted difference of cash flows between the fixed interest rate paid by the company and the variable interest rate expected to be received based on the interest rate curve as of the reporting date; and in currency swap transactions, the discounted difference of cash flows between the Euro payment the company is expected to pay and the NIS payment the company is expected to receive based on the difference between the expected exchange rate on the contract realization date (using Euro and Shekel interest curves as of the calculation date) and the rate set on the transaction formulation date.

Note 4: - Segment Reporting

	For the six-month period ended June 30, 2026							
	Unaudited							
	NIS thousands							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Segment revenues	78,628	121,970	288,923	95,984	18,391	603,896	195,919	799,815
Segment gross profit	53,004	87,570	212,780	60,843	6,244	420,441	118,156	538,597
Segment results	55,755	88,071	210,743	54,475	7,499	416,543	172,740	589,283
Share of the company in profits of companies accounted for by the equity method, net								6,940
Expenses not allocated to segments								(47,556)
Operating profit								548,667
Finance expenses								453,016

	For the six-month period ended June 30, 2026							
	Unaudited							
	NIS thousands							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Finance income								(299,674)
Profit before taxes on income								395,325
Taxes on income								(91,338)
Net profit for the period								303,987
Additional information:								
Rental and property operation income	54,815	87,031	211,429	65,933	4,689	423,897	112,518	536,415
Construction and real estate transaction income	-	-	-	149	8,837	8,986	14,681	23,667
Construction income from BOT projects	-	-	-	-	-	-	39,213	39,213
Change in fair value of investment property and investment property under construction	3,269	3,340	(1,006)	(4,528)	-	1,075	82,729	83,804

	As of June 30, 2026							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Investment property and investment property under construction	2,440,316	2,718,370	5,704,685	2,262,567	123,804	13,249,742	4,821,361	18,071,103
Inventory of apartments and real estate	122,117	84,927	192,108	33,517	90,746	523,415	143,669	667,084
Total	2,562,433	2,803,297	5,896,793	2,296,084	214,550	13,773,157	4,965,030	18,738,187

For a description of the company's operating segments, see Note 30 to the Consolidated Annual Financial Statements.

Note 4: - Segment Reporting (Continued)

	For the six-month period ended June 30, 2025							
	Unaudited							
	NIS thousands							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Segment revenues	88,269	123,320	298,236	61,314	26,808	597,947	176,757	774,704
Segment gross profit	60,293	87,244	219,890	32,225	7,961	407,613	109,740	517,353

	For the six-month period ended June 30, 2025							
	Unaudited							
	NIS thousands							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Segment results	66,644	82,205	211,887	38,161	6,111	405,008	132,246	537,254
Share of the company in profits of companies accounted for by the equity method, net								888
Expenses not allocated to segments								(42,603)
Operating profit								495,539
Finance expenses								(359,644)
Finance income								96,017
Profit before taxes on income								231,912
Taxes on income								(62,181)
Net profit for the period								169,731
Additional information:								
Rental and property operation income	62,552	87,020	222,051	38,592	4,991	415,206	112,560	527,766
Construction and real estate transaction income	-	-	-	75	19,559	19,634	-	19,634
Construction income from BOT projects	-	-	-	-	-	-	34,537	34,537
Change in fair value of investment property and investment property under construction	6,850	(3,333)	(5,735)	4,117	-	1,899	39,135	41,034

	As of June 30, 2025							
Investment property and investment property under construction	2,289,689	2,680,047	6,338,580	2,127,490	136,957	13,572,763	4,576,823	18,149,586
Inventory of apartments and real estate	133,492	-	223,758	39,228	148,873	545,351	131,454	676,805
Total	2,423,181	2,680,047	6,562,338	2,166,718	285,830	14,118,114	4,708,277	18,826,391

AFI Properties Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 4: - Segment Reporting (Continued)

	For the three-month period ended June 30, 2026							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
	Unaudited							
	NIS thousands							
Segment revenues	37,922	58,854	141,645	48,120	5,468	292,009	87,147	379,156
Segment gross profit	25,752	43,145	105,681	30,193	2,418	207,189	59,676	266,865
Segment results	36,981	46,104	104,889	35,629	2,271	225,874	132,526	358,400
Share of the company in profits of companies accounted for by the equity method, net								1,839
Expenses not allocated to segments								(24,580)
Operating profit								335,659
Finance expenses								(271,833)
Finance income								206,172
Profit before taxes on income								269,998
Taxes on income								(61,693)
Net profit for the period								208,305
Additional information:								
Rental and property operation income	26,683	42,452	102,467	32,704	2,324	206,630	55,275	261,905
Construction and real estate transaction income	-	-	-	109	2,208	2,317	6,000	8,317
Construction income from BOT projects	-	-	-	-	-	-	10,689	10,689
Change in fair value of investment property and investment property under construction	11,327	5,667	(1,402)	7,042	-	22,634	85,648	108,282

	As of June 30, 2026							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Investment property and investment property under construction	2,440,316	2,718,370	5,704,685	2,262,567	123,804	13,249,742	4,821,361	18,071,103

	As of June 30, 2026							
	Czech Rep.	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Inventory of apartments and real estate	122,117	84,927	192,108	33,517	90,746	523,415	143,669	667,084
Total	2,562,433	2,803,297	5,896,793	2,296,084	214,550	13,773,157	4,965,030	18,738,187

AFI Properties Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 4: - Segment Reporting (Continued)

	For the three-month period ended June 30, 2025							
	Unaudited							
	NIS thousands							
	Czech Republic	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
Segment revenues	44,556	65,666	154,140	30,887	19,268	314,517	85,474	399,991
Segment gross profit	31,364	46,696	116,912	17,088	5,038	217,098	55,689	272,787
Segment results	33,043	45,980	113,625	18,139	3,755	214,542	102,290	316,832
Company's share in losses of companies accounted for using the equity method, net								821
Expenses not allocated to segments								(22,705)
Operating profit								294,948
Financing expenses								(149,617)
Financing income								12,040
Profit before taxes on income								157,371
Taxes on income								(42,657)
Net profit for the period								114,714
Additional Information:								
Revenues from rental and operation of properties	32,019	45,830	115,835	20,061	2,634	216,379	56,601	272,980
Revenues from construction and real estate transactions	-	-	-	75	15,470	15,545	-	15,545
Revenues from establishment works of BOT projects	-	-	-	-	-	-	15,527	15,527
Change in fair value of investment property and investment property under construction	1,852	526	(2,143)	1,114	-	1,349	57,146	58,495
	As of June 30, 2025							
Investment property and investment property under construction	2,289,689	2,680,047	6,338,580	2,127,490	136,957	13,572,763	4,576,823	18,149,586
Inventory of apartments and real estate	133,492	-	223,758	39,228	148,873	545,351	131,454	676,805
Total	2,423,181	2,680,047	6,562,338	2,166,718	285,830	14,118,114	4,708,277	18,826,391

Note 4: - Segment Reporting (Continued)

	For the year ended December 31, 2025							
	Czech Republic	Serbia	Romania	Poland	Others	Total Europe	Israel	Total
	Audited							
	NIS thousands							
Segment revenues	177,769	247,374	616,067	136,061	49,110	1,226,381	371,275	1,597,656
Segment gross profit	121,135	175,500	457,081	77,340	(12,259)	818,797	224,137	1,042,934
Segment results	167,142	397,517	593,550	107,720	(10,795)	1,255,134	450,260	1,705,394
Company's share in profits of companies accounted for using the equity method, net								62,030
Expenses not allocated to segments								(101,156)
Operating profit								1,666,268
Financing expenses								(645,126)
Financing income								153,777
Profit before taxes on income								1,174,919
Taxes on income								(237,639)
Net profit for the year								937,280
Additional Information:								
Revenues from rental and operation of properties	124,865	177,333	454,364	90,557	9,938	857,057	229,479	1,086,536
Revenues from construction and real estate transactions	868	-	-	74	35,079	36,021	-	36,021
Revenues from establishment works of BOT projects	-	-	-	-	-	-	80,864	80,864
Change in fair value of investment property and investment property under construction	46,711	227,207	142,667	30,773	6,511	453,869	261,898	715,767
Inventory write-down to realization price	-	-	-	-	(29,930)	(29,930)	-	(29,930)

	As of December 31, 2025							
Investment property and investment property under construction	2,162,708	2,901,942	6,239,074	2,542,532	136,435	13,982,691	4,624,124	18,606,815
Inventory of apartments and real estate	131,834	-	211,932	37,616	105,495	486,877	154,975	641,852
Total	2,294,542	2,901,942	6,451,006	2,580,148	241,930	14,469,568	4,779,099	19,248,667

AFI Properties
Ltd.

Notes to the Condensed Consolidated Financial
Statements

Note 5: - Material events during the reporting period

A. On January 19, 2026, as part of a public offering, the Company performed an expansion of shekel BONDS (Series 17) and within this framework the Company raised approximately NIS 748.3 million gross against the issuance of NIS 700 million par value BONDS (Series 17). The issuance expenses amounted to a total of approximately NIS 5.4 million. The effective interest rate for the expansion is approximately 4.5% per annum.

Simultaneously with the expansion of BONDS (Series 17), during January 2026, the Company entered into Cross Currency Swap transactions (hereinafter: "Swap Transactions") with several banking corporations for a total of NIS 700 million in exchange for a total of approximately EUR 188.4 million (hereinafter: "the Principal Amount in Euro") at an average exchange rate of approximately NIS 3.72 per 1 EUR. According to the swap transactions, the Company will pay the banking corporations the principal amounts in Euro bearing interest at a rate of approximately 5.2% per annum, and in return, the banking corporations will pay the Company the principal amounts in NIS bearing interest at a rate of 5.5% per annum according to a repayment schedule identical to the remaining repayment schedule of BONDS (Series 17).

B. On January 26, 2026, the Company's Board of Directors approved an allocation of up to 800,100 warrants exercisable into ordinary shares of the Company (pursuant to the Company's warrant plan) (including warrants to the CEO). Accordingly, on March 3, 2026, the Company's General Meeting approved (following receipt of the audit committee's approval in its capacity as the compensation committee and the Board of Directors' approval) the update of the Company's CEO's salary, whereby the monthly salary of the Company's CEO will stand at NIS 181 thousand (CPI-linked). Additionally, on the same date, the Company's General Meeting approved (following receipt of approvals from the Audit Committee and the Board of Directors) an allocation of 150 thousand warrants exercisable into ordinary shares of the Company ("the Warrants to the CEO"). The Warrants to the CEO were allocated to a trustee during March 2026.

One-third of the quantity of the Warrants to the CEO will be exercisable after two years from the Grant Date (as defined in the warrant plan), one-third of the quantity of the Warrants to the CEO will be exercisable after 3 years from the Grant Date, and one-third of the quantity of the Warrants to the CEO will be exercisable after 4 years from the Grant Date. Each tranche will be exercisable for a period of one year from the date it vests.

The benefit cost inherent in the Warrants to the CEO, based on the binomial model based on the fair value at the date of their grant, amounted to a total of approximately NIS 7.3 million. This amount will be recognized as an expense in profit and loss over the vesting period of each tranche.

Below are the main assumptions that formed the basis for calculating the benefit cost:

Share price NIS 225.7

Exercise price (in NIS) 237.12 (unlinked)

Annual standard deviation (in percent) 27.41%-30.21%

Risk-free interest rate set at 3.42%-3.51%

Expected life of the warrants (in years) 2-5

It should also be noted that, based on the Board of Directors' approval of January 26, 2026, during 2026 the Company allocated 598,600 warrants to a trustee for employees and officers in the Company and its subsidiaries, exercisable in three tranches ("the Warrants"). The Warrants will be exercisable as follows: one-third at the end of two years from the date of their grant, one-third at the end of 3 years from the date of their grant, and the remaining third at the end of 4 years from the date of their grant.

The benefit cost inherent in the warrants allocated as stated, according to the binomial model based on the fair value at the date of their grant, amounted to a total of approximately NIS 38.4 million. This amount will be recognized as an expense in profit and loss over the vesting period of each tranche.

Note 5: - Material events during the reporting period (Continued)

Below are the main assumptions that formed the basis for calculating the benefit cost:

Share price on the trading day preceding the Board of Directors' decision date is NIS 241.1

Exercise price (in NIS) 237.12

Annual standard deviation (in percent) 30.03%

Risk-free interest rate set at 3.66%.

Expected life of the warrants (in years) 2-5

- C.** On January 15, 2026, AFI Europe sold all its holdings in a Czech subsidiary, which holds lease rights to an office and commercial property in Prague, Czech Republic, for approximately EUR 6.1 million (approximately NIS 22 million).
- D.** During February 2026, the Company received a permit from the Securities Authority to publish a shelf prospectus for the offering of securities of the Company. Accordingly, the Company published the shelf prospectus on February 8, 2026.
- E.** On February 25, 2026, AFI Europe signed a preliminary agreement for the sale of a property in Warsaw, Poland named Nowy Swiat for a total of approximately 60 million PLN (approximately NIS 51 million). The transaction was completed during June 2026 after receiving the full consideration.
- F.** On May 12, 2026, AFI Europe entered into an agreement with several companies unrelated to the Company ("the Sellers") for the purchase of a Cypriot company holding a wholly-owned Serbian company which holds land in Belgrade, Serbia with a total area of approximately 75 thousand sqm, for a total consideration of approximately EUR 25 million (approximately NIS 85 million). The Company intends to develop a residential project for sale on the land with a total construction area of approximately 164 thousand sqm.
- G.** On May 21, 2026, AFI Europe entered into an agreement for the purchase of all rights (100%) in eight companies incorporated in Romania which hold six open-air commercial shopping centers in Romania, with a total area of approximately 126 thousand sqm (hereinafter: "the Portfolio"). The value of the properties for the purpose of calculating the consideration was set at a total of approximately EUR 297.5 million (approximately NIS 1,040 million), and after agreed price adjustments, it was determined that the seller is entitled to a total consideration of approximately EUR 282 million (approximately NIS 980 million) (hereinafter: "the Consideration"). After the date of the report on the financial position, on July 8, 2026, the transaction was completed after the consideration was paid in full by several Romanian subsidiaries wholly owned by AFI Europe ("the Purchasers").

The acquisition of the portfolio will be handled in the reports as of September 30, 2026 as an acquisition of assets and liabilities given the fact that it is not a business combination according to International Financial Reporting Standard 3 (IFRS 3) and the portfolio as a whole does not meet the definition of a 'business'. Therefore, the consideration will be allocated to the assets and liabilities acquired based on the relative fair value of each of them at the date of acquisition, and deferred taxes will not be recognized in the acquisition.

- H.** On May 26, 2026, AFI Europe signed a preliminary agreement for the sale of a property in Warsaw, Poland, for a total of approximately 30.7 million PLN (approximately NIS 24.2 million). Accordingly, as of June 30, 2026, the property is presented under the item Assets held for sale. Completion of the transaction is expected during the third quarter of 2026.
- I.** On May 28, 2026, two public auctions were held, within which the Company raised NIS 800 million gross against the issuance of NIS 800 million par value BONDS (Series 18) and NIS 450 million gross against the issuance of NIS 450 million par value commercial papers (Series 6).

The interest on BONDS (Series 18) was set at a rate of 4.48% per annum, NIS, unlinked. The BONDS are due for repayment in 6 unequal annual installments whose principal amounts will be paid according to the following distribution: a. 10% of the principal balance will be paid on November 30, 2029. b. Two installments in the amount of 15% of the principal balance, each, will be paid on November 30, 2030 and on November 30, 2031 and d. Three installments in the amount of 20% of the principal balance, each, will be paid on November 30, 2032, on November 30, 2033 and on November 30, 2034. The effective interest rate is approximately 4.6%. The issuance expenses amounted to a total of approximately NIS 6.3 million.

Note 5: - Material Events During the Reporting Period (Continued)

The principal and interest regarding the commercial papers (Series 6) will be redeemed together and paid in a single payment on May 27, 2027. The commercial papers are in NIS, non-indexed, and the principal will bear a variable annual interest rate at the bank of Israel interest rate during the interest period plus a margin of 0.27%.

To secure the company's obligations toward the holders of the BONDS (Series 18') of the company and the trustee for the BONDS (Series 18') (hereinafter: "the Trustee"), the company has committed to maintaining several financial covenants as follows:

1. Equity to balance sheet ratio on a consolidated basis, which shall not fall below a rate of 22%.
2. Ratio between debt (consolidated) and total capital and debt (CAP) shall not exceed 75% (where the capital calculation will include deferred tax balances).
3. Furthermore, the company has committed that it will not be entitled to distribute a dividend to its shareholders if, due to the distribution, the equity-to-balance sheet ratio calculated on the basis of its audited or reviewed consolidated financial statements (as applicable) - the most recent ones published before the dividend distribution - falls below 24% and/or the consolidated debt-to-CAP ratio exceeds 70%.

- j. On June 3, 2026, AFI Europe and its Serbian subsidiary, which owns the Skyline project in Belgrade (hereinafter together: "the Borrowers"), entered into an agreement with two foreign banking corporations (hereinafter: "the Lenders") to receive loans totaling approximately €71.2 million, part of which was used to repay the portion of the existing loan associated with the Skyline project (approximately €48 million) (hereinafter: "the Loan").

The loan will stand for a period of 5 years and will bear an annual interest rate at the 3-month Euribor rate plus a customary market margin. The Borrowers have committed to performing an interest rate hedging transaction for 70% of the loan amount for the duration of the loan period. Every year, the Borrowers will repay 3% of the loan principal (in quarterly installments) along with interest payments, while the remaining balance of the loan will be repaid on the final maturity date. The final maturity date of the loan is May 30, 2031.

To secure the repayment of the loan (principal and interest), pledges will be registered in favor of the Lenders on, among other things, the shares of the Serbian subsidiary and all its assets.

- k. On June 22, 2026, AFI Europe entered into a financing agreement with a banking corporation in Israel to receive a loan of €50 million (approximately 170 million NIS). The loan bears an annual interest rate at the three-month Euribor rate plus a customary market margin. The final maturity date of the loan is June 30, 2029.

- l. Further to Note 7 B (3) of the annual financial statements regarding AFI Europe and its subsidiary entering into an agreement to purchase 100% of several companies holding an office project known as Port 7 and adjacent lands intended for development in Prague, Czech Republic, on June 30, 2026, the transaction was completed and AFI Europe and the subsidiary paid the consideration in the amount of approximately €127 million (approximately 431 million NIS).

The acquisition was treated as an asset and liability acquisition transaction given that it is not a business combination according to International Financial Reporting Standard - IFRS 3, due to the acquired project as a whole not meeting the definition of a 'business'. Therefore, the consideration was allocated to the acquired assets and liabilities based on the relative fair value of each at the time of purchase, and no deferred taxes were recognized in the acquisition.

m. **Financial Covenants:**

As of June 30, 2026, all group companies complied with the financial covenants according to the financing agreements to which they are party.

Note 6 - Summary Data of the Project Company Holding the Airport City Belgrade Project

General

During March 2021, the Company published a shelf offering report to the public under which BONDS (Series 12') were offered to the public in a uniform offer, secured by various pledges in connection with the Airport City project in Belgrade, Serbia (hereinafter: "Airport City"). The Airport City project includes office buildings with a total leasable area of approximately 143 thousand square meters held under a subsidiary in Serbia (AIRPORT CITY D.O.O - hereinafter: "Project Company") fully owned by INTRASTAR INTERNATIONAL LIMITED, which is fully owned by AFI Europe. The proceeds from the BONDS in 2021 were primarily used to repay bank loans provided to the Company group for the Airport City project. For further details regarding the issuance of BONDS (Series 12'), its main terms (collateral, financial covenants, etc.), and the expansion of BONDS Series 12', see Notes 17 E and J and 27 C (3) in the annual consolidated financial statements.

The following is a summary of the financial data of the Project Company holding the Airport City Belgrade project assets, as included in the consolidated financial statements of the Company for the periods below:

a. Financial information on the financial position of the Airport City project company:

	As of June 30		As of
	2026	2025	December 31
			2025
	Unaudited		Audited
Thousands of Euros			
<u>Non-current assets</u>			
Investment property	338,796	308,280	338,268
Fixed assets, net	1,169	1,329	1,248
Long-term investments and receivables	115	196	17
Total non-current assets	340,080	309,805	339,533
<u>Current assets</u>			
Receivables and debit balances	3,434	2,955	2,818

	As of June 30		As of
	2026	2025	December 31
			2025
	Unaudited		Audited
Thousands of Euros			
Cash and cash equivalents	3,307	3,472	2,527
Total current assets	6,741	6,427	5,345
Total assets	346,820	316,232	344,878
Total equity attributable to owners of the Company	229,830	188,164	221,336
<u>Non-current liabilities</u>			
Loans from related companies	73,453	90,323	80,638
Deferred tax liabilities	29,903	24,471	29,382
Other long-term liabilities	4,436	3,988	3,794
Total non-current liabilities	107,791	118,782	113,814
<u>Current liabilities</u>			
Current maturities of long-term loans from related companies	5,370	5,370	5,370
Suppliers, creditors and credit balances	3,829	3,916	4,358
Total current liabilities	9,199	9,286	9,728
Total equity and liabilities	346,820	316,232	344,878

Note 6 - Summary Data of the Project Company Holding the Airport City Belgrade Project (Continued)

b. Financial information on the operating results of the Airport City project company:

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
Operating Results	Thousands of Euros				
Rental and property operation income, net	13,939	13,733	7,088	6,940	27,531

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
<u>Operating Results</u>	Thousands of Euros				
Change in fair value of investment property, net	(450)	(543)	(23)	165	27,896
General and administrative expenses	(2,102)	(1,341)	(702)	(750)	(2,776)
Other income (expenses), net	(118)	50	(91)	(28)	(72)
Operating profit	11,269	11,899	6,272	6,327	52,579
Finance expenses, net	(1,242)	(1,573)	(601)	(785)	(3,102)
Profit before taxes on income	10,027	10,326	5,671	5,542	49,477
Taxes on income	(1,532)	(1,566)	(804)	(783)	(7,545)
Net profit for the period	8,495	8,760	4,867	4,759	41,932

c. Financial information on the cash flow data of the Airport City Belgrade project company:

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
<u>Cash Flows</u>	Thousands of Euros				
Net cash provided by operating activities	10,365	11,417	5,432	5,791	23,183
Net cash used for investing activities	(1,076)	(1,926)	(405)	(598)	(3,478)
Net cash used for financing activities (1)	(8,509)	(10,274)	(3,992)	(5,124)	(21,433)
Increase (decrease) in cash and cash equivalents	780	(783)	1,035	69	(1,728)
Balance of cash and cash equivalents at beginning of period	2,527	4,255	2,271	3,403	4,255
Balance of cash and cash equivalents at end of period	3,307	3,472	3,307	3,472	2,527

(1) Of which net cash used for repayment of loans from the Group in the amount of approximately €8,468 thousand, approximately €10,235 thousand and approximately €21,353 thousand in the six-month periods ended June 30, 2026, June 30, 2025 and the twelve-month period ended December 31, 2025, respectively.

Note 7 - Events After the Date of the Statement of Financial Position

- a.** For details regarding the transaction to purchase six commercial shopping centers in Romania for approximately €282 million (approximately 980 million NIS) which was completed on July 8, 2026, see Note 15g.
- b.** On June 30, 2026, AFI Europe entered into a financing agreement with a banking corporation in Israel to receive a loan of €150 million. The loan was fully drawn during July 2026. The loan bears an annual interest rate at the three-month Euribor rate plus a customary market margin. The final maturity date of the loan is June 30, 2030.
- c.** After the date of the statement of financial position and until August 6, 2026, near the date of approval of the financial statements, the Euro strengthened against the Shekel by approximately 2.5%. The estimated effect of this strengthening on the investments and loans to AFI Europe is an increase in the Company's equity (mainly due to a capital reserve for translation differences of foreign activities) in the amount of approximately 206 million NIS. In addition, the effect of said strengthening on the Company's currency swap transactions is estimated as net finance expenses in the amount of approximately 40 million NIS.

AFI Properties Ltd.

Separate Financial Information

As of June 30, 2026

(Unaudited)

AFI Properties Ltd.

Separate Financial Information

As of June 30, 2026

Unaudited

Table of Contents

	<u>Page</u>
Report of the Independent Auditors	2
Separate financial information:	
Data on Financial Position	3-4
Data on Profit or Loss	5
Data on Comprehensive Income	6
Data on Cash Flows	7-8
Additional Information for the Separate Financial Reports	9-11

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To

The Shareholders of AFI Properties Ltd.

Ramat HaSharon

Dear Sir/Madam,,

Re: Special report of the independent accountant on separate interim financial information according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports),. 1970

Introduction

We have reviewed the separate interim financial information presented according to Regulation 38D of the Securities Regulations (Periodic report and Immediate reports), 1970 of AFI Properties Ltd. (hereinafter - the Company), as of June 30, 2026 and for the periods of six and three months ended on that date. The separate interim financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on the separate interim financial information for these interim periods based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned separate interim financial information is not prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv,
August 11, 2026

Kost Forer Gabbay & Kasierer
Accountants

AFI Properties Ltd.

Data from the Consolidated Financial Statements on the Financial Position Attributed to the Company

	As of June 30		As of December 31
	2026	2025	
	Unaudited		2025
	NIS in thousands		Audited
Assets			
Non-current assets			
Investment property	4,006,321	4,010,030	3,928,647
Investment property under development	791,853	544,025	672,690
Investments in investee companies	5,216,381	4,729,372	5,044,651
Loans to investee companies	3,854,284	4,871,209	4,280,258
Loans, contract asset and long-term receivables	955,360	611,920	718,173

	As of June 30		As of December 31
	2026	2025	
	Unaudited		2025
	NIS in thousands		Audited
Fixed assets and other assets	31,086	1,977	32,397
Total non-current assets	14,855,285	14,768,533	14,676,816
Current assets			
Inventory of buildings for sale	143,669	131,454	154,975
Accounts receivable	5,163	6,265	3,647
Other receivables and debit balances	70,249	19,312	100,817
Related parties and current maturities of loans to investee companies	34,562	37,621	30,996
Cash and cash equivalents	1,441,396	530,420	1,124,888
Total current assets	1,695,039	725,072	1,415,323
Total assets	16,550,324	15,493,605	16,092,139

AFI Properties Ltd.

Data from the consolidated financial statements on the financial position attributed to the company

	As of June 30		As of December 31
	2026	2025	2025
	Unaudited	Unaudited	Audited
	NIS thousands		
<u>Liabilities and Equity</u>			
<u>Equity</u>			
Share capital	69,321	65,950	69,321
Share premium	3,697,245	3,092,621	3,697,245
Capital reserves	(1,895,124)	(798,786)	(1,183,590)
Receipts on account of warrants	-	37,215	-
Surplus	5,985,915	4,911,112	5,675,386
Total equity attributable to the owners of the company	7,857,357	7,308,112	8,258,362
<u>Non-current liabilities</u>			
BONDS	5,288,213	4,782,406	3,815,800
Liabilities to banking and institutional corporations	713,052	808,971	639,544
Other long-term liabilities	22,798	10,535	24,859
Liabilities for employee benefits	3,054	2,067	2,612
Deferred tax liabilities	304,987	294,883	321,697
Total non-current liabilities	6,332,104	5,898,862	4,804,512
<u>Current liabilities</u>			
Short-term credit from banking and institutional corporations and current maturities of long-term loans	1,101,843	1,778,628	1,795,219
Current maturities of BONDS	1,108,200	307,903	1,026,728
Related companies	1,493	1,456	1,468
Suppliers, payables, credit balances, and provisions	149,327	198,644	205,850
Total current liabilities	2,360,863	2,286,631	3,029,265
Total liabilities and equity	16,550,324	15,493,605	16,092,139

Date of approval of the financial statements

Eitan Bar Zeev - Chairman of the Board

AFI Properties Ltd.

Financial data from the consolidated statements on profit or loss attributed to the company

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Income from rental properties	112,518	112,560	55,275	56,601	229,479
Income from property maintenance and management	23,995	25,521	12,174	11,051	53,438
Expenses from property operation and maintenance	(26,592)	(29,939)	(13,462)	(12,952)	(62,518)
Gross profit from rental and property operation	109,921	108,142	53,987	54,700	220,399
Income from construction and real estate transactions	14,682	-	6,001	-	-
Expenses for construction and real estate transactions	(12,667)	-	(5,301)	-	-
Gross profit from construction and real estate transactions	2,015	-	700	-	-
Income from construction works of BOT projects	20,741	19,002	3,860	4,927	38,018
Expenses for construction works of BOT projects	(20,716)	(18,979)	(3,856)	(4,921)	(37,971)
Gross profit from construction works	25	23	4	6	47
Gross profit	111,961	108,165	54,691	54,706	220,446
Increase in fair value of investment property, net	29,830	25,134	32,638	43,146	179,553
Increase in fair value of investment property under construction, net	53,055	14,002	53,055	14,002	82,392
Selling and marketing expenses	(1,487)	(771)	(732)	(504)	(2,321)
General and administrative	(21,784)	(15,649)	(9,388)	(9,914)	(33,101)
Other income	3,552	-	3,552	-	-
Other expenses	(4,732)	(86)	(2,642)	(86)	(161)
Profit from ordinary operations	170,395	130,795	131,174	101,350	446,808
Financing expenses	(288,964)	(224,739)	(187,986)	(88,180)	(388,215)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Financing income	332,983	172,669	219,704	64,454	313,061
Financing income (expenses), net	44,019	(52,070)	31,718	(23,726)	(75,154)
Profit after net financing expenses	214,414	78,725	162,892	77,624	371,654
Share in profits of held companies, net of tax	142,017	105,249	83,443	49,648	652,098
Profit before taxes on income	356,431	183,974	246,335	127,272	1,023,752
Taxes on income	(52,614)	(14,950)	(38,357)	(12,946)	(90,454)
Net profit for the period attributable to the owners of the company	303,817	169,024	207,978	114,326	933,298

AFI Properties Ltd.

Financial data from the consolidated statements on comprehensive income attributed to the company

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Net profit for the period attributable to the owners of the company	303,817	169,024	207,978	114,326	933,298
Other comprehensive income (loss).					
Gain (loss) on cash flow hedging, net of tax	6,641	(26,817)	(9,734)	(17,417)	(13,237)
Translation differences for foreign operations, net of tax	(720,105)	308,933	(482,017)	(150,803)	(92,937)
Other comprehensive income (loss) for the period	(713,464)	282,116	(491,751)	(168,220)	(106,174)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Total comprehensive income (loss) for the period attributable to the owners of the company	(409,647)	451,140	(283,773)	(53,894)	827,124

AFI Properties Ltd.

Financial data from the consolidated statements on cash flows attributed to the company

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Cash flows from operating activities:					
Net profit for the period	303,818	169,024	207,979	114,326	933,298
Adjustments required to present cash flows from operating activities:					
Group's share in profits of held companies, net of tax					
Income tax	(142,018)	(105,249)	(83,444)	(49,648)	(652,098)
Income tax expenses	52,614	14,950	38,357	12,945	90,454
Depreciation and amortization	1,801	464	916	231	2,236
Share-based payment cost	8,642	3,486	4,946	1,743	6,972
Financing expenses, net	(44,019)	52,070	(31,717)	23,726	75,153
Income taxes paid, net	(2,770)	(422)	(1,686)	(208)	(2,504)
Change in fair value of investment property, net	(29,830)	(25,134)	(32,638)	(43,146)	(179,553)
Change in fair value of investment property under construction, net	(53,055)	(14,002)	(53,055)	(14,002)	(82,392)
	(208,635)	(73,839)	(158,322)	(68,359)	(741,732)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Change in asset and liability items:					
Change in receivables and debit balances	(19,925)	(12,799)	(6,979)	(2,145)	(8,393)
Change in customers	(1,516)	(2,895)	(347)	(1,696)	(277)
Change in inventory of buildings for sale	11,306	(7,482)	6,599	(7,482)	(31,003)
Change in suppliers, payables, credit balances, and provisions	(9,898)	11,750	(12,347)	5,893	4,828
Change in employee benefits	442	-	442	-	545
_____	(19,591)	(11,426)	(12,632)	(5,430)	(34,300)
Net cash provided by operating activities	75,592	83,759	37,024	40,537	157,266
Cash flows from investing activities:					
Movement in investments and loans to held companies, net	(360,353)	(49,061)	(436,393)	153,197	396,834
Investment in investment property and investment property under construction and advances for the acquisition of investment property	(95,680)	(81,952)	(59,202)	(43,457)	(206,575)
Interest received	35,076	9,266	19,889	5,523	23,337
Acquisition of fixed assets	(721)	(477)	(128)	(205)	(1,851)
Investment in an asset due to a long- term concession agreement	(28,164)	(22,305)	(9,895)	(10,292)	(34,434)
Proceeds from disposal of investment property	5,499	-	-	-	203,655
Repayments of deposits, net	(106)	2,741	(49)	5,582	2,906
_____	(444,449)	(141,788)	(485,778)	110,348	383,872
Net cash provided by (used in) investing activities	(444,449)	(141,788)	(485,778)	110,348	383,872

AFI Properties Ltd

Financial data from the consolidated statements of cash flows attributed to the company

	For a six-month period ended June 30		For a three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	Unaudited				Audited
	NIS thousands				
Cash flows from financing activities					
Short-term credit from banking and other corporations, net	439,080	(100,110)	439,080	(110)	(263,766)
Receipt of long-term loan from a banking corporation	62,801	42,990	27,923	34,531	69,983
Repayment of long-term loan from banking and other corporations	(1,151,925)	(23,744)	(1,139,434)	(12,229)	(47,850)
Issuance of BONDS, (after deduction of issuance expenses)	1,535,485	297,548	793,114	297,548	297,548
Interest paid	(147,512)	(93,605)	(78,902)	(42,475)	(208,263)
Repayment of BONDS	(21,216)	(341,891)	-	(269,187)	(633,995)
Proceeds from exercise of warrants for shares	-	1,310	-	-	572,090
Net cash provided by (used for) financing activities	716,713	(217,502)	41,781	8,078	(214,253)
Effect of exchange rate movements on cash and cash equivalents balances	(31,348)	11,230	(21,368)	2,237	3,282
Increase (decrease) in cash and cash equivalents	347,856	(275,531)	(406,972)	158,963	326,885
Cash and cash equivalents balance at beginning of period	1,124,888	794,721	1,869,737	369,220	794,721
Cash and cash equivalents balance at end of period	1,441,396	530,420	1,441,396	530,420	1,124,888

AFI Properties Ltd

Additional Information

1. General

(1) General:

The separate financial information of the Company is prepared in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic reports and Immediate Reports), 1970. The separate financial information should be read in conjunction with the separate financial information as of December 31, 2025, and with the consolidated reports of the Company as of June 30, 2026.

For details regarding the effects of Operation "Lion's Roar" on the Company's business activities, see Note 1.c. to the Company's consolidated reports as of June 30, 2026.

(2) Definitions:

The Company - AFI Properties Ltd.

Held company - As defined in Note 1.a. in the consolidated annual financial statements of the Company as of December 31, 2025.

- (3)** As of the date of the financial report, the Company has a solo working capital deficit of approximately NIS 665 million. The main deficit in working capital arises primarily from a financing agreement for a project in Hod Hasharon in the amount of approximately NIS 207 million which is expected to be repaid within the next twelve months, from the classification of current maturities in the amount of approximately NIS 998 million regarding BONDS (Series 8) which are expected to be repaid in October 2026, as well as from commercial papers in the amount of approximately NIS 782 million.

The Company is acting to increase its liquid balances and reduce its short-term liabilities through several actions:

- a. The Company has credit facilities, some of which are secured against income-producing assets in Israel in the amount of approximately NIS 930 million, of which, as of the date of the report on financial position, a total of approximately NIS 100 million of the facilities are utilized (a total of approximately NIS 320 million of the unutilized credit facilities stand against commercial papers). Holding the credit facilities stems from the Company's policy to hold unutilized credit facilities instead of providing long-term loans against cash and deposits.
- b. Repayment of loans from AFI Europe presented in non-current assets through refinancing of income-producing assets in the Company's countries of operation and/or receiving a facility for unencumbered assets in Israel and/or realization of investments in held companies.
- c. If necessary, raising capital or BONDS.

Accordingly, the Company's management believes these actions plus the positive cash flows from operating activities will enable the Company to pay its current liabilities on time.

(4) Accounting Policy:

The separate financial information was prepared in accordance with the accounting policy detailed in Note A (4) to the Company's annual separate financial statements as of December 31, 2025.

2. Significant events during the report period

- (1) On January 19, 2026, as part of a public offering, the Company performed an expansion of NIS BONDS (Series 17) and within this framework, the Company raised approximately NIS 748.3 million gross against the issuance of NIS 700 million Par Value BONDS (Series 17). Issuance expenses amounted to approximately NIS 5.4 million. The effective interest rate for the expansion is approximately 4.5% per year.

Concurrent with the expansion of BONDS (Series 17), the Company entered into Cross Currency Swap transactions with several banking corporations during January 2026 (hereinafter: "the Swap Transactions") in the amount of NIS 700 million in exchange for a total of approximately EUR 188.4 million (hereinafter: "the Euro Principal Amount") at an average exchange rate of approximately NIS 3.72 per EUR 1. According to the Swap Transactions, the Company will pay the banking corporations the Euro principal amounts bearing interest at a rate of approximately 5.2% per year and in return, the banking corporations will pay the Company the NIS principal amounts bearing interest at a rate of 5.5% per year in accordance with a repayment schedule identical to the remaining repayment schedule of the BONDS (Series 17).

- (2) On January 27, 2026, the subsidiary AFI Europe issued capital notes to the Company in the amount of EUR 140 million which were used to repay part of the loans to the Company (see also Section 5 below). The capital notes are in Euro, do not bear interest, have no fixed repayment date but not before five years from their issuance date.

- (3) During the six-month period ended June 30, 2026, AFI Europe performed loan repayments, net of new loans granted, in the amount of approximately EUR 25 million (approx. NIS 129 million). As of June 30, 2026, the loan balance to AFI Europe is approximately EUR 982 million (approx. NIS 3,333 million). The loans are in Euro and bear interest at a rate of M3 Euribor + 2%.

- (4) On January 26, 2026, the Company's Board of Directors approved the allocation of up to 800,100 warrants exercisable into ordinary shares of the Company (pursuant to the Company's warrants plan) (including warrants for the CEO). Accordingly, on March 3, 2026, the General Meeting of the Company approved (after receiving approval from the Audit Committee in its capacity as the Compensation Committee and approval of the Board of Directors) the update of the CEO's salary such that the monthly salary of the Company's CEO will be NIS 181 thousand (linked to the index). Additionally, on the same date, the General Meeting of the Company approved (after receiving approvals from the Audit Committee and the Board of Directors) an allocation of 150 thousand warrants exercisable into ordinary shares of the Company ("the CEO Warrants"). The CEO Warrants were allocated to a trustee during March 2026. For further details regarding the warrants, see Note 5.b. to the Company's consolidated financial statements as of March 31, 2026.

- (5) During February 2026, the Company received a permit from the Securities Authority to publish a shelf prospectus for the offering of the Company's securities. Accordingly, the Company published the shelf prospectus on February 8, 2026.

- (6) On May 28, 2026, two public tenders were held, within which the Company raised NIS 800 million gross against the issuance of NIS 800 million Par Value BONDS (Series 18) and NIS 450 million gross against the issuance of NIS 450 million Par Value commercial papers (Series 6).

The interest on the BONDS (Series 18) was set at a rate of 4.48% per year, NIS, unlinked. The BONDS are due for repayment in 6 unequal annual payments whose principal amounts will be paid according to the following distribution: a. 10% of the principal balance will be paid on November 30, 2029. b. Two payments of 15% of the principal balance each will be paid on November 30, 2030 and on November 30, 2031 and d. Three payments of 20% of the principal balance each will be paid on November 30, 2032, on November 30, 2033 and on November 30, 2034. The effective interest rate is approximately 4.6%. Issuance expenses amounted to approximately NIS 6.3 million.

2. Significant events during the report period (Continuation)

To secure the Company's obligations to the holders of BONDS (Series 18) of the Company and the Trustee for the holders of BONDS (Series 18) (hereinafter: "the Trustee"), the Company undertook to maintain several financial covenants, as follows:

1. Equity to balance sheet ratio on a consolidated basis, not less than 22%.
2. Ratio between debt (consolidated) and total capital and debt (CAP) shall not exceed 75% (the calculation of capital will include deferred tax balances).
3. Furthermore, the Company committed that it will not be permitted to perform a dividend distribution to its shareholders, if due to the distribution the equity to balance sheet ratio, which will be calculated based on the data of its latest audited or reviewed consolidated financial statements (as applicable) published before the dividend distribution - will be less than 24% and/or the debt to CAP ratio on a consolidated basis will exceed 70%.

The principal and interest regarding the commercial papers (Series 6) will be repaid together and paid in a single payment on May 27, 2027. The commercial papers are in NIS, unlinked, and the principal will bear a variable annual interest at the rate of the bank of Israel interest during the interest period plus a margin of 0.27%.

(7) Financial Covenants:

As of June 30, 2026, the Company met the financial covenants according to the financing agreements to which it is a party.

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To
The Board of Directors of
AFI Properties Ltd. (the "Company")
1 Yael Man Street, Ramat Hasharon

Dear Sir/Madam,

Re: Consent letter regarding the shelf prospectus of AFI Properties Ltd. from February 2026

We hereby inform you that we agree to the inclusion (including by way of reference) of our reports detailed below in the shelf offering reports according to the shelf prospectus of AFI Properties Ltd. from February 2026:

- (1) Review report of the auditing accountant dated August 11, 2026, on condensed consolidated financial information of the Company as of June 30, 2026, and for the six and three-month periods ended on that date.
- (2) Review report of the auditing accountant dated August 11, 2026, on condensed separate financial information of the Company as of June 30, 2026, and for the six and three-month periods ended on that date in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.
- (3) Report of the auditing accountant dated March 8, 2026, on the consolidated financial statements of the Company as of December 31, 2025, and for the year ended December 31, 2025.
- (4) Report of the auditing accountant dated March 8, 2026, on the audit of internal control components over financial reporting of the Company as of December 31, 2025.
- (5) Special report of the auditing accountant dated March 8, 2026, on separate financial information of the Company according to Regulation 9D of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2025, and for the year ended December 31, 2025.

Tel-Aviv
August 11, 2026

Respectfully yours,
Kost Forer Gabbay & Kasierer
Accountants

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and on Disclosure under Regulation 38C(a)

דבר
מאית



Chapter D **1** Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and on Disclosure under Regulation 38C(a)

The management, under the supervision of the Board of Directors of AFI Properties Ltd. (hereinafter: the "Corporation"), is responsible for the determination and existence of adequate internal control over financial reporting and over disclosure in the Corporation.

For this purpose, the members of management are:

1. Avi Barzilay, CEO;
2. Anna (Anat) Dafna, CFO;

Internal control over financial reporting and over disclosure includes controls and procedures existing in the Corporation, which were designed by the General Manager and the most senior officer in the field of finance or under their supervision, or by those who actually perform the said roles, under the supervision of the Corporation's Board of Directors, and which were intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes according to the provisions of the law is collected, processed, summarized, and reported on time and in the formats established by law.

Internal control includes, among other things, controls and procedures designed to ensure that information that the Corporation is required to disclose as stated, is accumulated and transferred to the management of the Corporation, including to the General Manager and the most senior officer in the field of finance or to whoever actually performs the said roles, in order to allow decision-making at the appropriate time, with reference to the disclosure requirements.

Due to its structural limitations, internal control over financial reporting and over disclosure is not intended to provide absolute assurance that a misrepresentation or omission of information in the reports will be prevented or discovered.

In the annual report regarding the effectiveness of internal control over financial reporting and over disclosure which was attached to the quarterly report for the period ended March 31, 2026 (hereinafter: "the Last Quarterly Report on Internal Control"), internal control was found to be effective.

Until the date of the report, no event or matter was brought to the attention of the Board of Directors and management that would change the evaluation of the effectiveness of the internal control, as presented in the framework of the Last Quarterly Report on Internal Control;

As of the date of the report, based on what was stated in the Last Quarterly Report on Internal Control, and based on information brought to the attention of management and the Board of Directors as stated above:

The internal control is effective.

Manager Declarations:

(A) CEO Declaration according to Regulation 38C(d)(1):

Manager Declaration

CEO Declaration

I, Avi Barzilay, declare that:

- .1 I have examined the quarterly report of AFI Properties Ltd. (hereinafter: the "Corporation") for the second quarter of 2026 (hereinafter: the "Reports" or the "Interim Reports");
- .2 To my knowledge, the reports do not include any misrepresentation of a material fact and do not lack a representation of a material fact necessary so that the representations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the period of the reports;
- .3 To my knowledge, the financial statements and other financial information included in the reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the reports refer;
- .4 I have disclosed to the Corporation's auditing accountant, the Board of Directors, and the Audit and Financial Statements Committee of the Corporation, based on my most recent assessment of internal control over financial reporting and over disclosure:
 - A. All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and over disclosure that could reasonably adversely affect the Corporation's ability to collect, process, summarize, or report financial information in a manner that casts doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and also-
 - B. Any fraud, whether material or not material, involving the CEO or those directly subordinate to him or involving other employees who have a significant role in internal control over financial reporting and over disclosure;
- .5 I, alone or together with others in the Corporation:
 - A.

Have established controls and procedures, or ensured the establishment and existence under my supervision of controls and procedures, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and in the consolidated companies, particularly during the period of preparation of the reports; and also-

- B. Have established controls and procedures, or ensured the establishment and existence under my supervision of controls and procedures, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles.
- C. No event or matter occurring during the period between the date of the last Periodic report and the date of this report has been brought to my attention that would change the conclusion of the Board of Directors and management regarding the effectiveness of internal control over financial reporting and over disclosure of the Corporation.

Nothing in the above shall derogate from my responsibility or the responsibility of any other person under any law.

August 11, 2026

Avi Barzilay, CEO

(B) Declaration of the Senior Officer in Charge of Finance under Regulation 38C(d)(2):

Executive Declaration

Declaration of the Senior Officer in Charge of Finance

I, Anna (Anat) Dafna, declare that:

1. I have examined the interim financial statements and the other financial information included in the Interim Reports of Afi Properties Ltd. (hereinafter: "**the Corporation**") for the second quarter of 2026 (hereinafter: "**the Reports**" or "**the Interim Reports**");
2. To my knowledge, the interim financial statements and the other financial information included in the Interim Reports do not include any misrepresentation of a material fact, and do not lack a representation of a material fact necessary so that the representations included therein, in light of the circumstances under which such representations were included, will not be misleading with respect to the period of the reports;
3. To my knowledge, the interim financial statements and the other financial information included in the Interim Reports fairly reflect, in all material respects, the financial position, results of operations, and cash flows of the Corporation for the dates and periods to which the reports refer;
4. I have disclosed to the Corporation's auditing accountant, to the Board of Directors, and to the Audit and Financial Statement Committees of the Corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
 - A. All significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting and disclosure, as it relates to the interim financial statements and the other financial information included in the Interim Reports, which could reasonably adversely affect the Corporation's ability to collect, process, summarize, or report financial information in a manner that casts doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and-
 - B. Any fraud, whether material or not, involving the CEO or those directly subordinate to him or involving other employees who have a significant role in the internal control over financial reporting and disclosure.
5. I, alone or together with others in the Corporation:
 - A. Established controls and procedures, or ensured the establishment and existence under our supervision of controls and procedures, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my knowledge by others in the Corporation and in the consolidated companies, particularly during the period of preparation of the reports; and-
 - B. Established controls and procedures, or ensured the establishment and existence under my supervision of controls and procedures, designed to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
 - C. No event or matter occurring during the period between the date of the last Periodic report and the date of this report has been brought to my knowledge, relating to the interim financial statements and any other financial information included in the Interim Reports, which would change, in my assessment, the conclusion of the Board of Directors and management regarding the effectiveness of the internal control over financial reporting and disclosure of the Corporation.

Nothing in the above shall derogate from my responsibility or from the responsibility of any other person under any law.

Anna (Anat) Dafna, CFO

August 11, 2026

AFI Europe N.V.

**Unaudited Condensed Consolidated
Interim Financial Statements**

As at June 30, 2026

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Unaudited Interim Financial Statements as at June 30, 2026

Contents

	Page
Review Report on the Condensed Consolidated Interim Financial Information	3
Condensed Consolidated Interim Financial Statements:	
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of profit or loss	5
Condensed consolidated interim statement of comprehensive income	6
Condensed consolidated interim statement of changes in equity	7-8
Condensed consolidated interim statement of cash flows	9-10
Notes to the condensed consolidated interim financial statements	11-21

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Auditors' report on review to the shareholders of AFI Europe N.V.

Introduction

We have reviewed the accompanying financial information of AFI Europe N.V. and its subsidiaries, comprises the interim consolidated statement of financial position as of June 30, 2026 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim information for these periods in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
August 4, 2026

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

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AFI Europe N.V.

Unaudited Condensed Consolidated Interim Statement of Financial Position as at

In thousands of Euros

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
Assets			
Investment in (and loans to) equity accounted investees	123,673	145,388	116,354
Investment property	3,577,897	3,104,401	3,442,063
Investment property under development	325,401	327,224	291,134
Inventory	137,257	115,386	111,432
Property, plant and equipment and right-of-use assets	30,063	15,082	18,951
Deferred tax assets	4,133	2,526	4,306
Trade and other receivables	55,692	42,218	47,292
Total non-current assets	4,254,116	3,752,225	4,031,532
Assets held for sale	7,146	-	5,343
Inventory	16,938	22,496	18,558
Short term investment	22,916	22,868	23,258
Trade and other receivables	59,588	60,713	52,251
Cash and cash equivalents	144,409	106,490	128,926
Total current assets	250,997	212,567	228,336
Total assets	4,505,113	3,964,792	4,259,868
Equity			
Issued capital	930	930	930
Share premium	411,797	411,797	411,797
Capital notes	140,000	-	-
Translation reserve	22,027	25,833	28,021
Hedging reserve, net	543	(2,510)	(1,281)
Retained earnings	818,762	645,884	780,898
Equity attributable to owners of the Company	1,394,059	1,081,934	1,220,365
Non-controlling interest	8,367	7,476	8,319
Total equity	1,402,426	1,089,410	1,228,684
Liabilities			
Loans and borrowings	1,483,159	1,074,247	1,385,512
Loans and borrowings from related parties	1,081,062	1,155,693	1,090,949
Deferred tax liabilities	217,650	191,754	213,397
Other non-current liabilities	36,804	32,934	30,472
Total non-current liabilities	2,818,675	2,454,628	2,720,330
Loans and borrowings	183,560	332,452	217,703
Loans and borrowings from related parties	5,230	5,230	5,230
Trade and other payables	92,806	80,706	85,537
Tax payables	2,416	2,366	2,384
Total current liabilities	284,012	420,754	310,854
Total liabilities	3,102,687	2,875,382	3,031,184
Total equity and liabilities	4,505,113	3,964,792	4,259,868

Director – A. Barzilay

Director – A. Dafna

Amsterdam, August 4, 2026

The accompanying notes are integral part of these condensed consolidated interim financial statements.

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AFI Europe N.V.

Unaudited Condensed Consolidated Interim Statement of Profit or Loss

In thousands of Euros

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Gross rental income	119,603	105,653	60,143	53,337	220,159
Service charge income	45,773	39,226	23,128	19,196	82,931
Service charge expenses	(47,304)	(42,056)	(23,081)	(19,607)	(87,408)
Net rental and related income	118,072	102,823	60,190	52,926	215,682
Proceeds from sale of trading property	2,535	4,996	710	3,920	9,253
Carrying value of trading property sold	(1,979)	(4,098)	(633)	(3,254)	(6,915)
Write-down of inventory to net realizable value	-	-	-	-	(7,991)
Profit from disposal of trading property	556	898	77	666	(5,653)
Gross profit	118,628	103,721	60,267	53,592	210,029
Change in fair value of investment property	(111)	925	4,436	788	122,337
Change in fair value of investment property under development	851	(447)	2,233	(447)	(5,367)
Administrative expenses	(13,419)	(10,842)	(7,130)	(5,602)	(25,988)
Selling and marketing expenses	(1,944)	(1,735)	(980)	(980)	(4,071)
Other income	2,479	2,278	1,054	1,123	2,687
Other expenses	(1,938)	(1,689)	(1,197)	(1,131)	(3,120)
Share of profit (loss) of companies accounted for at equity, net	(479)	(828)	(435)	(188)	9,220
Operating profit	104,067	91,383	58,248	47,155	305,727
Financial income	8,813	4,315	4,996	(2,276)	3,920
Financial expenses	(64,092)	(57,978)	(33,054)	(25,794)	(110,336)
Net financing costs	(55,279)	(53,663)	(28,058)	(28,070)	(106,416)
Profit before tax	48,788	37,720	30,190	19,085	199,311
Taxes on income	(10,876)	(11,839)	(6,704)	(7,337)	(37,573)
Profit for the period	37,912	25,881	23,486	11,748	161,738
Attributable to:					
Equity holders of the Company	37,864	25,701	23,395	11,652	160,715
Non-controlling interest	48	180	91	96	1,023
Profit for the period	37,912	25,881	23,486	11,748	161,738

The accompanying notes are integral part of these condensed consolidated interim financial statements.

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AFI Europe N.V.

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

In thousands of Euros

	For the six months ended		For the three months ended		For the year ended
	June 30,		June 30,		December 31,
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit for the period	37,912	25,881	23,486	11,748	161,738
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss					
Foreign exchange translation differences from foreign operations	(5,994)	3,878	15	(5,489)	6,066
Reserves from hedge accounting, net	1,824	(4,733)	(2,641)	(2,774)	(3,504)
Other comprehensive income (loss) for the period, net of tax	(4,170)	(855)	(2,626)	(8,263)	2,562
Total comprehensive income for the period	33,742	25,026	20,860	3,485	164,300
Attributed to:					
Equity holders of the Company	33,694	24,846	20,769	3,389	163,277
Non-controlling interest	48	180	91	96	1,023
Total comprehensive income for the period	33,742	25,026	20,860	3,485	164,300

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Unaudited Condensed Consolidated Interim Statement of Changes in Equity

In thousands of Euros

	Issued capital	Share premium reserve	Capital notes	Translation reserve	Hedging reserve	Capital reserve from transactions with non-controlling interest	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2026 (Audited)	930	411,797	-	28,021	(1,281)	(7,064)	787,962	1,220,365	8,319	1,228,684
Profit for the period	-	-	-	-	-	-	37,864	37,864	48	37,912
Issue of capital notes	-	-	140,000	-	-	-	-	140,000	-	140,000
Adjustments for translation	-	-	-	(5,994)	-	-	-	(5,994)	-	(5,994)
Reserve from hedge accounting	-	-	-	-	1,824	-	-	1,824	-	1,824
Balance at June 30, 2026 (Unaudited)	930	411,797	140,000	22,027	543	(7,064)	825,826	1,394,059	8,367	1,402,426
Balance at January 1, 2025 (Audited)	930	411,797	-	21,955	2,223	(6,696)	627,247	1,057,456	7,788	1,065,244
Profit for the period	-	-	-	-	-	-	25,701	25,701	180	25,881
Adjustments for translation	-	-	-	3,878	-	-	-	3,878	-	3,878
Reserve from hedge accounting	-	-	-	-	(4,733)	-	-	(4,733)	-	(4,733)
Acquisition of non-controlling interests	-	-	-	-	-	(368)	-	(368)	(492)	(860)
Balance at June 30, 2025 (Unaudited)	930	411,797	-	25,833	(2,510)	(7,064)	652,948	1,081,934	7,476	1,089,410

The accompanying notes are integral part of these condensed consolidated interim financial statements

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

In thousands of Euros

	Issued capital	Share premium reserve	Capital notes	Translation reserve	Hedging reserve	Capital reserve from transactions with non- controlling interest	Retained earnings	Equity attributable to owners of the Company	Non- controlling interest	Total equity
Balance at April 1, 2026 (Unaudited)	930	411,797	140,000	22,012	3,184	(7,064)	802,431	1,373,290	8,276	1,381,566
Profit for the period	-	-	-	-	-	-	23,395	23,395	91	23,486
Issue of capital notes	-	-	-	-	-	-	-	-	-	-
Adjustments for translation	-	-	-	15	-	-	-	15	-	15
Reserve from hedge accounting	-	-	-	-	(2,641)	-	-	(2,641)	-	(2,641)
Balance at June 30, 2026 (Unaudited)	930	411,797	140,000	22,027	543	(7,064)	825,826	1,394,059	8,367	1,402,426
Balance at April 1, 2025 (Unaudited)	930	411,797	-	31,322	264	(7,064)	641,296	1,078,545	7,380	1,085,925
Profit for the period	-	-	-	-	-	-	11,652	11,652	96	11,748
Adjustments for translation	-	-	-	(5,489)	-	-	-	(5,489)	-	(5,489)
Reserve from hedge accounting	-	-	-	-	(2,774)	-	-	(2,774)	-	(2,774)
Balance at June 30, 2025 (Unaudited)	930	411,797	-	25,833	(2,510)	(7,064)	652,948	1,081,934	7,476	1,089,410
Balance at January 1, 2025 (Audited)	930	411,797	-	21,955	2,223	(6,696)	627,247	1,057,456	7,788	1,065,244
Profit for the year	-	-	-	-	-	-	160,715	160,715	1,023	161,738
Adjustments for translation	-	-	-	6,066	-	-	-	6,066	-	6,066
Reserve from hedge accounting	-	-	-	-	(3,504)	-	-	(3,504)	-	(3,504)
Acquisiton of non-controlling interests	-	-	-	-	-	(368)	-	(368)	(492)	(860)
Balance at December 31, 2025 (Audited)	930	411,797	-	28,021	(1,281)	(7,064)	787,962	1,220,365	8,319	1,228,684

The accompanying notes are integral part of these condensed consolidated interim financial statement

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AFI Europe N.V.

Unaudited Condensed Consolidated Interim Statement of Cash Flows

In thousands of Euros

	For the six months ended		For the three months ended		For the year ended
	June 30,		June 30,		December 31,
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	37,912	25,881	23,486	11,748	161,738
<u>Adjustment for:</u>					
Depreciation	479	578	248	308	1,100
Gain from disposable of subsidiary, net	(797)	-	-	-	-
Loss (gain) from equity accounted investees	479	828	435	188	(9,220)
Change in fair value of investment property under development	(851)	447	(2,233)	447	5,367
Change in fair value of investment property	111	(925)	(4,436)	(788)	(122,337)
Write-down of inventory to net realizable value	-	-	-	-	7,991
Net finance costs	55,279	53,663	28,058	28,070	106,416
Taxes on income	10,876	11,839	6,704	7,337	37,573
	103,488	92,311	52,262	47,310	188,628
Change in inventories	606	504	315	1,693	1,244
Change in trade and other receivables	(6,148)	(3,757)	2,138	1,875	876
Change in trade and other payables	(1,594)	(5,101)	(6,024)	(6,312)	(2,819)
	96,352	83,957	48,691	44,566	187,929
Income taxes paid	(6,779)	(7,034)	(5,570)	(6,083)	(12,395)
Cash flows from operating activities	<u>89,573</u>	<u>76,923</u>	<u>43,121</u>	<u>38,483</u>	<u>175,534</u>
Cash flows from investing activities					
Investment in and grant of loan to equity accounted investees	(9,247)	(2,301)	(2,325)	(1,633)	(17,021)
Acquisition of subsidiaries, net of cash acquired (A)	(151,045)	-	(151,045)	-	(22,011)
Proceeds from sale of assets, net	22,107	-	22,107	-	-
Proceeds from sale of subsidiaries	6,140	-	-	-	-
Repayments (investments) of short term investments, net	1,209	(3,749)	(728)	(2,661)	3,610
Acquisition of property, plant and equipment	(11,271)	(3,477)	(6,958)	(2,224)	(7,548)
Investment in investment property	(34,121)	(21,245)	(19,872)	(12,709)	(50,460)
Investment in investment property under development (**)	(25,808)	(75,735)	(9,821)	(29,370)	(124,068)
Cash flows used in investing activities	<u>(202,036)</u>	<u>(106,507)</u>	<u>(168,642)</u>	<u>(48,597)</u>	<u>(217,498)</u>
Cash flows from financing activities					
Acquisition of non-controlling interests	-	(860)	-	-	(3,928)
Repayment of non-current loans and borrowings (*)	(40,701)	(135,811)	(11,346)	(87,345)	(884,211)
Proceeds from non-current loans and borrowings (*)	206,516	202,457	187,769	112,375	1,035,273
Change in current loans and borrowings, net	(1,116)	(1,080)	(579)	(1,182)	(3,061)
Payment of finance lease liabilities	(141)	(944)	(60)	(489)	(2,205)
Interest paid	(36,496)	(31,889)	(18,098)	(16,336)	(74,968)
Cash flows from financing activities	<u>128,062</u>	<u>31,873</u>	<u>157,686</u>	<u>7,023</u>	<u>66,900</u>
Change in cash and cash equivalents	15,599	2,289	32,165	(3,091)	24,936
Cash and cash equivalents at the beginning of the period	128,926	104,068	112,246	109,674	104,068
Cash and cash equivalents classified as assets held for sale	-	-	-	-	(267)
Effect of exchange rate fluctuations on cash held	(116)	133	(2)	(93)	189
Cash and cash equivalents at the end of the period	<u>144,409</u>	<u>106,490</u>	<u>144,409</u>	<u>106,490</u>	<u>128,926</u>

(*) Including loans from related parties.

(**) Including advances for investment properties under development.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Unaudited Condensed Consolidated Interim Statement of Cash Flows

In thousands of Euros

	For the six months ended		For the three months ended		For the year ended
	June 30,		June 30,		December 31,
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
(A) Acquisition of subsidiaries:					
Assets and liabilities at date of acquisition:					
Working capital (excluding cash and cash equivalents)	420	-	420	-	(1,931)
Deposit for short term	-	-	-	-	333
Investment in associate	-	-	-	-	(38,960)
Loan to associate company	-	-	-	-	(15,310)
Investment property	117,337	-	117,337	-	119,849
Investment property under development	10,400	-	10,400	-	-
Inventory	25,019	-	25,019	-	-
Loans and borrowings	-	-	-	-	(41,637)
Non-current liabilities	(2,131)	-	(2,131)	-	(333)
	151,045	-	151,045	-	22,011
(B) Significant non-cash transactions:					
Issue of capital notes against repayment of non-current loans and borrowings from related parties (see Note 4B)					
	140,000	-	-	-	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Notes to the Consolidated Interim Financial Statements

Note 1 - General

AFI Europe N.V. (the "**Company**") was incorporated in the Netherlands in 2006 and is domiciled in Amsterdam.

Through its subsidiaries, the Company is an owner, manager and developer of landmark real estate assets in Central and Eastern Europe (CEE), with properties and projects in Czech Republic, Poland, Romania, Serbia, Bulgaria and Latvia, including business parks and office complexes, shopping malls and retail properties, as well as residential and mixed-use developments. In addition, the Company owns an inventory of land for future development.

The condensed consolidated interim financial statements of the Company as at and for the six and three months ended June 30, 2026 comprises the Company, its subsidiaries (together the "**Group**"), and the Group's interest in associates and jointly controlled entities.

Since its incorporation in 2006, the Company was wholly-owned indirectly by AFI Properties Ltd. ("**AFI Properties**"), an Israeli Company listed on the Tel Aviv Stock Exchange, through its wholly-owned Israeli subsidiary AFI Properties Holdings Ltd. ("**APHL**"); on March 27, 2025 APHL transferred its shares in the Company to AFI Properties for the purpose of simplifying the group's holding structure, and consequently AFI Properties is the Company's direct sole shareholder. AFI Properties is 79.9% owned by Big Shopping Centers Ltd., the ultimate parent of the Company.

As of June 30, 2026, the Group was carrying negative working capital of approx. EUR 33 million primarily because the maturity of several bank loans classified as current liabilities, with a total outstanding amount of EUR 131 million. The Group is actively pursuing refinancing options to secure new loans with extended maturity dates, and management expects to finalize these agreements before the current loans mature.

As of June 30, 2026, the Company owed AFI Properties EUR 982 million under the 2023 Loan (maturing December 31, 2033) and EUR 104 million under the 2021 Loan (maturing September 15, 2027), the latter funded by AFI Properties' bond issuance and secured in favor of the Series 12 Bondholders. In addition, as of that date, the outstanding amount of the capital notes issued to AFI Properties is EUR 140 million (see Note 4B).

The consolidated financial statements of the Group as at and for the year ended December 31, 2025 are available upon request from the Company's registered office.

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2025.

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Notes to the Consolidated Interim Financial Statements

Note 2 – Basis of Preparation

A. Statement of compliance

These interim financial statements have been prepared, in accordance with International Financial Reporting Standard (IFRS) IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2025.

B. Use of estimates and judgment

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2025.

C. Valuation processes used by the Group

In accordance with its policy and past practices, the Group periodically examines the values of its investment property, investment property under development and other real estate properties. Such examination is performed at least once a year for investment property and investment property under development, by independent external appraisers having appropriate professional qualifications and knowledge with respect to the relevant location and the type of property appraised.

In respect of investment property, at each interim period the Group examines the need to update the last fair value valuation performed, to ensure it represents a reliable value estimation as of the current reporting period. This examination is made by reviewing the changes in the relevant real estate market, the rental contracts, the macro-economic environment, new information in respect of material transactions done in the surrounding area and any other information that may affect the value of the asset.

In respect of investment property under development, at each reporting period the Group examines the actual costs invested in the development, the estimated remaining costs to complete, the construction progress and any other relevant changes in the real estate market.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2025.

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Notes to the Consolidated Interim Financial Statements

Note 4 - Significant Events in the Reported Period

- A. On January 15, 2026, the Company sold its 100% ownership interest in a Czech subsidiary, which is the leaseholder of an office and retail property in Prague known as Palace Broadway, for a total consideration of approx. EUR 6.1 million. As a result, as of December 31, 2025, the subsidiary's assets and liabilities were classified as held for sale, with a net carrying amount of EUR 5.3 million. The difference between the total consideration received and the net assets classified as held for sale due to price adjustments was recognized as other income in the first quarter of 2026.
- B. On January 27, 2026, the Company issued capital notes to AFI Properties in an aggregate amount of EUR 140 million. The proceeds from the issuance were used to repay part of the loans previously granted to the Company by AFI Properties. The capital notes are denominated in euros, bear no interest, have no fixed maturity date, and are not repayable prior to five years from their date of issuance. Any repayment thereafter is at the Company's sole discretion.
- C. On February 25, 2026, the Company entered into a preliminary sale and purchase agreement ("PSPA") for the sale of the Nowy Świat property located in Warsaw, Poland, for total consideration of approximately PLN 60.3 million (approximately EUR 14.1 million). Accordingly, the Company recognized a valuation loss of approx. EUR 1.4 million in respect of investment property under development. The transaction was completed in June 2026 and the consideration was received by the Company.
- D. On May 12, 2026, the Company signed a share purchase agreement with several unrelated sellers pursuant to which it acquired 100% of the shares in a Cypriot company which is the sole shareholder of a Serbian company owning a land area of approximately 75 thousand sqm in Belgrade, Serbia, for a purchase price of approx. EUR 25 million. The Company intends to develop on the land a residential for sale project with a total planned built-up area of approx. 164 thousand sqm.
- E. On May 21, 2026, the Company entered into an agreement with a third party for the acquisition of 100% of the ownership interests in eight Romanian SPVs holding six retail park properties in Romania, with total gross leasable area (GLA) of approx. 126 thousand sqm. The aggregate property value used for determining the total transaction consideration is approx. EUR 297.5 million, and after agreed price adjustments and including the refinancing of certain shareholder and bank loans of the acquired entities, the total consideration was approx. EUR 282 million, subject to customary closing price adjustments. The transaction was completed on July 8, 2026.
- F. On May 26, 2026, the Company entered into a preliminary sale and purchase agreement for the sale of its perpetual usufruct right to a property located in Warsaw, Poland. The total consideration is approx. PLN 30.7 million (equivalent to approx. EUR 7.1 million). Accordingly, as of June 30, 2026, the property is presented as assets held for sale, and the Company recognized a valuation profit of approx. EUR 2.3 million in respect of investment property under development. To secure the transaction, the buyer provided a non-refundable deposit of PLN 3 million. The transaction's completion is expected in Q3 2026.
- G. On June 3, 2026 a financing agreement (the "Agreement") was signed by the Company and its Serbian subsidiary that owns and operates the mixed-use project in Belgrade known as Skyline (the "Property", the "Subsidiary", respectively; the Company and the Subsidiary together, the "Borrowers"), in relation to a EUR 71.2 million loan facility (the "Loan") made available in July 2026 to the Company (approx. EUR 23 million) and the Subsidiary (approx. EUR 48 million) by two banks, of which approx. EUR 48 million refinanced a previous loan from the same lenders, secured, inter alia, by mortgages and pledges on the Property. The Loan bears annual interest of 3-month EURIBOR plus an acceptable margin in the market (and the Borrowers undertook to hedge the interest rate in relation to 70% of Loan throughout its term). The Loan's final maturity date is May 30, 2031.

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Notes to the Consolidated Interim Financial Statements

Note 4 - Significant Events in the Reported Period (cont'd)

- H. On June 22, 2026 a facility agreement was signed by the Company in relation to a EUR 50 million loan provided to the Company by a bank, bearing interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market. The Loan's final maturity date is June 30, 2029. Following the fulfillment of various conditions precedent, the loan has been utilized by the Company.
- I. On June 30, 2026 a facility agreement was signed by the Company in relation to a EUR 150 million loan provided to the Company by a bank, bearing interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market. The Loan's final maturity date is June 30, 2030. In addition, there are three group-level financial covenants related to the Company, by reference to its most recent consolidated financial statements: (i) equity (defined as total equity plus subordinated shareholder loans) must be at least EUR 1.2 billion; (ii) equity-to-total-assets ratio must be at least 40%; and (iii) debt-to-capital ratio must not exceed 50%. Following the fulfillment of various conditions precedent, the loan has been utilized by the Company during July 2026.
- J. In reference to Note 4(F) in the Company's consolidated financial statements for the year ended December 31, 2025, regarding the acquisition by the Company and its wholly-owned subsidiary, AFI Home B.V., of 100% of ownership interests in companies holding the Port 7 office complex and adjacent development plots in Prague, Czech Republic, the transaction was completed on June 30, 2026, and the Company and AFI Home B.V. paid the purchase consideration amounted to approx. EUR 127 million. The acquisition of the Property Companies has been treated as a transaction for the purchase of assets and liabilities, considering that this is not business combination according to the International Financial Reporting Standard 3 (IFRS 3). Accordingly, the transaction's consideration was allocated pro rata to the purchased assets and liabilities based on their fair market value as at the date of the acquisition, and without recognizing goodwill and deferred tax liabilities.
- K. As at June 30, 2026, all companies within the Group complied with the financial covenants set forth in their financing agreements.

Note 5 - Financial Instruments

A. Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, short-term interest-bearing loans and borrowings, loans and borrowings from related parties, trade and other payables are equal or approximate to their fair value.

The fair values of the remaining financial assets and liabilities and their book values as presented in the statement of financial position are as follows:

In thousands of Euros

	June 30, 2026		June 30, 2025		December 31, 2025	
	(Unaudited)		(Unaudited)		(Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Secured bank loans (*)	1,573,427	1,598,478	1,302,217	1,304,443	1,517,081	1,542,074
Corporate loan	87,837	82,154	84,649	81,811	79,513	79,776

(*) Including the current portion of long-term loans and borrowings

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Notes to the Consolidated Interim Financial Statements

Note 5 - Financial Instruments (Cont.)

B. Fair value hierarchy of financial instruments measured at fair value

The financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels.

The financial liabilities and assets include interest rate swap contracts ("IRS") and interest cap rate contracts used for hedging and cross currency swap contracts which were not used for accounting hedge. The financial instruments measured in accordance with level 2.

Details on the fair value of the financial instruments are disclosed below:

<i>In thousands of Euros</i>	June 30, 2026 (Unaudited)	June 30, 2025 (Unaudited)	December 31, 2025 (Audited)
<u>Financial assets:</u>			
	10,190	-	655
Interest rate swap	2,792	3,501	3,324
Interest cap rate	4,655	266	-
<u>Financial liabilities:</u>			
Cross currency Swap	-	4,883	-
Interest rate swap	1,290	5,657	3,138

Fair value of IRS and interest cap rate is measured on the basis of the capitalization of the difference between the forward price in the contract and the current price for the residual period until redemption using appropriate interest curves used for derivative pricing and based on short-term EURIBOR interest rates and long-term IRS transactions.

Fair value of cross currency swap is measured on the basis of the capitalization of the difference between the payment in Euro currency that the Company is expected to pay and the payment in Israeli Shekels ("ILS") currency that the Company is expected to receive according to the difference between the expected exchange rate on the day of the contract execution (using Euro and ILS interest rate curves for the time of the calculation) and the rate determined on the day the transaction was concluded).

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Notes to the Consolidated Interim Financial Statements

Note 6 - Related Parties

Details of transactions between the Group and other related parties are disclosed below:

<i>In thousands of Euros</i>	June 30, 2026 (Unaudited)	June 30, 2025 (Unaudited)	December 31, 2025 (Audited)
Management fees to AFI Properties	(2,640)	(1,831)	(4,388)
Interest expenses to AFI Properties (*)	(19,240)	(25,705)	(48,702)
Interest income from other related parties, net	484	660	951
	<u>(21,396)</u>	<u>(26,876)</u>	<u>(52,139)</u>
Balance:			
Loans from AFI Properties Group	(1,086,292)	(1,160,923)	(1,096,179)
Payables to AFI Properties	(4,700)	(2,430)	(2,825)
Loans to associates	18,962	19,271	9,457

(*) Including interest capitalized to investment properties under development and inventory under development.

Note 7 - Operating Segment

The Company has several main geographical areas: Czech Republic, Serbia, Romania, Poland and other regions.

The accounting policies implemented in preparing the segment information correspond with the generally accepted accounting policies applied in the preparation of the Company's condensed consolidated financial statements.

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Notes to the Consolidated Interim Financial Statements

Note 7 - Operating Segment (cont'd)

	For the six months ended at June 30, 2026 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	15,466	24,556	59,655	18,603	1,323	119,603
Proceeds from sale of trading property	-	-	-	42	2,493	2,535
Service charge income	6,583	9,234	21,254	8,124	578	45,773
Other income	136	624	611	313	795	2,479
Total income	22,185	34,414	81,520	27,082	5,189	170,390
Gross profit	14,955	24,708	60,036	17,167	1,762	118,628
Net valuation gains (losses)	1,121	1,030	(304)	(1,107)	-	740
Segment result	15,930	24,937	59,441	15,541	2,116	117,965
Share of losses of companies accounted for at equity, net	-	-	-	(448)	(31)	(479)
Unallocated expenses						(13,419)
Operating profit						104,067
Net financing costs						(55,279)
Taxes on income						(10,876)
Profit for the period						37,912
Investment property and investment property under development	718,903	800,816	1,680,567	666,539	36,473	3,903,298
Inventory of buildings and land	35,975	25,019	56,594	9,874	26,733	154,195
Total	754,878	825,835	1,737,161	676,413	63,206	4,057,493

Notes to the Consolidated Interim Financial Statements

Note 7 - Operating Segment (cont'd)

	For the six months ended at June 30, 2025 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	15,917	22,143	56,503	9,820	1,270	105,653
Proceeds from sale of trading property	-	-	-	19	4,977	4,996
Service charge income	6,393	8,270	19,251	4,817	495	39,226
Other income	151	967	135	946	79	2,278
Total income	22,461	31,380	75,889	15,602	6,821	152,153
Gross profit	15,342	22,200	55,953	8,200	2,026	103,721
Net valuation gains (losses)	1,711	(827)	(1,435)	1,029	-	478
Segment result	16,926	20,939	53,941	9,692	1,555	103,053
Share of losses of companies accounted for at equity, net	-	-	-	(828)	-	(828)
Unallocated expenses						(10,842)
Operating profit						91,383
Net financing costs						(53,663)
Taxes on income						(11,839)
Profit for the period						25,881
Investment property and investment property under development	578,906	677,601	1,602,594	537,897	34,627	3,431,625
Inventory of buildings and land	33,751	-	56,573	9,918	37,640	137,882
Total	612,657	677,601	1,659,167	547,815	72,267	3,569,507

Notes to the Consolidated Interim Financial Statements

Note 7 - Operating Segment (cont'd)

	For the three months ended at June 30, 2026 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	7,767	12,356	29,835	9,509	676	60,143
Proceeds from sale of trading property	-	-	-	31	679	710
Service charge income	3,205	4,569	10,860	4,237	257	23,128
Other income	73	216	519	206	40	1,054
Total income	11,045	17,141	41,214	13,983	1,652	85,035
Gross profit	7,497	12,550	30,726	8,779	715	60,267
Net valuation gains (losses)	3,337	1,670	(413)	2,075	-	6,669
Segment result	10,803	13,455	30,471	10,399	685	65,813
Share of losses of companies accounted for at equity, net	-	-	-	(413)	(22)	(435)
Unallocated expenses						(7,130)
Operating profit						58,248
Net financing costs						(28,058)
Taxes on income						(6,704)
Profit for the period						23,486
Investment property and investment property under development	718,903	800,816	1,680,567	666,539	36,473	3,903,298
Inventory of buildings and land	35,975	25,019	56,594	9,874	26,733	154,195
Total	754,878	825,835	1,737,161	676,413	63,206	4,057,493

Notes to the Consolidated Interim Financial Statements

Note 7 - Operating Segment (cont'd)

	For the three months ended at June 30, 2025 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	7,883	11,305	28,555	4,944	650	53,337
Proceeds from sale of trading property	-	-	-	19	3,901	3,920
Service charge income	2,998	4,250	9,338	2,387	223	19,196
Other income	78	655	81	246	63	1,123
Total income	10,959	16,210	37,974	7,596	4,837	77,576
Gross profit	7,730	11,531	28,857	4,217	1,257	53,592
Net valuation gains (losses)	468	133	(542)	282	-	341
Segment result	8,157	11,352	28,584	4,467	935	53,495
Share of losses of companies accounted for at equity, net	-	-	-	(188)	-	(188)
Unallocated expenses						(5,602)
Operating profit						47,155
Net financing costs						(28,070)
Taxes on income						(7,337)
Profit for the period						11,748
Investment property and investment property under development	578,906	677,601	1,602,594	537,897	34,627	3,431,625
Inventory of buildings and land	33,751	-	56,573	9,918	37,640	137,882
Total	612,657	677,601	1,659,167	547,815	72,267	3,569,507

Notes to the Consolidated Interim Financial Statements

Note 7 - Operating Segment (cont'd)

	For the year ended at December 31, 2025					Total consolidated
	Czech Republic	Serbia	Romania	Poland	Other regions	
Income from external customers:						
Gross rental income	32,075	45,553	116,716	23,262	2,553	220,159
Proceeds from sale of trading property	223	-	-	19	9,011	9,253
Service charge income	13,060	17,303	41,012	10,514	1,042	82,931
Other income	307	689	526	1,156	9	2,687
Total income	45,665	63,545	158,254	34,951	12,615	315,030
Gross profit	31,117	45,082	117,414	19,867	(3,451)	210,029
Net valuation gains	12,092	58,557	36,773	7,870	1,678	116,970
Write down of inventory to net realized value	-	-	-	-	(7,991)	(7,991)
Segment result	43,028	102,306	152,595	27,636	(3,070)	322,495
Share of profit (loss) of companies accounted for at equity, net	-	-	-	9,224	(4)	9,220
Unallocated expenses						(25,988)
Operating profit						305,727
Net financing costs						(106,416)
Taxes on income						(37,573)
Profit for the period						161,738
Investment property and investment property under development	577,415	774,781	1,665,752	678,823	36,426	3,733,197
Inventory of buildings and land	35,198	-	56,583	10,043	28,166	129,990
Total	612,613	774,781	1,722,335	688,866	64,592	3,863,187