



## 2020 First quarter

Dear shareholders,

Today we concluded the first quarter of 2020, and are continuing to improve our financial results and financial structure. In recent years we have taken significant steps towards strengthening the Company's equity and financial structure, in order to allow us to withstand unexpected events such as the current coronavirus crisis, and to significantly reduce the risk to shareholders.

As part of these efforts, we have completed a complex process of restructuring in the group, and repaid net debts totaling approximately NIS 6.8 billion over the last four years, which led to an increase of the Company's ratings to AA-, and a decrease of the debt-to-capital ratio to 46.1%. The Company's diverse portfolio of properties affords us stability, and allows us to reduce our exposure to extreme situations.

The Company has significant cash balances, and is therefore not expected to require debt refinancing in the coming years, thereby reducing the potential harm to the Company, and even allowing us to present an improvement in results.

I am certain that the actions we have performed in the past, and the actions we are performing today, will allow us to pass through this crisis successfully, with the minimum possible damage.

In light of our significant emphasis on transparency, and with the knowledge that the second quarter data are very significant to you, we have prepared FFO and NOI forecasts for the second quarter of the year, and for the entire year, based on the partial data which is currently available to us.

Very cordially yours,

**Dudu Zvida, CEO of Mivne, May 2020**

### Financial and operational areas of emphasis

- FFO from revenue-generating properties during the quarter amounted to a total of approximately NIS 103 million, as compared with a total of approximately NIS 93 million in the corresponding period last year.
- The increase in FFO from revenue-generating properties in the quarter, relative to the corresponding period last year, amounted to approximately 11%.
- FFO per share in the quarter amounted to a total of approximately NIS 0.14. The Company's annual FFO forecast (per share) is in the range of NIS 0.52-0.55.
- Total same property FFO in the quarter amounted to approximately NIS 106 million, as compared with approximately NIS 96 million in the corresponding period last year, an increase of 10.4%.
- During the quarter, the Company continued presenting an improvement in same property NOI, to approximately NIS 146 million, as compared with NIS 142 million in the corresponding period last year, an increase of approximately 2.7%.

- The occupancy rate in properties in Israel as of March 31, 2020 was 90.1%.
- FFO return on common equity as of March 31, 2020, according to the Company's forecast, is expected to be in the range of 6.70%-7.05%, and FFO return on market value, according to the Company's forecast, is expected to be in the range of 7.53%-7.93%.
- NOI return on common equity as of March 31, 2020, according to the Company's forecast, is expected to be in the range of 11.26%-11.49%.
- The occupancy to value ratio is approximately 91.2%.
- The Company has unpledged properties worth approximately NIS 3.3 billion.
- During the quarter, the Company sold properties in Israel in consideration of a total of approximately NIS 270 million, generating profit of approximately NIS 76 million, including the sale of a subsidiary's holdings in Yekum Development Ltd.
- After the quarter, the Company completed the sale of land in Portugal in consideration of a total of approximately NIS 87 million, generating profit of approximately NIS 9 million.
- Since the beginning of the year, the Company has signed rental agreements with respect to an area of approximately 44,000 square meters, as compared with concluded contracts with an area of approximately 16,000 square meters.

### The coronavirus crisis

As of the publication date of this presentation, the global coronavirus has had a relatively immaterial effect on the Company, assuming that the Company's business environment recovers in the second quarter. During the crisis period, the Company continued operating its properties, in accordance with the directives. At this stage, the Company believes that the crisis is not expected to have a significant impact on its activity and results. As of the present date, the Company is evaluating the collection method with respect to approximately NIS 12 million in Israel and approximately NIS 6 million abroad, which have not yet been collected from the lessees, mostly with respect to the months April - May.

It should be noted that, at present, all of the Company's properties are operating as usual, and most of the Company's commercial properties

resumed operation already since April 15, 2020, in addition to properties which are rented out to businesses that were defined as essential businesses, which operated continuously throughout the entire period.

We estimate that the actions that were taken have allowed the Company to minimize adverse effects on its results.

### Projects under development

Presented below are the changes which took place during the quarter in the Company's development projects:

- HaSolelim project in Tel Aviv: A zoning plan for application was published during the period. The zoning plan is expected to be approved in Q2/2020. A permit for excavation and foundation works is expected to be received in Q3-Q4/2020.
- HaMeitav project in Tel Aviv, Stage A: During the first quarter of 2020, 4 additional apartments were sold, in consideration of NIS 14.6 million, and contracts for the sale of 141 apartments were signed. The surplus cash flow which is expected to be received on the delivery date from the project, in Q4/2020, amounts to approximately NIS 200 million, and the total sum of unrecognized profit in the financial statements amounts to approximately NIS 30 million.
- HaMeitav project, Stage B: In March 2020, a discussion was held regarding the plan in the forum of the Municipal Engineer. It was recommended that the plan be advanced for discussion in the local committee by the end of 2020. The plan will include 310 residential units, and approximately 160,000 square meters of office areas.
- Mivne Tower in Herzliya Pituach: the zoning plan was approved on February 25, 2020. The Company is currently in the process of preparing a permit application. The permit is expected to be received in Q2/2021.
- Science and IT park in Haifa: A permit application for two additional buildings was submitted. The permit is expected to be received in Q3/2020.
- Sarona project in Kfar Sabba: under construction. Approximately NIS 8 million was invested in the first quarter of the year. The total investment (including land) amounted to approximately NIS 36 million, and the remaining cost to completion amounted to approximately NIS 214 million.
- Office building in Holon: under construction. Approximately NIS 7 million was invested in the first quarter of the year. The total investment (including land) amounted to approximately NIS 31 million, and the remaining cost to completion amounted to approximately NIS 71 million.
- Logistics center in Kiryat Gat: Under construction. Approximately NIS 5 million was invested in the first quarter of the year. The total investment (including land) amounted to approximately NIS 25 million, and the remaining cost to completion amounted to approximately NIS 10 million.
- Or Yehuda: under construction, approaching the receipt of a certificate of occupancy ["Form 4"]. Approximately NIS 4 million was invested in the first quarter of the year. The total investment (including land) amounted to approximately NIS 61 million, and the remaining cost to completion amounted to approximately NIS 2 million.
- Construction of additional floors above office buildings in Kanfei Nesharim, Jerusalem: a permit application has been submitted. The permit is expected to be received in Q2/2021.
- Installation of solar power systems on the Company's rooftops throughout the country: To date, a plan has been established for the installation of solar power systems on 70 rooftops, out of the total 180 rooftops in the plan. Total annual revenues from the systems under the plan are expected to amount to approximately NIS 6 million, out of the total of approximately NIS 15 million for all systems. Revenues are expected to begin in Q4/2020.

- As part of these projects, approximately 1,495 residential units are in planning:

Project / location	Value in the Company's books (In millions of NIS)	Number of units planned / under construction
HaSolelim – Tel Aviv	349	360 residential units + 68 thousand square meters of office space
Aminadav, Tel Aviv, Stage A	132	170
Aminadav, Tel Aviv, Stage B	117	310 residential units + 160 thousand square meters of office space
Mivne Tower, Herzliya Pituach	102	100 residential units + 24 thousand square meters of office space
Marom HaSharon – under construction	61	61
Marom HaSharon – future stage	30	213
Or Akiva and Hadera	52	334
<b>Total</b>	<b>843</b>	<b>1,495 residential units + 252 thousand square meters of office space</b>

## Financial data

- During the first quarter as well, the Company continued activities which resulted in an additional decrease of the debt-to-capital ratio, to a level of 46.1% as of March 31, 2020, from 49.2% as of December 31, 2019.
- The Company's balance of cash and unused credit facilities as of March 31, 2020 amounted to approximately 1.1 billion, in Israel and abroad.
- The Company's total current assets as of March 31, 2020 amounted to approximately NIS 1.95 billion.
- In May the Company performed a bond series extension in consideration of a total of approximately NIS 284 million, with an effective interest rate of 2.11%, and announced the early redemption of bonds in the amount of approximately NIS 418 million, which will result in an additional improvement of FFO. The stated interest rate with respect to the redeemed bonds was 5.16%.
- The Company's total (net) financial debt decreased from approximately NIS 5.4 billion as of December 31, 2019 to approximately NIS 4.9 billion as of March 31, 2020.
- Total attributable equity as of March 31, 2020 amounted to approximately NIS 5.69 billion, as compared with NIS 5.57 billion as of December 31, 2019.
- The share capital ratio as of March 31, 2020 increased by 2.2%, from 7.76 on December 31, 2019 to NIS 7.76:

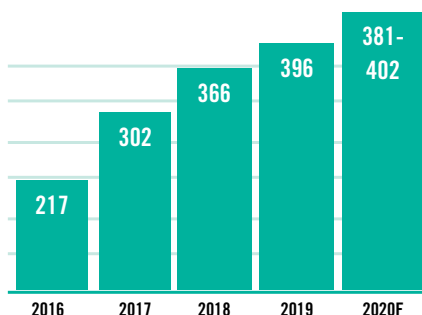
	NIS 5,697 million	Attributable equity as of March 31, 2020
<b>NIS 7.76 =</b>		
	734=813-79 million shares	Total shares less shares held by Darban (a subsidiary)

## Israel's leading and largest real estate company

- The Company is listed on the Tel Aviv 35 Index.
- The Company's market value is approximately NIS 5.1 billion (after deducting shares held by Darban).
- The rating of the Company and of its debt is AA-, and the rating of real estate-backed series is AA.
- The Company has 569 revenue-generating properties throughout Israel, with a total area of approximately 1.6 million square meters. The properties are rented out to approximately 2,712 lessees.
- The Company has lots and development building rights with an area of approximately 900 thousand square meters, in high demand areas.

## Strengths

- Continuously growing FFO from revenue-generating properties:



- Organic growth through renting of existing areas to diversified lessees from many market sectors, and provision of extensive solutions to lessees.
- Low cost of capital and high credit rating
- Leadership in planning, management, marketing and rental.

## Leading properties / municipalities

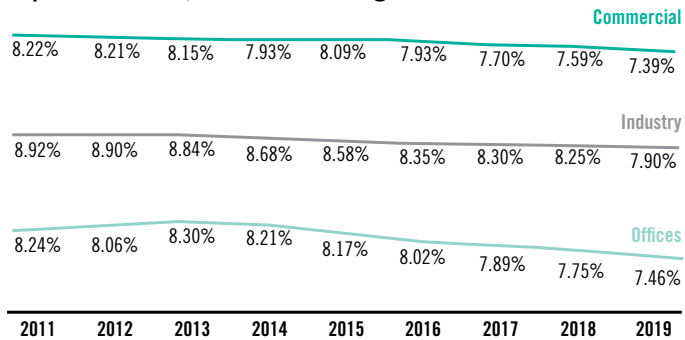
- Tel Aviv Towers - 15 thousand square meters
- Ackerstein Towers, Herzliya - 32 thousand square meters
- Hi-Tech Park, Yokneam - 32 thousand square meters
- Park Afek, Rosh Ha'ayin - 101 thousand square meters
- Jerusalem - 116 thousand square meters
- Nazareth Illith - 23 thousand square meters
- Rishon Letzion - 40 thousand square meters
- Nesher - 43 thousand square meters
- Beer Sheva - 42 thousand square meters
- Holon - 20 thousand square meters



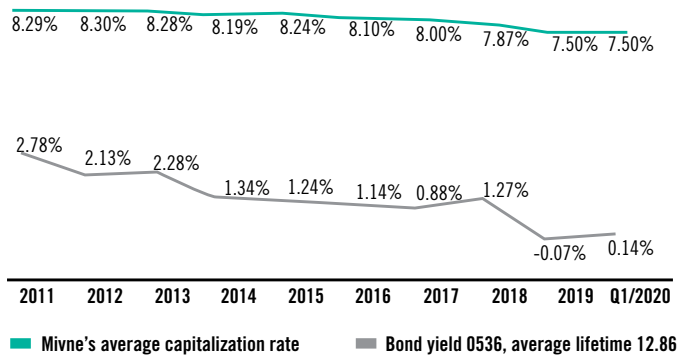
## Capitalization rate of revenue-generating properties in Israel

Presented below are the capitalization rates of the Company's properties during the years 2011-2020, distributed into segments.

### Capitalization rate, distributed into segments

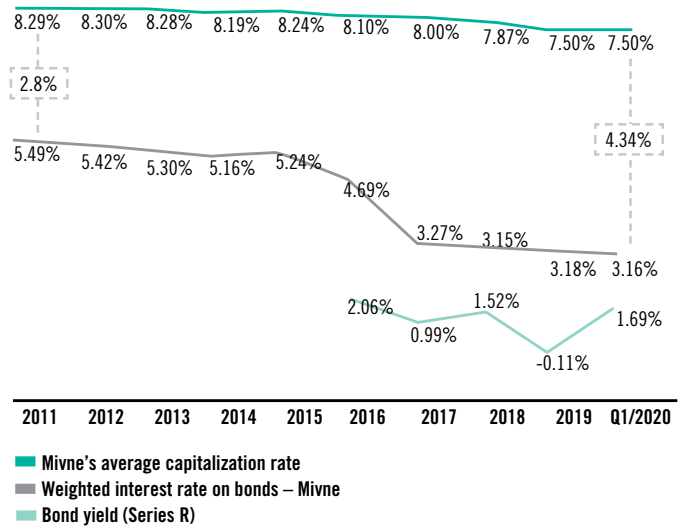


### Mivne's capitalization rate relative to government bond yields



It is apparent that, over the years 2011-2019, the presented bond yield declined by 2.85% (from 2.78% to 0.07%), while the Company's average capitalization rate declined by 0.73% only (from 8.29% to 7.56%).

### Mivne's capitalization rate relative to the Company's weighted cost of debt



	Thousands of square meters	Number of assets	Number of lessees	Average rent per square meter
Industry	1,018	506	1,701	24.10
Offices	470	46	437	50.73
Commercial	163	17	574	62.27
<b>Total</b>	<b>1,651</b>	<b>569</b>	<b>2,712</b>	<b>36.14</b>

The Company enjoys significant diversification among its lessees, in many different segments, as well as significant presence in the municipalities where it is engaged. Average rent per square meter is in the lower bound of the sector average, which on the other hand does not create a burden for the Company's lessees, while on the other hand, allows the Company to continue presenting improvement in NOI SP.





## The Company's international activities

Data in thousands of NIS

Country	Number of assets	Occupancy rate	Fair value	Actual NOI 1-3/2020	Return on NOI ratio
Switzerland	2	93.2%	388,628	6,303	6.5%
Ukraine	1	100%	234,263	7,347	12.5%
France	6	98.1%	68,310	5,857	34.3%
Canada	3	77.1%	156,138	1,461	3.7%
USA	2	75.1%	98,751	1,310	5.3%
International other	4	94.9%	103,505	2,028	7.8%
<b>Total</b>	<b>18</b>	<b>91%</b>	<b>1,049,595</b>	<b>24,306</b>	<b>9.3%</b>

## Presentation basis

This paper includes the presentation of financial, operational and results data, including NOI, FFO, various financial ratios and segmental presentation of various results and figures.

- NOI (Net Operating Income) represents the profit from the leasing and operation of properties (operating profit), after neutralizing the Company's depreciation and amortization. The NOI figure is used to measure free cash flow available for financial debt service, after deducting from NOI current investments and capital expenditures which are carried to the statement of income.
- Same property NOI (NOI SP) is a sub-group which is included under NOI, which includes same property NOI, i.e., the properties which are currently held by the Company. This indicator presents an accurate and up-to-date status report, by neutralizing profits from the operation of properties which no longer belong to the Company, and which therefore will no longer generate revenue for the Company, in addition to profit from new properties which, although in the past they did generate revenue for the Company, will increase its profits from now on.
- FFO (Funds From Operations) from revenue-generating properties is an indicator commonly used around the world to reflect reported net profit, less profit or loss from the sale of properties, plus depreciation and amortization in respect of real estate, after neutralizing deferred taxes, losses from loan prepayments, non-cash flow expenses and expenses attributable to building rights and building development rights.
- FFO is a well-known indicator used by analysts, investors and other interested parties in the valuation of real estate companies, mostly revenue-generating real estate companies.

For additional details, see the board of directors' report as of March 31, 2020, which was published on May 25, 2020.

## Disclaimer

This data paper was prepared by Mivne Real Estate (K.D.) Ltd. and/or companies under its control (the “Company”), and does not constitute an offer to buy or sell securities of the Company, or an invitation for bids of that kind, and is intended for the information delivery purposes only. The presented information should not serve as the basis for reaching any investment decision, recommendation or opinion, and does not constitute any alternative to the investor's own judgment, or to the receipt of appropriate advice.

The information presented in this data paper on all matters associated with the Company's activity constitutes a summary only, and in order to obtain a full picture of the Company's activity, and of the risk factors which the Company faces, it is necessary to review the Company's shelf prospectus, as well as its immediate, periodic and quarterly reports, available on the MAGNA distribution website (the “Company's Reports”). The paper also includes data and information which are presented in a different format than the data which are included in the Company's reports, or which can be calculated using the data which are included in the Company's reports. It is emphasized that some of the information presented in the data paper has not been audited or reviewed by the Company's auditors. The information presented in this paper does not constitute a substitute for a review of the Company's reports.

**This data paper includes forecasts, estimates, approximations and figures pertaining to future events, which are uncertain to materialize, and which are not under the Company's control, including macro-economic forecasts, forecasts regarding the Company's activities, business affairs, financial results, operational and financial data, including FFO and NOI forecasts, as well as short term and long term gross profit and operating profit forecasts, and the initiation and construction of projects, including the forecasted timetables, the receipt of regulatory approvals, construction costs and future revenue, all constitute forward looking information, as defined in section 32A of the Securities Law, 5728-1968, and such information is based on the Company's subjective estimates only, which have been made in good faith, based on the Company's past experience and accumulated professional knowledge, based on facts and figures pertaining to the current status of the business affairs of the Company and its investees, and on macro-economic facts and figures which were collected by the Company from other sources, all to the best of the Company's knowledge, as of the date of preparation of this data paper.**

**The materialization or non-materialization of the forward looking information may be affected, inter alia, by risk factors pertaining the Company's activity, as specified in the Company's reports, by other risk factors which are not necessarily known at this time, and by developments in the Company's general operating environment (in the world in general, and in Israel in particular), and by the Company's operating results and financial results, which could differ significantly from the information provided in this data paper.**

Except as required by law, the Company does not accept any undertaking to publicly announce or change forward looking information, which may be updated in light of new information or future events, or for other reasons.



# Forecast of operating results

In light of the severe changes which took place during the second quarter of the year in the Company's general operating environment due to the coronavirus pandemic, and in light of our significant emphasis on transparency towards the public and towards Company shareholders, we consider it appropriate to present you with a forecast for the second quarter of 2020, and for the entire year 2020, based on the data which were available to the Company on the date when the forecast was prepared.

## Q2/2020

### Forecasted FFO from revenue-generating properties for Q2/2020:

FFO cycle from revenue-generating properties - data in millions of NIS	Max	Min
FFO 4-6/2019	83	83
Changes in NOI due to sales in 2019 and forecasted sales in 2020	(10)	(10)
Changes in FFO due to the sale of associates	(6)	(6)
Decrease in NOI due to the coronavirus in Israel and abroad	(18)	(25)
Forecasted improvement in FFO	37	34
<b>Forecasted FFO for 4-6/2020</b>	<b>86</b>	<b>76</b>

### Forecasted NOI for Q2/2020:

NOI cycle - data in millions of NIS	Max	Min
NOI 4-6/2019	178	178
Changes in NOI due to sales in 2019 and forecasted sales in 2020	(18)	(25)
Decrease in NOI due to the coronavirus in Israel and abroad	(10)	(10)
Operational improvement in NOI	3	2
<b>Forecasted NOI for 4-6/2020</b>	<b>153</b>	<b>145</b>

## 2020

### Forecasted FFO from revenue-generating properties for 2020:

FFO cycle from revenue-generating properties - data in millions of NIS	Max	Min
FFO 2019	396	396
Changes in NOI due to sales in 2019 and forecasted sales in 2020	(40)	(40)
Changes in FFO due to the sale of associates	(21)	(21)
Decrease in NOI due to the coronavirus in Israel and abroad	(18)	(25)
Forecasted improvement in FFO	84	71
<b>Forecasted FFO for 2020</b>	<b>401</b>	<b>381</b>

### Forecasted NOI for 2020:

NOI cycle - data in millions of NIS	Max	Min
Actual NOI 2019	703	703
Changes in NOI due to sales in 2019 and forecasted sales in 2020	(40)	(40)
Decrease in NOI due to the coronavirus in Israel and abroad	(18)	(25)
Operational improvement in NOI	9	3
<b>Forecasted NOI for 2020</b>	<b>654</b>	<b>641</b>

# Select data from the financial statements

## Condensed consolidated balance sheet

Data in millions of NIS	As of March 31, 2020	As of March 31, 2019
Current assets:		
Cash and cash equivalents	1,215	783
Other current assets	571	615
Assets held for sale	163	160
<b>Total current assets</b>	<b>1,949</b>	<b>1,558</b>
Non-current assets:		
Investment property	10,636	10,202
Investment property under development	158	58
Investments in associates	374	675
Other non-current assets	549	335
<b>Total non-current assets</b>	<b>11,717</b>	<b>11,270</b>
<b>Total assets</b>	<b>13,666</b>	<b>12,828</b>
Current liabilities:		
Current maturities of bonds	339	380
Current maturities of loans	724	283
Other current liabilities	422	348
Liabilities attributable to assets held for sale	0	34
<b>Total current liabilities</b>	<b>1,485</b>	<b>1,045</b>
Non-current liabilities:		
Loans from banks and financial institutions	1,259	1,465
Bonds	3,872	4,121
Deferred taxes	1,196	1,156
Other non-current liabilities	173	229
<b>Total non-current liabilities</b>	<b>6,500</b>	<b>6,971</b>
<b>Total liabilities</b>	<b>7,985</b>	<b>8,016</b>
The Company's shareholders' equity	5,697	3,864
Non-controlling interests	(16)	948
Total equity	5,681	4,812

## Condensed statement of income

Data in millions of NIS	For the period 1-3/2020	For the period 1-3/2019
Revenues:		
Rental and management revenues in Israel	190	184
Rental and management revenues abroad	37	41
Additional revenue	32	81
<b>Total revenues</b>	<b>259</b>	<b>306</b>
Expenses:		
Maintenance expenses in Israel	(42)	(40)
Maintenance expenses abroad	(13)	(14)
Additional expenses	(20)	(47)
<b>Total expenses</b>	<b>(75)</b>	<b>(101)</b>
<b>Gross profit</b>	<b>184</b>	<b>205</b>
Appreciation of investment property under development	29	49
Selling, marketing, administrative and general expenses	(34)	(29)
Company's share in the profits of associates	4	9
Additional operating income (expenses)	55	(2)
<b>Operating profit</b>	<b>238</b>	<b>232</b>
Finance expenses, net	(66)	(69)
Taxes on income	(49)	(47)
<b>Net profit</b>	<b>123</b>	<b>116</b>
<b>Net profit attributable to the Company's shareholders</b>	<b>135</b>	<b>81</b>





**Mivne is the largest revenue-generating real estate company in Israel. For additional information:**

- Financial statements as of March 31, 2020: <https://maya.tase.co.il>
- Financial statements as of December 31, 2019: <https://maya.tase.co.il/reports/details/1286418>
- Capital market presentation as of December 31, 2019: <https://maya.tase.co.il/reports/details/1286657>
- The Company's website: <https://www.mivnegroup.co.il>
- Mivne Ltd.  
7 Totzeret Ha'aretz St., Tel Aviv  
Telephone: 03-9070000
- Mivne stock. Security number: [226019 https://www.tase.co.il/he/market\\_data/security/226019/major\\_data](https://www.tase.co.il/he/market_data/security/226019/major_data)
- An **investor discussion** will be held on May 25, 2020, at 11:00 AM. To join the discussion, please call [03-9180610](tel:03-9180610).