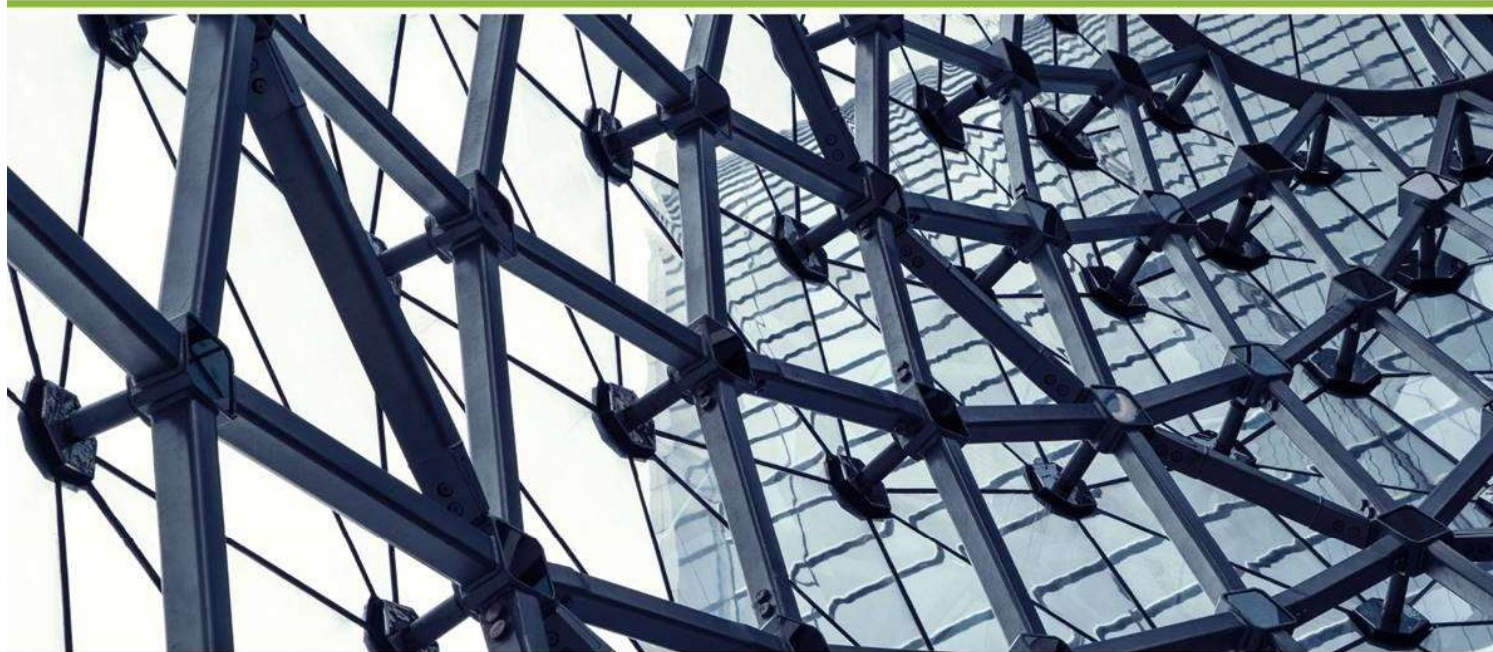




CLEARSTRUCTURE

Economic & financial analysis



Fairness Opinion

Proposed merger tender offer for
Sela Capital Real Estate Ltd.

By

Mivne Real Estate (K.D) Ltd.

//December 2020//



To: **The Board of directors of Mivne Real Estate (K.D) Ltd.**

Re: An Opinion re the fairness of the tender offer for Sela Capital Ltd. and the advantages and disadvantages inherited in it

We were asked by Mivne to examine the economic fairness of the tender offer for Sela Capital Ltd., as well as the advantages and disadvantages inherent in it, based on public sources only.

Attached our opinion for the described above.



Isaac Idan, CPA, Omer Serviansky, CPA
Clear Structure Ltd.

December 16, 2020
Date



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Executive Summary

In November 2020, Mivne Real Estate K.D Ltd. ("**Mivne**") published a tender offer to purchase all the ordinary shares of Sela Capital Ltd. ("**Sela**" or "**Sela Capital**") in exchange for: (1) 0.92 ordinary shares of Mivne, or alternatively (2) NIS 6.751 in exchange for each share of Sela. The cash consideration is limited to the amount of NIS 250 million.

We were asked by Mivne to examine the economic fairness of the tender offer, as well as the advantages and disadvantages inherent in it, based on public sources only. For more information, see Chapter 1 below.

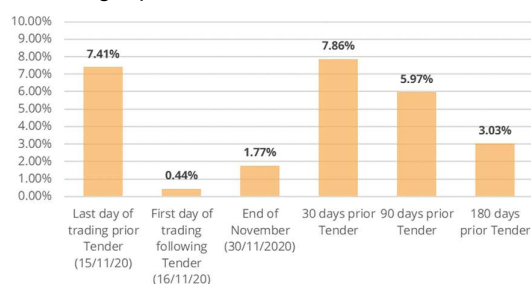
For the sake of examining the plausibility, we analyzed the economic value of Mivne and Sela under the following approaches:

1. **The Adjusted equity approach** – Under this approach, the fair value of a company's equity is equal to its book equity value, with relevant adjustments to either assets or liabilities which are not presented at their fair value.
2. **The Market value approach** – Under this approach, the fair value of a company's equity is the price per share as it is quoted on the stock exchange, multiplied by the amount of the company's outstanding shares (without any dormant shares).

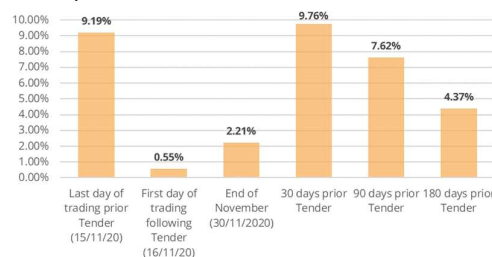
For more information on the selected methodologies, see Chapter 2 below.

The analysis based on the **market value approach** shows that over the examined time period, the tender offer embodies a "direct premium" for Sela's share, which ranges from 4.4% to 9.2%

Post-merger premium in the tender offer



Direct premium in the tender offer



The main conclusions from the Market value approach analysis are as follows:

- The tender offer embodied a direct premium of 9.2% on the last trading day that preceded it.
- The tender offer embodied a "post-merger premium" of 7.4% on the last trading day that preceded it.
- On the first trading day after the publication of the tender offer, the direct premium and the post-merger premium embodied in the tender offer closed almost completely (0.5%), because of the increase in Sela's share price of 8%, indicating, in our opinion, the market internalization of the premium inherent for Sela shareholders in the tender offer.

From the abovementioned, it appears that the offer's analysis using the market value approach indicates the fairness of the tender offer to Sela's shareholders.



The analysis based on the **adjusted equity approach** indicates that the adjusted equity of Mivne is estimated at about NIS 6.16 billion and the adjusted equity per share at about NIS 8.39, as specified in section 6.1.11 below. The adjusted equity of Sela is estimated at NIS 1.33 billion and the adjusted equity per share at NIS 6.84 if Sela remains a REIT and at NIS 1.43 billion and equity per share at NIS 7.31, if the tender offer is fully accepted, and Sela will become a "regular" company, as set forth in Section 6.2.4 below.

The analysis based on the adjusted equity approach shows that the tender offer embodies a premium for Sela's share of 11.6% in terms of adjusted equity per share: NIS 8.31 in the case of the merged entity, compared with NIS 6.84 in the case of Sela as a REIT. **The premium, as stated in the amount of 11.6%, reflects a conversion ratio of 0.82 Mivne shares per each Sela share, in comparison to 0.92 in the tender offer. That is, the analysis according to the adjusted equity approach indicates the fairness of the offer to Sela's shareholders.**

The advantages and disadvantages of accepting the tender offer are made under the assumption that Sela Capital "loses" its status as a REIT and becomes a "regular" company. For more information, see Chapter 7 below.

The advantages in accepting the tender offer:

- As stated above, the tender offer embodies a premium for Sela's shareholders both under the market price and the adjusted equity per share. It should be noted that on the first trading day after the publication of the tender offer, the "direct premium" and the "post-merger premium" embodied by the tender offer (7.4%-9.2%) closed almost completely (0.5%), as a result of an 8% increase in Sela's share price, which indicates, in our opinion, the internalization by the market of the premium inherent for Sela shareholders in the tender offer, as long as it is completed.
- A size advantage, which allows greater risk diversification and growth. The merged company will be among the leading income-generating real estate companies in Israel.
- Cost savings in administrative and general expenses¹.
- Cost savings on operating costs and asset management.
- Sela shareholders will get exposure to a broader portfolio of assets and to development activities with higher rates of return and profitability that currently exist in Mivne.
- Increasing stock marketability.
- Higher potential for improvement in assets, mainly due to the real estate for investment development activity in Mivne, which does not exist in Sela. In recent years, there has been a significant increase in the value of investment real estate in Mivne (about 10%) compared to Sela (about 2.5%). Nevertheless, the implied cap rates of income-generating real estate in Israel are higher in Mivne relative to Sela.
- Reducing the leverage rate in the eyes of Sela's shareholders.
- Mivne is traded over time at a Market cap/ equity multiple higher than that of Sela.

¹ Assuming the tender offer fully accepted.



The disadvantages in accepting the tender offer:

- Responding to the tender offer and turning Sela into a "regular company" is expected to generate a tax liability at the company level, compared to the current situation, where the tax liability is at the investor level. At the same time, in our estimation, this "tax burden" will be significantly lower than the expected savings in management costs and asset management costs, assuming the tender offer will be accepted in full.
- The occupancy rate in Sela Capital's assets has been 95% or more in recent years. On the other hand, occupancy rates in Mivne in recent years are in the range of only 86% -90.5%.
- The weighted effective interest rate of Sela Capital's aggregate debt was approximately 1.88%, with a maturity of 5.7 years, while the weighted effective interest rate of the aggregate debt of Mivne (in Israel) was 2.74% at that time (in Israel) with a maturity of 4.3 years. However, both companies' bonds are traded in a similar yield on the stock exchange - circa 0.7% in Sela, 0.75% for the unsecured bonds and 0.45% for the secured bonds in Mivne – 0.6% in average for all Mivne's bonds (in the index-linked bonds), so that at least according to the capital market the debt price of the companies is similar.
- The FFO per share in the first 9 months in 2020, annualized, of Mivne circa 54 Agorot and Sela circa 79 Agorot. According to these figures the proforma FFO per share for the merged company will be circa 61 Agorot.
- Sela as a REIT distributes dividends on a regular basis every quarter. Mivne has no such obligation and doesn't have a dividend distribution policy. It should be noted that in the last two quarters, Mivne distributed a dividend to its shareholders in the amount of approximately NIS 100 million.
- According to the instructions of Sela's bonds' deed of trust, a clause is included for immediate payment if Sela ceases to be a REIT and it may be necessary to amend this clause or to pay/refinance the debt.



1. Background

1.1. Mivne Real Estate

Mivne Real Estate (K.D) Ltd. ("**Mivne**" Or "**Mivne Group**") (formerly: Mivnei Ta'asiya Ltd.) is a real estate company that engages, both directly and through its subsidiaries, in a variety of real estate activities, mainly in Israel.

Mivne specializes in the initiation, purchase, construction, rental and management of buildings intended for office, high-tech, industrial, logistics and commercial ("**investment real estate segment**") and also operates in the field of residential real estate in Israel ("**residential development segment**"). It also works in planning and supervision of infrastructure development work for residential and industrial areas in Israel for the Israel Land Authority, local authorities, and in the construction and maintenance of photovoltaic installations, though to a relatively small extent compared to its other areas of activity.

According to Mivne's board of directors' report, as of September 30, 2020, Mivne owns about 1,948 thousand square meters of income-generating assets, of which about 1,554 thousand square meters are in Israel and the rest are abroad. In addition, Mivne has undeveloped land reserves and unutilized rights in the scope of about 678 thousand square meters. In the field of residential development, as of September 30, 2020, Mivne has 3 residential projects for the construction of 243 housing units and also owns lands for the construction of 746 housing units, mainly in Tel Aviv and Tzur Yitzhak.

1.2 Sela Capital Real Estate

Sela Capital is a real estate investment trust (REIT) in accordance with the provisions of Part D, Chapter Two of the Income Tax Ordinance [New Version], 1961.

As a real estate investment trust, Sela Capital's main purpose is the holding and management of income-generating real estate, i.e. office buildings, commercial centers, industrial and logistics buildings, rental apartments and the like, for profit, and thus enable investors to participate, indirectly, in projects, while diversifying the risks involved in investing in income-generating assets.

According to Sela's board of directors' report, from the date of its establishment until September 30, 2020, Sela's business activity includes contracts for the purchase of 36 income-generating assets with a total area of 294,000 square meters and 161,000 square meters of parking space.

Sela, as a real estate investment fund (REIT), is exempt from paying corporation taxes at the fund level, so that taxes are required to be paid at the shareholders' level, each depending on her tax status.



1.3 The Tender Offer

On 11/16/2020², Mivne issued a full and special tender offer, in accordance with sections 328 and 336 of the Companies Law³ ("**the tender offer**" or "**the offer**"), for the purchase of 100% of NIS 1 par value ordinary shares of Sela Capital ("the shares" or "Sela shares"), in exchange for one of these alternatives (with respect to each Sela share): (1) 0.92 ordinary share, 1 NIS nominal value of the bidder, to be issued by the bidder ("**the consideration in shares**"); or alternatively (2) NIS 6,751 in exchange for each Sela share ("**the cash consideration**").

The cash consideration was limited to NIS 250 million, so that as long as the cash consideration that Mivne will be required to pay to holders who chose this alternative as part of the tender offer is greater than NIS 250 million, it will purchase from each offeror who requested such consideration in cash, a proportionate share of the total shares.

It should be noted that in accordance with the provisions of the trust deeds of Sela's bonds, an early redemption cause is included for their immediate payment if Sela ceases to be a real estate investment fund (REIT). Such a cause may also exist in Sela's loan or other financing agreements. In light of the fact that given the completion of the tender offer, Sela will cease to be a REIT fund, immediately after the completion of the tender offer, to the extent that it is completed, Sela will be faced with the following options: (a) Amendment of the current financing agreements (b) repayment of the bonds and other relevant financing.

1.3 Purpose and Framework of the Work

We were asked by Mivne ("**the client**") to examine the economic fairness of the tender offer as well as the advantages and disadvantages inherent in it based on public sources only.

As part of the work, we relied on sources and reports published by Mivne and Sela, including financial statements, presentations to the capital market and other reports, as well as additional external sources as needed.

It should be noted that our framework does not include an independent examination of Mivne and/or Sela's appraisals and is based on the appraisal data used by the Companies themselves in their financial statements without adjustment.

² Updates to the offer were subsequently published which do not change the proposed consideration.

³ And in accordance with the position of the Securities Authority: a complete tender offer from a bidder who holds less than 25% or 45% of the voting rights in the company.



2. The Methodology

2.1 General

For the purpose of carrying out this work, we analyzed Mivne and Sela Capital's economic value according to two approaches, as follows:

1. **Adjusted equity approach** - according to this approach, the fair value of a company's equity is equal to its book value of equity where balance sheet items which are not presented at their fair value, are adjusted to reflect fair values. These include real estate assets listed in cost terms (mainly inventory activity), fixed assets, deferred taxes, etc. In addition, a reduction is required all elements which embody future meta-expenses.
2. **Market value approach** - according to this approach, the fair value of a company's equity is the price per share as it is quoted on the stock exchange, when it is multiplied by the number of shares in the company (deducting any dormant stocks if they exist).

The economic rationale behind choosing the adjusted equity approach is that both companies present most of their assets at fair value (though not at identical discount rates), so the adjustments required to translate accounting equity into fair value equity are considerably minor and are relatively easy to track.

The economic rationale underlying the market value approach is that the two companies are public companies whose shares are listed on the Tel Aviv Stock Exchange, although not in the same stock indices, so naturally their market value is a required benchmark. In addition, this approach makes it possible to examine the value of the companies over time.

2.2 Mivne

For the purpose of examining Mivne's adjusted equity value, the following economic adjustments are required:

1. Assets that are not presented at fair value in the Mivne's balance sheets:
 - A. Projects and lands in residential development that are classified as inventory in terms of cost. The adjustment was made by discounting the estimated cash flows expected from the projects.
 - B. Investment in photovoltaic installations presented in the fixed assets section in terms of reduced cost. The adjustment was made by discounting the estimated cash flows expected from the maintenance of the installations.
 - C. Investment in gas stations presented in the fixed assets section in terms of reduced cost. The adjustment was made by discounting the estimated cash flows expected from maintenance at gas stations.



2. Liabilities and deferred tax assets – Mivne's financial statements include liabilities due to deferred taxes (mainly due to revaluations and losses on transfer) in their full nominal amount. The liability for the purpose of assessing the adjusted equity value was estimated in capitalization for an average period of 6 years and in addition to a liability due to adjustments we made to the fair value of additional assets, as specified in section 6.1.8 below.
3. Future management expenses component - the adjustment was performed based on the average management expenses (deducting one-time expenses such as provision for doubtful debts) for 2018 and 2019 and for the first 9 months of 2020 as representative management expenses, multiplied by 8. It should be noted that since Mivne has a number of areas of activity, including developing real estate investment, maintenance, and self-operation activities as well as residential development activity, we assumed that the representative expenses reflect the expenses for "maintaining the existent" are about 60% of the total representative expenses, so we used 60% for the representative management expenses. Alternatively, this calculation is equivalent to the total management expenses represented while deducting a representative premium for Mivne's initiation activity.

2.3 Sela Capital

For the purpose of examining Sela's adjusted equity value, the following economic adjustments are required:

In a situation where Sela remains in a REIT fund status, regardless of the tender offer:

The only adjustment made is the weighting of the future representative management expenses component. It was performed based on the actual management expenses for 2018 and 2019 as well as for the first 9 months of 2020 as representative management expenses in a multiplier of 8. It should be noted that since Sela has one activity in the purchase and maintenance of investment real estate only (i.e. without initiating activity), we assumed that the representative expenses reflected the expenses for "maintaining the existent".

In a situation of accepting the tender offer and turning Sela into a regular company:

1. Corporation tax - Sela is a REIT fund and as such is not liable for corporation tax payments at the fund level, but at the investor level (according to the tax status of each of the investors). After accepting the tender offer, this situation will change, with Sela becoming liable for corporate tax payments at the company level.

The change requires attention at two levels:

- A. Immediate recognition of a liability due to deferred taxes - since the Sela REIT fund, as said, is not liable for corporation tax payments and therefore does not include in its reports a liability due to deferred taxes (mainly due to revaluations it has made). Once it becomes a regular company, it will be necessary to recognize this liability. The liability was estimated in accordance with the difference between the fair value of the assets included in Sela's financial statements and the estimate of their depreciated cost for tax purposes, discounted over an average period of 6 years, as specified in section 6.2.2 below.
- B. The ongoing impact on the new tax situation on Sela's various shareholders. As of today, the tax payments are at the level of the investors and each one deducts his tax liability according to his "tax status". This effect is not directly reflected in the valuation.



2. Management expenses - in this situation we assumed that as long as there is a **full** response to the tender offer, most of the management expenses will likely not be necessary in a consolidated structure, as they will be provided by Mivne based on existing expenses, so that about 80% of Sela's representative expenses will be saved, as described in section 7.2 below⁴.

2.4 The Fair Value of Investment Real Estate in the Companies' Books

As described in section 1.3 above, no independent valuations have been made of the real estate assets of the companies presented in the books of the two companies at fair value and we have not made adjustments to these values, although the two companies use different capitalization rates to assess their assets:

- Mivne - average discount rate for income-generating real estate assets in Israel of 7.44% (as of September 30, 2020)⁵.
- Sela - average discount rate for income-generating real estate assets in Israel of 7.1% (as of September 30, 2020).

2.5 Fairness Examination of the Merger Relationship in the Tender Offer

In order to examine the fairness of the offer, we performed an analysis of the tender offer in relation to the fair value of Sela shares under the two approaches we took, as stated above;

The market value approach –

For the purposes of the analysis, we defined two indicators for testing, as follows:

1. Direct premium ("**direct premium**") - the difference in percentages between: (a) the price of Mivne's stock on the stock exchange, when it is multiplied by the exchange ratio - 0.92 ("**the exchange ratio**"); and (b) Sela's stock price.
2. Post-merger premium ("**post-merger premium**") – the difference in percentages between (a) the expected price of Mivne's stock after the merger ("**price of merged Mivne stock**"), when it is multiplied by the replacement ratio; and (b) Sela's stock price.

The price of merged Mivne stock was calculated in the following manner:

1. Calculation of the aggregate market value of the two companies, by adding the market value of the companies, excluding the dormant shares in Mivne ("**aggregate market value**").
2. Calculation of the amount of shares in the merged company by adding the total amount of Mivne's shares while deducting the dormant shares, and the total amount of Sela's shares, multiplied by the exchange ratio ("**expected amount of shares**").
3. Calculation of the price of a merged Mivne share by dividing the total aggregate market value calculated above by the expected amount of shares calculated above.

⁴ if the tender offer is not fully answered the expected savings in the management costs would be significantly lower, if any.

⁵ It should be noted that in the valuations performed for the purpose of merging Mivne and Calcalit Jerusalem Economics Ltd. ("Calcalit Jerusalem") in 2019, the appraiser relied on individual appraisals conducted by another appraiser, among other things due to the use of lower discount rates.



4. This examination was performed in relation to market prices in different periods as detailed in Chapter 5 below.

The adjusted equity approach –

Post-merger premium ("**post-merger premium**") - the percentage difference between (a) the adjusted equity per share of Mivne post-merger which is calculated as follows ("**adjusted equity per share of a merged Mivne**") when multiplied by the replacement ratio; and (b) the adjusted equity per Sela's share, assuming it is a REIT fund.

The adjusted equity per share of a merged Mivne is calculated as follows:

1. The aggregate adjusted equity of the two companies, by adding the adjusted equity of the companies assuming full acceptance of the tender offer and turning Sela into a regular company, as specified in section 2.3 and taking into account the dormant shares in Mivne ("**aggregate adjusted equity**").
2. Calculation of the amount of shares in the merged company by adding the total amount of Mivne's shares, while deducting the dormant shares, and the total amount of Sela's shares, when it is multiplied by the exchange ratio ("**expected amount of shares**").
3. The calculation of the adjusted equity per share of a merged Mivne by dividing the total aggregate adjusted equity calculated above by the total expected amount of shares calculated above.
4. This examination was performed in relation to the adjusted equity of the companies as of September 30, 2020.



3. Mivne Group⁶

3.1 General

Mivne is a real estate company that deals, both directly and through its subsidiaries, in a variety of real estate operations, mainly in Israel. Mivne specializes in initiating, purchasing, constructing, leasing, and managing buildings intended for office, high-tech, industrial, logistics and commercial needs, and also operates in the field of residential real estate development in Israel. As such, Mivne operates in planning and supervising infrastructure development projects as well as in constructing and maintaining photovoltaic installations as a relatively insubstantial proportion of its other areas of activity.

According to a report by Mivne's board of directors, as of September 30, 2020, Mivne owns approximately 1,948 thousand square meters of income-generating areas, of which approximately 1,554 thousand square meters are in Israel. In addition, Mivne has land reserves and unutilized rights amounting to approximately 678 thousand square meters. In the residential development area, as of September 30, 2020, the company has 3 projects for the construction of 243 housing units and also owns land designated for residential construction and the construction of 746 housing units, mainly in Tel Aviv and Tzur Yitzhak.

On November 4, 2019, a structural change procedure was completed in Mivne Group, so that Calcalit Jerusalem and a number of other companies in the Group merged with and into Mivne in a statutory merger in accordance with the Companies Law ("structural change procedure"). For the benefit of the structural change procedure, a special committee of Mivne's Board of Directors commissioned an economic report which included an economic valuation of Mivne's and Calcalit Jerusalem's equity ("MNS valuation"). The MNS valuation included public materials and information provided by Mivne, as well as reasonable reviews of some of the valuations of Mivne Group's assets prepared by external and independent appraisers appointed by the special committee. It should be noted that the valuations of the independent external appraisers appointed for the purpose of examining the merger were higher than the fair values used by Mivne and Calcalit Jerusalem in their financial statements.

As of September 30, 2020 the assets owned and leased by Mivne Group in Israel included:

544 income-generating assets in Israel in total area of approximately 1.55 million square meters, leased to 2,579 renters (with no assets in construction)

- 14 projects in construction and advanced planning stages totaling 400 thousand square meters
- The occupancy rate of the Company's assets in Israel as of September 30, 2020 is approximately 90%.

⁶ The information presented in this section is based on data available in Mivne Group's financial statements and/or other publically available documents.



Mivne's net financial debt amounts to approximately NIS 4.7 billion as of September 30, 2020, as follows:

Table 1: Net financial debt (NIS millions)

Financial Debt	As of September 30, 2020
Public and institutional bonds	4,903
Banks and financial institutions in Israel	175
Banks and financial institutions outside of Israel	294
Deducting deposits, cash and short-term investments in Israel	-430
Deducting deposits, cash and short-term investments outside of Israel	-258
Net financial debt	4,684

The equity attributed to Mivne's shareholders as of September 30, 2020 amounted to approximately 6 NIS billion.



3.2 Financial Results

Below is a summary of data regarding Mivne Group's financial results for the period ending on September 30, 2020 and on December 31, 2019.

Table 2: Summary of profit and loss statements (NIS thousands)

Summary of financial results	-1/1/2020 30/9/2020	-1/1/2019 31/12/2019
Revenue from rent and management fees – Israel	561,369	757,495
Revenue from rent and management fees – Abroad	99,253	169,272
From sale of apartments and lands	108,883	181,598
From managing buildings and infrastructure	1,435	1,699
From solar installations, net	3,419	3,716
From sale of fuels, net	722	1,050
Total Revenue	775,081	1,114,830
Maintenance costs – Israel	126,992	168,663
Maintenance costs – Abroad	36,460	55,292
Cost of apartments and land sold	82,252	116,237
Total costs of sales and services	245,704	340,192
Gross profit	529,377	774,638
Increased value of investment real estate and investment real estate in development, net	277,979	494,117
Sales and marketing expenses	3,205	9,372
Administrative and general expenses	77,654	124,723
Increased (decreased) value of land inventory for construction	449	-2,766
Other revenue (expenses), net	45,798	-5,237
Realization of a capital fund in respect of adjustments arising from the translation of financial statements of foreign operations	0	-55,554
The Company's share in the profits of companies treated using the balance sheet value method, net	8,883	24,973
Operational profit	781,627	1,096,076
Funding expenses	119,167	237,312
Loss from early redemption of bonds and loans	23,011	10,655
Funding revenue	7,139	32,479
Pre-tax profit	646,588	880,588
Income taxes	140,980	96,424
Net profit for the period	505,608	784,164
Net income attributable to the shareholders of the Company	511,425	677,832



3.3 Mivne's Balance Sheets

The following is a summary of the Mivne's assets and liabilities in a consolidated manner as of September 30, 2020 and December 31, 2019.

Table 3: Summary of the state of assets and liabilities (NIS thousands)

Summary of assets and liabilities	As of 30.9.2020	As of 31.12.2019
Assets		
Cash and cash equivalents	587,816	426,790
Short-term investments	77,743	78,450
Limited cash and funds in trust	21,623	24,438
Customers	56,711	36,913
Debtors and mandatory balances	234,381	178,018
Taxes to receive	17,608	9,028
Inventory of land, apartments and houses for sale and under construction ⁽¹⁾	215,061	230,620
	1,210,943	984,257
Assets held for sale	42,155	330,105
Total current assets	1,253,098	1,314,362
Deposits in banking corporations	247	45,634
Other debtors	21,735	353,487
Investments treated according to balance sheet method	303,655	604,014
Real estate for investment ⁽²⁾	10,830,347	10,632,076
Real estate for investment in development	208,020	134,597
Inventory of land designated for building ⁽¹⁾	388,142	57,885
Fixed assets, net ⁽³⁾	76,819	68,197
Intangible assets, net	27,128	27,128
Deferred taxes	2,299	1,372
Total non-current assets	11,858,392	11,924,390
Total assets	13,111,490	13,238,752

(1) Mainly land for mixed construction (residential, commercial and employment) in Tel Aviv and land and apartments under construction in Tzur Yitzhak.

(2) Consists of approximately NIS 1 billion in assets abroad and the balance in Israel. About 36% are office properties, about 36% are industrial properties, about 22% are commercial properties and the rest are land and parking lots.

(3) Includes mainly Mivne's offices and investments in photovoltaic facilities and gas stations that are presented at a reduced cost.



Summary of assets and liabilities	As of 30.9.2020	As of 31.12.2019
Liabilities		
Credit from banking corporations and credit providers	18,299	3,016
Current portion of debentures	299,823	328,493
Current loans and other liabilities	251,806	262,603
Liabilities to suppliers and service providers	42,133	58,551
Creditors and credit balances	233,069	197,004
Advances from buyers	19,785	41,584
Taxes to pay	47,074	40,289
	911,989	931,540
Liabilities relating to assets held for sale	0	152,752
Total current liabilities	911,989	1,084,292
Loans from banking corporations and financial institutions	1,003,505	1,271,483
Bonds	3,798,747	3,911,176
Other liabilities	120,846	182,379
Deposits by tenants	36,713	43,443
Liabilities due to employee benefits	8,019	7,460
Deferred taxes	1,238,397	1,182,146
Total non-current liabilities	6,206,227	6,598,087
Capital attributed to the Company's shareholders	6,012,603	5,571,136
Minority rights	-19,329	-14,763
Total equity	5,993,274	5,556,373
Total liabilities and equity	13,111,490	13,238,752

Mivne's balance sheets as of December 31, 2019 and September 30, 2020 show that investment real estate assets constitute the main asset on the Company's balance sheets, amounting to approximately 80% and 83% of its total assets, respectively.

Mivne's equity amounts to approximately NIS 6 billion as of September 30, 2020 and constitutes approximately 46% of the total balance sheet.

Most of Mivne's assets are presented at fair value, in accordance with appraisals conducted from time to time by external appraisers. Most of the assets that are not presented at fair value but at a lower of the cost invested compared to their net realizable value are the inventory of apartments and land, and gas stations and photovoltaic facilities included in the fixed assets section.

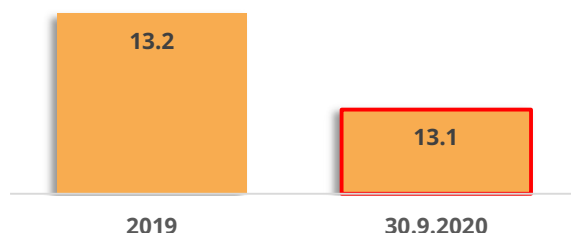


3.4 Mivne's Assets and Liabilities

3.4.1 General

The Company's assets as of September 30, 2020, stand at approximately NIS 13.1 billion, a decrease of approximately 1% compared to the end of 2019.

Chart 1: Development of the Company's assets (NIS billions)

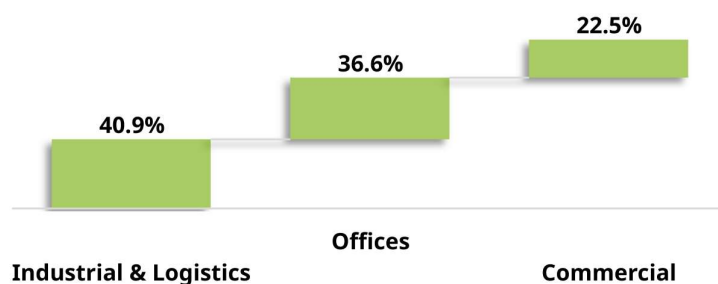


3.4.2 Investment Real Estate and Investment Real Estate Under Construction at Fair Value

The total investment real estate and investment real estate under construction as of September 30, 2020 is about NIS 11 billion, an increase of about 2% compared to December 2019. The Company has 544 income-generating properties in Israel, covering a total area of 1.55 million square meters. They have 2,579 tenants, and another 18 income-generating properties abroad covering an area of about 393 thousand square meters with about 350 tenants.

As of the end of September 2020, out of the Company's 544 assets in Israel, 482 are real estate for industry and logistics, 45 are offices and 17 are shopping centers, worth approximately NIS 8.7 billion.

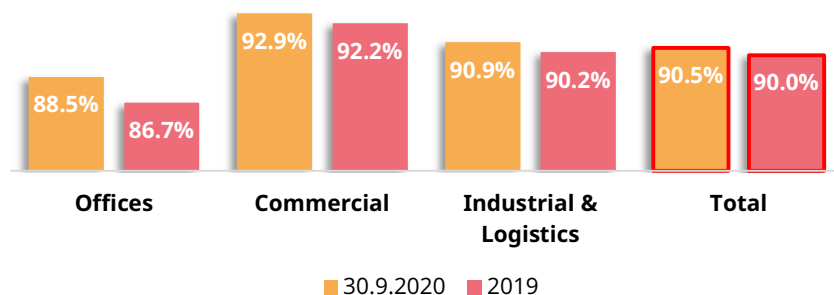
Chart 2: Distribution of asset value by segments





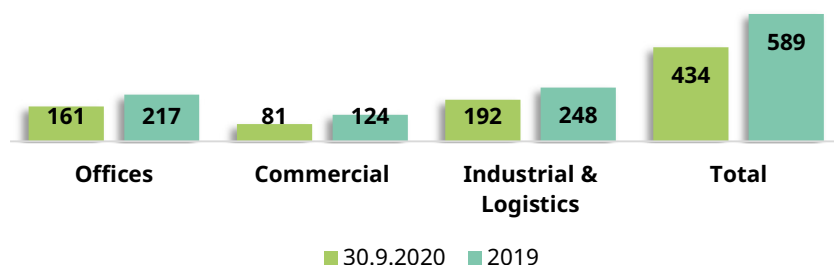
As of September 30, 2020, the occupancy rate of Mivne's income-generating real estate property in Israel was approximately 90.5%, while in 2019 the occupancy rate was approximately 90%.

Chart 3: Occupancy rate in the Company's income-generating real estate assets in Israel by segment and period



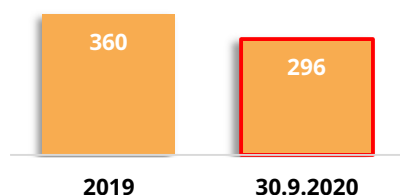
The NOI of Mivne's income-generating real estate property in Israel stood at NIS 434 million in the nine months ending September 30, 2020, and at NIS 589 million in 2019.

Chart 4: NOI of the Company's income-generating real estate in Israel by segment (NIS millions)



The FFO of Mivne's income-generating real estate assets was approximately NIS 296 million in the nine months ending September 30, 2020, and approximately NIS 360 million in 2019.

Chart 5: FFO of the Company's income-generating real estate in Israel (NIS millions)



The CapRate of Mivne's income-generating real estate property in Israel was approximately 7.44% at the end of September 2020 and approximately 7.5% in 2019.



3.4.3 Inventory of Land and Apartments

As of September 30, 2020, Mivne's inventory of land, apartments and buildings for sale and under construction, for the short and long term, was worth approximately NIS 603 million. As of December 31, 2019, the value of these properties was approximately NIS 289 million and an additional total of approximately NIS 330 million included in the receivables section and in the investment real estate section, which were classified in the inventory section during the period.

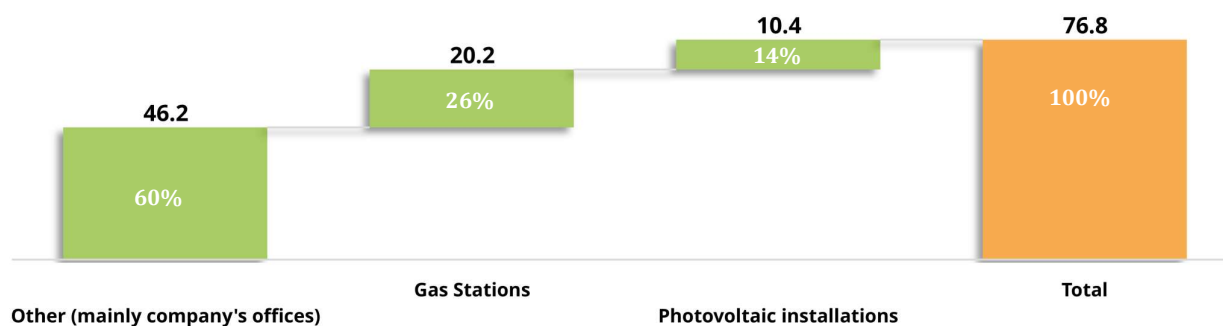
The above-mentioned land inventory consists, as of the end of September 2020, of approximately NIS 215 in land inventory consisting of 8 projects currently in execution or in the advanced planning stage, located in Kiryat Gat, Holon, Tel Aviv, Herzliya Pituach and Kfar Saba, and of inventory of land for long-term construction worth about NIS 388 million, including 7 additional projects, which are in the initial planning stages.

3.4.5 Fixed Assets – Photovoltaic Installations and Gas Stations

As of September 30, 2020, Mivne has fixed assets of approximately NIS 77 million. At the end of 2019, Mivne's fixed assets amounted to approximately NIS 68 million.

Mivne's fixed assets as of December 31, 2019 include gas stations, photovoltaic installations and the Company's offices at a reduced cost of approximately NIS 20 million, approximately NIS 10 million and approximately NIS 31 million, respectively⁷.

Chart 6: Distribution of fixed assets as of September 30, 2020 (NIS million) - add excess (mainly Company offices)



⁷ Mivne reports as of September 30, 2020 do not include such segmentation and we have assumed that there have been no material changes in the above asset compositions and the gap is included in the 'other assets' section.



3.4.6 Other Assets

As of the end of September 2020, the balance of Mivne's assets, in addition to those reviewed above, amounted to approximately NIS 1,047 million, and included current assets (consisting mainly of cash, cash equivalents and receivables) amounting to approximately NIS 996 million and non-current assets in the amount of approximately NIS 51 million (consisting mainly of liabilities, intangible assets, deferred taxes and deposits).

The balance of the assets in question, as of the end of December 2019, was approximately NIS 984 million, which included approximately NIS 754 million current assets and approximately NIS 428 million non-current assets (with the majority amount due to Tidhar Group's debt to Mivne in the form of leasing fees in the Solelim Project).

3.4.7 Mivne's Liabilities

Mivne's financial liabilities consist mainly of 9 series of public bonds ("**the bond series**"), loans and credit from banking corporations and credit providers ("**loans from banks and institutions**") and other liabilities. The total financial obligation of Mivne, principal, interest and CPI adjustments, as of September 30, 2020, amounts to approximately NIS 5.5 billion.

3.4.7.1 The Bond Series⁸

Mivne has 9 bond series traded at a par value of about NIS 4.1 billion. Two series of bonds (Series 10 and Series 16) amounting to approximately NIS 327 million par, are unindexed bonds bearing an annual interest rate of 5.65% - 5.74%. The remaining 7 bond series are index-linked bonds, amounting to approximately NIS 3.7 billion par value, bearing an annual interest rate of 2.4% - 4.4%.

3.4.7.2 Loans from Banks and Institutions

Mivne has credit and institutional loans amounting to NIS 1.27 billion (including current liabilities), some of which were taken in foreign currency (US dollars, Canadian dollars, euros and Swiss francs), and some of which were taken in Shekels - both in the indexed and unlinked tracks.

3.4.7.3 Other Liabilities

Mivne has other liabilities amounting to approximately NIS 373 million. This amount includes, among other things, partner loans to subsidiaries, loans from investee companies and more.

⁸ Mivne's bonds were traded close to the date of this opinion at yields ranging from 0.1% to about 0.9% (linked) and from 1.3% to about 1.5% (NIS).



3.4.7.4 Summary

As stated above, Mivne's total financial debt stands at approximately NIS 5.5 billion, as of September 30, 2020.

Table 4: The Company's financial debt (NIS thousands)

Financial debt	
Credit from banking corporations and creditors	1,021,804
Bonds	4,098,570
Other liabilities	372,652
Total	5,493,026



4. Sela Capital⁹

4.1 General

Sela Capital is a real estate investment fund in accordance with the provisions of Part D, Chapter Two of the Income Tax Ordinance [new version], 1961. As a real estate investment fund, Sela Capital is a body whose main purpose is the holding and management of income-generating real estate, such as office buildings; shopping centers; industrial and logistics buildings; residential apartments for rent; and the like, for profit, and thus enable investors to participate in investments in income-generating projects, while dispersing the risks involved in investing in income-generating assets.

As of September 30, 2020, Sela Capital has 36 income-generating properties with a total area of 294 thousand square meters plus 161 thousand square meters of parking space, whose total fair value amounts to approximately NIS 3.38 billion and which are leased to approximately 500 tenants.

The occupancy rate of Sela Capital assets, as of September 30, 2020, is approximately 96%.

Sela Capital's net financial debt amounts to approximately NIS 1.8 billion, as of September 30, 2020, as follows:

Table 5: Sela Capital's financial debt (NIS millions)

Financial debt	As of 30.9.2020
Short-term credit and current liabilities of long-term loans and debentures	145
Long-term loans from financial institutions for financing investment real estate	49
Bonds	1,699
Deducting cash and cash equivalents	-100
Financial debt, net	1,793

Sela Capital's shareholders' equity as of September 30, 2020 amounted to approximately NIS 1.55 billion.

⁹ The information presented in this section is based on data available in Sela Capital's financial statements and/or other publically available documents.



4.2 Financial Results

Below is a summary of data regarding Sela Capital's financial results for the period ending September 30, 2020 and December 31, 2019.

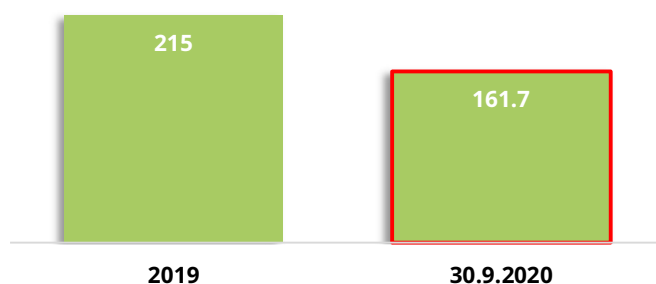
Table 6: Summary of profit and loss statements (NIS thousands)

Summary of financial results	-1/1/2020 30/9/2020	-1/1/2019 31/12/2019
Revenue from rent and operation of properties	179,500	237,000
Cost of renting and operating assets	-17,800	-22,000
Profit from renting and operating assets	161,700	215,000
Fair value adjustments of investment real estate	-53,900	155,400
Administrative and general expenses	-21,200	-27,400
Operating profit	86,600	343,000
Financing expenses	-21,600	-50,000
Net profit for the period	65,000	293,000

The statements show that in 2019 and the interim period in 2020, Sela Capital recorded revenues of NIS 237 and 180 million, respectively. Also, while in 2019 Sela Capital recorded an increase in the fair value of real estate assets for investment in the amount of approximately NIS 155 million, in the interim period in 2020, Sela Capital recorded a reduction in the fair value of assets in the amount of approximately NIS 54 million. Sela Capital's net profit for 2019 and the interim period in 2020 amounted to approximately NIS 293 and approximately 65 million, respectively.

Sela Capital's NOI amounted to approximately NIS 215 million and approximately NIS 162 million in 2019 and the first nine months of 2020, respectively.

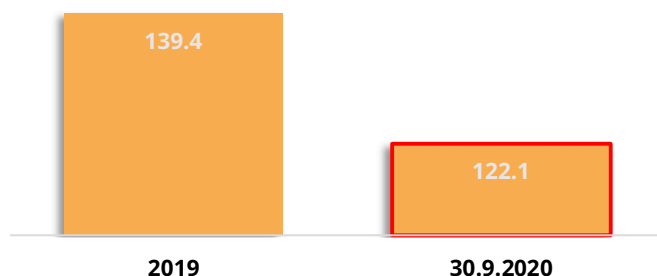
Chart 7: NOI Sela Capital (NIS millions)





Sela Capital's FFO amounted to approximately NIS 139 million and approximately NIS 122 million in 2019 and the first nine months of 2020, respectively.

Chart 8: FFO Sela Capital (NIS millions)



4.3 The Company's Balance Sheets

The following is a summary of Sela Capital's assets and liabilities, as stated in its consolidated financial statements as of September 30, 2020 and December 31, 2019.

Table 7: Summary of the state of assets and liabilities (NIS thousands)

Summary of assets and liabilities	As of 30.9.2020	As of 31.12.2019
Assets		
Cash and cash equivalents	100,194	73,049
Customers	8,100	3,246
Debtors and mandatory balances	4,672	29,258
Total current assets	112,966	105,553
Real estate for investment	3,375,273	3,318,661
Fixed assets, net	127	164
Total non-current assets	3,375,400	3,318,825
Total assets	3,488,366	3,424,378



Summary of assets and liabilities	As of 30.9.2020	As of 31.12.2019
Liabilities		
Short-term credit and current portion of long-term loans and debentures	145,443	157,352
Creditors and credit balances	40,534	28,977
Total current liabilities	185,977	186,329
Long-term loans from financial institutions for financing investment real estate	49,370	52,320
Bonds	1,698,669	1,633,091
Total non-current liabilities	1,748,039	1,685,411
Total equity	1,554,350	1,552,638
Total liabilities and equity	3,488,366	3,424,378

Sela Capital's balance sheets as of December 31, 2019 and September 30, 2020 show that investment real estate assets are the main assets in the balance sheet, comprising approximately 97% of its total assets.

Sela Capital's shareholders' equity amounts to approximately NIS 1.55 billion as of September 30, 2020 and constitutes approximately 45% of the total balance sheet.

Most of Sela Capital's assets are presented at fair value, in accordance with appraisals conducted from time to time by external appraisers.

4.4 Sela Capital's Assets and Liabilities

4.4.1 Sela's Assets – Investment Real Estate

As stated above, Sela Capital has 36 income-generating properties with a total area of 455 thousand square meters, of which approximately 161 thousand square meters are parking areas. According to Sela's statements as of September 30, 2020, 48% of Sela Capital's real estate assets are offices, 28% are commercial areas and 12% are logistics. In addition, Sela Capital has parking lots, hotel areas, gas stations and housing clusters that make up about 12% of its total real estate assets.

As of September 30, 2020, Sela Capital has real estate assets for investment in the amount of NIS 3,375 million, an increase of NIS 56 million in value, compared to the end of 2019.

The weighted rate of return on Sela Capital's assets - CapRate as of September 30, 2020 and December 31, 2019, was approximately 7.1% and approximately 7.16%, respectively.



4.4.2 Sela's Liabilities

4.4.2.1 General

Sela Capital's financial liabilities consist mainly of 3 series of public bonds ("**the bond series**"), one series of non-marketable commercial securities ("**NAM**") and institutionalized credit ("**institutional credit**"). The financial obligation of Sela, Principal, interest and adjustments, as of September 30, 2020, amounts to approximately NIS 1.9 billion.

4.4.2.2 The Bond Series¹⁰

Sela has three bond series, as follows:

1. **Series B bonds** – were issued between the years 2014-2016. The balance of the nominal value close to the date of preparation of this opinion is approximately NIS 420.9 million. The bond is CPI-linked and bears an annual interest rate of 2.75%, paid twice a year. The bond is repaid in consecutive semi-annual installments until full repayment in 2025.
2. **Series C bonds** – were issued between the years 2016-2019. The balance of the nominal value close to the date of this opinion is approximately NIS 986.3 million. The bond is index-linked and carries an annual interest rate of 1.96%, paid twice a year. The bond is repaid in 6 installments, with 4 future installments remaining to be repaid in the years 2026-2029.
3. **Series D bonds** – were issued on June 29, 2020, in the amount of NIS 281.5 million par with the CPI-linked bond and bears annual interest of 1.58%, paid twice a year. The bond will be repaid in 8 installments with the first four installments to be made between 2022 – 2025 and the remaining four to be made between 2030 – 2033.

4.4.2.3 Commercial Papers

On March 17, 2019, Sela Capital issued one series of commercial papers in the amount of NIS 120 million nominal value, for a period of up to 5 years (there are 20 exit stations every 90 days) bearing variable annual interest consisting of the Bank of Israel interest plus a margin of 0.42% , which is completed every 90 days. Commercial securities are not indexed.

4.4.2.4 Institutional Loans

In March 2015, the Company entered into an agreement with a financial institution according to which a loan of NIS 65 million was provided to Sela, the balance of which as of September 30, 2020 is NIS 52.3 million. The index-linked loan carries a fixed annual interest rate of 2.65%. The loan principal will be repaid over 10 years, starting in July 2015, in half-yearly installments at the rate of 2% of the loan principal, and in July 2025 the balance of the loan which constitutes 60% of the total loan will be repaid. Sela liened its rights in the property in Eilat for the benefit of the financing institution with a first-degree permanent lien.

¹⁰ Sela's bonds are traded close to the date of this opinion at yields ranging from 0.65% to about 0.8% (linked).



4.4.2.5 Summary of Sela's Financial Liabilities

As stated above, the balance of Sela Capital's financial debt, as of September 30, 2020, is approximately NIS 1.9 billion.

Table 8: Sela Capital's financial debt as of September 30, 2020 (NIS thousands)

Financial debt	
Short-term credit and current portion of long-term loans and debentures	145,443
Long-term loans from financial institutions for financing investment real estate	49,370
Bonds	1,698,669
Total	1,893,482

4.5 Management Agreement

Sela Capital has an agreement with Sela Capital Investment Ltd. ("**the management company**") according to which the management company provides Sela Capital with consulting services in connection with managing Sela, including issues of locating, acquiring and operating income-generating assets ("**the management agreement**"). The management agreement was signed in March 2015. The terms of the management agreement were amended in accordance with Sela's current remuneration principles in October 2018. The management agreement is valid until March 2022.

The management agreement includes 4 compensation components:

- A.** Management fees as a percentage of total Sela Capital assets.
- B.** An annual grant dependent on performance and objectives, including, among others, ratings, FFO and NOI.
- C.** Capital reward of blocked shares whose scope is derived from the value of Sela's assets, conditional on meeting FFO and NOI targets
- D.** Capital compensation of options on Sela's shares for the employees of the management company, in a fixed amount of NIS 2.7 million per year.

Sela Capital's general and administrative expenses in 2019 amounted to a total of approximately NIS 27.4 million, of which expenses on behalf of the management company amounted to approximately NIS 22.7 million. Management and general expenses in the first nine months of 2020 amounted to approximately NIS 21.2 million. It is likely that a significant part of the total are expenses on behalf of the management company.

5. Market Value Approach Analysis

5.1 Market Value and Stock Prices Over Time

An analysis of the historical trading data of the shares of Mivne and Sela shows that between the dates 01/07/2020-26/11/2020 (**"the examination period"**), the market value of Mivne, without counting dormant shares (**"neutral Mivneh market value"**), ranges from approximately 4.36 and about NIS 5.89 billion¹¹, while the market value of Sela ranges from about NIS 1 billion to about NIS 1.25 billion.

Chart 9: Range of neutralized Mivne's and Sela's market values 01/07/2020 - 26/11/2020 (NIS billions)



During the test period, the share price of each of the companies increased by approximately 25%.

Chart 10: Mivneh stock and Sela stock 01/07/2020 - 26/11/2020 (agurot per share)



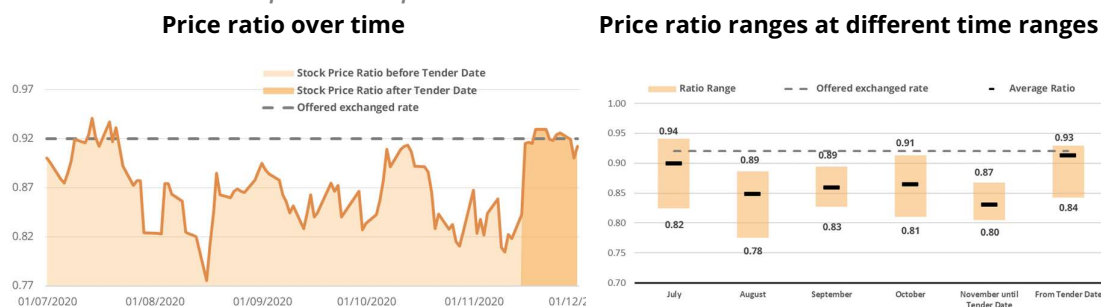
¹¹ The full market value, i.e. in relation to all of Mivne's issued shares, including the dormant shares, ranges from approximately NIS 4.82 to approximately NIS 6.52 billion.



5.2 Analyzing the Companies' Stock Price Ratios Over Time

Between 01/07/2020 until the date of the announcement to the public regarding the tender offer, 15/11/2020, the price ratio of the Companies' stocks ranges between 0.78 and 0.94, with the average price ratio estimated at 0.87.

Chart 11: The ratio of the Companies' stock prices in different time sections and over time 01/07/2020 - 26/11/2020



5.3 Analysis of the Fairness of the Tender Offer According to Market Prices

Our analysis shows that over the period of time detailed below, the tender offer embodies a "direct premium" ranging from about 4.4% to about 9.2% and a post-merger premium that ranges from about 3% to about 7.4%.

Table 9: Calculation of premium for Sela's shareholders (share prices in NIS; market value in NIS thousands)

	Trading day before the tender offer (15.11.20)	First trading day after tender offer (16.11.20)	End of November	Average 30 days before the tender offer (1)	Average 90 days before the tender offer (1)	Average 180 days before the tender offer (1)
Mivne's market stock price	7.8560	7.8200	8.2210	6.9716	6.6893	6.6883
Sela's market stock price	6.6190	7.1550	7.4000	5.8437	5.7185	5.8954
Direct premium⁽²⁾	9.19%	0.55%	2.21%	9.76%	7.62%	4.37%
Mivne's neutralized market value ⁽³⁾	5,766,101	5,739,678	6,034,002	5,116,968	4,900,308	4,880,438
Sela's market value	1,271,125	1,374,059	1,441,696	1,122,232	1,098,190	1,132,171
Aggregate market value⁽⁴⁾	7,037,226	7,113,737	7,475,698	6,239,199	5,998,498	6,012,610
Merged Mivne's stock price ⁽⁵⁾	7.7277	7.8117	8.2092	6.8513	6.5870	6.6025
Compensation for 1 Sela stock ⁽⁶⁾	7.1189	7.1874	7.5533	6.3121	6.0764	6.1072
Post-merger premium⁽⁷⁾	7.41%	0.44%	2.06%	7.86%	5.97%	3.03%

(1) Average over the period, up to the date of the tender offer.

(2) The ratio between the price of Mivne's stock in the market when it is multiplied by the exchange ratio, 0.92, and the price of Sella's stock in the market.

(3) Market value without the market value of the dormant shares.

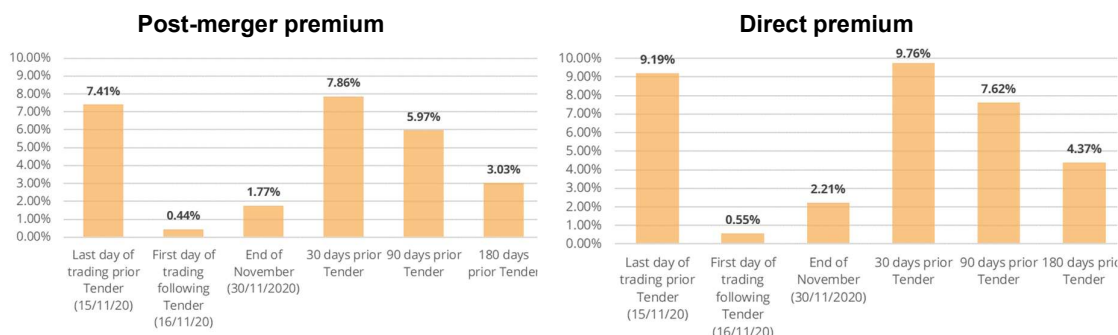
(4) The sum of a neutralized Mivne and Sela's market value.

(5) The value of the aggregate market divided by the number of shares in the merged company that is expected to be 910,652,691 (after deducting the dormant shares in Mivne).

(6) The share price of a merged Mivne is multiplied by the exchange ratio, 0.92.

(7) The ratio between the price of a merged Mivne share when it is multiplied by the exchange ratio, 0.92, and the price of a Sela share in the market.

Chart 12: Direct premium and post-merger premium in different time sections



5.4 Conclusions from Analyzing the Offer Based on Stock Prices in the Market

1. The tender offer embodied a direct premium of approximately 9.2% on the last trading day preceding the date of the tender offer's publication.
2. The tender offer embodied in the average share prices in the period between 30 days and 180 days before the publication of the tender offer a "direct premium" ranging from 4.4% to about 9.8%.
3. The tender offer embodied on the last trading day prior to the date of publication a "post-merger premium" of approximately 7.4%.
4. The tender offer embodied in the average share prices in the period between 30 days and 180 days before the tender offer, a "post-merger premium" ranging from 3.0% to about 7.9%.
5. On the first trading day after the announcement of the tender offer, the direct premium and the post-merger premium embodied in the tender offer were almost completely closed (approximately 0.5%), as a result of an increase in Sela's share price of 8%, which indicates, in our opinion, the internalization of the premium inherent in Sela's shareholders in the tender offer.
6. **Based on the above, it appears that the analysis of the tender offer based on the stock price approach in the market indicates the fairness of the offer to Sela's shareholders.**



6. The Adjusted Equity Approach Analysis

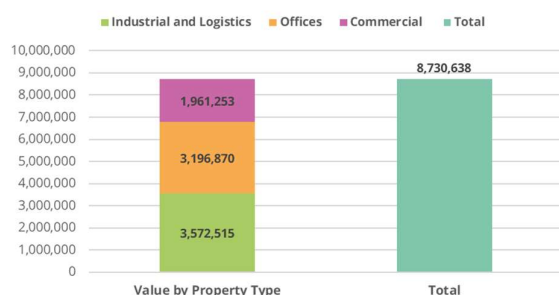
6.1 Mivne's Estimated Adjusted Equity

6.1.1 Investment Real Estate and Investment Real Estate Under Construction at Fair Value

As stated, Mivne presents investment real estate assets and the Group's investment real estate under construction at fair value, in accordance with valuations that are performed on an ongoing basis by independent appraisers.

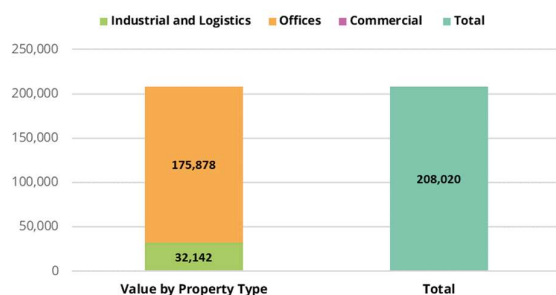
According to Mivne's financial statements as of 30/09/2020, the fair value of income-generating real estate assets is estimated at NIS 8.37 billion, of which 3.57 billion are industrial and logistics assets, 3.2 billion are office assets and the rest are commercial centers.

Chart 13: Income-generating real estate assets at fair value (NIS thousands)



According to Mivne's financial statements as of 30/09/2020, the total fair value of investment real estate under construction is estimated at approximately NIS 208 million, with approximately NIS 176 million in office assets and the rest in industry and logistics, as follows:

Chart 14: Investment real estate under construction at fair value (NIS thousands)





6.1.2 Real Estate Presented by Balance Sheet Value

The real estate presented according to balance sheet values mainly refers to investment real estate projects and / or investment real estate projects under construction in which the group's rights are through partnerships of 50% ownership. These projects include, among other things, Mivne's landholding in Florida, an office building in Jerusalem, a commercial center in Gan Shmuel and an event hall in Rishon LeZion. These assets are also presented at fair value, so no economic adjustment is required for them.

According to Mivne's statements as of 30/09/2020, the total value of the Group's rights in these assets amounts to approximately NIS 304 million.

6.1.3 Inventory of Land and Apartments

According to Mivne's financial statements as of 30/09/2020, the total inventory of land and apartments in Mivne's balance sheets amount to approximately NIS 603.2 million, of which approximately NIS 215 million due to current assets and the balance due to long-term assets.

The estimated fair value of these assets is estimated at approximately NIS 715 million, an adjustment of approximately NIS 112 million in relation to the balance sheets. The adjustment was done based on the discounted expected proceeds from sale with deduction of the expected costs and profit (at a rate of 15%) and relates mainly to the Marom HaSharon project - current and long-term (approximately NIS 88 million) and the Meitav project (approximately NIS 24 million), as follows:

Table 10: Inventory of land and apartments, current balances (NIS thousands)

	Books	Adjustment	Value Estimate
Current inventory	215,061	37,698	252,759
Long-term inventory	388,142	74,021	462,163
Total	603,203	111,719	714,922

6.1.4 Fixed Assets – Photovoltaic Installations and Gas Stations

According to Mivne's financial statements as of 30/09/2020, the total balances in the Company's books with respect to fixed assets amount to approximately NIS 76.8 million, of which approximately NIS 20 million in due to gas stations, approximately NIS 10 million due to photovoltaic projects¹² and the rest due to other assets (mainly the Company's offices).

We performed a discounted cash flow analysis to examine the fair value of gas stations and photovoltaic installations. For the sake of the analysis, we assumed that the adequate cost of capital corresponding to the expected cash flows from the gas stations was estimated at approximately 9% and that the adequate cost of capital corresponding to the expected cash flows from the solar projects was estimated at approximately 8%.

¹² The balances relate to December 31, 2019 and on the assumption that no material changes have occurred as of September 30, 2020.



Our analysis shows that an adjustment of approximately NIS 81.6 million, net, in relation to the balance sheets, is required as follows:

Table 11: Balance of photovoltaic installations and gas stations (NIS thousands)

	Books	Adjustment	Value Estimate
Gas stations	20,202	-9,935	10,267
Solar	10,414	91,616	102,030
Other fixed assets	46,203	0	46,203
Total	76,819	81,681	158,500

6.1.5 Other Assets

According to Mivne's financial statements as of 30/09/2020, the total balances in the Company's books due to all assets not included in sections 6.1.1-6.1.4 above, amount to approximately NIS 1.09 billion, of which approximately 687 million due to cash and cash equivalents, approximately NIS 330 million due to customers and various debtors and the rest due to assets held for sale and other assets.

Our analysis shows that no material economic adjustment is required with respect to these assets.

Table 12: Other assets (NIS thousands)

	Books	Adjustment	Value Estimate
Cash, short-term investments and deposits	687,429	-	687,429
Customers and debtors	330,435	-	330,435
Assets held for sale ⁽¹⁾	42,155	-	42,155
Intangible assets, net ⁽²⁾	27,128	-	27,128
Total	1,087,147	-	1,087,147

(1) Balance presented in the books at fair value

(2) Fair value examined once a year in the context of a decrease in value examination



6.1.6 Summary of Mivne's Assets

The analysis, as detailed in sections 6.1.1-6.1.5 above, shows that the fair value of Mivne's assets is estimated at NIS 13.3 billion. The value of the assets in the books is presented at NIS 13.1 billion, so that an estimated adjustment of NIS 191 is required, as follows:

Table 13: Mivne's total assets (NIS thousands)

	Financial Statements as of 30.9.2020	Adjustment	Fair Value Estimate
Assets			
Cash and cash equivalents	587,816	0	587,816
Short-term investments	77,743	0	77,743
Limited cash and funds in trust	21,623	0	21,623
Customers	56,711	0	56,711
Debtors and mandatory balances	234,381	0	234,381
Taxed to receive	17,608	0	17,608
Inventory of land, apartments and houses for sale and under construction	215,061	37,698	252,759
	1,210,943	37,698	1,248,641
Assets held for sale	42,155	0	42,155
Total current assets	1,253,098	37,698	1,290,796
Deposits in banking corporations	247	0	247
Other debtors	21,735	0	21,735
Investments treated by balance sheet method	303,655	0	303,655
Investment real estate	10,830,347	0	10,830,347
Investment real estate in development	208,020	0	208,020
Inventory of land designated for construction	388,142	74,021	462,163
Fixed assets, net	76,819	81,681	158,500
Intangible assets, net	27,128	0	27,128
Deferred taxes	2,299	⁽¹⁾ (2,299)	0
Total non-current assets	11,858,392	153,402	12,011,794
Total assets	13,111,490	191,101	13,302,591

(1) A balance of approximately NIS 2.3 million was taken into account as part of the analysis of liabilities with respect to a tax reserve.



6.1.7 Mivne's Liabilities

According to Mivne's financial statements as of 30/09/2020, its total liabilities amount to approximately NIS 7.1 billion.

The working assumption of this analysis is that all liabilities, except the deferred taxes liability, are presented at their balance sheet value. As stated, no adjustment was made to the financial liabilities, especially with respect to bonds presented at a reduced cost, which is not materially different from the liability value due to fair value derived from the value of the bonds on the stock exchange, since no parallel adjustment was made to the fair value of assets.

6.1.8 Deferred Taxes

According to Mivne's financial statements as of 30/09/2020, the total balances in the Company's books with respect to net deferred taxes amount to approximately NIS 1.2 billion.

Deferred taxes were calculated mainly with respect to revaluations and losses on transfer, in their full nominal amount on a "realization basis". There are various acceptable practices for handling deferred taxes in determining the adjusted fair value of a company. We chose the discounting method of liability for deferred taxes. We assumed an estimated realization period of 12 years and an average of 6 years. plus a liability for adjustments we made to the estimated fair value of the assets as detailed in section 6.1.6 above.

The present value at a discount rate of 7.5% (similar to the weighted return on the Company's income-generating assets) is approximately NIS 796 million, so that a reduction in the liability of approximately NIS 442 million is required.



6.1.9 Summary of Mivne's Liabilities

The analysis shows that it is necessary to make an adjustment of approximately NIS (442) million to the total balance of Mivne's liabilities, as follows:

Table 14: Summary of Mivne's liabilities (NIS thousands)

	As of 30.9.2020	Adjustment	Fair Value Estimate
Liabilities			
Credit for banking corporations and credit providers	18,299	-	18,299
Short term portion of bonds	299,823	-	299,823
Short term portion of long-term debt	251,806	-	251,806
Liabilities to suppliers and service providers	42,133	-	42,133
Creditors and credit balances	233,069	-	233,069
Advances from buyers	19,785	-	19,785
Taxes to pay	47,074	-	47,074
	911,989	-	911,989
Liabilities relating to assets held for sale	0	-	0
Total current liabilities	911,989	-	911,989
Loans from banking corporations and financial institutions	1,003,505	-	1,003,505
Bonds	3,798,747	-	3,798,747
Other liabilities	120,846	-	120,846
Deposits by tenants	36,713	-	36,713
Liabilities due to employee benefits	8,019	-	8,019
Deferred taxes	1,238,397	-442,350	796,047
Total non-current liabilities	6,206,227	-442,350	5,763,877
Total liabilities	7,118,216	-442,350	6,675,866



6.1.10 Management Expenses

The management expenses for the purpose of the adjusted equity estimate were estimated at NIS 480 million. This estimate was made based on the average actual management expenses (deducting one-time expenses such as provision for doubtful debts) for 2018 and 2019 as well as for the first 9 months of 2020 as representative management expenses, in the amount of NIS 100 million per year multiplied by 8. It should be noted that since Mivne has a number of areas of activity, including developing real estate investment, maintenance, and self-operation activities as well as residential development activity, we assumed that the representative expenses reflect the expenses for "maintaining the existent" are about 60% of the total representative expenses, so we used 60% for the representative management expenses. Alternatively, this calculation is equivalent to the total management expenses represented while deducting a representative premium for Mivne's initiation activity.

6.1.11 Adjusted Equity - Mivne

Mivne's adjusted equity is estimated at NIS 6.16 billion and the equity per share amounts to NIS 8.39, as follows:

Table 15: Mivne's adjusted equity (NIS thousands)

	As of 30.9.2020	Adjustment	Fair Value Estimate
Total assets	13,111,490	191,101	13,302,591
Total liabilities	(7,118,216)	442,350	(6,675,866)
Total assets, net	5,993,274	633,451	6,626,725
Minority rights	19,329	(5,700)	13,629
Deducting management expenses at fair value	-	(480,000)	(480,000)
Total shareholder equity	6,012,603	147,751	6,160,354
Neutralized, paid share capital ¹³	733,974,196		733,974,196
Equity per share (NIS)	8.19		8.39

¹³ Mivne's paid shares total 812,930,670 and 733,974,196 after neutralizing 78,956,474 dormant shares.



6.2 Sela's Estimated Adjusted Equity

6.2.1 Sela's Assets

Sela presents its investment real estate assets in fair values in accordance with valuations that are performed on an ongoing basis by independent appraisers.

The total balance of assets in Sela Capital's books as of 30/09/2020, amounts to approximately NIS 3.49 billion. This balance, for the most part, consists of investment real estate assets constituting approximately NIS 3.37 billion and cash balances amounting to approximately NIS 100 million, so that the total balances presented at fair value amount to approximately NIS 3.47 billion, which is approximately 99.6% of the total balance of assets.

Accordingly, our analysis shows that there is no need to adjust Sela Capital's asset balances, both for the purposes of analyzing Sela as a REIT fund as well as for the purpose of analyzing Sela as a regular company.

6.2.2 Sela's Liabilities

According to Sela's financial statements as of 30/09/2020, its total liabilities amount to approximately NIS 1.9 billion.

The assumption in the work is that the liabilities are all presented at their balance sheet value. As stated, no adjustment was made to the financial liabilities, especially with respect of the bonds presented at a reduced cost, which is not materially different from the liability value due to fair value, derived from the value of bonds on the stock exchange, since no parallel adjustment was made to the fair value of assets.

As Sela is a REIT and is therefore not liable for corporation tax payments, it does not include a liability for deferred taxes (mainly for revaluations it has made) in its statements. To the extent that the tender offer is accepted, this situation will change, with Sela being liable for corporate tax payments at the company level. As a result, immediate recognition of the liability with respect to deferred taxes will be required in accordance with the discrepancies between the fair value of the assets included in Sela's financial statements and their estimated reduced cost for tax purposes. The nominal amount of this obligation is estimated by us at approximately NIS 130 million and at a discount for an average period of 6 years at approximately NIS 85 million.

This adjustment will not be required under the assumption that Sela will remain a REIT fund.



Table 16: Sela's total liabilities (NIS thousands)

Summary of the State of Assets and Liabilities	As of 30.9.2020	Adjustments	REIT Fund	Adjustments	Regular Company
Liabilities					
Short term portion of long-term debt and debentures	145,443		145,443		
Creditors and credit balances	40,534		40,534		
Total current liabilities	185,977		185,977		185,977
Long-term loans from financial institutions for financing investment real estate	49,370		49,370		
Bonds	1,698,669		1,698,669		
Deferred taxes	0		0	84,954	84,954
Total non-current liabilities	1,748,039		1,748,039	84,954	1,832,993
Total liabilities	1,934,016		1,934,016	84,954	2,018,970

6.2.3 Management Expenses

For the sake of estimating Sela's adjusted equity as a REIT, the management expenses were estimated at NIS 220 million. This estimate was made based on the average actual management expenses for 2018 and 2019 as well as for the first 9 months of 2020 as representative management expenses, in the amount of NIS 27.5 million using a multiplier of 8. It should be noted that since Sela has one activity in the field of purchasing and maintaining investment real estate only (i.e. without initiating activity), we assumed that the representative expenses reflected the expenses for "maintaining the existing".

As long as the tender offer is **fully** accepted and Sela operates under Mivne, we assume that most of Sela's management expenses will not be required in the consolidated structure, which will be provided by Mivne according to Mivne's existing expenses, therefore saving about 80%¹⁴ of Sela's representative expenses.

¹⁴ if the tender offer is not fully answered the expected savings in the management costs would be significantly lower, if any.



6.2.4 Adjusted Equity - Sela

Sela's adjusted equity is estimated at NIS 1.33 billion if the REIT fund remains and at NIS 1.43 billion if the tender offer is accepted and Sela becomes a regular company.

Table 17: Sela's adjusted equity (NIS thousands)

	As of 30.9.2020	Adjustments	REIT Fund Fair Value	Adjustments	Regular Company Fair Value
Total assets	3,488,366	-	3,488,366	-	3,488,366
Total liabilities	(1,934,016)	-	(1,934,016)	(84,954)	(2,018,970)
Total assets, net	1,554,350	-	1,554,350	(84,954)	1,469,396
Deducting management expenses at fair value	-	(220,000)	(220,000)	176,000	(44,000)
Total equity	1,554,350	(220,000)	1,334,350	91,046	1,425,396
Paid share equity	194,960,240	-	194,960,240		194,960,240
Equity per share (NIS)	7.97	-	6.84		7.31

The adjusted equity per share, assuming Sela remains a REIT fund, is NIS 6.84 per share, while under the assumption of Sela's acceptance of the tender offer and its turning into an ordinary company, the adjusted equity per share is approximately NIS 7.31. This increase is due to savings in management expenses that exceed, in our estimation, the liability for taxes that will result from Sela's becoming a regular company.

6.3 Fairness Analysis of the Tender Offer Based on the Adjusted Equity Estimate

Table 18: Analysis of the fairness of the tender offer based on the adjusted equity estimate (NIS thousands)

	Mivne – accounting equity	Sela REIT – accounting equity	Mivne – adjusted equity	Sela REIT – adjusted equity	Sela – regular company after acceptance of tender offer	Merged entity – Mivne + Sela as regular company
Equity	6,012,603	1,554,350	6,160,354	1,334,350	1,425,396	7,585,750
Amount of shares	733,974,196	194,960,240	733,974,196	194,960,240	194,960,240	913,337,617
Equity per share (NIS)	8.19	7.97	8.39	6.84	7.31	8.31

The table above shows that the tender offer embodies a premium for Sela's share of 11.6% in terms of adjusted equity per share: NIS 8.31 in the case of the merged entity, compared with NIS 6.84 in the case of Sela as a REIT. **The premium, as stated in the amount of 11.6%, reflects a conversion ratio of 0.82 Mivne shares per each Sela share, in comparison to 0.92 in the tender offer. That is, the analysis according to the adjusted equity approach indicates the fairness of the offer to Sela's shareholders.**



7. Advantages and Disadvantages of Merging the Companies

7.1 General

We examined the advantages and disadvantages of merging Mivne and Sela Capital, both qualitatively and quantitatively. This examination proceeded from the premise that Sela Capital "loses" its status as a REIT fund and becomes a "regular" company.

For the sake of the said examination, the following is a concentration of the main financial and commercial data regarding the two companies, based on their financial statements and their various reports to the public, as follows:

Table 19: Mivne and Sela Capital's main financial and commercial data

Parameter	Mivne	Sela
Major areas of operations	Initiation, acquisition and maintenance of income-generating real estate, residential real estate development	Acquisition and maintenance of income-generating real estate
Major stock market indices in which stock is traded	TA 35, TA Real Estate	TA 90, TA Real Estate
Amount of income-generating assets	544 assets in Israel 18 assets abroad	36 assets
The scope of square meters of income-generating assets	1,948 thousand square meters, of which 1,550 thousand square meters in Israel	455 thousand square meters in Israel
Occupancy rate of income-generating real estate	90.5%	96%
Derivative rate (CAP) for income-generating assets in Israel	Approximately 7.44%	Approximately 7.1%
FFO per Share (9 months in 2020 annualized)	54 Agorot	79 Agorot
Land reserves and unutilized rights to initiate	678 thousand square meters	N/A
Financial debt, net to total balance sheet (LTV)	Approximately 41%	Approximately 51%
Units under construction and future residential planning	1,560 housing units	N/A
Average interest rate for existing financing	2.74% (maturity 4.3)	1.88% (maturity 5.7)
Average yield in bond markets	0.6% (linked), 1.45% (NIS), (maturity 4.3)	0.7% (linked), (maturity 5.7)
The rate of administrative expenses represents ¹⁵ Of adjusted total assets ¹⁶	0.75%	0.79%
Current credit rating - issuer rating	il AA-/Stable	Aa3.il/Stable

¹⁵ Mivne's management expenses are in the amount of approximately NIS 100 million (see section 6.1.10) while Sela Capital's are in the amount of approximately NIS 27.5 million (see section 6.2.3).

¹⁶ Total adjusted assets for Mivne of approximately NIS 13.3 billion (see section 6.1.4) and total adjusted assets for Sela Capital of approximately NIS 3.5 billion (see section 6.2.6).



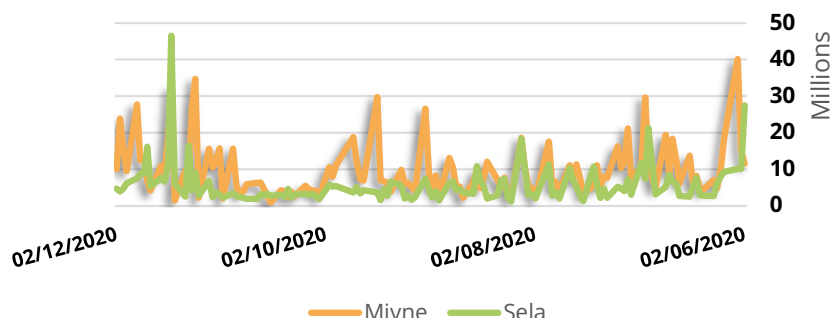
7.2 Main Advantages in the Merging of Mivne and Sela Capital

1. The tender offer embodies a premium for Sela holders both according to market prices (see Chapter 5 above) and according to the equity adjusted to the share (see Chapter 6 above). It should be noted that on the first trading day after the publication of the tender offer, the "direct premium" and the "post-merger premium" embodied by the tender offer (7.4% - 9.2%) closed almost completely (approximately 0.5%), as a result of an 8% increase in Sela's share price, which indicates, in our estimation, the market's internalization of the premium inherent to Sela shareholders in the tender offer, as long as it is completed.
2. Once the tender offer is completed, the merged company will present assets amounting to approximately NIS 16.6 billion, and it will be among the leading companies in the field of income-generating real estate in Israel. In this respect, it should be noted that there is an advantage to size, especially when it comes to the real estate sector, which allows for risk diversification and greater growth, which is also reflected in market returns and accessibility to various credit and capital markets, both operationally and business-wise.
3. Savings on management costs - the average actual expenses of Sela's management for 2018 and 2019 as well as for the first 9 months of 2020 is estimated at NIS 27.5 million. To the extent that the tender offer is **fully** accepted and Sela operates under Mivne, it is reasonable that most of Sela's management expenses will not be needed in a state of activity in a consolidated structure, which will be provided by Mivne according to the scope of Mivne's existing expenses. As described above in section 6.2.3, we have assumed for the purpose of the adjusted equity estimate that approximately 80%¹⁷ of Sela's representative management expenses will be saved.
4. Savings in operational and asset management costs - it is reasonable that, assuming the completion of the tender offer and after a certain period of assimilation of the activity, it will be possible to save on the operating costs of the assets that currently exist as Sela assets. The scope of the existing annual operating expenses in Sela's assets amounts in annual terms to a total of NIS 22-24 million. In light of the fact that Mivne manages and maintains its assets through its subsidiaries and without the use of external management companies, it will be possible to save some of Sela's existing expenses.
5. The merger will allow Sela Capital's shareholders to be exposed to a wider portfolio of. The merger will allow Sela Capital's shareholders exposure to a wider variety of assets. Also, beyond the exposure to Mivne's income-generating real estate, the merger will allow Sela's shareholders exposure to Mivne's existing future real estate development activity, which is not possible in REIT, but has higher yield and profitability rates than in income-generating real estate.
6. The merger will allow Sela Capital's shareholders to increase the marketability of the asset in their possession. While the average daily trading volume in Sela Capital's stock, in the last six months, is estimated at NIS 5.5 million, the average daily trading volume in Mivne's stock is approximately NIS 9.5 million in the last six months, and the stock is a part of the TA 35 index.

¹⁷ if the tender offer is not fully answered the expected savings in the management costs would be significantly lower, if any.



Chart 15: Scope of trading in Mivne and Sela Capital stocks (NIS millions)



7. Higher potential for improvement in assets, mainly due to the real estate for investment development activity in Mivne, which does not exist in Sela rather than acquiring income producing assets. The merger will allow Sela's shareholders to participate in the joint improvement potential. For the sake of illustration below, the amounts of the increase in the value of Mivne's and Sela's investment real estate in recent years, which was expressed in a cumulative increase in value over the period of about 10% in Mivne compared to about 2.5% in Sela¹⁸.

Table 20: Increase in investment real estate value in Mivne and Sela Capital in recent years (NIS millions)

Year	Mivne	Sela Capital
1-9/2020	278	-54
2019	494	155
2018	219	-15
2017	105	-7
Total	1,096	79
Average scope of investment real estate in the period		
	10,900	3,200
Cumulative value increase rate in the period		
	10.1%	2.5%

It should be noted that although Mivne recorded a significantly higher increase in value than Sela during the period, the embedded cap of income-generating real estate in Israel are still high in Mivne relative to Sela and Mivne continues in the investment and construction of investment real estate which is expected to generate high yields relative to the yield of existing income-generating real estate.

8. Mivne and Sela have a similar **issuer** rating. Some of Mivne's bonds have liens on specific assets. Three out of the four secured bonds of Mivne have **higher** credit rating than the issuer rating (One notch), while the unsecured ones, as well as Sela's unsecured bonds, have the same rating as the issuer rating.

¹⁸ It should be noted, that Sela's board of directors' report as of 30 September 2020 point out on an expected improvement in some of Sela's assets on the 4th quarter of 2020 at the sum of NIS 40-50 million. Assuming this improvement will take place, without taking into consideration other changes in Sela's assets, the cumulative value increase rate in the period in Sela will be 3.7%-4%. The changes in the fair value of Mivne's assets in the 4th quarter of 2020 were not taken into consideration.



9. The leverage level in Sela is higher (51%) than in Mivne (41%), so that in the merged company, after the completion of the tender offer, in the eyes of Sela shareholders, the leverage rate is expected to decrease.
10. As of the date of this opinion, Mivne is traded at a multiplier of approximately 0.99 on its equity (the market value of a Mivne is calculated based on the share price on the stock exchange multiplied by the number of shares of Mivne less dormant shares, reflecting a lower market value than the one reflected in the information presented on the stock exchange) and Sela at a multiplier of 0.95 on its shareholders' equity, a gap of about 4%. The average equity multiplier of Mivne in the period prior to the date of publication of the tender offer was about 0.83 (under the same calculation which included the deduction of dormant shares) while the average equity multiplier of Sela in that period was about 0.71, a gap of about 17%. It can be assumed that the reduction in the gaps was mainly due to the market's response to the tender offer.

7.3 Main Disadvantages in the Merging of Mivne and Sela Capital

1. Sela is, as stated, REIT, which does not pay corporation tax. In contrast, Mivne is subject to corporation tax at a rate of 23% on its taxable profits. Completing the tender offer and turning Sela into a "regular company" is expected to generate a tax liability at the company level compared to the current situation where the tax liability is at the investor level, depending on the "tax status" of each investor. In our estimation, this "tax burden", if any, (valid for certain shareholders depending on their tax status), will be significantly lower than the expected savings in management costs and asset management costs, assuming the tender offer is **fully** accepted, as described above.
2. The occupancy rate in Sela Capital has been 95% or more in recent years. On the other hand, Mivne's occupancy rates in recent years are in the range of only 86% - 90.5%. However, in Mivne's assets there is a trending increase in the occupancy rate in recent years which has grown from about 85.8% in 2017 to about 90.5% as of September 30, 2020. The occupancy rate of Sela's assets in the corresponding period was almost unchanged – an increase from 95% to about 96.2 % over the aforementioned period. Nonetheless, the relatively lower occupancy rate could be a higher potential improvement, as long as the increase in occupancy trend will continue.
3. As of September 30, 2020, the weighted effective interest rate of Sela Capital's aggregate debt was approximately 1.88%, with a maturity of 5.7 years (for a financial debt of approximately NIS 1.9 billion), while the weighted effective interest rate of the aggregate debt of Mivne (in Israel) was at that time about 2.74% (in Israel) with a 4.3-year maturity (for a financial debt of about NIS 5.5 billion) - a higher aggregate interest rate for Mivne despite the lower maturity. However, yield to maturity on the bonds of the two companies on the stock exchange is similar – circa 0.7% in Sela, 0.75% for the unsecured bonds and 0.45% for the secured bonds in Mivne – 0.6% in average for all Mivne's bonds (in the index-linked bonds), so that at least according to the capital market the debt price of the companies is similar.
4. As Sela is a REIT, in order for it to enjoy the tax benefits, it must distribute at least 90% of its taxable income as a dividend each year. Sela does indeed distribute dividends on a regular basis every quarter. Mivne has no such obligation and does not even have a dividend distribution policy. It should be noted, however, that in the last two quarters, Mivne distributed a dividend to its shareholders in the amount of approximately NIS 100 million.



5. The FFO per share in the first 9 months in 2020, annualized, of Mivne circa 54 Agorot and Sela circa 79 Agorot. According to these figures the proforma FFO per share for the merged company will be circa 61 Agorot.
6. In accordance with the provisions of the promissory notes of Sela's bonds, an early redemption cause is included for their immediate repayment if Sela ceases to be a real estate investment fund (REIT). Such a cause may also exist in Sela's loan or other financing agreements. In light of the fact that, given the completion of the tender offer, Sela will cease to be a real estate investment fund, immediately after the completion of the tender offer, to the extent that it is completed, Sela will have the following options: (a) application to holders and / or other creditors for the purpose of amending the promissory notes of the bonds and / or loan agreements or (b) the repayment of the bonds and other debts insofar as there is a similar cause.



Appendix A - Resume

This report was prepared by Itzik Idan, CPA, and Omer Serviansky, CPA.

Itzik (Isaac) Idan, CPA, is a Founding Partner at ClearStructure and one of the founders and formerly senior partner at Baker Tilly Israel CPA firm.

Itzik became a Certified Public Accountant in 1983. He received his bachelor degree from the Accounting and Economics faculty at Tel- Aviv University and gained extensive experience in external and internal audit, financial consulting. An expert in debt restructuring, insolvency tests and complicated finance situations, with vast knowledge in Israel capital markets, corporate governance and accounting issues.

Distressed situations Experience:

Vast and unique expertise in fields of insolvency and guiding complex liquidation events. He serves as a financial consultant for bond holders and for trustees and/or as a court appointed expert in guidance, management and examination of debt arrangements in numerous bond companies including: IDB Development, IDB Holdings, Africa Investments, B Communications, Medley Capital, Alon Blue Square, Alon Oil Group, Kardan NV, Mirland Development, Brookland, Starwood West, Polar Investments, Matomy, Israel Petrochemical Enterprises Ltd, Gmul Investments, A. Levi Investment and Construction Ltd, Central European NV, Inventech Central Hotels Ltd, Elran Real Estate Ltd, Rosebud Real Estate, Aura Investments, Shafir Projects in Europe Ltd and Grand Centre Ltd, Alon Oil Group, Plaza Centres NV, Dori Group, Kamor, Ortam Sahar and more.

Experience as Board member or Public supervisor:

- Currently member of the board of directors at Discount Investments Corporation (DIC), Property & Building Corporation (PBC), Elron Electronic Industry LTD., Mehadrin Ltd.
- Formerly member of the board of directors at Shufersal, Solomon real estate, Ubank Gemel.
- Public Supervisor at Israel Oil and Gas Opportunity

Governmental entities including governmental companies:

- Ministry of Finance - Accountant General, Ministry of Housing and Construction, Ministry of Industry, Trade and Labor

Public Companies (External & Internal Auditor):

Ludan Engineering Co. Ltd., Lesico, YSB Group, Automated bank services and others.



Omer Sarvinsky, CPA, is a Founding Partner at ClearStructure

Omer has considerable experience in financing and financial consultancy in debt restructurings and insolvency processes, in execution and writing of valuations and expert opinions in Court for companies in fields of diverse activities and in advisory for capital raising and public and private debt.

Within the framework of his roles in the past decade Omer has served, *inter alia*, as a partner and the Head of the Consultancy and Financial Department in the accounting firm Baker Tilly Israel, an affiliate of the international network of Baker Tilly International; as a partner in an investment banking firm; and as a senior consultant in the finance department of PWC Israel. Omer is a graduate of the Faculty of Economics and Accountancy of the Tel Aviv University.

Omer is very familiar with the capital market and has knowhow and experience in accounting and financial matters and corporate governance.

Omer's main fields of experience:

- Vast and unique expertise in fields of insolvency and guiding complex liquidation events. He serves as a financial consultant for bond holders and for trustees and/or as a court appointed expert in guidance, management and examination of debt arrangements in numerous bond companies including: IDB Development, IDB Holdings, Africa Investments, B Communications, Medley Capital, Alon Blue Square, Alon Oil Group, Kardan NV, Mirland Development, Brookland, Starwood West, Polar Investments, Matomy, Israel Petrochemical Enterprises Ltd, Gmul Investments, A. Levi Investment and Construction Ltd, Central European NV, Inventech Central Hotels Ltd, Elran Real Estate Ltd, Rosebud Real Estate, Aura Investments, Shafir Projects in Europe Ltd and Grand Centre Ltd, Alon Oil Group, Plaza Centres NV, Dori Group, Kamor, Ortam Sahar and more.
- Extensive experience in preparation and writing of valuations in diverse fields of activity and for various requirements (accounting, legal, taxation, transactions and more).
- Extensive experience as an expert witness in courts and in writing expert opinions within the framework of various legal proceedings.
- Extensive experience in supporting capital raisings (equity and debt) for public and private companies and guidance for merger and acquisition transactions.
- Currently member of the board of directors at Discount Investments Corporation (DIC), Property & Building Corporation (PBC), Elron Electronic Industry LTD., Mehadrin Ltd.



Appendix B - About ClearStructure

ClearStructure is a corporate finance boutique firm.

We specialize in complex corporate finance related cases including corporate securities and financial derivatives valuation, risk assessments, debt restructuring and insolvency advisory, corporate capital structuring, project financing and more.

Our team of professionals is multidiscipline and compiles a diversified one stop shop for finance and economics with accountancy perception.

Corporate finance

- **Corporates Valuation** in various industries for all relevant uses (accounting, legal, taxation and M&A)
- **Debt & Equity instruments and credit risks valuation**, including convertible loans, performance-dependent shares, preferred shares, performance-dependent options, virtual shares, employee stock options and others.
- We have performed hundreds of different analyzes for complex and simple financial instruments and derivatives for private and public companies from Israel, Germany, Austria, Luxembourg, England, USA, Canada, Australia and New Zealand.
- Our team is the most experience in Israel in leading and analyzing financial instruments for early-medium stage technology companies that have issued and listed their shares for trading on stock exchanges in Canada and Australia. Over the past decade, we have gained unique knowledge and experience in analyzing such companies, their capital structure and composition and asset analysis.
- Expert Opinions for on the Economic and Insolvency Courts - The firm's partners serve as experts in courts and have extensive experience in writing expert opinions on various procedures such as: economic disputes, advisory on insolvency proceedings and more. We assist the legal team in planning the financial aspect of the case and assist in the preparation and analysis of the main economic arguments.
- Strategic Partnerships abroad - We have strategic collaboration agreements with two consulting firms from Munich, Germany:
 - Financial risk fitness GmbH - In the framework of the cooperation we provide complex consulting and analysis services on liquidity risks for German and Austrian banks.
 - TA Partners (TAP) - in the collaboration, among others, we provide consulting and knowledge services to private and / or public German companies in the field of quantitative finance and the analysis and refinement of complex financial derivatives.



Debt Restructuring and Insolvency

- Our team is one of the leading and most experienced in the field of financial advisory in insolvency proceedings and debt restructurings of public and private companies. We have gained unique knowledge and experience in our roles as court-appointed experts and financial advisers for institutional investors, in insolvency and debt restructurings in companies that issued public bonds on the Tel Aviv Stock Exchange.
- Over the past decade, we have led the vast majority of the debt settlements of public companies in Israel, including IDB Holdings and Development, Africa Israel, B-Communications, Delek Group, Medley Capital, Alon Blue Square, Alon Group, Kardan NV, Mirland Development, Brookland, Starwood West, Polar Investments, Matomy, Petrochemicals in Israel Ltd. and many others.
- We have proven capabilities in performing expert opinions, analyzing capital and debt structure, valuations, financial planning and modeling and negotiating with different stake holders. We take pride on our ability to work in different environments and adopt our approach to a hostile or friendly environment and to take a pro-active approach according to the situation and the desired outcome.

Project Finance, PPP Models, and Infrastructure

- Our team has extensive experience in the field of financial modeling and financing for some of Israel's largest infrastructure projects, the Gush Dan Wastewater Treatment Plant (Egodden - Shafdan), the Palmachim Desalination Plant and Accompaniment of Municipal Bodies Bat-Yam Municipality, Eilat Municipality, Bnei Shimon Regional Council, Brenner Regional Council, and Ma'tte Yehuda Regional Council.
- We have accumulated extensive experience in providing financial, economic and regulatory support for different infrastructure projects which encompass wide range of domains, including Power Plants, Desalination, Trains, Mines, and Natural Gas and Oil.
- Our experience includes preparation of economic programs for outline plans (analysis of supply and demand according to the uses, preparation of business plans for local authorities, economic support for local authorities' joint development with developers (combination transactions, model partnership) etc.

Other abilities

- **Natural gas and oil** - We have deep knowledge of the oil and gas sector in Israel. Our team has experience in numerous valuations of gas and oil assets, including Tamar and Liviathan projects, and provide financial advisory in different cases.
- **Economic Analysis** – Business plans, financial feasibility studies, economic programs for outline and construction plans and more.
- **Regulation** - Economic advice and analysis of the effects of regulation on activity in the Israeli economy, as an advisor for the government and private entities. Among other things, our team participated in projects in construction, diamond exchange, natural resources, price control and more.
- **Research and Development (R&D)** – our subsidiary ClearStructure Labs is conducting applied research in Corporate Finance and focuses on the development of quantitative financial models and related technologies.



Appendix C – Limitation of Liability

It has been agreed between us and Mivne Real Estate K.D Ltd. (hereinafter: "Client" and/or "Company"), that except in the event that a court determines that our opinion was drafted with willful misconduct, we will not bear any responsibility vis-à-vis the Client or any third party, from any source and based on any cause, including tort, related to executing services according to this proposal, and the Client, and/or its representatives will not bring any claim and/or lawsuit against us, including via a third party notice, with regard to the services given by us to the Company.

Without limiting the foregoing, our responsibility to indemnify the Client in the event that damage is caused to it as a direct result of our actions, assuming a court determines that we acted with willful misconduct, as described above, will be limited to the amount of three times the fees we are paid in relation to this arrangement.

It is agreed that any legal measures regarding this paper must be taken no later than three years from the date of submission of this paper. It is agreed between the parties that all said legal proceedings will be determined solely by an arbitrator who will be mutually agreed upon and who will be appointed within 30 days from the date of request for arbitration. If the parties do not reach an agreement regarding the identity of the arbitrator, one will be appointed by the President of the Israeli Bar, whoever serves at that time, unless he will have an interest in one of the parties, in which case the arbitrator will be appointed by the President of the District Court in Tel Aviv. To avoid doubt, it is hereby clarified that the parties agree that any claims and lawsuits regarding this agreement will be settled by an arbitrator, as described above, and they will abstain from turning to legal courts. Additionally, in the case of a lawsuit, the State of Israel will have sole jurisdiction and the governing law will be Israeli law.

During the course of this work, we used public information as reported by the Company and/or Sela Capital. The responsibility for the information belongs solely to the Company and/or Sela Capital. Our opinion does not include verifying the data we used as described above. Given this, our paper will not be considered a confirmation of the veracity or completeness of the data used by us. In no event will we be responsible for any loss, damage, cost or expense caused in any way from fraud, misrepresentation, misleading, transferring false information or withholding information on the Company's and/or Sela Capital or any other reliance on said information, subject to the abovementioned.

If, in a final, un-appealable legal proceeding, we are found liable to pay any amount to a third party in connection with the services that are the subject of this agreement, the Company undertakes to pay for any such reasonable amounts that we pay or that we are required to pay for counseling and legal representation, expert opinion, defense against legal proceedings, negotiations, etc. in connection with any claim, demand or other procedures resulting from the services discussed here.

Additionally and without derogating from the foregoing, if, in a final, un-appealable legal proceeding, we are found liable to pay any amount to a third party in connection with the services that are the subject of this agreement, the Company undertakes to indemnify and reimburse us if the source of the claim is not willful misconduct in providing our services. In any event, we will update the Company and will allow it to plead its defense in any proceeding and we will not settle without its prior written consent.

It is agreed that the Company will pay the amounts mentioned in the two paragraphs above only if they exceed three times of our professional services fees, and after deducting our fees.