



December 27, 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. -
Update**

In November 16, 2020, Mivne Real Estate K.D Ltd. ("**Mivne**") published a tender offer to purchase all the ordinary shares of Sela Capital Ltd. ("**Sela**") 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 ("**the original tender offer**").

In December 24, 2020, Mivne decided to update the original tender offer in a way that the exchange ratio will be 1 ordinary share of Mivne for each 1 ordinary share of Sela, instead of 0.92 in the Original tender offer. In addition, the Cash consideration in the Original tender offer was cancelled ("**the Updated tender offer**").

Following our opinion re the economic fairness of the Original tender offer dated December 16, 2020 ("**the Original opinion**"), hereinafter an update for several parameters following the Updated tender offer ("**the Updated opinion**"). The Updated opinion relates only to the change in the exchange ratio as described above, while the rest of the data and assumptions remains as presented in the Original opinion.

- **An update for Clause 5.3 - Analysis of the Fairness of the Tender Offer According to Market Prices;**

Following the Original opinion, and as shown in the presented table below, the Updated tender offer embodies a "direct premium" ranging from about 13.5% to about 18.7% (instead of 4.4% and 9.2% in the Original opinion) and a post-merger premium that ranges from about 9.8% to about 14.5 (instead of 3.0% and 7.4% in the Original opinion).



	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⁾	18.69%	9.29%	11.09%	19.3%	16.98%	13.45%
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⁾	7.5767	7.6591	8.0488	6.7175	6.4583	6.4735
Compensation for 1 Sela stock ⁽⁶⁾	7.5767	7.6591	8.0488	6.7175	6.4583	6.4735
Post-merger premium⁽⁷⁾	14.47%	7.05%	8.77%	14.95%	12.94%	9.81%

(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 - 1, and the price of Sela's stock in the market.

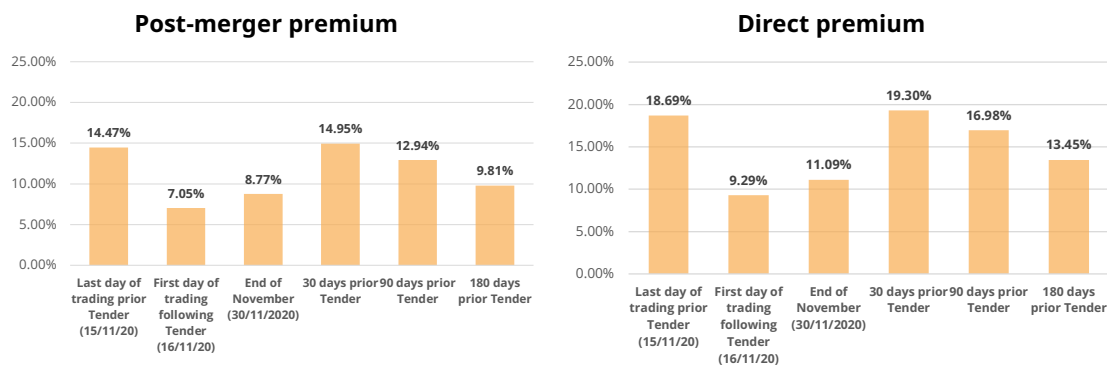
(3) Market value without the market value of the dormant shares.

(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 928,798,039 (after deducting the dormant shares in Mivne).

(6) The share price of a merged Mivne is multiplied by the exchange ratio - 1.

(7) The ratio between the price of a merged Mivne share when it is multiplied by the exchange ratio - 1, and the price of a Sela share in the market.



Following Clause 5.4 in the Original opinion, the Updated tender offer (as well as the Original tender offer), based on the stock price approach in the market, indicates the fairness of the offer to Sela's shareholders.

- **An update for Clause 6.3 - Fairness Analysis of the Tender Offer Based on the Adjusted Equity Estimation;**

As presented in the Original opinion and shown in the table below, the Updated tender offer embodies a premium for Sela's share of 19.3% (instead of 11.6% in the Original opinion) in terms of adjusted equity per share: NIS 8.17 (instead of NIS 8.31 in the Original opinion) 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 19.3%, reflects a conversion ratio of 0.82 Mivne shares per each Sela share, in comparison to 1 Mivne shares in the Updated tender offer.**

	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	928,934,436
Equity per share (NIS)	8.19	7.97	8.39	6.84	7.31	8.17

Following Clause 6.3 in the Original opinion, the Updated tender offer (as well as the Original tender offer), based on the adjusted equity approach, indicates the fairness of the offer to Sela's shareholders.



- **The Fairness of the Tender Offer under additional alternative – the ration between Sela's book equity and Mivne's partially adjusted book equity**

Following clause 6.2.1 in the Original opinion, Sela's main assets are Investment property presented at their fair value and cash balance, therefore all its assets are presented at fair value and no adjustments were made in the Original opinion. On the opposite side, Mivne's assets are comprised both from assets presented in fair value as well as assets presented in their cost/depreciated cost, mainly land, apartments and buildings inventory and the Photovoltaic Installations and Gas Stations (**"The assets presented in their cost"**). So, in the Original opinion the assets presented in their cost were assessed based on their fair value, as shown in clauses 6.1.3 and 6.1.4.

The fairness of the updated tender offer was analyzed under an additional alternative; based on the book equity of Sela and Mivne and with partially adjustments as follows (**"The Book equity alternative"**). The Book equity alternative includes Sela's book equity as presented in its financial statements as of September 30, 2020, without adjustments, and Mivne's book equity for the same day, with an adjustment for the assets presented in their cost, with a deduction of deferred taxes. The Book equity alternative above does not include deduction of Management expenses and deferred taxes liability in Sela, as well as the Management expenses and the capitalization of the deferred tax liabilities included in Mivne's financial statements.

The fairness analysis under the Book equity alternative presented above embodies a premium for Sela's share of 4.2%; NIS 8.31 per share in the case of the merged entity, compared with NIS 7.97 per share based on Sela's book equity. **The premium, as stated in the amount of 4.2%, reflects a conversion ratio of 0.96 Mivne shares per each Sela share, in comparison to 1 Mivne shares in the Updated tender offer. That is, this alternative also shows the fairness of the offer.**


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Clear Structure Ltd.

December 27, 2020

Date