

Mivne Real Estate (K.D) Ltd.

(“The company”)

Report of the Board of Directors on the State of Corporate Affairs as of September 30 2021

This is an English translation of the Hebrew Report of the Board of Directors on the State of Corporate Affairs, that was published on November 24, 2021 (reference no.: 2021-01-101044) (hereafter: “the Hebrew Version”). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.





Report of the Board of Directors on the State of Corporate Affairs

as of September 30th, 2021

Overview September 30 2021	11,595	Total Investment Property (Millions of NIS)
	564	Of This, Real Estate Under Construction (Millions of NIS)
September 30 2021	14	Projects Under Construction and In Development
	532	Gross Landing Area (Thousands of m ²)
	1.35	Estimated Cost Balance (Billions of NIS)
	558	Expected NOI at Project Completion (Millions of NIS)
Projects under construction and in planning stages		
Consolidated Statements Data 1-9.21	516	NOI (Millions of NIS)
	3.5%	Same Properties NOI in Israel Increase compared to corresponding period last year
	338	FFO (Millions of NIS) Increase of 12.7% compared to the corresponding period last year
	35	Gross Profits from the Sale of Apartments (Millions of NIS)
	3.4	Unrestricted Assets (Billions of NIS) Constituting 29% pf total real estate
	2.72%	CPI-linked weighted debt interest (2.22% after the issue of Series 25 debentures in November 2021)
	2.2	Cash and Credit Frameworks (Billions of NIS)
	92.1%	Occupancy Rate in Israel Increase of 1.5% compared to December 31 2020

Report of the Board of Directors on the State of the Corporation's Affairs

For the Period Ending September 30 2021

The Board of Directors of Mivne Real Estate (K.D) is honored to submit the Financial Statements of the Company and its subsidiaries (hereinafter: "the Company") for the period ending September 30, 2021 (hereinafter: **"The Reported Period"**). This report must be read in conjunction with the 2020 Periodic report published on March 21 2021 (reference no.: 2021-01-039219) (hereinafter: **"the 2020 Periodic Report"**), presented here by way of referral.

Description of the Company and its Business Environment

The Company is a real estate company dealing, by itself and through its investees in varied real estate activity centering on Israel. The Company specializes in initiating, purchasing, building, renting and managing buildings intended for offices, high-tech, industry, logistics and commerce, and is active in the field of residential real estate development in Israel. The Company is largely active in Israel as well as in a number of foreign countries including Switzerland. Furthermore, the Company is active in planning and supervising for the implementation of infrastructure development in Israel and holds partnerships renting and operating gas stations. The Company has activities in additional areas, such as renewable energy, the monetary results of which, as of the reported period, are not material to their activities. The geographic and segment-based distribution in Israel, number and variety of tenants constitute a valuable advantage that assists the Company's development and strength. The Company owns some 1,901,000 m² of cash-generating space, 1,578,000 m² of which is in Israel. The Company has land reserves and unused rights to the amount of 780,000 m²

The Covid-19 Crisis and its Impact on the Company's Business Activity

The third quarter of 2021 ended with signs of recovery from the crisis deriving from the spread of COVID-19 ("the Pandemic" or "the COVID-19 Pandemic").

Since the outbreak of the COVID-19 pandemic in 2020, the Company's policy has been and still is to maintain continuity of its ongoing activity in all segments, while implementing legal provisions and protecting the health of its workers, tenants and visitors to its properties. As such, the Company has continued with the regular planning, development, marketing, rental and management activity for Company properties and purchased real estate properties in Israel and participated in tenders issued by the Israel Land Authority and local authorities.

As of the balance sheet date, the sum of amortization in rental payments derived from granting relief to Company tenants in Israel over the course of the first nine months of 2021 amounted to some 12 million NIS (without the amortization discount as a result of the provision of government assistance to these tenants), charged as a decrease in revenues over the course of the reported period.

Company management and the Board of Directors estimate at this time that the Company's financial fortitude, as expressed, among other things, in the Company's high cash balances and unused credit framework amounting to 2.2 billion NIS as of the publication of this report, a strong and stable cash flow, 546 cash-generating properties in a variety of segments and broad geographical distribution in Israel occupied by 2,600 tenants at high occupancy rates, a low leverage rate, the extended life span of most of its loans, accessibility to the domestic capital market and unpledged real estate properties to the sum of some 3.4 billion NIS, all of these will allow it to

limit the potential impact of the Covid-19 Pandemic on its activity and meet its existing and expected obligations including in the financial criteria set in the financing agreements and deeds of trust of the Company's debentures. Company Management does not expect any damage to the flexibility of recruitment of sources of finance in the short term following the implications of the Covid-19 pandemic. At the same time, we emphasize that in light of the fact that the Pandemic is a dynamic and ongoing event, its duration and full impact on the activity of the Israeli economy cannot be predicted, and the Company cannot estimate the scope of the impact of the Covid-19 pandemic and its derivatives on its future activity, and this will be influenced by the degree and scope of realization of risk factors relevant to the Company, as detailed in Section 1.36 in Chapter A (the Report of the Corporation's Business) of the 2020 Periodic Report. **The Company's assumptions and estimates presented above constitute forward-looking information, as defined in Section 32a of the Securities Law, 1968, which are based on information existing at the Company as of the publication of this report. These estimates may not be realized, in whole or in part, or be realized in a manner materially different than projected, among other things, in light of the fact that this is an unusual and ongoing event not under the Company's control. Another outbreak of the Pandemic, decisions by states and regulatory authorities in Israel and around the world in connection with their preparations, changes in interest rates and in discount rates of real estate properties, changes in the scope of business activity of tenants and their payment ability and changes in cash flows from ongoing activity as a result of the development or continuation of the situation, as well as additional changes deriving from the above, may impact the Company's activity and its monetary results in a manner different from the estimates detailed above.**



Events During the Reported Period

Development:

Hahascala Boulevard Project, Tel Aviv-Yafo

In February 2021 the Company began excavating, paneling and setting up the base work for the Hahascala Boulevard (Hasolelim) Project in Tel Aviv-Yafo. As a result of the start of works, the Company classified the inventory of land attributed for apartments to a sum of 337 million NIS to current assets and the land attributed to office buildings from investment property to investment property under development to the sum of 326 Million NIS. In May 2021 the Company announced that it was starting marketing for some of the project's housing units, with some of the housing units intended for rental purposes. As of the publication of this report, 76 sales agreements were signed to the total sum of 282 million NIS.

Purchases:

Purchase of Housing Units for Rent and Student Dormitories in Central Israel

In May 2021 the Company entered into an agreement with the Aura Group to purchase rights to 290 housing units and 4,000 m² of commercial space located in Ramat Hasharon, Ramat Chen (Ramat Gan), Kiryat Ono, Ben Shemen and Hadera in return for a total of 590 million NIS plus VAT (and linkage differences to the building inputs index), and the purchase of rights to the student dormitories in Kiryat Ono in return for a total of 57 million NIS.

Upon the completion of the transaction in question, and taking into account purchase agreements done by the Company at the end of 2020: purchase of rights to the "Chen Hotel" housing cluster in Jerusalem and purchase of rights to land in the Elef Compounds in Rishon Lezion for the purchase of rental housing and student dorms, as well as in the designation of some of the housing units in the Hahascala Blvd. Project for rental purposes, the Company is expected to hold some 1,200 rental housing units (including beds in student dormitories).

Purchase of Land

In July 2021 the Company purchased 50% of the rights to two lots in Or Yehuda and Be'er Tuvia, with a total area of 3.8 hectares for a total of 72 million NIS.

Sdeh Dov

In August 2021 the Company won, along with Meshulam Levenstein Engineering and Contracting Ltd. and an additional partner, in equal shares, an Israel Land Administration tender for the purchase of capitalized leasing rights (with no development agreement) for 98 years (with an option to extend) in the lot known as "Lot 110" located in the Sdeh Dov compound in Tel Aviv ("The Lot"). The Lot, located on Shai Agnon Street, Tel Aviv-Yafo, has an area of 0.47 hectares and can have 230 housing units and 1,300 m² of commercial space built on it, and the proceeds paid for it amounts to 633.8 million NIS plus VAT and development expenses (including VAT) to the sum of 25.8 million NIS. The Company and the partners in question intended to push forward a permit for the construction of a project in accordance with the Lot's existing town construction plan.

Bank Mizrahi

In September 2021, agreements were reached with Bank Mizrahi Tefahot Ltd. regarding the purchase of the rights of the Bank and related corporations to 23 land properties zoned for offices, commercial and residential in Israel ("the Properties"). The proceeds for the purchase of the rights to the Properties amounts to a total of 530 million NIS plus VAT. The total yearly rental fees for the real estate properties rented as noted above is expected to amount to 25 million NIS. The parties are acting to sign sales and rental agreements for the Properties. For full details see the immediate report from September 14 2021 (reference no.: 2021-01-146748), presented here by way of referral.

Sale of companies and properties abroad:

Sale of Property in France

In March 2021 the sale of a property in France was completed, and the full proceeds to the sum of 62 million NIS was received. The profit deriving from the sale amounted to a total of 5.3 million NIS.

Sale of Companies in Serbia

In April 2021 the sale of the shares of three companies owned by the Company active in Serbia was completed, and the full proceeds were received to the sum of 42 million NIS.

Sale of Property in the Netherlands

In July 2021 the sale of a property in the Netherlands was completed, and the full proceeds to the sum of 34 million NIS was received. The profit deriving from the sale amounted to a total of 8 million NIS.

Events Subsequent to the Balance Sheet Date

Kiryat Shechakim Transaction

In October 2021 agreements were reached between ICR Israel Canada Ram Holdings ("ICR") and Rotem Shani Development and Investments Ltd. ("Rotem Shani"), regarding the sale of the full holdings of ICR (50%) in the issued and paid-up capital of Kiryat Shechakim Ltd. ("Kiryat Shechakim") to Rotem Shani or their representative, in return for a sum equal to 80 million NIS as well as additional proceeds for the conversion of a shareholder loan provided by ICR to Kiryat Shechakim to a sum total of 4.3 million NIS. Prior to the formulation of the agreements in question, the company entered into an agreement with Rotem Shani according to which the Company and Rotem Shani would cooperate for the option of purchasing all of ICR's holdings in Kiryat Shechakim in trust by Rotem Shani in such a manner that the Company would pay the sums needed to purchase the shares and Rotem Shani would cooperate in order to transfer the shares directly to the Company. In light of the results of the separation

process between ICR and Rotem Shani and in accordance with the provisions of the cooperation agreement, the Company will bear the full sum of the purchase and the conversion of the shareholders loan and will receive the ICR's shares in Kiryat Shechakim.

Issue of New Linked Series

In November 2021 the Company issued 1,026,666,000 NIS NV debentures (series 25) in return for a total of 1.041 billion NIS. The net effective interest rate embodied in the debentures is 0.3% and the estimated life span is 8.5 years.



The Company's Activity

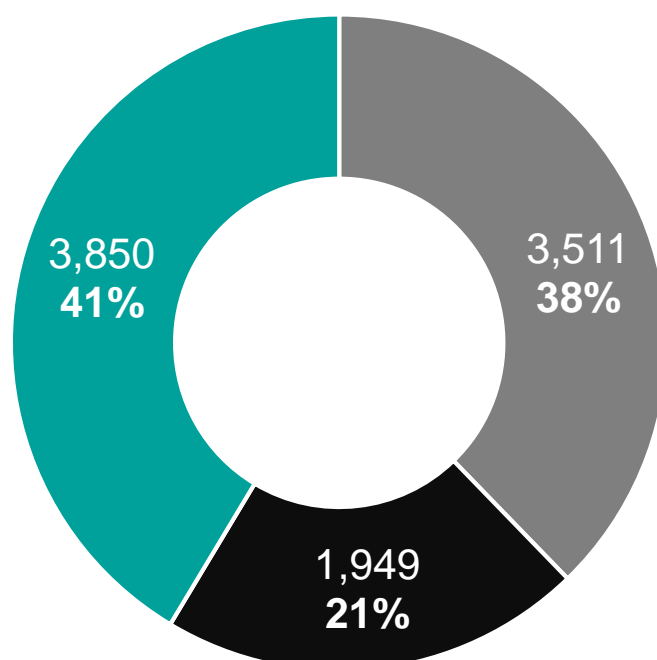
As of September 30 2021, the Company's assets, owned and leased, include: 546 cash-generating properties spread out across Israel with a total area of 1.6 million m², not including properties under construction. The properties are rented to 2,600 tenants, in contracts of various length. In addition, the Company has 14 projects in advanced construction and planning stages to the scope of 532,000 m². The following is a breakdown of the Company's cash-generating properties.

The occupancy to value rate of the Company's properties in Israel as of September 30 2021 is 93.5%.

The occupancy rate of the Company's properties in Israel as of September 30 2021 is 92.1%.

Cross-Section of the Company's Cash-Generating Properties by Value of Assets

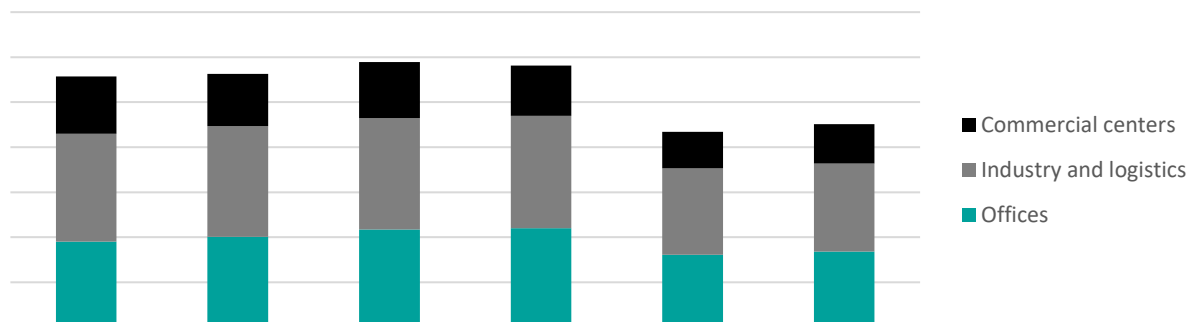
(In Millions of NIS)



- Offices (45 Assets)
- Commercial centers (17 shopping centers)
- Industry and logistics (484 Assets)

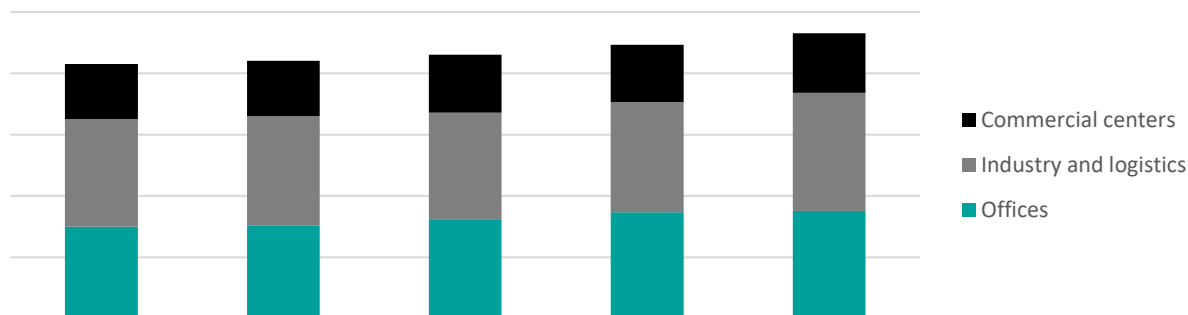
Business Strategy

Spread of NOI in Israel by Uses
(From Cash-Generating Properties, in Millions of NIS)



	1-9.2021	1-9.2020	2020	2019	2018	2017
Commercial Centers	87	81	111	124	116	111
Industrial and Logistics	196	192	250	248	246	240
Offices	168	161	220	217	201	203
Total	451	434	581	589	563	554

Spread of Value of Assets in Israel by Uses
(From Cash-Generating Properties, in Millions of NIS)



	September 30 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017
Commercial Centers	1,949	1,878	1,892	1,812	1,802
Industrial and Logistics	3,850	3,589	3,500	3,554	3,513
Offices	3,511	3,468	3,213	3,043	2,994
Total cash-generating property	9,310	8,935	8,605	8,409	8,309
Total construction	564	168	135	52	40
Total investment property	9,874	9,103	8,740	8,461	8,349

A View of Company Data

Consolidated Statements in Millions of NIS

	% Change 2020/21	1-9/21	1-9/20	% Change 2020/21	7-9/21	7-9/20
NOI in Israel	4.1%	458	440	6.1%	157	148
Same Property NOI	3.5%	452	437	5.5%	155	147
NOI abroad	(7.9%)	58	63	-	21	21
Net profit	21.3%	614	506	53.5%	221	144
FFO	12.7%	338	300	15.4%	120	104
Increase (Decrease) in Known Index Rate		2.2%	(0.6%)		0.8%	0.1%

* Most of the decrease derives from the sale of properties in Canada, France, the Netherlands and Serbia.

Primary Information on the Company's Israeli Properties Divided by Uses

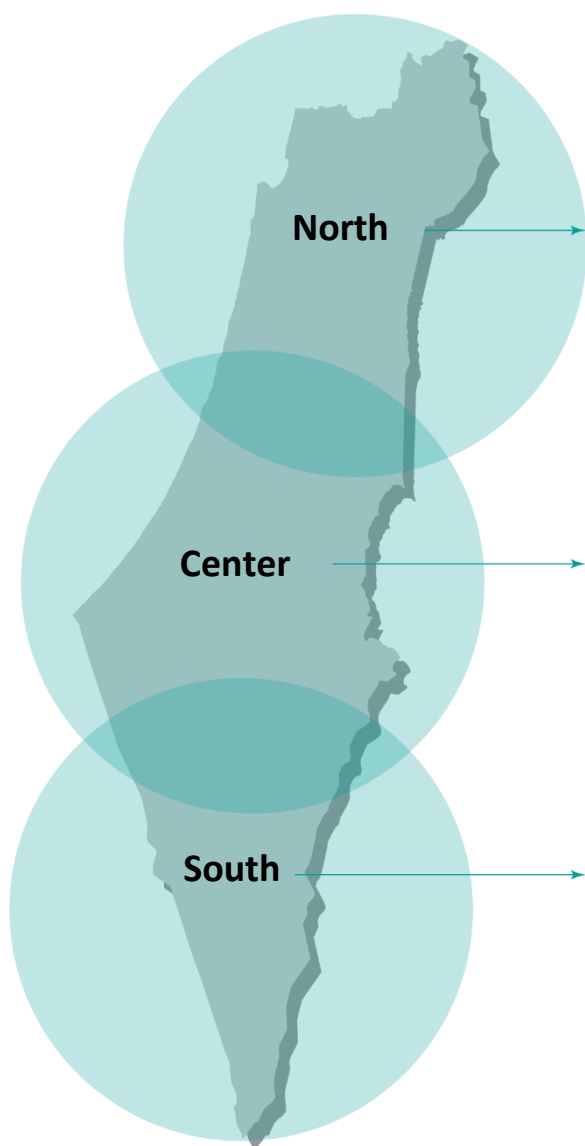
	Number of Properties as of September 30 2021	Above- Ground Area as of September 30 2021	NOI for the Period 1-9.21	Fair Value of Cash- Generating Property as of September 30 2021	Occupancy rate as of September 30 2021	Value of Real Estate Under Construction as of September 30 2021
Uses		m ²	In Thousands of NIS	In Thousands of NIS	%	In Thousands of NIS
Offices	45	378,180	167,953	3,511,254	90.3%	563,640
Commercial centers	17	191,679	86,907	1,948,819	91.8%	
Industrial and Logistics	484	1,008,617	196,141	3,850,081	92.8%	
Total	546	1,578,476	451,001	9,310,154	92.1%	563,640
Associates – Company Share						
Offices	5	16,979	5,014	142,089	72.9%	-
Commercial centers	2	13,404	8,010	183,101	88.6%	-
Total	7	30,383	13,024	325,190	79.8%	-
Expanded Total	553	1,608,859	464,025	9,635,334	91.9%	563,640

Details of Investment Property Including Real Estate Held for Sale by Country

State	Number of Properties	Above-Ground Area in m ²	Number of Tenants	Occupancy Rate	Fair Value In Thousands of NIS	NOI from Cash-Generating Properties 1-9/2021 In Thousands of NIS
Cash-Generating Properties						
Israel	546	1,578,476	2,606	92.1%	9,310,154	451,001
Switzerland	2	55,869	18	94.4%	351,436	19,224
Ukraine	1	44,685	82	100%	246,625	21,707
Canada	2	59,017	144	67.8%	127,136	4,677
U.S.A.	2	18,489	32	69.6%	84,277	3,408
France	5	119,447	5	98.4%	18,800	6,217
Others	2	25,237	7	96%	37,191	3,681
Total Number of Cash-Generating Properties	560	1,901,220	2,894	91.8%	10,175,619	509,915
Land						
Israel lands	37				1,086,978	
Overseas	1				24,152	
Total land	38				1,111,130	
Total	598	1,901,220	2,894	91.8%	11,286,749	509,915
Israel – Associated Companies	7	30,383	57	79.8%	325,190	13,024

Cities in which the Group has Properties

The Company is a real estate company dealing, by itself and through its investees in varied real estate activity centering on Israel. The Company specializes in initiating, purchasing, building, renting and managing buildings intended for offices, high-tech, industry, logistics and commerce, and is active in the field of residential real estate development in Israel. The Company is active in Israel as well as in a number of foreign countries including Switzerland. The Company owns some 1,901,000 m² of cash-generating space, 1,578,000 m² of which is in Israel. The Company has land reserves and unused rights to the amount of 780,000 m²



Or Akiva	Alon Tavor	Beit She'an
Bnei Yehuda	Gan Shmuel	Pardes Hannah
Haifa	Hatzor Haglilit	Tiberias
Yavniel	Yessod Hama'alalah	Yokneam
Kfar Tavor	Karmiel	Migdal Ha'emek
Machanayim	Metula	Menechemia
Ma'alot	Nahariyah	Nof Hagalil
Nesher	Emek Heffer	Afula
Tzippori	Zefat	Katzrin
Kiryat Shmona	Segev	Shlomi
Ma'ale Ephraim		

Tel Aviv	Or Yehuda	Elkana
Be'erot Yitzhak	Bat Yam	Herzliya
Holon	Kfar Saba	Netanya
Kadima Tzoran	Ra'anana	Rosh Ha'ayin
Kochav Yair	Beit Shemesh	Hadera
Petach Tikva	Rishon Lezion	Jerusalem
Rehovot	Ramleh	Mishor Edomim
Tzur Yitzhak		

Yavneh	Ashdod	Be'er Tuvia
Kiryat Malachi	Kiryat Gat	Ashkelon
Sderot	Ofakim	Yerucham
Arad	Ein Yahav	Kannot
Nir Galim	Beersheba	Eilat
Mitzpeh Ramon	Dimona	Lehavim
Sha'ar Hanegev		

Concentrated Data on Projects in Construction, Planning and Development Stages (as of September 30 2021)*

Project Name	Location	Main Use	Company's Share	Design Status	Built-Up Area (m ²)	Project's Value in the Company's Books	Estimated Construction Cost Balance	Estimated NOI Fully Occupied
						In Millions of NIS		
Hahaskala Blvd.	Tel Aviv	Offices and commercial	100%	End of paneling, excavation and base works.	68,300	355	525	90-98
"Mivne" Compound	Holon	Offices	100%	Underway, estimated completion Q1/2022	14,800	101	31	8-10
Sarona	Kfar Saba	Offices	100%	Underway, Estimated completion – 2023.	26,000**	71	180	22-24
Haifa Life Sciences Park (2 buildings)	Haifa	Offices	50%	Paneling and excavation works completed.	14,000	11	130	10-12
Kiryat Hamishpat	Kiryat Gat	Offices	100%	Underway, Estimated completion – Q3/2022	5,000	23	20	3
"Mivne" Herzliya Pituach	Herzliya	Residential	100%	Undergoing demolition Paneling and excavation works will begin in December 2021.	103 housing units	103	355	36
		Offices and commercial			24,300			
Hasivim Neveh Oz	Petach Tikva	Offices	100%	Town construction plan approved. Implementation date not yet decided.	13,000	21	105	7-8
Yigal Alon	Tel Aviv	Residential, Employment and commercial	100%	Pre-estimate. City Engineer forum took place, plan advancement approved. Expected discussion of deposit Q4/2021.	220,000***	139	Pre-estimate	
Haifa Life Sciences Park (2 buildings)	Haifa	Offices	50%	Preliminary planning	14,000	11	Pre-estimate	
Kiryatech 2	Yokneam	Offices	100%	Decided to push permit forward, forecast - Q3/2022.	25,000	2	Pre-estimate	
Beersheba	Beersheba	Hotels	100%	Paneling and excavation permit received, full permit expected Q2/2022.	7,000	-	Pre-estimate	
Akerstein Towers Stage B	Herzliya	Offices	53%	In discussions with local committee. In design for Town Construction Plan stages.	50,000	-	Pre-estimate	
		Residential			150 housing units			
Office Tower in Giv'at Sha'ul	Giv'at Shaul	Offices	100%	Not yet decided to push permit forward	34,750	-	Pre-estimate	
Ha'elef Compound	Rishon Lezion	Rental housing and student dormitories	50%	Detailed plans being prepared for the purpose of filing a request for a building permit.	17,000	62	Pre-estimate	

(*) Some of the information presented in this table constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the risk factors characterizing the Company's activity, including the state of the economy, the global health crisis, the receipt of permits and approvals from the proper authorities, engagements with third parties, changes in legislation and regulation and increased construction costs. For further details on the risk factors characterizing the Company's activity see Section 1.36 of the Report on the Corporation's Business in the 2020 Periodic Report.

** The Company is acting to add 3 stories, for a total addition of 5,000 m²

*** The Company is acting to advance a town construction plan under the authority of a local committee by virtue of the TA 5000 outline plan for additional rights, as follows: added residential rights of 31,500 m² constituting 310-350 housing units, and increasing existing employment and office rights from 96,000 m² to 213,000 m² (an addition of 117,000 m²).

Solar Installations

The Company has solar installations installed on the rooftops of buildings it owns in Israel. The installations are used to generate electricity, which is provided to the Israel Electric Corporation for pay. From time to time the Company studies the IEC tenders and their feasibility. The Company is acting to significantly increase the number of solar installations on rooftops in its possession throughout the country and is examining the utilization of additional opportunities in this field. The following is the status of the facilities as of the publication of this report:

	Amount	Size (KW)	Expected Revenue (Thousands of NIS)
Existing installations	62	10,198	9,857
Increasing the size of existing installations	-	1,650	1,183
Installations with quota	197	24,275	17,826
Installations in approval proceedings	31	2,289	2,469
Total	290	38,412	31,335 (**)

(*) Some of the information presented in this table constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the business environment in which the Company is active and the risk factors characterizing the Company's activity, including the state of the Israeli economy, the receipt of permits and approvals from the proper authorities, engagements with third parties, and changes in legislation and regulation. For further details on the risk factors characterizing the Company's activity see Section 1.36 of the Report on the Corporation's Business 2020 Periodic Report and for details on the business environment see the description of the business environment above.

(**) The Company's share of expected revenues is expected to amount to a total of 24 million NIS.

Residential

The Company deals, among other things, in the development, planning and construction of apartments for sale in Israel. The Company has an inventory of land for future construction in Israel, as follows:

Inventory of Land for Short-Term Residential Construction and Inventory of Apartments for Sale

Location	No. of Housing Units ¹	Holdings in Projects	Number of Housing Units for which Sales Agreements were Signed and Not Yet Delivered	Financial Scope of Sales Agreements (Millions of NIS, Not Yet Delivered)	Number of Housing Units for which Sales Agreements were Signed and Not Yet Delivered	Financial Scope of Sales Agreements (Millions of NIS, Not Yet Delivered)	Sign-Ups for which the Sales Agreement has Not Yet been Signed	Total Investment as of September 30 2021 (Millions of NIS)
		%	As of September 30 2021		As of the publication of the report			
Hahascala Blvd. ²	360	75%	33	99	76	241	-	354
Hameitav Tel-Aviv ³	15	50%	14	40	13	37	-	13
Marom Hasharon Stage E	1	90%	1	2	-	-	-	1
Marom Hasharon Stage B ⁴	1	90%	1	2	1	2	-	2
Marom Hasharon Stage F	134	90%	-	-	4	8	5	38
Marom Hasharon Stage G	97	90%	-	-	-	-	-	16
Other ⁵	-	100%	-	-	-	-	-	1
Total	608		49	143	94	288	5	425

- Balance of units in inventory
- Paneling, excavation and base works begun during the period.
- As of September 30 2021 155 units were delivered to a total monetary value of 388 million NIS. As of the publication of the report 158 apartments were delivered at a monetary scope of 397 million NIS.
- As of the publication of the report 60 units were delivered at a monetary scope of 129 million NIS.
- The balance is attributed to parking and storage.

Inventory of Land for Long-Term Residential Construction

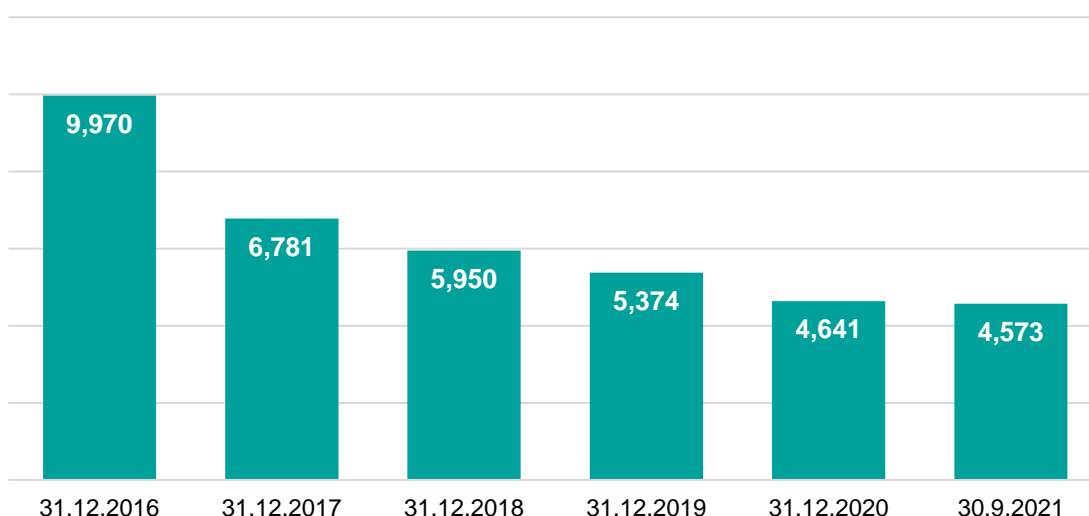
Location	Number of Housing Units	Construction Rights	Holdings in Projects	Total Investment as of September 30 2021
		In Thousands of m ²	In %	In Millions of NIS
Israel	173	17	100%	24
Total	173	17	100%	24

Debt Structure Management

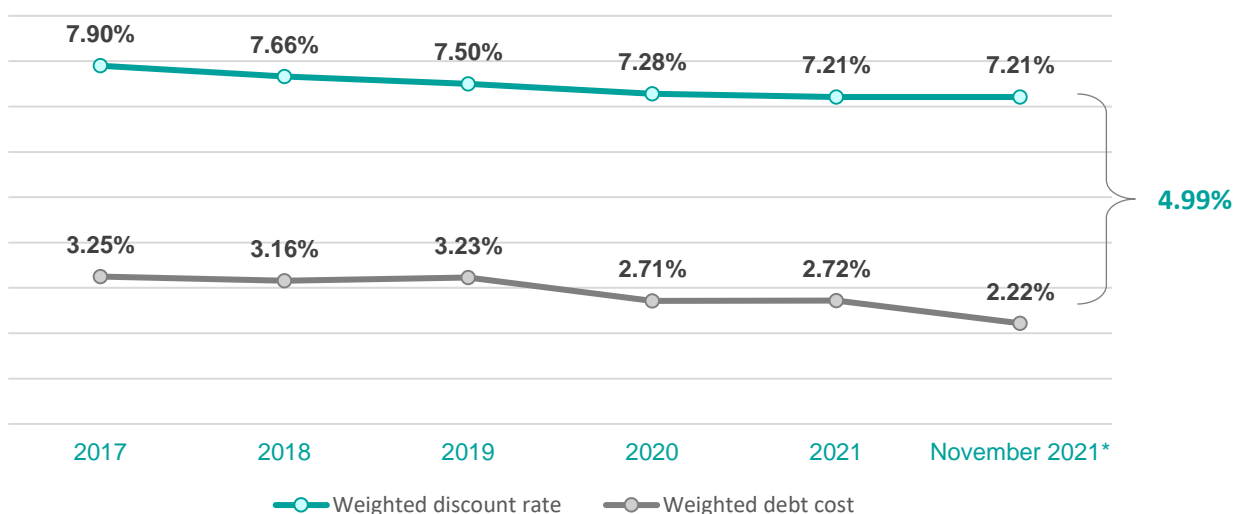
Company policy is to maintain an efficient leverage rate by recruiting debt with a long-term life span and with no liens. The Company's net financial debt as of September 30 2021 amounts to 4.6 billion NIS. The debt's total life span is 4 years and the weighted effective interest rate is 2.72% CPI-linked.

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 2.2 billion NIS, and unencumbered real estate properties to the sum of 3.4 billion NIS.

Financial debt across years in millions of NIS



Gross real profit margins between cash-generating properties and CPI-linked weighted debt cost



* After the issue of Series 25 debentures, which took place after the balance sheet date, the weighted debt cost is 2.22%, which means that the margin is 4.99%.

NOI

NET OPERATING INCOME

The following is information on the Group's NOI (profit from the rental and operation of properties, less depreciation and amortization) in Israel:

Company management believes that NOI is an important parameter in valuing cash-generating real estate. The result of dividing this Transition data by the commonly used discount rate in the geographic location of the property ("cap rate") is one of the indications of valuation of the property (beyond other indications, such as: market value of similar properties in the same area, sales price per m² of built area deriving from the latest transactions effected, etc.). In addition, NOI is used to measure the free cash flow available to service the financial debt taken to finance the property's purchase. Note that NOI:

1. Does not present cash flows from regular activities in accordance with generally accepted accounting rules.
2. Does not reflect cash available for the financing of the Group's entire cash flows, including its ability to distribute monies.
3. Cannot be considered a replacement for reported net profit for purposes of evaluating the results of the Group's activities.

Development of NOI (in thousands of NIS)

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Identical properties for the period	155,060	153,530	143,501	146,413	147,031	141,578	148,323
Properties activated in the period	2,299	755	1,916	1,118	-	-	-
Properties sold	16	231	231	288	698	1,015	1,312
NOI – Total	157,375	154,516	145,648	147,819	147,729	142,593	149,635

The NOI in the third quarter of 2021 totaled 157 million NIS, compared to 148 million NIS in the corresponding quarter last year, constituting a growth of 6.5%.

The same property NOI in the current quarter amounted to 155 million NIS compared to 147 million NIS in the corresponding quarter last year, constituting a 5.5% increase.

Weighted Yield Rate

The following is the calculation of the weighted cap rate derived from all the cash-generating properties in Israel as of September 30 2021:

	Consolidated (in Millions of NIS)
Investment property in consolidated statement as of September 30 2021	11,031
Less - foreign real estate	(890)
Less – value of lands classified as investment property	(1,012)
Plus – value of cash-generating properties intended for realization	27
Cash-generating investment property in Israel as of September 30 2021	9,156
Less value charged for open spaces	(578)
Expected investments	30
Investment property attributed to rented spaces as of September 30 2021	8,608
Third Quarter 2021 NOI	157
Expected yearly NOI on the basis of Third Quarter 2021 NOI	622
Weighted cap rate deriving from cash-generating investment property in Israel	7.23%

The information in the above table featuring forecasts for all of 2021 is forward-looking information, as defined in Section 32a of the Securities Act, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the business environment in which the Company is active and the risk factors characterizing the Group's activity, including the state of the Israeli economy, the global health crisis, changes on occupation, in CPI, in interest rates, and in rental fees. The continued spread of the Covid-19 pandemic, decisions by states and regulatory authorities in Israel and around the world in connection with their preparations, changes in interest rates and in discount rates of real estate properties, changes in the scope of business activity of tenants and their payment ability and changes in cash flows from ongoing activity as a result of the development or continuation of the situation, as well as additional changes deriving from the above, may impact the Company's activity and its monetary results in a manner different from the estimates detailed above. For further details on the risk factors characterizing the Company's activity see Section 1.36 of the Report on the Corporation's Business (Chapter A) in the 2020 Periodic Report and for details on the business environment see description of the business environment in this report above.

FFO

Funds From Operations

FFO is a commonly-used American, Canadian and European index used to provide additional knowledge on the results of the operations of cash-generating real estate companies, granting a proper basis for comparisons between cash-generating real estate companies. This index is not required by accounting rules. FFO, as defined, expresses net reported profit, less profits (or losses) from the sale of assets, less depreciation and amortization (for real estate) after neutralizing deferred taxes, losses from the early redemption of loans and non-cash flow expenses.

The Company believes that analysts, investors and shareholders may receive information with added value from the measurement of the results of the Company's activity on an FFO basis. The FFO index is used, among other things, by analysts in order to examine the dividend distribution rate from the operating results according to the FFO of real estate companies.

We emphasize that the FFO:

1. Does not present cash flows from regular activities in accordance with generally accepted accounting rules.
2. Does not reflect cash held by the Company and its ability to distribute it;
3. Cannot be considered a replacement for reported net profit for purposes of evaluating the Group's operating results.

FFO calculations (In Thousands of NIS)

	1-9.21	1-9.20	7-9.21	7-9.20	2020
Net profit for the period	614,435	505,608	221,346	144,346	576,730
Changes in value of investment property and investment property under construction	(426,810)	(277,979)	(158,152)	(38,555)	(299,389)
Profits and losses from the sale of real estate, investees, other revenues and realization of capital reserves from translation differences.	(40,384)	(33,718)	(19,796)	2,994	(43,351)
Tax expenses from the sale of properties and other revenues	5,990	18,841	-	-	5,461
Changes in fair value of financial instruments	6,380	23,696	255	6,186	29,202
Adjustments due to taxes	106,511	100,713	43,375	5,423	149,430
Loans attributed to affiliated companies	(1,913)	1,844	(8,924)	(1,181)	5,892
Revaluation of assets and liabilities	4,275	3,249	1,600	1,094	5,366
Other revenues	(64,006)	(46,443)	(17,478)	(7,909)	(60,379)
Nominal FFO	204,478	295,811	62,226	112,398	368,962
Added (subtracted) – expenses (revenues) from linkage differentials on the debt principal and exchange rate differences	115,419	(10,794)	50,758	(14,121)	12,735
Real FFO	319,897	285,017	112,984	98,277	381,697
FFO attributed to cash-generating property	337,947	300,041	120,124	103,586	403,801

2021 Forecast

The following is the projected FFO from cash-generating properties and projected NOI for 2021.

The Company's forecast for its key operating results in 2021, based on the following working assumptions:

- Known CPI as of September 30 2021.
- Without the purchase of new properties.
- No material changes will occur in the business environment in which the Company is active in Israel beyond the estimate detailed below attributed to the impact of the coronavirus pandemic. For further information on the business environment in which the Company is active, Description of the Business Environment above.
- Signed leases and Company management's projections regarding current lease renewals in 2021.
- The possible impact of additional lockdowns over the course of the fourth quarter of 2021 was not taken into account.

	1-9.21 in Practice	Revised 2021 Forecast	Original 2021 Forecast	2020 in Practice
NOI (in Millions of NIS)	516	687-693	652-663	671
FFO attributed to cash-generating property (in millions of NIS)	338	450-460	412-428	404

The information in the above tables featuring a forecast for all of 2021 is forward-looking information, as defined in Section 32a of the Securities Act, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the business environment in which the Company is active and the risk factors characterizing the Company's activity, including the state of the Israeli economy, the global health crisis, changes on occupation, in interest rates, and in rental fees. The continued spread of the Covid-19 pandemic, decisions by states and regulatory authorities in Israel and around the world in connection with their preparations, changes in interest rates and in discount rates of real estate properties, changes in the scope of business activity of tenants and their payment ability and changes in cash flows from ongoing activity as a result of the development or continuation of the situation, as well as additional changes deriving from the above, may impact the Company's activity and its monetary results in a manner different from the estimates detailed above. For further details on the risk factors characterizing the Company's activity see Section 1.36 of the Report on the Corporation's Business (Chapter A) in the 2020 Periodic Report and for details on the business environment see Description of the Business Environment above.

Operating Results According to Consolidated Financial Statements

Business Results Summary Table (in Millions of NIS)

		For the Period		Notes and Explanations
		1-9.2021	1-9.2020	
Revenues from rental and property management fees		666	661	Most of the increase in the period derives from improvements in occupancy and in rental fees offset by the sale of properties.
Maintenance and Management Cost		156	163	
Revenues from the Sale of Apartments and Land		177	109	Including sale of land to the sum of 67 million NIS.
Cost of Apartments and Land Sold		142	82	
Increase in Fair Value of Investment Property		427	278	The change in the period largely derives from a net increase in the fair value of real estate in Israel. Over the course of the period, 179 valuations were carried out for properties worth 6 billion NIS and 335 internal valuations of properties with a value of 0.9 billion NIS. Most of the increase in the value of these properties derives from an increase in real rental fees, improved occupation rates, a decrease in capitalization rates and an increase in the Consumer Price Index. In addition, the Company recorded a value increase due to a change in the total value of land and construction rights to the sum of 44 million NIS and an increase in value for the sale of assets to the sum of 49 million NIS.
Administrative and General, Sales and Marketing Expenses		66	81	The decrease in the period derives from streamlining actions that included, among other things, a decrease in activity abroad, a corporate reduction and in addition, a decrease in doubtful debt expenses. Expenses were included for share-based payment in the period to the sum of 5 million NIS compared to 12 million NIS in the corresponding period last year.
Realization of Capital Reserve due to Adjustments from the Translation of Financial Statements		(13)	-	For the sale of properties in Serbia and Canada
Financing Expenses	Net interest expenses	99	122	Decrease in outstanding debt and decrease in interest rate
	Expenses (revenues) from change in CPI, net	93	(27)	A 2.2% CPI increase in the period against a 0.6% decrease in the corresponding period last year.
	Loss from early redemption	14	23	Over the course of the period, an early redemption was made of Series 21 debentures.
	Net expenses from exchange rate differences and others	14	17	
	Total	220	135	
Tax expenses on income		135	141	
Net profit		614	506	

Table summarizing the concise financial situation, liquidity and sources of finance (in millions of NIS):

	As of September 30 2021	As of December 31 2020	Notes and Explanations
Current assets	998	1,019	
Investments handled using the book value method	276	294	
Investment property, investment property in development and advance payments on account of investment in land	11,815	11,161	
Inventory of land for construction	24	389	The decrease derives from the reclassification of the Hahascala Blvd. (Hasolelim) project and Marom Hasharon to short-term
Short-term credit, current maturities	597	674	The decrease largely derives from the recycling of a loan in Switzerland to the sum of 170 million NIS.
Long-term loans and liabilities from banking corporations, credit providers and others.	1,098	1,099	
Long-term debentures	3,300	3,635	The decrease derives from the early redemption of Series 21 debentures and current redemptions.
Total equity attributed to shareholders	6,624	6,073	Most of the increase derives from profit in the period to the sum of 614 million NIS, a capital offering of 78 million NIS and offset by dividends to the sum of 150 million NIS.
Total equity	6,603	6,062	

Cash and Credit Frameworks

Sources	In Millions of NIS
Balance of Cash at the Beginning of the Period	432
Cash Deriving from Current Activities	538
Investment Activities	
Sale of assets	153
Proceeds from the realization of investment	64
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	15
Investment in investment property, real estate under development and fixed assets	(545)
Realization of shares of subsidiary	56
Repayment of long-term deposit	46
Total investment activity	(211)
Financing Activity	
Stock offering	78
Short-term credit	(28)
Receipt of loans from banks and long-term liabilities	239
Repayment of loans from banks and long-term liabilities	(253)
Redemption of debentures	(448)
Dividends paid to shareholders	(152)
Total financing activity	(564)
Exchange rate differentials due to cash and cash equivalent balances	(4)
Balance of cash at the end of the period	191

Credit Frameworks

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 2.2 billion NIS.

As of the report date and as of the publication of this report, the Company is in compliance with all of the financial criteria it was committed to within the framework of the loan agreements and deeds of trust of the Company's debentures.

For details on the debentures (Series 18) and debentures (Series 25) issued subsequent to the balance sheet date, which constitute a "material loan" as defined in Legal Position 104-15: a reportable credit event published by the Securities Authority on November 30 2011 and as updated on March 19 2017, see Appendix C to the Board of Directors' Report.

Credit Rating

On May 27 2021 Standard & Poor's Maalot revised the rating of the Company and its debentures. The rating of the Company, its unguaranteed debentures (Series 15, 16, 17 and 20) and debentures guaranteed by the shares of Darban Investments Ltd. ("**Darban**") (Series 24) increased from iIAA- to iIAA. The rating of the debentures guaranteed by income-generating real estate properties (Series 18, 19 and 23) which had been iIAA and the Company's short-term create rating which was iIA-1+ were ratified with a stable outlook.

Working Capital

The working capital, including assets and liabilities held for sale as of September 30 2021 (including inventory the operating period of which is over one year to the sum of 408 million NIS), amounted to 130 million NIS in the Financial Statements compared to a total of 47 million NIS as of December 31 2020. The working capital, including assets and liabilities held for sale as of September 30 2021 (including inventory the operating period of which is over one year to the sum of 361 million NIS), amounted to 137 million NIS in the Solo Financial Stateme.

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 2.2 billion NIS, and unencumbered real estate properties to the sum of 3.4 billion NIS.

Linkage Balance

The Company has financial liabilities to the sum of 5.3 billion NIS, of which 4.1 billion NIS are CPI-linked. The Company's cash-generating property in Israel is worth 9.3 billion NIS, is largely rented in CPI-linked rental agreements, and the Company considers this to be long-term inflationary protection.

Investment in Associates

The Company has investments in investees active in Israel, the U.S. and Canada. The Company lists its investments in these companies using the book value method. As of September 30 2021 the investment in these companies amounts to 276 million NIS, of which 190 million NIS is in Israel.

Dividend Policy

On March 18 2021 the Company's Board of Directors announced that it was distributing dividends to the sum of 55.3 million NIS, which were paid on April 12 2021 (the sum of the dividends less the share of a subsidiary holding the Company's shares is 50 million NIS). On the same occasion, the Company Board of Directors decided on a dividend distribution policy for 2021 totaling 200 million NIS but not exceeding 50% of the Company's total yearly FFO, all subject to a specific decision by the Board of Directors before each distribution after examination of the distribution tests set in law. For further details see Section 1.5 of the Report on the Corporation's Business (Chapter A) in the 2020 Periodic Report.

On May 25 2021 the Company's Board of Directors decided to distribute dividends to the sum of 55.3 million NIS, which were paid on June 15 2021 (the sum of the dividends less the share of a subsidiary holding the Company's shares is 50 million NIS).

On August 12 2021 the Company's Board of Directors decided to distribute dividends to the sum of 53.2 million NIS, which were paid on August 31 2021 (the sum of the dividends less the share of a subsidiary holding the Company's shares is 50 million NIS).

On November 23, 2021 the Company's Board of Directors approved a distribution of dividends, payment of which will occur on December 14, 2021 to the sum of approximately 58.5 million NIS (the sum of the dividends less the share of a subsidiary holding the Company's shares is 55 million NIS). The dividend sum per share is 0.07327 NIS. The accumulated dividends from the start of 2021, per share, will amount to a total of 0.20648 NIS.

Looking Forward

The Company operates in accordance with a long-term strategy designed to expand and improve the portfolio of cash-generating properties in its possession while taking care to create high-quality real estate for people and the environment and provide a full envelope of services to its customers. This strategy is realized by initiating and opening new properties, purchasing properties, and customer service. The Company regularly examines expansion options by entering into additional areas of activity synergistic with its cash-generating properties. The Company combines debt issues and capital offerings in order to serve its needs while taking care to ensure a balanced debt structure.

The Company continues to regularly examine the possible impacts of the Covid-19 pandemic and whether the Company needs to make any preparations, including in all matters pertaining to possible changes in the needs and desires of its customers.

The Company Board of Directors would like to thank the Company's employees for their dedicated work during the reported period as well as the holders of the Company's securities for the trust they have placed in the Company.

Tal Fuhrer

Chair of the Board of Directors

Dudu Zvida

Company CEO

Date

November 23 2021



Appendices

01

Appendix A
Exposure to Market Risk and Management Thereof

02

Appendix B
Disclosure Provisions with Regard to the Corporation's Financial Reporting

03

Appendix C
Special Disclosure for Debenture Holders: Bonds in Public Hands

04

Appendix D
Linkage Basis Report



Appendix A

Exposure to Market Risks and Their Management



Appendix A

Exposure to Market Risk and Management Thereof

1. The person responsible for managing market risks is Mr. Dudu Zvida, Chairman of the Company Board of Directors. For details regarding Mr. Zvida, see Regulation 26 of Part D (Additional Details) of the 2020 periodic report, presented by way of referral.
2. No material changes in risk factors have occurred in the reported period compared to those reported in the 2020 periodic report. For details on changes in the business environment see the Description of the Business Environment in the Report of the Board of Directors above.

The image is a composite architectural rendering. The top half shows a close-up of a building's exterior, featuring a series of vertical blue glass panels that reflect the sky and surrounding environment. The bottom half shows a view from a high vantage point, looking down at a cityscape at dusk. In the foreground, there is a balcony or terrace area with a glass railing, where several people are standing and looking out. The building's structure includes large, light-colored concrete pillars. The overall color palette is dominated by blues, greys, and the warm lights of the city at night.

Appendix B

Disclosure Instructions in Connection with the Corporation's Financial Reporting

Appendix B**Disclosure Provisions with Regard to the Corporation's Financial Reporting****1. Material Events During the and Subsequent to the Reported Period**

For details on material events during and subsequent to the reported period, see Note 4 to the Company's September 30 2021 Consolidated Interim Financial Statements.

2. Aspects of Corporate Governance

On May 18 2021 a resolution by the Company's Audit and Remuneration Committee and Board of Directors came into effect, in accordance with their authority in accordance with Regulation 1.a.(2) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, on salary updates for all of the directors serving on the Company Board of Directors (including outside directors) and as they will be from time to time, so that the yearly remuneration sum and participation remuneration the directors will be entitled to will be in accordance with the maximum sum of the yearly remuneration and participation remuneration in accordance with the Companies Regulations (Rules on Remuneration and Expenses for Outside Directors), 2000 ("the Remuneration Regulations"), in accordance with the Company's capital level, which will take into account the classification of directors serving at the Company as experts in accordance with the definition of an "expert outside director" in the Remuneration Regulations. Note that on March 18 2021 the Company Board of Directors, after examining their experience and skills, decided to classify all of the directors serving on the Company Board of Directors on the date in question as "expert outside directors", as this term is defined in the Remuneration Regulations. Therefore, the salary of all of the directors serving on this date at the Company is identical, and amounts to the maximum sum that can be paid to an "expert outside director" in accordance with the Fourth Addendum to the Remuneration Regulations.



Appendix C

Designated Disclosure for Debenture Holders: Bonds Held by the Public

Appendix C

Special Disclosure for Debenture Holders: The Bonds in Public Hands

As of September 30 2021 there are 8 outstanding series of tradable debentures issued by the Company, as detailed in the following table. Note that during the reported period and as of the report date, the Company has met all of the terms and obligations in accordance with the deeds of trust and no conditions existed that gave grounds to the provision of the debentures for redemption or for the realization of collateral in accordance with the terms of the deeds of trust.

As of September 30 2021 (In Thousands of NIS)	Debentures (Series 15)	Debentures (Series 16)	Debentures (Series 17)	Debentures (Series 18)	Debentures (Series 19)	Debentures (Series 20)
Date of Issue	October 31 2013	July 10 2014	July 10 2014	May 10 2016	September 29 2016	July 30 2017
Notational Value Upon Issue	437,881	347,130	757,524	683,000	423,512	523,521
Outstanding Notational Value	11,250	273,121	526,303	783,000	406,371	444,993
Stock market rate (in 0.01 NIS)	106.88	117.87	121.59	115.89	119.77	123.75
Outstanding Notational Value, Linked	11,250	273,121	538,368	816,463	419,048	460,267
Accrued interest	322	3,890	5,021	9,754	-	3,260
Fair value	12,024	321,928	632,932	907,419	486,711	550,679
Interest type	Fixed interest	Fixed interest	Fixed interest	Fixed interest	Fixed interest	Fixed interest
Denoted Yearly Interest Rate	5.74%	5.65%	3.7%	2.85%	2.60%	2.81%
Principal payment dates	Nine unequal annual installments paid on April 1 of each of the years from 2016 to 2024. 4% of the principal shall be paid in the first and second installment, 8% of the principal shall be paid in the third installment and 14% of the principal shall be paid in each of the installments from fourth to ninth.	Twelve unequal annual installments to be paid on June 30 of each of the years from 2017 to 2028, with 5% of the principal paid in each of the first through fourth payments and 10% of the principal paid in each of the fifth to twelve payments.	Twelve unequal annual installments to be paid on June 30 of each of the years from 2017 to 2028, with 5% of the principal paid in each of the first through fourth payments and 10% of the principal paid in each of the fifth to twelve payments.	Four unequal annual installments on October 30 of each year from 2021 to 2024. 16% of the principal shall be paid in the first installment, 11% of the principal shall be paid in the second installment, 13% of the principal shall be paid in the third installment and 60% of the principal shall be paid in the fourth installment.	Ten unequal annual installments on March 31 of each year from 2018 to 2023 and each year from 2025 to 2027, with 2% of the principal paid in each of the first through third payments, 5% of the principal paid in each of the fourth to eighth payments and 69% of the principal shall be paid in the ninth installment.	Eight unequal yearly payments to be paid on December 31 of each year from 2019 to 2029, excluding 2022, 2024 and 2027, with the first, third and fourth installments being 5%, second and fifth installments 10%, sixth and seventh installments 20% and eighth installment 25%.

Interest payment dates	April 1 and October 1 of each year from 2014 to 2024.	June 30 and December 31 of each year from 2014 to 2028	June 30 and December 31 of each year from 2014 to 2028	October 30 and April 30 of each of the years from 2016 through 2024.	March 31 and September 30 of each year from 2017 to 2026, as well as on March 31 2027.	December 31 and June 30 on each year from 2017 to 2029.
Linkage Basis and Terms (Principal and Interest)	Non-linked	Non-linked	May 2014 CPI	March 2016 CPI	August 2016 CPI	June 2017 CPI
Does it constitute a material obligation?	No	No	No	Yes	No	No
Rating company	S&P Maalot					
Rating	AA stable	AA stable	AA stable	AA stable	AA stable	AA stable
Are there guarantees for the payment of the obligations?	No	No	No	No	No	No
Are there any liens?	No	No	No	Yes. Real estate properties. See Appendix A to Part A of the 2020 Periodic Report. For details on the security replacement mechanism see Section 5.9 of the Deed of Trust attached as Appendix A to the August 20 2020 Shelf Offering Report (reference no. 2020-01-081835).	Yes. Real estate properties. See Appendix A to Part A of the 2020 Periodic Report. For details on the security replacement mechanism see Section 5.9 of the Deed of Trust attached as Appendix A to the August 26 2020 Shelf Offering Report (reference no. 2020-01-084685).	No
Trustee	Mishmeret Trust Services Ltd. (1)	Mishmeret Trust Services Ltd. (1)	Mishmeret Trust Services Ltd. (1)	Resnick Paz Nevo Trusts Ltd. (2)	Resnick Paz Nevo Trusts Ltd. (2)	Resnick Paz Nevo Trusts Ltd. (2)
Right to early repayment	(3)					

As of September 30 2021 (In Thousands of NIS)	Debentures Series 23 (Formerly Series 14 in Jerusalem Economy Ltd.)	Debentures Series 24 (Formerly Series 15 in Jerusalem Economy Ltd.)
Date of Issue	September 18 2016	June 21 2017
Notational Value Upon Issue	607,923	612,810
Outstanding Notational Value	537,314	539,273
Stock market rate (in 0.01 NIS)	118.66	121.41
Outstanding Notational Value, Linked	552,394	553,895
Accrued interest	-	3,630
Fair value	637,576	654,731
Interest type	Fixed interest	Fixed interest
Denoted Yearly Interest Rate	2.4%	2.6%
Principal payment dates	Nine unequal yearly payments to be paid on September 30 of each year from 2018 to 2026, with the first installments being 2%, second through eighth installments 5% and ninth installments 63%.	Six installments of 4% of the principal each on June 30 of each year from 2019 to 2024, three installments of 6% of the principal on June 30 of each year from 2025 to 2027, the balance of 58% of the principal on June 30 2028.
Interest payment dates	March 30 and September 30 of each year from March 30 2017 to September 30 2026.	June 30 and December 31 of each year from December 31 2017 to June 30 2028.
Linkage Basis and Terms (Principal and Interest)	July 2016 CPI	May 2017 CPI
Does it constitute a material obligation?	No	No
Rating company	S&P Maalot	
Rating	AA stable	AA stable
Are there guarantees for the payment of the obligations?	No	No
Are there any liens?	Yes. Real estate properties. See Appendix A to Part A of the 2020 Periodic Report. For details on the security replacement mechanism see Section 5.9 of the Deed of Trust attached as Appendix A to the August 26 2020 Shelf Offering Report (reference no. 2020-01-084685).	Yes. Darban shares See Note 25.c.1 to the Consolidated Financial Statements in the 2020 Periodic Report and Appendix B to the 2020 Periodic Report.
Trustee	Resnick Paz Nevo Trusts Ltd. (2)	Resnick Paz Nevo Trusts Ltd. (2)
to early repayment	(3)	

Further Details on Company Debentures

- (1) Mishmeret Trust Services Ltd., the details of the engagement with which, to the best of the Company's knowledge, are as follows: contact: Mr. Rami Sabbati; address: 46-48 Menachem Begin Road Tel Aviv; telephone number: 03-6386894; fax: 03-6374344; email address: Trusts@bdo.co.il.
- (2) Resnick Paz Nevo Trusts Ltd., the details of which, to the best of the Company's knowledge, are as follows: contact: Yossi Resnick; address: 14 Yad Harutzim, Tel Aviv; telephone number: 03-6389200; fax: 03-6389222; email address: trust@rpn.co.il.
- (3) The terms of the debentures (Series 15-24) state that the Company has a right to early redemption that will be carried out in accordance with the provisions and guidelines of the Stock Exchange bylaws. The Company shall be entitled to perform an early redemption starting from the date the debentures were listed for trade so long as the minimum redemption sum is no less than 1 million NIS. In addition, in the terms of the debentures Series (15-17), the Company undertook not to create a general current lien on all of its assets in favor of a third party.
- (4) On February 23 2021 the Company performed, at its initiative, an early redemption of the debentures (Series 21) (formerly Series 12 of Jerusalem Economy Ltd.) to the sum of 222,344,571 NIS NV and at a total sum of 249,515,078 NIS for principal and interest. The principal sum redeemed via early redemption amounted to 222,344,571 NIS. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date is 27,170,507 NIS. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 12.22%. The Company listed a one-time expense of 14 million NIS due to the early full redemption.

Reportable Credit

The Company's debentures (Series 18 and 25) constitute reportable credit.

The following are details regarding the Company's compliance with the financial covenants (Series 18):

The Covenant	Ratio as of the Report Date	Compliance as of Report Date
Equity less minority rights shall be no less than 1,000 million NIS.	6,624	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.	36%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 17 for two consecutive quarters.	6.37	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 15% for two consecutive quarters.	51.1%	Meeting the condition

Restrictions on the distribution of dividends in accordance with the to the debentures' (Series 18) deed of trust:

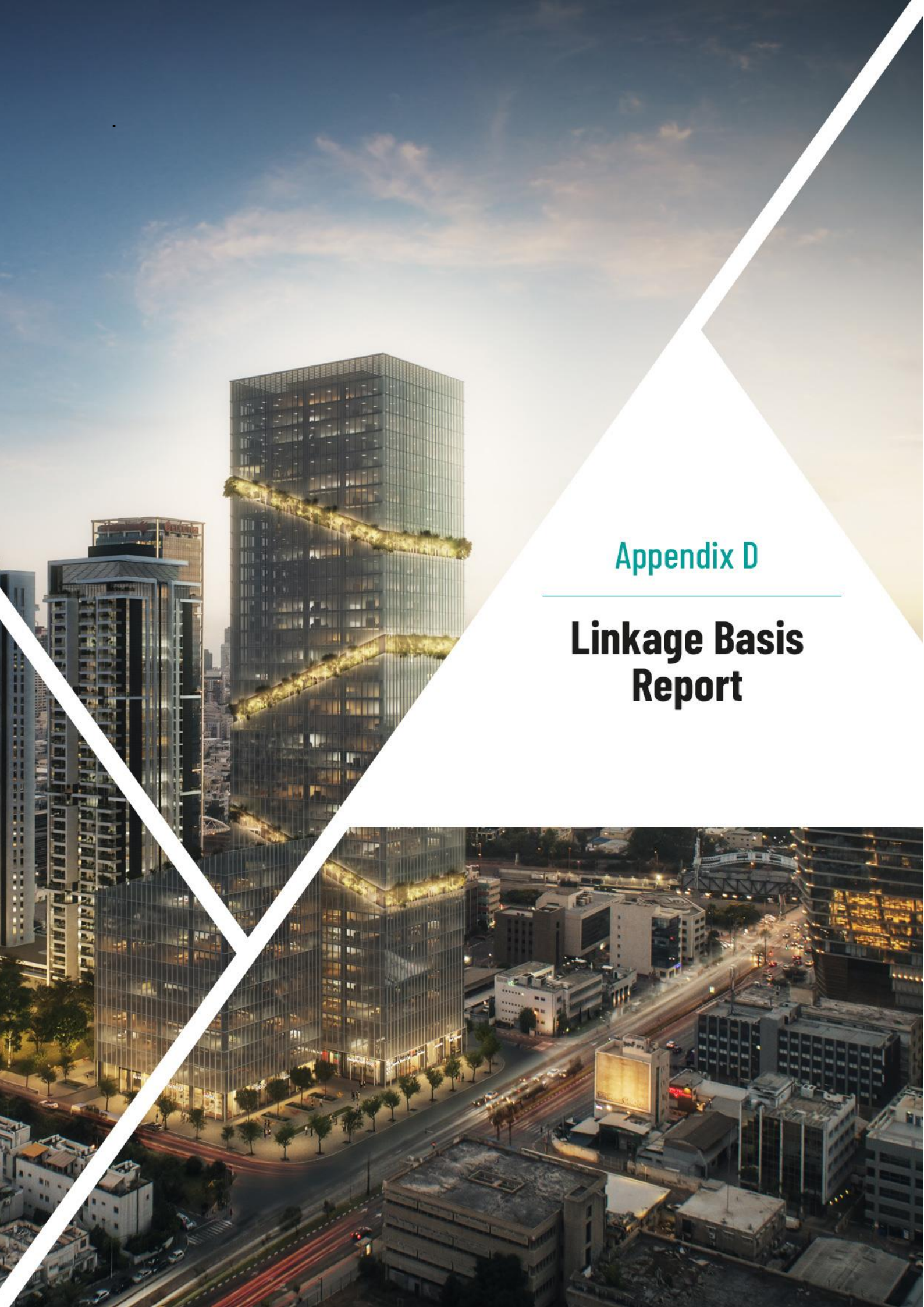
The Covenant	Ratio as of the Report Date	Compliance as of Report Date
Equity will be decreased to below 1.3 billion NIS.	6,624	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 73% for two consecutive quarters.	36%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 15 for four consecutive quarters.	6.37	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 15% for two consecutive quarters.	51.1%	Meeting the condition

The following are details on the financial covenants of the debentures (Series 25) issued subsequent to the balance sheet date:

The Covenant
Equity will be decreased to below 2.5 billion NIS, for two continuous consecutive quarters.
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 16 for two consecutive quarters.
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 20% for two consecutive quarters.

Restrictions on the distribution of dividends in accordance with the to the debentures' (Series Y) deed of trust:

The Covenant
Equity will be decreased to below 3.4 billion NIS.
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 70% for two consecutive quarters.
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 13 for four consecutive quarters.



Appendix D

Linkage Basis Report

Appendix D

Linkage Basis Report

Linkage basis report in accordance with September 30 2021
Consolidated Financial Statements:

	Thousands of NIS	USD	CHF	EUR	CAD	Index	Unlinked	Non-Financial	Total
Assets	Cash and cash equivalents	8,941	14,580	41,912	25,838	-	99,723	-	190,994
	Short-term investments	-	-	90,319	-	-	41,348	-	131,667
	Trade receivables	316	62	10,966	1,709	-	27,469	-	40,522
	Receivables and debit balances	11,585	839	10,893	3,854	10,669	39,748	16,365	93,953
	Taxes receivable	10	417	1,108	177	5,593	7,414	-	14,719
	Deposits and long-term debit balances	3,853	-	-	230	29,872	-	-	33,955
	Investments in investees	-	-	20,236	(1,094)	-	8,857	248,297	276,296
	Assets held for sale	-	-	-	-	-	-	101,629	101,629
	Advance payments on account of investments in land	-	-	-	-	-	-	220,146	220,146
	Inventory of land for residential construction and apartments under construction	-	-	-	-	-	-	449,214	449,214
	Investment property	-	-	-	-	-	-	11,031,206	11,031,206
	Investment property under construction	-	-	-	-	-	-	563,640	563,640
	Fixed assets	-	-	-	-	-	-	117,182	117,182
	Intangible assets	-	-	-	-	-	-	27,128	27,128
	Deferred taxes	-	-	-	-	-	-	244	244
	Total assets	24,705	15,898	175,434	30,714	46,134	224,559	12,760,323	13,292,495
Liabilities	Trade liabilities	12	815	9,448	2,834	-	28,172	-	41,281
	Payables and credit balances	797	695	18,238	785	9,120	105,243	63,669	198,547
	Taxes payable	2,360	-	6,390	-	-	5,360	-	14,110
	Provisions	-	-	-	-	-	17,695	-	17,695
	Loans from banking corporations including current maturities	51,179	180,512	50,921	37,897	741,167	199,076	(35,039)	1,225,713
	Other liabilities	50,552	-	-	219	-	47,794	-	98,565
	Debentures	-	-	-	-	3,363,375	306,786	-	3,670,161
	Tenant deposits	885	-	3,805	-	32,205	2,780	-	39,675
	Employee benefit liabilities, net	-	-	-	-	-	-	8,125	8,125
	Deferred taxes	-	-	-	-	-	-	1,375,713	1,375,713
	Total liabilities	105,785	182,022	88,802	41,735	4,145,867	712,906	1,412,468	6,689,595

Mivne Real Estate (K.D) Ltd.

(“The company”)

Quarterly financial statements – for the period
ended september 30 2021

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on November 24, 2021 (reference no.: 2021-01-101044) (hereafter: “the Hebrew Version”).
This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.



Mivne Real Estate (K.D) Ltd.

Consolidated Interim Financial Statements
As of September 30, 2021

Unaudited

Table of Contents

	<u>Page</u>
C.P.A. Review	2
Consolidated Financial Statements (unaudited):	
Consolidated Balance Sheets	3-4
Consolidated Statements of Profit or Loss	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7-11
Consolidated Cash Flow Reports	12-14
Notes for the Consolidated Interim Balance Sheets	15-24

Auditors' Report to Shareholders of Mivne Real Estate (K.D) Ltd.

Introduction

We have reviewed the attached interim financial information on Mivne Real Estate (K.D) Ltd. and its subsidiaries (hereinafter – the Group), which includes its Concise Consolidated Balance Sheet as of September 30, 2021 and its Concise Consolidated Statements of Profit or Loss, Reports on Comprehensive Income, Changes in Equity and Cash Flows for the nine and three-month periods ending that date. The Company's Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with International Accounting Standard 34 "Interim Financial Reporting", as well as for the preparation of financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

We have not reviewed the concise interim financial information of consolidated companies, the assets of which included in the consolidation constitute some 16.76% of all consolidated assets as of September 30, 2021, and revenues of which included in the consolidation constitute some 13.35% and 15.11% of all consolidated revenues for the nine- and three-month periods ending that date, respectively. Furthermore, we did not audit the concise interim financial information of companies presented according to the book value method, investment in which amounted to a total of approximately 152 million NIS as of September 30, 2021, with the Group's share of the losses of the companies in question amounting to approximately 4.3 and 1.9 million NIS in the nine- and three-month periods ending that date, respectively. The concise interim financial statements of said companies have been reviewed by other accountants, the reports of whom have been provided us and our conclusion, inasmuch as it refers to financial information for the aforementioned companies, is based on the reviews conducted by these other accountants.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Israeli Institute of Certified Public Accountants, "Reviews of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and from the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit-level opinion.

Conclusion

Based on our review and on those of other accountants, nothing has come to our attention to make us believe that the financial information in question has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review and on those of other accountants, nothing has come to our attention to make us believe that the financial information in question does not comply, in all material aspects, with disclosure regulations as per Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv,
November 23, 2021

Kost Forrer Gabbay & Kassirer
Certified Public Accountants

Consolidated Balance Sheets

	As of September 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	190,994	587,816	431,706
Short-Term Investments and Deposits	90,634	77,743	69,288
Limited cash and funds in trust	41,033	21,623	63,851
Trade receivable	40,522	56,711	50,117
Other accounts receivables	93,953	234,381	157,342
Taxes receivable	14,719	17,608	20,150
Inventory of land, apartments and buildings for sale and under construction	424,760	215,061	175,540
	896,615	1,210,943	967,994
<u>Assets held for sale</u>	101,629	42,155	50,724
	998,244	1,253,098	1,018,718
<u>Non-Current Assets</u>			
Deposits in banking corporations	-	247	-
Other accounts receivables	33,955	21,735	20,301
Investments in financial assets measured at fair value via other comprehensive income	-	-	85,633
Investments in companies measured in equity method	276,296	303,655	294,304
Advance payments on account of investment property	220,146	-	-
Investment property	11,031,206	10,830,347	10,993,476
Investment property under development	563,640	208,020	167,870
Inventory of land for construction	24,454	388,142	389,072
Fixed assets, net	117,182	76,819	83,722
Intangible assets, net	27,128	27,128	27,128
Deferred taxes	244	2,299	1,471
	12,294,251	11,858,392	12,062,977
	13,292,495	13,111,490	13,081,695

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Balance Sheets

	As of September 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Liabilities</u>			
Credit from banks and credit providers	-	18,299	22,150
Current maturities of debentures	370,193	299,823	405,327
Current maturities of loans and other liabilities	226,570	251,806	246,351
Trade payables	41,279	42,133	34,252
Accounts payable	170,423	233,069	211,053
Advance payments from buyers	45,819	19,785	2,725
Taxes payable	14,110	47,074	49,642
	868,394	911,989	971,500
<u>Non-Current Liabilities</u>			
Loans from banking corporations and financial institutions	999,143	1,003,505	982,916
Debentures	3,299,968	3,798,747	3,635,402
Other liabilities	98,565	120,846	116,461
Tenant deposits	39,675	36,713	37,400
Employee benefit liabilities	8,125	8,019	7,781
Deferred taxes	1,375,713	1,238,397	1,268,237
	5,821,189	6,206,227	6,048,197
<u>Equity Attributable to Company Shareholders</u>			
Stock capital	1,495,692	1,509,503	1,515,298
Share premium	3,499,601	3,607,405	3,634,931
Buy options	-	-	14,456
Capital reserve from tradable securities	-	-	(11,526)
Reserve in respect of share-based payment transactions	21,682	14,774	17,122
Treasury shares	(393,227)	(641,127)	(641,127)
Retained earnings	2,182,535	1,693,124	1,718,294
Adjustments arising from the translation of the financial statements of foreign activity	97,005	107,950	104,943
Capital reserve from transactions with non-controlling interests	(279,026)	(279,026)	(279,026)
	6,624,262	6,012,603	6,073,365
<u>Non-Controlling Interests</u>	(21,350)	(19,329)	(11,367)
<u>Total equity</u>	6,602,912	5,993,274	6,061,998
	13,292,495	13,111,490	13,081,695

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

November 23, 2021			
Approval Date of the Financial Statements	Tal Fuhrer Chairman of the Board of Directors	Dudu Zvida Chief Executive Officer	Yossi Filiba Chief Financial Officer

Consolidated Statements of Operations

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS (Except for Net Profit per Share Data)				
<u>Revenues</u>					
Rental and management fee income – Israel	575,350	561,369	200,229	196,719	748,467
Rental and management fee income – abroad	90,248	99,253	28,933	33,324	131,589
Sale of apartments and land	177,466	108,883	15,111	47,208	162,347
From management of buildings and infrastructure	333	1,435	82	309	1,538
From solar installations, net	5,324	3,419	2,317	1,362	3,829
From the sale of fuels, net	881	722	310	377	1,237
Total revenues	849,602	775,081	246,982	279,299	1,049,007
<u>Expenses</u>					
Maintenance expenses – Israel	124,349	126,992	45,563	51,042	167,295
Maintenance expenses – abroad	31,336	36,460	8,323	12,509	48,658
Cost of apartments and land sold	142,382	82,252	5,230	41,239	121,405
Total cost of sales and services	298,067	245,704	59,116	104,790	337,358
Gross profit	551,535	529,377	187,866	174,509	711,649
Increase in value of investment property and investment property under development, net	426,810	277,979	158,152	38,555	299,389
Sales and marketing expenses	4,566	3,205	1,813	1,017	4,402
Administrative and general expenses	61,615	77,654	20,180	20,887	106,930
Increase (decrease) in value of inventory of land for construction	-	449	-	-	(553)
Other revenues (expenses), net	32,415	45,798	21,191	(128)	57,779
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	12,979	-	-	-	-
The Company's share of the profits of companies measured in equity method, net	11,971	8,883	12,106	3,739	6,610
Operating profit	969,529	781,627	357,322	194,771	963,542
Financing expenses	214,105	119,167	86,153	22,407	185,059
Loss from early redemption of debentures and loans	13,903	23,011	-	6,239	23,011
Financing revenues (expenses)	8,195	7,139	621	(1,029)	9,716
Profit before taxes on income	749,716	646,588	271,790	165,096	765,188
Taxes on income	135,281	140,980	50,442	20,750	188,458
Net profit	614,435	505,608	221,348	144,346	576,730
Attributed to:					
Company shareholders	610,532	511,425	219,824	143,110	577,224
Non-controlling interests	3,903	(5,817)	1,524	1,236	(494)
	614,435	505,608	221,348	144,346	576,730
<u>Profit per share attributed to company shareholders (in NIS)</u>					
Basic net income	0.82	0.7	0.29	0.19	0.79
Diluted net income	0.82	0.7	0.3	0.2	0.78

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Reports on Comprehensive Income

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Net profit	614,435	505,608	221,348	144,346	576,730
Other comprehensive profit (loss) (after tax influence):					
<u>Sums restated to gain or loss under conditions:</u>					
Profit due to cash flow hedging transactions	-	3,732	-	3,784	3,732
Adjustments arising from the translation of the financial statements of foreign activity	3,875	(21,686)	(1,857)	(10,734)	(21,534)
Realization of capital reserve to gain or loss due to the realization of foreign activity	(12,979)	-	-	-	-
	(9,104)	(17,954)	(1,857)	(6,950)	(17,802)
<u>Items not reclassified to gain/loss:</u>					
Profit (loss) due to investment in financial asset measured at fair value via other comprehensive income	15,235	-	-	-	(11,526)
	15,235	-	-	-	(11,526)
Total other comprehensive income (loss)	6,131	(17,954)	(1,857)	(6,950)	(29,328)
Total comprehensive income	620,566	487,654	219,491	137,396	547,402
Attributed to:					
Company shareholders	617,829	494,392	217,471	135,828	545,658
Non-controlling interests	2,737	(6,738)	2,020	1,568	1,744
	620,566	487,654	219,491	137,396	547,402

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										Non-controlling interests	Total Equity
	Stock Shares –	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Shares – Treasury	Retained Earnings	Reserve in respect of share-based payment transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non-Controlling Interests	Total		
Unaudited Thousands of NIS												
Balance as of January 1 2021 (Audited)	1,515,298	3,634,931	14,456	(11,526)	(641,127)	1,718,294	17,122	104,943	(279,026)	6,073,365	(11,367)	6,061,998
Net profit	-	-	-	-	-	610,532	-	-	-	610,532	3,903	614,435
Realization of capital reserve to Statement of Operations	-	-	-	-	-	-	-	(12,979)	-	(12,979)	-	(12,979)
Other comprehensive income (loss)	-	-	-	15,235	-	-	-	5,041	-	20,276	(1,166)	19,110
Total comprehensive income (loss)	-	-	-	15,235	-	610,532	-	(7,938)	-	617,829	2,737	620,566
Writing off treasury shares	(30,530)	(217,370)	-	-	247,900	-	-	-	-	-	-	-
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	-	-	(10,639)	(10,639)
Classification of capital reserve upon realization of securities	-	-	-	(3,709)	-	3,709	-	-	-	-	-	-
Exercise of employee options	54	396	-	-	-	-	(450)	-	-	-	-	-
Stock offering	10,870	81,644	(14,456)	-	-	-	-	-	-	78,058	-	78,058
Dividend to Company shareholders	-	-	-	-	-	(150,000)	-	-	-	(150,000)	-	(150,000)
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	-	-	-	(2,081)	(2,081)
Share-based payment	-	-	-	-	-	-	5,010	-	-	5,010	-	5,010
Balance as of September 30, 2021	1,495,692	3,499,601	-	-	(393,227)	2,182,535	21,682	97,005	(279,026)	6,624,262	(21,350)	6,602,912

The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Stock Shares –	Share premium	Shares – Treasury	Retained Earnings	Hedge capital fund	Reserve in respect of Share-Based Payment Transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non- Controlling Interests	Total	Non- controlling interests	Total Equity
	Unaudited Thousands of NIS										
Balance as of January 1 2020 (Audited)	1,509,503	3,607,405	(641,127)	1,231,356	(3,732)	2,694	128,715	(263,678)	5,571,136	(14,763)	5,556,373
Net profit (loss)	-	-	-	511,425	-	-	-	-	511,425	(5,817)	505,608
Other comprehensive income (loss)	-	-	-	-	3,732	-	(20,765)	-	(17,033)	(921)	(17,954)
Total comprehensive income (loss)	-	-	-	511,425	3,732	-	(20,765)	-	494,392	(6,738)	487,654
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	(11,088)	(11,088)	-	(11,088)
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	(4,260)	(4,260)	4,260	-
Dividends paid to Company shareholders	-	-	-	(49,657)	-	-	-	-	(49,657)	-	(49,657)
Dividends paid to holders of non- controlling interests	-	-	-	-	-	-	-	-	-	(2,088)	(2,088)
Share-based payment	-	-	-	-	-	12,080	-	-	12,080	-	12,080
Balance as of September 30, 2020	1,509,503	3,607,405	(641,127)	1,693,124	-	14,774	107,950	(279,026)	6,012,603	(19,329)	5,993,274

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Stock Shares –	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Shares – Treasury	Retained Earnings	Reserve in respect of share-based payment transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non- Controlling Interests	Total	Non- controlling interests	Total Equity
	Unaudited											
	Thousands of NIS											
Balance as of July 1, 2021	1,526,222	3,716,971	-	-	(641,127)	2,012,711	20,286	99,358	(279,026)	6,455,395	(23,370)	6,432,025
Net profit	-	-	-	-	-	219,824	-	-	-	219,824	1,524	221,348
Other comprehensive income (loss)	-	-	-	-	-	-	-	(2,353)	-	(2,353)	496	(1,857)
Total comprehensive income (loss)	-	-	-	-	-	219,824	-	(2,353)	-	217,471	2,020	219,491
Writing off treasury shares	(30,530)	(217,370)	-	-	247,900	-	-	-	-	-	-	-
Dividend to Company shareholders	-	-	-	-	-	(50,000)	-	-	-	(50,000)	-	(50,000)
Share-based payment	-	-	-	-	-	-	1,396	-	-	1,396	-	1,396
Balance as of September 30, 2021	1,495,692	3,499,601	-	-	(393,227)	2,182,535	21,682	97,005	(279,026)	6,624,262	(21,350)	6,602,912

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Stock Shares –	Share premium	Shares – Treasury	Retained Earnings	Reserve from Hedge	Reserve from Share-Based Payment Transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non- Controlling Interests	Total	Non- controlling interests	Total Equity
	Unaudited Thousands of NIS										
Balance as of July 1, 2020	1,509,503	3,607,405	(641,127)	1,599,671	(3,784)	11,908	119,016	(279,026)	5,923,566	(20,091)	5,903,475
Net profit	-	-	-	143,110	-	-	-	-	143,110	1,236	144,346
Other comprehensive income (loss)	-	-	-	-	3,784	-	(11,066)	-	(7,282)	332	(6,950)
Total comprehensive income (loss)	-	-	-	143,110	3,784	-	(11,066)	-	135,828	1,568	137,396
Dividends paid to Company shareholders	-	-	-	(49,657)	-	-	-	-	(49,657)	-	(49,657)
Dividends paid holders of non- controlling interests	-	-	-	-	-	-	-	-	-	(806)	(806)
Share-based payment	-	-	-	-	-	2,866	-	-	2,866	-	2,866
Balance as of September 30, 2020	1,509,503	3,607,405	(641,127)	1,599,671	-	14,774	107,950	(279,026)	6,012,603	(19,329)	5,993,274

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Stock Shares –	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Shares – Treasury	Retained Earnings	Reserve in respect of share-based payment transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non- Controlling Interests	Total	Non- controlling interests	Total Equity
Audited												
Thousands of NIS												
Balance as of January 1 2020	1,509,503	3,607,405	-	-	(641,127)	1,231,356	2,694	124,983	(263,678)	5,571,136	(14,763)	5,556,373
Net profit (loss)	-	-	-	-	-	577,224	-	-	-	577,224	(494)	576,730
Other comprehensive income (loss)	-	-	-	(11,526)	-	-	-	(20,040)	-	(31,566)	2,238	(29,328)
Total comprehensive income (loss)	-	-	-	(11,526)	-	577,224	-	(20,040)	-	545,658	1,744	547,402
Issue of call options	-	-	14,456	-	-	-	-	-	-	14,456	-	14,456
Issue of shares for the acquisition of investment property	5,795	27,526	-	-	-	-	-	-	-	33,321	-	33,321
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	-	(4,260)	(4,260)	4,260	-
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	(11,088)	(11,088)	-	(11,088)
Dividends paid to Company shareholders	-	-	-	-	-	(90,286)	-	-	-	(90,286)	-	(90,286)
Dividends paid holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,608)	(2,608)
Share-based payment	-	-	-	-	-	-	14,428	-	-	14,428	-	14,428
Balance as of December 31 2020	1,515,298	3,634,931	14,456	(11,526)	(641,127)	1,718,294	17,122	104,943	(279,026)	6,073,365	(11,367)	6,061,998

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Cash Flow Reports

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Cash Flows from Current Activity					
Net profit	614,435	505,608	221,348	144,346	576,730
Adjustments needed to reconcile net income to net cash from current activity					
Adjustments to profit or loss items:					
Depreciation and amortization	3,448	4,291	1,120	1,281	5,301
Loss (profit) from short-term investments, net	(3,326)	741	4,244	458	6,191
Increase in fair value of investment property and investment property under development, net	(426,810)	(277,979)	(158,152)	(38,555)	(299,389)
The Company's share of the profits of companies measured in equity method, net	(11,971)	(8,883)	(12,106)	(3,739)	(6,610)
Interest and revaluation of debentures and loans	179,665	91,636	63,395	37,964	124,326
Change in employee benefit liabilities, net	344	559	204	59	321
Interest and revaluation of deposits and debit balances	29,571	19,651	17,894	(14,986)	44,826
Capital gain, net	-	(3,039)	-	-	(3,039)
Taxes on income	135,274	140,980	50,435	20,750	188,458
Loss (profit) from the impairment of inventory of land for construction and inventory of buildings and apartments for sale	-	(449)	-	-	553
Realization of capital reserve from translation differences to Statement of Operations	(12,979)	-	-	-	-
Loss (profit) from the realization of investment in associate	-	(69,005)	-	2,657	(69,005)
Loss from early redemption of debentures and loans	13,903	23,011	-	6,239	23,011
Share-based payment	5,010	12,080	1,396	2,866	14,428
	(87,871)	(66,406)	(31,570)	14,994	29,372
Changes in asset and liability items:					
Decrease (increase) in trade receivables	8,991	(19,310)	(1,101)	4,868	(14,858)
Decrease (increase) in other receivables	24,809	(31,064)	(8,243)	866	(22,797)
Increase (decrease) in trade liabilities	7,319	(16,557)	(11,120)	(18,582)	(24,686)
Increase (decrease) in payables, credit balances and liabilities due to contract	(57,966)	49,896	(5,092)	(13,009)	24,308
Increase (decrease) in tenant security deposits	2,286	(8,522)	848	(6,837)	(5,927)
	(14,561)	(25,557)	(24,708)	(32,694)	(43,960)
Cash paid and received during the reported period for:					
Interest paid	(98,448)	(125,427)	(19,780)	(21,492)	(186,886)
Interest received	5,989	8,611	2,174	4,501	4,540
Taxes paid	(28,454)	(85,630)	(7,316)	(9,073)	(85,671)
Taxes received	11,472	15,292	83	15,241	18,260
Dividends received	7,269	56,786	437	56,786	58,443
	(102,172)	(130,368)	(24,402)	45,963	(191,314)
Net cash deriving from current activity before a decrease in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	409,831	283,277	140,668	172,609	370,828
Decrease (increase) in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	127,785	12,824	(21,620)	3,803	36,958
Net cash deriving from current activity	537,616	296,101	119,048	176,412	407,786

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Cash Flow Reports

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
<u>Cash Flows from Investment Activity</u>					
Purchases, advances on investments, and investments in investment property	(411,419)	(74,197)	(127,835)	(12,027)	(177,120)
Investment in investment property under development	(96,180)	(55,898)	(37,539)	(20,349)	(74,409)
Investment in fixed assets	(37,581)	(13,782)	(14,165)	(9,407)	(22,049)
Investment and loans to companies measured in equity method, net	(3,097)	-	(697)	-	-
Proceeds from the realization of short-term investments (investment in investments), net	64,447	4,416	39,211	10,534	(121,630)
Proceeds from the realization of investment property and real estate held for sale	153,159	330,837	43,752	40,310	431,278
Proceeds from the realization of fixed assets	-	3,599	-	-	3,599
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	17,969	215,017	17,969	-	215,428
Repayment of long-term loans granted, net	-	2,057	-	-	2,118
Repayment of long-term deposits	45,815	45,840	45,815	45,840	45,844
Proceeds received (paid) from the realization of investment in subsidiary consolidated in the past, net (a)	55,695	(225)	-	-	(225)
Net cash derived from (used in) investment activity	(211,192)	457,664	(33,489)	54,901	302,834
<u>Cash Flows from Financing Activity</u>					
Dividends paid to Company shareholders	(150,000)	(49,657)	(50,000)	(49,657)	(90,286)
Issue of shares as a result of option exercise	78,058	-	-	-	-
Issue of debentures	-	585,126	-	302,421	585,126
Redemption of debentures	(447,858)	(712,022)	(33,277)	(35,232)	(765,157)
Short-term credit from banking corporations and others, net	(27,500)	15,033	(15,000)	(338,981)	18,884
Receipt of loans from banks and other long-term liabilities	238,552	-	203,752	-	1,032
Repayment of loans from banks and other long-term liabilities	(252,686)	(436,219)	(212,146)	(106,670)	(456,021)
Dividend paid to holders of non-controlling interests	(2,081)	(2,088)	-	-	(2,608)
Net cash used in financing activities	(563,515)	(599,827)	(106,671)	(228,925)	(709,030)
<u>Increase (decrease) in cash and cash equivalents</u>	(237,091)	153,941	(21,112)	2,391	1,590
<u>Exchange rate differences due to balances of cash and cash equivalents</u>	(3,621)	7,088	(2,393)	6,296	3,326
<u>Balance of cash and cash equivalents at the beginning of the period</u>	431,706	426,790	214,499	579,132	426,790
<u>Cash and cash equivalents balance at end of period</u>	190,994	587,816	190,994	587,816	431,706

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Consolidated Cash Flow Reports

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
(a) <u>Proceeds from the Realization of Investments in Subsidiaries Consolidated in the Past, Net</u>					
Assets and liabilities of subsidiaries as of the date of sale:					
Working Capital	(3,693)	118	-	-	118
Investment property and investment property under development	70,305	-	-	-	-
Other long-term assets and fixed assets	-	-	-	-	10,745
Inventory of land	-	10,745	-	-	-
Capital loss	(278)	-	-	-	-
Non-controlling interests	(10,639)	(11,088)	-	-	(11,088)
	<u>55,695</u>	<u>(225)</u>	<u>-</u>	<u>-</u>	<u>(225)</u>
(b) <u>Additional information on material actions not involving cash flows:</u>					
Classification from investment property and balance of long-term receivables to inventory	<u>-</u>	<u>337,500</u>	<u>-</u>	<u>-</u>	<u>337,500</u>
Purchase of investment property and investment property under construction against the issue of shares and put option	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,708</u>
Purchase of investment in financial asset measured at fair value via other comprehensive income against the issue of put options	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,456</u>

The attached Notes constitute an inseparable part of the Interim Consolidated Financial Statements.

Notes to the Consolidated Interim Financial Statements

Note 1: - General

- a. These Financial Statements have been prepared in a concise format as of September 30, 2021 and for the nine and three month periods ending that date (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with of the Company's Annual Financial Statements as of December 31, 2020 and for the year ending that date and accompanying Notes (hereinafter – the Annual Consolidated Financial Statements).

- b. Impact of Covid-19 Coronavirus

The third quarter of 2021 ended with signs of recovery from the crisis deriving from the spread of COVID-19 (hereinafter – the COVID-19 Pandemic), this after the Israeli Government imposed various lockdowns and restrictions over the course of 2020 and at the beginning of 2021 in accordance with the rate of infection in Israel. The last lockdown continued to February 2021, and only then was business activity allowed to gradually resume. By early June 2021 most restrictions had already been lifted from the economy and regular business activity had resumed, but in the reporting period a renewed increase in the rates of morbidity and mortality caused by the virus has taken place, and some of the restrictions have been reimposed. As of the date of the Financial Statements, in light of the high uptake rates for the third dose of the vaccine against the virus, most restrictions have been lifted, and morbidity rates have fallen significantly. Nonetheless, various countries in the world are fighting the renewed outbreak of the pandemic, and we cannot know whether another increase in morbidity will occur in Israel.

Since the start of the spread of the COVID-19 pandemic in 2020, the Company's policy has been and still is to maintain continuity of its ongoing activity in all segments, while implementing legal provisions and protecting the health of its workers, tenants and visitors to its properties. As such, the Company has continued with planning, development, marketing, rental and management activity for Company properties and purchased real estate properties in Israel and participated in tenders issued by the Israel Land Authority and local authorities.

As of the balance sheet date, the sum of amortization in rental payments derived from granting relief to Company tenants in Israel and abroad amounted to approximately 12 million NIS (without the amortization discount as a result of the provision of government assistance to these tenants), charged as a decrease in revenues over the course of the three quarters of 2021.

Company management and the Board of Directors estimate at this time that the Company's financial fortitude, as expressed, among other things, in the Company's high cash balances and unused credit framework amounting to approximately 2.2 billion NIS as of the publication of this report, cash-generating properties in a variety of segments and broad geographical distribution in Israel, accessibility to the domestic capital market and unpledged real estate properties to the sum of some 3.4 billion NIS, will allow it to limit the potential impact of the crisis on its activity and meet its existing and expected obligations in the foreseeable future.

Notes to the Consolidated Interim Financial Statements

Note 2: – Principal Accounting Policies

a. Basis of Preparation of the Interim Consolidated Financial Statements

These Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as well as in accordance with disclosure requirements as per Chapter D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The accounting policy applied in the preparation of the Consolidated Interim Financial Statements is consistent with that used in the preparation of the Consolidated Yearly Financial Statements, except as described below:

a. Initial adoption of amendments to existing financial reporting and accounting standards:

1. Revisions to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IFRS 39 on the Reform in IBOR Interest Rates

In August 2020 the IASB published amendments to IFRS 9 Financial Instruments, to IFRS 7 Financial Instruments: Disclosures, to IAS 39 Financial Instruments: Recognition and Measurement, to IFRS 4 Insurance Contracts and IFRS 16 Leases (hereinafter – “the Amendments”).

The Amendments provide practical relief dealing with the impact of accounting treatment of the Financial Statements when the benchmark interest rates (IBORs – Interbank Offered Rates) are replaced with risk-free interest rates (RFRs).

In accordance with one of the practical reliefs, the Company will handle contractual amendments or amendments to cash flows directly required as a result of implementation of the reform similar to the accounting treatment of changes in variable interest rates. In other words, a company needs to recognize the changes in interest rates by adjusting the effective interest rate without altering the book value of the financial instrument. Use of this practical relief is dependent on the fact that the change from IBOR to RFR occurs on the basis of equal economic conditions. In addition, the Amendments allow the changes required by the IBOR reform to be made to the designation of the hedging and the documentation without halting the hedging relationships when certain conditions are met. Pursuant to the Amendments, a temporary practical relief was also given in connection with the implementation of hedge accounting pertaining to identifying the hedged risk as “identifiable separately.”

Pursuant to the Amendments, disclosure requirements were added in connection with the impact of the expected reform on the Company’s Financial Statements including reference to the manner in which the Company manages implementation of the interest reform, the risks it is exposed to as a result of the expected reform and quantitative disclosures pertaining to financial instruments at IBOR interest rates expected to change.

The above revisions were not expected to have a material impact on the Company’s Interim Financial Statements.

Notes to the Consolidated Interim Financial Statements

Note 2: – Principal Accounting Policies (Continued)2. Revision to IAS 12 Taxes on Income

In May 2021 the IASB published an amendment to International Accounting Standard 12 Taxes on Income (hereinafter: “IAS 12” or “the Standards”), which reduces the incidence of the “initial recognition exclusion” of the deferred taxes presented in Sections 15 and 24 of IAS 12 (hereinafter: “the Amendment”).

Pursuant to the guidelines on recognizing deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax asset and liabilities for certain temporary differences deriving from initial recognition of assets and liabilities in certain transactions. This exclusion is called the “initial recognition exclusion”. The Amendment reduces the incidence of the “initial recognition exclusion” and clarifies that it does not apply to recognition of deferred tax assets and liabilities deriving from a transaction that is not a business compilation and due to which temporary differences were created equal in terms of credit and debit even if they meet the remaining conditions of the exclusion.

The Amendment shall be applied to yearly reporting periods starting January 1 2023 or subsequently. Early implementation is possible. Regarding lease agreements and recognition of liabilities due to disassembly and renovation – the Amendment will be implemented starting from the start of the earliest reporting period presented in the Financial Statements in which the amendment was implemented for the first time, while charging the cumulative impact of the first-time implementation to the surpluses opening balance (or some other capital component, as relevant) as of this date.

The Company estimates that the above revision will not have a material impact on the Company’s Financial Statements.

b. The following is data pertaining to the exchange rates of principal currencies in the countries in which the Group operates and the Consumer Price Index:

<u>Rate of Change during the Period</u>	<u>The Consumer Price Index</u>					
	<u>Israel (*)</u>					
	<u>Actual</u>	<u>Known</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Canadian Dollar</u>	<u>Swiss Franc</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
30.9.2021 (9 months)	2.5	2.2	0.4	(5.3)	0.5	(5.6)
30.9.2021 (3 months)	0.9	0.8	(1.0)	(3.6)	(3.6)	(2.4)
30.9.2020 (9 months)	(0.7)	(0.6)	(0.4)	3.8	(3.2)	4.2
30.9.2020 (3 months)	0.1	0.1	(0.7)	3.7	1.5	2.3
December 31, 2020	(0.7)	(0.6)	(7.0)	1.7	(5.0)	2.1
	<u>CPI (in points)</u>		<u>Representative rate of exchange (in NIS)</u>			
September 30, 2021	135.96	135.69	3.229	3.736	2.5351	3.4472
September 30, 2020	132.63	132.77	3.441	4.026	2.569	3.726
December 31 2020	132.6	132.7	3.215	3.944	2.521	3.649

(*) CPI according to average base of 2000 = 100.

Notes to the Consolidated Interim Financial Statements

Note 3: – Concise Darban Data

The following is a summary of the financial data of Darban, the shares of which are pledged to the holders of Company debentures (Series 24):

a. Consolidated Balance Sheets

	As of September 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	8,847	82,893	6,506
Investments in financial assets	90,319	32,432	23,969
Current maturities of long-term deposits	-	45,181	45,181
Others	14,429	19,422	23,599
	113,595	179,928	92,255
Assets held for sale	-	96	-
	113,595	180,024	99,255
<u>Non-Current Assets</u>			
Investment in shares of parent company	549,647	712,645	799,508
Investments in associates measured in equity method	132,516	160,765	136,934
Investment property	986,917	968,297	975,698
Others	4,530	4,960	4,738
	1,673,610	1,846,667	1,916,878
	1,787,205	2,026,691	2,016,133
<u>Current Liabilities</u>			
Accounts payable and credit balances	23,111	24,094	25,787
Current maturities of long-term loans	9,644	24,941	24,941
Current maturities of loan from parent company	37,690	95,443	65,212
Others	6,468	7,246	4,160
	76,913	151,724	120,100
<u>Non-Current Liabilities</u>			
Long-term loans from financial institutions	159,733	165,815	163,452
Loan from parent company	24,359	112,254	31,792
Other long-term liabilities	15,000	15,000	15,000
Deferred taxes	151,332	134,366	158,916
	350,424	427,435	369,160
Total Equity	1,359,868	1,447,532	1,526,873
	1,787,205	2,026,691	2,016,133

Notes to the Consolidated Interim Financial StatementsNote 3: – Concise Darban Data (Continued)

b. Consolidated Statements of Operations

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
<u>Revenues</u>					
From building rental, management and maintenance in Israel	52,438	55,008	17,931	18,496	72,866
From building rental, management and maintenance abroad and others	1,915	4,914	444	1,588	6,473
Total revenues	54,353	59,922	18,375	20,084	79,339
<u>Costs</u>					
Cost of building management and maintenance	7,517	8,362	2,893	3,779	10,856
Gross profit	46,836	51,560	15,482	16,305	68,483
Net increase (decrease) in fair value of investment property	38,901	8,040	-	(173)	12,415
Administrative and general and sales and marketing expenses	8,401	8,262	2,815	2,327	13,708
Company share of losses of investees measured in equity method	8,563	7,057	2,806	(506)	11,082
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	(3,996)	-	-	-	-
Other revenues	-	65	-	2	66
Profits from regular activities	81,903	58,460	15,473	13,301	78,338
Financing revenues (expenses), net	10,818	(5,386)	(2,773)	2,917	(14,843)
Profit (loss) from the realization of consolidated companies and an investee measured in equity method	373	68,968	-	(2,658)	68,315
Profit after financing	93,094	122,042	12,700	13,560	131,810
Tax expenses	14,244	25,976	1,915	1,867	21,148
Net profit	78,850	96,066	10,785	11,693	110,626
Attributed to:					
Company shareholders	78,727	95,960	10,789	11,503	109,553
Non-controlling interests	123	106	(4)	190	1,073
	78,850	96,066	10,785	11,693	110,626

Notes to the Consolidated Interim Financial Statements

Note 3: – Concise Darban Data (Continued)c. Consolidated Reports on Comprehensive Income

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Net profit	78,850	90,066	10,785	11,693	110,626
Adjustments arising from the translation of the financial statements of foreign activity	(2,927)	1,665	(1,904)	3,063	(224)
Adjustments for the translation of financial statements relating to external activities that are reflected in the profit and loss	3,996	-	-	-	-
Profit (loss) due to investment in a Capital Instrument measured at fair value through Other Comprehensive Income	40,139	(85,849)	(2,945)	11,189	1,014
Income tax on components which are not reclassified in the profit and loss	14,758	19,744	24,666	(2,575)	(236)
	<u>134,816</u>	<u>31,626</u>	<u>30,602</u>	<u>23,370</u>	<u>111,180</u>
Attributed to:					
Company shareholders	134,621	31,972	30,607	23,095	110,779
Non-controlling interests	<u>195</u>	<u>(346)</u>	<u>(5)</u>	<u>355</u>	<u>401</u>
	<u>134,816</u>	<u>31,626</u>	<u>30,602</u>	<u>23,370</u>	<u>111,180</u>

Notes to the Consolidated Interim Financial Statements

Note 3: – Concise Darban Data (Continued)

d. Consolidated Cash Flow Reports

	For the 9 Months Ending September 30		For the 3 Months Ending September 30		For the Year Ending On December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Net cash deriving from current activity	50,360	43,689	13,969	23,347	60,947
Net cash derived from (used in) investment activity	(2,960)	257,128	47,395	45,956	255,134
Net cash used in financing activities	(44,980)	(281,083)	(62,159)	(194,950)	(371,430)
Translation differences due to cash balances held in foreign currency	(79)	1,772	(73)	2,109	468
Increase (decrease) in cash and cash equivalents	2,341	21,506	(868)	(123,538)	(54,881)
Balance of cash and cash equivalents at the beginning of the period	6,506	61,387	9,715	206,431	61,387
Cash and cash equivalents balance at end of period	8,847	82,893	8,847	82,893	6,506

Note 4: - Material Events During and Subsequent to the Reported Period

- A. On January 7, 2021 the Company announced that the Local Committee had approved an excavation, paneling and foundations permit for Hasolelim Project in Tel Aviv. As a result of the state of works in February 2021, the Company classified the inventory of land attributed for apartments to a sum of 337 million NIS to current assets and the land attributed to office buildings to the sum of 326 Million NIS from investment property to investment property under development. The company is working to obtain a building permit. In May 2021 the company began marketing some of the housing units in the project.
- B. On February 23, 2021 the Company performed, at its initiative, an early redemption of Company debentures (Series 21) to the sum of 222,344,571 NIS NV and at a total sum of 249,515,078 NIS for principal and interest. The principal sum redeemed via early redemption amounted to 222,344,571 NIS. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early redemption date, is 27,170,507 NIS. As a result of the early redemption the Company recognized a loss in its Statement of Operations for the first quarter of 2021 to the sum of 13,903 thousand NIS. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 12.22%.
- C. On March 18, 2021 the Company's Board of Directors approved a distribution of dividends payment on April 12, 2021 to the sum of 55.3 million NIS (of this a sum of 5.3 million NIS was distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend sum per share is 0.06759 NIS.
- D. On March 26, 2021, a fully-owned Company subsidiary holding rights to an office property in France, sold its full rights to this property to a third party, for a total of 62 million NIS (€15.75 million). As of December 31, 2020 the value of the property in the Company's books was 56.8 million NIS (€14.4 million). The company's cash flow resulting from the sale (before tax and transaction expenses) stood at NIS 62 million and the profit amounted to NIS 5.3 million.

Notes to the Consolidated Interim Financial Statements

Note 4: - Material Events During and Subsequent to the Reported Period (Continued)

- E. On April 17, 2021 the sale of companies in Serbia was completed and the full proceeds were received by the seller, a company fully owned by the Company. The free cash flow created for the Company from the sale (before tax and before transaction expenses) was 42 million NIS (€10.8 million).
- F. On April 21, 2021 the Company announced that it had allocated to three recipients from the Phoenix Group 10,869,484 Company shares as a result of the exercise of a Call option for the purchase of Company shares granted them, in return for the receipt of an exercise price of 78 million NIS.
- G. On May 11, 2021 the Company entered into a framework agreement with three corporations of the Aura Group (hereinafter – the Sellers) to purchase rights to 290 housing units and 4,000 m² of office space located in a number of locations in central Israel in return for a total of 590 million NIS plus VAT (and linkage difference to the Construction Inputs Index), which will be paid according to milestones, which primarily are: 20% to the date the vouchers are produced and 80% near the delivery of the property. For each such payment, the relevant seller shall provide the Company with Sales Law guarantees. Within the framework of the said framework agreement the company also entered into an agreement for the purchase of rights in student dormitories in Kiryat Ono for the amount of NIS 57 million and this transaction was completed on the October 31, 2021. In addition, the Company received a one-time option to purchase residential apartments at a 5% discount on the price of assessments at the advance sales stage relative to housing units in 17 future projects of the sellers in central Israel, subject to the terms set. The Company shall be entitled to trade this option to a corporation in which it holds at least 50% of the issued and paid-up capital over the course of the exercise period. It was also established that in the event that the Company issues a residential REIT during the period set the sellers shall be entitled to purchase up to 15% of the shares of this principle at a discount of 7.5% on the issue price, subject to the terms set. As of September 30, 2021 the Company has made advance payments to the sum of 220 million NIS.
- H. Following that stated in Note 6b to the December 31, 2020 Consolidated Financial Statements on the Company's purchase of 11,814,657 shares of Sela Capital Real Estate Ltd. (hereinafter – Sela) from two corporations in the Phoenix Group in return for a total of 83.7 million NIS, on May 20 2021 the Company sold 11,728,407 shares to a third party in an off-stock market transaction at a price of 8.98 NIS per share and for a total compensation of 105.3 million NIS. After the sale, the Company ceased being a controlling shareholder in Sela. On May 23, 2021, the Company sold the balance of its holdings in Sela shares. The total increase in capital created for the Company from its investment in Sela shares (including dividends) and before tax amounted to a total of 26 million NIS.
- I. On May 25, 2021 the Company's Board of Directors approved a distribution of dividends, payment on June 15, 2021, to the sum of 55.3 million NIS (of this a sum of 5.3 million NIS would be distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend sum per share is 0.06661 NIS.
- J. On May 27, 2021 Standard & Poor's Maalot revised the rating of the Company and its debentures. The rating of the Company, its unguaranteed debentures (Series 15, 16, 17 and 20) and debentures guaranteed by Darban shares (Series 24) increased from ilAA- to ilAA. The rating of the debentures guaranteed by income-generating real estate properties (Series 18, 19 and 23) which had been ilAA and the Company's short-term create rating which was ilA-1+ were ratified, all with a stable outlook.

Notes to the Consolidated Interim Financial Statements

Note 4: - Material Events During and Subsequent to the Reported Period (Continued)

- K. On the 9 August, 2021 Darban distributed a dividend in kind of 30,529,529 company shares at par value held by the company at a value of NIS 290 million, based on the value of the shares at the distribution date. After the distribution, the number of dormant shares for voting purposes, held by Darban, was 48,426,945 par value shares and the number of dormant shares held by the company was 30,529,529 par value shares. On the 12 August, 2021 the company deleted the above mentioned held dormant shares.
- L. On August 12, 2021 the Company's Board of Directors approved a distribution of dividends payment on August 31, 2021 to the sum of 55.2 million NIS (of this a sum of 3.2 million NIS was distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend sum per share is 0.06661 NIS.
- M. On the 23, August, 2021 the company received notification that together with two other partners it was awarded, in equal parts, the capitalized lease rights (without a development agreement) for 98 years (with an extension option) to a lot known as "lot 110" as part of a tender published by the Israel Land Authority and which is located in the "Sde Dov" complex in Tel Aviv (hereinafter "the plot" or "the tender" as appropriate) The plot is an area of 4.7 dunam and on which 230 housing units and 1,300 square meters of commercial space can be built. The company made an offer for the plot together with its partners for an amount of approximately NIS 633.8 million plus VAT and development expenses (plus VAT) of NIS 25.8 million. As at the 30 September, 2021 the company paid NIS 7.8 million. The investment is included in the long term inventory of Land for Construction. On the 17 November, 2021 the balance of the consideration for the plot of land was transferred to the Israel Land Authorities. For the purposes of the transfer, a loan was taken out in equal parts with the partners from a banking corporation, for an amount of approximately NIS 640 million, at prime interest. Against the loan a Lien was registered in favour of the banking corporation for the full rights of the partnership in the plot.
- N. On the 14 September, 2021 an agreement was reached with Mizrahi Tefahot Bank Ltd (hereinafter - the bank) for the rights of the bank and its related corporations (hereinafter together the sellers) for 23 real estate properties designated for office, commerce and residential purposes. The consideration for the acquisition of rights of the assets amounts to NIS 530 million plus VAT (hereinafter - the consideration). The consideration will be paid by the company according to the following payment terms: 10% of the consideration at the date of the signing of the sales agreement between the company and the sellers and 90% close to taking possession of the assets as were determined in January 2022. Real estate assets will be leased to the sellers or a related company for varying periods of up to 23 years and upon the signing of the individual sales agreements the lease agreements will be signed between the parties. The total annual rental of the real estate assets that will be leased as stated above are expected to amount to NIS 25 million. The parties are working to sign the sales and rental agreements relating to the assets.
- O. On the 27 October, 2021 an agreement was reached between ICR Israel Canada REM Holding Ltd (hereinafter - ICR) and Rotem Shani Initiation & Investments Ltd (hereinafter Rotem Shani) regarding the sale of all holdings of ICR (50%) of the issued and paid-up shares of Kiryat Shechakim Ltd to Rotem Shani or someone on her behalf, for the sum of NIS 80 million (hereinafter - purchase amount) as well as additional consideration for the conversion of shareholders' loan that ICR provided to Kiryat Shechakim for the sum of NIS 4.3 million. Prior to the conclusion of the said agreement, the company entered into an agreement with Rotem Shani according to which the company and Rotem Shani will cooperate for the purposes of the possibility of purchasing the full holdings of ICR in Kiryat Shechakim Trust by Rotem Shani for the company (hereinafter - purchase of shares), such that the company will pay the required amounts for the purchase of the shares that were purchased and Rotem Shani will cooperate with transferring the purchased shares directly to the company (hereinafter - cooperation agreement). In the light of the results of the separation process of ICR and Rotem Shani and in accordance with the cooperation agreement, the company will bear the full amount of the purchase and conversion of the above mentioned shareholders loan.

Notes to the Consolidated Interim Financial Statements

Note 4: - Material Events During and Subsequent to the Reported Period (Continued)

At the same time that Rotem Shani Trust will purchase the purchased shares for the company, the shareholders agreement between the company and Rotem Shani will come into effect and the agreement which relates to Kiryat Shechakim includes certain provisions that, in certain circumstances, the company will have an option to purchase from Rotem Shani and in similar circumstances Rotem Shani will have an option to sell to the company 69% of Rotem Shani holdings in Kiryat Shechakim for the amount of NIS 44 million plus amounts that may arise from further adjustment mechanisms.

- P. On the 1 November, 2021 the company issued NIS 1,026,666,000 par value bonds (series 25) for the amount of NIS 1,041 million. The net effective interest rate, as embodied in the bonds, is 0.3%. The Bond (Series 25) carries an annual interest rate of 0.35%, and is paid twice a year, on March 31 and September 30 for each of the years 2022 to 2033. The Bond (Series 25) is linked (capital and interest) to the Consumer Price Index and is not secured by any collateral. The Bond Fund (Series 25) is repayable in nine unequal annual payments and will be paid on the September 30, 2023, 2025 and 2027 to 2033. The average bond duration for the Series is 8.5 years. The issuance expenses totaled approximately 10.5 million NIS. Until after the redemption of the securities (Series 25) the Company has committed itself to upholding each of the below financial standards:
1. Equity less minority rights shall be no less than 2.5 billion NIS.
 2. The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
 3. The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 16 for two consecutive quarters.
 4. The net financial debt to balance sheet ratio shall be no less than 20% for two consecutive quarters.
- Q. On November 23, 2021 the Company's Board of Directors approved a distribution of dividends, payment of which will be occurred on December 14, 2021 to the sum of approximately 58.5 million NIS (of this a sum of approximately 3.5 million NIS will be distributed to Darban Investments Ltd., a fully owned subsidiary holding Company shares). The dividend sum per share is 0.07327 NIS.