



Mivne Real Estate (K.D) Ltd.

(“The company”)

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

As of March 31th, 2022

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on May 23, 2022 (reference no.: 2022-01-062227) (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

**March 31th, 2022 - Quarterly
Report**





Overview

31.3.22

| | |
|---------------|---|
| 12,841 | Total Investment Property (Millions of NIS) |
| 778 | Of This, Real Estate Under Construction (Millions of NIS) |

Projects under construction March

31 2022

| | |
|----------------|--|
| 6 | Projects Under Construction and In Development |
| 152 | Scope (Thousands of m ²) |
| 1,157 | Estimated Cost Balance (Millions of NIS) |
| 196-213 | Expected NOI at Project Completion* (Millions of NIS) <small>* For details see table under "concentrated data on projects in stages of construction, planning and development" below.</small> |

Data from the Consolidated Statements

1-3.22

| | |
|--------------|--|
| 178 | NOI (Millions of NIS) |
| 9.7% | Same Properties NOI in Israel Increase compared to corresponding period last year |
| 121 | FFO (Millions of NIS) Increase of 16.3% compared to the corresponding period last year |
| 4,160 | Unrestricted Assets (Millions of NIS) Constituting 32% of total real estate |
| 1.98% | CPI-linked weighted debt interest |
| 1,940 | Cash and Credit Frameworks (Millions of NIS) |
| 93.7% | Occupancy Rate in Israel Increase of 0.7% compared to December 31 2021 |



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

For the Period Ending March 31 2022

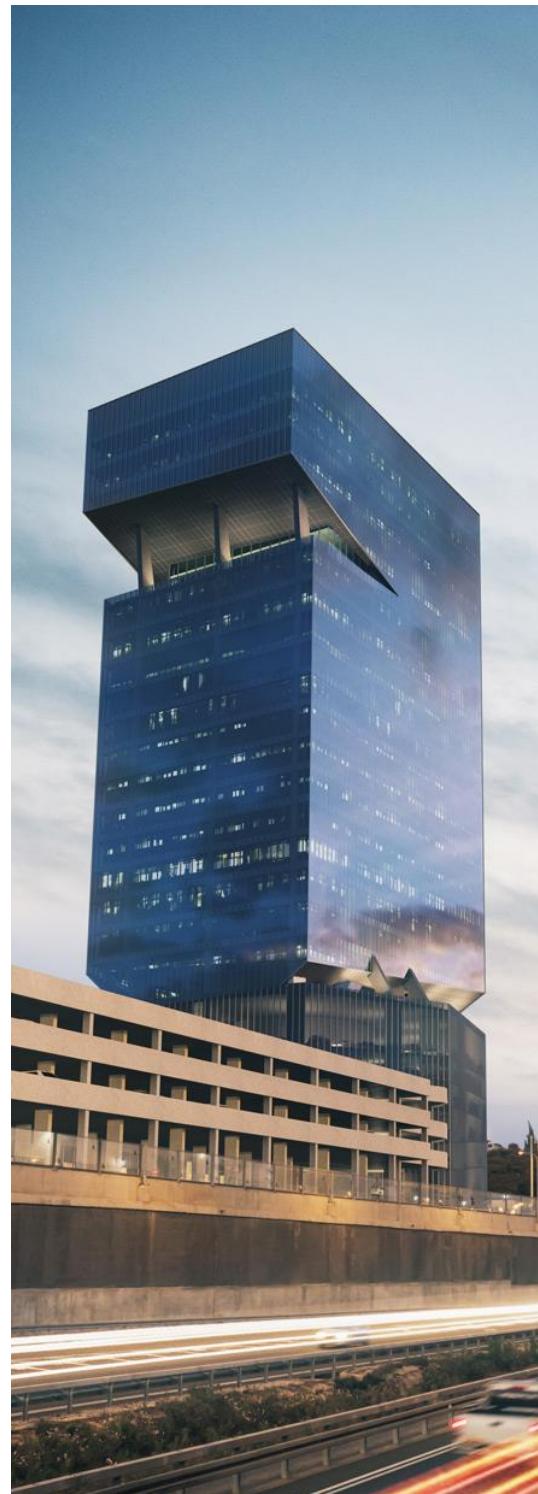
The Board of Directors of Mivne Real Estate (K.D) is honored to submit the Financial Statements of the Company and its subsidiaries ("the Company") for the period ending March 31 2022 ("The Reported Period").

This report must be read in conjunction with the 2021 Periodic report published on March 20 2022 (reference no.: 2022-01-031300) (hereinafter: "the 2021 Periodic Report"), presented here by way of referral.

Business Environment

Description of the Company and its Business Environment

The Company is active in the field of cash-generating real estate and deals, by itself and through its investees, in varied real estate activity centering on Israel. For further details see Section 1.2 of the Report on the Corporation's Business in the 2021 Periodic Report. The Company (including associates) owns some 1,934,000 m² of cash-generating space, of which 1,605,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 741,000 m²



Events During the Reported Period

Acquisitions

Acquisition of Properties from the Bank Mizrahi Group

In September 2021 agreements were reached with a number of companies from the Bank Mizrahi Tefahot Group regarding the purchase of their rights to 24 land properties in Israel with different zoning, including offices and commercial ("the Purchased Properties") in return for a total of 531.6 million NIS plus VAT. The transaction was completed in February 2022. 23 of the 24 Purchased Properties were rented to one of the sellers for variable periods. The total rental fees for the Purchased Properties are expected to amount to 26 million NIS. For further details see immediate report from January 31 2022 (reference no.: 2022-01-013006), presented here by way of referral.

Yad Hanna

In March 2022 the Company entered into an agreement with Yad Hanna Homesh Cooperative Village and Hutzot Shefayim to purchase shares of Yad Hanna Homesh Industries – Agricultural Cooperative Association Ltd. (hereinafter – the Association) with a total area of 10 hectares, in such a manner that on the date of the transaction's completion, the Company will hold shares constituting 50% of the issued and paid-up stock capital of the Association, fully diluted, and will join the Association as a member.

In accordance with the plan applicable to part of the Land, the use permitted for them today is for industry, including storage. The Association intends to deal in the planning and promotion of a project for the construction of a cash-generating employment compound on the Land. The purchase agreement is stipulated on the following preconditions: the approval of the Antitrust Commissioner, the approval of the ILA, the approval of the certified organs at the Sellers and the Company and the receipt of approval from any third parties as needed. The proceeds for the shares sold amount to a total of 140 million

NIS, plus VAT. In addition, the Company will provide the Association a capital note to the sum of 43 million NIS.

Capital Raised

In March 2022 the Company issued, by way of expansion, debentures (Series T and W) The debentures (series T) – the Company issued 530,610,000 NIS NV in return for a total of 645 million NIS. The effective interest embodied in the offering is 0.31%. The debentures (series W) – the Company issued 118,732,000 NIS NV in return for a total of 141million NIS. The effective negative interest embodied in the offering is -0.97%.

Yigal Alon

In April 2022 the protocol of the committee approving the decision of the Local Committee for Planning and Construction Tel Aviv-Yafo from March 23 2022, on the deposit of Plan no. 507-0892091 "TA/MK/4974 – Ayalon Region" was approved, subject to fulfilling certain conditions (hereinafter – the Plan) regarding part of Parcel 64 in Block 7069, located between Yigal Alon Street west of the Bitzron Neighborhood, Aminadav Street on the south and Meitav Street on the east ("the Land"), which is held by the Company via capitalized lease.

The plan, as approved by the Local Committee, includes the construction of three buildings: a 47-story residential building, two 47-story employment buildings, and an additional employment structure of the "Mashbir Hamerkazi" building regarding which the plan has established it as a building for preservation.

The Plan area includes 1.3 hectares from the construction rights utilization, as follows:

- a. Construction rights for housing – 41,600 m² primary area (constituting 400 housing units).
- b. Construction rights for commerce and employment: some 125,000 m².

Approval of the plan is subject to the approval of the legally certified planning authorities.

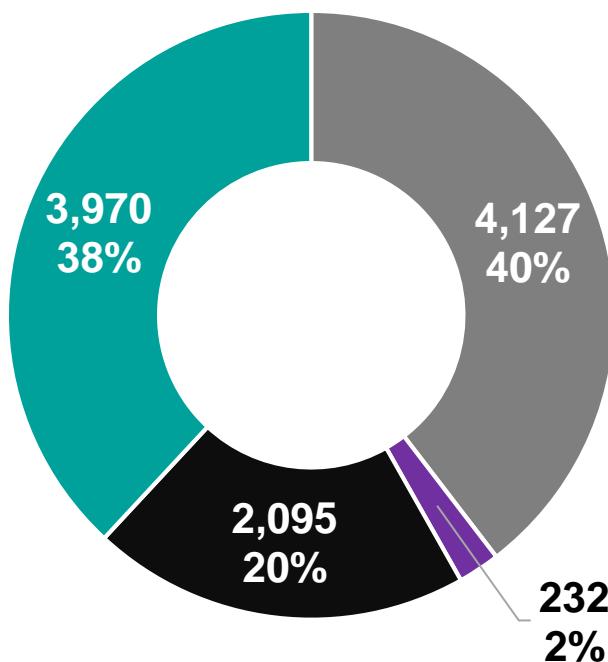
The Company's Activity

As of March 31 2022, the Company's assets (on a consolidated basis), owned and leased, include 570 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 2,815 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 occupancy to value rate of the Company's properties in Israel as of March 31 2022 is 93.7% versus 93% on December 31 2021.

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

(In Millions of NIS)



- Offices (63 properties)
- Residential housing (3 properties)
- Commercial centers (23 shopping centers)

A View of Company Data

Summary of Key Data (in Millions of NIS)

| | % Change 2021/22 | 1-3/22 | 1-3/21 |
|---|------------------|--------|--------|
| NOI in Israel | 12.3% | 164 | 146 |
| Same Property NOI | 9.7% | 159 | 145 |
| NOI abroad | (33.3%) | 14 | 21 |
| FFO | 16.3% | 121 | 104 |
| Increase (Decrease) in Known Index Rate | 1.17% | 0.1% | |

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

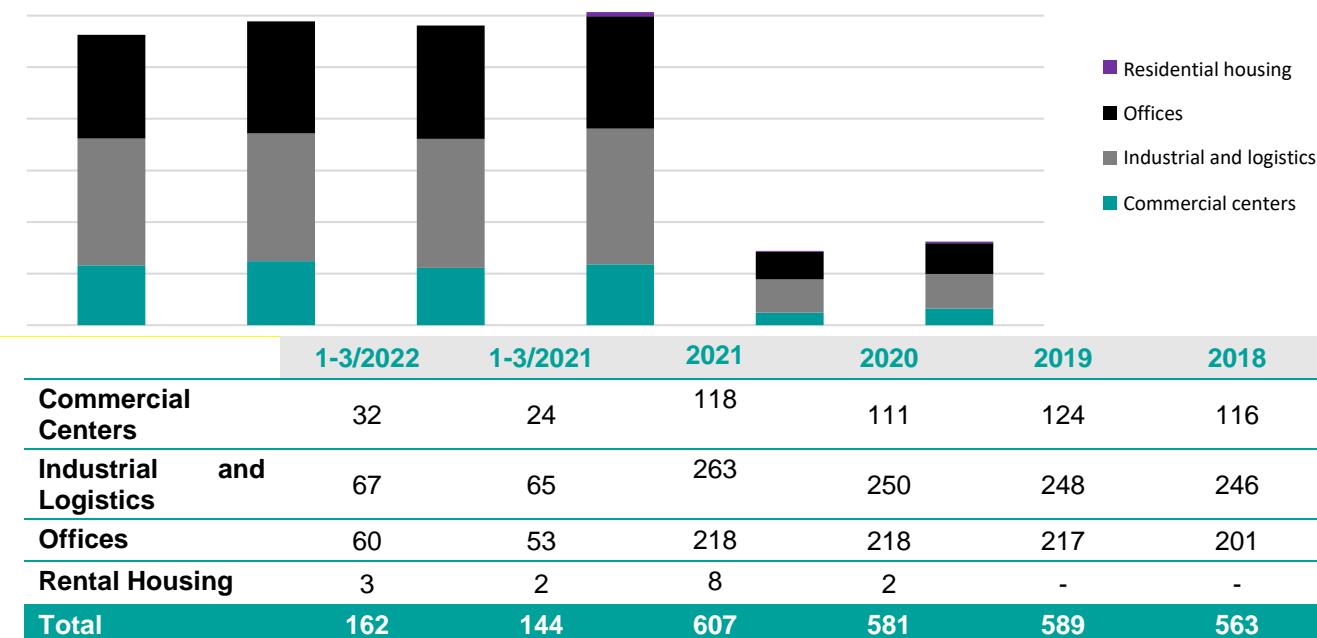
Primary Information on the Company's Israeli Properties Divided by Uses

| Use | Number of Properties as March 31 2022 | Above-Ground Area as of March 31 2022 | NOI for the Period 1-3.22 | Fair Value of Cash-Generating Property as of March 31 2022 | Occupancy rate as of December 31 2022 | Value of Real Estate Under Construction as of March 31 2022 |
|-----------------------------------|---------------------------------------|---------------------------------------|---------------------------|--|---------------------------------------|---|
| | | m ² | In Thousands of NIS | In Thousands of NIS | % | In Thousands of NIS |
| Offices | 63 | 394,132 | 59,880 | 4,126,581 | 92.4% | 777,513 |
| Commercial centers | 23 | 192,195 | 31,511 | 2,095,283 | 93.2% | - |
| Industrial and Logistics | 481 | 1,005,888 | 67,118 | 3,970,034 | 94.5% | - |
| Residential | 3 | 13,120 | 3,150 | 231,827 | 81.7%(*) | - |
| Total | 570 | 1,605,335 | 161,659 | 10,423,725 | 93.7% | 777,513 |
| Associates – Company Share | | | | | | |
| Offices | 5 | 16,979 | 1,757 | 144,081 | 72.9% | - |
| Commercial centers | 2 | 13,353 | 2,989 | 194,834 | 94.2% | - |
| Total | 7 | 30,332 | 4,746 | 338,915 | 82.3% | - |
| Expanded Total | 577 | 1,635,667 | 166,405 | 10,762,640 | 93.5% | 777,513 |

(*) The occupancy rate after neutralizing 30 rental apartments in Kiryat Ono received near the report date is 100%.

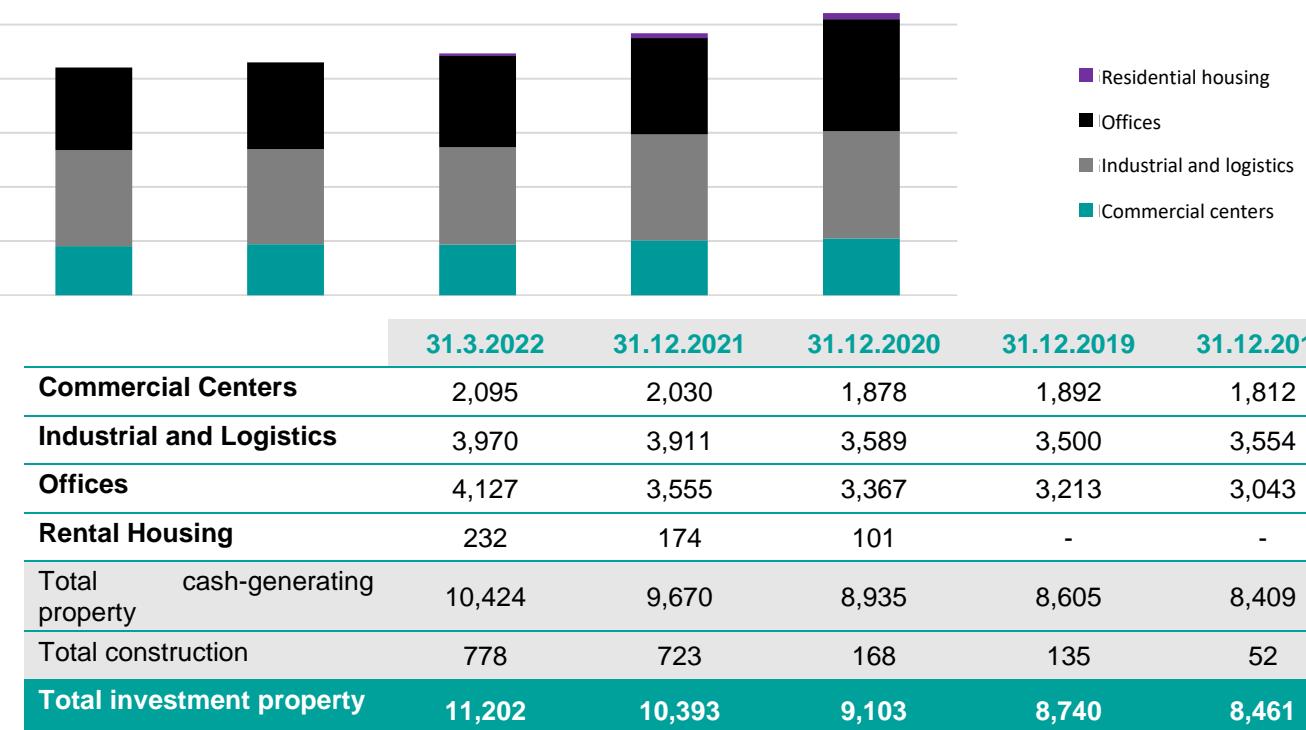
Spread of NOI in Israel by Uses

(From Cash-Generating Properties, in Millions of NIS)



Spread of Value of Assets in Israel by Uses

(From Cash-Generating Properties, in Millions of NIS)



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

| Country | 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 1-3/2022 In Thousands of NIS |
|---|----------------------|-------------------------------------|-------------------|----------------|--------------------------------|--|
| Cash-Generating Properties | | | | | | |
| Israel | 570 | 1,605,335 | 2,815 | 93.7% | 10,423,725 | 161,659 |
| Switzerland | 2 | 56,650 | 18 | 93.9% | 365,584 | 5,950 |
| Ukraine* | 1 | 44,705 | 83 | 100% | 231,848 | 4,850 |
| North America | 4 | 77,544 | 181 | 68.5% | 217,624 | 1,263 |
| France | 5 | 119,447 | 5 | 98.5% | 17,732 | 1,163 |
| Total cash-generating properties | 582 | 1,903,681 | 3,102 | 93.2% | 11,256,513 | 174,885 |
| Land | | | | | | |
| Israel lands | 37 | | | | 948,661 ** | |
| Abroad | 1 | | | | 22,780 | |
| Total land | 38 | | | | 971,441 | |
| Total | 620 | 1,903,681 | 3,102 | 93.2% | 12,227,954 | 174,885 |
| Israel – Associated Companies | 7 | 30,332 | 61 | 82.3% | 338,915 | 4,746 |
| Total | 627 | 1,934,013 | 3,163 | 93% | 12,566,868 | 179,631 |
| Deferred taxes*** | | | | | | 1,984,657 |

* In light of the security and geopolitical events occurring in the area and which are still ongoing, the Company included an impairment to the value of the property to the sum of 45 million NIS.

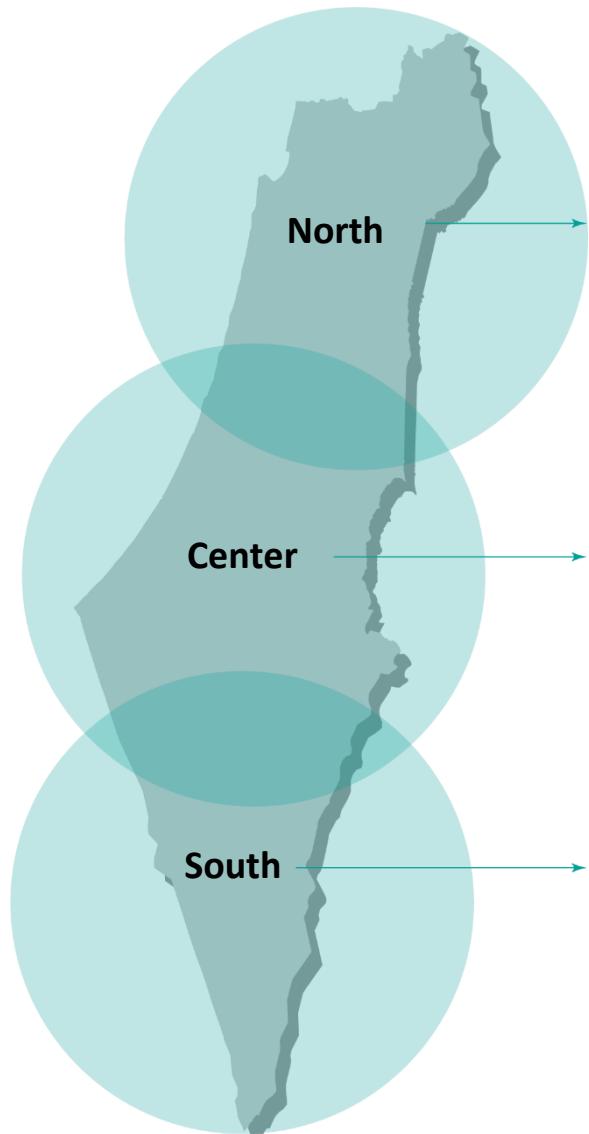
** Including a total of 323 million NIS detailed within the framework of the table of projects being planned.

*** Deferred taxes included in the Company's Financial Statements and those of associates.



Cities in which the Group has Properties

The Company owns some 1,934,000 m² of cash-generating space, of which 1,605,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 741,000 m²



| | | |
|-----------------|------------------|------------------|
| Or Akiva | Alon Tavor | Beit She'an |
| Bnei Yehuda | Gan Shmuel | Hadera |
| Haifa | Hatzor Haglilit | Tiberias |
| Yavniel | Yessod Hama'alah | Yokneam |
| Kfar Tavor | Karmiel | Migdal Ha'emelek |
| Machanayim | Metula | Menechemia |
| Ma'alo | Nahariyah | Nof Hagalil |
| Nesher | Heffer Valley | Afula |
| Tzippori | Safed | Katzrin |
| Kiryat Shmona | Segev | Shlomi |
| Ma'ale Ephraim | Pardes Hannah | |
| | | |
| 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 December 31 2022)¹

Property Under Construction (included under real estate for investment and development)

| 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 foundation works. Lower structure works are underway | 68,300 | 386 | 566 | 109-117 |
| “Mivne” Compound | Holon | Offices | 100% | Finishing and adjustments work, estimated completion Q3/2022. | 14,800 | 108 | 4 | 8-10 |
| Sarona | Kfar Saba | Offices | 100% | Underway, Estimated completion – 2024. | *26,000 | 114 | 127 | 22-24 |
| Haifa Life Sciences Park (2 buildings) | Haifa | Offices | 50% | Paneling and excavation works completed. Foundation and lower structure work started. | 14,000 | 17 | 139 | 12 |
| Kiryat Hamishpat | Kiryat Gat | Offices | 100% | Underway, Estimated completion – Q4/2022 | 5,000 | 35 | 4 | 3 |
| “Mivne” Herzliya Pituach | Herzliya | Residential | 100% | Undergoing paneling and excavation works. | 103 housing units | 117 | 99 | 8-9 |
| | | Offices and commercial | | | 24,300 | | 218 | 27-30 |
| Total | | | | | 152,400 | 777 | 1,157 | 196-213 |

* The Company is acting to add 4 stories, for a total addition of 6,000 m².



Planned properties (included within the framework of land in Israel)

| Project Name | Location | Main Use | Company's Share | Design Status | Built-Up Area (m ²) | Project's Value in the Company's Books |
|---|---------------|--|-----------------|---|---------------------------------|--|
| Yigal Alon | Tel Aviv | Residential, Employment and commercial | 100% | The plan was approved for deposit on April 23 2022. Working on meeting the conditions for deposit. | 125,000* 400 housing units | 139 |
| Hasivim Neveh Oz | Petach Tikva | Offices | 100% | Town construction plan approved. Implementation date not yet decided. | 13,000 | 24 |
| Haifa Life Sciences Park (2 buildings) | Haifa | Offices | 50% | Preliminary planning | 14,000 | 11 |
| Crytek 2 | Yokneam | Offices | 100% | Decided to push permit forward, permit receipt forecast - Q3/2022. | 25,000 | 5 |
| Beersheba | Beersheba | Hotels | 100% | Paneling and excavation permit received, full permit expected Q3/2022. | 7,000 | - |
| Akerstein Towers Stage B | Herzliya | Offices | 53% | In discussions with regional committee. In planning stages for Town Plan. | 50,000 | - |
| | | Residential | | | 150 housing units | |
| Office Tower in Giv'at Sha'ul | Giv'at Sha'ul | Offices | 100% | Decided to push permit forward, forecast - Q2/2023. | 34,750 | 7 |
| 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 | 69 |
| Hadera | Hadera | Offices | 50% | Town Plan filed with district authority for added zoning for residential and commercial | 1,250 | 30 |
| Be'er Tuvia | Be'er Tuvia | Industrial | 50% | It was decided to push a permit forward, paneling and excavation permit receipt forecast - Q1/2023. | 15,600 | 38 |
| Total | | | | | 302,600 | 323 |

(1) Some of the information presented in the above two tables 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 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 1.35 of the Report on the Corporation's Business in the 2021 Periodic Report.

Rental Housing⁽¹⁾

| Town | Use | Number of Units | Area (m ²) | Book Value/Sum Paid (Thousands of NIS) | Balance Payable (Thousands of NIS) | NOI/Expected NOI (Thousands of NIS) | Expected Receipt |
|----------------|-------------------------|-----------------|------------------------|--|------------------------------------|-------------------------------------|------------------|
| Jerusalem | Rent controlled housing | 317 | 12,353 | 116,052 | - | 7,170 | Cash-generating |
| Kiryat Ono | Student Dorms | 113 | 3,334 | 57,392 | - | 3,100 | Cash-generating |
| Kiryat Ono | Residential | 30 | 2,690 | 53,173 | - | 1,789 | Cash-generating |
| Ben Shemen | Residential | 80 | 8,913 | 25,518 | 106,935 | 4,235 | Q3/2024 |
| Hadera | Residential | 50 | 4,507 | 14,166 | 58,878 | 1,679 | Q4/2024 |
| Ramat Hasharon | Residential | 50 | 6,044 | 24,233 | 122,022 | 5,508 | Q3/2023 |
| Ramat Chen | Residential | 80 | 7,177 | 37,485 | 152,365 | 5,283 | Q4/2026 |
| Total | | 720 | 45,018 | 328,019 | 440,200 | 28,764 | |

Solar Installations⁽¹⁾

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 Yearly Revenue (Thousands of NIS) |
|---|------------|---------------|--|
| Existing installations | 105 | 14,839 | 13,356 |
| Increasing the size of existing installations | - | 4,383 | 2,674 |
| Installations with quota | 172 | 22,778 | 16,134 |
| Installations in approval proceedings | 16 | 2,091 | 1,600 |
| Total | 293 | 44,091 | 33,764 (*) |

(*) The Company's share of expected revenues, is expected to amount to a total of 26 million NIS.

The amortized cost in the books for the solar facilities is 100 million NIS and the balance of the cost for implementation totals 54 million NIS.



(1) Some of the information presented in the above two tables 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 tenants' ability to pay, 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 1.35 of the Report on the Corporation's Business in the 2021 Periodic Report.

Housing

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 March 31 2022 (Millions of NIS) | Total Cost Balance | Developer Profit Not Yet Recognized |
|--------------------------------|-----------------------------------|----------------------|--|--|--|--|--|--|--------------------|-------------------------------------|
| | | % | As of March 31 2022 | | | As of the publication of the report | | | | |
| Hahascal Blvd. ² | 360 | 75% | 79 | 253 | 79 | 253 | - | 364 | 333 | 295 |
| Hameitav Tel-Aviv ³ | 3 | 50% | 3 | 12 | 3 | 12 | - | 2 | - | 2 |
| Merom Hasharon Stage F | 134 | 90% | 14 | 28 | 17 | 34 | 12 | 48 | 100 | 59 |
| Merom Hasharon Stage G | 79 | 90% | - | - | - | - | - | 28 | 59 | 35 |
| Total | 576 | | 96 | 293 | 99 | 299 | 12 | 442 | 492 | 391 |

1. Balance of units in inventory as of March 31 2022.
2. The project is undergoing paneling, excavation and foundation works.
3. As of March 31 2022 165 units were delivered to a total monetary value of 436 million NIS. As of the publication of the report 166 apartments were delivered at a monetary scope of 442 million NIS.

Some of the information presented in the above 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 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 1.35 of the Report on the Corporation's Business in the 2021 Periodic Report.

Inventory of Land for Long-Term Residential Construction

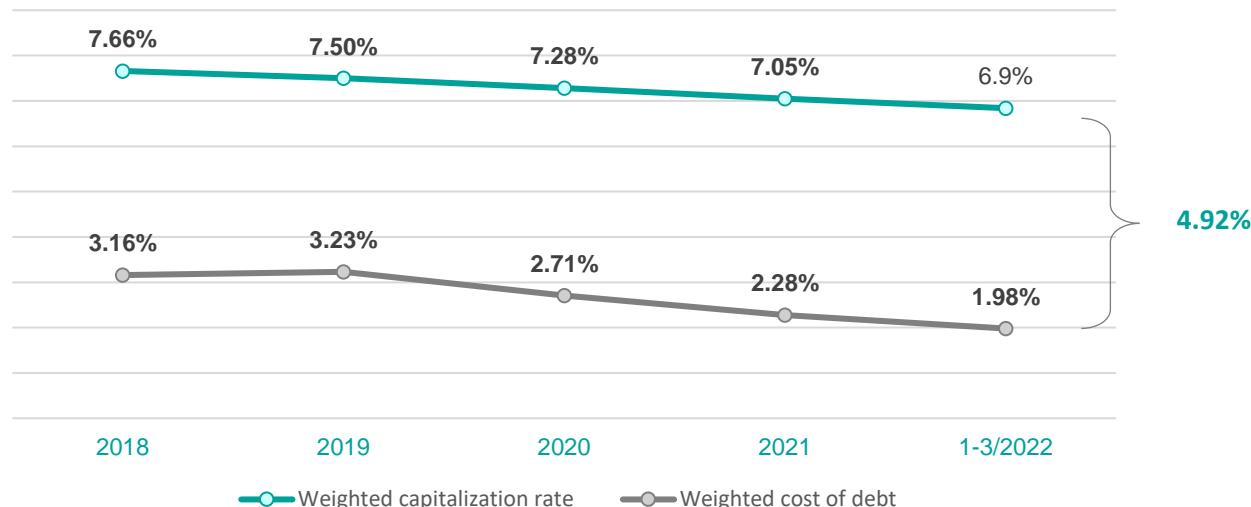
| Location | Number of Housing Units | Holdings in Projects | Total Investment as of March 31 2022 | |
|--------------|-------------------------|----------------------|--------------------------------------|--------------------|
| | | | In % | In Millions of NIS |
| Sdeh Dov | 230 | 33.33% | | 234 |
| Or Akiva | 74 | 100% | | 9 |
| Other | 101 | 100% | | 8 |
| Total | 405 | - | | 251 |

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 March 31 2022 amounts to 5.6 billion NIS. The debt's total life span is 4.45 years and the weighted effective interest rate is 1.98% CPI-linked.

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 1.1 billion NIS, and unencumbered real estate properties to the sum of 4.2 billion NIS.

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



Spreading debt redemptions over years

| | Average Life Span | Weighted Effective Interest | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 Onward | Balance as of March 31 2022* |
|--|-------------------|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------------|------------------------------|
| In Millions of NIS | | | | | | | | | | | |
| Israel | 4.45 | 1.98% | 571 | 473 | 862 | 594 | 964 | 800 | 846 | 1,040 | 6,150 |
| Weighted interest rate | | | 1.91% | 1.88% | 1.75% | 1.67% | 1.66% | 1.32% | 0.68% | 0.35% | |
| Overseas | 7.37 | 1.48% | 54 | 1 | 1 | 47 | - | - | - | 162 | 265 |
| Total redemptions | | | 625 | 757 | 863 | 641 | 964 | 800 | 846 | 1,202 | |
| Of these, a "balloon" guaranteed by a lien | | | (263) | - | (647) | (225) | (542) | (531) | (372) | (162) | |
| Redemptions less pledged cash flows | | | 362 | 474 | 216 | 416 | 422 | 269 | 474 | 1,040 | |
| Value of asset pledged | | | 832 | - | 1,581 | 581 | 756 | 1,361 | 1,204 | 333 | |
| LTV rate of pledged asset | | | 31.6% | - | 40.9% | 38.7% | 71.8% | 39% | 30.9% | 48.5% | |

* The balance as of March 31 2022 for debentures includes a discount or premium.

** Over the course of the period debt redemptions were carried out to the sum of 88 million NIS, at weighted interest at a rate of 2.67%.

NET OPERATING INCOME

NOI

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. We emphasize 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.

NOI Development (In Thousands of NIS)

| | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Identical properties for the period | 159,258 | 156,608 | 157,152 | 154,080 | 145,164 |
| Properties activated in the period | 5,119 | 736 | - | - | - |
| Properties sold | 8 | 128 | 223 | 436 | 484 |
| NOI – Total | 164,385 | 157,472 | 157,375 | 154,516 | 145,648 |

The NOI in the first quarter of 2022 totaled 164 million NIS, compared to 146 million NIS in the corresponding quarter last year, constituting a growth of 12.8%.

The same property NOI in the first quarter of 2022 amounted to 159 million NIS compared to 145 million NIS in the corresponding quarter last year, constituting a 9.7% 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 March 31 2022:

| | Consolidated (in Millions of NIS) |
|--|-----------------------------------|
| Investment property in consolidated report as of March 31 2022 | 12,063 |
| Less - foreign real estate | (856) |
| Less – value of lands classified as investment property | (949) |
| Plus – value of cash-generating properties intending for realization | 9 |
| Cash-generating investment property in Israel as of March 31 2022 | 10,267 |
| Less value attributed to vacant spaces | (544) |
| Investment property attributed to rented spaces as of March 31 2022 | 9,723 |
| NOI from cash-generating properties in Israel as of March 31 2022 | 162 |
| Standard NOI as of March 31 2022 | 670 |
| Weighted cap rate deriving from income-generating investment property in Israel | 6.9% |



Funds From Operations

FFO

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)

| | 1-3.2022 | 1-3.2021 |
|--|----------------|----------------|
| Net profit for the period | 66,462 | 150,697 |
| Changes in value of investment property and investment property under construction | (28,088) | (72,224) |
| Profits and losses from the sale of real estate, investees, other revenues and realization of capital reserves from translation differences. | 2,724 | 7,248 |
| Tax expenses from the sale of properties and other revenues | - | 1,700 |
| Changes in fair value of financial instruments | 8,102 | 12,231 |
| Adjustments due to taxes | 16,766 | 11,337 |
| Loans attributed to affiliated companies | 598 | 8,596 |
| Revaluation of assets and liabilities | 850 | 914 |
| Other revenues | (6,481) | (21,617) |
| Nominal FFO | 60,933 | 98,882 |
| Added – expenses of linkage differences on the debt principal and exchange rate differences | 55,500 | 501 |
| Real FFO | 116,433 | 99,383 |
| FFO attributed to cash-generating property | 121,365 | 104,428 |

2022 Forecast

The following is the projected FFO from cash-generating properties and projected NOI for 2022:

The Company's forecast for its key operating results in 2022, based on the following working assumptions:

- Known CPI as of March 31 2022.
- 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 in the business environment section above.
- The expectations of Company Management regarding the renewal of rental agreements that expire over the course of 2022.
- The possible impact of restrictions due to Covid-19 over the course of 2022 was not taken into account.

| | 2022 Forecast | 2021 in Practice |
|---|---------------|------------------|
| NOI (in Millions of NIS) | 720-740 | 691 |
| FFO attributed to cash-generating property (in millions of NIS) | 480-500 | 460 |

The information in the above table featuring a forecast for all of 2022 constitutes forward-looking information, as defined in 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 by the risk factors that characterize the Company's activity, including the state of the Israeli economy, the global health crisis, the global geopolitical crisis, changes in occupancy rates, in the CPI, in interest rates, and in rental fees. Changes in the business environment or the realization of any of the Company's risk factors may influence the Company's activity and its monetary results in a manner different than the assessments detailed above. For details on the risk factors characterizing the Company's activity see Section 1.35 of the Report on the Corporation's Business and for details on the business environment see Section 1.8 of the Report on the Corporation's Business in the 2021 Periodic Report.

Operating Results According to Consolidated Financial Statements

Business Results Summary Table (in Millions of NIS)

| | For | | Notes and Explanations |
|---|--|----------|---|
| | 1-3.2022 | 1-3.2021 | |
| Revenues from rental and property management fees | 232 | 216 | Most of the increase in the period derives from the purchase of Bank Mizrahi assets, improvements in occupancy and in rental fees offset by the sale of properties. In addition, in the corresponding quarter last year, revenues dropped by 9 million NIS under the influence of Covid-19. |
| Maintenance and Management Cost | 58 | 51 | |
| Revenues from the Sale of Apartments and Land | - | 52 | |
| Cost of Apartments and Land Sold | - | 37 | |
| Increase in Fair Value of Investment Property | 28 | 72 | Over the course of the period, 60 valuations were carried out for properties worth 0.9 billion NIS. Most of the 77 million NIS 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 listed an impairment to the sum of 45 million NIS as a result of the revaluation of the debt in Kyiv, Ukraine. |
| Administrative and General, Sales and Marketing Expenses | 23 | 22 | |
| Realization of Capital Reserve due to Adjustments from the Translation of Financial Statements | - | 4 | |
| Financing Expenses | Net interest expenses | 32 | 32 |
| | Expenses (revenues) from change in CPI, net | 53 | 4 |
| | Loss from early redemption | - | 14 |
| | Net expenses from exchange rate differences and others | 12 | (9) |
| | Total | 97 | 41 |
| Income tax expenses | 20 | 32 | |
| Net Profit | 66 | 151 | |

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

| | As of March 31 2022 | As of December 31 2021 | Notes and Explanations |
|--|------------------------|---------------------------|--|
| Current Assets | 1,887 | 1,644 | |
| Investments handled using the book value method | 374 | 367 | |
| Investment property, investment property in development and advance payments on account of investment in land | 12,956 | 12,254 | The increase largely derives from the completion of the Mizrahi transaction and the receipt of apartments in Kiryat Ono (the Aura Transaction) |
| Inventory of land for construction | 251 | 250 | |
| Short-term credit, current maturities | 598 | 652 | |
| Long-term loans and liabilities from banking corporations, credit providers and others. | 1,266 | 1,213 | |
| Long-term debentures | 5,028 | 4,243 | The increase largely derives from the expansion of Series T and W. |
| Total equity attributed to shareholders | 6,919 | 6,902 | Most of the increase derives from profit in the period to the sum of 67 million NIS, a capital offering of 16 million NIS, offset by dividends to the sum of 75 million NIS. |
| Total Equity | 6,909 | 6,892 | |

Cash and Credit Frameworks

| Sources | In Millions of NIS |
|--|--------------------|
| Balance of Cash at the Beginning of the Period | 923 |
| Cash Deriving from Current Activities | 77 |
| Investment Activities | |
| Sale of assets | 35 |
| Increase in restricted cash | (4) |
| Investment and issue of loans to investees, net | (5) |
| Investment in investment property, real estate under development and property, plant and equipment | (681) |
| Total investment activity | (655) |
| Financing Activity | |
| Issue of debentures | 780 |
| Repayment of short-term credit | (47) |
| Stock offering | 16 |
| Receipt of loans from banks and long-term liabilities | 21 |
| Repayment of loans from banks and long-term liabilities | (17) |
| Redemption of debentures | (24) |
| Total financing activity | 729 |
| Exchange rate differentials due to cash and cash equivalent balances | 2 |
| Balance of cash at the end of the period | 1,076 |

Credit Frameworks

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 1.9 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 covenants it was committed to within the framework of the loan agreements and deeds of trust of the Company's debentures.

For details on the debenture series (Series 20 and 25) as well as debentures that constitute a "material loan" as this term is 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.

Working Capital

Working capital, including assets and liabilities held for sale as of March 31 2022, amounted to 954 million NIS in the Financial Statements compared to a total of 800 million NIS as of December 31 2021. Working capital, including assets and liabilities held for sale as of March 31 2022, amounted to 803 million NIS in the Solo Financial Statements compared to a total of 680 million NIS as of December 31 2021.

Linkage Balance

The Company has financial obligations to the sum of 7.2 billion NIS, of which 5.8 billion NIS are CPI-linked. The Company's cash-generating property in Israel is worth 10.4 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 March 31 2022 the investment in these companies amounts to 374 million NIS, of which 291 million NIS is in Israel.

Credit Rating

In May 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 (Series 24) guaranteed by the shares of Darban Investments Ltd. (a subsidiary) 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 iA-1+ were ratified with a stable outlook. In October 2021 Standard & Poor's Maalot announced that it was issuing a rating of iIAA to the debentures (Series 25) issued by the Company, to a total scope of up to 1.2 billion NIS NV. In March 2022 Standard & Poor's Maalot announced that it has issuing a rating of iIAA to the debenture expansion (Series 20 and 23).

On May 22, 2022 Midroog Ltd announced at first the rating of the Company and its debentures. The rating of the Company and its debentures (Series 15, 16, 17, 20, 24 and 25) determined to be Aa2.il. The rating of the debentures guaranteed by income-generating real estate (Series 18, 19 and 23) determined to be Aa1.il. The Company's short-term create rating determined to be P-1.il. All with a stable outlook.

Dividend Policy

In March 2022 the Company Board of Directors decided on a dividend distribution policy for 2022 totaling 240 million (net without the share of a fully-owned subsidiary) 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.

On May 22 2022 the Company's Board of Directors decided to distribute dividends to the sum of 63.8 million NIS (the net sum of the dividends without the share of a fully-owned subsidiary is 60 million NIS).

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

David Zvida

Company CEO

May 22 2022

Appendices

01

Appendix A
Exposure to Market Risk and Management Thereof

02

Appendix B
Corporate governance and disclosure Regarding 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

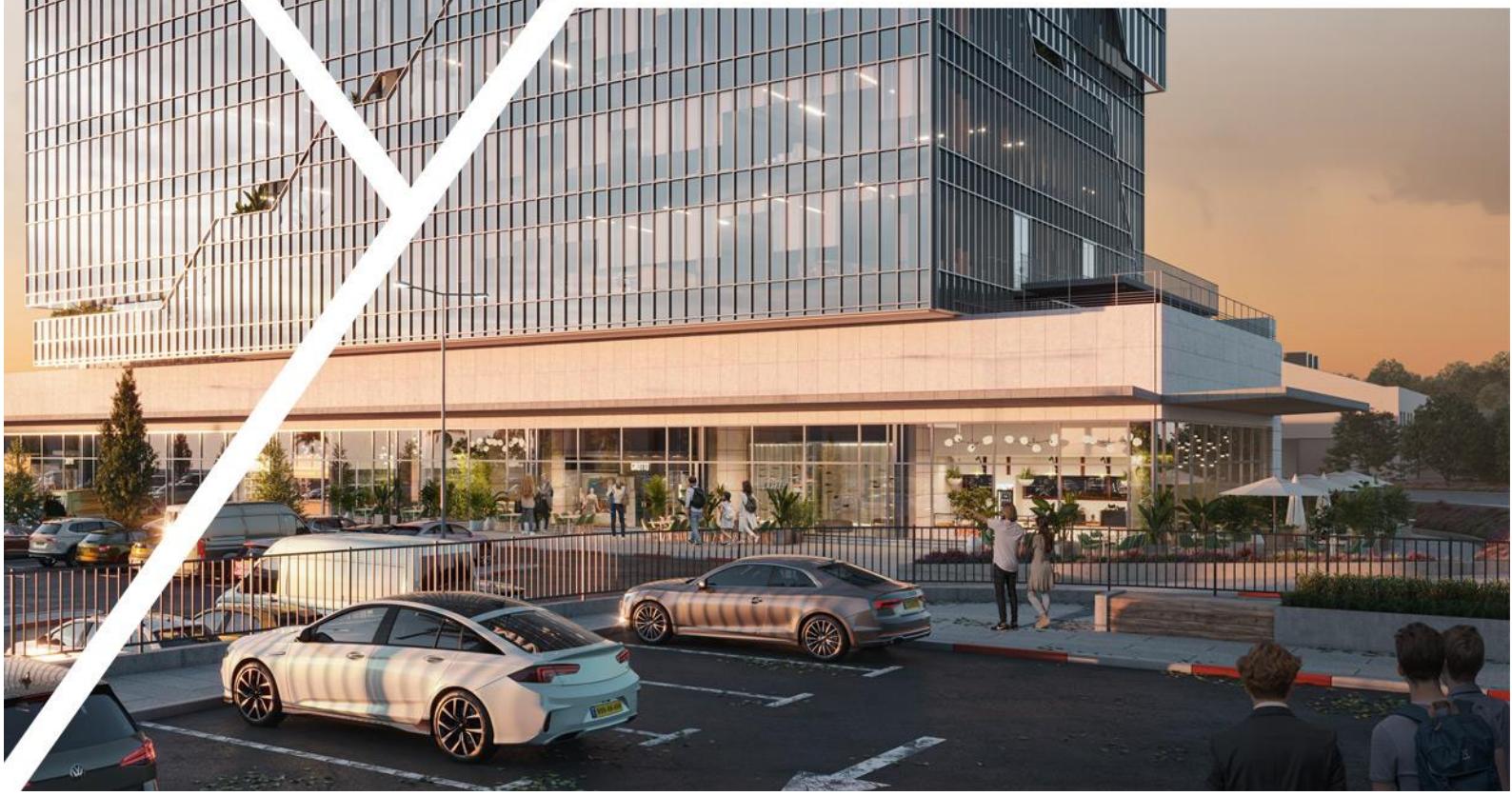
Exposure to Market Risk and Management Thereof

1. The person responsible for managing market risks is Mr. David Zvida, Chairman of the Company Board of Directors. For details regarding Mr. Zvida, see Regulation 26 of Part D (Additional Details) of the 2021 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 2021 periodic report.



Appendix B

Aspect of Corporate Governance and Disclosure Provisions with Regard to the Corporation's Financial Reporting



Appendix B

Aspect of Corporate Governance and Disclosure Provisions with Regard to the Corporation's Financial Reporting

1. Material Events During 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 March 31 2022 Consolidated Interim Financial Statements.

2. Aspects of Corporate Governance

In accordance with the option granted within the framework of the Companies Regulations (Rules on Remuneration and Expenses for an External Director)(Temporary Order), 2022 ("the Temporary Order") on March 17 2022 the Company Board of Directors established covenants that will apply in a period in which a state of emergency or a special health situation has been declared as per the Temporary Order, regarding the reclassification of directors in meetings held using means of communications, as participation in a regular meeting ("the Covenants").

After implementing the Covenants, the Company paid the directors additional remuneration to the sum of 70,000 NIS.



Appendix C

Designated Disclosure for Debenture Holders: Bonds Held by the Public

Appendix C

Special Disclosure for Debenture Holders: Bonds in Public Hands

As of March 31 2022 there are 9 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 March 31 2022 (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 | 31.10.2013 | 10.7.2014 | 10.7.2014 | 10.5.2016 | 29.9.2016 | 30.7.2017 |
| 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 | 657,720 | 383,541 | 949,427 |
| Stock market rate (in 0.01 NIS) | 105.3 | 111.1 | 119.38 | 116.81 | 119.26 | 119.63 |
| Outstanding Notational Value, Linked | 11,250 | 273,121 | 545,738 | 695,218 | 400,921 | 995,461 |
| Accrued interest | 320 | 3,805 | 4,979 | 8,251 | - | 6,897 |
| Fair Value | 10,662 | 303,438 | 628,301 | 768,238 | 457,411 | 1,135,799 |
| Interest type | Fixed interest | | | | | |
| Denoted Yearly Interest Rate | 5.74% | 5.65% | 3.7% | 2.85% | 2.6% | 2.81% |
| Principal payment dates | Nine non-equal yearly installments paid on April 1 of each of the years from 2016 to 2024. 4% will be paid in the first and second installments, 8% of the principal will be paid in the third installment and 14% of the principal will be paid in each of the fourth through ninth installments. | Twelve non-equal yearly installments paid on June 30 of each of the years from 2017 to 2028. 5% of the principal will be paid in each of the first through fourth installments and 10% of the principal paid in each of the fifth to twelfth installments. | Twelve unequal yearly 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 twelfth payments. | Four unequal annual installments on December 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 | Ten unequal annual installments on March 31 of each year from 2018 to 2023 and each year from 2025 to 2027. In the first three installments 2% of the principal shall be paid, in each of the five next installments 5% of the principal shall be paid and in the ninth installment, 69% of the principal shall be repaid. | Eight non-equal yearly installments paid on December 31 of each of the years from 2019 to 2029, except for 2022, 2024 and 2027. First, third and fourth installments 5%, second and fifth installments 10%, sixth and seventh installments 20% and eighth installment 25%. |

| | | | | | | |
|--|---|--|--|--|--|---|
| | | | | fourth installment. | | |
| 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 of the years 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 | No | No | No |
| Rating company | | | | S&P Maalot | | |
| Rating | | | | AA stable | | |
| Are there guarantees for the payment of the obligations? | | | | No | | |
| Are there any liens? | No | No | No | Yes. Real estate properties. See Appendix A of Part A of the 2021 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 of Part A of the 2021 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) | | | | Resnick Paz Nevo Trusts Ltd. (2) | |
| Right to early repayment | | | | (3) | | |

| As of March 31 2022 (In Thousands of NIS) | Debentures Series 23 (Formerly Series 14 in Jerusalem Economy Ltd.) | Debentures Series 24 (Formerly Series 15 in Jerusalem Economy Ltd.) | Debentures Series 25 |
|--|--|---|--|
| Date of Issue | 18.9.2016 | 21.6.2017 | 1.11.2021 |
| Notational Value Upon Issue | 607,923 | 612,810 | 1,026,666 |
| Outstanding Notational Value | 656,046 | 539,273 | 1,026,666 |
| Stock market rate (in 0.01 NIS) | 116.45 | 118.42 | 94.91 |
| Outstanding Notational Value, Linked | 683,692 | 561,478 | 1,038,697 |
| Accrued interest | - | 3,600 | - |
| Fair Value | 763,965 | 638,607 | 974,409 |
| Interest type | Fixed interest | | |
| Denoted Yearly Interest Rate | 2.4% | 2.6% | 0.35% |
| Principal payment dates | Nine non-equal yearly installments paid on September 30 of each of the years from 2018 to 2026. First installment of 2% of the principal, second to eighth payments of 5% of the principal, and ninth payment of 63% of the principal. | 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. | Nine non-equal yearly installments paid on September 30 of each of the years of 2023, 2025 as well as 2027-2033. First and second installments of 5% of the principal, third to fifth installments of 10% of the principal and sixth through ninth installments of 15% of the principal. |
| 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. | March 31 and September 30 of each year from March 31 2022 to September 30 2033. |
| Linkage Basis and Terms (Principal and Interest) | July 2016 CPI | May 2017 CPI | October 2021 CPI |
| Does it constitute a material obligation? | No | No | Yes |
| Rating company | S&P Maalot | | |
| Rating | AA stable | | |
| Are there guarantees for the payment of the obligations? | No | | |
| Are there any liens? | Yes. Real estate properties. See Appendix A of Part A of the 2021 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 23.c.1 to the Consolidated Financial Statements in the 2021 Periodic Report and Appendix B to the 2021 Periodic Report. | No |
| Trustee | 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 15-25) 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.

Reportable Credit

The Company's debentures (Series 20 and 25) constitute reportable credit.

The following are details regarding the Company's compliance with the financial covenants (Series 20):

| The Covenant | Ratio as of the Report Date | Compliance as of Report Date |
|---|-----------------------------|------------------------------|
| Equity will be decreased to below 1.2 billion NIS, for two consecutive quarters. | 6,913 Thousands of NIS | 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. | 39.4% | 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. | 7.87 | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 16% for two consecutive quarters. | 47.7% | Meeting the condition |

Restrictions on the distribution of dividends in accordance with the to the debentures' (Series 20) 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. | 6,913 Thousands of NIS | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 73%. | 39.4% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 15. | 7.87 | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 17% for two consecutive quarters. | 47.7% | Meeting the condition |

The following are details regarding the Company's compliance with the financial covenants (Series 25):

| The Covenant | Ratio as of the Report Date | Compliance as of Report Date |
|---|------------------------------------|-------------------------------------|
| Equity will be decreased to below 2.5 billion NIS, for two consecutive quarters. | 6,913 Thousands of NIS | 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. | 39.4% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 16 for two consecutive quarters. | 7.87 | Meeting the condition |
| 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. | 47.7% | Meeting the condition |

Restrictions on the distribution of dividends in accordance with the to the debentures' (Series 25) deed of trust:

| The Covenant | Ratio as of the Report Date | Compliance as of Report Date |
|---|------------------------------------|-------------------------------------|
| Equity will be decreased to below 3.4 billion NIS. | 6,913 Thousands of NIS | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 70%. | 39.4% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 13. | 7.87 | Meeting the condition |



Appendix D

Linkage Basis Report

Appendix D

Linkage Basis Report

Linkage basis report in accordance with March 31 2022 Consolidated Financial Statements:

| Thousands of NIS | US Dollar | Swiss | EUR | Canadian Dollar | CPI | Unlinked | Non-Financial | Total |
|--|----------------|----------------|----------------|-----------------|------------------|------------------|-------------------|-------------------|
| Cash and cash equivalents | 13,433 | 47,056 | 41,929 | 13,457 | - | 960,287 | - | 1,076,162 |
| Short-term investments | - | - | 74,989 | - | - | 24,602 | - | 99,591 |
| Trade receivables | 102 | 198 | 5,923 | 1,501 | - | 29,533 | - | 37,257 |
| Receivables and debit balances | 12,540 | 219 | 8,772 | 4,035 | 116,951 | 34,381 | 11,561 | 188,459 |
| Taxes receivable | 212 | 1,344 | 892 | 130 | 32,250 | - | - | 34,828 |
| Deposits and long-term debit balances | - | - | - | 230 | 27,343 | - | - | 27,573 |
| Investments in investees | - | - | 19,415 | - | - | 8,574 | 346,148 | 374,137 |
| Assets held for sale | - | - | - | - | - | - | 8,537 | 8,537 |
| Advance payments on account of investments in land | - | - | - | - | - | - | 114,869 | 114,869 |
| Inventory of land for residential construction and apartments under construction | - | - | - | - | - | - | 693,068 | 693,068 |
| Investment property | - | - | - | - | - | - | 12,063,122 | 12,063,122 |
| Investment real estate under construction | - | - | - | - | - | - | 777,513 | 777,513 |
| Fixed assets | - | - | - | - | - | - | 151,931 | 151,931 |
| Intangible assets | - | - | - | - | - | - | 19,630 | 19,630 |
| Deferred taxes | - | - | - | - | - | - | 318 | 318 |
| Total assets | 26,287 | 48,817 | 151,920 | 19,353 | 176,544 | 1,057,377 | 14,186,697 | 15,666,995 |
| Liabilities | | | | | | | | |
| Credit from banks and other credit providers | - | - | - | - | - | 69 | - | 69 |
| Trade payables | 12 | 2,195 | 6,704 | 2,188 | - | 50,612 | - | 61,711 |
| Accounts payable and credit balances | 2,511 | 2,016 | 10,098 | 702 | 17,280 | 98,692 | 51,940 | 183,239 |
| Payables for dividends | - | - | - | - | - | 75,000 | - | 75,000 |
| Taxes payable | - | - | 3,537 | - | - | 4,860 | - | 8,397 |
| Provisions | - | - | - | - | - | 11,856 | - | 11,856 |
| Loans from banking corporations including current maturities | 49,889 | 178,144 | 330 | 37,151 | 701,019 | 478,306 | - | 1,444,839 |
| Other liabilities | 49,723 | - | - | 219 | - | 51,844 | - | 101,786 |
| Debentures | - | - | - | - | 5,041,459 | 303,631 | - | 5,345,090 |
| Tenant deposits | 889 | - | 157 | - | 39,408 | - | - | 40,454 |
| Employee benefit liabilities, net | - | - | - | - | - | - | 8,013 | 8,013 |
| Deferred taxes | - | - | - | - | - | - | 1,477,725 | 1,477,725 |
| Total liabilities | 103,024 | 182,355 | 20,826 | 40,260 | 5,799,166 | 1,074,870 | 1,537,678 | 8,758,179 |

Assets

Liabilities



Mivne Real Estate (K.D) Ltd.

(“The company”)

**Annually financial statements - for the year ended
March 31, 2022**

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on May 23, 2022 (reference no.: 2022-01-062227) (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 March 31 2022

Unaudited

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Review of Consolidated Interim Financial Statements | 2 |
| Consolidated Interim Balance Sheets | 3-4 |
| Consolidated Interim Statements of Operations | 5 |
| Consolidated Interim Reports on Comprehensive income | 6 |
| Consolidated Interim Reports on Changes in Equity | 7-9 |
| Consolidated Interim Cash Flow Reports | 10-12 |
| Notes to the Interim Consolidated Financial Statements | 13-18 |

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

Introduction

We have reviewed the attached financial information on Mivne Real Estate (K.D) Ltd. and its subsidiaries (hereinafter - the Group), which includes its Concise Consolidated Balance Sheet as of March 31 2022 and its Concise Consolidated Statements of Operations, Reports on Comprehensive Profit and Loss, Reports on Changes in Equity and Cash Flow Reports for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions on this interim financial information based on our review.

We have not reviewed the concise interim financial information of subsidiaries the assets of which included in the consolidation constitute 19.56% of all consolidated assets as of March 31 2022, and revenues of which included in the consolidation constitute 15.18% of all consolidated revenues for the three-month period ending that date. Furthermore, we did not review the concise interim financial information of companies presented according to the book value method, the investment in which amounted to a total of 158 million NIS as of March 31 2022, with the Group's share of the losses of the companies in question amounting to 1.5 million NIS for the three-month period ending that date. 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,
May 22, 2022

Kost Forrer Gabbay & Kassirer
Certified Public Accountants

Consolidated Balance Sheets

| | As of March 31 | | As of December 31 |
|---|--------------------------|--------------------------|--------------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | | Audited |
| | Thousands of NIS | | |
| Current Assets | | | |
| Cash and cash equivalents | 1,076,162 | 286,107 | 922,515 |
| Short-term investments | 75,038 | 70,595 | 83,265 |
| Limited cash and funds in trust | 24,553 | 107,465 | 20,899 |
| Trade receivables | 37,257 | 49,619 | 28,391 |
| Receivables and debit balances | 188,420 | 126,901 | 121,596 |
| Taxes receivable | 34,828 | 24,342 | 22,697 |
| Inventory of land, apartments and buildings for sale and under construction | 442,371 | 494,064 | 424,709 |
| | <u>1,878,629</u> | <u>1,159,093</u> | <u>1,624,072</u> |
| Assets held for sale | <u>8,537</u> | <u>139,173</u> | <u>20,119</u> |
| | <u><u>1,887,166</u></u> | <u><u>1,298,266</u></u> | <u><u>1,644,191</u></u> |
| Non-Current Assets | | | |
| Advance payments on account of investment property | 114,869 | - | 190,522 |
| Investments in financial assets measured at fair value via other comprehensive income | - | 88,527 | - |
| Other receivables | 27,573 | 25,469 | 31,148 |
| Investments in companies handled using the book value method | 374,137 | 286,877 | 367,459 |
| Investment property | 12,063,122 | 10,628,414 | 11,340,203 |
| Investment property under development | 777,513 | 515,853 | 722,908 |
| Inventory of land for construction | 250,697 | 52,329 | 249,763 |
| Fixed assets, net | 151,931 | 92,386 | 131,669 |
| Intangible assets, net | 19,630 | 27,128 | 19,630 |
| Deferred taxes | 318 | 257 | 312 |
| | <u>13,779,790</u> | <u>11,717,240</u> | <u>13,053,614</u> |
| | <u><u>15,666,956</u></u> | <u><u>13,015,506</u></u> | <u><u>14,697,805</u></u> |

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

Consolidated Balance Sheets

| | As of March 31 | | As of December 31 |
|--|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | Audited | Thousands of NIS |
| Current Liabilities | | | |
| Credit from banks and credit providers | 69 | 25,150 | 34,915 |
| Current maturities of debentures | 316,902 | 364,548 | 302,817 |
| Current maturities of loans and other liabilities | 280,607 | 264,198 | 313,825 |
| Trade payables | 61,711 | 34,051 | 41,463 |
| Accounts payable and credit balances | 185,042 | 229,135 | 138,250 |
| Dividends payable | 75,000 | 50,000 | - |
| Advance payments from buyers | 10,089 | 11,270 | 4,578 |
| Taxes payable | 8,397 | 61,391 | 8,190 |
| | 937,817 | 1,039,743 | 844,038 |
| Non-Current Liabilities | | | |
| Loans from banking corporations and financial institutions | 1,164,232 | 957,239 | 1,110,347 |
| Debentures | 5,028,188 | 3,418,761 | 4,242,917 |
| Other liabilities | 101,786 | 117,596 | 102,829 |
| Tenant deposits | 40,454 | 37,374 | 38,543 |
| Employee benefit liabilities | 8,013 | 7,838 | 7,925 |
| Deferred taxes | 1,477,725 | 1,276,282 | 1,459,474 |
| | 7,820,398 | 5,815,090 | 6,962,035 |
| Equity Attributable to Company Shareholders | | | |
| Share capital | 1,499,999 | 1,515,298 | 1,495,852 |
| Share premium | 3,515,622 | 3,634,931 | 3,500,029 |
| Reserve in respect of share-based payment transactions | 19,576 | 19,083 | 22,271 |
| Call options | - | 14,456 | - |
| Treasury shares | (393,227) | (641,127) | (393,227) |
| Retained earnings | 2,449,437 | 1,817,782 | 2,458,783 |
| Capital reserve from tradable securities | - | (8,632) | - |
| Adjustments arising from the translation of the financial statements of foreign activity | 106,552 | 110,228 | 97,080 |
| Capital reserve from transactions with minority shareholders | (279,026) | (279,026) | (279,026) |
| | 6,918,933 | 6,182,993 | 6,901,762 |
| Non-Controlling Interests | (10,192) | (22,320) | (10,030) |
| Total Equity | 6,908,741 | 6,160,673 | 6,891,732 |
| | 15,666,956 | 13,015,506 | 14,697,805 |

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

May 22, 2022

Approval Date of the Financial Statements

Tal Fuhrer
Chair of the Board of Directors

David Zvida
Chief Executive Officer

Yossi Filiba
Chief Financial Officer

Consolidated Statements of Profit or Loss

| | For the 3 Months Ending March 31 | | For the Year Ending On December 31 |
|---|-------------------------------------|----------------|---------------------------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | Audited | |
| Thousands of NIS (Except for Net Profit per Share Data) | | | |
| Revenues | | | |
| Rental and management fee income - Israel | 207,994 | 182,713 | 780,782 |
| Rental and management fee income - abroad | 24,462 | 32,998 | 118,148 |
| Sale of apartments and land | - | 51,858 | 193,219 |
| From management of buildings and infrastructure | 74 | 155 | 400 |
| From solar installations, net | 2,362 | 1,013 | 6,105 |
| From the sale of fuels, net | 294 | 309 | 1,207 |
| Total revenues | 235,186 | 269,046 | 1,099,861 |
| Expenses | | | |
| Maintenance expenses - Israel | 46,335 | 38,542 | 173,483 |
| Maintenance expenses - abroad | 11,236 | 12,042 | 42,051 |
| Cost of apartments and land sold | - | 37,397 | 154,636 |
| Total cost of sales and services | 57,571 | 87,981 | 370,170 |
| Gross profits | 177,615 | 181,065 | 729,691 |
| Increase in value of investment property and investment property under development, net | 28,088 | 72,224 | 756,381 |
| Sales and marketing expenses | (3,034) | (1,159) | (7,771) |
| Administrative and general expenses | (20,359) | (20,765) | (81,195) |
| Impairment of inventory of land for construction | - | - | (523) |
| Other revenues (expenses), net | (1,739) | (1,290) | 29,200 |
| Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity | - | (3,996) | 12,979 |
| The Company's share of the profits (losses) of companies handled using the book value method, net | 2,582 | (2,455) | 21,276 |
| Operating profit | 183,153 | 223,624 | 1,460,038 |
| Financing expenses | (98,698) | (30,701) | (296,153) |
| Loss from early redemption of debentures and loans | - | (13,903) | (13,903) |
| Financing revenues | 1,535 | 4,041 | 16,514 |
| Profit before taxes on income | 85,990 | 183,061 | 1,166,496 |
| Taxes on income | 19,528 | 32,364 | 211,449 |
| Net profit | 66,462 | 150,697 | 955,047 |
| Attributed to: | | | |
| Company shareholders | 65,654 | 149,488 | 941,780 |
| Non-controlling interests | 808 | 1,209 | 13,267 |
| | 66,462 | 150,697 | 955,047 |
| Profit per share attributed to company shareholders (in NIS) | | | |
| Basic net income | 0.08 | 0.2 | 1.24 |
| Diluted net income | 0.08 | 0.2 | 1.23 |

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

Consolidated Reports on Comprehensive Income

| | For the 3 Months Ending March 31 | | For the Year Ending on December 31 |
|---|-------------------------------------|----------------|--|
| | 2022 | 2021 | 2021 |
| | Unaudited | Audited | Audited |
| | Thousands of NIS | | |
| Net profit | <u>66,462</u> | <u>150,697</u> | <u>955,047</u> |
| Other comprehensive income (after tax influence): | | | |
| <u>Sums restated to gain or loss under specific conditions:</u> | | | |
| Adjustments arising from the translation of the financial statements of foreign activity | 8,500 | 7,758 | 5,905 |
| Realization of capital reserve to Statement of Operations due to foreign activity | - | (3,996) | (12,979) |
| | <u>8,500</u> | <u>3,762</u> | <u>(7,074)</u> |
| <u>Items not reclassified to gain/loss:</u> | | | |
| Profit due to investment in financial asset measured at fair value via other comprehensive income | - | 2,894 | 15,235 |
| | - | <u>2,894</u> | <u>15,235</u> |
| Total other comprehensive income | <u>8,500</u> | <u>6,656</u> | <u>8,161</u> |
| Total comprehensive income | <u>74,962</u> | <u>157,353</u> | <u>963,208</u> |
| Attributed to: | | | |
| Company shareholders | 75,126 | 157,667 | 949,152 |
| Non-controlling interests | (164) | (314) | 14,056 |
| | <u>74,962</u> | <u>157,353</u> | <u>963,208</u> |

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

Consolidated Reports on Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | | | | |
|---|------------------------------------|-------------------|--------------|--|-----------------|-------------------|---|--|--|------------------|---------------------------|-----------------|------------------|
| | Stock Capital | Premium on Shares | Call Options | Capital reserve due to financial assets measured at fair value via other comprehensive income: | Treasury Shares | Retained Earnings | 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 Capital | |
| | | | | | | | | | | | Unaudited | | |
| | | | | | | | | | | | Thousands of NIS | | |
| Balance as of January 1 2022 (Audited) | | | | | | | | | | | | | |
| Net profit | - | - | - | - | - | 65,654 | - | - | - | 65,654 | 808 | 66,462 | |
| Other comprehensive income (loss) | - | - | - | - | - | - | - | 9,472 | - | 9,472 | (972) | 8,500 | |
| Total comprehensive income (loss) | - | - | - | - | - | 65,654 | - | 9,472 | - | 75,126 | (164) | 74,962 | |
| Exercise of employee options | 4,147 | 15,593 | - | - | - | - | (3,680) | - | - | 16,060 | - | 16,060 | |
| Dividend to Company shareholders | - | - | - | - | - | (75,000) | - | - | - | (75,000) | - | (75,000) | |
| Share-based payment | - | - | - | - | - | - | 985 | - | - | 985 | - | 985 | |
| Balance as of March 31 2022 | 1,499,999 | 3,515,622 | (| - | - | (393,227) | 2,449,437 | 19,576 | 106,552 | (279,026) | 6,918,933 | (10,194) | 6,908,739 |

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

Consolidated Reports on Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | | | Non-Controlling Interests | Total Capital | |
|--|------------------------------------|-------------------|---------------|--|------------------|-------------------|---|--|--|------------------|-----------------|---------------------------|---------------|--|
| | Stock Capital | Premium on Shares | Call Options | Capital reserve due to financial assets measured at fair value via other comprehensive income: | Treasury Shares | Retained Earnings | 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 | | | | |
| | Unaudited | | | | | | | | | | | | | |
| Thousands of NIS | | | | | | | | | | | | | | |
| <u>Balance as of January 1 2021 (Audited)</u> | 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 | - | - | - | - | - | 149,488 | - | - | - | 149,488 | 1,209 | 150,697 | | |
| Other comprehensive income (loss) | - | - | - | 2,894 | - | - | - | 5,285 | - | 8,179 | (1,523) | 6,656 | | |
| Total comprehensive income (loss) | - | - | - | 2,894 | - | 149,488 | - | 5,285 | - | 157,667 | (314) | 157,353 | | |
| Departure from consolidation by consolidated company | - | - | - | - | - | - | - | - | - | - | (10,639) | (10,639) | | |
| Dividend to Company shareholders | - | - | - | - | - | (50,000) | - | - | - | (50,000) | - | (50,000) | | |
| Share-based payment | - | - | - | - | - | - | 1,961 | - | - | 1,961 | - | 1,961 | | |
| <u>Balance as of March 31 2021</u> | <u>1,515,298</u> | <u>3,634,931</u> | <u>14,456</u> | <u>(8,632)</u> | <u>(641,127)</u> | <u>1,817,782</u> | <u>19,083</u> | <u>110,228</u> | <u>(279,026)</u> | <u>6,182,993</u> | <u>(22,320)</u> | <u>6,160,673</u> | | |

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

Consolidated Reports on Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | | | |
|--|------------------------------------|-------------------|--------------|--|------------------|-------------------|---|---|--|--|---------------------------|------------------|
| | Audited | | | | | | | | | | | |
| | Thousands of NIS | | | | | | | | | | | |
| | Stock Capital | Premium on Shares | Call Options | Capital Reserve of Securities Available for Sale | Treasury Shares | Retained Earnings | Reserve from Share-Based Payment Transactions | Reserve from Financial Statements of Foreign Activity and Other Funds | Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds | Capital Reserve from Transactions with Non-Controlling Interests | Non-Controlling Interests | Total Capital |
| <u>Balance as of January 1 2021</u> | 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 | - | - | - | - | - | 941,780 | - | - | - | 941,780 | 13,267 | 955,047 |
| Other comprehensive income (loss) | - | - | - | 15,235 | - | - | - | (7,863) | - | 7,372 | 789 | 8,161 |
| Total comprehensive income (loss) | - | - | - | 15,235 | - | 941,780 | - | (7,863) | - | 949,152 | 14,056 | 963,208 |
| Writing off treasury shares | (30,530) | (217,370) | - | - | 247,900 | - | - | - | - | - | - | - |
| Issue of shares, net of transaction costs | 10,870 | 81,644 | (14,456) | - | - | - | - | - | - | 78,058 | - | 78,058 |
| Departure from consolidation by consolidated company | - | - | - | - | - | - | - | - | - | - | (10,639) | (10,639) |
| Classification of capital reserve upon realization of securities | - | - | - | (3,709) | - | 3,709 | - | - | - | - | - | - |
| Dividends paid Company shareholders | - | - | - | - | - | (205,000) | - | - | (205,000) | - | - | (205,000) |
| Dividends paid holders of non-controlling interests | - | - | - | - | - | - | - | - | - | - | (2,080) | (2,080) |
| Exercise of employee options | 214 | 824 | - | - | - | - | (1,038) | - | - | - | - | - |
| Share-based payment | - | - | - | - | - | - | 6,187 | - | - | 6,187 | - | 6,187 |
| <u>Balance as of December 31 2021</u> | <u>1,495,852</u> | <u>3,500,029</u> | <u>-</u> | <u>-</u> | <u>(393,227)</u> | <u>2,458,783</u> | <u>22,271</u> | <u>97,080</u> | <u>(279,026)</u> | <u>6,901,762</u> | <u>(10,030)</u> | <u>6,891,732</u> |

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

Consolidated Cash Flow Reports

| | For the 3 Months Ending March 31 | | For the Year Ending on December 31 |
|--|-------------------------------------|----------|--|
| | 2022 | 2021 | 2021 |
| | Unaudited | Audited | Thousands of NIS |
| <u>Cash Flows from Current Activity</u> | | | |
| Net profit | 66,462 | 150,697 | 955,047 |
| Adjustments required to present cash flows from current activities | | | |
| Adjustments to profit or loss items: | | | |
| Depreciation and amortizations | 1,649 | 1,180 | 12,942 |
| Loss (profit) from short-term investments, net | 8,477 | (1,461) | (3,804) |
| Increase in fair value of investment property and investment property under development, net | (28,088) | (72,224) | (756,381) |
| The Group's share of losses (profits) of associates handled using the book value method, net | (2,582) | 2,455 | (21,276) |
| Interest and revaluation of debentures and loans | 105,394 | 39,887 | 245,043 |
| Change in employee benefit liabilities, net | 88 | 57 | 144 |
| Interest and revaluation of deposits and debit balances | (16,708) | (11,766) | 38,400 |
| Taxes on income | 19,528 | 32,364 | 211,449 |
| Loss from the impairment of inventory of land for construction and inventory of buildings and apartments for sale | - | - | 523 |
| Realization of capital reserve from translation differences to Statement of Operations | - | (3,996) | (12,979) |
| Change in fair value of call options measured at fair value | 421 | - | (39,813) |
| Loss from early redemption of debentures and loans | - | 13,903 | 13,903 |
| Share-based payment | 985 | 1,961 | 6,187 |
| | 89,164 | 2,360 | (305,662) |
| Changes in asset and liability items: | | | |
| Decrease (increase) in trade receivables | (8,784) | 472 | 20,573 |
| Decrease (increase) in other receivables | (47,487) | 41,792 | 17,015 |
| Increase (decrease) in trade liabilities | 20,647 | (482) | 7,846 |
| Increase (decrease) in other accounts payable and unearned revenues from buyers | 19,410 | (45) | (14,103) |
| Increase (decrease) in tenant security deposits | 1,894 | (43) | 1,195 |
| | (14,320) | 41,694 | 32,526 |
| Cash paid and received during the reported period for: | | | |
| Interest paid | (26,968) | (22,582) | (179,814) |
| Interest received | 649 | 2,651 | 8,729 |
| Taxes paid | (19,301) | (15,840) | (19,906) |
| Taxes received | - | 1,714 | 12,412 |
| Dividends received | 158 | - | 8,851 |
| | (45,462) | (34,057) | (169,728) |
| 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. | 95,844 | 160,694 | 512,183 |
| Decrease (increase) in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction. | (18,580) | 19,984 | (108,870) |
| Net cash deriving from current activity | 77,264 | 180,678 | 403,313 |

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

Consolidated Cash Flow Reports

| | For the 3 Months Ending March 31 | | For the Year Ending on December 31 | |
|---|-------------------------------------|------------------|--|--|
| | 2022 | 2021 | 2021 | |
| | Unaudited | Audited | | |
| | Thousands of NIS | | | |
| <u>Cash Flows from Investment Activities</u> | | | | |
| Acquisitions of and investments in investment property | (610,341) | (57,946) | (518,840) | |
| Investment in investment property under development | (54,605) | (18,855) | (145,096) | |
| Investment in property, plant and equipment | (15,889) | (10,429) | (54,145) | |
| Investment and loans to companies handled using the book value method, net | (4,801) | (2,400) | (87,492) | |
| Yield from the sale of short-term investments (investments), net | (3,646) | (43,598) | 83,078 | |
| Proceeds from the realization of investment property and real estate held for sale | 33,711 | 72,853 | 186,543 | |
| Proceeds from the sale of shares and redemption of shareholder loans of investee sold | - | - | 18,456 | |
| Repayment of long-term loans granted, net | 1,246 | - | 16,003 | |
| Repayment of long-term deposits | - | - | 45,815 | |
| Proceeds from the realization of investment in subsidiary consolidated in the past, net (a) | - | 13,639 | 55,695 | |
| Net cash used for investment activity | (654,325) | (46,736) | (399,983) | |
| <u>Cash Flows from Financing Activity</u> | | | | |
| Exercise of options | 16,059 | - | - | |
| Issue of shares, net of transaction costs | - | - | 78,058 | |
| Dividends paid Company shareholders | - | - | (205,000) | |
| Proceeds from the issue of debentures, net of transaction costs | 780,493 | - | 1,030,566 | |
| Redemption of debentures | (23,864) | (270,899) | (605,875) | |
| Short-term credit from banking corporations and others, net | (46,845) | (12,500) | 7,415 | |
| Receipt of loans from banks and other long-term liabilities | 20,800 | 24,400 | 458,570 | |
| Repayment of loans from banks and other long-term liabilities | (16,730) | (19,644) | (266,544) | |
| Dividend paid to holders of non-controlling interests | - | - | (2,080) | |
| Net cash deriving from (used in) financing activity | 729,913 | (278,643) | 495,110 | |
| <u>Increase (decrease) in cash and cash equivalents</u> | 152,852 | (144,701) | 498,440 | |
| <u>Exchange rate differences due to balances of cash and cash equivalents</u> | 795 | (898) | (7,631) | |
| <u>Balance of cash and cash equivalents at the beginning of the period</u> | 922,515 | 431,706 | 431,706 | |
| <u>Cash and cash equivalents balance at the end of the period</u> | 1,076,162 | 286,107 | 922,515 | |

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

Consolidated Cash Flow Reports

| | For the 3 Months Ending March 31 | | | For the Year Ending on December 31 |
|--|-------------------------------------|----------|----------|--|
| | 2022 | 2021 | 2021 | |
| | Unaudited | | | Audited |
| | Thousands of NIS | | | |
| (a) <u>Net Cash from the Realization of Investments in Subsidiaries Consolidated in the Past</u> | | | | |
| Assets and liabilities of subsidiaries as of the date of sale: | | | | |
| Working capital | - | (3,287) | (3,693) | |
| Investment property and investment property under construction | - | 27,565 | 70,305 | |
| Non-controlling interests | - | (10,639) | (10,639) | |
| Profit from divestment | - | - | (278) | |
| | | 13,639 | 55,695 | |
| (b) <u>Additional information on material actions not involving cash flows:</u> | | | | |
| Dividends declared and not yet paid | 75,000 | 50,000 | - | |
| Purchase of investment property against creditors | 18,900 | - | - | |

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

Notes to the Interim Consolidated Financial Statements**Note 1: - General**

a. These Financial Statements have been prepared in a concise format as of March 31 2022 and for the three-month period ending that date (hereinafter - the Consolidated Interim financial Statements). These Statements should be read along with of the Company's Annual Financial Statements as of December 31 2021 and for the year ending that date and accompanying Notes (hereinafter - the Annual Consolidated Financial Statements).

b. Implications of the War Between Russia and Ukraine

War broke out between Russia and Ukraine in February 2022. The war has caused, and is continuing to cause, significant casualties, damage to infrastructure and to buildings and disruptions to economic activity in Ukraine.

The Company has a property in Kyiv, Ukraine and due to the war, the Company revised its valuation and included an impairment to its value to the sum of 45 million NIS. The value of the property, based on external valuation, as of March 31 2022 amounts to a total of \$73 million (232 million NIS).

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 policies applied in the preparation of the Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Annual Consolidated 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> | The Consumer Price Index | | | | | |
|---|--------------------------|---------|-------------|--------|-------------------|---------------|
| | Israel (*) | | | | | |
| | Actual % | Known % | US Dollar % | Euro % | Canadian Dollar % | Swiss Franc % |
| For the three-month period ending March 31 2022 | 1.46 | 1.17 | 2.12 | 0.11 | 3.82 | 0.88 |
| For the three-month period ending March 31 2021 | 0.8 | 0.1 | 3.7 | (0.8) | 5.0 | (3.0) |
| For the Year Ending December 31 2021 | 2.8 | 2.4 | (3.3) | (10.7) | (3.1) | (6.7) |
| <u>CPI (in points)</u> | | | | | | |
| March 31, 2021 | 138.3 | 137.6 | 3.176 | 3.524 | 2.536 | 3.434 |
| March 31 2021 | 133.7 | 132.9 | 3.334 | 3.912 | 2.645 | 3.538 |
| December 31, 2021 | 136.3 | 136.0 | 3.110 | 3.520 | 2.442 | 3.405 |

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

Notes to the Interim Consolidated Financial Statements

Note 3: - Summary of 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 X):

a. Consolidated Balance Sheets

| | As of March 31 | | As of December 31 |
|--|-------------------|------------------|----------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | Audited | |
| | Thousands of NIS | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | 9,311 | 20,764 | 7,755 |
| Investments in financial assets | 74,990 | 25,044 | 83,217 |
| Current maturities of long-term deposits | - | 45,226 | - |
| Others | 8,944 | 26,330 | 9,842 |
| | 93,245 | 117,364 | 100,814 |
| Assets held for sale | - | - | 15,840 |
| | 93,245 | 117,364 | 116,654 |
| <u>Non-Current Assets</u> | | | |
| Investment in shares of parent company | 605,337 | 780,417 | 647,953 |
| Investments in associates handled using the book value method | 139,203 | 139,646 | 145,347 |
| Investment property | 986,975 | 947,773 | 986,218 |
| Others | 3,100 | 4,797 | 4,397 |
| | 1,734,615 | 1,872,633 | 1,783,915 |
| | 1,827,860 | 1,989,997 | 1,900,569 |
| <u>Current Liabilities</u> | | | |
| Accounts payable and credit balances | 11,643 | 24,526 | 10,183 |
| Current maturities of long-term loans | 9,776 | 24,448 | 9,662 |
| Current maturities of loan from parent company | 27,790 | 37,690 | 14,601 |
| Others | 5,598 | 5,522 | 5,062 |
| | 54,807 | 92,186 | 39,508 |
| <u>Non-Current Liabilities</u> | | | |
| Long-term loans from financial institutions | 157,033 | 161,209 | 157,624 |
| Loan from parent company | - | 47,658 | 45,329 |
| Other long-term liabilities | 15,000 | 15,000 | 15,000 |
| Deferred taxes | 155,958 | 152,116 | 155,745 |
| | 327,991 | 375,983 | 373,698 |
| Total Equity | 1,445,062 | 1,521,828 | 1,487,363 |
| | 1,827,860 | 1,989,997 | 1,900,569 |

Notes to the Interim Consolidated Financial StatementsNote 3: - Summary of Darban Data (Continued)b. Consolidated Statements of Operations

| | For the Three Month Period Ending March 31 | | For the Year Ending December 31 |
|---|---|--------|------------------------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | | Audited |
| Thousands of NIS | | | |
| Revenues | | | |
| From building rental, management and maintenance in Israel | 18,933 | 17,479 | 70,890 |
| From building rental, management and maintenance abroad and others | - | 1,025 | 2,336 |
| Total revenues | 18,933 | 18,504 | 73,226 |
| Costs | | | |
| Cost of building management and maintenance | 2,034 | 2,343 | 9,403 |
| Gross profits | 16,899 | 16,161 | 63,823 |
| Net increase (decrease) in fair value of investment property | - | (510) | 53,405 |
| Administrative and general and sales and marketing expenses | 3,178 | 3,203 | 11,419 |
| The Group's share of profits (losses) of associates treated according to the book value method | (6,744) | 2,294 | 25,442 |
| Other comprehensive loss items charged to gain/loss due to investment in investees | - | - | (3,996) |
| Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity | | 3,996 | - |
| Profits from regular activities | 6,977 | 10,746 | 127,255 |
| Profit from the realization of consolidated companies and an investee according to the book value method | - | 373 | 373 |
| Financing revenues (expenses), net | (5,301) | 7,505 | 4,690 |
| Profit after financing | 1,676 | 18,624 | 132,318 |
| Tax expenses | 1,979 | 1,970 | 20,915 |
| Net profit (loss) | (303) | 16,654 | 111,403 |
| Attributed to: | | | |
| Company shareholders | (295) | 16,547 | 111,289 |
| Non-controlling interests | (8) | 107 | 114 |
| | (303) | 16,654 | 111,403 |

Notes to the Interim Consolidated Financial Statements

Note 3: - Summary of Darban Data (Continued)

c. Consolidated Cash Flow Reports

| | For the Three Months Ending March 31 | | For the Year Ending December 31 |
|--|---|---------|------------------------------------|
| | 2022 | 2021 | 2021 |
| | Unaudited | | Audited |
| Thousands of NIS | | | |
| Net cash deriving from current activity | 13,595 | 8,548 | 65,520 |
| Net cash derived from (used in) investment activity | 17,500 | 12,583 | (3,344) |
| Net cash used in financing activities | (29,951) | (7,649) | (60,568) |
| Translation differences due to cash balances held in foreign currency | 412 | 776 | (359) |
| | 1,556 | 14,258 | 1,249 |
| Balance of cash and cash equivalents at the beginning of the period | 7,755 | 6,506 | 6,506 |
| Cash and cash equivalents balance at the end of the period | 9,311 | 20,764 | 7,755 |

Notes to the Interim Consolidated Financial Statements**Note 4: - Material Events During and Subsequent to the Reported Period**

- A. On January 17 2022 the Company CEO, Mr. David Zvida, exercised 3,870,000 options as 3,870,000 regular Company shares worth 1 NIS NV each at an exercise price of 4.547 NIS per share.
- B. On February 10 2022 the Company completed a transaction with Bank Mizrahi Tefahot Ltd., Netzivim Assets and Equipment Ltd., Israel Union Bank Ltd. and Egudim Ltd. (hereinafter each of these - a Seller and hereinafter together - the Sellers) for the purchase of the full rights of the sellers to 24 cash-generating land properties throughout Israel with different zoning, including offices and commercial, and including the Israel Union Bank Ltd. management building on Achuzat Bayit Street in Tel Aviv-Yafo, an office building on Lincoln Street in Tel Aviv-Yafo, the main Tel Aviv branch of Union Bank on Echad Ha'am Street in Tel Aviv, and a number of properties in the Bursa Compound in Ramat Gan (all 24 purchased properties shall hereby be referred to together as the Properties). The proceeds paid by the Company for the purchase of the rights to the properties amounted to a total of 531.6 million NIS plus VAT (hereinafter - the Proceeds). 23 of the 24 properties were rented out by the Company to one of the sellers for variable periods of time starting February 2022 in accordance with rental agreements signed between the Company and the relevant seller regarding each property.
- C. On March 17 2022 the Company's Board of Directors approved a distribution of dividends to the sum of 79.8 million NIS (of this a sum of 4.8 million NIS was distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend per share is 0.099 NIS. On the same occasion, the Company Board of Directors decided on a dividend distribution policy for 2022 according to which a total of 240 million NIS will be distributed (net, without Darban's share) from the Company's profits 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.
- D. On March 27 2022 the Company issued debentures (Series 20 and 23) by way of expansion. The debentures (Series 20) - 530,610,000 NIS NV were issued, in return for a total of 645 million NIS. The effective yearly interest embodied in the offering is 0.31%. The debentures (Series 23) - 118,732,000 NIS NV were issued, in return for a total of 141 million NIS. The effective yearly interest embodied in the offering is -0.97%.
- E. On March 31 2022 the Company entered into an agreement with Yad Hanna Homesh Community Cooperative Village - Agricultural Cooperative Association Ltd. (hereinafter: Yad-Hanna) and Hutzot Shefayim - Agricultural Cooperative Association Ltd. (hereinafter - Shefayim) (Shefayim and Yad Hanna are hereby together - the Sellers) to purchase shares of Yad Hanna Homesh Industries - Agricultural Cooperative Association Ltd. (hereinafter - the Association) with existing and potential rights to parts of the land in Block 8634 and Block 8635 and additional land around them (hereinafter - the Land) with a total area of 10 hectares, in such a manner that on the date of the transaction's completion, the Company will hold shares constituting 50% of the issued and paid-up stock capital of the Association (fully diluted) and will join the Association as a member (hereinafter - the Purchase Agreement). In accordance with the plan applicable to part of the Land, the use permitted for them today is for industry, including storage. The Association intends to engage in planning and advancing a project for the construction of a cash-generating employment compounds on the Land. The purchase agreement is stipulated on the following preconditions: the approval of the Antitrust Commissioner, the approval of the ILA, the approval of the certified organs at the Sellers and the Company and the receipt of approval from any third parties as needed. The proceeds for the shares sold amount to a total of 140 million NIS, plus VAT. In addition, the Company will provide the Association a capital note to the sum of 43 million NIS.

Notes to the Interim Consolidated Financial Statements**Note 4: - Material Events During and Subsequent to the Reported Period (Continued)**

F. On April 27 2022 the protocol of the committee approving the decision of the Local Committee for Planning and Construction Tel Aviv-Yafo from March 23 2022, on the deposit of Plan no. 507-0892091 "TA/MK/4974 - Ayalon Region" was approved, subject to fulfilling certain conditions (hereinafter - the Plan) regarding part of Parcel 64 in Block 7069, located between Yigal Alon Street west of the Bitzron Neighborhood, Aminadav Street on the south and Meitav Street on the east (hereinafter - the Land), which is held by the Company via capitalized lease. The plan, as approved by the Local Committee, includes the construction of three buildings: a 47-story residential building, two 47-story employment buildings, and an additional employment structure of the "Mashbir Hamerkazi" building regarding which the plan has established it as a building for preservation. The Plan area includes 1.3 hectares from the construction rights utilization, as follows:
 a. Construction rights for housing - 41,600 m² primary area (constituting 400 housing units).
 b. Construction rights for commerce and employment: some 125,000 m².
 Approval of the plan is subject to the approval of the legally certified planning authorities.

G. On May 22, 2022 Midroog Ltd announced at first the rating of the Company and its debentures. The rating of the Company and its debentures (Series 15, 16, 17, 20, 24 and 25) determined to be Aa2.il. The rating of the debentures guaranteed by income-generating real estate (Series 18, 19 and 23) determined to be Aa1.il. The Company's short-term create rating determined to be P-1.il. All with a stable outlook.

H. On May 22, 2022 the Company's Board of Directors approved a distribution of dividends, payment to the sum of approximately 63.8 million NIS (of this a sum of approximately 3.8 million NIS will be distributed to Darban Investments Ltd., a fully owned subsidiary holding Company shares). The dividend sum per share is 0.07949 NIS.

Note 5: - Financial Instruments**Fair Value**

The following are the balances in the books and the fair value of financial liabilities:

| | Book Value | | | | Fair Value | | | |
|------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------|
| | As of March 31 | | As of December 31 | | As of March 31 | | As of December 31 | |
| | 2022 | 2021 | 2021 | 2022 | 2021 | 2021 | 2021 | 2021 |
| | Unaudited | | Audited | | Thousands of NIS | | | |
| Debentures | <u>5,372,910</u> | <u>3,809,829</u> | <u>4,555,897</u> | <u>5,680,875</u> | <u>4,255,611</u> | <u>5,102,614</u> | | |

The fair value of the liabilities to banking corporations and others are close to the book value of these liabilities.