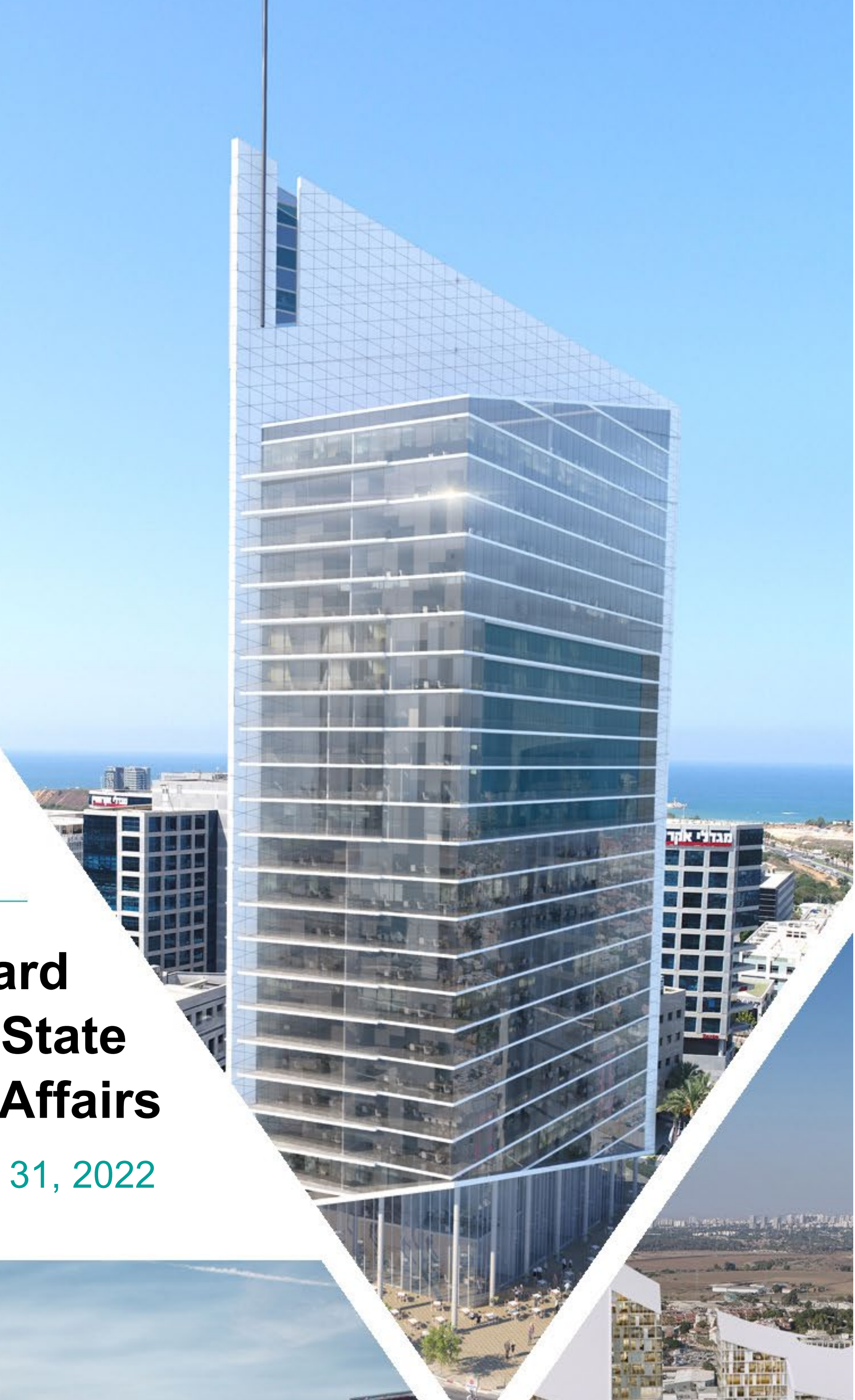
Mivne Real Estate (K.D) Ltd.

("The company")

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

As of December 31th, 2022



Mivne

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

Annual report as of December 31, 2022

Overview 31.12.22

	14,582	**Total Investment Property** (Millions of NIS)
	1,126	**Of This, Real Estate Under Construction** (Millions of NIS)

Projects under development 31.12.22

	7	**Projects Under Construction and In Development**
	158	**Scope** (Thousands of m²)
	1,285	**Estimated Cost Balance** (Millions of NIS)
	199-213	**Expected NOI at Project Completion*** (Millions of NIS) * For details see table under "concentrated data on projects in stages of construction, planning and development" below.

Data from the Consolidated Statements 1-12.22

	760	**NOI** (Millions of NIS)
	11.1%	**Same Properties NOI in Israel** **Increase** compared to corresponding period last year
	544	**FFO** (Millions of NIS) **Increase** of 18.2% compared to the corresponding period last year
	6,049*	**Unrestricted Assets** (Millions of NIS) Constituting 41% of total real estate
	2.13%	**CPI-linked weighted debt interest**
	1,400	**Cash and credit frameworks as of the publication date of the Statements** (Millions of NIS)
	94.5%	**Occupancy Rate in Israel** **Increase** of 1.5% compared to December 31 2021

* As of the report issue date, total unpledged assets amounted to NIS 7.3 billion.

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

For the Period Ending December 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 year ending December 31 2022 ("**The Reported Period**"):

Business Environment

Description of the Company and its Business Environment[1]

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 Corporate Business. The Company (including associates) owns some 1,949,000 m² of cash-generating space, of which 1,651,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 764,000 m²

The strong growth trend in the Israeli economy, which started in the first half of 2021 with removal of the restrictions imposed due to the Corona Virus pandemic, which saw a surplus in the Government of Israel budget and higher employment rates, was reversed in the second quarter of 2022 due, *inter alia*, to several economic and geo-political events, both global and local, including the following: renewed Corona Virus outbreak in China and stoppage of part of the economic activity in that country, the outbreak of war in the Ukraine, the fall of the Israeli Government which once again placed the country in an election period." These factors, as well as higher energy and transportation prices, had a decisive effect on global price levels, resulting in sharply higher inflation: 6.5% in the USA, 10.5% in the UK, 9.2% in the EU and 5.3% in Israel.

The Bank of Israel inflation forecast for 2023 is 3.0% and for 2024: 2.0%.

In response to higher prices and interest rate increase by central banks in Europe and in the USA, as from April 2022 the Bank of Israel moved to raise interest rates in Israel, in several steps, from a near-zero level (which lasted for almost 7 years) to its current level of 4.25%.

In 2022, the Consumer Price Index increased by 5.3%. The Company has loans and debentures linked to the Consumer Price Index and which bear interest linked to the CPI. Therefore, the increase in CPI has led to an increase in the Company's financing costs. On the other hand, the Company's cash-generating property in Israel, the current value of which is 11.9 billion NIS, is rented in CPI-linked rental agreements, and the Company sees this as long-term inflationary protection. As a result, the increase in CPI has led to an increase in the Company's revenues from building rentals and to an increase in the fair value of its properties. For further details see the "Summary of Primary Data" and the "Summary of Business Expenses" table in this report.

[1] Information sources in this section – Macro-economic Forecast of Bank of Israel Research Division, January 2023.

The Company determines the fair value of its properties by, *inter alia*, determining the discount rates used to discount future cash flow from such properties. The Company has exposure to changes in these discount rates, which are affected, *inter alia*, by the risk-free interest rate in the market. Note, in this regard, that the spread between the weighted discount rate and the weighted cost of debt, vs. the negligible current financing cost of the Company remains high, even by comparison to previous periods.

In January 2023, the Government started promoting an extensive judicial reform. The proposed reform drew wide-spread criticism across segments, and was divisive to the point where senior economists and experts in economic, legal and social fields warn of the impact to stability of the Israeli market and economy. According to these experts, the proposed reform and the dispute arising from it may result in lowered credit rating of the State of Israel, may impact the capacity of the Israeli economy to raise financing and withdrawal of funds and investments out of Israel, which would result in higher borrowing costs in the Israeli economy and would impact the economic activity, and in particular in the high-tech sector.

The Company cannot estimate the future impact, if any, of all of the above factors, on the real estate industry in Israel in general, and on the Company's activity in particular. The Company estimates that its financial robustness, diversification and the state of its assets, along with its cash balances and current cash flows it generates, would allow it to further meet its current and expected obligations, including financial covenants set forth in financing agreements and Deeds of Trust for Company bonds.

The estimates and forecasts presented in this section above constitute forward-looking information, as defined in the Securities Law, 1968

Achievement of 2022 forecast

As of December 31, 2022, the Company equity amounted to NIS 8,026 million, with net income in 2022 amounting to NIS 1,285 million.

Furthermore, the Company exceeded its published forecasts for the year, with NOI of NIS 760 million (compared to forecast of NIS 715-740 million) and with FFO of NIS 544 million (compared to forecast of NIS 470-500 million).

The Company Board of Directors wishes to thank Company management and staff for their contribution towards achieving and exceeding these targets.

Conclusion of the CEO's term in office

Further to immediate reports by the Company dated February 22, 2023 and March 7, 2023 (reference no. 2023-01-019593 and 2023-01-024795, respectively, included herein by way of reference) with regard to negotiations with Company CEO Mr. David Zvida and the management company controlled thereby (hereinafter jointly: "the CEO") regarding termination of the services agreement with the management company and conclusion of the CEO's term in office, the Company hereby announces that on March 19, 2023, the Company and the CEO signed a definite separation agreement. The CEO shall conclude their term in office with the Company, including with subsidiaries and affiliates, as from March 22, 2023 and shall conclude their notice period on December 20, 2023. The separation agreement governs the contracting terms with the CEO during and after the notice period .The Company intends to issue soon a notice convening a General Meeting of Company shareholders, which would list highlights of the separation agreement and would submit for approval all those terms that are subject to approval by the General Meeting by law. This termination is by mutual agreement, after Mr. Zvida has concluded many years in office as Group CEO and due to differences in management and organizational concept and in remuneration expectations between the Company Board of Directors and Mr. Zvida. The Company wishes to thank Mr. Zvida for his significant contribution and wishes him the best of continued luck.

Events During and Subsequent to the Reported Period

Outstanding acquisitions

Acquisition of Properties from the Bank Mizrahi Group

In February 2022, the Company purchased from several Bank Mizrahi Tefahot Group companies their rights to 24 land properties in Israel with different zoning, including offices and commercial ("**the Purchased Properties**") for total consideration amounting to NIS 531.6 million plus VAT. Out of the 24 Purchased Properties, 23 were leased to one of the sellers for various terms. The total annual rent for the Purchased Properties should amount to NIS 26 million. For more information see immediate reports dated January 31 2022 and February 13, 2022 (reference nos.: 2022-01-013006 and 2022-01-017566, respectively), included herein by way of reference.

Yad Hanna

In July 2022 the Company closed a transaction to purchase shares of Yad Hanna Homesh Industries – Agricultural Cooperative Association Ltd. (hereinafter: "the **Association"**), which holds current and potential interest in land with a total area of 10 hectares, such that the Company holds shares constituting 50% of the issued and paid-up share capital of the Association, fully diluted, and joined 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 consideration for the shares sold amounted to NIS 140 million plus VAT. In addition, the Company extended to the Association a capital note amounting to NIS 43 million. For more information see immediate reports dated April 3, 2022 and July 19, 2022 (reference nos. 2022-01-041668 and 2022-01-091969, respectively), included herein by way of reference.

Capital Raised

In March 2022 and in February 2023, the Company issued by way of expansion of bonds (Series 20 and 23) as well as bonds (Series 25), respectively.
Bonds (Series 20) – the Company issued NIS 530,610 thousand par value for total consideration amounting to NIS 645 million. The effective interest rate in this issuance is 0.31%.
Bonds (series 23) – the Company issued NIS 118,732 thousand par value, for total consideration amounting to NIS 141million. The effective negative interest in this issuance is -0.97%.
In August 2022 the Company issued commercial paper (Series 1) ("**Commercial Paper"**) amounting to 100 million par value, for total consideration amounting to NIS 100 million. The Commercial Paper would mature 365 days after the issue date, with optional renewal for 4 additional terms of 365 days each, through August 2027. The Commercial Paper may be called for immediate redemption at any time, by 7 business days' advance notice. Midroog set a rating of P-1.il for the CP.
In February 2023, the Company issued NIS 1,163,191 thousand par value bonds (Series 25) by way of a series expansion for total consideration amounting to NIS 1,035 million. The effective annual interest rate in this issue is 2.77%.

Development

Tel Aviv-Yafo – Hameitav, Stage B

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 ("**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 m^2 primary area (constituting 400 housing units).

b. Construction rights for commerce and employment: some 125,000 m^2. The plan was approved for deposit and was deposited.

Establishment of Joint Venture in the Data Center Field

In June 2022, the Company, through a partnership fully owned by the Company, engaged with a fully owned company (indirectly) of U.S. RIT company Digital Realty Trust ("**DLR**" and together: "**the Parties**") in a number of agreements for the establishment and management of a limited partnership that will be held by the parties in equal shares and operate under the name Digital Realty Mivne ("**the Partnership**"), key of which are as follows: the Partnership shall act to purchase, build, manage, finance, develop, rent and operate data centers throughout Israel ("**the Data Center Activity**"). All of the parties' Data Center Activity in Israel shall be carried out through the Partnership only.

Both of the parties must inject capital to the Partnership to the sum of up to $50 million in accordance with the board of directors of the General Partner ("**the Initial Investment**"). Additional financing of the activity will be carried out via outside financing, shareholder loans or additional capital injections by the parties, with dilution mechanisms set that will apply in the event that a decision is made by the board of directors of the General Partner to make an additional investment by the Parties (beyond the Initial Investment)), and one of the Parties has not provided their share.

Within the framework of the Data Centers Activity, the Partnership shall consider buying, renting and/or building on land and/or of suitable buildings in Israel for the activity in question, including (but not limited to) buildings owned or leased by the parties and/or related parties. In this regard, each party undertook to grant (or lead to the controlling company granting) the Partnership the first vote regarding renting such properties, so long as the purpose of their use is for Data Center Activity, as detailed in the agreement.

The agreements in question include additional generally accepted preconditions including mechanisms held by the Parties regarding the allocation of shares and rights to the General Partner and the Partnership, rights of refusal and joining rights in the event of a sale of shares or rights as noted above, and prohibition on the sale of such shares and rights for a period of seven years from the determining date. As of the report issue date, the Company is preparing to inject a plan for a permit for the available licensing system.

Sales

Sale of Property Company in Florida

In October 2022 a partnership fully owned by the Company ("**the Seller**"), which holds 45% of the issued and paid-up capital of a company holding rights to land with an area of 0.88 hectares in Fort Lauderdale, Florida ("**the Property Company**"), entered into an agreement with a third party to sell its full holdings in the Property Company, in return for a total of 115.7 million NIS (some $32.5 million). From the sum of the proceeds in question, a total of 32.8 million NIS ($9.2 million) was paid to the Seller upon completion of the transaction and the balance of the Proceeds shall be paid through a seller's loan that the Seller will provide the Buyer ("**the Seller's Loan**"). The Seller's Loan is for a period of 3 years with yearly interest of 4.5%. To guarantee the repayment of the Seller's loan, the Buyer and its controlling shareholders provided the following securities: a first-degree mortgage on the real estate of the Property Company, a lien on the Buyer's full holdings in the stock capital of the Property Company and personal guarantees by the Buyer's controlling shareholders. In addition, the agreement established the events the occurrence of which will grant the Seller the right to added compensation. The profit (before tax) expected for the Seller from the Sale is expected to amount to a total of 9.6 million NIS ($2.7 million). The expected cash flow for the Seller from the sale (before taxes and transaction costs) shall amount to a total of 124.6 million NIS ($35 million).

For further details see the immediate report from October 12 2022 (reference no. 2022-01-125833), presented here by way of referral.

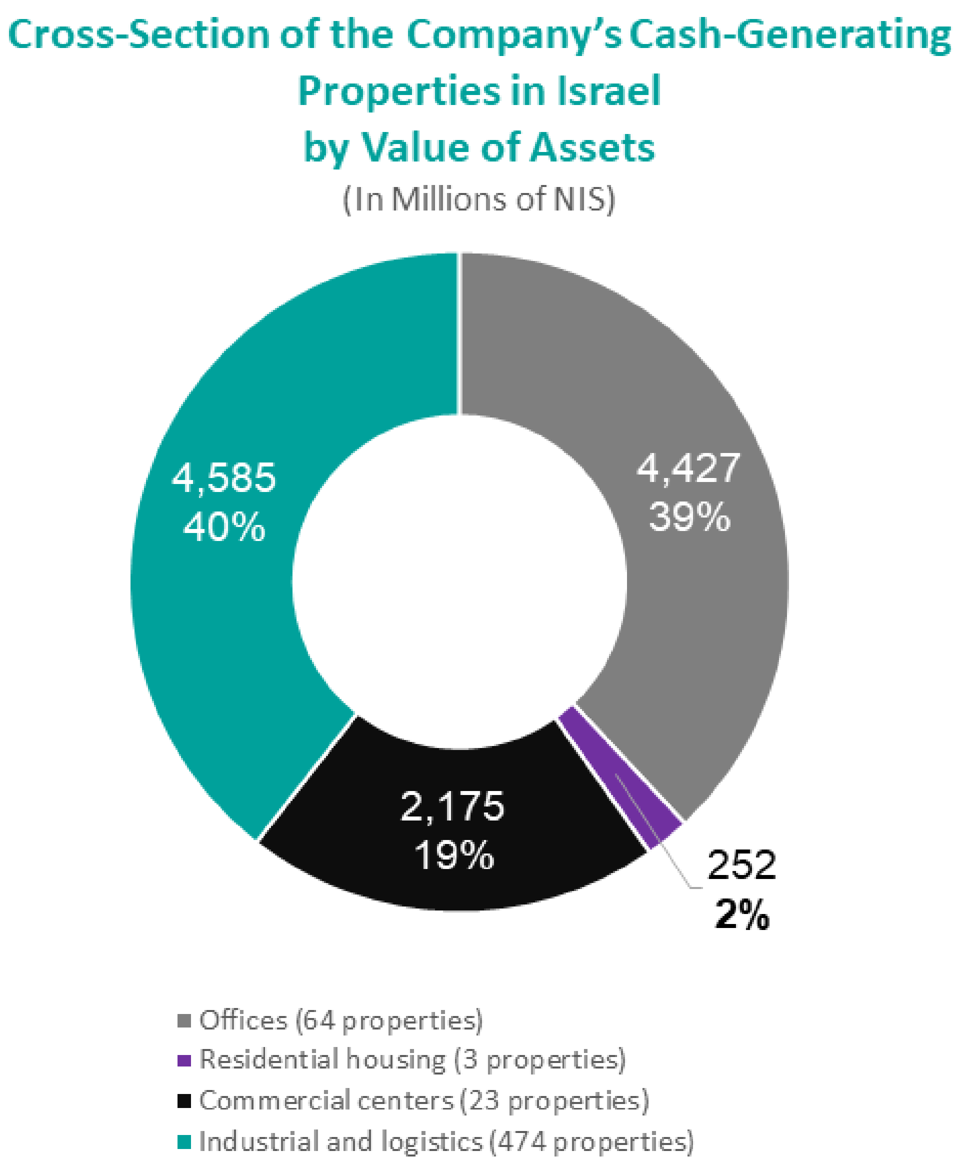
Early redemption of debentures

In February 2023, the Company initiated a full early redemption of bonds (Series 15), amounting to NIS 7.5 million par value for a total of NIS 7.7 million in principal and interest, as well as full early redemption of bonds (Series 18), amounting to NIS 572 million par value for a total of NIS 642 million in principal and interest. For more information see Note 20A.5 and 6 to the financial statements.

The Company's Activity

As of December 31 2022, the Company's assets (on a consolidated basis), owned and leased, include 564 cash-generating properties spread out across Israel with a total area of 1.7 million m², not including properties under construction. The properties are rented to 2,961 tenants, for various terms. The Company also has 19 projects under construction or in advanced planning stages, for a total of 563 thousand m^2.

The occupancy rate in Company properties in Israel as of December 31, 2022 was 94.5%, compared to 93% on December 31, 2021


Cross-Section of the Company's Cash-Generating Properties in Israel by Value of Assets
(In Millions of NIS)
4,427
39%
252
2%
2,175
19%
4,585
40%
Offices (64 properties)
Residential housing (3 properties)
Commercial centers (23 properties)
Industrial and logistics (474 properties)

A Look at Company Data

Summary of Key Data (in Millions of NIS)

	Change Compared to Corresponding Period Last Year	1-12/22	1-12/21	Change Compared to Corresponding Period Last Year	10-12/22	10-12/21
NOI in Israel*	**15.3%**	**709**	**615**	**17.8%**	**186**	**157**
Same Property NOI	**11.1%**	**681**	**613**	**13.6%**	**178**	**157**
NOI abroad**	**(32.9%)**	**51**	**76**	**(17.6%)**	**14**	**17**
FFO	**18.2%**	**544**	**460**	**20.3%**	**148**	**123**
Increase in Known Index Rate		**5.3%**	**2.4%**		**0.84%**	**0.2%**

* The increase in NOI in 2022 compared to the corresponding period last year derives from an increase from assets purchased to the sum of NIS 28 million, from an increase due to an increase in CPI to the sum of NIS 34 million, from the impact of Covid-19 to the sum of NIS 12 million and from an increase due to new rentals, an increase in rental fees in contract renewals and a decrease in net management expenses to the sum of NIS 20 million.

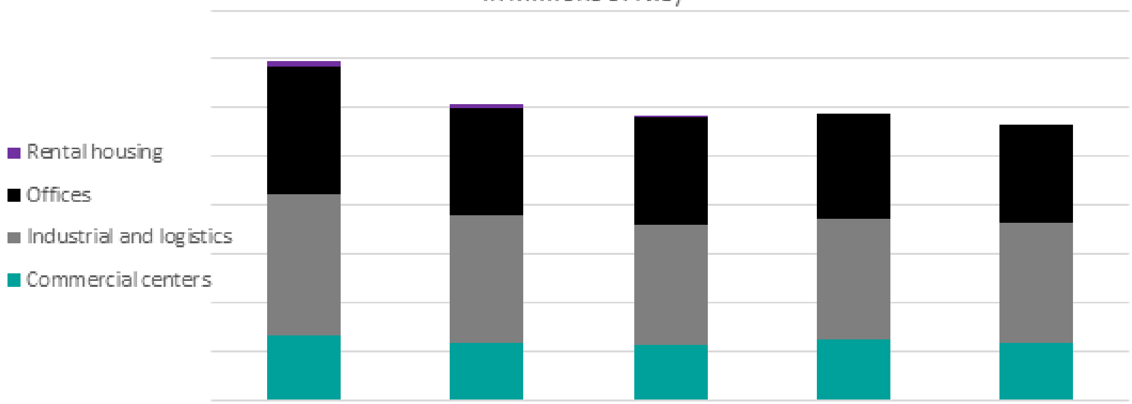
** Most of the decrease derives from the sale of properties in Canada, France, Germany, the Netherlands and Serbia. In addition, a decrease due to the property in Ukraine to the sum of NIS 14 million due to the receipt of partial rent in light of the war between Russia and Ukraine.

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

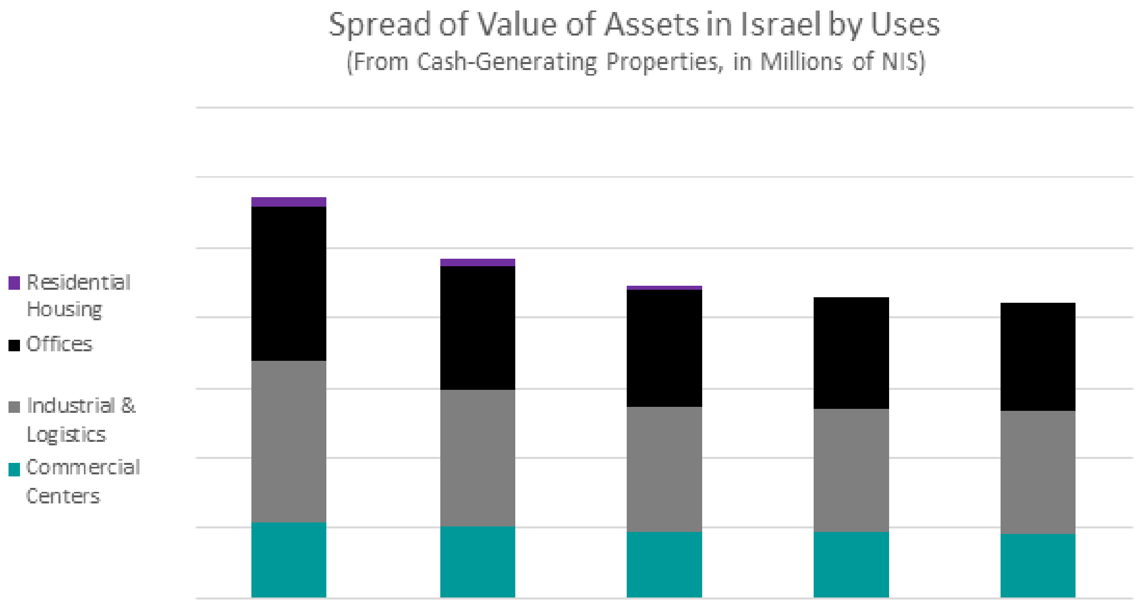
Uses	Number of Properties as of December 31 2022	Above-Ground Area as of December 31 2022	NOI for the Period 1-12.22	Fair Value of Cash-Generating Property as of December 31 2022	Occupancy rate as of December 31 2022	Value of Real Estate Under Construction as of December 31 2022
		m²	In Thousands of NIS	In Thousands of NIS	%	In Thousands of NIS
Offices	64	408,672	263,009	4,426,631	90.6%	1,126,157
Commercial centers	23	193,349	131,687	2,174,955	91.7%	-
Industrial and Logistics	474	999,432	290,233	4,585,428	96.6%	-
Residential	3	13,660	12,700	252,409	97.5%	-
Total	**564**	**1,615,113**	**697,629**	**11,439,423**	**94.5%**	**1,126,157**

Uses	Number of Properties as of December 31 2022	Above-Ground Area as of December 31 2022	NOI for the Period 1-12.22	Fair Value of Cash-Generating Property as of December 31 2022	Occupancy rate as of December 31 2022	Value of Real Estate Under Construction as of December 31 2022
		m²	In Thousands of NIS	In Thousands of NIS	%	In Thousands of NIS
Associates – Company Share						
Offices	5	17,525	7,725	150,126	82.7%	-
Commercial centers	2	13,280	12,552	203,977	97.4%	-
Industrial and Logistics	1	5,256	348	140,600	100%	-
Total	**8**	**36,060**	**20,625**	**494,703**	**90.6%**	**-**
Expanded Total	**572**	**1,651,173**	**718,254**	**11,934,126**	**94.4%**	**1,126,157**

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



	2022	2021	2020	2019	2018
Commercial Centers	132	118	111	124	116
Industrial and Logistics	290	263	250	248	246
Offices	263	218	218	217	201
Residential housing	13	8	2	-	-
Total	**698**	**607**	**581**	**589**	**563**



	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Commercial Centers	2,175	2,030	1,878	1,892	1,812
Industrial and Logistics	4,585	3,911	3,589	3,500	3,554
Offices	4,427	3,555	3,367	3,213	3,043
Residential housing	252	174	101	-	-
Total cash-generating property	11,439	9,670	8,935	8,605	8,409
Total under construction	1,126	723	168	135	52
Total investment property	**12,565**	**10,393**	**9,103**	**8,740**	**8,461**

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

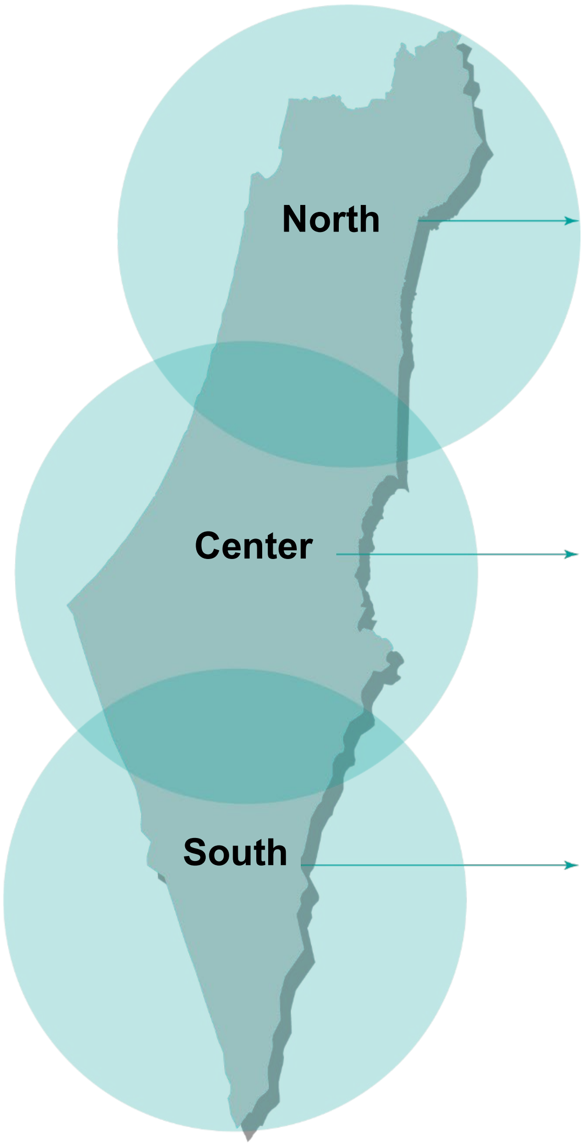
Country	Number of Properties	Above-Ground Area in m²	Number of Tenants	Rate of Occupancy	Fair Value In Thousands of NIS	NOI from Cash-Generating Properties 1-12/2022 In Thousands of NIS
Cash-Generating Properties						
Israel	564	1,615,113	2,961	94.5%	11,439,423	697,629
Switzerland	2	56,099	18	93.5%	396,210	23,809
Ukraine	1	44,672	64	79.7%	239,503	14,913 *
North America	4	77,549	187	73.5%	217,118	7,072
France	5	119,447	5	98.4%	14,679	4,853
Total Cash-Generating Properties	**576**	**1,912,880**	**3,235**	**93.5%**	**12,306,933**	**748,276**
Land						
Israel lands	36				1,301,608 **	
Overseas	1				24,132	
Total land	**37**				**1,325,740**	
Total	**613**	**1,912,880**	**3,235**	**93.5%**	**13,632,673**	**748,276**
Israel – Associated Companies	**8**	**36,060**	**91**	**90.6%**	**494,703**	**20,625**
Total	**621**	**1,948,940**	**3,325**	**93.5%**	**14,127,376**	**768,901**
Deferred taxes* **					**2,316,416**	

* This data reflects partial rental receipts in light of the defense and geopolitical events occurring in the region.
** Including a total of 684 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.

MIVNE

Cities in which the Group has Properties

The Company owns some 1,949,000 m² of cash-generating space, of which 1,651,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 764,000 m²



Or Akiva	Alon Tavor	Beit She'an
Bnei Yehuda	Gan Shmuel	Haifa
Hatzor Haglilit	Tiberias	Pardes Hannah
Yavniel	Yessod Hama'alah	Yokneam
Kfar Tavor	Karmiel	Migdal Ha'emek
Machanayim	Metula	Menechemia
Ma'alot	Nahariya	Nof Hagalil
Nesher	Heffer Valley	Afula
Tzippori	Safed	Katzrin
Kiryat Shmona	Segev	Shlomi
Ma'aleh Ephraim	Yad Hanna	

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

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	Ganei Tal	

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 (m²)	Project's Value in the Company's Books	Estimated Construction Cost Balance	Estimated NOI Fully Occupied
						In Millions of NIS		
Hasolelim	Tel Aviv-Yafo	Offices and commercial	100%	Lower structure work completed. Upper structure work started on residential and office buildings.	*68,300	665	607	109-117
Sarona	Kfar Saba	Offices	100%	Underway, Estimated completion – 2024.	**26,000	192	64	22-24
Haifa Life Sciences Park (2 buildings)	Haifa	Offices	50%	Nearing completion of parking area in lower structure	14,000	46	108	12
Kiryat Hamishpat	Kiryat Gat	Offices	100%	In testing for Form 4	5,000	41	3	3
"Mivne" Herzliya Pituach	Herzliya	Residential	100%	Undergoing paneling and excavation works.	103 housing units	156	128	8-9
		Offices and commercial			24,300		192	27-30
Beersheba	Beersheba	Hotels	100%	Start of excavation and shoring work	16,700	13	169	16
Netter Avenue	Sderot	Commercial		Construction start	3,300	14	14	2
Total					**157,600**	**1,127**	**1,285**	**199-213**

* The projects includes 461 parking spaces.
** 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 (m²)	Project's Value in the Company's Books (Millions of NIS)
Hameitav Stage B	Tel Aviv	Residential, Employment and commercial	100%	Awaiting hearing of objections, to take place in March	125,000 400 housing units	435
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	13
Crytek 2	Yokneam	Offices	100%	Decided to push permit forward, permit receipt forecast: Q2/2023.	25,000	5
Akerstein Towers Stage B	Herzliya	Offices Residential	53%	In discussions with regional committee. In planning stages for Town Plan.	50,000 150 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	47
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	71
Hadera	Hadera	Offices	50%	Town Plan advanced at 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, excavation and shoring permit receipt forecast: Q2-2024.	15,600	59
Canfey Nesharim	Jerusalem	Offices	50%	In permit stages	15,000	5
DLR Mivne	Petach Tikva	Data center	50%	In permit stages	22MW on some 15,000 m²	-
Kiryat Shechakim	Herzliya	Offices	42.5%	-	200,000	-
Total					**525,600**	**684**

(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 frisk factors characterizing the Company's activity see section 1.35 of the Report of Corporate Affairs and section 1.8 "General environment" in Report of Corporate Affairs.

Rental Housing(1)

Town	Use	Number of Units	Area (m²)	Book Value/ Sum Paid (Thousands of NIS)	Balance Payable (Thousands of NIS)	NOI/Expected NOI (Thousands of NIS)	Expected Yield
Jerusalem	Housing Collection	317	12,353	128,300	-	7,300	Cash-generating
Kiryat Ono	Student Dorms	113	3,334	58,675	-	3,100	Cash-generating
Kiryat Ono	Residential	30	2,690	65,647	-	1,789	Cash-generating
Ben Shemen	Residential	80	8,913	25,518	110,583	4,235	Q2/2025
Hadera	Residential	50	4,507	14,166	60,887	1,679	Q2/2025
Ramat Hasharon	Residential	50	6,044	24,233	126,185	5,508	Q2/2024
Ramat Chen	Residential	80	7,177	37,485	157,563	5,283	Q4/2026
Total		**720**	**45,018**	**354,024**	**455,218**	**28,894**	

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	173	24,214	21,088
Increasing the size of existing installations	-	4,326	1,976
Installations with quota	106	14,507	9,864
Installations in approval proceedings	15	1,137	870
Total	**294**	**44,183**	**33,798 (*)**

(*) 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 125 million NIS and the balance of the cost for implementation totals 18 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 frisk factors characterizing the Company's activity see section 1.35 of the Report of Corporate Affairs and section 1.8 "General environment" in Report of Corporate Affairs.

Residential

The Company deals, among other things, in the 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 December 31 2022 (Millions of NIS)	Total Cost Balance	Developer Profit Not Yet Recognized
		%	As of December 31 2022		As of the publication of the report					
Hasolelim[2]	360	75%	86	291	86	291	-	419	256	396
Hameitav Tel-Aviv[3]	1	50%	-	-	-	-	-	1	-	1
Merom Hasharon Stage F	134	90%	40	76	41	78	2	75	46	77
Merom Hasharon Stage G	79	90%	-	-	-	-	-	54	29	56
Total	**574**		**126**	**367**	**127**	**369**	**2**	**548**	**331**	**530**

1. Balance of units in inventory as of December 31 2022
2. Excavation, shoring and foundation work in this project has been completed, and work on lower structure is ongoing.
3. As of December 31, 2022 and as of the report issue date, 169 units have been delivered, valued at NIS 453 million.

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 more information on the frisk factors characterizing the Company's activity, see section 1.35 of the Report of Corporate Affairs and section 1.8 "General environment" in Report of Corporate Affairs.

Inventory of Land for Long-Term Residential Construction

Location	Number of Housing Units	Holdings in Projects	Total valuation as of December 31, 2022
		In %	In Millions of NIS
Sdeh Dov	230	33.33%	223
Or Akiva	74	100%	9
Other	57	100%	7
Total	**361**	**-**	**239**

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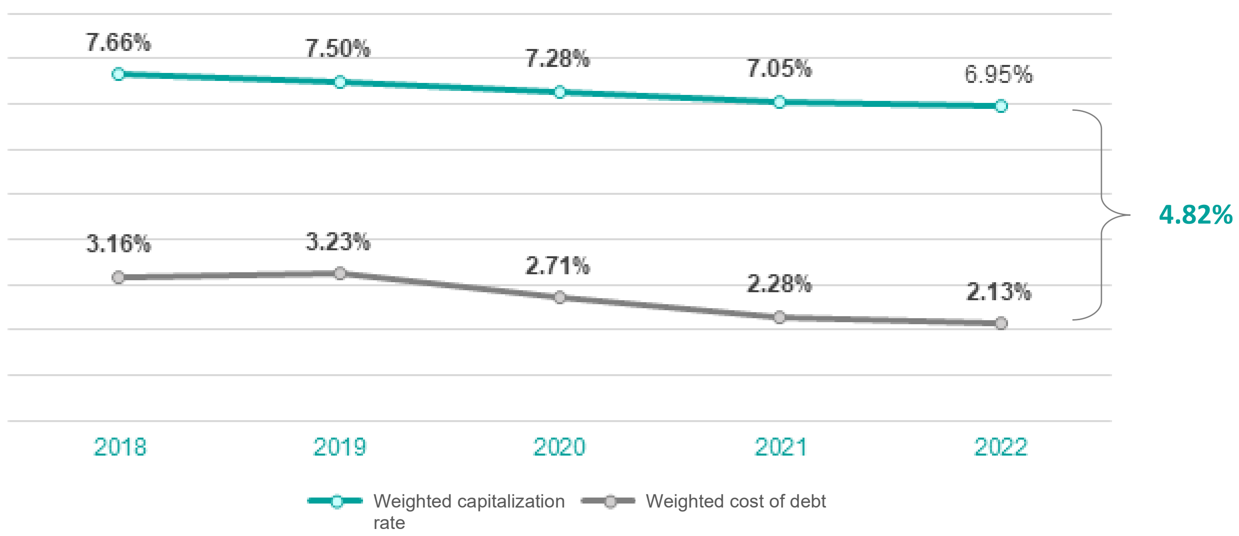
Debt Structure Management

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 December 31, 2022 amounted to NIS 6.3 billion. The average duration of debt in Israel is 4.8 years and the weighted effective interest rate is 2.13% CPI-linked.

As of the report issue date, the Company has cash balances and unused credit facilities amounting to NIS 1.4 billion, and un-encumbered properties amounting to NIS 6 billion.

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	2023	2024	2025	2026	2027	2028	2029 Onward	Balance as of December 31, 2022*
			In Millions of NIS							
Israel	**4.8**	**2.13%**	**435**	**550**	**680**	**1,000**	**1,036**	**1,003**	**1,974**	**6,678**
Weighted Interest Rate for Redemptions Performed in the Period			**2.22%**	**3.23%**	**2.5%**	**1.69%**	**2.5%**	**2.19%**	**1.68%**	
Weighted interest rate			**2.11%**	**2.01%**	**1.94%**	**2.00%**	**1.83%**	**1.64%**	**1.68%**	
Overseas	**7.07**	**1.47%**	**1**	**1**	**52**	**-**	**-**	**-**	**-**	**54**
Total redemptions			**436**	**551**	**732**	**1,000**	**1,036**	**1,003**	**1,793**	
Of these, "balloon" guaranteed by lien			-	(155)	(240)	(562)	(536)	(386)	(181)	
Redemptions less pledged cash flow			**436**	**396**	**492**	**438**	**500**	**617**	**1,612**	
Value of asset pledged			-	579	583	854	1,440	1,123	366	
LTV of pledged property			**-**	**26.8%**	**41.2%**	**65.8%**	**37.2%**	**34.38%**	**49.53%**	

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

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NOI NET OPERATING INCOME

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

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

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Identical properties for the period	177,841	175,904	168,074	159,225	156,568	157,112	154,043	145,126
Properties purchased during the period	7,663	7,515	7,485	5,119	736	-	-	-
Properties sold	-	-	4	41	168	263	473	522
NOI – Total	**185,504**	**183,419**	**175,563**	**164,385**	**157,472**	**157,375**	**154,516**	**145,648**

NOI in the fourth quarter of 2022 amounted to NIS 186 million, compared to NIS 157 million in the corresponding quarter last year, increase by 17.8%.

Same-property NOI in the fourth quarter of 2022 amounted to NIS 178 million, compared to NIS 157 million in the corresponding period last year, increase by 13.6%.

Weighted Cap Rate

The following is the calculation of the weighted cap rate derived from all the cash-generating properties in Israel as of December 31 2022:

	Consolidated (in Millions of NIS)
Investment property in consolidated report as of December 31 2022	13,456
Less – real estate abroad	(892)
Less – value of lands classified as investment property	(1,302)
Plus – value of cash-generating properties intended for realization	2
Cash-generating investment property in Israel as of December 31 2022	**11,264**
Less value attributed to vacant spaces	(718)
Less value attributed to rental housing	(252)
Investment property attributed to rented spaces as of December 31 2022	**10,294**
NOI from rental property in Israel as of December 31, 2022	**698**
Standard yearly NOI (plus contracts that have been signed and not yet fully expressed).	**729**
Yearly NOI less NOI attributed to rental housing	**716**
Weighted cap rate deriving from revenue-producing investment real estate in Israel	**6.95%**

FFO Funds From Operations

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

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

We emphasize that the FFO:

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

FFO calculations (In Thousands of NIS)

	1-12.2022	1-12.2021
Net profit for the period	1,285,219	955,048
Changes in value of investment property and investment property under construction	(1,346,603)	(756,381)
Profits and losses from the sale of real estate, investees, other revenues and the realization of capital reserves from translation differences.	(9,814)	(43,490)
Tax expenses from the sale of properties and other revenues	1,584	5,990
Impairment of goodwill	-	7,498
Changes in the fair value of financial instruments	37,319	8,453
Adjustments due to taxes	340,305	178,570
Adjustments referring to associates	3,432	(7,225)
Revaluation of assets and liabilities	14,414	3,665
Other revenues	(34,128)	(68,416)
Nominal FFO pursuant to ISA directives	**291,728**	**283,712**
Added – expenses of linkage differences on the debt principal and exchange rate differences	238,844	153,666
Real FFO pursuant to management approach	**530,572**	**437,378**
FFO attributed to cash-generating property	**544,196**	**460,487**
Change in CPI during the period(1)	**5.3%**	**2.4%**

Change in real FFO in 2022, compared to 2021, is primarily due to higher NOI, lower real financing expenses and lower current taxes due to effect of the CPI.

(1) The change in the CPI affects direct tax expenses. When the CPI is higher / lower, financing expenses are higher / lower in respect of CPI-linked debt, resulting in lower / higher provision for current taxes.

2023 Forecast

Below is the forecast for FFO from rental properties and NOI forecast for 2023:

The Company's forecast for its key operating results in 2023, based on the following working assumptions:

- Known CPI as of December 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 that stated in the "general environment" item in the Report on Corporate Business and in this report.
- The expectations of Company Management regarding the renewal of most of the rental agreements that will expire over the course of 2023.
- Consumer Price Index – annual increase by 2.7%.

Projected Results in 2023 in NIS millions		
	2023 Forecast	2022 in Practice
NOI	790-810	760
FFO attributed to cash-generating property	550-570	544

The information in the above table featuring a forecast for all of 2023 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.

Operating Results According to Consolidated Financial Statements

Business Results Summary Table (in Millions of NIS)

		For		Notes and Explanations
		2022	2021	
Revenues from rental and management fees		969	899	Most of the increase derives from the purchase of Bank Mizrachi properties and rental housing, from the impact of the CPI increase on rental contracts and increased occupancy rates and a real increase in rental fees. Furthermore, during the corresponding period last year a 12 million NIS negative impact was recorded due to the influence of Covid-19.
Maintenance and management cost		221	216	
Revenues from the Sale of Apartments and Land		54	193	
Cost of Apartments and Land Sold		36	155	
Increase in Fair Value of Investment Property		1,347	756	Over the course of the period, 262 valuations were carried out for properties in Israel worth 12.2 billion NIS. In addition, 360 internal assessments were performed according to the value in use model used at the Company with a total value of 1.05 billion NIS. The increase in value over the year-ago period derived from an increase in the value of land, and increase in real rental fees, improved occupancy rates and a decrease in capitalization rates. Following the increase in the Consumer Price Index, increase by NIS 375 million in value was recorded. In addition, in the second quarter the Company recorded a revaluation of NIS 222 million for the Solelim Project, which largely derived from an increase in expected rental fees and from a drop in capitalization rates by NIS 224 million with respect to additional construction rights in the property on Yigal Alon Street, Tel Aviv. In addition, the Company listed an impairment to the sum of NIS 64 million as a result of the revaluation of the debt in Kyiv, Ukraine.
Administrative and General, Sales and Marketing Expenses		91	89	
Realization of Capital Reserve due to Adjustments from the Translation of Financial Statements		(4)	(13)	
Financing Expenses	Net interest expenses	122	131	
	Expenses from change in CPI, net	269	100	A 5.3% CPI increase in the period against a 2.4% CPI increase in the corresponding period last year.
	Loss from early redemption	4	14	
	Net expenses (revenues) from exchange rate differences and others	8	48	
	Total	403	293	
Income tax expenses		360	211	
Net Profit		1,285	955	

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

	As of December 31 2022	As of December 31 2021	Notes and Explanations
Current Assets	983	1,644	Mostly a decrease in cash balances due to investments and purchases in the period.
Investments handled using the book value method	501	367	Mainly for the purchase of a company holding land in Yad Hannah
Investment property, investment property in development and advance payments on account of investment in land	14,725	12,254	The increase largely derives from the completion of the transaction to acquire properties from Bank Mizrahi, from the receipt of apartments in Kiryat Ono, from appreciation and from investments made in the period.
Inventory of land for construction	239	250	
Short-term credit, current maturities	639	652	
Long-term loans and liabilities from banking corporations, credit providers and others.	1,187	1,213	
Long-term debentures	4,776	4,243	The increase largely derives from the expansion of bonds (Series 20 and 23).
Total equity attributed to shareholders	7,985	6,902	Most of the increase derives from comprehensive income in the period to the sum of NIS 1,319 million , a capital offering of 16 million NIS, offset by dividends amounting to NIS 195 million.
Total equity	8,026	6,892	

The following table contains a summary of the Reports Comprehensive Income by quarter in the reported year:

	1-12.2022	10-12.2022	7-9.2022	4-6.2022	1-3.2022
	In Thousands of NIS				
Revenues from rental and management fees in Israel	875,887	228,601	227,252	212,040	207,994
Revenues from rental and management fees abroad	93,138	23,312	22,777	22,587	24,462
Revenues from apartment sales	53,671	22,475	15,584	15,612	-
Revenues from the sale of fuel, from solar facilities and from the management of buildings and infrastructure, net	11,242	2,427	3,070	3,015	2,730
Total revenues	**1,033,938**	**276,815**	**268,683**	**253,254**	**235,186**
Maintenance and administration costs in Israel	178,258	45,524	46,903	39,496	46,335
Maintenance and administration costs abroad	42,491	9,741	10,275	11,239	11,236
Cost of apartments sold	35,745	13,325	10,178	12,242	-
Gross profit	**777,444**	**208,225**	**201,327**	**190,277**	**177,615**
Increase in fair value of investment property	1,346,603	318,895	234,995	764,625	28,088
Impairment of inventory of land for construction	(10,126)	(10,126)	-	-	-
Sales, marketing, administrative and general expenses	(90,636)	(22,923)	(23,076)	(21,243)	(23,394)
The Company's share of the profits (losses) of investees	10,792	8,340	(4,736)	4,606	2,582
Revenues (other expenses)	12,797	5,324	9,685	(473)	(1,739)
Profit from regular activities	**2,046,874**	**507,735**	**418,195**	**937,792**	**183,152**
Financing expenses	(410,872)	(63,595)	(120,825)	(127,754)	(98,698)
Loss from early redemption	(3,605)	(1,246)	-	(2,359)	-
Financing revenues	12,394	7,473	2,165	1,221	1,535
Profit before taxes on income	**1,644,791**	**450,367**	**299,535**	**808,900**	**85,989**
Taxes on income	359,572	143,196	6,596	190,252	19,528
Net Profit	**1,285,219**	**307,171**	**292,939**	**618,648**	**66,461**
Profit attributable to non-controlling interests	8,650	6,315	443	1,084	808
Net profit attributed to Company shareholders	**1,276,569**	**300,856**	**292,496**	**617,564**	**65,653**
Adjustments from the translation of financial statements	36,046	3,648	6,058	17,840	8,500
Total comprehensive income	**1,321,265**	**310,819**	**298,997**	**636,488**	**74,961**
Comprehensive income attributed to shareholders	1,319,297	304,708	299,351	640,112	75,126
Comprehensive income attributable to minority	1,968	6,111	(354)	(3,624)	(165)

	1-12.2021	10-12.2021	7-9.2021	4-6.2021	1-3.2021
	In Thousands of NIS				
Revenues from rental and management fees in Israel	780,782	205,432	200,229	192,408	182,713
Revenues from rental and management fees abroad	118,148	27,900	28,933	28,317	32,998
Revenues from apartment sales	193,219	15,753	15,111	110,497	51,858
Revenues from the sale of fuel, from solar facilities and from the management of buildings and infrastructure, net	7,712	1,174	2,709	2,352	1,477
Total revenues	**1,099,861**	**250,259**	**246,982**	**333,574**	**269,046**
Maintenance and administration costs in Israel	173,483	49,134	45,563	40,244	38,542
Maintenance and administration costs abroad	42,051	10,715	8,323	10,971	12,042
Cost of apartments sold	154,636	12,254	5,230	99,755	37,397
Gross profit	**729,691**	**178,156**	**187,866**	**182,604**	**181,065**
Increase in fair value of investment property	756,381	329,571	158,152	196,434	72,224
Impairment of inventory of land for construction	(523)	(523)	-	-	-
Sales, marketing, administrative and general expenses	(88,966)	(22,785)	(21,993)	(22,264)	(21,924)
The Company's share of the profits (losses) of investees	21,276	9,305	12,106	2,320	(2,455)
Revenues (other expenses)	42,179	(3,215)	21,191	29,489	(5,286)
Profit from regular activities	**1,460,038**	**490,509**	**357,322**	**388,583**	**223,624**
Financing expenses	(296,153)	(82,048)	(86,153)	(97,251)	(30,701)
Loss from early redemption	(13,903)	-	-	-	(13,903)
Financing revenues	16,514	8,319	621	3,533	4,041
Profit before taxes on income	**1,166,496**	**416,780**	**271,790**	**294,865**	**183,061**
Taxes on income	211,449	76,168	50,442	52,475	32,364
Net Profit	**955,047**	**340,612**	**221,348**	**242,390**	**150,697**
Profit (loss) attributable to non-controlling interests	13,267	9,364	1,524	1,170	1,209
Net profit attributed to Company shareholders	**941,780**	**331,248**	**219,824**	**241,220**	**149,488**
Adjustments from the translation of financial statements	(7,074)	2,030	(1,857)	(11,009)	3,762
Total comprehensive income	15,235	-	-	12,341	2,894
Comprehensive income attributed to shareholders	**963,208**	**342,642**	**219,491**	**243,722**	**157,353**
Comprehensive income attributable to minority	949,152	331,323	217,471	242,691	157,667
	14,056	11,319	2,020	1,031	(314)

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Cash and Credit Frameworks

Sources	In Millions of NIS	
	2022	2021
Balance of Cash at the Beginning of the Period	**923**	**432**
Cash deriving from current activities	**444**	**403**
Investment Activities		
Sale of assets	42	203
Proceeds from the realization of investment	7	83
Investment in investment property, real estate under development and fixed assets	(1,053)	(718)
Investments, proceeds from the sale of shares and repayment of owner's loans of investees, net.	(186)	(69)
Investment (realized investment) in subsidiaries	(15)	56
Repayment of long-term deposit	-	46
Total investment activity	**(1,205)**	**(399)**
Financing Activity		
Issue of debentures	780	1,031
Receipt of short-term credit	98	217
Stock offering	16	78
Receipt of loans from banks and long-term liabilities	62	249
Repayment of loans from banks and long-term liabilities	(383)	(267)
Redemption of debentures	(308)	(606)
Dividends paid to shareholders	(255)	(205)
Dividend paid to holders of non-controlling interests	(2)	(2)
Total financing activity	**8**	**495**
Exchange rate differentials due to cash and cash equivalent balances	**9**	**(8)**
Balance of cash at the end of the period	**179**	**923**

Financing and credit facilities

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling NIS 1.4 billion.

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

For details on the 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 October 30 2011 and as updated on March 17 2023 and February 2, 2023, see Appendix C to the Board of Directors' Report.

In March 2022, the Company issued, by way of series expansion, bonds (Series 20) amounting to NIS 530,610 par value, for consideration amounting to NIS 645 million, and bonds (Series 23) amounting to NIS 118,732 thousand par value, for consideration amounting to NIS 141 million. For more information about bonds, see disclosure for Company bond holders in Appendix C to the Board of Directors Report.

Furthermore, in August 2022, the Company issued commercial paper (Series 1) amounting to NIS 100 million. The commercial paper matures 365 days after the issue date, with optional renewal for 4 additional terms of 365 days each through August 2027. The Commercial Paper may be called for immediate redemption at any time, subject to 7 business days' advance notice. Midroog set a rating of Il.P-1 for this commercial paper.

After the report date, the Company issued NIS 1,163,191 thousand par value bonds (Series 25) by way of a series expansion for total consideration amounting to NIS 1,035 million.

Working Capital

Working capital, including assets and liabilities held for sale as of December 31 2022, amounted to NIS 50 million on the financial statements, compared to NIS 800 million as of December 31 2021. Deficit in working capital, including assets and liabilities held for sale as of December 31 2022, amounted to NIS 32 million on the solo financial statements, compared to NIS 680 million as of December 31 2021.

Linkage Balance

The Company has financial obligations amounting to NIS 6.9 billion, of which NIS 5.5 billion are CPI-linked. The Company's cash-generating property in Israel is worth 11 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 and the U.S. The Company lists its investments in these companies using the book value method. As of December 31 2022 the investment in these companies amounted to NIS 501 million, of which NIS 490 million 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 ilAA- to ilAA. The rating of the debentures guaranteed by income-generating real estate properties (Series 18, 19 and 23) which had been ilAA and the Company's short-term create rating which was ilA-1+ were ratified with a stable outlook. In October 2021 Standard & Poor's Maalot announced that it was issuing a rating of ilAA 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 was granting a rating of ilAA to the debenture expansion (Series 20 and 23).

On May 22 2022, Midroog Ltd. announced the rating for the Company and the debentures issued by the Company. The rating of the Company and the debentures (Series 15, 16, 17, 20, 24 and 25) was set at Aa2.il. The rating of the debentures guaranteed by cash-generating properties (Series 18, 19 and 23) was set at Aa1.il. All at a stable outlook. See immediate report published by the Company on May 22, 2022 (reference no. 2011-01-061528).

On August 15 2022 Midroog set a short-term rating for the Company of P-1.il. See immediate report published by the Company on August 15 2022 2011 (reference no.: 2022-01-103360).

On February 5, 2023, Standard & Poor's Maalot rated bonds (Series 25), issued in February 2023 by way of series expansion, ilAA / Stable outlook. See immediate report published by the Company on February 5, 2023 (reference no.: 2023-01-014259).

On February 12, 2023, Midroog Ltd. rated bonds (Series 25), issued in February 2023 by way of series expansion, Aa2.il / Stable outlook.

See immediate report published by the Company on February 12, 2023
(reference no.: 2023-01-016137).

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 filly-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).

On August 14 2022 the Company's Board of Directors decided to distribute dividends to the sum of 62.5 million NIS (the net sum of the dividends without the share of a fully owned subsidiary is 60 million NIS).

On November 21 2022 the Company's Board of Directors decided to distribute dividends to the sum of 62.5 million NIS (the net sum of the dividends without the share of a fully owned subsidiary is 60 million NIS).

On March 20, 2023 the Company's Board of Directors decided to distribute dividends amounting to NIS 92 million.

On March 20, 2023, the Company Board of Directors decided on a dividend distribution policy for 2023 amounting to NIS 260 million but not exceeding 50% of the Company's total annual FFO, all subject to a specific decision by the Board of Directors before each distribution after examination of the distribution tests set in law.

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 Forer	David Zvida
Chair of the Board of Directors	Company CEO

March 20 2023

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 Risk and Management Thereof

Appendix A

Exposure to Market Risk and Management Thereof

1. The person responsible for managing market risks is Mr. David Zvida, Chairman of the Board of Directors. For details on Mr. Zvida, see Regulation 26 in the Additional Details chapter of this report.
2. **Market risks to which the Company is exposed and the Company's policy in managing market risks** – the following are details of policies and primary exposures:

2.1. **CPI exposure** – as of December 31, 2022 the balance of the Company's CPI-linked credit (debentures, loans from banks and loans from institutions) amounted to NIS 5.5 billion, so that a 1% increase in the CPI will lead to additional financing expenses to the sum of NIS 55 million. The Company's cash-generating property in Israel, which is worth NIS 11.4 billion, is largely rented in CPI-linked rental agreements, and the Company considers this to be long-term inflationary protection.

2.2. **Exposure to the Israeli capital market** – the Company records the value of its investments in tradable securities in its Financial Statements according to their stock market value on the balance sheet date. The changes in the value of the securities portfolio are charged to the Statement of Operations and to Other Comprehensive Income. As of December 31 2022 the value of the securities portfolio amounts to NIS 50 million.

For additional information, see Note 6A to the financial statements.

3. **Linkage Basis Report** – See Appendix D to the Board of Directors Report.
4. **Sensitivity Tests**

In accordance with the 5767 Amendment to the Second Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, the Company carried out sensitivity tests for changes in risk factors influencing the fair value of "sensitive instruments".

5. **Description of parameters, assumptions and models:**

- The fair value of tradable securities is their market value.
- The fair value of loans and debentures was calculated by capitalizing future cash flows according to an interest rate that reflects the Company's financing costs.
- Sensitivity tests to changes in interest rates of some of the fixed-interest loans and debentures were carried out on a duration basis.
- Variable interest loans were not included in sensitivity tests of interest rates, as the influence of the changes in interest rates on their fair value is negligible.

5.1. The exchange rates taken for the sensitivity analysis are the representative rates of exchange as of December 31 2022:

Currency	Representative Rate of Exchange
U.S. dollar	3,519
Euro	3,753
Canadian dollar	2.5966
Swiss franc	3.8151

5.2. The following are daily changes past 10% in the relevant risk factors. For risk factors, for which no daily changes greater than 10% over the past 10 years were expected, the results of 4 scenarios are presented (±5% and ±10%).

Risk Factor	Maximum Change	Notes
Interest curves	16%	In Israel – Shachar and Galil Abroad – by specific curve according to currency

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
Sensitivity to Changes in Real Interest Rate	20,589	12,609	6,193	(3,106,304)	(5,963)	(11,687)	(18,229)
USD interest sensitivity analysis:	(2,488)	(1,599)	(792)	33,784	818	1,663	2,714
EUR interest sensitivity analysis:	(275)	(174)	(88)	12,486	89	181	292
CAD interest sensitivity analysis:	(1,154)	(732)	(370)	6,914	380	769	1,249
CHF interest sensitivity analysis:	4,491	2,829	1,424	(80,350)	(1,444)	(2,907)	(4,689)
Nominal NIS interest sensitivity analysis:	5,895	3,711	1,867	(274,444)	(1,889)	(3,802)	(6,127)

Summary table (in thousands of NIS):

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Sensitivity to Changes in USD/NIS Exchange Rate	14,030	7,015	140,303	(7,015)	(14,030)
Sensitivity to Changes in EUR/NIS Exchange Rate	10,558	5,279	105,579	(5,279)	(10,558)
Sensitivity to Changes in CAD/NIS Exchange Rate	5,313	2,657	53,135	(2,657)	(5,313)
Sensitivity to Changes in CHF/NIS Exchange Rate	(5,746)	(2,873)	(57,463)	2,873	5,746
Sensitivity to changes in price of securities – NIS-Linked Debentures	5	2	49	(2)	(5)
Sensitivity to changes in price of securities – non-linked	2,220	1,110	22,199	1,110	2,220
Sensitivity to changes in price of shares	2,759	1,380	27,592	(1,380)	(2,759)

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Consumer Price Index	(300,763)	(150,381)	(3,007,626)	150,381	300,763

5.3. Sensitivity analysis to exchange rates and linkage bases (data is presented in thousands of NIS):

5.3.1. Sensitivity to changes in USD/NIS exchange rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Cash and Cash Equivalents	1,182	591	11,815	(591)	(1,182)
Customers	64	32	638	(32)	(64)
Accounts receivable and debit balances	422	211	4,216	(211)	(422)
Taxes receivables	81	40	806	(40)	(81)
USD rental contract revenues	8,705	4,353	87,050	(4,353)	(8,705)
Deposits and long-term debit balances	9,080	4,540	90,800	(4,540)	(9,080)
Long-term loans at fixed interest from banking corporations	(5,327)	(2,663)	(53,266)	2,663	5,327
Accounts payable and credit balances	(176)	(88)	(1,756)	88	176
Total	**14,031**	**7,016**	**140,303**	**(7,016)**	**(14,031)**

5.3.2. Sensitivity to changes in EUR/NIS exchange rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Cash and Cash Equivalents	3,177	1,589	31,771	(1,589)	(3,177)
Short-term investments	5,014	2,507	50,136	(2,507)	(5,014)
Customers	197	98	1,969	(98)	(197)
Accounts receivable and debit balances	863	431	8,629	(431)	(863)
Taxes receivables	43	22	433	(22)	(43)
Investments in investees	2,191	1,095	21,906	(1,095)	(2,191)
EUR rental contract revenues	1,247	623	12,468	(623)	(1,247)
Trade payables	(536)	(268)	(5,358)	268	536
Accounts payable and credit balances	(935)	(467)	(9,349)	467	935
Taxes payable	(703)	(351)	(7,026)	351	703
Total	**10,558**	**5,279**	**105,579**	**(5,279)**	**(10,558)**

5.3.3. Sensitivity to changes in CAD/NIS exchange rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Cash and Cash Equivalents	992	496	9,924	(496)	(992)
Customers	155	78	1,550	(78)	(155)
Taxes receivables	2	1	21	(1)	(2)
Accounts receivable and debit balances	371	185	3,708	(185)	(371)
Deposits and long-term debit balances	24	12	235	(12)	(24)
CAD rental contract revenues	4,270	2,135	42,703	(2,135)	(4,270)
Long term fixed interest loans from banking corporations	(3,579)	(1,789)	(35,789)	1,789	3,579
Taxes payable	(18)	(9)	(184)	9	18
Trade payable liability	(386)	(193)	(3,858)	193	386
Accounts payable and credit balances	(74)	(37)	(739)	37	74
Other liabilities	(23)	(11)	(225)	11	23
Total	**1,734**	**868**	**53,135**	**868**	**(1,734)**

5.3.4. Sensitivity to Changes in CHF/NIS Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Cash and Cash Equivalents	5,953	2,977	59,534	(2,977)	(5,953)
Customers	10	5	98	(5)	(10)
Accounts receivable and debit balances	76	38	760	(38)	(76)
Taxes receivables	54	27	542	(27)	(54)
CHF rental contract revenues	7,411	3,706	74,112	(3,706)	(7,411)
Trade payable liabilities	(6)	(3)	(61)	3	6
Accounts payable and credit balances	(235)	(117)	(2,346)	117	235
Loans from banking corporations and financial institutions (including current maturities)	(15,446)	(7,723)	(154,462)	7,723	15,446
Taxes payable	(137)	(69)	(1,373)	69	137
Total	**(2,320)**	**(1,159)**	**(23,196)**	**1,159**	**2,320**

5.3.5. Sensitivity to changes in the Consumer Price Index

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10%	5%		5%-	10%-
Accounts receivable and debit balances	6,440	3,220	64,395	(3,220)	(6,440)
Taxes receivables	2,018	1,009	20,183	(1,009)	(2,018)
Long-term deposits including current maturities.	2,887	1,444	28,873	(1,444)	(2,887)
Rental leases in Israel	229,078	114,539	2,290,784	(114,539)	(229,078)
Accounts payable and credit balances	(1,477)	(739)	(14,774)	739	1,477
Loans from banking corporations	(10,860)	(5,430)	(108,596)	5,430	10,860
Institutional loans	(50,988)	(25,494)	(509,879)	25,494	50,988
Debentures	(477,861)	(238,931)	(4,778,612)	238,931	477,861
Total	**(300,763)**	**(150,381)**	**(3,007,626)**	**150,381**	**300,763**

5.4. Sensitivity analysis to changes in exchange rates (data is presented in thousands of NIS):

5.4.1. Sensitivity to changes in real interest rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
Rental leases in Israel	(65,940)	(41,602)	(20,965)	2,290,784	21,301	42,946	69,381
Loans from banking corporations	2,296	1,404	689	(108,596)	(661)	(1,294)	(2,014)
Institutional loans	8,405	5,167	2,547	(509,879)	(2,470)	(4,861)	(7,620)
Debentures	75,829	47,639	23,923	(4,778,612)	(24,133)	(48,478)	(77,976)
Total	**20,589**	**12,609**	**6,193**	**(3,106,304)**	**(5,963)**	**(11,687)**	**(18,229)**

5.4.2. USD interest sensitivity analysis

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
USD rental contract revenues	(3,406)	(2,161)	(1,094)	87,050	1,123	2,276	3,700
Long-term fixed-interest loans from banking corporations	958	602	302	(53,266)	(305)	(613)	(985)
Total	**(2,448)**	**(1,559)**	**(792)**	**33,784**	**818**	**1,663**	**2,714**

5.4.3. EUR interest sensitivity analysis:

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
EUR rental contract revenues	(275)	(174)	(88)	12,468	89	181	292
Total	**(275)**	**(174)**	**(88)**	**12,468**	**89**	**181**	**292**

5.4.4. CAD interest sensitivity analysis:

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
CAD rental contract revenues	(1,553)	(982)	(496)	42,703	506	1,023	1,657
Long-term fixed-interest loans from banking corporations	399	250	126	(35,789)	(126)	(254)	(408)
Total	**(1,154)**	**(732)**	**(370)**	**6,914**	**380**	**769**	**1,249**

5.4.5. CHF interest sensitivity analysis:

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
CHF rental contract revenues	(806)	(506)	(254)	74,112	256	513	824
Long-term fixed-interest loans from banking corporations	5,297	3,336	1,678	(154,462)	(1,699)	(3,420)	(5,514)
Total	**4,491**	**2,829**	**1,424**	**(80,350)**	**(1,444)**	**(2,907)**	**(4,689)**

5.4.6. Nominal NIS interest sensitivity analysis:

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16%	10%	5%		5%-	10%-	16%-
Loans from banking corporations	1,253	792	399	(26,439)	(406)	(820)	(1,326)
Debentures	4,642	2,920	1,467	(248,006)	(1,483)	(2,981)	(4,801)
Total	**5,895**	**3,711**	**1,867**	**(274,444)**	**(1,889)**	**(3,802)**	**(6,127)**

Appendix B

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 subsequent to the reported period see "Conclusion of the CEO's term in office" in this report and Note 31 to the Financial Statements.

2. Aspects of Corporate Governance

2.1. Directors with Accounting and Financial Capabilities

The Company's Board of Directors is comprised of directors with professional, administrative and accounting experience that allows them to deal with the complexities of managing the Company, including the reporting and close accounting accompaniment tasks, provided by the Company's accountants, and their participation in Board of Directors meetings in which accounting issues are discussed. As of the publication of this report, all of the directors serving on the Company Board of Directors have accounting and financial expertise. For details on the directors, their experience and education see Regulation 26 in the chapter on Additional Details in this Periodic Report.

The minimum number of directors with accounting and financial expertise set by the Board of Directors taking the Company's type, size, and scope of complexity of its activity is three directors.

2.2. Independent Directors

As of the report date, the Company has three intendent directors (including external directors). The Company's bylaws do not set a minimum number of independent directors on the Company Board of Directors so long as the Company does not have a controlling shareholder.

3. The Company Internal Auditor

3.1. On October 10 2019 Mr. Guy Monorov of the accounting firm of Monorov & Co. started serving as the Company's internal auditor.

3.2. Mr. Guy Monorov, ID 024163677, year of birth 1969. A Certified Public Accountant by education, and a partner at Monorov & Co. To the best of the Company's knowledge, the Internal Auditor meets all of the terms set in Sections 3(a) and 8 of the Internal Audit Law, 1992 and Section 146 of the Companies Law, 1999.

3.3. The Internal Auditor provides an outside service to the Company (is not employed as an employee).

3.4. The scope of the Internal Auditor's employment in the reported period is 850 hours. In addition, the Internal Auditor also conducted tests on the subject of evaluation of the effectiveness of internal controls on financial reporting (ISOX) to the amount of 313 hours.

3.5. Six audit reports were prepared in the reported period. The Internal Auditor proposes a yearly auditing plan based on a multi-yearly auditing plan, which is discussed and approved by the Company Audit Committee.

3.6. The Auditor's organizational supervisor is the Chairman of the Board of Directors.

3.7. The dates on which a discussion was held at the Audit Committee on the findings of the Internal Auditor's audit reports in the matter of four final statements filed by the Internal Auditor: September 13, 2022, March 15, 2022, March 27, 2022 and December 28, 2022.

3.8. The Internal Auditor directs the findings of the audit to the CEO and to the Chair of the Audit Committee several days before any of these Audit Committee meetings. The Company directs the reports to the recipients.

3.9. The Internal Auditor's work plan is a multi-year plan ratified by the Audit Committee. The considerations in determining the audit plan include, among other things, reference to the Company's business core, to its various areas of activity and to the control arrays featured in it, placing emphasis on the various risk factors. Over the course of the year, the Internal Auditor conducted an extensive risk survey at the Company, the findings of which were discussed and ratified by the Audit Committee on March 15, 2023. The survey is used by the Audit Committee as a tool for its considerations in setting a work plan. The Auditor's work plan for the coming year and a list of all of the auditor's reports discussed in the past year are brought to the attention of the Company Board of Directors. The Company's Auditing Accountant receive a concentration of all of the audit reports prepared by the Internal Auditor on a yearly basis, along with the Company's response and the minutes of the discussions at the Audit Committees. The Board believes that the scope, character and continuity of the Internal Auditor's operations and work plan are reasonable under the circumstances and are capable of achieving the goals of internal auditing in the company.

3.10. According to the Internal Auditor's announcement, the professional standards according to which the Auditor performs the audit are the professional standards of the Israeli Organization of Internal Auditors.

3.11. The Internal Auditor receives free access to information systems, including monetary data required to carry out his duties.

3.12. To the best of the Company's knowledge, as of December 31, 2022, the internal auditor does not hold Company securities.

3.13. The Internal Auditor is not an interested party in the corporation or related to an interested party, nor is he related to the Auditing Accountant or anyone operating on their behalf.

3.14. The Internal Auditor serves in no other position in the Company with the exception of serving as Internal Auditor. The Internal Auditor's remuneration – the fee paid the Internal Auditor is based on a yearly hour budget (as noted above) at a rate of 250 NIS per hour and does not depend on the results of the audit.

3.15. The total fee paid the Internal Auditor in 2022 amounted to NIS 213 thousand, and in addition the Internal Auditor was paid a fee for an assessment of the effectiveness of internal controls over financial reporting (ISOX), amounting to NIS 116 thousand, which is acceptable and at market terms. In the opinion of the Board of Directors, this sum is not a factor that might influence their judgement in the auditing work or create a conflict of interest with their duties as Company Internal Auditor.

4. Auditing Accountant's Fee

Company Name	Names of Accountants	2022 – Fee (Thousands of NIS)		2021 – Fee (Thousands of NIS)	
		For Audit and Tax Services (*)	Other Services	For Audit and Tax Services (*)	Services – Others
Mivne Real Estate and Israeli subsidiaries	Kost Forer Gabbay & Kassirer, Certified Public Accountants	2,266	518	2,092	520
Trusts in Canada	Kost Forer Gabbay & Kassirer, Certified Public Accountants and others	41	-	53	-
Subsidiaries in Israel and abroad	Various accountants	932	-	926	-

(*) Including international taxation services, assessment hearings, structural changes and so on

5. The Company's Internal Enforcement Plan

The Company adopted an internal enforcement plan in 2013. Pursuant to the internal enforcement plan, the Company Board of Directors appointed the Audit Committee as responsible for the Internal Enforcement Supervisor and the enforcement and its activity on behalf of the Board of Directors.

The Board of Directors appointed the Company's Legal Counsel and Secretary, Edith Shamir, as responsible for internal enforcement in the field of securities. Her duties include, among other things, to ensure the implementation of the plan among the Company's employees and officers, to ensure its effective and active performance, including by way of providing training and tracking and acting to update it from time to time as needed.

Within the framework of the internal enforcement plan, the Company updated and adopted a number of procedures that constitute part of the Company's comprehensive enforcement array, including (a) an ethical code; (b) a master procedure – implementation of an internal enforcement plan; (c) a procedure prohibiting the use of inside information; (d) a procedure for transactions with related and interested parties; (e) a procedure for information interfaces between the Company and interested parties; (f) a procedure for information interfaces for communications and analysts; (g) a procedure for information interfaces with the Securities authority; (h) an immediate reports procedure; (i) a quarterly and periodic reports procedure; (j) a prospectus procedure and public offerings procedure; (k) a procedure on the activities of the Board of Directors and its committees; (l) a procedure for preventing securities fraud and manipulation, as well as additional procedures that were intended to support and regulate the work of the various organs in the Company and its management.

In 2022 the Company implemented the enforcement plan and acted in accordance with it and within this framework it held training that concentrates relevant updates for officers, executives and workers at the Company.

6. Contribution to the Community

The Company makes contributions to charity, welfare and education activities. Total charitable donations by the Company in the reported period amounted to NIS 204 thousand.

In addition, the total amount of business space the Company provides free of charge, to associations acting for the social, cultural and integration of people with disabilities purposes amounts to 1,476 m² and the value of this donation amounts to 295,000 NIS of rental fees per year.

7. Environmental, Social and Governance Responsibility

The Company is active in a number of fields for the purpose of proper treatment of environmental influences deriving from its activity, while reducing risks and building relationships of trust with the community.

Investment in Solar Energy Ventures

The Company is acting to expand its involvement in the field of solar energy and the creation of green energy and over the course of 2022 the Company increased its investment in the field. The Company is in the midst of an extended project, along with partners active in the field, to replace the roofs of properties in its possession across the country with new roofs on which solar energy systems are installed in order to allow the production of renewable energy, in accordance with a long-term agreement with the Electric Company to provide electricity for up to 25 years. As of the publication of the report, the Company has filed requests to regulate 293 solar energy systems and a licensing process was completed for the installation of 282 systems with an output of 37.7 MW, of which 93 systems were operated with an output of 13.6 MW. Concurrently, over the course of the year the Company has upgraded the existing solar energy systems in its possession while increasing their utilization level, by replacing the existing equipment (solar panels and converters) with equipment with more advanced technology. In addition, over the course of the year the Company has engaged with a partner in the field in an agreement to build electrical storage facilities that will be operated on the Company's properties across the country, with a total output of 400 MW/h.

Green Construction: Energy Efficiency in Maintaining Older Properties

New projects of office towers and employment compounds in development are being built according to the LEED Platinum or LEED Gold rating, a voluntary international standard for certifying buildings for green construction acting according to principles of environmental and social responsibility. The standard selects various categories such as energy savings and use of renewable energy, effective use of water, the environment inside the structure and so on. The standard consists of four grades – Certified, Silver, Gold and Platinum, with Platinum being the highest rating. Accordingly, the Company’s employment compounds will provide its customers with optimal working conditions with energy savings and environmental protection.

In the Company’s older employment compounds as well, the Company is working on a regular basis to upgrade them both in terms of environmental protection and energy savings and is making investments in replacing bulbs with cost-effective LED bulbs, replacing chillers and installing charging stations for electrical vehicles in its parking garages.

Promoting electric transportation infrastructure

The Company and Scala Smart Energy Ltd. signed a collaboration agreement for construction and operation of EV charging stations at Company properties across Israel.

Ethical Code; Gender Equality and Protecting Employee Rights

The Company is dedicated to principles of proper corporate governance, gender equality and protecting employee rights. The Company has an ethical code that all of the Company’s employees and executives are committed to follow, which includes the Company's values, which are: green construction, social responsibility at the Company’s offices, protecting the environment in all areas of activity, the advancement and integration of people with disabilities, investment in employees, preventing discrimination, mutual respect, fair working hours, preventing harassment, a safe work environment, public sharing and reporting transparency, fair severance, fair trade, decency and respect for customers, upholding contracts and more. For this purpose, the Company has appointed a Human Resources Manager, among the chief duties of whom are protecting the employees’ welfare and protecting their rights.

The Company takes pride in gender equality in employee placement – 48.9% women and 51.1% men.

8. Disclosure Pertaining to the Company’s Financial Reporting

The Company chose to present investment property using the fair value method. The fair value of most of the Company’s assets in Israel and of all of the Company's assets abroad, is set by appraiser valuations conducted by the Company for its assets on a regular basis using independent professional appraisers at the Company. On a routine basis, appraiser assessments are carried out for the Company’s real estate properties once per year, unless according to the Company's estimates circumstances exist that may have a material impact on the fair value of a property, and in such a case the appraiser’s valuation will take place as early as possible. According to the decision of the Company Board of Directors, the Company spreads out the assessments in question across all quarters of the year. The division of the appraisals by the various quarter sis, generally set by areas and countries. In cases in which the Company receives an opinion on changes in capitalization rates in a certain country, an update is made to the value of the assets in that country according to the Company's assessment, using updated capitalization rates. The value of some of the Company's cash-generating properties in Israel is determined using models implemented by the Company to test the fair value of the assets, based on the capitalized cash flows received and expected to be received in the future from these assets. These models are examined from time to time by an independent appraiser, who expresses their opinion, among other things, on adapting the models and their ability to assess the market value of the assets, including the capitalization rates used in the models ("standard assets"). As of December 31 2022, the Company had 334 standard assets and their aggregate value amounted to 9.1% of the total value of cash-generating properties in Israel and the value of each of these properties is negligible. As of December 31 2022 the value of the Company’s assets whose fair value is determined via appraiser valuation amounted to a total of NIS 11,572 million from a fair value of investment properties amounting to NIS 12,492 million (92.6% of the Company’s total investment properties in Israel).

Appendix C

Special Disclosure for Debenture Holders: The Bonds in Public Hands

Appendix C

Special Disclosure for Debenture Holders: The Bonds in Public Hands

As of the report issue date, there are 7 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 December 31 2022 (In Thousands of NIS)	Debentures (Series 16)	Debentures (Series 17)	Debentures (Series 19)	Debentures (Series 20)
Date of Issue	10.7.2014	10.7.2014	29.9.2016	30.7.2017
Notational Value Upon Issue	347,130	757,524	423,512	523,521
Outstanding Notational Value	234,104	451,117	383,541	949,427
Stock market rate (in 0.01 NIS)	102.99	113.32	111.08	110.61
Outstanding Notational Value, Linked	234,104	486,759	417,191	1,035,860
Accrued interest	6,668	9,079	2,734	14,673
Fair Value	241,104	511,206	426,038	1,050,161
Interest type	Fixed interest			
Denoted Yearly Interest Rate	5.65%	3.7%	2.6%	2.81%
Principal payment dates	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.	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%.
Interest payment dates	June 30 and On December 31 of each year from 2014 through 2028.	June 30 and On December 31 of each year from 2014 through 2028.	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 of each year from 2017 through 2029.

As of December 31 2022 (In Thousands of NIS)	Debentures (Series 16)	Debentures (Series 17)	Debentures (Series 19)	Debentures (Series 20)
Linkage Basis and Terms (Principal and Interest)	Non-linked	May 2014 CPI	August 2016 CPI	June 2017 CPI
Does it constitute a material obligation?	No	No	No	Yes
Rating company	S&P Maalot			
Rating	AA stable. For more information see "Financing" in this report, under "Credit rating".			
Are there guarantees for the payment of the obligations?	No			
Are there any liens?	No	No	Yes. Real estate properties. See Appendix A of Part A of the 2022 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). Note that the liens in question are valid in accordance with the law and with the Company's articles of association.	No
The value of pledged properties on the financial statements	-	-	698,972	-
Trustee	Mishmeret Trust Services Ltd. (1)		Resnick Paz Nevo Trusts Ltd. (2)	
Right to early repayment	(3)			

As of December 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	616,525	514,760	1,026,666
Stock market rate (in 0.01 NIS)	109.73	109.79	88.29
Outstanding Notational Value, Linked	668,581	557,706	1,080,850
Accrued interest	4,044	7,310	954
Fair Value	676,513	565,155	906,443
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. For more information see "Financing" in this report, under "Credit rating".		
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 2022 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). The liens in question are valid in accordance with the law and with the Company's articles of association.	Yes. Shares of Darban Investments Ltd. (a wholly-owned subsidiary of the Company). See Note 23.c.1 to the Consolidated Financial Statements in the 2022 Periodic Report and Appendix B to the 2021 Periodic Report. The liens in question are valid in accordance with the law and with the Company's articles of association.	No
The value of pledged properties on the financial statements	1,101,035	805,000	-
Trustee	Resnick Paz Nevo Trusts Ltd. (2)		
Right to early repayment	(3)		

Additional 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.

(4) Note that after the report date, in February 2023, the Company issued NIS 1,163,191 thousand par value bonds (Series 25) by way of a series expansion for total consideration amounting to NIS 1,035 million. Furthermore, after the report date, the Company conducted full early redemption of bonds (Series 15) and bonds (Series 18), subject to terms set forth in the Deeds of Trust for these bonds. For more information about these early redemptions, see immediate report published by the Company on February 22, 2023 (reference no.: 2023-01-019692).

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.	7,985 NIS millions	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.	38.8%	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.	8.25	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.	48.3%	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.	7,985 NIS millions	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 73%.	38.8%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 15.	8.25	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.	48.3%	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.	7,985 NIS millions	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.	38.8%	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.	8.25	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.	48.3%	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.	7,985 NIS millions	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 70%.	38.8%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 13.	8.25	Meeting the condition

Cross default provisions

Bonds (Series 20)	Cause was specified for calling for immediate redemption of any of the following: (1) another bond series issued by the Company; or (2) debt and/or accumulated debt by the Company to one or more financial institutions, including institutional investors (except for non-recourse debt) in excess of NIS 200 million, provided that such call for immediate redemption has not been reversed within 21 days.
Bonds (Series 25)	Cause was specified for calling for immediate redemption of any of the following: (1) another bond series issued by the Company; or (2) debt and/or accumulated debt by the Company to one or more financial institutions, including institutional investors (except for non-recourse debt) in excess of NIS 400 million, provided that such call for immediate redemption has not been reversed within 30 days.

Appendix D

Linkage Basis Report

Appendix D

Linkage Basis Report

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

Item	US Dollar	Swiss	EUR	Canadian Dollar	CPI	Unlinked	Non-Financial	Total
	Thousands of NIS							
Cash and cash equivalents	11,815	59,534	31,771	9,833	-	65,622	-	178,575
Short-term investments	-	-	50,136	91	-	14,268	-	64,495
Trade receivables	638	98	1,969	1,550	-	25,168	-	29,423
Other receivables	4,216	760	8,629	3,708	64,395	39,007	10,465	131,180
Taxes receivable	806	542	433	21	27,190	-	-	28,992
Deposits and long-term debit balances	90,800	-	-	235	28,866	-	-	119,901
Investments in investees	-	-	21,906	-	-	57,080	421,681	500,667
Assets held for sale	-	-	-	-	-	-	1,660	1,660
Advance payments on account of investments in land	-	-	-	-	-	-	143,641	143,641
Inventory of land for residential construction and apartments under construction	-	-	-	-	-	-	787,638	787,638
Investment property	-	-	-	-	-	-	13,455,538	13,455,538
Investment property under construction	-	-	-	-	-	-	1,126,157	1,126,157
Property, plant and equipment	-	-	-	-	-	-	175,471	175,471
Intangible assets	-	-	-	-	-	-	19,630	19,630
Deferred taxes	-	-	-	-	-	-	354	354
Total assets	**108,275**	**60,934**	**114,844**	**15,438**	**120,451**	**201,145**	**16,142,235**	**16,763,322**
Credit from banks and other credit providers	-	-	-	-	-	134,095	-	134,095
Trade payables	-	61	5,358	3,858	-	56,407	-	65,684
Payables and credit balances	1,756	2,346	9,349	739	14,774	153,925	22,832	205,721
Taxes payable	-	1,373	7,026	184	-	13,010	-	21,593
Loans from banking corporations including current maturities	54,524	181,217	-	37,082	448,847	450,326	-	1,171,996
Other liabilities	-	-	-	225	-	58,128	-	58,353
Debentures	-	-	-	-	4,980,836	256,952	-	5,237,788
Tenant deposits	1,032	21	2	-	42,926	-	-	43,981
Employee benefit liabilities, net	-	-	-	-	-	-	6,829	6,829
Deferred taxes	-	-	-	-	-	-	1,791,117	1,791,117
Total liabilities	**57,312**	**185,018**	**21,735**	**42,088**	**5,487,383**	**1,122,843**	**1,820,778**	**8,737,157**

Assets

Liabilities

MIVNE

Mivne Real Estate (K.D) Ltd.

("The company")

Annually financial statements – for the year ended December 31, 2022

Mivne Real Estate (K.D) Ltd.

December 31, 2022 Consolidated Financial Statements

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Building a better working world

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

On the Matter of the Inspection of Components of Internal Controls of Financial Reporting

In Accordance with Section 9.b.(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have inspected components of the internal controls of the financial reporting of Mivne Real Estate (K.D) Ltd. and its subsidiaries (hereinafter together – the Company) as of December 31 2022. These control components have been determined as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal controls over financial reporting, and for evaluating the effectiveness of the internal controls over financial reporting included in the periodic report for the date in question. Our responsibility is to express our opinion on the internal control components of the Company's financial reporting, based on our audit.

Components of internal control of financial reporting inspected were determined according to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Inspection of Components of Internal Controls for Financial Reporting" (hereinafter "Audit Standard (Israel) 911"). These components are: (1) organization-level controls, including controls of the process of preparing and closing financial reporting and general controls of information systems; (2) controls over rent revenue recognition process; (3) controls over valuation of investment property and investment property under construction (all of the above together are referred to as the "Audited Control Components").

We have conducted our audit in accordance with Audit Standard (Israel) 911. According to this standard, we were required to plan the audit and carry it out with the aim of identifying the inspected control components and achieving a reasonable level of assurance as to whether these control components were upheld effectively in all material respects. Our audit included achieving an understanding of the internal controls over financial reporting, evaluation of the risk regarding the presence of any material weakness in the inspected control components, as well as testing and evaluating those control components based on the assessed risk. Our audit, regarding those control components, also included additional procedures we believed to be necessary under the circumstances. Our audit referred solely to the audited control components, unlike an internal audit on all processes material to financial reporting, and therefore our opinion refers to the audited control components only. Furthermore, our audit did not refer to mutual influences between audited and unaudited control components, and therefore our opinion does not take such negative influences into account. We believe that our audit provides adequate basis for our opinion in the context described above.

Due to their understandable limitations, internal controls over financial reporting in general, and components thereof in particular, may fail to prevent or discover a misrepresentation. Likewise, conclusions regarding the future on the basis of any present effectiveness assessment may be exposed to the risk that the controls become inappropriate due to changes in circumstances or that the application of the policy or the procedures changes to the worse.

In our opinion, the Company has upheld in an effective manner, in all material aspects, its audited control components as of December 31 2022.

We have also audited, in accordance with generally accepted Israeli auditing standards, the Company's Consolidated Financial Statements for December 31, 2022 and, 2021 and for each of the three years of the period ending December 31, 2022 and our report, dated March, 20, 2023, includes our unreserved opinion of those Financial Statements.

Tel-Aviv,
March 20, 2023

Kost, Forer, Gabbay &
Kassirer
Certified Public Accountants

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Auditor's Report

To the Shareholders of Mivne Real Estate (K.D) Ltd

We have audited the accompanying consolidated financial statements of Mivne Real Estate (K.D) Ltd. and its subsidiaries (hereinafter – the Company) dated December 31, 2022 and, 2021, and the Statements of Operations, Report on Consolidated Income, Report on Changes in Shareholders' Equity and Cash Flow Report for each of the three years of the period ending December 31, 2022. These Financial Statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express our opinion of these Financial Statements on the basis of our audit.

We have not audited the financial statements of consolidated subsidiaries, the assets of which included in the consolidation represent some 14.74% and 19.12% of total consolidated assets as of December 31, 2022 and, 2021, respectively, and whose revenues included in consolidation constitute 13.93%, 17.92% and 15.83% of total consolidated revenues for the years ending December 31, 2022, 2021 and, 2020, respectively. Furthermore, we have not audited the financial statements of companies presented according to the book value method, investment in which amounted to a total of NIS 273,176 thousand and NIS 157,798 thousand as of December 31, 2022 and, 2021, respectively, and which the Company's share of the profits (losses) of the companies in question, amounted to NIS 984 thousand, NIS 12,824 thousand and NIS 1,503 thousand for the years ending December 31, 2022, 2021 and, 2020, respectively. The financial statements of those companies have been audited by other accountants, whose reports have been submitted to us, and our opinion, to the extent that it relates to the sums consolidated in respect of such companies, is based on the reports of those other accountants.

We conducted our audit in accordance with generally accepted Israeli auditing standards, including standards set in the Accountants Regulations (The Accountant's Method of Operation), 1973. These standards require that we plan and perform the audit with the aim of obtaining reasonable assurance that the Financial Statements are free of material misstatement. An audit includes samplings of evidence supporting the sums and information in the Financial Statements. An audit also includes an examination of the accounting rules implemented and of the material estimates made by the Company's Board of Directors and management, as well as an evaluation of the propriety of presentation on the Financial Statements as a whole. We are of the opinion that this audit, and the reports of the other accountants, provide an adequate basis for the provision of our opinion.

In our opinion, based on our audits and the reports of other accountants, these Consolidated Financial Statements adequately reflect, in all material respects, the financial status of the Company and its subsidiaries as of December 31, 2022 and, 2021 and the results of their activities, changes to their equity and their cash flows for each of the three years in the period ending December 31, 2022, in accordance with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Yearly Financial Statements), 2010.

Key audit matters listed below are matters communicated, or which should have been communicated, to the Company Board of Directors which, based on our professional judgment, were highly significant in audit of the consolidated financial statements in the current period. These matters include, inter alia, any matter which: (1) refers or may refer to items or to material disclosures on the financial statements, and (2) our judgment with regard there to was challenging, subjective or unduly complicated. These matters were resolved in our audit and in formulating our opinion of the consolidated financial statements as a whole. Communicating these matters below does not alter our opinion of the consolidated financial statements as a whole, and we do not provide a separate opinion of these matters nor of the items or disclosures to which they refer. Below are matters categorized as key matters in audit of the 2022 consolidated financial statements.

Fair value of investment property

As set forth in Notes 2Q, 3B and 14 to the consolidated financial statements, the Company has investment property carried at fair value as of said date, in conformity with the accounting policy as described in Note 2. As of December 31, 2022, The fair value of all investment property (generating income, under construction and future rights) amounted to NIS 14,583,355 thousand; In 2022, the Company recognized appreciation of said fair value amounting to NIS 1,346,603 thousand. As set forth in Note 3B to the consolidated financial statements, determination of the fair value of investment property is a critical estimate, associated with uncertainty and based on valuations that include assumptions, some of which may be subjective considering the circumstances and best information available as of December 31, 2022, prepared with assistance from external real estate appraisers.

These assumptions primarily include the most appropriate yield and net operating income (NOI) forecasted for such property and market prices for relevant comparison units. These underlying assumptions, and determination of the overall fair value of Company investment property, including selection of the most appropriate appraisal approach, result from applying subjective judgement in an environment of uncertainty, sometimes highly significant uncertainty, and therefore changes to these underlying assumptions may result in changes to fair value of investment property, sometimes even material changes, and therefore may also affect the Company's financial standing as of December 31, 2022 and its operating results for this year, as set forth in Note 14.

Given the foregoing, and in particular given that fair value of investment property is a critical estimate, subject to uncertainty and based on appraisals that include assumptions, some of which may be subjective, we have determined, based on our professional judgement, that review of fair value of investment property, in particular the reasonability of yields used in such estimation, is a key matter in the audit.

Audit procedures applied in response to key audit matter:

In response to uncertainties involved in determination of fair value of Company investment property, we primarily applied the following procedures, emphasizing review of reasonability of yields determined in property valuations: 1.Understanding the internal control environment with regard to determination of fair value of investment property and audit of the effectiveness of applicable internal controls over determination of the fair value thereof; 2.Review and analysis of fair value representations, mostly appraisals prepared by the Company and appraisers on behalf thereof, based on a sample involving both quantitative and qualitative considerations; 3.Review of underlying assumptions applied to valuations, selected on sample basis, emphasizing review of yields, forecasted NOI, market prices / comparison prices per m2 for rent / land unit and the appraisal approach applied; 4.Sample review of appraisals prepared by an expert appraiser on our behalf, emphasizing yields; 5.Communications with appraisers on behalf of the Company; 6.Involvement of senior staff of the contracting team and consultations; 7. Review of appropriateness of disclosures regarding investment property on the consolidated financial statements.

We have also audited, in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel “Inspection of Components of Internal Controls for Financial Reporting”, components of internal controls of the Company’s financial reporting as of December 31, 2022, and our report dated March, 20, 2022 included an unreserved opinion regarding the effective existence of those components.

Kost, Forer, Gabbay & Kassirer
Certified Public Accountants

Tel-Aviv,
March 20 2023

		As of December 31	
		2022	2021
	Note	Thousands of NIS	
Current Assets			
Cash and cash equivalents	5	178,575	922,515
Short-term investments and deposits	6	50,185	83,265
Restricted cash and funds in trust	7	14,310	20,899
Trade receivables	8	29,423	28,391
Receivables and debit balances	9	131,180	121,596
Taxes receivable		28,992	22,697
Inventory of land, apartments and homes for sale and under construction	10A1	548,324	424,709
		980,989	1,624,072
Assets held for sale	11	1,660	20,119
		982,649	1,644,191
Non-Current Assets			
Advance payments on account of investment property	14B	143,641	190,522
Other receivables	12	119,902	31,148
Investments in companies handled using the book value method	13	500,667	367,459
Investment property	14	13,455,538	11,340,203
Investment property under development	15	1,126,157	722,908
Inventory of land for construction	10A2	239,314	249,763
Fixed assets, net	16	175,471	131,669
Intangible assets, net		19,630	19,630
Deferred taxes	27E	354	312
		15,780,674	13,053,614
		16,763,323	14,697,805

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

	Note	As of December 31 2022	As of December 31 2021
		Thousands of NIS	
Current Liabilities			
Credit from banks and credit providers	19B	134,095	34,915
Current maturities of debentures	20	462,073	302,817
Current maturities of loans and other liabilities	19	43,242	313,825
Trade payables	17	65,684	41,463
Accounts payables and credit balances	18	202,002	138,250
Advance payments from buyers		3,719	4,578
Taxes payable		21,593	8,190
		932,408	844,038
Non-Current Liabilities			
Loans from banking corporations and financial institutions	19	1,128,754	1,110,347
Debentures	20	4,775,715	4,242,917
Other liabilities	21	58,353	102,829
Tenant deposits	22	43,981	38,543
Employee benefit liabilities		6,829	7,925
Deferred taxes	27E	1,791,117	1,459,474
		7,804,749	6,962,035
Equity Attributable to Company Shareholders			
Stock capital	28	1,483,344	1,495,852
Share premium		3,397,666	3,500,029
Principal in respect of share-based payment transactions	29	22,002	22,271
Treasury Shares		(259,044)	(393,227)
Retained earnings		3,522,470	2,500,901 (*)
Adjustments arising from the translation of the financial statements of foreign activity and other funds		97,690	54,962 (*)
Capital reserve from transactions with minority shareholders		(279,026)	(279,026)
		7,985,102	6,901,762
Non-Controlling Interests		41,064	(10,030)
Total equity		8,026,166	6,891,732
		16,763,323	14,697,805

(*) Reclassified

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

March 20 2023			
Financial Statements Approval Date	Tal Fuhrer Chair of the Board of Directors	David Zvida Chief Executive Officer	Yossi Filiba Chief Financial Officer

Consolidated Statements of Operations

	Note	2022	2021	2020
		For the Year Ending December 31		
		Thousands of NIS (Except for Net Profit per Share Data)		
Revenues				
Rental and management fee income – Israel		875,887	780,782	748,467
Rental and management fee income – abroad		93,138	118,148	131,589
Sale of apartments and land		53,671	193,219	162,347
From management of buildings and infrastructure, net		249	400	1,538
From solar installations, net		10,021	6,105	3,829
From the sale of fuel, net		972	1,207	1,237
Total revenues		1,033,938	1,099,861	1,049,007
Expenses				
Maintenance expenses – Israel		178,258	173,483	167,295
Maintenance expenses – abroad		42,491	42,051	48,658
Cost of apartments and land sold		35,745	154,636	121,405
Total cost of sales and services		256,494	370,170	337,358
Gross profit		777,444	729,691	711,649
Increase in value of investment property and investment property under development, net	11,14,15	1,346,603	756,381	299,389
Sales and marketing expenses		(7,665)	(7,771)	(4,402)
Administrative and general expenses	26A	(82,971)	(81,195)	(106,930)
Decrease in value of inventory of land for construction		(10,126)	(523)	(553)
Other revenues, net	26B	16,657	29,200	57,779
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity		(3,860)	12,979	-
The Company's share of the profits of companies handled using the book value method, net	13D	10,792	21,276	6,610
Operating profit		2,046,874	1,460,038	963,542
Financing expenses	26C	410,872	296,153	185,059
Loss from early redemption of debentures and loans	26C	3,605	13,903	23,011
Financing revenues	26C	12,394	16,514	9,716
Profit before taxes on income		1,644,791	1,166,496	765,188
Taxes on income	27	359,572	211,449	188,458
Net profit		1,285,219	955,047	576,730
Attributed to:				
Company shareholders		1,276,569	941,780	577,224
Non-controlling interests		8,650	13,267	(494)
		1,285,219	955,047	576,730
Profit per share attributed to company shareholders (in NIS)				
Basic net profit	30	1.69	1.26	0.79
Diluted net profit	30	1.68	1.25	0.78

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

Consolidated Statements of Comprehensive Income

	For the Year Ending December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Net profit	1,285,219	955,047	576,730
Other comprehensive income (loss) (after tax influence):			
Sums classified or reclassified to gain or loss under specific conditions:			
Profit from cash flow hedging transactions	-	-	3,732
Adjustments from the translation of financial statements of foreign activities	32,186	5,905	(21,534)
Realization of capital reserve to Statement of Operations due to the realization of foreign activity	3,860	(12,979)	-
Total other comprehensive income (loss)	36,046	(7,074)	(17,802)
Items not reclassified to gain/loss:			
Profit (loss) due to investment in financial asset measured at fair value via other comprehensive income	-	15,235	(11,526)
	-	15,235	(11,526)
Total other comprehensive income (loss)	36,046	8,161	(29,328)
Total comprehensive income	1,321,265	963,208	547,402
Attributed to:			
Company shareholders	1,319,297	949,152	545,658
Non-controlling interests	1,968	14,056	1,744
	1,321,265	963,208	547,402

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders									
	Thousands of NIS									
	Capital – Stock	Share Premium	Treasury Shares	Retained Earnings	Reserve in respect of sharebased 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 –
Balance as at January 1, 2022	1,495,852	3,500,029	(393,227)	2,500,901(*)	22,271	54,962	(279,026)	6,901,762	(10,030)	6,891,732
Net profit	-	-	-	1,276,569	-	-	-	1,276,569	8,650	1,285,219
Other comprehensive income (loss)	-	-	-	-	-	42,728	-	42,728	(6,682)	36,046
Total comprehensive income (loss)	-	-	-	1,276,569	-	42,728	-	1,319,297	1,968	1,321,265
Writing off treasury shares	(16,525)	(117,658)	134,183	-	-	-	-	-	-	-
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	51,205	51,205
Dividends paid Company shareholders	-	-	-	(255,000)	-	-	-	(255,000)	-	(255,000)
Dividends paid holders of non-controlling interests	-	-	-	-	-	-	-	-	(2,079)	(2,079)
Exercise of employee options	4,017	15,295	-	-	(3,252)	-	-	16,060	-	16,060
Share-based payment	-	-	-	-	2,983	-	-	2,983	-	2,983
Balance as of December 31 2022	1,483,344	3,397,666	(259,044)	3,522,470	22,002	97,690	(279,026)	7,985,102	41,064	8,026,166

(*) Reclassified

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Thousands of NIS											
	Capital – Stock	Share Premium	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	Reserve from Transactions with Non-Controlling Interests	Total	Non-controlling interests	Total Capital
Balance as of January 1 2021	1,515,298	3,634,931	14,456	(11,526)	(641,127)	1,760,412 (*)	17,122	62,825 (*)	(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
Balance as of December 31 2021	1,495,852	3,500,029	-	-	(393,227)	2,500,901	22,271	54,962	(279,026)	6,901,762	(10,030)	6,891,732

(*) Reclassified

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Thousands of NIS											
	Capital – Stock	Share Premium	Call Options	Capital reserve of securities available for sale	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 –
Balance as of January 1 2020	1,509,503	3,607,405	-	-	(641,127)	1,273,474 (*)	2,694	82,865 (*)	(263,678)	5,571,136	(14,763)	5,556,373
Net income (loss)	-	-	-	-	-	577,224	-	-	-	577,224	(494)	576,730
Other comprehensive income (loss)	-	-	-	(11,526)	-	-	-	(20,040)	-	(31,566)	2,238	(29,328)
Total comprehensive income (loss)	-	-	-	(11,526)	-	577,224	-	(20,040)	-	545,658	1,744	547,402
Issue of call options	-	-	14,456	-	-	-		-	-	14,456	-	14,456
Issue of shares for the acquisition of investment property	5,795	27,526	-	-	-	-	-	-	-	33,321	-	33,321
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	-	(4,260)	(4,260)	4,260	-
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	(11,088)	(11,088)	-	(11,088)
Dividends paid to Company shareholders	-	-	-	-	-	(90,286)	-	-	-	(90,286)	-	(90,286)
Dividends paid holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,608)	(2,608)
Share-based payment	-	-	-	-	-	-	14,428	-	-	14,428	-	14,428
Balance as of December 31 2020	1,515,298	3,634,931	14,456	(11,526)	(641,127)	1,760,412 (*)	17,122	62,825 (*)	(279,026)	6,073,365	(11,367)	6,061,998

(*) Reclassified

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

Consolidated Cash Flow Reports

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Cash flows from current activity			
Net profit	1,285,219	955,047	576,730
Adjustments required to present cash flows from current activities			
Adjustments to profit or loss items:			
Depreciation and amortization	8,684	12,942	5,301
Financing expenses, net	402,083	293,542 (*)	198,354 (*)
Increase in fair value of investment property and investment property under development, net	(1,346,603)	(756,381)	(299,389)
The Company's share of the profits (losses) of companies handled using the book value method, net	(10,792)	(21,276)	(6,610)
Change in employee benefit liabilities, net	(1,096)	144	321
Capital gain from the sale of fixed assets	-	-	(3,039)
Income tax expenses	359,572	211,449	188,458
Loss from the impairment of inventory of land for construction and inventory of buildings and apartments for sale	10,126	523	553
Realization of capital reserve from translation differences to Statement of Operations	3,860	(12,979)	-
Change in fair value of call options measured at book value	(2,052)	(39,813)	18,830 (*)
Profit from the realization of investment in subsidiary (a)	(7,569)	-	-
Profit from the realization of investment in associate	(10,751)	-	(69,005)
Cost of share-based payment	2,983	6,187	14,428
	(591,555)	(305,662)	48,202
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(712)	20,573	(14,858)
Decrease (increase) in other accounts receivable	(15,390)	17,015	(22,797)
Increase (decrease) in trade payables	23,897	7,846	(24,686)
Increase (decrease) in other accounts payable and unearned revenues from buyers	5,557	(14,103)	5,478 (*)
Increase (decrease) in tenant security deposits	5,268	1,195	(5,927)
	18,620	32,526	(62,790)
Cash paid and received during the reported period for:			
Interest paid	(127,710)	(179,814)	(186,886)
Interest received	7,825	8,729	4,540
Taxes paid	(37,603)	(19,906)	(85,671)
Taxes received	1,876	12,412	18,260
Dividends received	4,313	8,851	58,443
	(151,299)	(169,728)	(191,314)
Net cash deriving from current activity before an increase in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction	560,985	512,183	370,828
Decrease (increase) in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction	(117,456)	(108,870)	36,958
Net cash from current activities	443,529	403,313	407,786

(*) Reclassified

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

Consolidated Cash Flow Reports

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Cash Flows from Investment Activities			
Purchases, advances on investments, and investments in investment property	(785,083)	(518,840)	(177,120)
Investment in investment property under development	(221,785)	(145,096)	(74,409)
Investment in fixed assets	(46,385)	(54,145)	(22,049)
Investments in and loans to equity-accounted investees, net	(215,396)	(87,492)	-
Short-term investments, net	6,607	83,078	(121,630)
Proceeds from the realization of investment property and real estate held for sale	40,002	186,543	431,278
Proceeds from the realization of fixed assets	-	-	3,599
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	30,183	18,456	215,428
Repayment of long-term loans granted, net	1,688	16,003	2,118
Repayment of long-term deposits	-	45,815	45,844
Change in cash from the realization of investment in company consolidated in the past, net (a)	-	55,695	(225)
Cash paid in subsidiary (b)	(14,916)	-	-
Net cash deriving from (used for) investment activity	(1,205,085)	(399,983)	302,834
Cash Flow from Financing Activity			
Issue of shares, net of transaction costs	16,060	78,058	-
Dividends paid Company shareholders	(255,000)	(205,000)	(90,286)
Proceeds from the issue of debentures, net of transaction costs	780,493	1,030,566	585,126
Repayment of debentures	(308,365)	(605,875)	(765,157)
Short-term credit from banking corporations and others, net	98,085	7,415	18,884
Receipt of loans and other long-term liabilities	61,686	458,570	1,032
Repayment of loans and other long-term liabilities	(382,902)	(266,544)	(456,021)
Dividend paid to holders of non-controlling interests	(2,079)	(2,080)	(2,608)
Net cash deriving from (used in) financing activities	7,978	495,110	(709,030)
Increase (decrease) in cash and cash equivalents	(753,578)	498,440	1,590
Exchange rate differentials due to cash and cash equivalent balances	9,638	(7,631)	3,326
Balance of cash and cash equivalents at the beginning of the year	922,515	431,706	426,790
Balance of cash and cash equivalents at the end of the year	178,575	922,515	431,706

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

Consolidated Cash Flow Reports

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
(a) Proceeds from the Realization of Investments in Subsidiaries Consolidated in the Past, Net			
Assets and liabilities of subsidiaries as of the date of sale:			
Working capital, excluding cash and cash equivalents	-	(3,693)	118
Investment property and investment property under development	-	70,305	-
Other long-term assets and fixed assets	-	-	10,745
Non-controlling interests	-	(10,639)	(11,088)
Profit from divestment	-	(278)	-
	-	55,695	(225)
(b) Newly Merged Company			
Working capital	7,490	-	-
Investment property and investment property under development	(30,393)	-	-
Long-term liabilities	7,987	-	-
	(14,916)	-	-
(c) Departure from consolidation by formerly consolidated company			
Working capital	(3,306)	-	-
Non-controlling interests	51,205	-	-
Long-term liabilities	(55,468)	-	-
Capital gain	7,569	-	-
	-	-	-
(d) Additional information on material actions not involving cash flows:			
Classification from investment property and balance of long-term receivables to inventory	-	-	337,500 (*)
Purchase of investment property and investment property under construction against the issue of shares and put option	-	-	46,708
Purchase of investment in financial asset measured at fair value via other comprehensive income against the issue of put options	-	-	14,456

*) For further details see Note 10.b.1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - General

A. COMPANY DESCRIPTION

Mivne Real Estate (K.D) Ltd. (hereinafter: "the Company") is a company resident in Israel, incorporated in Israel and its office of record is at 7 Totzeret HaAretz Street, Tel Aviv.
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. The Company specializes in initiating, purchasing, renting and managing buildings intended for offices, high-tech, industry, logistics and commerce, data centers and residential units, and is engaged in residential real estate development in Israel. The Group (as defined above) is largely active in Israel as well as in a number of foreign countries including Switzerland. The Company also owns partnerships that rent and operate petrol stations.

The Company has activities in additional areas, such as renewable energy, the monetary results of which, as of the reported year, are not material to their activities.

B. DEFINITIONS

In these Financial Statements –

The Company	- Mivne Real Estate (K.D) Ltd.
The Group	- The Company and its investees.
Jerusalem Economy	- Jerusalem Economy Ltd., which was the Company's controlling shareholder until November 4 2019.
Darban	- Darban Investments Ltd., a wholly-owned subsidiary of the Company.
Consolidated companies	- Companies controlled by the Company (as defined in IFRS 10) whose statements are consolidated with those of the Company.
Jointly controlled entities	- Companies held by a number of entities that have a contractual arrangement for joint control.
Associates	- Companies over which the Company has significant influence and which are not subsidiaries and for which the Company's investment therein is included in the Company's Consolidated Financial Statements at book value.
Related Parties	- As defined in IAS 24
Interested parties and controlling shareholder	- As defined in Securities Regulations (Yearly Financial Statements), 2010.
Investees	- Subsidiaries, jointly controlled entities and associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies

The accounting policy detailed below has been applied consistently to all periods presented, unless stated otherwise.

A. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
Furthermore, the Financial Statements have been prepared in accordance with the Israeli Securities Regulations (Yearly Financial Statements), 2010.

The Company's Financial Statements are prepared on a cost basis, with the exception of investment property; investment property under construction; financial assets measured at fair value via Other Comprehensive Income; financial assets and liabilities (including derivatives) measured at fair value via gain/loss.

The Company has chosen to present its gain/loss according to the operations attribute method.

B. OPERATING CYCLE PERIOD

The Group has two operating cycles. In reference to the contracting work, the operating cycle is over one year and may last from two to four years. Regarding other activities, the operational cycle is one year. Therefore, regarding contract works, when the operating cycle is longer than a year, the assets and liabilities directly connected to that activity are classified under current assets and liabilities in the balance sheet in accordance with the operating cycle.

C. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements include statements from companies controlled by the Company (subsidiaries). Control exists when the company has the power to influence the invested entity, exposure or rights to variable yields as a result of its involvement in the invested entity as well as the ability to use its power to influence the sum of the yields deriving from the invested entity. In evaluating control, one must take into account the influence of potential voting rights only if they are real.

The Financial Statements of the Company and its subsidiaries have been prepared for identical dates and periods. Accounting policy in the subsidiaries' financial statements has been applied in a unified manner, consistent with that applied in the Company's Financial Statements. Balances and material mutual transactions and profits and losses deriving from transactions between the Company and its subsidiaries have been written off in full in the Consolidated Financial Statements.

Non-controlling interests due to subsidiaries represent the equity in the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. Non-controlling interests are presented separately pursuant to the Company’s capital. Gain or loss and any component of other comprehensive income attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if as a result, the balance of non-controlling interests in the Consolidated Balance Sheet is negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

Sale of a stake in a subsidiary, without losing control, is recognized as a change in capital. Upon realizing a subsidiary while losing control, the Company:

- Subtracts the assets and liabilities of the subsidiary.
- Subtracts the balance of non-controlling interests in the Financial Statements.
- Subtracts the adjustments deriving from the translation of financial statements charged to equity.
- Recognizes the fair value of proceeds received.
- Recognizes the fair value of proceeds received and of any remaining investment.
- Reclassifies the components recognized earlier in Other Comprehensive Income (Loss).
- Recognizes any difference created as profit or loss.

D. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are handled using the purchase method. Purchase cost is measured according to the fair value of the proceeds transferred on the date of purchase plus minority interests in the purchased business. In each business combination, the Company chooses whether to measure the non-controlling interests in the purchased company according to their full fair value on the date of purchase or pro-rata to the fair value of the purchased company's identified assets, net.
Direct acquisition costs are charged to the Statement of Operations upon creation.
In business combinations achieved in stages, capital rights to the purchased company held by the buyers prior to achieving control are measured at fair value as of the date of purchase while being charged to gain/loss from the revaluation of the previous investment on the date control was achieved.
Goodwill is initially recognized at cost, which is the difference between the proceeds from its sale and non-controlling interests and the net sum of the identifiable assets purchased and liabilities taken. If the sum of the goodwill received is negative, the buyer will recognize the profit created on the date of sale.

E. PURCHASE OF PROPERTY COMPANIES

When purchasing a property company, the Group applies its judgement when examining whether this is considered the acquisition of a business or an asset, in order to determine the accounting treatment of the transaction. When examining whether a property company constitutes a business, the Group examines, among other things, the nature of the processes existing at the asset company, including the scope and nature of management, security, cleaning and maintenance services provided tenants. In transactions in which the purchased company is a business, the transaction is treated as a business combination as detailed above. On the other hand, transactions in which the purchased company is not a business are treated as the purchase of a group of assets and liabilities. In such transactions the cost of the acquisition, which includes transaction costs, is allocated on a relative basis to the identified assets and liabilities purchased, based on their relative fair value on the date of purchase. In the latter case, no goodwill is recognized, and no deferred taxes are recognized for temporary differences that exist on the date of purchase under other revenues or expenses.

Note 2: – Principal Accounting Policies (Continued)

F. INVESTMENTS IN JOINT ARRANGEMENTS

Joint arrangements are arrangements in which the Company has shared control. Shared control is agreed-upon contractual cooperation for control over order, which only exists when decisions regarding relevant activities require the unanimous decision of the parties sharing control.

1) Joint Ventures

In joint ventures the parties to the arrangement have joint control over the rights to the net assets of the arrangement. Joint ventures are handled using the book value method

2) Joint Operations

In joint activities, the parties to the arrangement have joint control over the arrangement, rights to the assets and obligations to the liabilities of the arrangement. The Company recognizes for the joint activity its relative share of the assets, liabilities, revenues and expenses of the joint activity.

G. INVESTMENTS IN ASSOCIATES

Associates are companies in which the Group has significant influence over their financial and operating policies, without having control. Investment in an associate is presented according to the book value method.

H. INVESTMENTS HANDLED USING THE BOOK VALUE METHOD

The Group’s investments in associates and in joint operations are handled using the book value method.
According to the book value method, the investment in the associate or joint activity is presented at cost plus post-purchase changes in the group's share of net assets, including other comprehensive income of the associate or joint activity. Profits and losses resulting from transactions between the group and the associate or joint activity are eliminated in accordance with the holding rate.

Goodwill from the purchase of an associate or joint activity is presented as part of the investment in an associate or joint activity, and is measured at cost and is not depreciated systematically. Goodwill is tested for impairment as part of the investment in the associate or joint activity as a whole.
The financial statements of the company and its associate or joint activity have been prepared for identical dates and periods. The accounting policy in the associate's or joint activity’s financial statements has been applied in a unified manner, consistent with that applied in the group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

In an associate in which losses were caused that exceed its capital, the company recognized its share of the losses of the associate to the level of its investments in the associate plus a loss that may be caused it as a result of collateral or other financial support given for this associate to the level of the collateral or other financial compensation. For this reason, the investments includes long-term financial items receivable (such as loans granted), which are not intended to be written off and which are not expected to be redeemed in the foreseeable future.
The book value method is applied until material influence in the associate or material influence in the joint activity ceases, or until they are classified as an investment held for sale.

The Company continues to implement the book value method in cases in which investment in an associate becomes an investment in a joint transaction, and vice versa. The Company implements IFRS 5 on the investment or part of the investment in an associate or a joint transaction classified as held for sale. Some part remaining in this investment not classified as held for sale continues to be handled using the book value method.

On the date the Group no longer has material influence or joint control, the Groups measures any investment remaining in the associate or joint operation at fair value, and charges to gain/loss the difference between the proceeds from the realization of part of the investment in the associate or joint operation and the fair value of the investment remaining, and the book value of the investment realized on this date.

I. FUNCTIONAL, PRESENTATION AND FOREIGN CURRENCY

1. Functional and Presentation Currency

The presentation currency of the Financial Statements and the Company's operating currency is the NIS.
The Company determines for each group member, including companies presented according to the book value method, the functional currency of each company.

The assets and liabilities or an investee constituting foreign activity including surplus costs created are translated according to the closing rate on each balance sheet date. Statement of Operations items are translated according to average exchange rates in all of the periods presented. The translation differences created are charged to other comprehensive income (loss).
When realizing foreign activity, or when partially realizing foreign activity, while losing control, the accumulated profit (loss) referring to this activity recognized in Other Comprehensive Income is charged to gain/loss. During the partial realization of foreign activity, while maintaining control of the subsidiary, a relative portion of the sum recognized under Other Comprehensive Earnings is re-attributed to non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

2. Transactions, Assets and Liabilities in Foreign Currency

Transactions quoted in foreign currency are listed upon first recognition according to exchange rates in effect on the date the transaction took place. Subsequent to initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date into the functional currency, using the exchange rate on said date. Non-monetary assets and liabilities quoted in foreign currency presented at cost are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are presented at fair value are translated to the functional currency at the exchange rate on the date on which the fair value was determined.

3. CPI-Linked Monetary Items

Financial assets and liabilities linked according to their terms to changes in the Consumer Price Index (hereinafter – CPI) are adapted according to the relevant CPI, on each reporting date, in accordance with the terms of the agreement. Linkage differentials arising from such an adjustment, except those capitalized for qualified assets or charged to equity for hedging transactions, are charged to gain/loss.

J. CASH EQUIVALENTS

Cash equivalents are considered highly liquid investments, which include unencumbered short-term bank deposits, the original period of which is no greater than three months from the investment date.

K. PROVISION TO DOUBTFUL DEBT

The provision to doubtful debt is set specifically for debts for which, Company management estimates, their collection is in doubt. Furthermore, for balances of customers for whom no specific provision was recognized, the Company records a provision for impairment for those customer balances that are evaluated on a group basis, based on the characteristics of their credit risks. Impaired customer debts are written off on the date on which it is determined that these debts can no longer be collected.

L. INVENTORY OF REAL ESTATE, BUILDINGS AND APARTMENTS FOR SALE

The cost of the inventory of buildings and apartments for sale includes direct identified costs due to the cost of the land, such as taxes, fees and excises as well as construction costs. The Company also capitalizes to the cost of the inventory of buildings and apartments for sale, any credit costs incurred from the period in which the Company had begun land development activities to the date on which the building permit was received.

Real estate under construction is measured on a cost basis. The cost of real estate includes credit costs referring to the financing of the properties' construction until their completion date, planning and design costs, indirect construction costs allocated and other related construction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

Inventory of land acquired by the Group in a receipt combination transaction, whereby the Group commits to provide cash depending on the price apartments to be constructed on said land will be sold, is measured in accordance with the fair value of the land alongside recognition of the financial obligation generated due to expected future payments. In subsequent periods, the financial liability is measured again based on cash flows expected to be paid, discounted using the original effective interest rate. Changes in present value of capitalized cash flows are recognized under inventory.

The inventory of buildings and apartments for sale is measured at cost or net realization value, whichever is lower. Net realization value is the estimated sales price over the regular course of business less estimated completion costs and costs required to carry out the sale.

M. NON-CURRENT ASSET OR GROUP OF ASSETS HELD FOR SALE

A non-current asset or group of assets are classified as held for sale if they may be recovered mainly through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, a plan exists to locate a buyer and it is highly probable that their sale will be completed within one year from the date of classification. Investment real estate held for sale continues to be measured at fair value in accordance with IAS 40. Other comprehensive income (loss) and for a non-current asset or group of assets classified as held for sale are presented separately in equity.

N. LEASES

The Company treats a contract as a leasing contract when in accordance with the terms of the contract, the right to control an identified property is transferred for a period of time for compensation.

1. The Company as Tenant

For the transaction in which the Company constitutes a tenant it recognizes upon the start of the lease a right of use asset against the lease liability, with the exception of lease transactions for a period of up to 12 months and lease transactions in which the base asset is of low value, in which the Company chose to recognize lease payments as an expense in gain or loss on a straight line across the lease period.

On the start date, a lease liability includes all lease payments not yet paid, capitalized by the lease rate embodied in the lease, when it can be determined easily or at the Company's incremental interest rate. After the start date, the Company measures the lease liability using the effective interest method.

A usage right asset at the start date is recognized at the level of the lease liability plus lease payments paid on the start date or prior to it and plus transaction costs created.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

The usage right asset is leased using the cost model and is amortized across its useful life span or the lease period whichever is shorter, except for those classified as investment property. The leased rear estate properties classified by the Group as investment properties, are recognized in the Group's Balance Sheet at fair value, and the lease is treated as a financial lease.

2. The Company as Lessor

The tests for classifying leases as finance or operating leases depend on the substance of the agreement and are given at the inception of the lease in accordance with the principles as set in the Standard:

Operating Lease

Lease transactions in which all risks and benefits related to owning the property are not actually transferred, are classified as operational leases. Lease receipts are charged as an ongoing income to gain/loss for the duration of the lease. Direct initial costs incurred with respect to the lease agreement are added to the cost of the leased asset and are recognized as an expense throughout the leasing period at the same base.

3. Variable Lease Payments

Variable lease payments based on implementation or use and not dependent on cpi or interest, are recognized as an expense in transactions in which the company constitutes the lessee and as income in transactions in which the company constitutes a lessee, on their creation date.

O. FIXED ASSETS

Fixed asset items are presented at cost plus direct acquisition costs, less accumulated depreciation, less accumulated impairment losses and do not include expenses for ongoing maintenance.

Amortization is calculated at equal yearly rates on a straight line basis throughout the asset's useful life span.

The useful life span, amortization method and residual value of each asset are reviewed at the end of each year at least, and changes are treated as changes to accounting estimates on a prospective basis. Asset depreciation is halted on the date on which the asset is classified as held for sale or on the date on which the asset is subtracted, whichever is earlier.

P. CREDIT COSTS

The Group capitalizes credit costs related to the purchase, construction or manufacture of qualifying assets requiring a significant amount of time for their preparation, their intended use or their sale.

Note 2: – Principal Accounting Policies (Continued)

The capitalization of borrowing costs begins on the date when costs has been incurred with respect to the actual asset, activities necessary to prepare the asset have started and credit costs have been incurred, and ends when all activities needed to prepare the qualifying asset for its intended use or sale have been essentially completed. The sum of borrowing costs capitalized in the reported period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

Q. INVESTMENT PROPERTY

Investment property is real estate (land, structure or both) held by the owners (leased via operational lease) or leased by a financial lease in order to produce rental fees or for purposes of revaluation, or both, and not for manufacturing or supplying goods or service or for administrative purposes, or for sale throughout the normal course of business.

Investment property is written off upon realization, or when its use is discontinued and no future economic benefits from its realization are expected. The difference between the net yield from the realization of the property and its balance in the balance sheet is charged to gain/loss in the period when the property is subtracted.
Investment property is first measured at cost, including direct purchasing costs. After its initial recognition, investment property is measured at fair value, which reflects market conditions on the reporting date. Profits or losses deriving from changes in the fair value of investment property are charged to gain/loss upon creation. Investment property is not depreciated systematically.

Investment property undergoing development designated for future use as investment property, is also measured at fair value, as noted above, provided that fair value may be measured reliably. The cost basis of investment property under development includes the cost of real estate plus credit costs used to finance construction, direct incremental planning and development costs and brokerage fees due to engagement in agreements for its rental.
In order to determine the fair value of the investment property, the Group relies on a value estimate performed by independent external directors who are experts in real estate value estimates and have the requisite knowledge and **experience**.

R. INTANGIBLE ASSETS

Intangible assets purchased separately are measured upon initial recognition at cost plus direct purchasing costs. Intangible assets acquired in business combinations are measured at fair value on the date of purchase.
Intangible assets with defined useful life spans are depreciated across their useful life spans and impairment is measured when signs of impairment exist.

S. IMPAIRMENT OF NON-FINANCIAL ASSETS

The company evaluates the need to record an impairment to non-financial assets whenever events or changes in circumstances indicate that the balance in the financial statements is not recoverable.
If the book value of non-financial assets exceeds their recoverable sum, the assets are reduced to their recoverable sum. The recoverable sum is the fair value less costs of sale or

value in use, whichever is higher. The recoverable sum of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to gain/loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such a reversal of loss is limited to the sum of asset impairment recognized in the past (net of depreciation or amortization), or to the recoverable sum of the asset - whichever is lower.

The unique criteria below are implemented when examining the impairment of the following specific assets:

1. Goodwill Due to Subsidiaries

   The Company tests impairment of goodwill once per year, as of December 31, or more often if events or changes in circumstances indicate that impairment exist. Examination of the impairment of goodwill is determined by studying the recoverable sum of a cash-generating unit (or group of cash-generating units) to which the goodwill was assigned. When the recoverable sum of the cash-generating unit (or group of cash-generating units) is lower than the balance sheet balance of the cash-generating unit (or group of cash-generating units) to which the goodwill was allocated, an impairment loss attributed first to goodwill is recognized. Goodwill impairment losses are not reversed in subsequent periods.

2. Investment in Associate or Joint Ventures.

   The Company examines, after applying the book value method, whether it is necessary to recognize another loss for the impairment of an investment in associates or joint ventures. The Company examines on each reporting date whether there is any objective evidence that the investment in an associate or a joint venture has been impaired. Impairment review is conducted for the entire investment, including goodwill attributed to the associated company or joint venture.

T. FINANCIAL INSTRUMENTS

1. Financial Assets

   Financial assets are measured upon first recognition at fair value plus transaction costs that can be directly attributed to purchasing the financial asset, except in the event of financial assets measured to fair value via gain/loss, for which transaction costs are charged to gain/loss.

   The Company classifies and measures debt instruments in its Financial Statements on the basis of the following criteria:

   - The financial model of the company managing the financial assets, and -
   - The characteristics of the projected cash flow of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

a) The Company measures debt instruments at amortized cost when:

The Company's business model is to hold the financial assets in order to charge contractual cash flows; and the contractual terms of the financial asset provide rights on defined date for their cash flows, which are just principal and interest payments for the principal sum not yet redeemed.
After initial recognition, instruments in this group will be presented based on their terms at amortized cost using the effective interest method and less an impairment provision.

b) Capital Instruments and Other Financial Assets Held for Trade

Investments in capital instruments do not meet the criteria noted above and are therefore measured at fair value via gain/loss.

Other financial liabilities held for trade such as derivatives, including embedded derivatives that have been separated from a host contact are measured at fair value via gain/loss, unless they are intended to be used for effective hedging.

Regarding specific capital instruments that are not held for trade, upon initial recognition, the Company made an unalterable choice to present consecutive changes in fair value in Other Comprehensive Income, which otherwise would have been measured at fair value via gain or loss. These changes will not be charged to gain or loss in the future, even when the investment is subtracted.

Dividend revenues from investments in capital instruments are recognized upon the determining date for dividend eligibility in the Statement of Operations.

2. Impairment of Financial Assets

On each report date, the Company tests the provision to loss due to financial debt instruments not measured at fair value via gain/loss.
The Company has financial assets with short credit periods such as customers, for which it implements the relief set in the model, meaning that the Company measures the provision to loss at a sum equal to projected credit losses for the device’s life span. The Company implements the relief set in the standard for these financial assets.

The impairment for debt instruments measured at amortized cost will be charged to gain/loss against a provision while the impairment for debt instruments measured at fair value via other comprehensive income shall be charged to gain/loss against other comprehensive income and shall not decrease the book value of the financial asset in the Balance Sheet.

The Company subtracts a financial instrument only when the contractual rights for cash flows from the financial instrument expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

3. Financial Liabilities

a) Financial Liabilities Measured at Depreciated Cost

Upon first recognition, the Company measures financial liabilities at fair value less transaction costs that can be directly attributed to the offering of the financial liability. After initial recognition, the Company measures all financial liabilities according to the amortized cost method, except for financial liabilities measured at fair value via gain/loss.

b) Financial Liabilities Measured at Depreciated Cost

Upon initial recognition, the Company measures its financial liabilities not measured at deprecated costs at fair value when the transaction costs are charged to gain/loss.
After initial recognition, changes in fair value charged to gain/loss.

4. Subtraction of Financial Liabilities

The Company subtracts a financial liability when, and only when, it is paid up, meaning when the liability defined in the contract is defrayed, cancelled or expired. A financial liability is cleared when the debtor has paid off the liability by making a payment in cash, in other financial assets, in goods or services, or is freed of the liability by legal means.
In the event of changes in terms due to existing financial liabilities, the Company studies whether the terms of the liabilities are materially different from the existing terms and takes qualitative and quantitative considerations into account.
When a material change is made to the terms of an existing financial liability or the replacement of a liability with a different liability with materially different terms, between the Company and the same lender, the transaction is treated as a write-off of the original liability and as recognition of a new liability. The difference between the book values of the above liabilities is charged to gain/loss.
In the event of a non-material change in the terms of an existing liability or the replacement of a liability with a different liability with terms that are not materially different, between the Company and the same lender, the Company updates the sum of the liability, which means capitalizing the new cash flows at the original effective interest rate, with the difference charged to gain/loss.

5. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net sum is presented in the Balance Sheet if there is an enforceable legal right to offset the sums recognized and the intent exists to clear the asset and the liability on a net basis or realize the asset and clear the liability concurrently. The offsetting right needs to be legally enforceable not only over the regular course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right to offset to exist immediately, it cannot be dependent on a future event or that there be periods of time in which it does not apply, or events exist that cause it to expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

6. Hedge Accounting

Derivative Financial Instruments used for Hedging (Defensive) Purposes

From time to time, the Group enters into agreements with derivative financial instruments such as foreign currency forward contracts (forward) and interest rate swatch (IRS) agreements to hedge itself from the risks associated with fluctuations of foreign exchange rates and interest rates.

Any gains or losses arising from changes in the fair values of derivatives that are not used for hedge accounting are charged directly to gain/loss.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

Cash Flow Hedging

The effective portion of the changes in the fair value of the hedging instrument is recognized under Other Comprehensive Income, while the ineffective portion is charged immediately to gain/loss.

Other comprehensive income (loss) is transferred to gain/loss when the results of the hedging agreement are charged to gain/loss, for instance, when the hedged income or expense is charged to gain/loss.

Net Investment Hedging in Foreign Activity

Hedges of a net investment in a foreign activity, including a hedge of a monetary item treated as part of the net investment, are treated similar to cash flow hedges. Gains or losses referring to the effective part of the hedging are charged to other comprehensive income, while profits or loss referring to the non-effective portion of the hedging are charged to gain/loss.

U. FAIR VALUE MEASUREMENT

Fair value is the price that would have been received from the sale of an asset or the sum that would be paid for the transfer of a liability, in an orderly transaction between market participants in the date of measurement.

The fair value of an asset or liability is measured using assumptions market participants use when pricing the asset or liability, assuming the market participants are acting in their own economic interest. Measuring fair value for a non-financial asset takes into account the ability of a market participant to receive economic benefits through the asset at its optimal use or by selling to a different market participant who will use the asset for its best possible use or when a projected transaction occurs.

Note 2: – Principal Accounting Policies (Continued)

The Group uses evaluation techniques suitable to the circumstances and for which enough achievable data exists in order to measure fair value, while maximizing use of relevant observable data and minimizing use of non-observable data.

All assets and liabilities measured at fair value or the fair value of which has been disclosed are divided into categories within the fair value grading, based on the lowest level of data material to measuring fair value as a whole:

Level 1: Quoted prices (without adjustments) in an active market of identical assets and liabilities.

Level 2: Data other than quoted prices included in Level 1, which may be observed directly or indirectly.

Level 3: Data not based on observable market information (evaluation techniques not using observable market data).

V. PROVISIONS

A provision in accordance with IAS 37 is recognized when the Group has a present (legal or implied) obligation as a result of a past event, it is probable that it will require the use of economic resources to clear the obligation and a reliable estimate can be made of it.

Lawsuits

A provision for lawsuits is recognized when the Group has a current legal obligation or an implied obligation due to an event that has occurred in the past, when the Group's use of its financial resources in order to discharge the obligation is more likely than not, and the obligation may be reliably estimated.

W. EMPLOYEE BENEFIT LIABILITIES

The Group has several types of employee benefits:

1. Short-Term Employee Benefits

Short-term employee benefits are benefits that are expected to be cleared in full within 12 months after the end of the yearly reporting period in which the workers provide the referring services. Liabilities due to cash bonuses or profit-sharing programs are recognized when the Group has a legal or implied obligation to pay the sum in question for a service provided by the employee in the past and the sum may be reliably estimated.

2. Post-Employment Benefits

The programs are generally funded by insurance company deposits and are classified as defined deposit plans as well as defined benefit plans.

The Group has defined deposit plans in accordance with Section 14 of the Severance Pay Law, according to which the Group makes regular payments while having no legal or implied obligation to make additional payments even if the plan has not

accumulated sufficient assets to pay for all employee benefits pertaining to the employee's service in the current period and in previous periods.
Deposits to a defined deposit plan for compensation or for remuneration are recognized as an expense while depositing to the plan concurrently with the receipt of the work services from the employee.
In addition, the Group operates a defined benefit plan for the payment of compensation in accordance with the Severance Pay Law. According to the law, employees are entitled to compensation upon dismissal or retirement. The severance pay liability is presented according to the actuarial value of the projected eligibility unit. The severance pay liability is presented according to the actuarial value of the projected eligibility unit.

X. SHARE-BASED PAYMENT TRANSACTIONS

Company workers/other service providers are eligible for benefits by way of share-based payment discharged in capital instruments, and some workers/other service providers are eligible for benefits by way of payment based on shares discharged in cash and calculated based on the appreciation of Company shares.

Transactions Cleared via Capital Instruments

The cost of transactions with employees cleared using capital instruments are measured at the fair value of the capital instruments upon the date of issue. Fair value is determined using an acceptable option pricing model.
The cost of transactions cleared using capital instruments is charged to gain/loss together with a concurrent increase in shareholders' equity over the course of the period in which the conditions of performance and/or the service exist and ends on the date on which the relevant employees are entitled to remuneration (hereinafter: the Vesting Period). The accumulated expenses recognized for transactions cleared using equity instruments at the end of any reporting date until the vesting date reflects the passage of the vesting period and the Group's best estimate as to the number of capital instruments that will eventually vest.

An expense for grants that do not eventually vest is not recognized, with the exception of grants the vesting of which depends on market conditions that are treated as grants vesting with no connection to the existence of market conditions, assuming that all of the other terms of the vesting (service and/or implementation) have been upheld.

When the Company makes changes to the conditions of a grant cleared using capital instruments, an additional expense is recognized past the original expense that was calculated for any change increasing the fair value of the remuneration granted or which benefits the employee/service provider according to the fair value on the date of change.

Cancellation of a grant cleared using a capital instrument is treated as though vested as of the cancellation date, and the unrecognized expense for the grant is recognized immediately. Nevertheless, if the canceled grant is replaced with a new grant and is intended to be a substitute grant as of the grant date, the canceled grant and new grant are both treated as a change of the original grant, as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

Y. PROFIT (LOSS) PER SHARE

Profit (loss) per share is calculated by dividing the net profit (loss) attributable to Company shareholders by the weighted number of ordinary shares existing in practice during the period.

Potential ordinary shares are included in the calculation of diluted profit (loss) per share when their impact dilutes the profit (loss) per share from ongoing activities. Potential ordinary shares that are converted during the period are included in diluted profit per share only until the conversion date, and from that date are included in basic profit (loss) per share. The Company’s share of the profits (loss) of associates is calculated in accordance with its share of the profit (loss) per share of said associates, multiplied by the number of shares held by the Company.

Z. TREASURY SHARES

Company shares held by the Company and/or subsidiaries are measured at purchase cost and presented offset from Company equity. Any gain or loss deriving from the buying, selling, issuance or cancellation of treasury shares is charged directly to equity.

AA. RECOGNITION OF INCOME

Revenues from contracts with customers are changed to gain/loss when control of the asset or service is transferred to the customer. The transaction price is the sum of compensation expected to be received in accordance with the terms of the contract, less sums charged in favor of third parties (such as taxes).

When setting the sum of the revenue from contracts with customers, the company examines whether it acts as a primary supplier or an agent in the contract. The company is a primary supplier when it controls the goods or the service promised prior to its transfer to the customer. In such cases, the company recognizes revenues at the net sum of the compensation. In cases in which the company acts as agent, the company recognizes revenues at a net sum, after deducting the sums owed the primary supplier.

Revenues from the provision of services (including management fees)

Revenues from services are recognized over time, across the period in which the customer receives and consumes the benefits produced by the company's performance. Revenues are recognized in accordance with the reporting period in which the services were provided. The company charges payment from its customers in accordance with the terms of payment agreed upon in specific agreements, with payments capable of taking place before the service period or after the service period, and accordingly, the company recognizes an asset or liability for the contract with the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

Revenues from the development and construction of developed real estate in israel

The Company is active in the field of real estate in developing, building and selling residential apartments, offices and commercial space in Israel. Upon entering into a contact with a customer, the Company recognizes the housing units or offices as implementation liabilities.

Regarding the Company's activity in the field of development real estate in Israel, the Company has reached the conclusion, based on its sales contracts with customers in the field of development real estate in Israel, and based on the relevant laws and regulations, and in accordance with a legal opinion received, that when the Company enters into a contract to sell residential apartments, offices and commercial space in Israel, no asset is created with an alternative use for the Company, and it has a payment right enforceable for performances completed as of that date. Under these circumstances, the Company recognizes a long-term revenue.

The Company implements the input method in order to measure the progress of its implementation, when the implementation obligation is upheld over time. The Company believes that use of the inputs method according to which revenues are recognized on the basis of inputs the Company invested in order to uphold the implementation obligation represents the income produced in practice in the best possible manner. In order to implement the input method, the Company estimates the cost required to complete the project in order to determine the revenue sum recognized. These estimates include direct costs and indirect costs directly referring to the existence of the contract and allocated to each contract separately on the basis of a reasonable load index. In addition, when measuring the “completion rate”, the Company does not include costs that do not reflect progress in implementation such as the cost of land, fees and surcharges and credit costs.

The Company sets the rate of progress according to which revenue is recognized in each sales contract as the rate of progress of the entire building or project as the case may be, so long as a delivery cannot be made of the asset covered by the agreement before construction of the building or project, as the case may be, has been completed in full.

The Company sets the level of income from each contract according to the price of the transaction with each customer separately and recognizes income for each contract separately.

When the Company starts carrying out actions in connection with the expected contract even before the contract has been signed with the customer, upon signing the contract in question the Company recognizes income on a cumulative basis at a sum reflecting the completion rate of the implementation commitment as of that date.

The Company discounts credit costs to land for construction constituting a fit asset, such as land on which the Company is acting to securing building permits and cannot sell apartments it plans to build on the land. The Company ceases discounting credit costs when receiving building permits for land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

When loss is expected from the contract, the entire loss is recognized immediately, regardless of the completion rate.

In order to measure the price of the transaction, the Company adjusts the sum of the proceeds promised for the impact of the money's time value if the timing of the payments agreed upon between the parties to the contract, explicitly or implicitly, provides the customer or the Company with a material financing benefit in transfer of the property. In these cases, the contract contains a material financing component. In cases in which the gap between the date payment is received and the date the goods or service are provided the customer is one year or more, the Company implements the practical relief set in the standard and does not separate a material financing component.

Revenues from the Development and Construction of Developed Real Estate

The Company is active in the field of real estate in developing, building and selling residential apartments, offices and commercial space abroad. Upon entering into a contact with a customer, the Company recognizes the housing units or offices as implementation liabilities.

Regarding the Company's activity in the field of real estate development, the Company has reached the conclusion that on the basis of the laws, regulations and commercial characteristics of the companies in which it is active outside of Israel, control of property is transferred to the customer upon delivery of the apartment, in light of the fact that the Company and its legal counsel estimate that the contract cannot be enforced until the delivery of the apartment/office/commercial space and therefore revenues from the sale of the housing units, offices and commercial spaces abroad are recognized at a single point in time (upon delivery).

Contract Upholding Costs

The costs that arose to uphold a contract with the customer, or an expected contract with the customer, are presented as an asset when costs are expected to be recovered. Contract upholding costs include direct identified costs and indirect shared costs that can be attributed directly to a contract on the basis of a reasonable loading key. In cases in which a loss is expected in the project, it is charged to gain/loss immediately.

Contract Securing Costs

In order to secure some of the Company's contracts with its customers, it bears incremental contract securing costs (such as sales permissions stipulated on the completion of a binding sales transaction). Costs created in order to secure the contract with the customer and which would not have been realized if the contract had not been achieved and the Company expects to recover them, are recognized as an asset and amortized on a systematic basis that is consistent with the provision of services provided within the framework of the specific contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – Principal Accounting Policies (Continued)

The Company selected the possible relief according to the standard according to which it recognized incremental costs for securing a contract as an expense upon creation, when the property's amortization period, if sold, would have been shorter than one year.

Contractual Balances

The Company charges customers upon upholding the implementation commitments in accordance with the terms with the customers. These charges are presented under customers in the Balance Sheet. In cases in which revenues are charged to gain/loss due to an implementation commitment and before the customers are charged, the sums recognized are presented under contract assets/income receivable under receivables and debit balances. Sums received from customers before the Company upholds the implementation commitment are presented under contract obligations/unearned income from customers under receivables and debit balances and are recognized as revenues in gain/loss when the implementation commitment is upheld.

Transactions Carried Out in Credit

In some of the transactions the Company grants customers credit terms for a period longer than one year. In these cases, the Company recognizes income according to the sum reflecting the price the customer would have paid in cash upon receiving the goods or service, and the balance is charged under financing revenues.
In cases of the receipt of long-term advance payments for a future service provided by the Company, the Company accumulates interest and recognizes financing expenses for the advance payments over the course of the expected engagement period, when the contract features a material financing component. Upon realization of the advance payments, the Company recognizes interest accumulated as part of the services revenues.
The Company chose a possible relief according to the standard according to which it will not separate the credit component in transactions in which the credit terms are for a period shorter than one year and recognizes income in accordance with the sum of the proceeds set in the agreement even if the customer has paid on a later or earlier date than the date the goods or service were received.

BB. TAXES ON INCOME

Tax results for current or deferred taxes are charged to gain/loss, unless they refer to items charged directly to other comprehensive income or to equity.

1. Current Taxes

Liability due to current taxes is set using tax rates and tax laws passed or passed in effect by the report date, as well as required adjustments pertaining to tax liability payable for previous years.

2. Deferred Taxes

Deferred taxes are calculated for temporary differences between sums included in the Financial Statements and sums taken into account for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: – <u>Principal Accounting Policies</u> (Continued)

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realized or the liability cleared, based on tax laws that have been enacted or enacted in effect by the reporting date.

On each reporting date deferred tax assets are studied, and in the event that their use is not expected they are amortized, temporary differences for which no deferred tax assets have been recognized are reviewed on each reporting date, and if they are expected to be realized, an appropriate deferred tax asset is recognized.

Deferred taxes due to investment property held with the aim of returning substantially all of the economic benefits embodied in it through sale rather than through use, are measured according to the anticipated method of calculation of the base asset, on the basis of sale and not use.

Taxes that would apply in the event of the sale of investments in investees have not been taken into account in calculating the deferred taxes, as long as the sale of the investments in investees is not expected in the foreseeable future. Also not taken into account are deferred taxes resulting from the distribution of profits by subsidiaries as dividends, as distributing dividends does not involve additional tax liability, or due to the Company's policy not to initiate the distribution of dividends by a subsidiary leading to additional tax liability.

Deferred taxes are offset if a legitimate right exists to offset deferred tax assets against current tax liabilities and the deferred taxes refer to the same taxable entity and the same tax authority.

CC. CHANGE IN ACCOUNTING POLICY – <u>FIRST-TIME APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND REVISIONS TO EXISTING ACCOUNTING STANDARDS:</u>

1. <u>Amendment to IAS 16 "Property, plant and equipment"</u>

The IASB published an amendment to IAS 16 in May, 2020 (hereinafter – the Amendment). The Amendment prohibits the amortization of proceeds received from the sale of items prepared while the Company prepares the fixed assets for the use intended by its cost. In lieu of this, the Company shall recognize the proceeds of the sale and the associated costs in gain or loss.

This amendment was applied to yearly reporting periods starting January 1, 2022. The Amendment was applied retroactively, but only o fixed asset items brought to the location and state needed for them to operate in the manner intended by Management at the start of the earliest yearly reporting period presented on the financial statements to which the amendment is first applied.

The cumulative effect of initial application of the Amendment is recognized as adjustment to the opening balance of retained earnings (or other equity component, as applicable) at the start of the earliest period presented.

Note 2: – Principal Accounting Policies (Continued)

2. Amendment to IAS 37 "Provisions, contingent liabilities and contingent assets"

In May, 2020, IASB published an amendment to IAS 37 on costs the Company needed to include when assessing whether a contract is an onerous contract (hereinafter: "the Amendment").

In accordance with the Amendment, this review should also include costs directly referring to the contract, including both incremental costs (such as raw materials and direct work hours) and the allocation of other costs directly connected to fulfilling the contract (such as depreciation of fixed assets and equipment used to fulfil the contract).

This amendment was applied to yearly reporting periods starting January 1, 2022. The Amendment applies to contracts for which all obligations have yet to be fulfilled as of January 1, 2022. When implementing the amendment, restating comparison numbers is not required, but rather adjustment of the opening balance of retained earnings upon initial application, equal to the cumulative effect of the Amendment.

Due to application of the Amendment, the Company includes both incremental costs and certain other costs in review whether a contract is onerous, whereas prior to the Amendment, the Company only included incremental costs in such review. Accordingly, the Company reviewed the effect of the Amendment on contracts for which all obligations have yet to be fulfilled as of January 1, 2022 and concluded that none of these are onerous contracts.

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

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

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

In accordance with one of the practical reliefs, the Company will handle contractual amendments or amendments to cash flows directly required as a result of implementation of the reform similar to the accounting treatment of changes in variable interest rates. In other words, a company needs to recognize the changes in interest rates by adjusting the effective interest rate without altering the book value of the financial instrument. Use of this practically relief is dependent on the fact that the change from IBOR to RFR occurs on the basis of equal economic conditions.

Likewise, in accordance with the amendments, under certain conditions, changes that will be made to designating the hedging and documentation as a result of the implementation of the IBOR will not lead to the discontinuation of the hedging

Note 2: – Principal Accounting Policies (Continued)

ratios. Pursuant to the Amendments, a temporary practical relief was also given in connection with the implementation of hedge accounting pertaining to identifying the hedged risk as "identifiable separately."

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

The Amendments are applied starting from the yearly periods starting January 1 2021 or subsequently. The Amendments are applied retrospectively, however, restatement of comparison numbers is not required.

The above Amendments have no material impact on the Company's Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3: – Key Considerations, Estimates and Presumptions Employed in Preparing the Financial Statements

In the process of applying its principal accounting policies to its Financial Statements, the Group has made the following judgments and taken the following considerations into account, which have the material effect on the sums recognized in the Financial Statements:

A. CONSIDERATIONS

Determining the Fair Value of Share-Based Payment Transactions

The fair value of share-based payment transactions is determined upon first recognition using a generally accepted option pricing model. The mode is based on share price data.

B. ESTIMATES AND ASSUMPTIONS

When preparing the Financial Statements, management must use of estimates and assumptions that affect the application of accounting policies and the reported sums of assets, liabilities, revenues and expenses. Changes in accounting estimates are applied in the period in which the estimate was changed.

The following are the major assumptions made in the Financial Statements with regard to uncertainty as of the report date as well as critical estimates calculated by the Group, where a material change in such estimates and assumptions may alter the value of assets and liabilities in the Financial Statements for the next reported year:

- Investment Property and Investment Property Under Development

  Investment property and investment property under development (when the fair value can be estimated reliably) is presented at fair value as of the balance sheet date, with changes in fair value charged to gain/loss.

  Fair value is generally determined by independent valuators in accordance with assessments of economic value that include valuation techniques and assumptions regarding estimated expected future cash flows from the property and an estimate of the suitable capitalization rate for these cash flows, as well as on management estimates based on economic models. In the matter of real estate under development, an estimate of construction costs is also needed. If possible, fair value is measured in reference to recent real estate transactions with characteristics and locations similar to the assessed asset. See further information in Note 2q.

- Inventory of Apartments/Land for Residential Construction

  The net realization value is set in accordance with the Company's estimate, which includes projections and assessments regarding the expected receipts from the sale of the inventory in the project and the construction costs required to bring the inventory to sale condition. See further information in Note 2l.

- Deferred Tax Assets

  Deferred tax assets are recognized in respect of losses carried forward for tax purposes and temporary, unused differences, if future taxable income is expected which would allow them to be used. Management's discretion is required in order to determine the sum of the deferred tax asset that may be recognized based on timing, the sum and source of expected taxable revenue and tax planning strategy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - **Disclosure For New IFRS Standards In The Period Prior To Their Application**

a. 2018-2020 International Standards Improvement Project

In May 2020 the IASB published certain amendments within the framework of the 2018-2020 improvements project. The following is the key amendment referring to IFRS 9:
The amendment to IFRS 9 clarifies which commissions the Company must include while preparing the "10 percent" test in Section 3.3.6 of IFRS 9, while examining whether the terms of a debt instrument amended or replaced are materially different from the original debt instrument.

This amendment was applied to yearly reporting periods starting January 1 2022 or subsequently. Earlier application is possible. The amendment was applied to the debt instrument amended or replaced starting from the year in which the amendment to the Standard was first implemented.

Note 5: - **Cash And Cash Equivalents**

A. COMPOSITION

		December 31	
		2022	**2021**
	Interest rate	Thousands of NIS	
Cash and deposits for immediate withdrawal		162,620	167,359
Short-term deposits	2.96%	15,955	755,156
		178,575	922,515

B. LINKAGE TERMS

	December 31	
	2022	**2021**
	Thousands of NIS	
NIS	65,622	818,505
U.S. dollar	11,815	14,947
Swiss franc	59,534	45,930
Canadian dollar	9,833	13,730
Euro	31,771	29,403
	178,575	922,515

Note 6: – **Investments In Financial Assets**

SHORT-TERM INVESTMENTS

	December 31	
	2022	**2021**
	Thousands of NIS	
Investments in financial assets measured at fair value via gain/loss (detailed below)	50,185	83,265
	50,185	83,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 6: – Investments In Financial Assets (Continued)

DETAILS OF INVESTMENTS IN FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA GAIN/LOSS

	December 31 2022	December 31 2021
	Thousands of NIS	
Shares and options convertible to negotiable shares	27,592	57,278
Debentures	22,593	25,987
	50,185	83,265
Dividends recognized in gain/loss	2,378	1,417

Note 7: - Limited Cash And Money In Trust

	December 31 2022	December 31 2021
	Thousands of NIS	
Restricted deposits (mainly accompaniment accounts of apartment buyers)	14,310	20,899
	14,310	20,899

Note 8: - Trade Receivables

A. COMPOSITION:

	December 31 2022	December 31 2021
	Thousands of NIS	
Tenants:		
Outstanding debts	50,949	57,135
Checks collectable	1,835	2,679
	52,784	59,814
Less - provision to tenants' doubtful debt	23,361	31,423
Total tenants, net	29,423	28,391

B. BELOW IS AN ANALYSIS OF TRADE RECEIVABLES DUE TO TENANTS, NET, BY THE EXTENT OF THE ARREARS RELATIVE TO THE BALANCE SHEET DATE:

	Customers whose Date has Not Yet Arrived their Redemption (with No Delays in Collection)	Customers Whose Repayment Date Has Passed and the Arrears is Collecting them is					
		Up to 30 Days	30-60 Days	60-90 days	90-120 days	Over 120 Days	Total
	Thousands of NIS						
December 31 2022	4,568	12,270	2,291	2,406	1,253	6,635	29,423
December 31 2021	5,987	5,492	2,042	1,511	2,019	11,340	28,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9: - Other Receivables

	December 31 2022	December 31 2021
	Thousands of NIS	
Institutions	29,168	53,667
Income receivable	31,918	23,214
Prepaid expenses	11,984	13,274
Debit balances with investees	12,527	11,417
Receivables due to contract	25,109	2,677
Current maturities of loans to long-term buyers	2,065	1,652
Other receivables and debit balances	18,409	15,695
	131,180	121,596

Note 10 – Inventory of Land, Apartments and Homes for Sale in Development

A. COMPOSITION:

	December 31 2022	December 31 2021
	Thousands of NIS	
1. Inventory of land, apartments and homes for sale and under construction		
Apartments under construction at Haslem Street, Tel Aviv (b1)	418,629	361,455
Apartments under construction in Moshav Tzur Yitzhak (b2)	128,426	60,316
Apartment at Aminadab Street, Tel Aviv	1,016	2,254
Other	253	684
	548,324	424,709
2. Inventory of land for construction		
Land for construction at Sde Dov, Tel Aviv (b3)	223,400	233,009
Other lands	15,914	16,754
	239,314	249,763

B. ADDITIONAL INFORMATION

1. Apartments under construction at HaSolelim Street, Tel Aviv

The company has signed agreements with tidhar construction ltd. Of the tidhar group (hereinafter – tidhar construction) in connection with the implementation of a project on land between hashalom road, hasolelim st. And hahascala blvd. In tel aviv-yafo (hereinafter – the land) for the construction of two buildings zoned for employment and commercial, two buildings zoned residential and commercial, a public building and underground space, in accordance with a local plan that has been deposited and approved (hereinafter – the plan and the project, respectively). In addition, the company sold tidhar rosh ha'ayin real estate ventures ltd. (hereinafter – tidhar ventures), an additional company from the tidhar group, 25% of the construction rights zoned residential that will be approved within the framework of the plan. In accordance with the plan, 360 housing units will be built in the project in two residential towers with 32 stories each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Inventory of Land, Apartments and Homes for Sale in Development (Continued)

Over the course of august 2020 the town plan was validated and the company recognized the revenue from the sale of the land, classified the balance of receivables for advance payments paid for the inventory and classified a relative portion attributed to inventory from investment property.

As of december 31, 2022, excavation, shoring and foundation work on this project has been completed and work on lower structure is ongoing. As of the financial statements date, 86 apartment sale contracts were signed valued at NIS 291 million. Apartment prices are linked to the construction input index, as set forth in the sale contracts. In december, 2022, the construction permit for this project was received. Advance payments from buyers have been deposited into a trust account.

2. Apartments under construction in Moshav Tzur Yitzhak

The balances represent the rights of a Company consolidated partnership to the land, which is located west of Moshav Tzur Yitzhak (hereinafter – the Moshav). The land is zoned for the construction of 758 housing units as well as commercial areas. In return for purchasing the rights, the Partnership has undertaken to construct the project and pay the Moshav, in accordance with the terms and dates set in the agreement between the parties, 7.5% of the proceeds deriving from the sales and/or the lease of commercial space.
As of December 31, 2022, 567 residential units were sold, out of 758 residential units whose construction was started by the Company (of which 33 apartments in, 2022), of which 527 residential units were delivered.

3. Land in Sdeh Dov Compound, Tel Aviv

On august 23, 2021 the company received notice that it had won, along with two additional partners, in equal shares, for the purchase of capitalized leasing rights (with no development agreement) for 98 years (with an option to extend) in the lot known as “lot 110” pursuant to a tender published by the israel land administration located in the sdeh dov compound in tel aviv (hereinafter: the lot and the tender, respectively). The lot has an area of 0.47 hectares and 230 housing units and 1,300 square meters of commercial space can be built on it. The sum of the offer made by the company along with its partners for the lot amounted to NIS 633.8 million plus vat and total development expenses (including vat) of NIS 25.8 million. The purchase tax paid amounts to NIS 38 million. This investment, net of impairment amounting to NIS 29 million, is included under "long-term inventory of land for construction".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11: – Assets Held For Sale And Liabilities Referring To Assets Held For Sale

The following is data on assets and liabilities held for sale by geographical distribution:

	December 31 2022		
	Assets	Liabilities	Assets, net
	Thousands of NIS		
Israel	1,660	-	1,660
	1,660	-	1,660

	December 31 2021		
	Assets	Liabilities	Assets, net
	Thousands of NIS		
Israel	4,279	-	4,279
Overseas	15,840	-	15,840
	20,119	-	20,119

Note 12: Other Receivables

		December 31 2022		December 31 2021	
	Linkage Basis	Balance	Balance Less Current Maturities	Balance	Balance Less Current Maturities
		Thousands of NIS		Thousands of NIS	
Loans to purchasers	Unlinked	-	-	1,651	-
Investment in financial asset	Unlinked	1,363	1,363	2,704	2,704
Income receivable	CPI	27,214	27,214	27,899	27,899
Receivables in respect of sale of investee (*)	Dollar	92,865	90,800	-	-
Other receivables	Unlinked	525	525	545	545
		121,967	119,902	32,799	31,148

(*) The balance is with respect to a seller's loan extended by the company to a buyer for purchase of the company's share in a partnership. The loan term is three years, as from october 11, 2022 and it bears annual interest at 4.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13: - **Investments In Investees**

A. DARBAN

On July 10 2022 Darban distributed as dividend in kind 16,525,024 NV company shares held by it at a value of 175 million NIS, based on the value of the shares on the distribution date. After the distribution, the number of dormant shares for voting purposes held by Darban, was 31,901,921 par value. On July 12, 2022 the Company canceled the dormant shares thus distributed.

On February 28, 2023, Darban distributed as dividend-in-kind the remainder of dormant Company shares held thereby, valued at NIS 299 million, based on share value upon the distribution date. After said distribution, Darban no longer holds any Company shares. On March 2, 2023, the Company canceled the remaining dormant shares thus distributed.

B. KIRYAT SHECHAKIM LTD.

On October 27, 2021 agreements were reached between ICR Israel Canada Ram Holdings Ltd. (hereinafter – ICR) and Rotem Shani Development and Investments Ltd. (hereinafter – Rotem Shani), regarding the sale of the full holdings of ICR (50%) in the issued and paid-up capital of Kiryat Shechakim Ltd. (hereinafter – Kiryat Shechakim) to Rotem Shani or their representative, in return for a sum equal to 80 million NIS (hereinafter – the Purchased Shares and the Purchase Sum, as the case may be) as well as additional proceeds for the conversion of a shareholder loan provided by ICR to Kiryat Shechakim to a sum total of 4.3 million NIS. In accordance with the cooperation agreement signed between the Company and Rotem Shani the company purchased the Purchased Shares in return for the sum of the purchase and the shareholder loans denoted above were converted to the Company. On the date in question, a shareholders agreement between the company and Rotem Shani in connection with Kiryat Shechakim will come into effect, which among other things includes certain provisions that, under certain circumstances, the Company will have an option to purchase from Rotem Shani and under similar circumstances Rotem Shani will have an option to sell to the Company 69% of Rotem Shani’s holdings in Kiryat Shechakim in return for a total of 45 million NIS, plus sums that may arise from further adjustment mechanisms.

C. YAD HANNA

On July 19, 2022, the Company closed a transaction 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, such that as of said date, the Company holds shares constituting 50% of the issued and paid-up stock capital of the Association, fully diluted (hereinafter: "the Sold Shares") and has joined the Association as 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 proceeds for the shares sold amounted to NIS 140 million, plus VAT. In addition, the Company provided the Association a capital note to the sum of NIS 43 million.

Note 13: - Investments in Investees (Continued)

D. DIGITAL REALTY MIVNE

On June 13, 2022, the Company, through a partnership fully owned by the Company, engaged with a company fully owned (indirectly) by U.S. RIT company Digital Realty Trust (“DLR” and together: “the Parties”) in a number of agreements for the establishment and management of a limited partnership held by the parties in equal shares and operates under the name Digital Realty Mivne (hereinafter: "the Partnership"), with the following highlights:

1. The Partnership will act to purchase, establish, manage, finance, develop and rent data centers throughout Israel (hereinafter – the Data Center Activity).

2. All of the parties’ Data Center Activity in Israel shall be carried out through the Partnership only (other than exceptions set forth in the agreements).

3. Both of the parties must inject capital to the Partnership to the sum of up to $50 million in accordance with the board of directors of the General Partner (hereinafter – the Initial Investment). Additional financing of the activity will be carried out via outside financing, shareholder loans or additional capital injections by the parties, with dilution mechanisms set that will apply in the event that a decision is made by the board of directors of the General Partner to make an additional investment by the Parties (beyond the Initial Investment)), and one of the Parties has not provided their share.

4. So long as the Parties hold equal rights in the General Partner, the Board of Directors of the General Partner shall be comprised of an equal number of representatives for each of the parties, with the Chairman of the Board of Directors being a director on behalf of DLR and holding the deciding vote in the event of a tie in a vote except for subjects in which a special majority is needed, such as regarding certain changes in the articles of association of the Partnership or the General Partner, an initial public offering and sale of activity, expansion of the Partnership's areas of activity beyond Data Center Activity, offering, buying back, cancelling or redeeming shares or rights of the Partnership or the General Partner not in accordance with the terms of the agreement, changing the representation mechanism in the Board of Directors, long-term purchases or rentals of a material asset and approval of a budget or a deviation from the budget unless carried out within the framework of “permitted projects”, voluntary dissolution of the General Partner or the Partnership, appointment or dismissal of senior officers, receipt of outside financing above the threshold set and interested party transactions. Note that DLR would also have a tie-breaker vote upon voting at a General Meeting of shareholders in case of a tied vote, except for matters that require a super-majority.

5. Within the framework of the Data Centers Activity, the Partnership shall consider buying, renting and/or building on land and/or of suitable buildings in Israel for the activity in question, including (but not limited to) buildings owned or leased by the parties and/or related parties. In this regard, subject to terms and conditions of the agreement, each party undertook to grant (or lead to the controlling company granting) the Partnership the first vote regarding renting such properties, so long as the purpose of their use is for Data Center Activity, as detailed in the agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13: - Investments in Investees (Continued)

6. The agreements in question include additional generally accepted preconditions including mechanisms held by the Parties regarding the allocation of shares and rights to the General Partner and the Partnership, rights of refusal and joining rights in the event of a sale of shares or rights as noted above, and prohibition on the sale of such shares and rights for a period of seven years from the determining date, subject to specified exceptions.

7. When five years pass from the determining date, the Parties (subject to the terms of the agreement) shall be entitled to initiate the activation of a forced sales mechanism of the rights to the Partnership and the General Partner.

8. As of the issue date of the financial statements, the Company is preparing to inject a plan for a permit for the available licensing system.

E. FLORIDA

In october, 2022, a partnership fully owned by the company (hereinafter – the seller), which holds 45% of the issued and paid-up stock capital of a company holding rights to land with an area of 0.88 hectares in fort lauderdale, Florida (hereinafter – the property company), sold to an unrelated third party its entire holdings in the property company, in return for a total of NIS 115.7 million (USD 32.5 million). From the sum of the proceeds, a total of 32.8 million NIS (USD 9.2 million) was paid to the seller upon the sale date and the balance of the proceeds shall be paid through a seller's loan provided to the buyer (hereinafter – the loan). The loan term is 3 years and it bears annual interest at 4.5%. To guarantee the repayment of the loan, the buyer and its controlling shareholders provided the following securities: a first-degree mortgage on the real estate of the property company, a lien on the buyer's full holdings in the stock capital of the property company and personal guarantees by the buyer’s controlling shareholders. In addition, the agreement established the events the occurrence of which will grant the seller the right to added compensation and collateral was provided to secure this. Pre-tax gain from this sale amounted to NIS 9.6 million (USD 2.7 million). The expected cash flow for the seller from the sale (before taxes and transaction costs) shall amount to a total of 124.6 million NIS (USD 35 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13: - Investments in Investees (Continued)

F. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

1. Composition:

	Associates	
	December 31	
	2022	2021
	Thousands of NIS	
Shares and retained earnings	422,770	340,280
Loans	77,897	27,179
Total	500,667	367,459

2. Movement in Investments in Companies Handled Using the Book Value Method

	Associates	
	Thousands of NIS	
	2022	2021
Balance at the Beginning of the Year	367,459	294,304
Movement during the year:		
Redemption of loans and investments made, net	-	(20,496)
Investment and loan given to associate (see sections b. and c. above)	198,099	80,697
Equity profits, net	10,792	21,276
Adjustments from the translation of financial statements	4,886	186
Revaluation of loans and interest	3,003	(224)
Realization of associate (see section e. above)	(90,010)	(487)
Profit from the realization of investment in associate	10,751	-
Dividends	(4,313)	(7,797)
Balance at the end of the year	500,667	367,459

3. Dividend Sums the Company Received or is Entitled to Receive from Companies Treated According to the Book Value Method

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Dividends from companies handled using the book value method	4,313	7,797	57,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14: - Investment Property

A. COMPOSITION AND MOVEMENT:

	2022	2021
	Thousands of NIS	
Balance as of January 1	11,340,203	10,993,476
Additions During the Year		
Acquisitions and investments	805,126	327,779
Re-classification from "Advance on account of investment property"	76,131	-
Reclassification from investment property under development	131,631	40,031
Reclassification for investment property from inventory	910	-
Reclassification to investment property from held for sale	2,619	2,300
Classification from fixed assets	-	655
Increase in fair value, net	1,060,591	696,602
Adjustments from the translation of financial statements of foreign activity	97,316	(48,368)
Total additions	2,174,324	1,018,999
Disposals During the Year		
Reclassification to assets held for sale (see Note 11b above)	25,943	229,390
Re-classification to "Investment property under construction" (see Note 10.B.1)	27,083	442,882
Classification to fixed assets	5,963	-
Total disposals	58,989	672,272
Balance as of December 31	13,455,538	11,340,203

Note 14: - Investment Property (Continued)

B. DETAILS OF MATERIAL AGREEMENTS FOR THE PURCHASE OF ASSETS:

ACQUISITION OF RIGHTS FROM AURA GROUP

On May 11, 2021 the Company entered into a framework agreement with three corporations of the Aura Group (hereinafter – the Sellers) to purchase rights to 290 housing units and 4,000 m² of office space located in a number of locations in central Israel in return for a total of 590 million NIS plus VAT (and linkage difference to the Construction Inputs Index), which will be paid according to milestones set forth in individual sale agreements, which primarily are:, 20% to the date the vouchers are produced and 80% near the delivery of the property. For each such payment, the relevant seller shall provide the Company with Sales Law guarantees. Pursuant to the framework agreement in question, the Company also entered into an agreement to purchase rights in student dormitories in Kiryat Ono in return for a total of 57 million NIS. In addition, the Company received a one-time option to purchase residential apartments in the pre-sale stage relative to housing units in 17 future projects of the sellers in central Israel, at 5% discount off the appraised price and subject to the terms set. The Company is entitled to trade this option to a corporation in which it holds at least 50% of the issued and paid-up capital over the course of the exercise period. It was also established that in the event that the Company issues a residential REIT controlled thereby during the period set, then subject to stipulated conditions, the sellers shall be entitled to purchase up to 15% of shares of this REIT at 7.5% discount off the issue price. Through December 31, 2022, the Company received in its possession and began operating the student dormitories and 30 residential units and some of the commercial space in Kiryat Ono. As of December 31, 2022, the total advance payments the Company paid for the balance of the housing units and commercial spaces not yet receives amounts to a total of NIS 144 million.

PURCHASE OF INTEREST IN PROPERTIES OF BANK MIZRAHI TEFAHOT

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 it 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 consideration paid by the Company for purchase of interest in these properties amounted to NIS 523 million plus VAT. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14: - Investment Property (Continued)

C. THE FOLLOWING ARE THE DISCOUNT RATE RANGES USED BY THE VALUE ASSESSORS IN DETERMINING THE FAIR VALUE OF THE GROUP'S INVESTMENT PROPERTY, USING THE DISCOUNTED CASH FLOW METHOD:

	Israel	Other
	%	
December 31 2022	5.5-8.25	3.8-13.3
December 31 2021	5.5-9.5	3.8-10.6

For some of the Company's properties, the Company's rights will be registered at the land title registration office after the land is subdivided.
Leasing rights of investment property in israel are for a period of 49 years with the option to extend them by another 49 years.

D. Property in Ukraine

War broke out between russia and Ukraine in february 2022. As of the date of the financial statements, 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 Kiev, the Ukraine, valued by an independent appraiser as of December 31, 2022 at USD 68 million (NIS 240 million) and as of December 31, 2021 at USD 87 million (NIS 271 million). Consequently, the company recognized in, 2022 impairment loss amounting to USD 19 million (NIS 64 million). In, 2022, company revenues from rent and management fees with respect to this property amounted to USD 7 million (NIS 23 million), compared to USD 12 million (NIS 38 million) in the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14: - Investment Property (Continued)

E. INFORMATION ON FAIR VALUE

The following are the chief assumptions used by the value assessors in determining the fair value of the Group's investment properties:

	Offices	Industry	Commercial	Housing	Parking lot	Rights and land	Total
Fair value as of December 31 2022 *)	4,787,207	4,803,944	2,424,693	252,409	38,680	1,325,740	13,632,673
Weighted grossed-up yield rate	5.9%	6.4%	6%	5%	6.7%	-	6.1%
Weighted NOI	282,075	306,434	144,571	12,700	2,580	-	748,360

	Offices	Industry	Commercial	Housing	Parking lot	Rights and land	Total
Fair value as of December 31 2021 *)	3,938,921	4,132,628	2,286,802	173,442	33,440	946,843	11,512,076
Weighted grossed-up yield rate	6.4%	6.8%	5.9%	6%	7.4%	-	6.5%
Weighted NOI	253,900	281,022	134,692	10,477	2,461	-	682,552

*) Valuations exclude provision for rent and improvement levies, and include the balance of investment property held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14: - Investment Property (Continued)

The following table presents the effect on the Group's pre-tax gain (loss) as a result of a change in the assumptions used in calculating the fair value of the assets:

	December 31 2022					
	Offices	Industry	Commercial	Housing	Parking lot	Total
	Thousands of NIS					
Profit (loss) as a result of changes in assumptions:						
An increase of 25 base points in the grossed-up yield rate	(194,833)	(181,247)	(97,573)	(11,947)	(1,397)	(486,997)
A drop of 25 base points in the grossed-up yield rate.	212,097	196,040	106,114	13,196	1,506	528,953
5% increase in grossed-up NOI	239,360	240,197	121,235	12,620	1,934	615,346
5% decrease in grossed-up NOI	(239,360)	(240,197)	(121,235)	(12,620)	(1,934)	(615,346)

	December 31 2021					
	Offices	Industry	Commercial	Housing	Parking lot	Total
	Thousands of NIS					
Profit (loss) as a result of changes in assumptions:						
An increase of 25 base points in the grossed-up yield rate	(147,064)	(146,545)	(92,527)	(6,893)	(1,099)	(394,712)
A drop of 25 base points in the grossed-up yield rate.	158,932	157,732	100,702	7,488	1,176	426,694
5% increase in grossed-up NOI	196,946	206,631	114,340	8,672	1,672	528,262
5% decrease in grossed-up NOI	(196,946)	(206,631)	(114,340)	(8,672)	(1,672)	(528,262)

Note 15: - Investment Property under Development

COMPOSITION AND MOVEMENT:

	2022	2021
	Thousands of NIS	
Balance as of January 1	722,908	167,870
Additions During the Year		
Investments	221,785	145,096
Transfer from investment property (see Note 10.b.1)	27,083	442,882
Increase in fair value	286,012	7,091
Total additions	534,880	595,069
Disposals During the Year		
Reclassification to investment property	131,631	40,031
Total disposals	131,631	40,031
Balance as of December 31	1,126,157	722,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16: – Fixed Assets, Net

A. Composition and movement:

	Offices (*)	Computers Furniture, Office Equipment and Others	Station Fuel	Installations Photo-voltaic	Total
Cost					
Balance as at January 1, 2022	40,573	49,179	23,224	92,852	205,828
Additions during the year	-	865	205	45,315	46,385
Reclassification from investment property	-	-	-	5,963	5,963
Capital reserve from translation differences	-	51	-	87	138
Balance as of December 31 2022	40,573	50,095	23,429	144,217	258,314
Accumulated Depreciation					
Balance as at January 1, 2022	10,311	47,053	3,547	13,248	74,159
Additions during the year	747	1,821	400	5,716	8,684
Balance as of December 31 2022	11,058	48,874	3,947	18,964	82,843
Depreciated cost as of December 31 2022	29,515	1,221	19,482	125,253	175,471
Depreciated cost as of December 31 2021	30,262	2,126	19,677	79,604	131,669

(*) The offices are owned by the company.

B. As for liens, see Note 23c.

Note 17: Trade Payables

	December 31 2022	December 31 2021
	Thousands of NIS	
Outstanding debts	63,134	41,280
Notes payable	2,550	183
	65,684	41,463

Note 18: – Payables And Credit Balances

	December 31 2022	December 31 2021
	Thousands of NIS	
Interest payable	52,496	14,515
Unearned rent	18,922	15,963
Expenses payable	43,592	38,979
Government institutions	12,088	11,239
Wear fund	2,766	2,913
Financial liability for put options measured at fair value via gain or loss	11,556	4,663
Liability due to combination transaction	22,797	22,683
Others	37,785	27,295
	202,002	138,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 19: - Loans from banking corporations and financial institutions

A. COMPOSITION:

	Effective Interest Rate	December 31, 2022 Balance	December 31, 2022 Current Maturities	December 31, 2022 Balance Less Current Maturities	December 31, 2021 Balance	December 31, 2021 Current Maturities	December 31, 2021 Balance Less Current Maturities
		Thousands of NIS					
Loans from Banking Corporations							
Loans in CAD	3.17	37,082	1,301	35,781	36,223	36,223	-
Loans in USD*	4.35	54,524	1,181	53,343	49,078	999	48,079
Loan in CHF*	0.75	181,217	-	181,217	176,699	14,985	161,714
CPI-linked loans	2.65	107,901	5,164	102,737	107,397	3,927	103,470
Unlinked loans	-	284,379	3,940	280,439	292,561	2,598	289,963
		665,103	11,586	653,517	661,958	58,732	603,226
Loans from financial institutions							
CPI-linked loans	2.61	506,893	31,656	475,237	762,214	255,093	507,121
		1,171,996	43,242	1,128,754	1,424,172	313,825	1,110,347

*) The loans are non-recourse loans.

B. As of December 31, 2022, the company has non-linked short-term credit from a banking corporation amounting to NIS 33 million bearing annual interest at the prime lending rate, and commercial paper issued to financial institutions amounting to NIS 101 million, bearing annual interest at the bank of israel interest rate plus 0.4%. As of December 31, 2021, the company has non-linked short-term credit from a banking corporation amounting to NIS 35 million bearing annual interest at the prime lending rate.

C. FINANCIAL COVENANTS

In a number of loan agreements in which the Company and its subsidiaries are a party, grounds were set that allow the immediate redemption of the loan in the event of its immediate redemption by a third party. Furthermore, in accordance with some of the loan agreements from institutional bodies, lowering the Company’s rating to Baa3 will lead to the immediate repayments of the loans and for some of them it was determined that an (indirect) change in control constitutes grounds for the immediate redemption of the loans and the credit provided by these lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 19: - Loans from banking corporations and financial institutions (Continued)

Balance of loan as of December 31 2022	Financial Covenant
Loan from financial institution to the sum of 112 million NIS	DSCR ratio of no less than 120% The ratio of debt to the value of assets (LTV) shall not exceed 80%. The yearly NOI ratio shall be no less than 19.5 million NIS The Company's rating shall not drop below (-BBB) according to Maalot S&P or under comparable ratings from some other rating company.
Loan from financial institution to the sum of 175 million NIS	DSCR ratio of no less than 120% The ratio of debt to the value of assets (LTV) shall not exceed 71%. The ratio of equity to total balance sheet shall be no less than 25%
Loan from financial institution to the sum of 54 million NIS	A Company subsidiary undertook that: The DSCR ratio shall be no less than 120% The ratio of debt to the value of pledged assets (LTV) shall not exceed 70%. The yearly NOI ratio shall be no less than 15.5 million NIS The Company's rating shall not drop below (-BBB) according to Maalot S&P or under comparable ratings from some other rating company.
Loan from financial institution to the sum of 166 million NIS	A Company subsidiary undertook that: The DSCR ratio shall be no less than 120% The ratio between the balance of the loans less cash and cash equivalents deposited in a designated account (the Net Debt Balance) and the NOI in the last four quarters prior to the examination shall not exceed 9 (with a healing mechanism set in the ratio between 9 and 10.2). The ratio between the net debt and the value of the land shall not exceed 80%.

As of December 31 2022 the Company was in compliance with all necessary financial covenants.

The Company has non-recourse loans provided overseas subsidiaries (hereinafter – the Subsidiaries) from financial bodies for financing the acquisition of properties overseas, the balance of which as of December 31 2022 amounted to 236 million NIS (versus 226 million NIS as of December 31 2021), which stipulate that these subsidiaries must maintain a certain ratio of loan to property value (LTV), and for some of the loans, also a certain Debt Coverage Service Ratio (DSCR). As of December 31 2022 the subsidiaries are in compliance with all of the financial covenants in question.

Note 20: - Debentures

A. ADDITIONAL INFORMATION

Debentures	Linkage Basis	Repayment Dates	Principal Repayment Periods	Notational Value as of December 31 2022	Interest rate	Effective Interest Rate	December 31 2022 Balance	December 31 2022 Current Maturities	December 31 2022 Balance After Deduction of Current Maturities	December 31 2021 Balance After Deduction of Current Maturities
Series				Thousands of NIS	%	%	Thousands of NIS			
Series 15 (2)	Unlinked	April 1	2016-2024	7,500 (1)	5.74	5.35	6,789	3,408	3,381	6,782
Series 16	Unlinked	June 30	2017-2028	234,104	5.65	2.82	250,163	43,936	206,227	250,163
Series 17	CPI	June 30	2017-2028	451,117	3.7	3.21	494,381	83,193	411,188	469,599
Series 18 (3)	CPI	October 30	2021-2024	571,590	2.85	2.25	634,730	115,521	519,209	602,910
Series 19	CPI	March 31	2018-2027	383,541	2.6	2.43	420,120	25,369	394,751	399,195
Series 20 (4)	CPI	December 31	2019-2029	949,427	2.81	1.37	1,106,306	64,242	1,042,064	431,413
Series 23 (formerly 14) (5)	CPI	September 30	2018-2026	616,525	2.4	1.61	685,834	46,012	639,822	525,252
Series 24 (formerly 15)	CPI	June 30	2019-2028	514,760	2.6	2.74	554,910	26,006	528,904	527,091
Series 25 (6)	CPI	September 30	2023-2033	1,026,666	0.35	0.3	1,084,555	54,386	1,030,169	1,030,512
							5,237,788	462,073	4,775,715	4,242,917

1. NIS 747 thousand par value are held by a subsidiary of the Company. As of the report date, this balance amounted to NIS 762 thousand.
2. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 15) amounting to NIS 7,500 thousand par value for a total of NIS 7,684 thousand in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 7,500 thousand. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 184 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 2.45%. The Company recognized a non-material gain with respect to the full early redemption.
3. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 18) amounting to NIS 571,590 thousand par value for a total of NIS 642,185 thousand in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 632,420 thousand. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 9,765 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 1.54%. With respect to the full early redemption, the Company recognized a loss amounting to NIS 309 thousand.
4. On March 27, 2022, the Company issued bonds (Series, 20), by way of series expansion, of NIS 530,610 thousand par value, for consideration amounting to NIS 645 million. The effective annual interest rate in this issue is 0.31%.
5. On March 27, 2022, the Company issued bonds (Series 23), by way of series expansion, of NIS 118,732 thousand par value, for consideration amounting to NIS 141 million. The effective annual interest rate in this issue is -0.97%.
6. On February 5, 2023, the Company issued NIS 1,163,191 thousand par value bonds (Series 25) by way of a series expansion for total consideration amounting to NIS 1,035 million. The effective annual interest rate in this issue is 2.77%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20: - Debentures (Continued)

B. FINANCIAL COVENANTS

Series	Financial covenant
15	Equity attributable to Company shareholders shall not drop below 750 million NIS.
	The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for a period greater than two consecutive quarters.
	The net debt to gross profit ratio, as defined in the deed of trust, calculated on the basis of the last 4 quarters, shall not exceed 17 for more than two consecutive quarters.
	The ratio of equity attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 15% for a period longer than two consecutive quarters.
16-18	The equity attributed to Company shareholders may not drop below NIS 1 billion.
	The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
	The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 15% for two consecutive quarters.
	The net debt to gross profit ratio, as defined in the deed of trust, calculated on the basis of the last 4 quarters, shall not exceed 17 for two consecutive quarters.
19	Equity attributable to Company shareholders shall be no less than 1 billion NIS for 2 consecutive quarters. Notwithstanding the foregoing, if the ratio of equity to balance sheet is 40% or more, the equity attributed to Company shareholders of shall be no less than 600 million NIS, for two consecutive quarters, so long as the ratio of capital to the balance sheet is 40% or more in each of the two quarters in question.
	The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 17 for two consecutive quarters.
	The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 15% for two consecutive quarters.
20	Equity attributable to Company shareholders shall be no less than 1.2 billion NIS for 2 consecutive quarters. Notwithstanding the foregoing, if the ratio of equity to total assets, as defined in the Deed of Trust, is 40% or more, the equity attributed to Company shareholders of shall be no less than 700 million NIS, for two consecutive quarters, so long as the ratio of capital to the balance sheet is 40% or more in each of the two quarters in question.
	The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Series	Financial covenant
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 17 for two consecutive quarters.
	The ratio between the capital attributed to the Company's shareholders to net total assets, as defined in the deed of trust, shall be no less than 16% for two consecutive quarters.
23 (formerly 14)	Equity attributable to Company shareholders shall be no less than 1.5 billion NIS for two consecutive quarters.
	The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 18 for two consecutive quarters.
24 (formerly 15)	Equity attributable to Company shareholders shall be no less than 1.5 billion NIS for two consecutive quarters.
	The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 80% for two consecutive quarters.
	The LTV ratio for pledged assets (Darban shares) shall not exceed 75%.
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 19 for two consecutive quarters.
25	Equity attributable to Company shareholders (excluding non-controlling interest) shall be no less than NIS 2.5 billion for two consecutive quarters.
	The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 16 for two consecutive quarters.
	The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than, 20% for two consecutive quarters.
25, Financial Covenants for Adjusting the Interest Rate	Equity attributable to Company shareholders (excluding non-controlling interest) shall be no less than NIS 2.9 billion for two consecutive quarters.
	The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 70% for two consecutive quarters.
	The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 13 for two consecutive quarters.
	The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 25% for two consecutive quarters.

As of December 31 2022 the Company was in compliance with all necessary financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20: - Debentures (Continued)

C. RESTRICTIONS ON THE DISTRIBUTIONS OF DIVIDENDS

According to the deeds of trust for the debentures (Series 15-25), the Company undertook not to perform a distribution (as defined in the Companies Law, 1999), including to discontinue distributing dividends to its shareholders in each of the following cases, including a situation in which one of the following occurs as a result of the distribution in question:

a. If the ratio between “net financial debt” and “net balance sheet” exceeds 75% in Series 15, exceeds 73% in Series 16-20 and exceeds 70% in series 23-25;

b. If the ratio between “net financial debt” and gross profits, according to the Company's consolidated balance sheets (audited or reviewed, as the case may be) has exceeded 15 in Series 15-20, exceeded 16 in Series 23-25 and exceeded 13 in Series 25;

c. If the Company’s equity, with the exception of minority interests, drops below 1 billion NIS in Series 15, below 1.3 billion NIS in Series 16-20, BELOW 2 billion NIS in Series 23-24 and below 3.4 million NIS in Series 25;

d. If the ratio between the equity attributed to the Company's shareholders, according to its consolidated balance sheets (audited or reviewed, as the case may be) and the balance sheet exceeds 15% in Series 15-19 and exceeds 17% in Series 20.

e. If grounds exist for immediate redemption (in Series 17-25).

In this regard: “net financial debt” means debt less cash and cash equivalents, short-term investments, and deposits; and “net balance sheet” means balance sheet total less cash and cash equivalents, short-term investments, and deposits. All of the parameters in this section will be determined based on the Company’s Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20: - Debentures (Continued)

D. RATINGS

1. On May 27 2021 STANDARD & POOR'S MAALOT revised the rating of the Company and its debentures. The rating of the Company, its un-secured bonds (Series 15, 16, 17 and, 20) and bonds secured by shares of Darban Investments Ltd. (Series 24) was raised from ilAA- to ilAA. The rating of bonds secured by rental property (Series 18, 19 and 23) which was ilAA and the Company's short-term credit rating which was ilA-1+ were ratified with Stable outlook.
2. Bonds (Series 25) issued by the Company in November, 2021 were rated ilAA / Stable outlook by Standard & Poor's Maalot.
3. On March 22, 2022, Standard & Poor's Maalot rated bonds (Series, 20 and 34), issued by way of series expansion, ilAA / Stable outlook.
4. On May 22, 2022, Midroog Ltd. announced the rating for the Company and bonds issued by the Company. The rating of the Company and the debentures (Series 15, 16, 17, 20, 24 and 25) was set at Aa2.il. The rating of the debentures guaranteed by cash-generating properties (Series 18, 19 and 23) was set at Aa1.il, all with Stable outlook.
5. On February 5, 2023, Standard & Poor's Maalot rated bonds (Series 25), issued in February, 2023 by way of series expansion, ilAA / Stable outlook.
6. On February 12, 2023, Midroog Ltd. rated bonds (Series 25), issued in February, 2023 by way of series expansion, Aa2.il / Stable outlook.

Note 21: - Other liabilities

	December 31	
	2022	2021
	Thousands of NIS	
Liability due to combination agreement in Israel, see Note 10.b.2.	1,111	1,110
Loans from partners in subsidiaries	35,986	79,689
Loans from investees	6,256	7,030
Advance rental revenues	15,000	15,000
	58,353	102,829

Note 22: - Deposits from tenants

To guarantee the payment of rental fees, cpi-linked deposits and non-interest bearing deposits in foreign currency have been received from tenants.
These deposits are refunded to the tenants at the end of the rental period, after the tenants have met all of their obligations.

Note 23: - Pending Liabilities, Liens and Guarantees

A. PENDING LIABILITIES

Claims were filed against group companies over the ordinary course of business, the total sum of none of which is not material to the group. Company management estimates that the provision included in the financial statements suffices to cover exposure from the claims in question.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23: - Pending Liabilities, Liens and Guarantees (Continued)

B. GUARANTEES PROVIDED BY THE GROUP

Guaranteeing Company	Guaranteed Company	Details	Collateral level (in millions of NIS)
The Company	Associates	Due to loan from financial corporations.	104
The Company	Memadim Investments Ltd., subsidiary	Due to loans from financial corporations.	28
The Company	-	To guarantee the completion of buildings within the areas of various local authorities, for the purpose of participation in tenders and for credit assurance.	90
A partnership under company control	-	Guarantees to apartment buyers in the merom hasharon project and aminadav project.	126
The Company	M.N. Nofar Energy Partnership – Mivne Limited Partnership	Due to loans from a financial corporation	53
The Company	The Be'erot Yitzhak Land development company, subsidiary	For a loan given the Be'erot Yitzhak Land development company from a financial corporation.	54
The Company	Joint venture of the company	For 33.3% of the obligations of the joint venture to the financial institution.	176

Additional guarantees were provided by Group companies over the ordinary course of business, the sum of each of which nor their total sum is material to the Group.

C. LIENS

1. In order to guarantee most of the liabilities of the Company and of its subsidiaries, rights in various properties owned by them including a portion of the receipts of customers from them, the inventory of buildings for sale, deposits in banking corporations and securities (including Darban shares held by the Company) were mortgaged.

   The balances of guaranteed liabilities are as follows:

	December 31	
	2022	2021
	Thousands of NIS	
Short-term loans and credit	33,000	244,083
Non-current liabilities (including current maturities)	1,171,996	1,214,673
Bank guarantees secured by lien	630,999	463,603
Debentures (*)	2,295,594	2,229,703
	4,131,589	4,152,062

(*) To secure Company bonds (Series 24), the Company pledged shares of Darban and to secure bonds (Series 18, 19 and 23), the Company pledged real estate properties. After the balance sheet date, the Company conducted early redemption of bonds (Series 18). See Note 31d below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23: - Pending Liabilities, Liens and Guarantees (Continued)

2. As of December 31, 2022, the fair value of pledged properties in Israel amounted to NIS 8.2 billion (including properties valued at NIS 1.3 billion for which the pledge has been eliminated upon early redemption of bonds (Series 18) conducted by the Company in February, 2023) (as of December 31, 2021: NIS 8.2 billion) and overseas NIS 540 million (as of December 31, 2021: NIS 578 million).

Note 24: - Balances and Transactions with Interested and Related Parties

A. BALANCES WITH RELATED PARTIES

	December 31	
	2022	2021
	Investees	
	Thousands of NIS	
Other receivables	14,592	11,417
Investments in investees	500,667	367,459
	515,259	378,876

B. MANAGEMENT FEES, SALARIES AND BENEFITS

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Management fees and participation in the expenses of the Chairman and members of the Board of Directors	1,904	1,439	1,665
Salary and bonus to CEO (1)	8,475	6,500	5,951
Share-Based Payment (2)	1,705	3,535	8,245
Number of Board members	7	7	7

(1) Mr. Zvida has served as Company CEO since January 1 2014, and CEO of Darban since April 16 2012. On November 7 2016 the Company General Meeting approved the cost of updating the terms of the Company CEO's service from October 5 2016. Mr. Zvida (through a fully-owned private company, in this section: the Private Company) is paid monthly management fees of 220,000 per month, plus VAT. The management fees are linked to increases in the Consumer Price Index for February, 2013. Mr. Zvida is not a Company employee and there are no employer/employee relationships between him and the Group companies. The engagement is not limited in time, and may be concluded by either party with 180 days' advance notice. In addition, the Company has the right to end the engagement immediately, in accordance with accepted practice. The Group companies provide Mr. Zvida with a Group 7 vehicle and bear all of its expenses including grossing-up the vehicle tax or in lieu of this cost. Mr. Zvida is entitled to 25 days of vacation per year, which may be accumulated up to 50 days. Mr. Zvida is also entitled to 30 sick days per year.

Note 24: - <u>Balances and Transactions with Interested and Related Parties</u> (Continued)

At the conclusion of Mr. Zvida's service as Company CEO, the Private Company shall be entitled to a persistence bonus equal to the last monthly management fees paid the Private Company upon the conclusion of the agreement, multiplied by the number of years of Mr. Zvida's service as CEO, starting from the start of his term of service as CEO of Darban, but no more than 10 years. In addition, the private Company shall be entitled to a retirement bonus equal to 6 monthly management fee payments. Mr. Zvida shall be entitled to a yearly bonus and a long-term bonus in accordance with the Company's remuneration policy. On July 15 2021 and on August 12 2021 the Remuneration Committee and the Company Board of Directors (respectively) decided to update the management fees by 6%, in accordance with the Company's remuneration policy

In addition, Mr. Zabida is entitled to executive liability insurance, exemption from liability and to an indemnification commitment, as generally accepted for Company executives.On March 20, 2023, the Company reported (further to prior reports on this matter) that it has signed a definitive separation agreement with Mr. Zvida with regard to termination of the services agreement with the private company and conclusion of Mr. Zvida's term in office as Company CEO. Mr. Zvida shall conclude their term in office with the Company, including with subsidiaries and affiliates, as from March 22, 2023 and shall conclude their notice period on December 20, 2023. The separation agreement governs the contracting terms with Mr. Zvida during and after the notice period. The Company intends to issue a notice convening a General Meeting of Company shareholders, which would list highlights of the separation agreement and would submit for approval all those terms that are subject to approval by the General Meeting by law.

(2) On January 17, 2022 Mr. Zvida exercised all of the 3,870,000 option warrants not listed for trading which he had held, at an exercise price of NIS 4.547 per share, for 3,870,000 Company ordinary shares of NIS 1 par value.
On January 2, 2020, as part of an options plan for Company officers and employees, the Company issued to the Company CEO 9,523,809 non-tradable options for the purchase of 9,523,809 regular shares of NIS 1 par value each. For details see Note 28.a.2.

C. The Company prepares an insurance policy for the liability of the other directors and officers, renewed annually, with a liability limit of $75 million for one claim and on an accumulated bonus according to the policy, and in any event in which the sum ruled, along with litigation costs, exceeds the liability limit, the policy will cover "reasonable litigation costs" as per Section 66 of the Insurance Contract Law, 1981. On the date the merger came into effect, the runoff addition of policies for insuring the liability of directors and officers of Group companies and accordingly, starting November 3 2019 the policies in question cover the liability of those directors and officers that served at the companies and their subsidiaries until November 3 2019, or who had completed their service prior to this date, for suits filed for the first time during a disclosure period of 7 years starting November 4 2019 for their actions and failures to act during their service period up to November 3 2019.

D. Within the framework of an advance sales of apartments on Ha'solelim project in Tel Aviv, agreements were signed to purchase six apartments by related parties, to a monetary scope of 16.7 million NIS. See Note 10.b.1 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 24: - Balances and Transactions with Interested and Related Parties (Continued)

E. BELOW IS A SUMMARY OF DATA FOR TRANSACTIONS WITH AFFILIATED COMPANIES AND INTERESTED PARTIES

	For the Year Ending December 31		
	2022	**2021**	**2020**
	Associates		
	Thousands of NIS		
Revenues from rent, management and maintenance fees	2,561	1,882	2,253
Financing revenues (expenses), net	15,326	(8,638)	(7,936)
	Interested parties		
	Thousands of NIS		
Rental revenues	2,870	2,132	2,115
Consolidated revenues	557	503	499
Payments for investments in real estate	1,205	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: - Financial Instruments

A. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is the classification of financial assets in accordance with IFRS 9 and financial liabilities in accordance with ias 9 in the balance sheet to the various groups of financial instruments:

	December 31	
	2022	2021
	Thousands of NIS	
Financial Assets		
Financial assets measured at fair value via gain/loss	50,185	83,265
Financial assets measured at depreciated cost	92,865	1,652
Financial Liabilities		
Financial liabilities measured at depreciated cost	6,494,166	5,805,232

B. FINANCIAL RISK FACTORS

The Group's activities expose it to various financial risks, such as market risk (foreign currency risk, CPI risk and interest risk), credit risk and liquidity risk. The Group's comprehensive risk management program focuses on actions designed to minimize possible negative influences on the Group's financial performance.
Risk management is carried out by the Company CEO.

1. Market Risks

a) Foreign Currency Risk

The Group has investments in foreign activities, the net assets of which are exposed to possible changes in the exchange rate of the U.S. dollar, the euro, the Canadian dollar, and the Swiss franc.

b) Consumer Price Index Risk

The Group has loans from banking corporations and others and issued debentures that are linked to fluctuations in the consumer price index in Israel. The sum of the financial instruments that are linked to the CPI and due to which as of December 31, 2022 the Group is exposed to changes in the CPI amounts to NIS 6 billion.

c) Interest Risk

The Group is exposed to risk due to fluctuations in market interest stemming from short-term deposits given and from long-term and short-term loans received bearing variable interest. The Group's policy is to manage the financing costs relating to interest whilst using a mix of variable and fixed interest for the Group's long-term loans. The net sum of short-term deposits and short and long-term loans at a variable interest rate is NIS 388 million as of December 31, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: - Financial Instruments (Continued)

d) Price Risk

The Group has investments in financial instruments that are traded on the stock exchange, shares, options and debentures measured at fair value via gain/loss, for which the Company is exposed to risks for fluctuations in the price of the security. These investments were carried on the financial statements as of December 31, 2022 at NIS 50 million.

2. Credit Risk

The Company does not have any significant concentrations of credit risk. The Group has a policy of ensuring that properties are rented to customers who have an adequate credit history and rent is paid by cash or check.
The Company holds cash and cash equivalents, short-term and long-term investments and other financial instruments at various financial institutions. These financial institutions are located in different geographical locations around the world, and the Company's policy is to spread its investments out among the various institutions. In accordance with the Company's policy, evaluations of the relative strength of credit of the various financial institutions are made on an ongoing basis.

3. Liquidity Risk

The Group's goal is to preserve the current ratio between receipt of ongoing financing and current flexibility though the use of unused frameworks, banks loans and debentures.

CONCENTRATION OF LIQUIDITY RISK

The following table presents the repayment dates of the Group's financial liabilities in accordance with the contractual conditions in non-discounted sums (including interest payments):

As of December 31 2022

	Up to 1 Year	From 1 to 2 Years	From 2 to 3 Years	From 3 to 4 Years	From 4 to 5 Years	Over 5 Years	Total
	Thousands of NIS						
Credit from banking corporation	139,355	-	-	-	-	-	139,355
Trade payables	65,684	-	-	-	-	-	65,684
Payables and credit balances	137,428	-	-	-	-	-	137,428
Non-current loans from banking institutions and others and other long-term liabilities	101,814	458,888	270,525	22,023	213,402	281,652	1,348,304
Debentures	569,366	817,894	496,759	1,057,605	653,236	1,996,435	5,591,295
	1,013,647	1,276,782	767,284	1,079,628	866,638	2,278,087	7,282,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: - Financial Instruments (Continued)

As of December 31 2020

	Up to 1 Year	From 1 to 2 Years	From 2 to 3 Years	From 3 to 4 Years	From 4 to 5 Years	Over 5 Years	Total
	Thousands of NIS						
Credit from banking corporation	35,474	-	-	-	-	-	35,474
Trade payables	41,463	-	-	-	-	-	41,463
Payables and credit balances	111,441	-	-	-	-	-	111,441
Non-current loans from banking institutions and others and other long-term liabilities	373,740	223,155	305,776	216,312	108,838	441,424	1,669,245
Debentures	399,809	484,590	755,032	383,141	763,759	2,180,295	4,966,626
	961,927	707,745	1,060,808	599,453	872,597	2,621,719	6,824,249

C. FAIR VALUE

When determining the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair value measurements are divided into three levels in the fair value scale based on the data used in the estimate, as follows:
Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
Level 2: observable market data, direct or indirect, not included in Level 1 above.
Level 3: data not based on observable market data.

The following table demonstrates the balance in the Financial Statements and the fair value of the groups of financial instruments that are presented in the Financial Statements not at fair value:

	Balance		Fair Value	
	December 31		**December 31**	
	2022	**2021**	**2022**	**2021**
	Thousands of NIS			
Financial Assets				
Deposits and long-term debit balances	92,865	1,652	92,865	1,655
Financial Liabilities				
Liabilities to banking corporations and others	1,181,976	1,249,335	1,191,641	1,337,131
Debentures	5,286,391	4,555,897	5,026,618	5,102,614
	6,468,367	5,805,232	6,218,259	6,439,745

The balance in the financial statements of cash and cash equivalents, short-term investments, receivables, payables and debit balances and credit providers, deposits and long term debt balances, loans to associates, credit from banking corporations and others, liabilities to suppliers and service providers and creditors and credit balances matches or approximates their fair value. The balance includes a conversion component and accrued interest as of the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: - Financial Instruments (Continued)

D. FURTHER INFORMATION ON MATERIAL INVESTMENTS IN FINANCIAL ASSETS

Projected realization dates of the material investments by groups of financial instruments in accordance with IFRS 9:

December 31 2022

	Up to 1 Year	From 1 to 2 Years	From 2 to 3 Years	From 3 to 4 Years	Total
	Thousands of NIS				
Financial assets measured at fair value via gain/loss:					
Shares and options	50,136	-	-	-	50,136
Debentures	49	-	-	-	49
Financial assets measured at fair value via other comprehensive income:					
Financial assets measured at depreciated cost	6,151	32,991	31,629	30,267	101,398
	56,336	32,991	31,629	30,627	151,583

December 31 2021

	Up to 1 Year
	Thousands of NIS
Financial assets measured at fair value via gain/loss:	
Stock	83,265
Debentures	49
Financial assets measured at fair value via other comprehensive income:	
Financial assets measured at depreciated cost	1,652
	84,966

E. SENSITIVITY TESTS DUE TO CHANGES IN MARKET FACTORS AND THEIR IMPACT ON THE STATEMENTS OF OPERATIONS

	Test of Sensitivity to Changes in Interest Rates	
	Profit (Loss) From the Change	Profit (Loss) From the Change
	1% Increase in Interest	1% Decrease in Interest
	Thousands of NIS	
2022	408	(408)
2021	100	(100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: - Financial Instruments (Continued)

	Test of Sensitivity to Changes in Exchange Rates	
	Profit (Loss) From the Change	Profit (Loss) From the Change
	5% Exchange Rate Increase	5% Exchange Rate Decrease
	Thousands of NIS	
2022	12,002	(12,002)
2021	3,507	(3,507)

	Sensitivity Test of Changes in the Consumer Price Index	
	Profit (Loss) From the Change	Profit (Loss) From the Change
	2% CPI increase	2% CPI Decrease
	Thousands of NIS	
2022	(60,153)	60,153
2021	(74,343)	74,343

	Test of Sensitivity to Changes in Stock Market Rates of Tradable Securities	
	Profit from Change	Loss from Change
	10% Rate Increase	10% Rate Decrease
	Thousands of NIS	
2022	5,019	(5,019)
2021	8,327	(8,327)

Sensitivity Tests and Principal Working Assumptions

The fluctuations chosen in the relevant risk variables were set in accordance with management assessments regarding possible reasonable changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or change in equity (before tax) with respect to each financial instrument for the relevant risk variable chosen for it as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 26: - Supplementary Information to Gain/Loss Items

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
a. Administrative and General Expenses			
Fees, salaries and associated	49,486	44,823	46,835
Management fees and director remuneration	2,581	3,264	4,021
Depreciation	4,949	4,142	5,093
Provision to doubtful and bad debt	4,965	6,707	20,913
Professional fees	16,146	16,306	23,734
Administrative and other expenses	4,844	5,953	6,334
	82,971	81,195	106,930
b. Other Revenues (Expenses), Net			
Changes in fair value of financial liability due to put option	2,052	39,813	(14,197)
Amortization of goodwill	-	(7,498)	-
Profit from the realization of investment in investees	18,231	-	68,381
Capital gain from the sale of fixed assets	-	-	3,273
Miscellaneous	(3,626)	(3,115)	322
	16,657	29,200	57,779

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
c. Financing Expenses and Revenues			
Financing Expenses			
Interest from short term credit	1,973	3,323	4,655
Interest due to non-current loans	30,876	36,133	42,197
Interest due to debentures	98,365	98,609	114,514
Linkage differentials due to long-term credit and non-current loans	32,026	22,364	(39)
Linkage differentials due to debentures	249,862	82,636	(19,915)
Exchange rate differences	(42,508)	51,269	34,838
Loss from early redemption of debentures and loans	3,605	13,903	23,011
Loss from tradable securities, net	36,091	-	6,191
Miscellaneous	4,187	1,819	2,618
	414,477	310,056	208,070
Financing Revenues			
Interest due to deposits and short-term investments	3,333	1,289	3,675
Dividends and profit from negotiable securities and from short-term investments, net	2,378	5,450	-
Linkage differentials due to bank deposits	175	650	(1,278)
Other financing revenues	6,508	9,125	7,319
	12,394	16,514	9,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27: - Taxes on Income

A. TAX LAWS APPLICABLE TO GROUP MEMBERS

Income Tax Law (Adjustments due to Inflation), 1985

According to the law, up to the end of 2007 results for tax purposes in Israel were measured after being adapted to changes in the Consumer Price Index.

In february 2008 the Knesset passed an amendment to the income tax law (adjustments due to inflation), 1985, limiting the incidence of the adjustments law from 2008 onward. Starting 2008, results are measured for tax purposes in nominal sums with the exception of various adjustments due to changes in the cpi in the period ending December 31 2007. Adjustments referring to capital gains, such as for the realization of real estate (betterment) and securities continue to apply until the realization date. The amendment to the law includes, inter alia, cancellation of the adjustment of the addition and deduction for inflation and the additional deduction for depreciation (on depreciable assets acquired after the 2007 tax year) starting in 2008.

B. TAX RATES APPLICABLE TO GROUP MEMBERS

In December 2016 the Knesset General Assembly passed the Economic Streamlining Law (Legislative Amendment for Achieving Budget Goals for the 2017 and 2018 Budget Years), 2016, which was published on December 29 2016. Pursuant to the approved law, the corporate tax rates will be decreased starting January 1 2017 to 24% (instead of 25%) and starting January 1 2018 to a rate of 23%.

The corporate tax rate in Israel is 23% in 2020-2022., including in the matter of capital gains tax.

C. TAXES ON INCOME REFERRING TO OTHER COMPREHENSIVE INCOME (LOSS) ITEMS

	For the Year Ending December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Tax due to translation differences	-	3,100	7,085
Tax benefit due to cash flow hedging transactions	-	-	1,115
Taxes passing through other comprehensive income	-	3,100	8,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27: - Taxes on Income (Continued)

D. TAXES ON INCOME INCLUDED IN GAIN/LOSS

	For the Year Ending December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Current taxes	19,267	32,879	39,028
Deferred taxes	319,627	193,375	142,371
Current taxes for previous years	20,678	(14,805)	7,059
	359,572	211,449	188,458

E. DEFERRED TAXES

	Balance Sheets		Statements of Operations		
	December 31		**For the Year Ending December 31**		
	2022	**2021**	**2022**	**2021**	**2020**
	Thousands of NIS				
Investment property presented at fair value	2,218,875	1,884,304	322,589	146,101	76,935
Losses carried forward for tax purposes	(425,160)	(424,658)	502	32,863	92,869
Debentures and securities	(163)	(163)	-	3,778	934
Others	(2,789)	(321)	(3,464)	10,633	(28,367)
Deferred tax expenses			319,627	193,375	142,371
Deferred tax liabilities, net	1,790,763	1,459,162			

F. LOSSES CARRIED FORWARD FOR TAX PURPOSES AND OTHER TEMPORARY DIFFERENCES

The Group has business losses and capital losses for tax purposes carried forward for tax purposes to coming years, totaling NIS 2.1 billion as of December 31, 2022 (as of December 31, 2021: NIS 2 billion).

No deferred tax assets have been recognized for transferable business losses and capital losses to the amount of 90 million NIS, in the absence of any expectation of them being used in the foreseeable future.

Note 27: - Taxes on Income (Continued)

G. TAX ASSESSMENTS

The Company has finalized tax assessments for tax years through, 2016.
Most Company investees incorporated in Israel have tax assessments considered final for the tax years up to and including the 2017 tax year.
On December 28, 2022 the Company received tax assessments from the Tax Authority in accordance with their best judgement for 2017-2020, amounting in total to NIS 211 million (including interest and linkage). The Company, based on the estimates of its professional advisors, disputes the rulings of the assessment clerks and believes that it has arguments against these positions, and intends to take the appropriate steps to protect its rights, including filing a reservation for this assessment. According to the Company’s assessment, and based on the assessment of the professional elements, and based on the Company's arguments against the assessment, the Company listed an appropriate provision in its books.
Darban has finalized tax assessments for tax years through 2020.
Scalar, a subsidiary of Darban, and subsidiaries of Darban have finalized tax assessments for tax years through 2019.

H. THEORETICAL TAX

The following is a reconciliation between the tax sum, assuming that all revenues and expenses, gains and losses in the Statement of Comprehensive Income would have been taxed at the statutory tax rate and the sum of taxes on income charged to gain/loss:

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Profit before taxes on income	1,644,791	1,166,496	765,188
Statutory tax rate	23%	23%	23%
Tax calculated using statutory tax rate	378,302	268,294	175,993
Increase (decrease) in taxes on income due to the following factors:			
Expenses not deductible for tax purposes	746	1,496	10,297
First-time creation of deferred taxes for investees	-	(9,890)	-
Exempt income	(587)	(2,501)	(1,224)
Different tax rates at foreign companies and in Israel	(12,873)	(4,339)	(2,088)
Back tax expenses (revenues)	20,678	(14,805)	7,059
Taxes due to profits (losses) of associates	(2,482)	(4,893)	(1,520)
Increase in losses for tax purposes for which no deferred taxes were recognized	22,560	(1,277)	(3,843)
Utilization of tax losses from previous years, for which no deferred taxes were previously recognized	-	(11,135)	(4,567)
CPI benefit and others	(46,772)	(9,501)	8,351
Taxes on income	359,572	211,449	188,458
Average effective tax rate	22%	19%	25%

Note 28: - Equity

A. COMPOSITION OF SHARE CAPITAL

	December 31			
	2022		2021	
	Registered	Issued and paid-up	Registered	Issued and paid-up
	Thousands of NIS			
Regular shares worth 1 NIS NV each	2,000,000	786,772	2,000,000	799,280

1. For distribution-in-kind of Company shares by Darban and cancellation of dormant shares by the Company, see Note 13a.
2. On January 2 2020 the Company issued 18,231,293 non-tradable options to purchase 18,231,293 regular shares worth 1 NIS (hereinafter – the Options) NV each for Company employees and officers. The exercise price for each option: NIS 7.93 (before adjustments set in the options plan). The options' vesting period was set on a quarterly basis over the course of four years, so that on the allocation date, meaning January 1 2020 and subsequently on the first day of each calendar quarter, 1/16 of the options shall vest and will be exercisable (meaning that he final batch of 1/16 of the options shall be exercisable starting October 1 2023). The options shall expire 5.5 years from their date of issue. As of December 31, 2022, 1,058,565 options were exercised for 361,513 ordinary shares of NIS 1 par value each, of which in 2022, 379,699 options were exercised for 147,284 ordinary shares of NIS 1 par value each.

B. MANAGEMENT OF EQUITY AT THE COMPANY

THE COMPANY'S CAPITAL MANAGEMENT OBJECTIVES ARE:

1. To preserve the Group's ability to ensure the continuity of the business and thereby generate yields to shareholders, investors and other interested parties.
2. To take care to ensure adequate yields for shareholders by pricing the products and services in such a manner so as to match the level of risk present in the Group's business activity.
3. To preserve a high credit rating and good equity ratios that will guarantee support of commercial operations and create maximum value for shareholders.
4. 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 (hereinafter – Darban)). The dividend per share is NIS 0.099. 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 Durban'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. On May 22, 2022 the Company's Board of Directors approved a distribution of dividends to the sum of 63.8 million NIS (of this a sum of 3.8 million NIS would be distributed to Darban). The dividend per share is NIS 0.07949. On August 14 2022 the Company's Board of Directors approved a distribution of dividends to the sum of 62.5 million NIS (of this a sum of 2.5 million NIS would be distributed to Darban). The dividend per share is NIS 0.07949. On November 21, 2022, the Company's Board of Directors approved a distribution of dividends to the sum of 62.5 million NIS (of this a sum of 2.5 million NIS would be distributed to Darban). The dividend per share is 0.07949 NIS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 29: - Share-Based Payment

A. THE EXPENSE THAT WAS RECOGNIZED IN THE FINANCIAL STATEMENTS FOR SERVICES RECEIVED FROM EMPLOYEES AND OFFICERS IS PRESENTED IN THE FOLLOWING TABLE:

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
	2,983	6,187	14,428

B. FOR SHARE-BASED PAYMENT AT THE COMPANY, SEE NOTE 28.A.2.

Note 30: - Net Profit per Share

DETAILS OF NUMBER OF SHARES USED IN CALCULATING NET EARNINGS PER SHARE

	For the Year Ending December 31 2022		For the Year Ending December 31, 2021 (*)		For the Year Ending December 31 2020	
	Weighted number of shares	Net Profit Attributed to Shareholders	Weighted number of shares	Net Profit Attributed to Shareholders	Weighted number of shares	Net profit attributed to shareholders
	Thousands	Thousands of NIS	Thousands	Thousands of NIS	Thousands	Thousands of NIS
Number of shares and income before Company's share in earnings of associates, net	754,592	1,265,777	747,346	920,504	734,457	570,614
Company's share in basic profits per share of associates	-	10,792	-	21,276	-	6,610
for the purpose of calculating basic net earnings	754,592	1,276,569	747,346	941,780	734,457	577,224
Influence of potentially dilutive ordinary shares	6,053	-	5,571	-	2,941	-
For the purpose of calculating diluted net earnings	760,645	1,276,569	752,917	941,780	737,398	577,224

(*) Due to a typo, the number of weighted shares accounted for in calculation of earnings per share was not reduced by the number of treasury shares. Basic and diluted net earnings as presented were NIS 1.24 and NIS 1.23, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: – <u>Events Subsequent to the Report Date</u>

A. On February 5, 2023, the Company issued NIS 1,163,191 thousand par value bonds (Series 25) by way of a series expansion for total consideration amounting to NIS 1,035 million. The effective annual interest rate in this issue is 2.77%. Standard & Poor's Maalot announced a rating of ilAA, and Midroog Ltd. announced a rating of Aa2.il, both with Stable outlook, for issued bonds.

B. On February 9, 2023, an assistance agreement was signed with a banking corporation, including vouchers for Sales Act guarantees, amounting up to NIS 300 million, to be produced by the banking corporation to apartment buyers at the project on HaSolelim Street, Tel Aviv.

C. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 15) amounting to NIS 7.5 million par value for a total of NIS 7.7 million in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 7.5 million. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 184 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 2.45%. The Company recognized a non-material gain with respect to the full early redemption.

D. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 18) amounting to NIS 571,590 thousand par value for a total of NIS 642,185 thousand in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 632,420 thousand. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 9,765 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 1.54%. With respect to the full early redemption, the Company recognized a loss amounting to NIS 309 thousand. The properties released from pledging after the early redemption were valued at NIS 1.3 billion.

E. On March 20, 2023, the Company reported (further to prior reports on this matter) that it has signed a definitive separation agreement with Mr. Zvida with regard to termination of the services agreement with the private company and conclusion of Mr. Zvida's term in office as Company CEO. Mr. Zvida shall conclude their term in office with the Company, including with subsidiaries and affiliates, as from March 22, 2023 and shall conclude their notice period on December 20, 2023. The separation agreement governs the contracting terms with Mr. Zvida during and after the notice period. The Company intends to issue a notice convening a General Meeting of Company shareholders, which would list highlights of the separation agreement and would submit for approval all those terms that are subject to approval by the General Meeting by law. For further details see Note 24.b.1

F. On February 28, 2023, the Company announced it had received notice from the Leumi Labor Union, whereby as from the date of such notice, Leumi Labor Union is the representative labor union for Company employees.

G. On March 20, 2023, the Company Board of Directors approved distribution of dividend amounting to NIS 92 million. The dividend per share is NIS 0.12188.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: – Concise Darban Data

The following is a summary of the financial data of Darban, the shares of which are pledged to the holders of Company debentures (Series 23):

A. Consolidated Balance Sheets

	As of December 31	
	2022	2021
	Thousands of NIS	
Current Assets		
Cash and cash equivalents	4,705	7,755
Investments in financial assets	35,195	83,217
Loan to parent company	14,941	-
Others	23,862	9,842
	78,703	100,814
Assets held for sale	-	15,840
	78,703	116,654
Non-Current Assets		
Investment in shares of parent company	357,302	647,953
Investments in investees handled using the book value method	147,070	145,347
Investment property	1,048,337	986,218
Others	2,538	4,397
	1,555,247	1,783,915
	1,633,950	1,900,569
Current Liabilities		
Payables and credit balances	9,633	24,784
Current maturities of long-term loans	10,172	9,662
Taxes payable	13,189	4,731
Others	1,389	331
	34,383	39,508
Non-Current Liabilities		
Long-term loans from financial institutions	155,775	157,624
Loan from parent company	-	45,329
Other long-term liabilities	15,000	15,000
Deferred taxes	166,542	155,745
	337,317	373,698
Total equity	1,262,250	1,487,363
	1,633,950	1,900,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: – Concise Darban Data (Continued)

B. Consolidated Statements of Operations

	For the Year Ending December 31		
	2022	2021	2020
	Thousands of NIS		
Revenues			
From renting, managing and maintaining buildings in Israel	79,706	70,890	72,866
From renting, managing and maintaining buildings abroad and others	-	2,336	6,473
Total revenues	79,706	73,226	79,339
Costs			
Cost of building management and maintenance	9,595	9,403	10,856
Gross profit	70,111	63,823	68,483
Increase in fair value of investment property, net	58,110	53,405	12,415
Administrative and general, and sales and marketing expenses	9,428	11,419	13,708
Group share of earnings (loss) of equity-accounted investees	(644)	25,442	11,082
Other comprehensive loss items charged to gain/loss due to investment in investees	291	(3,996)	-
Other expenses (revenues)	(172)	-	66
Profit from regular activities	117,686	127,255	78,338
Profit from the realization of consolidated companies and investee using the book value method	-	373	68,315
Financing revenues (expenses), net	(28,031)	4,690	(14,843)
Profit after financing	89,655	132,318	131,810
Tax expenses	26,819	20,915	21,184
Net profit	62,836	111,403	110,626
Attributed to:			
Company shareholders	62,836	111,289	109,553
Non-controlling interests	38	114	1,073
	62,874	111,403	110,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: – Concise Darban Data (Continued)

B. CONSOLIDATED STATEMENTS OF CASH FLOW

	For the Year Ending December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Net cash deriving from current activities	38,744	65,520	60,947
Net cash derived from (used for) investing activities	(857)	(3,344)	255,134
Net cash used in financing activities	(41,537)	(60,568)	(371,430)
Translation differences due to cash balances held in foreign currency	600	(359)	468
	(3,050)	1,249	(54,881)
Balance of cash and cash equivalents at the beginning of the year	7,755	6,506	61,387
Balance of cash and cash equivalents at the end of the year	4,705	7,755	6,506

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