



Mivne Real Estate (K.D) Ltd.

(“The company”)

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

As of March 31, 2023

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on May 31, 2023 (reference no.: 2023-01-058524) (hereafter: “the Hebrew Version”).

This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.



Mivne

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

March 31 2023 Quarterly Report

Overview 31.3.23	14,849	Total Investment Property (Millions of NIS)
	1,221	Of This, Real Estate Under Construction (Millions of NIS)
Projects under construction March 31 2023	7	Projects Under Construction and In Development
	158	Scope (Thousands of m ²)
	1,189	Estimated Cost Balance (Millions of NIS)
	199-213	Expected NOI at Project Completion* (Millions of NIS) <small>* For details see table under "concentrated data on projects in stages of construction, planning and development" below.</small>
Data from the Consolidated Statements 1-3.23	205	NOI (Millions of NIS)
	13.9%	Same Properties NOI in Israel Increase compared to corresponding period last year
	150	FFO (Millions of NIS) Increase of 24% compared to the corresponding period last year
	7,480	Unrestricted Assets (Millions of NIS) Constituting 50% of total real estate
	2.20%	CPI-linked weighted debt interest
	1,350	Cash and credit frameworks as of the publication date of the Statements (Millions of NIS)
	93.7%	Occupancy Rate in Israel

Report of the Board of Directors on the State of Corporate Affairs for the Period Ending March 31 2023

The Board of Directors of Mivne Real Estate (K.D) Ltd. is honored to submit the Financial Statements of the Company and its subsidiaries ("**the Company**") for the period ending March 31 2023 ("**The Reported Period**") and the "**Quarterly Financial Statements**", as the case may be).

This report must be read in conjunction with the 2022 Periodic report published on March 21 2023 (reference no.: 2023-01-029304) (hereinafter: "**the 2022 Periodic Report**"), presented here by way of referral.

Business Environment

Description of the Company and its Business Environment

The Company is active in the field of cash-generating real estate and deals, by itself and through its investees, in varied real estate activity centering on Israel. For further details see Section 1.2 of the Report of corporate Business in the 2022 Periodic Report. The Company (including associates) owns some 1,953,000 m² of cash-generating space, of which 1,655,000 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 in the past 12 months, with the Israeli Consumer Price Index raising by a rate of 5.3% in 2022. According to the macroeconomic forecast published by the Research Division of the Bank of Israel in April 2023 ¹ the inflation rate in 2023 is expected to be 3.9% and in 2024, 2.3%.

In an attempt to moderate the inflation rate, and following the interest rate increases of central banks in Europe and the United States, starting April 2022 the Bank of Israel has raised interest rates in Israel on a number of occasions, from a negligible rate to its current rate of 4.75%.

¹Sources of Information in this section:

The Research Division Macroeconomic Forecast, April 2023, is available on the Bank of Israel website at <https://www.boi.org.il/publications/pressreleases/61249>

In accordance with data from the Central Bureau of Statistics, in the first quarter of 2023 the Consumer Price Index rose sharply by 1.1%, which indicates an increase in the cost of living. The CPI increase 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 11.6 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 an increase in the fair value of properties.

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.

Starting from early 2023 the Israeli government began advancing extensive legislative changes that are highly controversial with the Israeli public. At this stage the Company cannot estimate the impact (if any) of these legislative changes (if completed) on the Israeli economy, and as a result on the Company's activity.

The business and economic environment described above also has an impact on the cash-generating real estate industry in Israel in which the Company is active, and from early 2023 a certain moderation is felt in demand as well as an extension of the negotiation stage for closing rental agreements in all areas and in all existing segments of the Company.

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

Events During and Subsequent to the Reported Period

Capital raised

In February 2023, the Company issued 1,163,191,000 NIS NV debentures (Series 25) by way of a series expansion in return for a total of 1,035 million NIS. The effective annual interest rate embodied in this issue is 2.77%.

Early redemption of debentures

In February 2023, the Company initiated a full early redemption of debentures (Series 15), amounting to 7.5 million NIS NV for a total of 7.7 million NIS for principal and interest, as well as full early redemption of debentures (Series 18), amounting to 572 million NIS NV and at a total sum of 642 million NIS for principal and interest. For further details see Note 4c and d. to the Quarterly Financial Statements.

Sales

Pushing Forward the Receipt of Compensation from the Sale of Property Company in Florida

In May 2023 the balance of a loan provided by a partnership fully owned by the Company ("the Seller") to a buyer who had bought the Seller's holdings in a property company in Florida was redeemed to the sum of \$26.7 million (97 million NIS). while pushing dates forward and against implementation of a non-material assumption on the sum of the redemption that cannot have a material impact on the cash flow to the seller from the sale.

For further details see immediate reports from October 12 2022 (reference no.: 2022-01-125833) and from May 3 2023 (reference no. 2023-01-047553), presented here by way of referral.

Appointment of New CEO and Service of Executive Board Committee Until the New CEO Enters his Position

On March 22 2023 Mr. David Zvida concluded his service as Company CEO (for details see "End of Service of CEO" section of the Report of the Board of Directors in the 2022 Periodic Report). On May 22 2023 the Company Board of Directors ratified the appointment of Mr. Uzi Levi as Company CEO starting July 23 2023. In addition, the Company Remuneration Committee and Board of Directors ratified the terms of service and employment of Mr. Levi, subject to the receipt of the approval of the Company General Meeting. For further details on the terms of service and employment of the incoming Company CEO see immediate reported published by the Company on May 23 2023 (ref: 2023-01-054891 and 2023-01-054921), presented here by way of referral.

In March 2023 the Company Board of Directors appointed an executive board committee that includes Directors Tal Fuhrer (Chair of the Board of Directors), Ms. Bracha Litvak (external director) and Mr. Ronen Nakar (independent director), to supervise the management's activity in the interim period until the incoming CEO starts in his position. The committee's authorizes delegated by the Board of Directors include all of the authorities that had been given to the Company CEO.

Starting March 2023 the Company CEO, Mr. Tal Fuhrer, has served as director in some of the Group's subsidiaries.

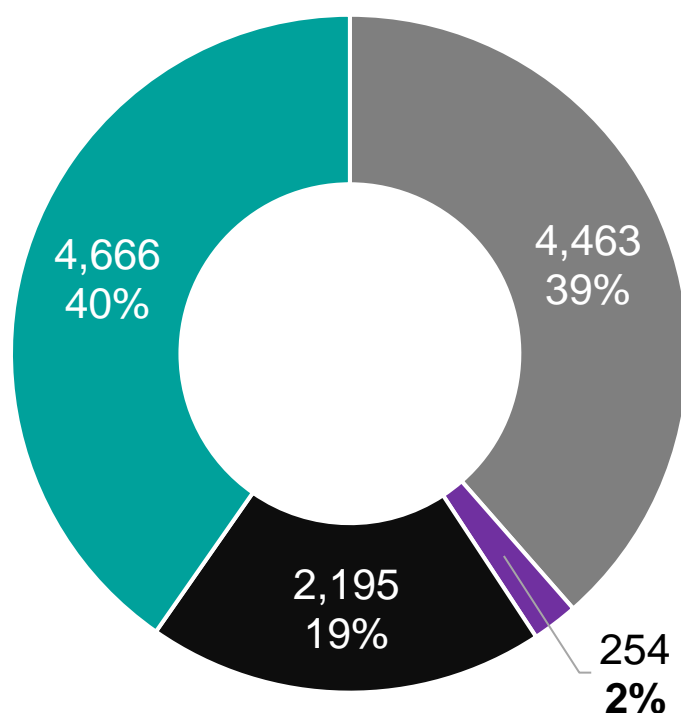
The Company's Activity

As of March 31 2023, the Company's assets (on a consolidated basis), owned and leased, include 563 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 2,971 tenants, for various terms. The Company also has 19 projects under construction or in advanced planning stages, for a total of 778,000 m².

The occupancy to value rate of the Company's properties in Israel as of March 31 2023 is 93.7% versus 94.5% on December 31 2022.

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

(In Millions of NIS)



- Offices (64 properties)
- Residential housing (3 properties)
- Commercial centers (23 properties)
- Industrial and logistics (473 properties)

A Look at Company Data

Summary of Key Data (in Millions of NIS)

	Change Compared to Corresponding Period Last Year	1-3/23	1-3/22
NOI in Israel*	15.2%	189	164
Same Property NOI	13.9%	182	160
NOI abroad**	23.1%	16	13
FFO	24.0%	150	121
Increase in Known Index Rate		1.08%	1.17%

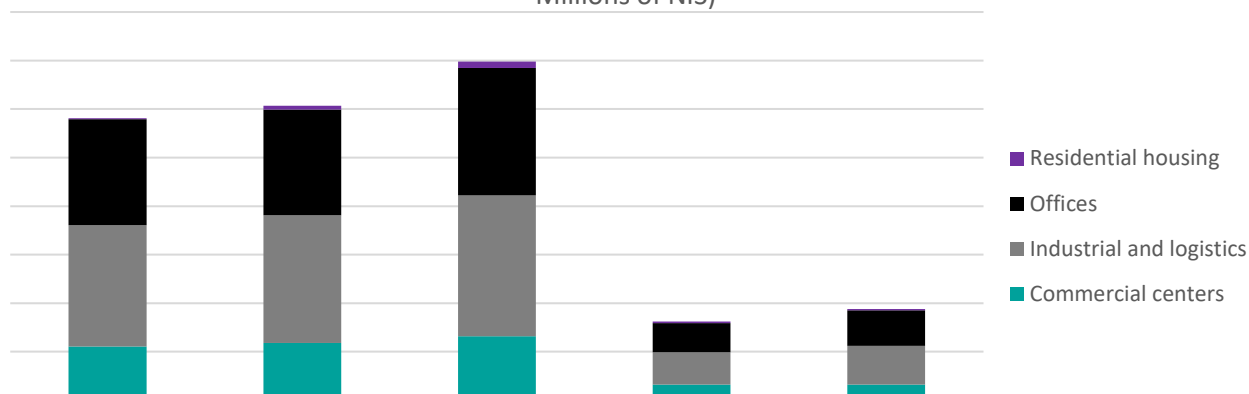
* The increase in NOI in the first three months of 2023 compared to the corresponding period last year derives from an increase from assets purchased to the sum of 2.5 million NIS, from an increase due to an increase in CPI to the sum of 17 million NIS, from an increase due to new rentals, an increase in rental fees in contract renewals and a decrease in net management expenses to the sum of 5.5 million NIS.

** Most of the increase derives from a one-time revenue of a property in France.

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

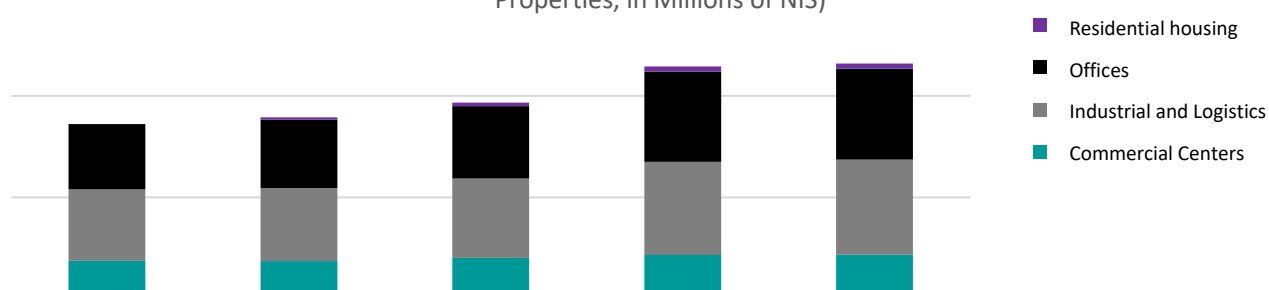
	Number of Properties as of March 31 2023	Above- Ground Area as of March 31 2023	NOI for the Period 1-3.23	Fair Value of Cash- Generating Property as of March 31 2023	Occupancy rate as of December 31 2022	Value of Real Estate Under Construction as of March 31 2023
Uses		m ²	In Thousands of NIS	In Thousands of NIS	%	In Thousands of NIS
Offices	64	410,066	71,260	4,463,367	90.6%	1,221,242
Commercial centers	23	195,260	32,470	2,195,432	89.2%	
Industrial and Logistics	473	999,724	79,483	4,665,980	95.8%	
Residential	3	13,864	3,300	253,727	98.5%	
Total	563	1,618,914	186,513	11,578,506	93.7%	1,221,242
Associates – Company Share						
Offices	5	17,524	2,170	150,018	82.7%	
Commercial centers	6	13,198	3,252	204,455	97.4%	
Industrial and Logistics	1	5,256	179	140,645	100%	
Total	12	35,978	5,601	495,118	90.6%	
Expanded Total	575	1,654,892	192,114	12,073,624	93.7%	1,221,242

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



	1-3/2023	1-3/2022	2022	2021	2020
Commercial Centers	32	32	132	118	111
Industrial and Logistics	80	67	290	263	250
Offices	71	60	263	218	218
Residential housing	3	3	13	8	2
Total	186	162	698	607	581

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



	31.3.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Commercial Centers	2,195	2,175	2,030	1,878	1,892
Industrial and Logistics	4,666	4,585	3,911	3,589	3,500
Offices	4,463	4,427	3,555	3,367	3,213
Residential housing	254	252	174	101	-
Total cash-generating property	11,578	11,439	9,670	8,935	8,605
Total under construction	1,221	1,126	723	168	135
Total investment property	12,799	12,565	10,393	9,103	8,740

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

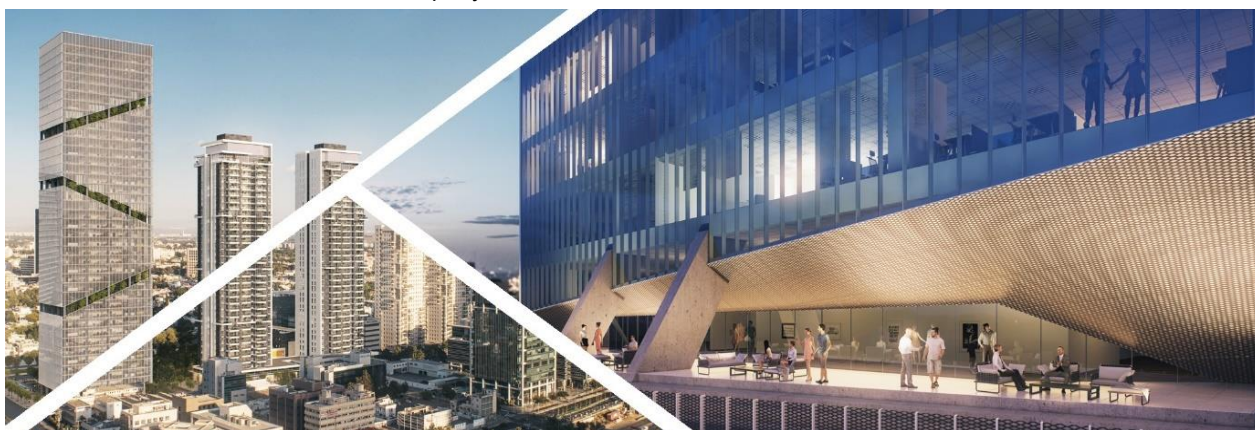
Country	Number of Properties	Above-Ground Area in m ²	Number Tenants	Rate Occupancy rate	Fair Value In Thousands of NIS	NOI from Cash-Generating Properties 1-3/2023 In Thousands of NIS
Cash-Generating Properties						
Israel	563	1,618,914	2,971	93.7%	11,578,506	186,513
Switzerland	2	56,099	17	93.4%	409,033	6,552
Ukraine	1	44,672	66	79.8%	249,941	3,179*
North America	4	77,536	181	73.2%	223,005	1,528
France	5	119,447	5	98.4%	15,380	4,481**
Total Cash-Generating Properties	575	1.916,668	3,240	92.9%	12,475,865	202,253
Land						
Israel lands	36				1,321,180	
Overseas	1				25,284	
Total land	37				1,346,464	
Total	612	1.916,668	3,240	92.9%	13,822,329	202,253***
Israel – Associated Companies						
	12	35,978	90	90.61%	495,118	5,601
Total	624	1,952,646	3,330	92.8%	14,317,447	207,854
Deferred Taxes****					2,339,148	

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

** Including a one-time payment of 3 million NIS.

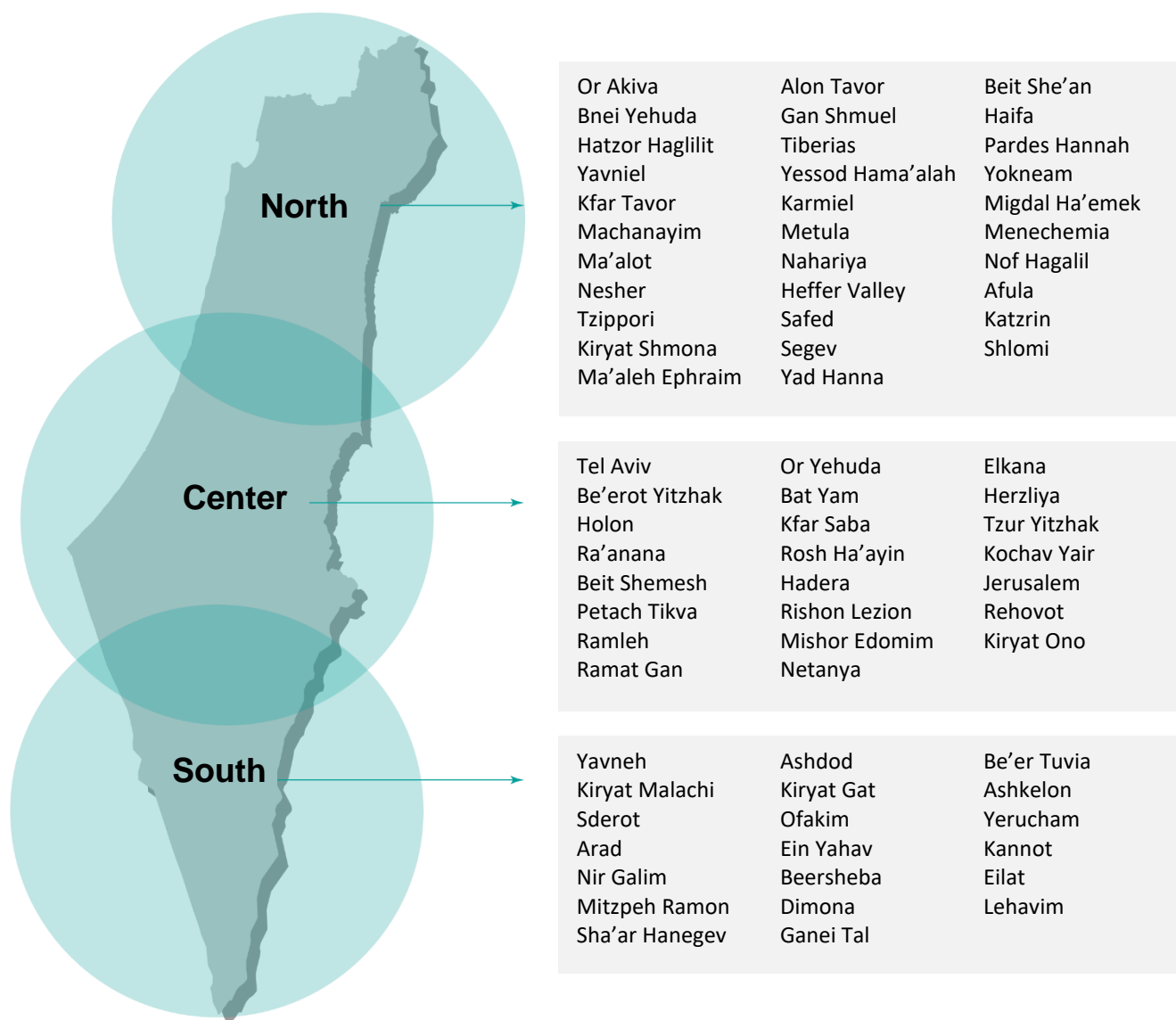
*** Including a total of 985 million NIS detailed within the framework of the table of projects being planned.

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



Cities in which the Group has Properties

The Company owns some 1,953,000 m² of cash-generating space, of which 1,655,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 764,000 m²



Concentrated Data on Projects in Construction, Planning and Development Stages

(As of March 31 2023)¹

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

Project Name	Location	Main Use	Company's Share	Design Status	Built-Up Area (m ²)	Project's Value in the Company's Books	Estimated Construction Cost Balance	Estimated NOI Fully Occupied
						In Millions of NIS		
Hasolelim	Tel Aviv-Jaffa	Offices and commercial	100%	In structural construction stage third story of residential building and structural construction stage second story of offices.	*68,300	727	545	109-117
Sarona	Kfar Saba	Offices	100%	Underway, Estimated completion – 2024.	**26,000	213	43	22-24
Haifa Life Sciences Park (2 Buildings)	Haifa	Offices	50%	In structural construction stage second story.	14,000	52	102	12
Kiryat Hamishpat	Kiryat Gat	Offices	100%	In testing for Form 4	5,000	43	1	3
"Mivne" Herzliya Pituach	Herzliya	Residential	100%	Undergoing paneling and excavation works.	103 housing units	158	127	8-9
		Offices and commercial			24,300		190	27-30
Beersheba	Beersheba	Hotels	100%	Start of excavation and shoring work	16,700	13	168	16
Netter Avenue	Sderot	Commercial	100%	Under construction.	3,300	15	13	2
Total					157,600	1,221	1,189	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 (m ²)	Project's Value in the Company's Books (Millions of NIS)
Hameitav Stage B	Tel Aviv	Residential, Employment and commercial	100%	Awaiting approval of protocol of local committee.	125,000 400 housing units	690
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 – Q3/2023.	25,000	5
Akerstein Towers Stage B	Herzliya	Offices Residential	53%	In discussions with regional committee. In design for Town Construction Plan stages.	50,000 150 housing units	35
Office Tower in Giv'at Sha'ul	Giv'at Sha'ul	Offices	100%	Decided to push permit forward – forecast Q3/2023.	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	77
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%	Committee approval received, awaiting receipt of permit according to terms.	15,000	5
DLR Mivne	Petach Tikva	Data center	50%	In permit stages	22MW on some 15,000 m ²	-
Kiryat Shechakim	Herzliya	Offices	25%	-	200,000	-
Total					620,750	985

(1) Some of the information presented in the above two tables constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the risk factors characterizing the Company's activity, including the state of the economy, the receipt of permits and approvals from the proper authorities, engagements with third parties, changes in legislation and regulation and increased construction costs. For further details on the risk factors characterizing the Company's activity see Section 1.36 "Risk Factors" as well as Section 1.8 "General Environment" in of the Report on the Corporation's Business in the 2022 Periodic Report.

Rental Housing⁽¹⁾

Town	Use	Number of Units	Area (m ²)	Book Value/ Sum Paid (Thousands of NIS)	Balance Payable (Thousands of NIS)	Yearly NOI/ Expected NOI (Thousands of NIS)	Expected Yield
Jerusalem	Housing Collection	317	12,353	128,418	-	8,037	Cash-generating
Kiryat Ono	Student Dorms	113	3,334	58,686	-	2,900	Cash-generating
Kiryat Ono	Residential	30	2,690	65,710	-	2,000	Cash-generating
Ben Shemen	Residential	80	8,913	25,518	111,973	4,235	Q2/2025
Hadera	Residential	50	4,507	14,166	61,652	1,679	Q2/2025
Ramat Hasharon	Residential	50	6,044	24,233	123,309	5,508	Q2/2024
Ramat Chen	Residential	80	7,177	37,485	159,544	5,283	Q4/2026
Total		720	45,018	354,216	456,478	29,642	

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	195	26,417	22,725
Increasing the size of existing installations	8	2,820	2,083
Installations with quota	79	11,135	7,599
Installations in approval proceedings	15	2,316	1,739
Total	297	42,688	34,146*

* 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.



Some of the information presented in the above two tables constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the business environment in which the Company is active and the risk factors characterizing the Company's activity, including tenants' ability to pay, the receipt of permits and approvals from the proper authorities, engagements with third parties, and changes in legislation and regulation. For further details on the risk factors characterizing the Company's activity see Section 1.36 "Risk Factors" as well as Section 1.8 "General Environment" in of the Report on the Corporation's Business in the 2022 Periodic Report.

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 March 31 2023 (Millions of NIS)	Total Cost Balance	Developer Profit Not Yet Recognized
		%	As of March 31 2023		As of the publication of the report					
Hasolelim	360	75%	83	284	84	289	-	416	244	361
Hameitav Tel-Aviv ²	1	50%	-	-	-	-	-	1	-	1
Merom Hasharon Stage F	134	90%	43	82	43	82	-	78	36	63
Merom Hasharon Stage G	79	90%	-	-	-	-	-	66	16	50
Total	574		126	366	127	371	-	561	296	475

1. Balance of units in inventory as of March 31 2023

2. As of March 31 2023 and as of the report issue date, 169 units have been delivered, valued at 453 million NIS.

Some of the information presented in the above table constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the risk factors characterizing the Company's activity, including the state of the economy, the receipt of permits and approvals from the proper authorities, engagements with third parties, changes in legislation and regulation and increased construction costs. For further details on the risk factors characterizing the Company's activity see Section 1.36 "Risk Factors" as well as Section 1.8 "General Environment" in of the Report on the Corporation's Business in the 2022 Periodic Report.

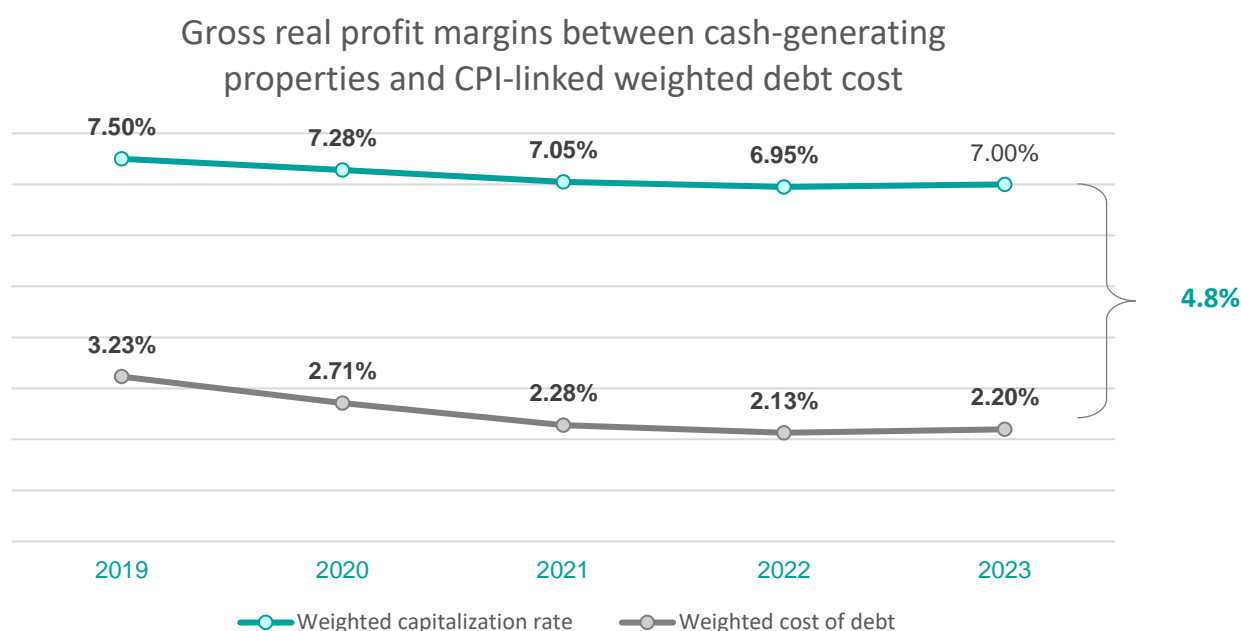
Inventory of Land for Long-Term Residential Construction

Location	Number of Housing Units	Holdings in Projects	Total valuation as of March 31 2023.
		In %	In Millions of NIS
Sdeh Dov	230	33.33%	223
Or Akiva	74	100%	9
Other	57	100%	7
Total	361		239

Debt Structure Management

Company policy is to maintain an efficient leverage rate by recruiting debt with a long-term life span and with no liens. The Company's net financial debt as of March 31 2023 amounted to 6.4 billion NIS. The average duration of debt in Israel is 4.55 years and the weighted effective interest rate is 2.2% CPI-linked.

As of the report issue date, the Company has cash balances and unused credit facilities amounting to 1.4 billion NIS, and un-encumbered properties amounting to 7.5 billion NIS.



Spreading debt redemptions over years

	Average Life Span	Weighted Effective Interest	2023	2024	2025	2026	2027	2028	2029 Onward	Balance as of March 31 2023*
In Millions of NIS										
Israel	4.55	2.20%	405	614	685	1,010	1,046	1,015	1,996	6,771
Weighted Interest Rate for Redemptions Performed in the Period			2.20%	3.64%	2.61%	1.69%	2.60%	2.20%	1.66%	
Weighted interest rate			2.20%	2.04%	1.97%	2.03%	1.84%	1.65%	1.69%	
Overseas	7.57	1.79%	1	1	52	-	-	-	187	
Total redemptions			406	615	737	1,010	1,046	1,015	2,183	7,012
Of these, "balloon" guaranteed by lien			-	(155)	(244)	(568)	(540)	(391)	(187)	
Redemptions less pledged cash flow			406	460	493	442	506	624	1,996	
Value of asset pledged			-	579	587	859	1,447	798	378	
LTV rate of pledged asset			-	26.8%	41.6%	66.2%	37.3%	48.94%	49.53%	

* The balance as of March 31 2023 for debentures includes a discount or premium.

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 the NOI:

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

NOI Development (In Thousands of NIS)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Identical properties for the period	182,092	178,476	176,583	168,754	159,794
Properties purchased during the period	6,960	6,935	6,743	6,715	4,462
Properties sold	97	93	93	94	129
Total NOI -	189,149	185,504	183,419	175,563	164,385

The NOI in the first quarter of 2023 totaled 189 million NIS, compared to 164 million NIS in the corresponding quarter last year, constituting a growth of 15%.

The same property NOI in the first quarter of 2023 amounted to 182 million NIS compared to 160 million NIS in the corresponding quarter last year, constituting a 13.9% increase.

Weighted Cap Rate

The following is the calculation of the weighted cap rate derived from all the cash-generating properties in Israel as of March 31 2023:

	Consolidated (in Millions of NIS)
Investment property in consolidated report as of March 31 2023	13,628
Less – real estate abroad	(923)
Less – value of lands classified as investment property	(1,321)
Plus – value of cash-generating properties intended for realization	2
Cash-generating investment property in Israel as of March 31 2023	11,386
Less value attributed to vacant spaces	(739)
Less value attributed to rental housing	(254)
Investment property attributed to rented spaces as of March 31 2023	10,393
NOI from cash-generating property in Israel as of March 31 2023	187
Standard yearly NOI (plus contracts that have been signed and not yet fully expressed).	741
Yearly NOI less NOI attributed to rental housing	728
Weighted cap rate deriving from revenue-producing investment real estate in Israel	7.0%



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)

	1-3.2023	1-3.2022
Net profit for the period	171,891	66,462
Changes in value of investment property and investment property under construction	(94,025)	(28,088)
Profits and losses from the sale of real estate, investees, other revenues and the realization of capital reserves from translation differences.	2,661	2,724
Changes in the fair value of financial instruments	8,594	8,102
Adjustments due to taxes	27,075	16,766
Adjustments referring to associates	605	598
Revaluation of assets and liabilities	1,002	850
Other revenues	(18,165)	(6,481)
Nominal FFO pursuant to ISA directives	99,638	60,933
Added – expenses of linkage differences on the debt principal and exchange rate differences	45,377	55,500
Real FFO pursuant to management's approach	145,015	116,433
FFO attributed to cash-generating property	149,578	121,365
Change in CPI rate in the period *	1.08%	1.17%

* The change in the Consumer Price Index rate has an impact on current tax expenses. In the event of an increase/decrease in the Consumer Price Index, an increase/decrease occurs in financing expenses due to a CPI-linked debt, which causes a decrease/increase in provisions to current taxes.

2023 Forecast

The following is the projected FFO from cash-generating properties and projected NOI for 2023:

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

- Known CPI as of March 31 2023.
- 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.

Projected Results in 2023 in NIS millions		
	2023 Forecast	2022 in Practice
NOI	795-815	760
FFO attributed to cash-generating property	560-580	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 1.36 for details on the business environment see Section 1.8 of the Report on the Corporation's Business in the 2022 Periodic Report.

Operating Results According to Consolidated Financial Statements

Business Results Summary Table (in Millions of NIS)

		For		Notes and Explanations
		1-3.2023	1-3.2022	
Revenues from rental and management fees		258	232	Most of the increase derives from the CPI increase on rental contracts and increased occupancy rates and a real increase in rental fees and from the purchase of Bank Mizrahi properties that began generating over the course of February in the corresponding period last year.
Maintenance and management cost		55	58	
Revenues from the Sale of Apartments and Land		41	-	The revenues derive from revenues from Hasolelim Project in Tel Aviv to the sum of 28 million NIS and at Marom Hasharon to the sum of 13 million NIS.
Cost of Apartments and Land Sold		25	-	
Increase in Fair Value of Investment Property		94	28	Over the course of the period, 60 valuations were carried out for properties worth 1 billion NIS. Most of the 94 million NIS increase in the value of these properties derives from an increase in the Consumer Price Index, an increase in real rental fees as well as an increase in the value of land. During the corresponding period last year the Company listed an impairment to the sum of 45 million NIS as a result of the revaluation of the debt in Kyiv, Ukraine.
Administrative and General, Sales and Marketing Expenses		24	23	
Financing Expenses	Net interest expenses	32	32	
	Expenses from change in CPI, net	61	53	A 1.1% CPI increase in the period against a 1.2% CPI increase in the corresponding period last year. In addition, an increase in linked financial debt
	Net expenses (revenues) from exchange rate differences and others	(6)	12	
	Total	87	97	
Income tax expenses		32	20	
Net Profit		172	66	

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

	As of March 31 2023	As of December 31 2022	Notes and Explanations
Current Assets	1,313	983	The increase large derives from the balances of cash and cash equivalents as a result of surplus offerings of debenture redemption in the period to the sum of 384 million NIS.
Investments handled using the book value method	504	501	
Investment property, investment property in development and advance payments on account of investment in land	14,993	14,725	The increase mainly derives from real estate revaluations and investments in the period.
Inventory of land for construction	239	239	
Short-term credit, current maturities	663	639	
Long-term loans and liabilities from banking corporations, credit providers and others.	1,064	1,187	
Long-term debentures	5,301	4,776	The net increase largely derives from the expansion of Series Y and the redemptions of Series R and S in the period.
Total equity attributed to shareholders	8,073	7,985	Most of the increase derives from comprehensive income in the period to the sum of 180 million NIS, offset by dividends to the sum of 92 million NIS.
Total equity	8,115	8,026	

Cash and Credit Frameworks

Sources	In Millions of NIS
Balance of Cash at the Beginning of the Period	179
Cash deriving from current activities	87
Sale of assets	2
Short-term investments, net	(49)
Investment in investment property, real estate under development and fixed assets	(155)
Total investment activity	(202)
Issue of debentures	1,034
Receipt of short-term credit	13
Receipt of loans from banks and long-term liabilities	79
Repayment of loans from banks and long-term liabilities	(87)
Redemption of debentures	(667)
Total financing activity	372
Exchange rate differentials due to cash and cash equivalent balances	3
Balance of cash at the end of the period	439

Financing and credit facilities

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 1.35 billion NIS.

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

For details on the 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 19 2023 and February 2, 2023, see Appendix C to the Board of Directors' Report.

For details on the issue of debentures and early redemption of debentures, see Note 4a, c. and d. to the Company's March 31 2023 Interim Consolidated Financial Statements ("Financial Statements").

Working Capital

Working capital, including assets and liabilities held for sale as of March 31 2023, amounted to 289 million NIS in the Financial Statements compared to a total of 50 million NIS as of December 31 2022. Working capital in the solo financial statements, including assets held for sale as of March 31 2023, amounted to 240 million NIS vs. a working capital deficit, including assets held for sale to the sum of 32 million NIS as of December 31 2022.

Linkage Balance

The Company has financial liabilities to the sum of 7.4 billion NIS of which 5.9 billion NIS are CPI-linked. The Company's cash-generating property in Israel is worth 12 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 March 31 2023 the investment in these companies amounted to 504 million NIS, of which 492 million NIS is in Israel.

Credit Rating

On February 5 2023, Standard & Poor's Maalot announced that it was issuing a rating of ilAA Stable Outlook for debentures (Series 25), issued in February 2023 by way of series expansion. 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).

On March 27 2023 Midroog Ltd. announced that it was retaining the Aa2.il Stable Outlook rating for the Company and for the debentures (Series 16, 17, 20, 24 and 25) issued by the Company, the rating Aa1.il Stable Outlook for the debentures (Series 19 and 23) the Company has issued as well as rating P-1.il for the Company's Commercial Securities 1.

Dividend Policy

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

On May 30 2023 the Company's Board of Directors decided to distribute dividends to the amount of 65 million NIS (0.08611 NIS per share).

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

Tal Fuhrer

Chair of the Board of
Directors

Ronen Nakar

Independent Director

May 30 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

An aerial photograph of a modern skyscraper with a glass facade, situated in a dense urban environment. The building is surrounded by other high-rise structures and lower-level commercial buildings. The sky is clear and blue. The image is divided into two main sections by a diagonal white line. The top section shows the upper part of the skyscraper and the surrounding city skyline. The bottom section shows the lower part of the skyscraper and the surrounding urban landscape, including streets, trees, and other buildings.

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. Yossi Filiba, Company Chief Financial Officer. For details on Mr. Filiba, see Regulation 26 in the Additional Details chapter of the 2022 Periodic Report.
2. No material changes in risk factors have occurred in the reported period compared to those reported in the 2022 periodic report.

A modern glass skyscraper with the MIVN logo on top, set against a dark blue sky. The building has a grid-like facade and is illuminated from within. A large white diagonal line cuts across the image. Below the main image, a smaller section shows the building's ground floor with a parking lot, cars, and people.

MIVN

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

Material Events During and Subsequent to the Reported Period

1. For details on the departure of the CEO and his retirement terms, see headline "End of Service of CEO and Appointment of Executive Committee Until a New CEO is Selected", as well as Note 4f to the Company's March 31 2023 Consolidated Interim Financial Statements.
2. For details on the Company's remuneration policy for 2023-2025 that will be presented for approval on June 4 2023 as well as long-term goals set for Company officers within the framework of this policy see the (corrective) summons of the Special General Meeting published by the Company on May 23 2023 (reference: 2023-01-055170) presented by way of referral as well as Note 4f to the Company's Consolidated Interim Financial Statements as of March 31 2023.
3. In light of the absence of a serving CEO upon the approval of the Company's March 31 2023 Interim Consolidated Financial Statements. Mr. Ronen Nakar, independent director, was certified on May 22 2023 by the Company Board of Directors to sign the Company's March 31 2023 Interim Consolidated Financial Statements, the management statements on the effectiveness of internal controls of financial reporting and disclosure by virtue of Regulation 38.c.(a) and the Report of the Board of Directors on the State of Corporate Affairs in the reported period. For further details see Note 4j to the Company's March 31 2023 Interim Consolidated Financial Statements.



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 March 31 2023 (In Thousands of NIS)	Debentures (Series 16)	Debentures (Series 17)	Debentures (Series 19)	Debentures (Series 20)
Date of Issue	July 10 2014	July 10 2014	September 29 2016	July 30 2017
Notational Value Upon Issue	347,130	757,524	423,512	523,521
Outstanding Notational Value	234,104	451,117	360,711	949,427
Stock market rate (in 0.01 NIS)	102.7	113	110.2	111. 1
Outstanding Notational Value, Linked	234,104	492,036	396,612	1,047,089
Accrued interest	3,261	4,489	-	7,255
Fair Value	240,425	509,762	397,504	1,054,813
Interest type	Fixed interest			
Denoted Yearly Interest Rate	5.65%	3.7%	2.6%	2.81%
Principal payment dates	Twelve unequal 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 that will be paid on March 31 of each year from 2018 through 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 unequal yearly installments paid on December 31 of each of the years from 2019 through 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 December 31 of each year from 2014 to 2028	June 30 and December 31 of each year from 2014 to 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 on each year from 2017 to 2029.

As of March 31 2023 (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 1	Midroog For more information see "Financing" in this report, under "Credit rating".			
Rating	Aa2 Stable outlook	Aa2 Stable outlook	Aa1 Stable outlook	Aa2 Stable outlook
Rating company 2	S&P Maalot For more information see "Financing" in this report, under "Credit rating".			
Rating	AA stable			
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	-	-	700,466	-
Trustee	Mishmeret Trust Services Ltd. (1)		Resnick Paz Nevo Trusts Ltd. (2)	
Right to early repayment	(3)			

As of March 31 2023 (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 (4)
Date of Issue	September 18 2016	June 21 2017	1.11.2021
Notational Value Upon Issue	607,923	612,810	2,189,857
Outstanding Notational Value	616,525	514,760	2,189,857
Stock market rate (in 0.01 NIS)	108.9	109.2	88.6
Outstanding Notational Value, Linked	675,828	563,752	2,330,421
Accrued interest	44	3,614	-
Fair Value	671,396	562,118	1,940,213
Interest type	Fixed interest		
Denoted Yearly Interest Rate	2.4%	2.6%	0.35%
Principal payment dates	Nine unequal yearly installments paid on September 30 of each of the years of 2018 through 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 unequal yearly installments paid on September 30 of each of the years of 2023 and 2025 as well as 2027-2033. First and second installments at a rate of 5% of the principal, third to fifth installments at a rate of 10% of the principal and sixth through ninth installments of 15% of the principal, each.
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	September 2021 CPI
Does it constitute a material obligation?	No	No	Yes
Rating company 1	Midroog For more information see "Financing" in this report, under "Credit rating".		
Rating	Aa1 Stable outlook	Aa2 Stable outlook	Aa2 Stable outlook
Rating company 2	S&P Maalot For more information see "Financing" in this report, under "Credit rating".		
Rating	AA stable		
Are there guarantees for the payment of the obligations?	No		
Are there any liens	Yes. Real estate properties. See Appendix A of Part A of the 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. 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	788,401	798,396	-
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 16-25) 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 (16-17 and 25), the Company undertook not to create a general current lien on all of its assets in favor of a third party.
- (4) Over the course of February 2023, the Company issued 1,163,191,000 NIS NV debentures (Series 25) by way of a series expansion in return for a total of 1,035 million NIS.
- (5) In February 2023 the Company performed an early redemption of all of its debentures (Series 15 and 18), in accordance with the terms set in the deeds of trust of these debentures. 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.	8,008	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.	39.2%	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.	8.1%	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 16% for two consecutive quarters.	47.1%	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.	8,008	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 73%.	39.2%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 15.	8.1%	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 17% for two consecutive quarters.	47.1%	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.	8,008	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.	39.2%	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.	8.1%	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall be no less than 20% for two consecutive quarters.	47.1%	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.	8,008	Meeting the condition
The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 70%.	39.2%	Meeting the condition
The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 13.	8.1%	Meeting the condition

Existence of Cross Default Mechanism

Bonds (Series 20)	Grounds were established for calling for the immediate redemption of any of the following: (1) another debenture 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 200 million NIS, provided that such a call for immediate redemption has not been reversed within 21 days.
Bonds (Series 25)	Grounds were established for calling for the immediate redemption of any of the following: (1) another debenture 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 400 million NIS, provided that such a 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 March 31 2023

Consolidated Financial Statements:

	Section	US Dollar	Swiss	EUR	Canadian Dollar	CPI	Unlinked	Non-Financial	Total
	Thousands of NIS								
Assets	Cash and cash equivalents	11,757	25,637	40,848	6,619	-	354,334	-	439,195
	Short-term investments	-	-	43,635	93	-	63,576	-	107,304
	Trade receivables	831	423	595	1,680	-	20,291	-	23,820
	Other receivables	5,360	2,156	8,416	3,670	72,944	45,466	12,734	150,746
	Taxes receivable	755	1,661	166	5	26,630	-	-	29,217
	Long-term debit balances	93,277	-	-	242	29,522	-	-	123,041
	Investments in investees	-	-	22,722	-	-	57,306	423,878	503,906
	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	-	-	-	-	-	-	800,358	800,358
	Investment property	-	-	-	-	-	-	13,627,693	13,627,693
	Investment property under construction	-	-	-	-	-	-	1,221,242	1,221,242
	Property, plant and equipment	-	-	-	-	-	-	183,950	183,950
	Intangible assets	-	-	-	-	-	-	19,630	19,630
	Deferred taxes	-	-	-	-	-	-	375	375
	Total assets	111,980	29,877	116,382	12,309	129,096	540,973	16,435,161	17,375,778
Liabilities	Credit from banks and other credit providers	-	-	-	-	-	148,160	-	148,160
	Trade payables	-	1,743	5,041	3,069	-	25,660	-	35,513
	Payables and credit balances	2,214	2,189	8,894	768	18,900	134,254	54,761	221,980
	Payables due to dividends	-	-	-	-	-	92,000	-	92,000
	Taxes payable	-	-	7,434	-	-	3,667	-	11,101
	Loans from banking corporations including current maturities	55,735	187,411	-	37,753	445,707	450,019	-	1,176,625
	Other liabilities	-	-	-	231	-	45,682	-	45,913
	Debentures	-	-	-	-	5,408,310	248,831	-	5,657,141
	Tenant deposits	1,062	24	-	-	43,755	-	-	44,841
	Employee benefit liabilities, net	-	-	-	-	-	-	6,857	6,857
	Deferred taxes	-	-	-	-	-	-	1,820,903	1,820,903
	Total liabilities	59,011	191,367	21,369	41,821	5,916,672	1,148,273	1,882,521	9,261,034



Mivne Real Estate (K.D) Ltd.

(“The company”)

**Annually financial statements - for the period
ended March 31, 2023**

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on May 31, 2023 (reference no.: 2023-01-058524) (hereafter: “the Hebrew Version”).

This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Mivne Real Estate (K.D) Ltd.

Consolidated Interim Financial Statements as of March 31 2023

Unaudited

Table of Contents

	<u>Page</u>
Review of Consolidated Interim Financial Statements	2
Consolidated Interim Balance Sheets	3-4
Consolidated Interim Statements of Operations	5
Consolidated Interim Reports on Comprehensive income	6
Consolidated Interim Reports on Changes in Equity	7-9
Consolidated Interim Cash Flow Reports	10-12
Notes to the Interim Consolidated Financial Statements	13-19

Review Report of the Independent Auditor to Shareholders of Mivne Real Estate (K.D) Ltd

Introduction

We have reviewed the attached financial information on Mivne Real Estate (K.D) Ltd. and its subsidiaries (hereinafter - the Group), which includes its Concise Consolidated Balance Sheet as of March 31 2023 and its Concise Consolidated Statements of Operations, Reports on Comprehensive Profit and Loss, Reports on Changes in Equity and Cash Flow Reports for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for this interim period, based on our review.

We have not reviewed the concise interim financial information of subsidiaries the assets of which included in the consolidation constitute 12.38% of all consolidated assets as of March 31 2023, and revenues of which included in the consolidation constitute 10.53% of all consolidated revenues for the three-month period ending that date. Furthermore, we did not review the concise interim financial information of companies presented according to the book value method, the investment in which amounted to a total of 275 million NIS as of March 31 2023, with the Group's share of the losses of the companies in question amounting to 2.2 million NIS for the three-month period ending that date. The interim financial information of said companies have been reviewed by other accountants, the reports of whom have been provided us and our conclusion, inasmuch as it refers to financial information for these companies, is based on the reviews conducted by these other accountants.

Scope of the Review

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

Conclusion

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

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

Consolidated Balance Sheets

	As of March 31		As of
	2023	2022	December 31
	Unaudited		2022
			Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	439,195	1,076,162	178,575
Short-term investments	43,684	75,038	50,185
Cash in accompanying accounts, restricted and cash in trust	63,620	24,553	14,310
Trade receivables	23,820	37,257	29,423
Other receivables	150,746	188,420	131,180
Taxes receivable	29,217	34,828	28,992
Inventory of land, apartments and buildings for sale and under construction	561,013	442,371	548,324
	1,311,295	1,878,629	980,989
<u>Assets held for sale</u>	1,660	8,537	1,660
	1,312,955	1,887,166	982,649
<u>Non-Current Assets</u>			
Advance payments on account of investment property	143,641	114,869	143,641
Other receivables	123,041	27,573	119,902
Investments in companies handled using the book value method	503,906	374,137	500,667
Investment property	13,627,693	12,063,122	13,455,538
Investment property under development	1,221,242	777,513	1,126,157
Inventory of land for construction	239,345	250,697	239,314
Fixed assets, net	183,950	151,931	175,471
Intangible assets, net	19,630	19,630	19,630
Deferred taxes	375	318	354
	16,062,823	13,779,790	15,780,674
	17,375,778	15,666,956	16,763,323

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

Consolidated Balance Sheets

	As of March 31		As of December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
Current Liabilities			
Credit from banks and credit providers	148,160	69	134,095
Current maturities of debentures	356,227	316,902	462,073
Current maturities of loans and other liabilities	158,318	280,607	43,242
Trade payables	35,513	61,711	65,684
Payables and credit balances	205,927	185,042	202,002
Dividends payable	92,000	75,000	-
Advance payments from buyers	16,246	10,089	3,719
Taxes payable	11,101	8,397	21,593
	<u>1,023,492</u>	<u>937,817</u>	<u>932,408</u>
Non-Current Liabilities			
Loans from banking corporations and financial institutions	1,018,307	1,164,232	1,128,754
Debentures	5,300,914	5,028,188	4,775,715
Other liabilities	45,721	101,786	58,353
Tenant deposits	44,841	40,454	43,981
Employee benefit liabilities	6,857	8,013	6,829
Deferred taxes	1,820,903	1,477,725	1,791,117
	<u>8,237,543</u>	<u>7,820,398</u>	<u>7,804,749</u>
Equity Attributable to Company Shareholders			
Stock capital	1,451,442	1,499,999	1,483,344
Share premium	3,170,524	3,515,622	3,397,666
Principal in respect of share-based payment transactions	22,396	19,576	22,002
Treasury shares	-	(393,227)	(259,044)
Retained earnings	3,601,480	2,491,555	3,522,470
Adjustments from the translation of financial statements of foreign activities	106,105	64,434	97,690
Capital reserve from transactions with minority shareholders	(279,026)	(279,026)	(279,026)
	<u>8,072,921</u>	<u>6,918,933</u>	<u>7,985,102</u>
Non-Controlling Interests	<u>41,822</u>	<u>(10,192)</u>	<u>41,064</u>
Total equity	<u>8,114,743</u>	<u>6,908,741</u>	<u>8,026,166</u>
	<u>17,375,778</u>	<u>15,666,956</u>	<u>16,763,323</u>

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

May 30 2023			
Financial Statements	Tal Fuhrer	Ronen Nakar	Yossi Filiba
Approval Date	Chair of the Board of Directors	Independent Director	Chief Financial Officer

Consolidated Statements of Profit or Loss

	For the 3 Months Ending March 31		For the Year Ending On December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS (Except for Net Profit per Share Data)		
Revenues			
Rental and management fee income - Israel	230,153	207,994	875,887
Rental and management fee income - abroad	27,369	24,462	93,138
From the sale of apartments and land for housing	40,750	-	53,671
From management of buildings and infrastructure, net	196	74	249
From solar installations, net	2,356	2,362	10,021
From the sale of fuel, net	84	294	972
Total revenues	300,908	235,186	1,033,938
Expenses			
Maintenance expenses - Israel	43,640	46,335	178,258
Maintenance expenses - abroad	11,629	11,236	42,491
Cost of apartments and land sold	25,467	-	35,745
Total cost of sales and services	80,736	57,571	256,494
Gross profit	220,172	177,615	777,444
Increase in value of investment property and investment property under development, net	94,025	28,088	1,346,603
Sales and marketing expenses	(1,798)	(3,034)	(7,665)
Administrative and general expenses	(21,842)	(20,359)	(82,971)
Impairment of inventory of land for construction	-	-	(10,126)
Other revenues (expenses), net	(2,267)	(1,739)	16,657
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	-	-	(3,860)
The Company's share of the profits (losses) of companies handled using the book value method, net	3,359	2,582	10,792
Operating profit	291,649	183,153	2,046,874
Financing expenses	92,568	98,698	410,872
Loss from early redemption of debentures and loans	286	-	3,605
Financing revenues	5,421	1,535	12,394
Profit before taxes on income	204,216	85,990	1,644,791
Taxes on income	32,325	19,528	359,572
Net profit	171,891	66,462	1,285,219
Attributed to:			
Company shareholders	171,010	65,654	1,276,569
Non-controlling interests	881	808	8,650
	171,891	66,462	1,285,219
Profit per share attributed to company shareholders (in NIS)			
Basic earnings	0.23	0.09	1.69
Diluted earnings	0.23	0.09	1.68

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

Consolidated Reports on Comprehensive Income

	For the 3 Months Ending March 31		For the Year Ending on December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
Net profit	171,891	66,462	1,285,219
Other comprehensive income (after tax influence):			
<u>Sums classified or reclassified to gain or loss under specific conditions:</u>			
Adjustments from the translation of financial statements of foreign activities	8,292	8,500	32,186
Realization of capital reserve to Statement of Operations due to foreign activity	-	-	3,860
Total other comprehensive income	8,292	8,500	36,046
Total comprehensive income	180,183	74,962	1,321,265
Attributed to:			
Company shareholders	179,425	75,126	1,319,297
Non-controlling interests	758	(164)	1,968
	180,183	74,962	1,321,265

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders									
	Stock capital	Premium on Shares	Treasury Shares	Retained Earnings	Principal in respect of share-based payment transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non-Controlling Interests	Total	Non-controlling interests	Total Equity
	Unaudited									
	Thousands of NIS									
Balance as of January 1 2023 (audited)	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
Net profit	-	-	-	171,010	-	-	-	171,010	881	171,891
Other comprehensive income (loss)	-	-	-	-	-	8,415	-	8,415	(123)	8,292
Total comprehensive income	-	-	-	171,010	-	8,415	-	179,425	758	180,183
Writing off treasury shares	(31,902)	(227,142)	259,044	-	-	-	-	-	-	-
Dividends paid Company shareholders	-	-	-	(92,000)	-	-	-	(92,000)	-	(92,000)
Share-based payment	-	-	-	-	394	-	-	394	-	394
Balance as of March 31 2023	1,451,442	3,170,524	-	3,601,480	22,396	106,105	(279,026)	8,072,921	41,822	8,114,743

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

Consolidated Reports on Changes in Equity

	Attributable to Company shareholders							Total	Non-controlling interests	Total Equity
	Stock capital	Premium on Shares	Treasury Shares	Retained Earnings	Principal in respect of share-based payment transactions	Adjustments from the Translation of Financial Statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non-Controlling Interests			
	Unaudited									
	Thousands of NIS									
<u>Balance as of January 1 2022</u> (Audited)	1,495,852	3,500,029	(393,227)	2,500,901	22,271	54,962	(279,026)	6,901,762	(10,028)	6,891,734
Net profit	-	-	-	65,654	-	-	-	65,654	808	66,462
Other comprehensive income (loss)	-	-	-	-	-	9,472	-	9,472	(972)	8,500
Total comprehensive income (loss)	-	-	-	65,654	-	9,472	-	75,126	(164)	74,962
Exercise of employee options	4,147	15,593	-	-	(3,680)	-	-	16,060	-	16,060
Dividend to Company shareholders	-	-	-	(75,000)	-	-	-	(75,000)	-	(75,000)
Share-based payment	-	-	-	-	985	-	-	985	-	985
<u>Balance as of March 31 2022</u>	<u>1,499,999</u>	<u>3,515,622</u>	<u>(393,227)</u>	<u>2,491,555</u>	<u>19,576</u>	<u>64,434</u>	<u>(279,026)</u>	<u>6,918,933</u>	<u>(10,192)</u>	<u>6,908,741</u>

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

Consolidated Reports on Changes in Equity

	Attributable to Company shareholders									
	Stock capital	Premium on Shares	Treasury Shares	Retained Earnings	Principal in respect of share-based payment transactions	Adjustments from the Translation of	Capital Reserve from	Total	Non-controlling interests	Total Capital
						Financial	Transactions with Non-			
						Statements of	Controlling			
						Foreign Activity and Other Funds	Interests			
Audited										
Thousands of NIS										
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	-	-	-	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

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

Consolidated Cash Flow Reports

	For the 3 Months Ending March 31		For the Year Ending on December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
<u>Cash Flow from Current Activity</u>			
Net profit	171,891	66,462	1,285,219
Adjustments required to present cash flows from current activities			
Adjustments to profit or loss items:			
Depreciation and amortization	2,538	1,649	8,684
Financing expenses, net	87,433	97,163	402,083
Increase in fair value of investment property and investment property under development, net	(94,025)	(28,088)	(1,346,603)
The Company's share of the profits (losses) of companies handled using the book value method, net	(3,359)	(2,582)	(10,792)
Change in employee benefit liabilities, net	28	88	(1,096)
Taxes on income	32,325	19,528	359,572
Loss from the impairment of inventory of land for construction and inventory of buildings and apartments for sale	-	-	10,126
Realization of capital reserve from translation differences to Statement of Operations	-	-	3,860
Change in fair value of call options measured at fair value	1,449	421	(2,052)
Profit from the realization of investment in subsidiary (a)	-	-	(7,569)
Profit from the realization of investment in associate	-	-	(10,751)
Share-based payment	394	985	2,983
	26,783	89,164	(591,555)
Changes in asset and liability items:			
Decrease (increase) in trade receivables	5,701	(8,784)	(712)
Increase in other receivables	(19,917)	(47,487)	(15,390)
Increase (decrease) in trade payables	(30,374)	20,647	23,897
Increase in payables, credit balances and unearned revenues from buyers	21,097	19,410	5,557
Increase in tenants deposits	819	1,894	5,268
	(22,674)	(14,320)	18,620
Cash paid and received during the reported period for:			
Interest paid	(72,993)	(26,968)	(127,710)
Interest received	5,265	649	7,825
Taxes paid	(16,836)	(19,301)	(37,603)
Taxes received	1,652	-	1,876
Dividends received	259	158	4,313
	(82,653)	(45,462)	(151,299)
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	93,347	95,844	560,985
Increase in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction	(6,604)	(18,580)	(117,456)
Net cash deriving from current activities	86,743	77,264	443,529

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

Consolidated Cash Flow Reports

	For the 3 Months Ending March 31		For the Year Ending on December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
Cash Flows from Investment Activities			
Purchases, advances on investments, and investments in investment property	(47,376)	(610,341)	(785,083)
Investment in investment property under development	(95,648)	(54,605)	(221,785)
Investment in fixed assets	(10,993)	(15,889)	(46,385)
Investment and loans to companies handled using the book value method, net	-	(4,801)	(215,396)
Short-term investments, net	(49,302)	(3,646)	6,607
Proceeds from the realization of investment property and real estate held for sale	1,920	33,711	40,002
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	-	-	30,183
Repayment of long-term loans granted, net	-	1,246	1,688
Cash paid in subsidiary (a)	-	-	(14,916)
Net cash used in investment activities	(201,399)	(654,325)	(1,205,085)
Cash Flow from Financing Activity			
Exercise of options	-	16,059	-
Issue of shares, net of transaction costs	-	-	16,060
Dividends paid Company shareholders	-	-	(255,000)
Proceeds from the issue of debentures, net of transaction costs	1,034,865	780,493	780,493
Repayment of debentures	(667,364)	(23,864)	(308,365)
Short-term credit from banking corporations and others, net	13,000	(46,845)	98,085
Receipt of loans from banks and other long-term liabilities	79,208	20,800	61,686
Repayment of loans from banks and other long-term liabilities	(87,436)	(16,730)	(382,902)
Dividend paid to holders of non-controlling interests	-	-	(2,079)
Net cash deriving from financing activities	372,273	729,913	7,978
Increase (decrease) in cash and cash equivalents	257,617	152,852	(753,578)
Exchange rate differentials due to cash and cash equivalent balances	3,003	795	9,638
Balance of cash and cash equivalents at the beginning of the period	178,575	922,515	922,515
Balance of cash and cash equivalents at the end of the period	439,195	1,076,162	178,575

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

Consolidated Cash Flow Reports

	For the 3 Months Ending		For the Year
	March 31		Ending on
	2023	2022	December 31
	Unaudited		Audited
	Thousands of NIS		
(a) <u>Newly Merged Company</u>			
Working capital	-	-	7,490
Investment property and investment property under development	-	-	(30,393)
Long-term liabilities	-	-	7,987
	-	-	(14,916)
(b) <u>Departure from consolidation by formerly consolidated company</u>			
Working capital	-	-	(3,306)
Non-controlling interests	-	-	51,205
Long-term liabilities	-	-	(55,468)
Capital gains	-	-	7,569
	-	-	-
(c) <u>Additional information on material actions not involving cash flows:</u>			
Purchase of investment property against creditors	-	18,900	-
Dividends declared and not yet paid	92,000	75,000	-

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

Notes to the Interim Consolidated Balance Sheets

Note 1 - General

- a. These Financial Statements have been prepared in a concise format as of March 31 2023 and for the three-month period ending that date (hereinafter - the Consolidated Interim financial Statements). These Statements should be read along with of the Company's Annual Financial Statements as of December 31 2022 and accompanying Notes (hereinafter - the Annual Consolidated Financial Statements).

b. Implications of the War Between Russia and Ukraine

War broke out between Russia and Ukraine in February 2022. As of the date of the Consolidated Interim 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, Ukraine. The value of the property as of March 31 2023 amounts to \$69 million (250 million NIS). The Company's revenues from rental and management fees for this property in the three-month period ending March 31 2023 amounted to a total of 6 million NIS compared to a total of 7 million NIS in the corresponding period last year.

Note 2 - Principal Accounting Policies

A. PREPARATION FORMAT OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

Amendment to IAS 8 Accounting Policy, Changes in Accounting Estimates and Mistakes.

In February 2021, the IASB published an amendment to International Accounting Standard 8: Accounting Policy, Changes in Estimates and Errors (hereinafter - the Amendment). The purpose of the Amendment is to present a new definition of the term "accounting estimates".

Accounting estimates are defined as "monetary sums in the Financial Statements subject to uncertainty in measurement. The Amendment clarifies what changes in accounting estimates are and how they are different from changes in accounting policy and error corrections.

The Amendment will be applied on a prospective basis for yearly periods starting January 1 2023 and it applies to changes in accounting policies and in accounting estimates occurring at the start of that period or subsequently.

The above Amendment had no material impact on the Company's Interim Financial Statements.

Notes to the Interim Consolidated Balance Sheets

Note 2 - Principal Accounting Policies (Continued)Amendment to IAS 12, Taxes on Income

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

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

The revision was applied to yearly reporting periods starting January 1 2023.

The above Amendment had no material impact on the Company's Interim Financial Statements.

Amendment to IAS 1, Disclosure for Financial Policy

In February 2021, the IASB published an amendment to International Accounting Standard 1: Presentation of Financial Statements (hereinafter - the Amendment). According to the amendment, companies are required to provide disclosure of their material accounting policy in lieu of the current requirement to present disclosure for their significant accounting policy. One of the main reasons for this Amendment derives from the fact that the term “significant” has no definition in the IFRS while the term “material” has a definition in the various standards, and in IAS 1 in particular.

The revision was applied to yearly reporting periods starting January 1 2023.

The above Amendment had no material impact on the Company's Concise Interim Financial Statements, but the Amendment is expected to influence the disclosure of accounting policy in the Company's Consolidated Yearly Financial Statements.

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

<u>Rate of Change during the Period</u>	<u>Consumer Price Index</u>					
	<u>Israel (*)</u>					
	<u>Actual</u>	<u>Known</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Canadian Dollar</u>	<u>Swiss franc</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
For the three-month period ending March 31 2023	1.19	1.08	2.73	4.77	2.7	3.42
For the three-month period ending March 31 2022	1.46	1.17	2.12	0.11	3.82	0.88
For the Year Ending December 31 2022	5.26	5.28	13.15	6.62	6.31	12.06
	<u>CPI (in points)</u>		<u>Representative rate of exchange (in NIS)</u>			
31.3.2023	145.24	144.68	3.615	3.932	2.667	3.946
31.3.2022	138.35	137.55	3.176	3.524	2.536	3.434
31.12.2022	143.53	143.13	3.519	3.753	2.6	3.815

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

Notes to the Interim Consolidated Balance Sheets

Note 3 - Summary of Darban Data

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

A. CONSOLIDATED BALANCE SHEETS

	As of March 31		As of December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	3,693	9,311	4,705
Investments in financial assets	43,635	74,990	50,136
Current maturities of long-term deposits	14,475	-	14,941
Others	7,505	8,944	8,922
	<u>69,308</u>	<u>93,245</u>	<u>78,704</u>
<u>Non-Current Assets</u>			
Investment in shares of parent company	-	605,337	357,302
Investments in investees handled using the book value method	150,934	139,203	147,070
Investment property	1,049,308	986,975	1,048,337
Others	2,393	3,100	2,537
	<u>1,202,635</u>	<u>1,734,615</u>	<u>1,555,246</u>
	<u>1,271,943</u>	<u>1,827,860</u>	<u>1,633,950</u>
<u>Current Liabilities</u>			
Payables and credit balances	25,466	11,643	9,633
Current maturities of long-term loans	125,369	9,776	10,172
Current maturities of loan from parent company	-	27,790	13,189
Others	2,712	5,598	1,389
	<u>153,547</u>	<u>54,807</u>	<u>34,383</u>
<u>Non-Current Liabilities</u>			
Long-term loans from financial institutions	39,802	157,033	155,775
Other long-term liabilities	-	15,000	15,000
Deferred taxes	166,870	155,958	166,542
	<u>206,672</u>	<u>327,991</u>	<u>337,317</u>
Total equity	<u>911,724</u>	<u>1,445,062</u>	<u>1,262,250</u>
	<u>1,271,943</u>	<u>1,827,860</u>	<u>1,633,950</u>

Notes to the Interim Consolidated Balance Sheets

Note 3 - Summary of Darban Data (Continued)B. CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Month Period Ending March 31		For the Year Ending December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
<u>Revenues</u>			
From renting, managing and maintaining buildings in Israel	20,040	18,933	79,706
<u>Costs</u>			
Cost of building management and maintenance	3,196	2,034	9,595
Gross profit	<u>16,844</u>	<u>16,899</u>	<u>70,111</u>
Net increase (decrease) in fair value of investment property	-	-	58,110
Administrative and general, and sales and marketing expenses	2,447	3,178	9,428
The Group's share of profits (losses) of associates treated according to the book value method	2,221	(6,744)	(644)
Other comprehensive loss items charged to gain/loss due to investment in investees	<u>-</u>	<u>-</u>	<u>291</u>
Profit from regular activities	16,618	6,977	117,858
Profit from the realization of consolidated companies and investee using the book value method	-	-	(172)
Financing revenues (expenses), net	<u>(7,711)</u>	<u>(5,301)</u>	<u>(28,029)</u>
Profit after financing	8,907	1,676	89,657
Tax expenses	<u>2,631</u>	<u>1,979</u>	<u>26,819</u>
Net profit (loss)	<u>6,276</u>	<u>(303)</u>	<u>62,838</u>
Attributed to:			
Company shareholders	6,283	(295)	62,875
Non-controlling interests	<u>(7)</u>	<u>(8)</u>	<u>(37)</u>
	<u>6,276</u>	<u>(303)</u>	<u>62,838</u>

Notes to the Interim Consolidated Balance Sheets

Note 3 - Summary of Darban Data (Continued)C. CONSOLIDATED CASH FLOW REPORTS

	For the Three Months Ending March 31		For the Year Ending December 31
	2023	2022	2022
	Unaudited		Audited
	Thousands of NIS		
Net cash deriving from current activities	1,466	13,595	38,744
Net cash derived from (used for) investing activities	(163)	17,500	(857)
Net cash used in financing activities	(2,571)	(29,951)	(41,537)
Translation differences due to cash balances held in foreign currency	256	412	600
	(1,012)	1,556	(3,050)
Balance of cash and cash equivalents at the beginning of the period	4,705	7,755	7,755
Cash and cash equivalents balance at the end of the period	3,693	9,311	4,705

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

- 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 debentures (Series 18) amounting to 571.6 million NIS NV and for a total sum of 642.1 million NIS for principal and interest. The principal sum redeemed via early redemption amounted to 632.4 million NIS. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to 9.7 million NIS. 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.
- d. 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.
- e. On February 28, 2023, Darban distributed as dividend in kind 31,901,921 NV shares, which constituted the remainder of dormant Company shares held in its possession, valued at 299 million NIS, 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.
- f. 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 concluded his term in office as Company CEO, including with subsidiaries and affiliates (and with the exception of director in a number of subsidiaries as detailed below) on March 22 2023 and shall conclude this advance notice period on December 20, 2023. The separation agreement governs the contracting terms with Mr. Zvida during and after the notice period. The Company included expenses in the Financial Statements to the sum of 1.7 million NIS for the advance notice period. On June 4 2023 a Special Company General Meeting will be held pursuant to which the Company's remuneration policy for 2023-2025 will be approved, a special retirement bonus will be approved for Mr. Zvida at a sum equal to management fees for 3 months, and the Company's engagement with Mr. Zvida in an agreement to receive consultation services in the field of data centers will be approved as well as his service as director in Company related corporations in return for a monthly total of 25,000 NIS per month (linked to the February 2023 CPI), plus VAT as required by law for an 18-month period beginning starting December 2023.

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

- g. On March 20 2023 the Company announced that it recognizes the National Histadrut as the representative workers' union for the Company's employees and that it had instructed Company management to initiate negotiations for a collective agreement.
- h. 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.
On the same occasion, the Company Board of Directors decided on a dividend distribution policy for 2023 according to which a total of 260 million NIS will be distributed 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 and business considerations.
- i. On May 2 2023 the balance of a loan provided by a subsidiary partnership fully owned by the Company (hereinafter - the Seller) to a buyer who had bought the Seller's holdings in a property company in Florida was redeemed to the sum of USD 26.7 million (97 million NIS). while pushing dates forward and against implementation of a non-material assumption on the sum of the redemption that cannot have a material impact on the cash flow to the seller from the sale.
- j. On March 22, 2023 Mr. David Zvida finished his term as CEO of the company. On May 22 2023 the Company Board of Directors ratified the appointment of Mr. Uzi Levi as Company CEO starting July 23 2023 and the terms of his service, subject to the receipt of the approval of the Company General Meeting. His key terms of service are as follows: (1) a gross monthly salary of 105,000 NIS; (2) a sign-on bonus equal to 5 salaries; (3) a yearly bonus of up to 12 salaries, composed as follows - 75% achievement-based bonus and 25% bonus at the discretion of the Company Board of Directors; (4) a long-term (three-year) achievement-based bonus of 900,000 NIS; (5) capital remuneration - non-tradable options exercisable as regular Company shares, which will vest across a period of 4 years, the economic value of which according to the B&S model is calculated according to a linear spread in the vesting period is 1.5 million NIS per year; (6) Mr. Levi shall be included in the Company's executive liability insurance policy and shall be entitle to a letter of exemption and indemnification liability according to the versions accepted at the Company. The Company is working to summon the general meeting of its shareholders to approved the terms of service and employment of the CEO.
- k. On May 30 2023, the Company Board of Directors approved distribution of dividends to the sum of 65 million NIS. The dividend per share is 0.08611 NIS.
