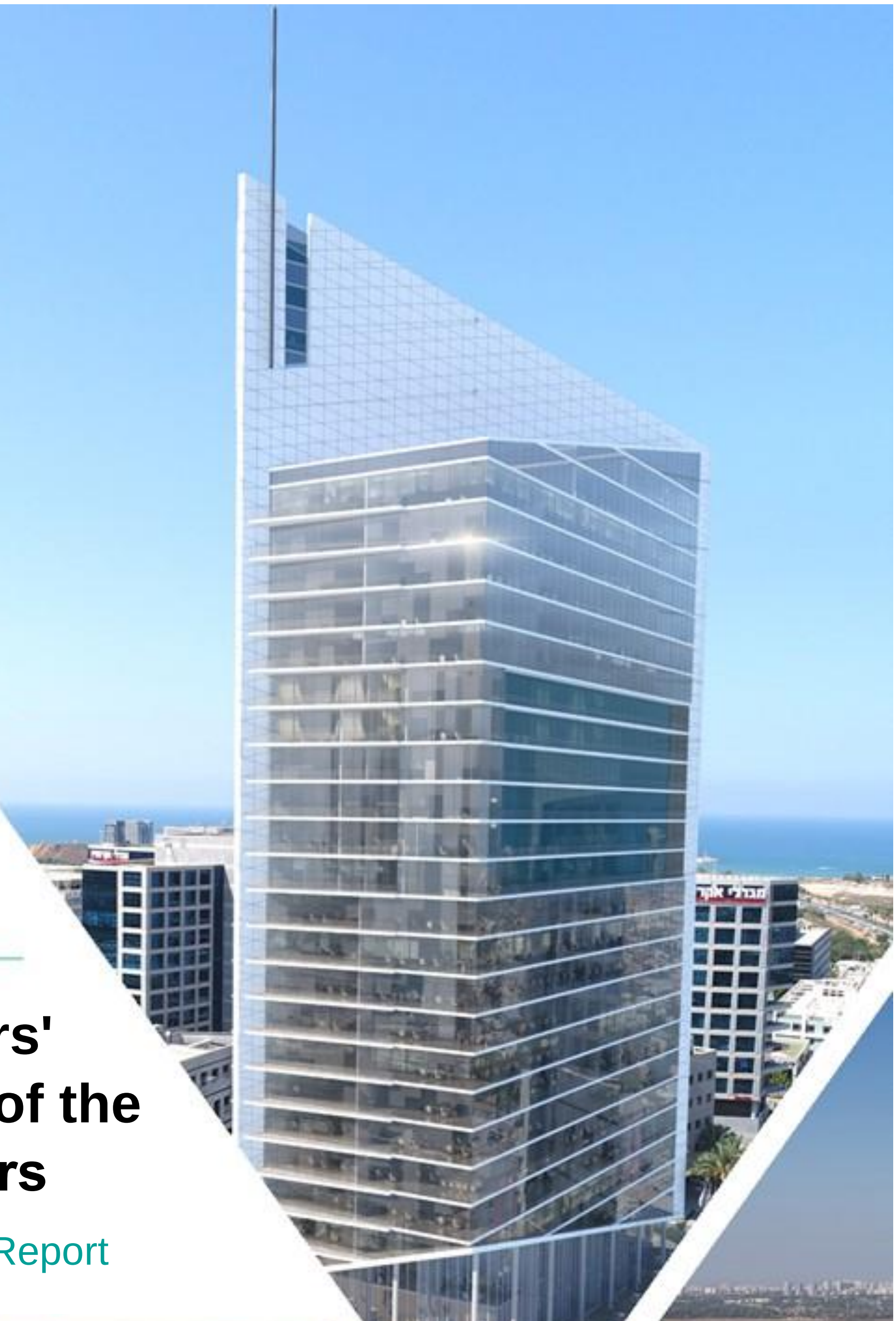
# Mivne Real Estate (K.D) Ltd.

## ("The company")

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

As of December 31th, 2023



# Mivne

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

December 31 2023 Annual Report

## Overview 31.12.23

| | |
|---|---|
| 15,051 | **Total Investment Property** (Millions of NIS) |
| 1,414 | **Of This, Real Estate Under Construction** (Millions of NIS) |
| 1,944 | **Cash-Generating Areas** (Thousands of m²) of which 1,646 are in Israel. |
| 769 | **Land Reserves and Unused Rights** (Thousands of m²) |

## Projects under construction December 31 2023

| | |
|---|---|
| 6 | **Projects Under Construction and In Development** |
| 141 | **Scope** (Thousands of m²) |
| 861 | **Estimated Cost Balance** (Millions of NIS) |
| 180-195 | **Expected NOI at Project Completion*** (Millions of NIS)<br>* For details see table under "concentrated data on projects in stages of construction, planning and development" below. |

## Data from the Consolidated Statements 1-12.23

| | |
|---|---|
| 825 | **NOI** (Millions of NIS) **Increase** of 8.7% compared to the corresponding period last year |
| 9.0% | **Same Properties NOI in Israel** **Increase** compared to corresponding period last year |
| 603 | **FFO** (Millions of NIS) **Increase** of 10.7% compared to the corresponding period last year |
| 8,049 | **Unrestricted Assets** (Millions of NIS) constituting 53% of total real estate |
| 2.35% | **CPI-linked weighted debt interest** |
| 2,386 | **Unused cash and credit frameworks as of the publication date of the Statements** (Millions of NIS) |
| 92.7% | **Occupancy Rate in Israel** |

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

## For the Period Ending December 31 2023

The Board of Directors of Mivne Real Estate (K.D.) is honored to submit the Financial Statements of the Company and its subsidiaries ("**the Company**") for the period ending December 31 2023 ("**The Reported Period**").

# Business Environment

## Description of the Company and its Business Environment

The company has two main areas of activity as of the reported date:

1. The field of cash-generating properties – within this framework the Company engages, by itself and through its investees, in varied real estate activity centering on Israel. For further details see Section 1.2 of the Report on Corporate Business. The Company (including associates) owns some 1,944,000 m² of cash-generating space, of which 1,646,000 m² is in Israel.
2. Residential real estate development field – the Company is active in the development of residential real estate in Israel including locating, initiating, planning, developing, building, marketing and selling residential construction in Israel. The Company has land reserves and unused rights to the amount of 769,000 m² and property under construction and planning to the amount of 824,000 m².

On October 7 2023 the State of Israel was attacked by the Hamas terrorist organization in a brutal and murderous surprise attack. The attack from the Gaza Strip involved missiles fired and thousands of terrorists invading Israeli territory, taking the lives of over a thousand soldiers, civilians and foreigners. In addition, hundreds of people were kidnapped into the Gaza Strip. These events were a major shock, both in social terms and in economic terms. Even before the war broke out, over the course of the year the Israeli economy had been dealing with rising inflation, high interest rates, a credit crunch and a slowdown in the real estate market and in particular in the high tech market, the economy's growth engine.

Over the course of the year, inflation rates in Israel grew more moderate and reached a rate of 3.3% compared to 5.3% in 2022. As part of the attempts to lower inflation rates, the Bank of Israel led a process of raising interest rates after years of zero interest in the economy, so that starting May 2023 interest rates increased to 4.75% and remained at that level until the end of the year. In the interest decisions from January and February 2024, the Bank of Israel decided to lower interest rates to a rate of 4.5%. In its revised forecast, the Bank of Israel estimates that interest rates in the fourth quarter of 2024 are expected to be 3.75% or 4%. In this context, note that the fair value of the Company's assets was determined, among other things, by use of capitalization rates for future cash flows in its properties including exposure to changes in capitalization rates, which are influenced among other things by long-term interest rates. Note also that the margin between the weighted capitalization rate and the weighted debt cost, and the Company's current marginal raising date is high.

The Bank of Israel also estimates that over the course of 2024 the inflation rate is expected to be 2.4%. The projection is based on the assumption that the war will mainly focus on the single front against the terrorist organizations in Gaza, and its implications will continue into 2024 with reduced intensity. Various developments – which will impact the duration and scope of the war – will naturally have a material impact on economic activities in practice. In particular, the war's expansion to the northern arena, which according to estimates will be more complex than in the south, is expected to have a more severe economic impact. This expansion is expected to cause additional harm to growth, and for a certain amount of time also to disruptions in the option of maintaining routine economic activity, and as a result may disrupt market stability again and lead to pressure to increase inflation rates.

The increase in CPI has led to an increase in the Company's financing costs. Against this, the Company's cash-generating property in Israel, the current value of which is 11.6 billion NIS, is mostly 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.

In early February 2023 rating company Moody's lowered the State of Israel's credit rating to A2 Negative Outlook, in light of the risk of the fighting expanding to the north and expanding the fighting in Gaza, which significantly increase the geopolitical risks in the State of Israel and hurt the State's fiscal fortitude in the foreseeable future. For further details on the economic environment and the impact of external factors on Mivne's activity see Section 1.7 in Chapter A (Report on the Corporation's Business) in this report.

As of the date of this report, in light of the fact that it is a dynamic event characterized by a great deal of uncertainty, and based on the assumptions the Bank of Israel relies on in its forecasts according to which the direct economic impact of the war peaked in the fourth quarter of 2023, and that the war will continue but at a decreasing intensity and will continue to focus mainly on the southern front, Company Management predicts that the impact of the war on the Company's activity or on its monetary results will not be material. Company Management estimates, taking a long-term view, that in light of the broad geographic and segment distribution of the Company's assets, their positioning, their location and their occupancy rates, as well as in light of its financial fortitude, which is expressed, among other things, in high balances of cash and cash equivalents in its possession, the debt's average life span, and the fact that assets to the scope of 8 billion NIS are not encumbered, the exposure of the Company's business to the crisis and/or to significant instability decreases and it possesses tools that will allow it to deal properly with an economic crisis. At the same time, the Company estimates that the continuation of the conflict for an extended period of time and/or a full conflict on the northern front (or additional fronts) are expected to lead to significant and broader damage to the economy, which will include deepening the harm to private consumption and businesses, including Company tenants, and as a result will lead to a drop in redemptions and changes in additional economic parameters. In addition, in such a state of continued warfare, a shortage may be created in personnel at the Company's construction sites or halts in activity for safety reasons, which may lead to delays in the timetables of competing development projects. As of the publication of this report, no significant delays are expected in projects under development as a result of the war.

We emphasize that 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 debentures.

**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

## Debt 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%.

In June 2023 the Company issued 875,747,000 NIS NV debentures (Series 25) and 385,556,000 NIS NV debentures (Series 20) by way of a series expansion in return for a total of 778 million NIS and 434 million NIS, respectively. The effective yearly interest embodied in the debenture offering (Series 25) is 3.2% and in the debenture offering (Series 20) some 2.83%.

In January 2024 the Company issued 571,916,000 NIS NV debentures (Series 25) and 125,355,000 NIS NV debentures (Series 20) by way of a series expansion in return for a total of 525 million NIS and 143 million NIS, respectively. The effective yearly interest embodied in the debenture offering (Series 25) is 3.06% and in the debenture offering (Series 20) some 2.66%.

## 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 additional details see Note 20.a.1 and 2 to the Company's Consolidated Financial Statements as of December 31 2023.

## Mivne Towers Yigal Alon Project, Tel Aviv

In June 2023 the protocol of the Local Committee for Planning and Construction on the deposit of Plan no. 507-0892091 TA/MK/4974 – Ayalon Region ("the Plan") was approved, to validate part of Parcel 64 in Block 7069, located between Yigal Alon Street west of the Bitzaron Neighborhood, Aminadav Street to the south and Meitav Street to the east.

The plan, as approved by the Local Committee, includes the construction of 3 buildings: a 47-storey residential building, two 47-storey employment buildings, and an additional employment structure of the "Hamashbir Hamerkazi" building regarding which the plan has established it as a building for preservation. The total plan area is 18,525 m², of which 5,500 m² is intended for public buildings, utilizing the construction rights as follows:

a. Residential construction rights – 41,600 m², constituting 400 housing units.
b. Construction rights for commerce and employment – some 125,000 m², primary and service areas.
c. Construction rights for underground spaces of 66,500 m².

Hamashbir Hamerkazi structure on 76 Yigal Alon St., Tel Aviv, will be preserved according to the full documentation file approved by the City of Tel Aviv-Jaffa.

## Sales

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 discount 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.

## Purchase of Photo Voltaic Systems

In March 2024 the Company completed a transaction with Soleg Sun Ltd., a subsidiary (80%) of Sunflower Renewable Investments Ltd., to purchase 101 photovoltaic facilities installed on the rooftops of Group properties with a total existing output of 5 MW including all rights in connection with them in return for a total of 78 million NIS plus VAT. The Company intends to offer an upgrade of the existing systems and add further system, with the cost of these upgrades estimated at 30 million NIS. The Company estimates that as a result of the purchase and upgrades in question, the total output is expected to grow to 10 MW and the Company's yearly FFO is expected to grow in coming years to 15-17 million NIS per year.

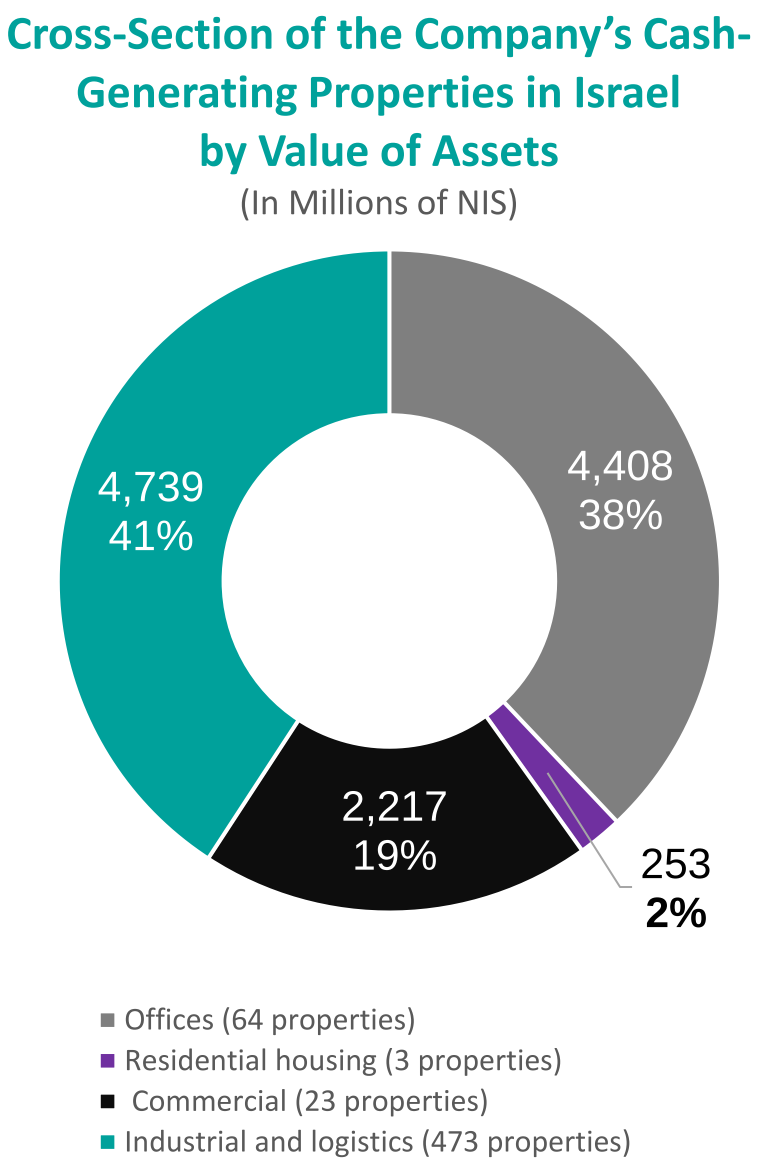
***Some of the information presented above constitutes forward-looking information, as per Section 32a of the Securities Law, 1968.**

## Appointment of New CEO

On March 22 2023 Mr. David Zavida 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 2 2023. In addition, the Company Remuneration Committee, Board of Directors and General Meeting ratified the terms of service and employment of Mr. Levi,. For further details on the terms of service and employment of the Company CEO see the immediate report published by the Company on May 23 2023 and July 9 2023 (ref: 2023-01-054891, 2023-01-054921 and 2023-01-077304), presented here by way of referral.

# The Company's Activity

As of December 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 1.6 million m², not including properties under construction. The properties are rented to some 3,000 tenants, in contracts of various length. In addition, the Company has 23 projects in advanced construction and planning stages to the scope of 824,000 m².
The occupancy rate of the Company's properties in Israel as of December 31 2023 is 92.7% versus 94.5% on December 31 2022.



# A View of Company Data

## Summary of Key Data (in Millions of NIS)

| | Change Compared to Corresponding Period Last Year | 1-12/23 | 1-12/22 | Change Compared to Corresponding Period Last Year | 10-12/23 | 10-12/22 |
|---|---|---|---|---|---|---|
| **Comprehensive NOI** | **8.7%** | **825** | **760** | **0.9%** | **201** | **200** |
| **NOI in Israel*** | **7.6%** | **763** | **709** | **0.0%** | **186** | **186** |
| **Same Properties NOI in Israel** | **9.0%** | **745** | **684** | **2.3%** | **182** | **178** |
| **NOI abroad**** | **23.0%** | **62** | **51** | **13.1%** | **15** | **14** |
| **FFO** | **10.7%** | **603** | **544** | **(2.7%)** | **144** | **148** |
| **Increase in Known Index Rate** | | **3.3%** | **5.3%** | | **0.1%** | **0.8%** |

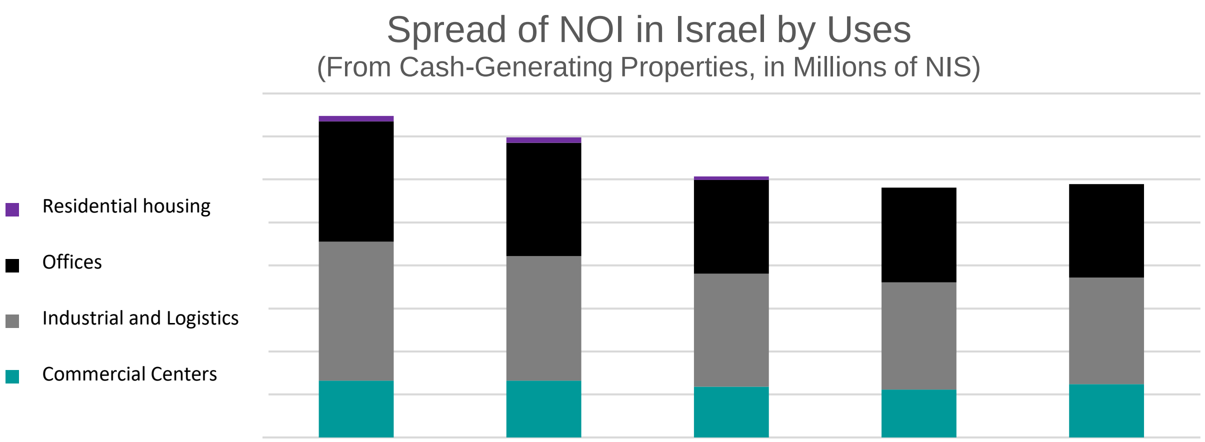
* Including from solar activity. The increase in NOI in 2023 compared to 2022 derives from an increase due to new rentals, an increase in rental fees in contract renewals and a decrease in net management expenses to the sum of 21 million NIS, and increase due to the increase in CPI to the sum of 37 million NIS, against a decrease as a result of the impact of the war to the sum of 4 million NIS.

** Most of the increase derives from a one-time revenue of a property in France as well as from an increase in exchange rates.

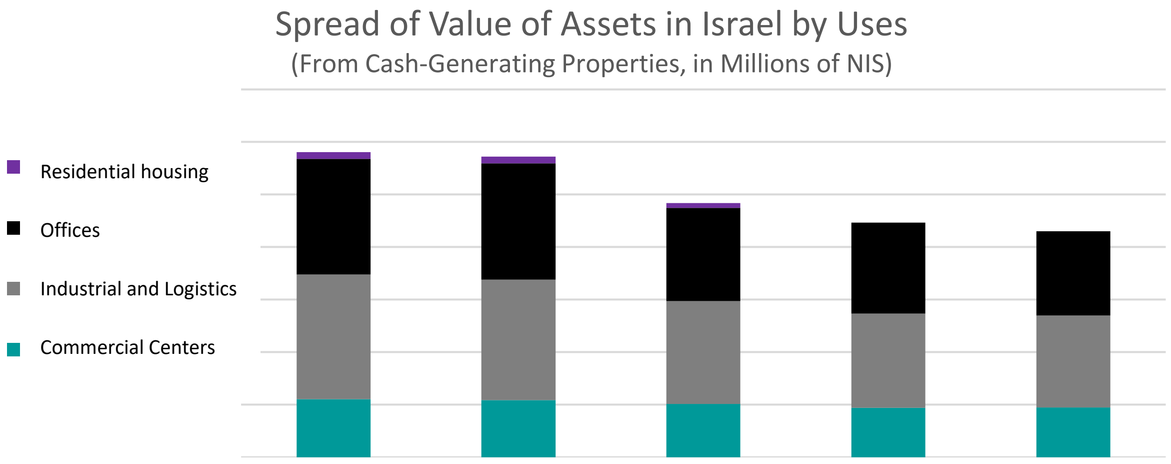
## Primary Information on the Company's Israeli Properties Divided by Uses

| | Number of Properties as of December 31 2023 | Above-Ground Area as of December 31 2023 | NOI for the Period 1-12.23 | Fair Value of Cash-Generating Property as of December 31 2023 | Occupancy Rate as of December 31 2023 | Value of Real Estate Under Construction as of December 31 2023 |
|---|---|---|---|---|---|---|
| **Uses** | | **m²** | **In Thousands of NIS** | **In Thousands of NIS** | **%** | **In Thousands of NIS** |
| Offices | 64 | 407,573 | 279,583 | 4,407,742 | 86.8% | 1,413,947 |
| Commercial | 23 | 195,201 | 132,020 | 2,216,771 | 87.5% | |
| Industrial and logistics | 473 | 993,132 | 323,026 | 4,739,368 | 96.1% | |
| Residential | 3 | 13,864 | 13,450 | 253,231 | 99.5% | |
| **Total** | **563** | **1,609,770** | **748,079** | **11,617,112** | **92.7%** | **1,413,947** |

| Uses | Number of Properties as of December 31 2023 | Above-Ground Area as of December 31 2023 | NOI for the Period 1-12.23 | Fair Value of Cash-Generating Property as of December 31 2023 | Occupancy Rate as of December 31 2023 | Value of Real Estate Under Construction as of December 31 2023 |
|---|---|---|---|---|---|---|
| | | m² | In Thousands of NIS | In Thousands of NIS | % | In Thousands of NIS |
| **Associated Companies – Company's Share** | | | | | | |
| Offices | 5 | 17,510 | 9,012 | 155,859 | 84.8% | |
| Commercial | 6 | 13,149 | 12,890 | 209,676 | 98.6% | |
| Industrial and logistics | 1 | 5,256 | 861 | 145,200 | 100.0% | |
| **Total** | **12** | **35,915** | **22,763** | **510,735** | **92.0%** | |
| **Expanded Total** | **575** | **1,645,685** | **770,842** | **12,127,847** | **92.7%** | **1,413,947** |




| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Commercial** | 132 | 132 | 118 | 111 | 124 |
| **Industrial and Logistics** | 323 | 290 | 263 | 250 | 248 |
| **Offices** | 280 | 263 | 218 | 218 | 217 |
| **Rental Housing** | 13 | 13 | 8 | 2 | - |
| **Total** | **748** | **698** | **607** | **581** | **589** |




| | 31.12.2023 | 31.12.2022 | 31.12.2021 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| **Commercial** | 2,217 | 2,175 | 2,030 | 1,878 | 1,892 |
| **Industrial and Logistics** | 4,739 | 4,585 | 3,911 | 3,589 | 3,500 |
| **Offices** | 4,408 | 4,427 | 3,555 | 3,367 | 3,213 |
| **Rental Housing** | 253 | 252 | 174 | 101 | - |
| Total cash-generating property | 11,617 | 11,439 | 9,670 | 8,935 | 8,605 |
| Total under construction | 1,414 | 1,126 | 723 | 168 | 135 |
| **Total investment property** | **13,031** | **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 m² | Number of Tenants | Rate of Occupancy | Fair Value In Thousands of NIS | NOI from Cash-Generating Properties 1-12/2023 In Thousands of NIS |
|---|---|---|---|---|---|---|
| **Cash-Generating Properties** | | | | | | |
| Israel | 563 | 1,609,770 | 3,034 | 92.7% | 11,617,112 | 748,079 |
| Switzerland | 2 | 56,220 | 17 | 93.3% | 443,121 | 28,148 |
| Ukraine | 1 | 44,672 | 65 | 78.7% | 195,423 | 16,908* |
| North America | 4 | 77,522 | 176 | 68.5% | 186,892 | 8,243 |
| France | 5 | 119,447 | 5 | 98.5% | 44,363 | 9,081** |
| **Total cash-generating properties** | 575 | 1,907,631 | 3,297 | 91.9% | 12,486,911 | 810,459 |
| **Land** | | | | | | |
| Land in Israel | 33 | | | | 1,353,533 | |
| Abroad | 1 | | | | 25,796 | |
| **Total land** | 34 | | | | 1,379,329 | |
| **Total** | 609 | 1,907,631 | 3,297 | 91.9% | 13,866,240 | 810,459 |
| | | | | | | |
| **Israel – Associated Companies** | 12 | 35,915 | 91 | 92.0% | 510,735 | 22,763 |
| | | | | | | |
| **Total** | 621 | 1,943,546 | 3,388 | 91.9% | 14,376,975 | 833,222 |
| **Deferred taxes*** ** | | | | | 2,337,412 | |

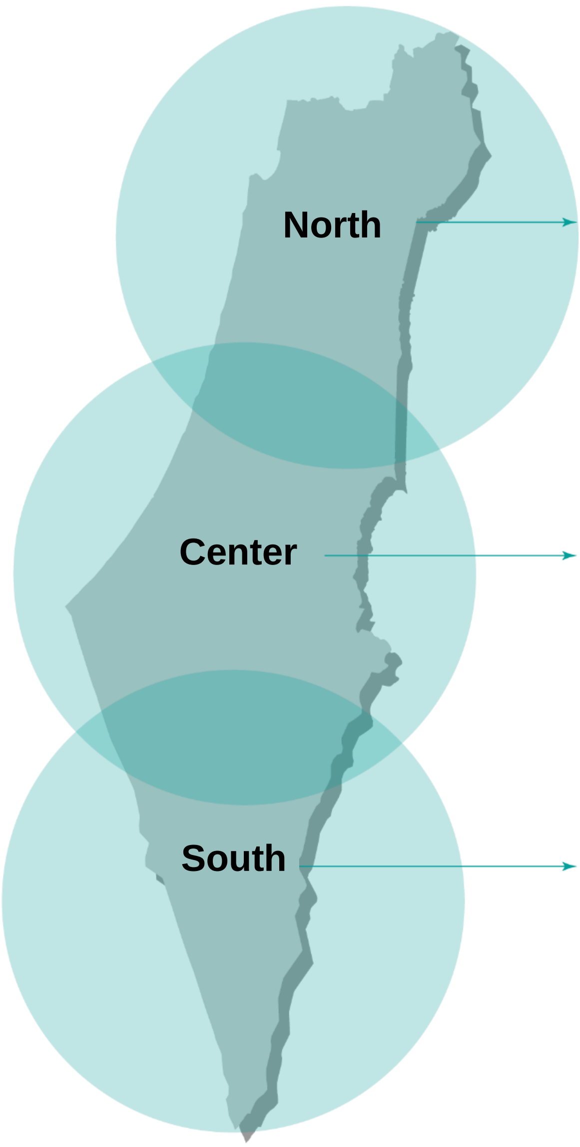
* This data reflects partial rental receipts in light of the defense and geopolitical events occurring in the region. For further details see Note 1c to the Consolidated Financial Statements.

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

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

# Kol Haaretz Mivne

The Company owns some 1,944,000 m² of cash-generating space, of which 1,646,000 m² is in Israel. The Company has land reserves and unused rights to the amount of 769,000 m² and property under construction as detailed in the above table of properties under construction, to the scope of 141,000 m².




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

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

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

# Concentrated Data on Projects in Construction, Planning and Development Stages

# (As of December 31 2023)[1]

## Properties Under Construction

| Project Name | Location | Main Use | Company's Share | Design Status | Rental Space (m²)* | Project's Value in the Company's Books | Estimated Construction Cost Balance | Estimated NOI Fully Occupied |
|---|---|---|---|---|---|---|---|---|
| | | | | | | In Millions of NIS | | |
| **Hasolelim** | Tel Aviv-Yafo | Offices and commercial | 100% | Offices: the structural elements of the small building are completed, the structural elements of the large structure are at the 24h floor. Public building: the structural elements of the building are completed and finishing works have begun. | 68,300 | 891 | 421 | 109-117 |
| **Mivne Kfar Saba** | Kfar Saba | Offices | 100% | Underway, Estimated completion – 2024. | 26,000** | 237 | 24 | 19-22 |
| **Science and High-Tech Park (2 buildings)** | Haifa | Offices | 50% | The structural elements of the building have been completed, is undergoing system and aluminum works on the floors. | 14,000 | 86 | 71 | 12 |
| **Kiryat Hamishpat** | Kiryat Gat | Offices | 100% | Certificate of completion issued for envelope level | 5,000 | 39 | 1 | 3 |
| **Mivne Herzliya Pituach** | Herzliya | Residential | 100% | Paneling and foundation works completed. Changes in design made and progress has been made toward the completion of basements. | 103 housing units | 139 | 137 | 8-9 |
| | | Offices and commercial | | | 24,300 | | 205 | 27-30 |
| **Sderot Netter** | Sderot | Commercial | 100% | Under construction, estimated completion 2024. | 3,300 | 22 | 3 | 2 |
| **Total** | | | | | **140,900** | **1,414** | **862** | **180-195** |

* Without parking area.

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

*** After the examination of the project for the construction of the One Plaza Hotel in Beer-Sheva, a decision was made to cancel the construction of the hotel and the construction rights for the area of 16,700 m² were converted to cash-generating properties.

## Primary Properties Undergoing Planning

| Project Name | Location | Main Use | Company's Share | Design Status | Built-Up Area* (m²) | Project Value in the Company's Books (Millions of NIS) |
|---|---|---|---|---|---|---|
| **Mivne Towers Yigal Alon, Tel Aviv** | Tel Aviv | Residential, Employment and commercial | 100% | Plan approved for validation | 125,000<br>400 housing units | 714 |
| **Hasivim Neveh Oz** | Petach Tikva | Offices | 100% | Town construction plan approved. Implementation date not yet decided. | 13,000 | 23 |
| **Science and High-Tech Park (2 buildings)** | Haifa | Offices | 50% | Preliminary design. | 14,000 | 14 |
| **Crytek 2** | Yokneam | Offices | 100% | Decided to push permit forward, permit receipt forecast - Q4/2024. | 25,000 | 5 |
| **Akerstein Towers Stage B** | Herzliya | Offices and commercial<br>Residential | 53% | In discussions with regional committee. In planning stages for Town Plan. | 46,000<br>150 housing units | 14 |
| **Office Tower in Giv'at Sha'ul** | Jerusalem | Offices | 100% | Permit in preparation for completion. | 34,750 | 47 |
| **Mitham Ha'elef** | 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 | 78 |
| **Or Yehuda** | Or Yehuda | Offices and commercial | 50% | In advanced permit stages. | 15,500 | 31 |
| **Yad Hanna** | Yad Hanna | Industry | 50% | Working on permit | 47,000 | 145 |
| **Kanfei Nesharim** | Jerusalem | Offices | 50% | Conditional permit issued. | 15,000 | 8 |
| **Ofakim – Ofar** | Ofakim | Commercial | 100% | Building permit request filed, first permit received | 8,000 | 28 |
| **Gannei Tal** | Gannei Tal | Industry | 51% | In second reservation with administration. | 28,000 | 30 |
| **Rehovot – Serafon** | Rehovot | Employment and commercial<br>Residential | 50% | Planning for permit | 40,000<br>210 housing units | 36 |
| **Eilat – Shemi Bar** | Eilat | Employment and commercial<br>Residential | 100% | In Town Construction Plan approval stages. | 23,000<br>220 housing units | 66 |
| **Eilat – Commercial Compound** | Eilat | Employment and commercial<br>Residential | 100% | In Town Construction Plan approval stages. | 21,500<br>152 housing units | 68 |
| **DLR Mivne** | Petach Tikva | Data center | 50% | In permit stages. | 18MW on some 10,000 m² | - |
| **Kiryat Shechakim** | Herzliya | Offices | 25% | - | 200,000 | - |
| **Total** | | | | | **682,750** | **1,307** |

* Without parking area.

## 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 Cluster | 317 | 13,658 | 125,987 | - | 8,037 | Cash-generating |
| Kiryat Ono | Student housing | 113 | 3,334 | 59,187 | - | 2,900 | Cash-generating |
| Kiryat Ono | Residential | 30 | 2,745 | 68,057 | - | 2,000 | Cash-generating |
| Ben Shemen | Residential | 80 | 8,913 | 25,518 | 112,755 | 4,235 | Q3/2024 |
| Hadera | Residential | 50 | 5,168 | 14,166 | 62,082 | 1,679 | Q3/2025 |
| Ramat Hasharon | Residential | 50 | 6,041 | 28,557 | 124,170 | 5,508 | Q3/2024 for most of the apartments Q4/2026 for the remaining apartments |
| Ramat Chen | Residential | 80 | 7,206 | 37,485 | 160,658 | 5,283 | Q1/2027 |
| **Total** | | **720** | **47,065** | **358,957** | **459,665** | **29,642** | |

## Photo Voltaic Systems[1]

The Company has solar facilities 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 following is the status of the facilities as of the publication of this report:

| | Amount | Size (KW) | Expected Yearly Revenue (Thousands of NIS) |
|---|---|---|---|
| Existing facilities** | 351 | 41,518 | 43,674 |
| Increasing the size of existing facilities | - | 176 | 121 |
| facilities with quota | 24 | 2,915 | 1,943 |
| facilities in approval proceedings | 27 | 4,033 | 2,855 |
| **Total** | **402** | **48,642** | **48,593*** |

* The Company's share of the expected revenues is expected to amount to a total of 42 million NIS. The amortized cost in the books for the solar facilities is 138 million NIS and the balance of the cost for implementation totals 103 million NIS.

** In March 2024 the Company completed a transaction to purchase 101 photovoltaic facilities that were installed on the rooftops of Company properties with an existing total output of 5 MW. For further details se under " Purchase of Photo Voltaic Systems " in this chapter above.

**(1) Some of the information presented in the above two tables constitutes forward-looking information, as per Section 32a of the Securities Law, 1968. Forward-looking information is any forecast, estimate, assessment or other information in the Company's possession as they are upon the publication of this report with regard to future events or issues, the materialization of which is uncertain and not under the sole control of the Company, and among other things, is subject, by nature, to significant chances of non-realization. Such information is influenced, among other things, by the business environment in which the Company is active and the risk factors characterizing the Company's activity, including tenants' ability to pay, the receipt of permits and approvals from the proper authorities, engagements with third parties, changes in legislation and regulation as well as the impact of the "Iron Swords" war, which was detailed in the "Business Environment" chapter above on the Israeli economy in general and on the Company's activity in particular, including the impact of the war on all of the above items. For further details on the risk factors characterizing the Company's activity see Section 1.38 "Risk Factors" as well as Section 1.7 "General Environment" in of the Report on the Corporation's Business.**

## Residential

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

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

| Location | No. of Housing Units[1] | Company's share | Number of Housing Units for which Sales Agreements were Signed and Not Yet Delivered | Financial Scope of Sales Agreements (Millions of NIS, Not Yet Delivered) | Number of Housing Units for which Sales Agreements were Signed and Not Yet Delivered | Financial Scope of Sales Agreements (Millions of NIS, Not Yet Delivered) | Sign-Ups for which the Sales Agreement has Not Yet been Signed | Total Investment as of December 31 2023 (Millions of NIS) | Total Cost Balance | Developer Profit Not Yet Recognized |
|---|---|---|---|---|---|---|---|---|---|---|
| | | % | As of December 31 2023 | | As of the publication of the report | | | | | |
| Hasolelim | 360 | 75% | 86 | 302 | 93 | 333 | 3 | 474 | 203 | 328 |
| Hameitav Tel-Aviv, Stage A [2] | 1 | 50% | - | - | 1 | 4 | - | 1 | - | 1 |
| Marom Hasharon Stage F | 134 | 90% | 45 | 85 | 46 | 87 | 1 | 88 | 16 | 66 |
| Marom Hasharon Stage G | 79 | 90% | - | - | - | - | - | 86 | 15 | 39 |
| **Total** | **574** | | **131** | **387** | **140** | **424** | **4** | **649** | **234** | **434** |

1. Balance of units in inventory as of December 31 2023.
2. As of December 31 2023 and as of the report issue date, 158 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, increased construction costs and the implications of the "Iron Swords" war, which was detailed in the "Business Environment" chapter above on the Israeli economy as a whole and on the Company's activity in particular. For further details on the risk factors characterizing the Company's activity see Section 1.38 "Risk Factors" as well as Section 1.7 "General Environment" in of the Report on the Corporation's Business.**

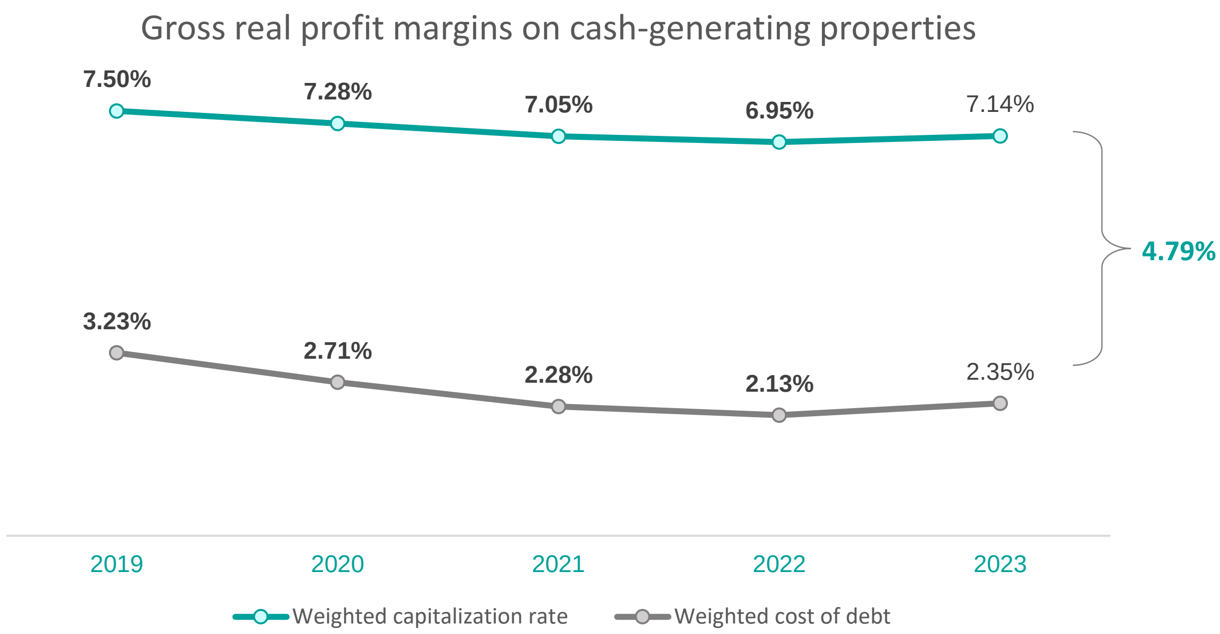
### Inventory of Land for Long-Term Residential Construction

| Location | Number of Housing Units | Company's share | Total Value as of December 31 2023 |
|---|---|---|---|
| | | In % | In Millions of NIS |
| Sdeh Dov | 230 | 33.33% | 224 |
| Or Akiva | 56 | 100% | 12 |
| Ramleh | 57 | 100% | 7 |
| **Total** | **343** | | **243** |

# Debt Structure Management

Company policy is to maintain an efficient leverage rate by recruiting debt with a long-term life span and with no liens. The Company's net financial debt as of December 31 2023 amounts to 6.8 billion NIS. The debt's total life span in Israel is 4.40 years and the weighted effective interest rate is 2.35% CPI-linked.

**As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 2.4 billion NIS, and unencumbered real estate properties to the sum of 8 billion NIS.**




**Spreading debt redemptions over years**

| | Average Life Span | Weighted Effective Interest | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 onward | Balance as of December 31 2023* |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | In Millions of NIS | | | | | | | |
| **Israel** | **4.40** | **2.35%** | **560** | **801** | **1,139** | **1,160** | **1,238** | **811** | **2,047** | **7,756** |
| **Weighted Interest Rate for Redemptions Performed in the Period** | | | **3.55%** | **2.69%** | **1.94%** | **2.67%** | **2.32%** | **1.95%** | **2.09%** | |
| **Weighted interest rate** | | | **2.25%** | **2.19%** | **2.25%** | **2.13%** | **2.05%** | **2.09%** | **2.13%** | |
| **Abroad** | **5.31** | **1.72%** | **39** | **54** | **-** | **-** | **-** | **-** | **205** | **298** |
| **Total redemptions** | | | **599** | **855** | **1,139** | **1,160** | **1,238** | **811** | **2,252** | **8,054** |
| Of these, a "balloon" guaranteed by a lien | | | (336) | (248) | (558) | (553) | (398) | - | (205) | |
| **Redemptions less pledged cash flows** | | | **263** | **607** | **581** | **607** | **840** | **811** | **2,047** | |
| Value of asset pledged | | | 712 | 545 | 1,298 | 1,483 | 844 | - | 413 | |
| **LTV of pledged property** | | | **47.2%** | **45.6%** | **43.0%** | **37.3%** | **47.1%** | **0.0%** | **49.6%** | |

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



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# NOI NET OPERATING INCOME

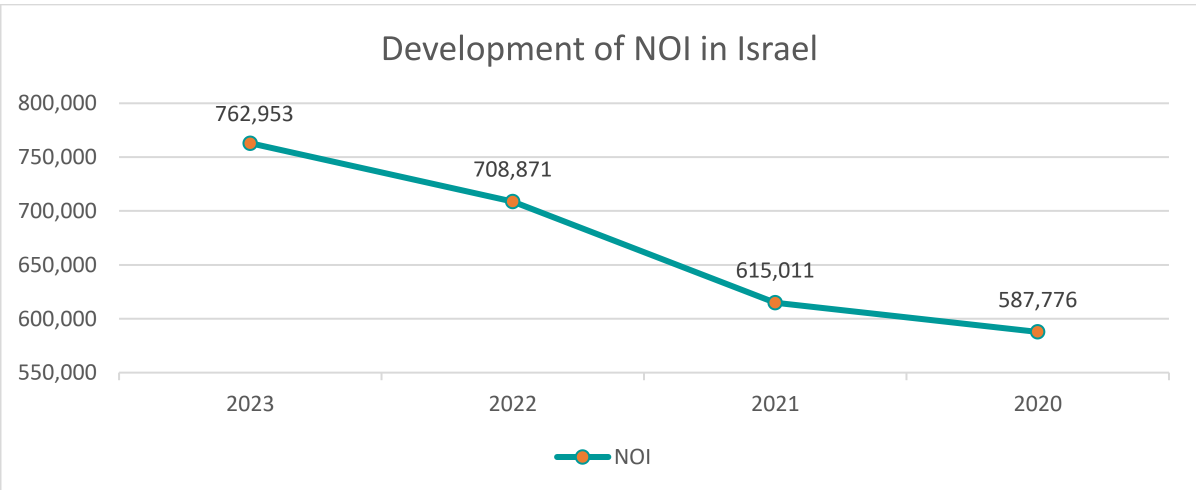
**The following is information on the Group's NOI (profit from the rental and operation of properties, less depreciation and amortization) in Israel:**

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

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Total – NOI | 762,953 | 708,871 | 615,011 | 587,776 |




NOI in Israel in 2023 amounted to 763 million NIS compared to 709 million NIS in 2022.

## Weighted Cap Rate

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

| | Consolidated (In Millions of NIS) |
|---|---|
| Investment property in consolidated report as of December 31 2023 | 13,637 |
| Less - foreign real estate | (896) |
| Less – value of lands classified as investment property | (1,353) |
| Plus – value of cash-generating properties intending for realization | 12 |
| **Cash-generating investment property in Israel as of December 31 2023** | **11,400** |
| Less value attributed to vacant spaces | (851) |
| Less value attributed to rental housing | (253) |
| **Investment property attributed to rented spaces as of December 31 2023** | **10,296** |
| **NOI from cash-generating properties in Israel for the period ending December 31 2023** | **748** |
| **Standard Yearly NOI** | **748** |
| **Yearly NOI less NOI attributed to rental housing** | **735** |
| **Weighted cap rate deriving from cash-generating investment property in Israel** | **7.14%** |

# FFO Funds From Operations

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

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

**We emphasize that the FFO –**

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

## FFO calculations (In Thousands of NIS)

| | 1-12.2023 | 1-12.2022 |
|---|---|---|
| Net profit for the period | 337,043 | 1,285,219 |
| Changes in value of investment property and investment property under construction | 61,922 | (1,346,603) |
| Profits and losses from the sale of real estate, investees, other revenues and realization of capital reserves from translation differences. | 3,193 | (9,814) |
| Tax expenses from the sale of properties and other revenues | - | 1,584 |
| Changes in fair value of financial assets | (3,632) | 37,319 |
| Adjustments due to taxes | 50,468 | 340,305 |
| Loans attributed to affiliated companies | (5,037) | 3,432 |
| Revaluation of assets and liabilities | 11,614 | 14,414 |
| Other revenues | (52,075) | (34,128) |
| **Nominal FFO pursuant to ISA directives** | **403,496** | **291,728** |
| Added – expenses of linkage differences on the debt principal and exchange rate differences | 179,355 | 238,844 |
| **Real FFO according to management approach** | **582,851** | **530,572** |
| **FFO attributed to cash-generating property** | **602,604** | **544,196** |
| **Change in CPI rate in the period *** | **3.3%** | **5.3%** |

The increase in real FFO in 2023 compared to 2022 mainly derives from an increase in the NOI.

* 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.

# 2024 Forecast

**Below is the forecast for FFO from rental properties and NOI forecast for 2024:**

The Company's forecast for its key operating results in 2024, based on the following working assumptions:

- Known CPI as of December 31 2023.
- Without the purchase of new properties and sale of properties as of the report date.
- 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.
- Company Management expects that most of the rental agreements expiring over the course of 2024 will be renewed.
- Company management estimates that assuming that the Iron Swords War continues at its current intensity, the war's impact on the Company's business is not material.
- Increase in Consumer Price Index at a yearly rate of 2.5%.

| 2024 Forecast in Millions of NIS | | |
|---|---|---|
| | **2024 Forecast** | **2023 in Practice** |
| NOI | 825-850 | 825 |
| FFO attributed to cash-generating property | 610-630 | 603 |

**The information in the above table featuring a forecast for all of 2024 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, as well as the implications of the "Iron Swords" War, which was detailed in the "Business Environment" chapter above on the Israeli economy in general and on the Company's activity in particular. 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 1.38 for details on the business environment see Section 1.8 of the Report on the Corporation's Business**.

# Operating Results According to Consolidated Financial Statements

## Business Results Summary Table (in Millions of NIS)

| | | For | | Notes and Explanations |
|---|---|---|---|---|
| | | 2023 | 2022 | |
| **Revenues from Rental and Management Fees** | | 1,049 | 969 | Most of the increase derives from the influence of the CPI increase on rental contracts and a real increase in rental fees. |
| **Maintenance and Management Costs** | | 239 | 221 | |
| **Revenues from the Sale of Apartments and Land** | | 130 | 54 | The increase in revenues derive from revenues from Hasolelim Project in Tel Aviv to the sum of 100 million NIS and at Marom Hasharon to the sum of 30 million NIS. |
| **Cost of Apartments and Land Sold** | | 82 | 36 | |
| **Increase (decrease) in Fair Value of Investment Property** | | (62) | 1,347 | Over the course of the period, 275 valuations were carried out for properties in Israel worth 13.4 billion NIS. In addition, 333 internal assessments were performed according to the value in use model used at the Company with a total value of 1.13 billion NIS.<br>Over the course of the fourth quarter, the company recorded a decrease in the value of real estate for investment and construction in Israel to a total value of 192 million NIS, mainly as a result of the valuation loss of 3 of its properties in Tel Aviv and Herzliya with mixed uses of offices, commercial and residential. The amortizations mainly derived from the valuation loss of the construction right values, an increase in capitalization rate, an increase in expected construction rights and a decrease in worthwhile rental fees. In addition, the Company listed an valuation loss to the sum of 22 million NIS as a result of the revaluation of the property in Kyiv, Ukraine. |
| **Administrative and General, Sales and Marketing Expenses** | | 101 | 91 | The increase largely derives from one-time costs for the end of the CEO's service and from an increase in expenses due to doubtful debt. |
| **Realization of Capital Reserve due to Adjustments from the Translation of Financial Statements** | | - | (4) | |
| **Financing Expenses** | Net interest expenses | 134 | 122 | The increase largely derives from an increase in the Company's debt. |
| | Expenses from change in CPI, net | 206 | 269 | A 3.3% CPI increase in the period against a 5.3% CPI increase in the corresponding period last year. In addition, an increase in linked financial debt. |
| | Loss from early redemption | - | 4 | |
| | Net expenses (revenues) from exchange rate differences and others | (24) | 8 | |
| | **Total** | **316** | **403** | |
| **Income tax expenses** | | 82 | 360 | |
| **Net Profit** | | **337** | **1,285** | Over the course of the fourth quarter of the year, the Company listed a loss of 78 million NIS, mainly derived from a decrease in the fair value of investment property, as noted above. |

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

| | As of December 31 2023 | As of December 31 2022 | Notes and Explanations |
|---|---|---|---|
| **Current Assets** | 1,868 | 983 | The increase largely derives from an increase in the balances of cash and cash equivalents as a result of the issue of debentures for a total of 2,247 million NIS, and from a 101 million NIS increase in the inventory of apartments. This increase was offset in part by the redemption of debentures to the sum of 1,122 million NIS and the payment of dividend to the sum of 287 million NIS. |
| **Investments handled using the book value method** | 533 | 501 | |
| **Investment property, investment property in development and advance payments on account of investment in land** | 15,202 | 14,725 | The increase mainly derives from real estate revaluations and investments in the period. |
| **Inventory of land for construction** | 242 | 239 | |
| **Short-term credit, current maturities** | 710 | 639 | |
| **Long-term loans and liabilities from banking corporations, credit providers and others.** | 770 | 1,187 | |
| **Long-term debentures** | 6,351 | 4,776 | The increase largely derives from the expansion of debenture Series 20 and 25 in return for a total of 2,247 million NIS and against debenture redemptions to a total sum of 1,122 million NIS. |
| **Total equity attributed to shareholders** | 8,054 | 7,985 | Most of the increase derives from comprehensive income in the period to the sum of 353 million NIS, offset by dividend to the sum of 287 million NIS. |
| **Total Equity** | 8,111 | 8,026 | |

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

| | 1-12.2023 | 10-12.2023 | 7-9.2023 | 4-6.2023 | 1-3.2023 |
|---|---|---|---|---|---|
| | In Thousands of NIS | | | | |
| Revenues from rental and management fees in Israel | 939,435 | 234,077 | 244,134 | 231,071 | 230,153 |
| Revenues from rental and management fees abroad | 109,707 | 28,786 | 27,085 | 26,467 | 27,369 |
| Revenues from apartment sales | 130,386 | 30,016 | 31,353 | 28,267 | 40,750 |
| Revenues from the sale of fuel, from solar facilities and from the management of buildings and infrastructure, net | 14,874 | 3,255 | 5,638 | 3,345 | 2,636 |
| **Total revenues** | **1,194,402** | **296,134** | **308,210** | **289,150** | **300,908** |
| Maintenance and administration costs in Israel | 191,356 | 51,803 | 53,645 | 42,268 | 43,640 |
| Maintenance and administration costs abroad | 47,327 | 13,342 | 11,192 | 11,164 | 11,629 |
| Cost of apartments sold | 81,736 | 19,224 | 19,230 | 17,815 | 25,467 |
| **Gross Profit** | **873,983** | **211,765** | **224,143** | **217,903** | **220,172** |
| Increase (decrease) in fair value of investment property | (61,922) | (217,836) | (42,891) | 104,780 | 94,025 |
| Sales, marketing, administrative and general expenses | (100,761) | (28,546) | (23,834) | (24,741) | (23,640) |
| The Company's share of the profits of investees | 24,699 | 8,442 | 5,217 | 7,681 | 3,359 |
| Revenues (other expenses) | (824) | 2,507 | 412 | (1,476) | (2,267) |
| **Profit (loss) from regular activities** | **735,175** | **(23,668)** | **163,047** | **304,147** | **291,649** |
| Financing expenses | (366,942) | (66,694) | (95,520) | (112,160) | (92,568) |
| Loss from early redemption | (286) | - | - | - | (286) |
| Financing income | 51,452 | 16,439 | 19,679 | 9,913 | 5,421 |
| **Profit (loss) before taxes on income** | **419,399** | **(73,923)** | **87,206** | **201,900** | **204,216** |
| Taxes on income | 82,356 | 4,209 | 12,257 | 33,565 | 32,325 |
| **Net profit (loss)** | **337,043** | **(78,132)** | **74,949** | **168,335** | **171,891** |
| Profit attributed to minority shareholders | 4,482 | 1,622 | 1,009 | 970 | 881 |
| **Net income (loss) attributed to Company shareholders** | **332,561** | **(79,754)** | **73,940** | **167,365** | **171,010** |
| Adjustments from the translation of financial statements | 20,601 | (5,325) | 11,696 | 5,938 | 8,292 |
| **Total comprehensive income (loss)** | **357,644** | **(83,457)** | **86,645** | **174,273** | **180,183** |
| Comprehensive income (loss) attributable to shareholders | 353,297 | (85,090) | 85,642 | 173,320 | 179,425 |
| Comprehensive income attributable to minority | 4,347 | 1,633 | 1,003 | 953 | 758 |

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

# Cash and Credit Frameworks

| Sources | In Millions of NIS | |
|---|---|---|
| | 2023 | 2022 |
| **Balance of Cash at the Beginning of the Period** | **179** | **923** |
| **Cash Deriving from Current Activities** | **408** | **444** |
| | | |
| Sale of assets and redemption of loans given to others | 100 | 42 |
| Proceeds from the realization of investment | 32 | 7 |
| Investment in investment property, real estate under development and fixed assets | (509) | (1,053) |
| Investments, proceeds from the sale of shares and issue of loans to investees, net | (11) | (186) |
| Investment (realized investment) in subsidiaries | - | (15) |
| Repayment of long-term deposit | (12) | - |
| **Total investment activity** | **(400)** | **(1,205)** |
| | | |
| Issue of debentures | 2.247 | 780 |
| Receipt (repayment) of short-term credit | (33) | 98 |
| Stock offering | - | 16 |
| Receipt of loans from banks and long-term liabilities | 89 | 62 |
| Repayment of loans from banks and long-term liabilities | (163) | (383) |
| Redemption of debentures | (1122) | (308) |
| Dividends paid to shareholders | (287) | (255) |
| Dividend paid to holders of non-controlling interests | (2) | (2) |
| **Total financing activity** | **729** | **8** |
| **Exchange rate differences due to cash and cash equivalent balances** | **7** | **9** |
| **Balance of cash at the end of the period** | **923** | **179** |

## Financing and credit facilities

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 2.4 billion NIS.

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

For details on the debentures (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 2017, February 2 2023 and January 14 2024, see Appendix C to the Board of Directors' Report.

For details on the issue of debentures and early redemption of debentures in the reported period, see Notes 20a and 32a and b. to the Company's December 31 2023 Consolidated Financial Statements.

## Working Capital

Working capital, including assets and liabilities held for sale as of December 31 2023, amounted to 894 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 December 31 2023, amounted to 778 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 obligations to the sum 8.1 billion NIS, of which 7.0 billion NIS are CPI-linked. The Company's cash-generating property in Israel is worth 11.6 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 records its investments in these companies using the book value method. As of December 31 2023 the investment in these companies amounts to 533 million NIS, of which 522 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), included in the report by way of referral.

On February 12, 2023, Midroog Ltd. announced a rating of Aa2.il/Stable outlook for the debentures Series 25)

issued in February 2023 by way of series expansion. See immediate report published by the Company on February 12, 2023 (reference no.: 2023-01-016137), included in the report by way of referral.

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, 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.

On June 6 2023 Standard & Poor’s Maalot announced that it was ratifying the Company's rating at ilAA- Stable Outlook, see the Company's immediate report from June 6 2023 (2023-01-062226) included in this report by way of referral.

On June 7 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 Aa2.il Stable Outlook for the debentures (Series 20 and 25) the Company has issued, see the Company's immediate report published June 7 2023 (2023-01-062802) included in this report by way of referral.

On June 7 2023 Standard & Poor’s Maalot announced that it was ratifying a rating of ilAA- Stable Outlook for debentures (Series 20 and 25) issued by the Company, see the Company's immediate report from June 7 2023 (2023-01-062997) included in this report by way of referral.

On January 3 2024, Standard & Poor's Maalot announced that it was issuing a rating of ilAA Stable Outlook for debentures (Series 25), issued in January 2024 by way of series expansion. See immediate report published by the Company on January 3 2024 (reference no.: 2024-01-000252), included in the report by way of referral.

On January 3 2024, Midroog Ltd. rated bonds (Series 25), issued in January 2024 by way of series expansion, Aa2.il Stable outlook. See immediate report published by the Company on January 3 2024 (reference no.: 2024-01-001195), included in the report by way of referral.

# 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, alongside business considerations.

On March 20 2023 the Company's Board of Directors decided to distribute dividends amounting to 92 million NIS (0.12188 NIS per share).
On May 30 2023 the Company's Board of Directors decided to distribute dividends amounting to 65 million NIS (0.08611 NIS per share).
On August 15 2023 the Company's Board of Directors decided to distribute dividends amounting to 65 million NIS (0.08611 NIS per share).
On November 29 2023 the Company's Board of Directors decided to distribute dividends amounting to 65 million NIS (0.08611 NIS per share).
On March 26 2024 the Company's Board of Directors decided to distribute dividends amounting to 65 million NIS (0.08605 NIS per share).

On March 26 2024, the Company Board of Directors decided to adopt a dividend policy according to which the Company intends to distribute up to 50% of the Company's yearly FFO per year, taking into account the act that the ratio of the net financial debt to the CAP desired at the Company will not exceed 50%.
Note that the dividend policy in question is in the form of policy statements only and shall not be seen as a commitment by the Company to distribute dividends. Any dividend distribution shall be stipulated on a specific decision passed by the Company Board of Directors after examining the distribution tests in accordance with legal requirements taking the Company's business situation into account, as well as its expected cash flow, the Company's strategy and its business needs. In addition, the Company Board of Directors may change from time to time, at its sole discretion, the Company's dividend distribution policy.
Note also that within the framework of the above dividend distribution policy, the Company may make self-purchases of the Company's shares.

**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** | **Uzi Levi** |
| Chair of the Board of Directors | Company CEO |

**March 26 2024**

# Appendices

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. Uzi Levi, Company CEO. For details regarding Mr. Levi, see Regulation 26 of in the Additional Details on this Report.

2. **Market risks to which the Company is exposed and the Company's policy in managing market risks** – the following are details of policies and primary exposures:

   2.1. **CPI exposure** – as of December 31 2023 the balance of the Company's CPI-linked credit (debentures, loans from banks and loans from institutions) amounted to 6.9 billion NIS, so that a 1% increase in the CPI will lead to additional financing expenses to the sum of 69 million NIS. The Company's cash-generating property in Israel, which is worth 11.6 billion NIS, is largely rented in CPI-linked rental agreements, and the Company considers this to be long-term inflationary protection.

   2.2. **Exposure to the Israeli capital market** – the Company records the value of its investments in tradable securities in its Financial Statements according to their stock market value on the balance sheet date. The changes in the value of the securities portfolio are charged to the Statement of Operations and to Other Comprehensive Income. As of December 31 2023 the value of the securities portfolio amounts to 33 million NIS. For further details, see Note 6 to the Consolidated Financial Statements

3. **Realization of policy and supervisory measures** – the Committee for the Examination of the Financial Statements and the Board of Directors at least once per year discuss the Company's exposure to market risks and the actions taken by Company Management, and as needed, criteria and quantitative restrictions are set. Company Management regularly examines the scopes of activity and risk deriving from the activity.

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

5. **Sensitivity Tests**

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

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

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

**6.1.** The exchange rates taken for the sensitivity analysis are the representative rates of exchange as of December 31 2023:

| Currency | Representative Rate of Exchange |
|---|---|
| US Dollar | 3.6270 |
| Euro | 4.0116 |
| Canadian Dollar | 2.7391 |
| Swiss Franc | 4.3135 |

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

| Risk Factor | Maximum Change | Notes |
|---|---|---|
| Interest curves | 16% | In Israel – government bonds<br>Abroad – by specific curve according to currency |

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| **Sensitivity to Changes in Real Interest Rate** | 67,445 | 42,156 | 21,078 | (4,440,648) | (21,073) | (42,138) | (67,398) |
| **USD interest sensitivity analysis:** | (2,061) | (1,312) | (666) | 12,038 | 687 | 1,395 | 2,275 |
| **EUR interest sensitivity analysis:** | (873) | (553) | (279) | 22,112 | 286 | 578 | 938 |
| **CAD interest sensitivity analysis:** | (1,551) | (981) | (495) | 12,407 | 505 | 1,020 | 1,652 |
| **CHF interest sensitivity analysis:** | 3,076 | 1,931 | 969 | (118,433) | (977) | (1,961) | (3,152) |
| **Nominal NIS interest sensitivity analysis:** | 3,038 | 1,908 | 958 | (201,622) | (966) | (1,941) | (3,121) |

## **Summary table** (in thousands of NIS):

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| **Sensitivity to Changes in USD/NIS Exchange Rate** | 1,669 | 834 | 16,688 | (834) | (1,669) |
| **Sensitivity to Changes in EUR/NIS Exchange Rate** | 10,941 | 5,471 | 109,415 | (5,471) | (10,941) |
| **Sensitivity to Changes in CAD/NIS Exchange Rate** | 2,480 | 1,240 | 24,805 | (1,240) | (2,480) |
| **Sensitivity to Changes in CHF/NIS Exchange Rate** | (3,885) | (1,942) | (38,849) | 1,942 | 3,885 |
| **Sensitivity to changes in price of securities – NIS-Linked Debentures** | 5 | 2 | 49 | (2) | (5) |
| **Sensitivity to changes in price of shares** | 3,267 | 1,634 | 32,670 | (1,634) | (3,267) |
| **The Consumer Price Index** | (432,838) | (216,419) | (4,328,384) | 216,419 | 432,838 |

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

### 6.3.1. Sensitivity to changes in USD/NIS exchange rate

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| **Cash and Cash Equivalents** | 510 | 255 | 5,096 | (255) | (510) |
| **Customers** | 0 | 0 | 4 | (0) | (0) |
| **Accounts receivable and debit balances** | 186 | 93 | 1,864 | (93) | (186) |
| **Taxes receivables** | 41 | 21 | 413 | (21) | (41) |
| **USD rental contract revenues** | 6,643 | 3,321 | 66,430 | (3,321) | (6,643) |
| **Long-term loans at fixed interest from banking corporations** | (5,439) | (2,720) | (54,392) | 2,720 | 5,439 |
| **Accounts payable and credit balances** | (273) | (136) | (2,727) | 136 | 273 |
| **Total** | **1,668** | **834** | **16,688** | **(834)** | **(1,668)** |

### 6.3.2. Sensitivity to changes in EUR/NIS exchange rate

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| **Cash and Cash Equivalents** | 4,337 | 2,168 | 43,364 | (2,168) | (4,337) |
| **Short-term investments** | 3,267 | 1,634 | 32,670 | (1,634) | (3,267) |
| **Customers** | 8 | 4 | 79 | (4) | (8) |
| **Accounts receivable and debit balances** | 714 | 357 | 7,139 | (357) | (714) |
| **Taxes receivables** | 6 | 3 | 62 | (3) | (6) |
| **Investments in investees** | 2,342 | 1,171 | 23,424 | (1,171) | (2,342) |
| **EUR rental contract revenues** | 2,211 | 1,106 | 22,112 | (1,106) | (2,211) |
| **Trade payables** | (346) | (173) | (3,462) | 173 | 346 |
| **Accounts payable and credit balances** | (554) | (277) | (5,539) | 277 | 554 |
| **Taxes payable** | (1,044) | (522) | (10,435) | 522 | 1,044 |
| **Total** | **10,941** | **5,471** | **109,414** | **(5,471)** | **(10,941)** |

### 6.3.3. Sensitivity to changes in CAD/NIS exchange rate

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| Cash and Cash Equivalents | 1,417 | 709 | 14,171 | (709) | (1,417) |
| Short-term investments | 10 | 5 | 99 | (5) | (10) |
| Customers | 180 | 90 | 1,797 | (90) | (180) |
| Taxes receivables | 2 | 1 | 16 | (1) | (2) |
| Accounts receivable and debit balances | 204 | 102 | 2,042 | (102) | (204) |
| Deposits and long-term debit balances | 25 | 12 | 248 | (12) | (25) |
| CAD rental contract revenues | 4,996 | 2,498 | 49,962 | (2,498) | (4,996) |
| Long term fixed interest loans from banking corporations | (3,756) | (1,878) | (37,555) | 1,878 | 3,756 |
| Taxes payable | (57) | (28) | (569) | 28 | 57 |
| Trade payable liability | (343) | (172) | (3,433) | 172 | 343 |
| Accounts payable and credit balances | (174) | (87) | (1,736) | 87 | 174 |
| Other liabilities | (24) | (12) | (237) | 12 | 24 |
| Total | 2,480 | 1,240 | 24,805 | (1,240) | (2,480) |

### 6.3.4. Sensitivity to Changes in CHF/NIS Exchange Rate

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| Cash and Cash Equivalents | 7,961 | 3,981 | 79,614 | (3,981) | (7,961) |
| Customers | 111 | 55 | 1,105 | (55) | (111) |
| Accounts receivable and debit balances | 270 | 135 | 2,703 | (135) | (270) |
| Taxes receivables | 80 | 40 | 802 | (40) | (80) |
| CHF rental contract revenues | 7,112 | 3,556 | 71,119 | (3,556) | (7,112) |
| Trade payable liabilities | (44) | (22) | (442) | 22 | 44 |
| Accounts payable and credit balances | (211) | (105) | (2,106) | 105 | 211 |
| Loans from banking corporations and financial institutions (including current maturities) | (18,955) | (9,477) | (189,552) | 9,477 | 18,955 |
| Taxes payable | (209) | (105) | (2,092) | 105 | 209 |
| Total | (3,885) | (1,942) | (38,849) | 1,942 | 3,885 |

### 6.3.5. Sensitivity to changes in the Consumer Price Index

| | Gain (Loss) from Changes | | Fair Value | Gain (Loss) from Changes | |
|---|---|---|---|---|---|
| | 10% | 5% | | 5%- | 10%- |
| **Accounts receivable and debit balances** | 7,472 | 3,736 | 74,720 | (3,736) | (7,472) |
| **Taxes receivables** | 823 | 411 | 8,227 | (411) | (823) |
| **Long-term deposits including current maturities.** | 4,247 | 2,124 | 42,469 | (2,124) | (4,247) |
| **Rental leases in Israel** | 229,045 | 114,523 | 2,290,453 | (114,523) | (229,045) |
| **Accounts payable and credit balances** | (1,315) | (658) | (13,151) | 658 | 1,315 |
| **Loans from banking corporations** | (10,611) | (5,306) | (106,114) | 5,306 | 10,611 |
| **Institutional loans** | (49,210) | (24,605) | (492,103) | 24,605 | 49,210 |
| **Debentures** | (613,289) | (306,644) | (6,132,884) | 306,644 | 613,289 |
| **Total** | **(432,838)** | **(216,419)** | **(4,328,383)** | **216,419** | **432,838** |

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

### 6.4.1. Sensitivity to changes in real interest rate

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| **Rental leases in Israel** | (66,408) | (41,903) | (21,120) | 2,290,453 | 21,464 | 43,278 | 69,930 |
| **Loans from banking corporations** | 1,698 | 1,037 | 509 | (106,114) | (487) | (953) | (1,483) |
| **Institutional loans** | 5,694 | 3,500 | 1,725 | (492,103) | (1,673) | (3,291) | (5,159) |
| **Debentures** | 126,461 | 79,522 | 39,964 | (6,132,884) | (40,377) | (81,172) | (130,686) |
| **Total** | **67,445** | **42,156** | **21,078** | **(4,440,648)** | **(21,073)** | **(42,138)** | **(67,398)** |

### 6.4.2. USD interest sensitivity analysis

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| **USD rental contract revenues** | (2,609) | (1,656) | (838) | 66,430 | 860 | 1,743 | 2,834 |
| **Long-term fixed-interest loans from banking corporations** | 548 | 344 | 172 | (54,392) | (173) | (348) | (559) |
| **Total** | **(2,061)** | **(1,312)** | **(666)** | **12,038** | **687** | **1,395** | **2,275** |

### 6.4.3. EUR interest sensitivity analysis:

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| EUR rental contract revenues | (873) | (553) | (279) | 22,112 | 286 | 578 | 938 |
| **Total** | **(873)** | **(553)** | **(279)** | **22,112** | **286** | **578** | **938** |

### 6.4.4. CAD interest sensitivity analysis:

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| CAD rental contract revenues | (1,644) | (1,039) | (524) | 49,962 | 534 | 1,079 | 1,746 |
| Long-term fixed-interest loans from banking corporations | 93 | 58 | 29 | (37,555) | (29) | (59) | (94) |
| **Total** | **(1,551)** | **(981)** | **(495)** | **12,407** | **505** | **1,020** | **1,652** |

### 6.4.5. CHF interest sensitivity analysis:

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| CHF rental contract revenues | (895) | (562) | (282) | 71,119 | 284 | 570 | 917 |
| Long-term fixed-interest loans from banking corporations | 3,971 | 2,493 | 1,251 | (189,552) | (1,261) | (2,531) | (4,069) |
| **Total** | **3,076** | **1,931** | **969** | **(118,433)** | **(977)** | **(1,961)** | **(3,152)** |

### 6.4.6. Nominal NIS interest sensitivity analysis:

| | Gain (Loss) from Changes | | | Fair Value | Gain (Loss) from Changes | | |
|---|---|---|---|---|---|---|---|
| | 16% | 10% | 5% | | 5%- | 10%- | 16%- |
| Debentures | 3,038 | 1,908 | 958 | (201,622) | (966) | (1,941) | (3,121) |
| **Total** | **3,038** | **1,908** | **958** | **(201,622)** | **(966)** | **(1,941)** | **(3,121)** |

Appendix B

# Disclosure Provisions with Regard to the Corporation's Financial Reporting

Appendix B

# Aspects of Corporate Governance and Disclosure Provisions with Regard to the Corporation's Financial Reporting; Environmental and Social Responsibility

## 1. Material Events During and Subsequent to the Reported Period

1. For details on the departure of the CEO and his retirement terms, see under "End of Service of CEO" in the Board of Directors' Report of the 2022 Periodic Report as well as Note 24.b.1 to the Company's December 31 2023 Consolidated Financial Statements.
2. For details on the appointment of Uzi Levi as the Company CEO see Note 24.b.2 to the Company's December 31 2023 Consolidated Financial Statements.

## 2. Aspects of Corporate Governance

### 2.1. Directors with Accounting and Financial Expertise

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

### 2.2. Independent Directors

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

### 2.3. The Company Internal Auditor

2.3.1. On October 10 2019 Mr. Guy Monorov of the accounting firm of Monorov & Co. started serving as the Company's internal auditor. The appointment of the Internal Auditor was approved by the Company Audit Committee and Board of Directors on September 19 2019 and October 10 2019, respectively, after they examined, among other things, his experience and job parameters and taking into account the type of company, its size as well as the scope and complexity of its activity.

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

2.3.3. The Internal Auditor provides an outside service to the Group's companies in Israel and abroad (is not employed as an employee).

2.3.4. The scope of the Internal Auditor's employment in the reported period is 850 hours. In addition, the Internal Auditor also conducted tests on the subject of evaluation of the effectiveness of internal controls on financial reporting (ISOX) to the amount of 320 hours.

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

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

2.3.7. The dates on which a discussion was held at the Audit Committee on the findings of the Internal Auditor's audit reports are: March 15 2023, March 20 2023, October 22 2023, October 26 2023 and December 5 2023.

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

2.3.9. The Internal Auditor's work plan is a multi-year plan ratified by the Audit Committee. The considerations in determining the audit plan include, among other things, reference to the Company's business core, to its various areas of activity and to the control arrays featured in it, placing emphasis on the various risk factors. Over the course of the year, the Internal Auditor conducted an extensive risk survey at the Company, the findings of which were discussed and ratified by the Company's Audit Committee and Board of Directors on March 20 2023 and July 16 2023, respectively. The survey is used by the Audit Committee as a tool for its considerations in setting a work plan. The Auditor's work plan for the coming year and a list of all of the auditor's reports discussed in the past year are brought to the attention of the Company Board of Directors, inasmuch as the Auditor and/or Company Management seek to make changes to the plan approved, the change will first be presented for approval before the Audit Committee. The Company's Auditing Accountant receive a concentration of all of the audit reports prepared by the Internal Auditor on a yearly basis, along with the Company's response and the minutes of the discussions at the Audit Committees. The Board believes that the scope, character and continuity of the Internal Auditor's operations and work plan are reasonable under the circumstances and are capable of achieving the goals of internal auditing in the company.

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

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

2.3.12. To the best of the Company's knowledge, as of December 31 2023, the internal auditor does not hold Company securities.

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

2.3.14. The Internal Auditor serves in no other position in the Company with the exception of serving as Internal Auditor. The fee paid the Internal Auditor is based on a yearly hour budget and is not contingent on the results of the audit.

2.3.15. The total fee paid the Internal Auditor in 2023 amounted to 204,000 NIS. In addition, the Internal Auditor was paid a fee for an assessment of the effectiveness of internal controls of financial reporting (ISOX) to the sum of 116,000 NIS, which is an acceptable level and compatible with market conditions. In the opinion of the Board of Directors, this sum is not a factor that might influence their judgement in the auditing work or create a conflict of interest with their duties as Company Internal Auditor.

## 3. Auditing Accountant's Fee

| Company Name | Names of Accountants | 2023 – Fee (Thousands of NIS) | | 2022 – Fee (Thousands of NIS) | |
|---|---|---|---|---|---|
| | | For Audit and Tax Services (*) | Other services (**) | For Audit and Tax Services (*) | Services – others (**) |
| Mivne Real Estate and Israeli subsidiaries | Kost Forer Gabbay & Kassirer, Certified Public Accountants | 1,978 | 250 | 2,266 | 518 |
| Trusts in Canada | Kost Forer Gabbay & Kassirer, Certified Public Accountants and others | 43 | - | 41 | - |
| Subsidiaries in Israel and abroad | Various accountants | 855 | - | 932 | - |

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

The Auditing Accountant's fee is a result of the number of auditing hours conducted and is approved by the Company Board of Directors, after receiving the recommendation of the Financial Statements Approval Committee, which discusses the scope of the Auditing Accountant's work and their fitness.

## 4. The Company's Internal Enforcement Plan

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

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

Within the framework of the internal enforcement plan, the Company updated and adopted a number of procedures that constitute part of the Company's comprehensive enforcement array, including (1) an ethical code; (2) a master procedure – implementation of an internal enforcement plan; (3) a procedure prohibiting the use of inside information; (f) a procedure for transactions with related and interested parties; (5) a procedure for information interfaces between the Company and interested parties; (6) a procedure for information interfaces for communications and analysts; (7) a procedure for information interfaces with the Securities authority; (8) an immediate reports procedure; (9) a quarterly and periodic reports procedure; (10) a prospectus procedure and public offerings procedure; (11) a procedure on the activities of the Board of Directors and its committees; (12) a procedure for preventing securities fraud and manipulation; (13) a procedure for parallel director service, as well as additional procedures that were intended to support and regulate the work of the various organs in the Company and its management.

The Company carries out a compliance survey to validate the plan once every 4 years.

In 2023 the Company implemented the enforcement plan and acted in accordance with it and within this framework it held training that concentrates relevant updates for officers, executives and workers at the Company.

## 5. Contribution to the Community

The Company contributes to activities for the community in the fields of medicine, education and welfare. The Company has a Donations Committee headed by the Company CEO. Total charitable donations by the Company in the reported period amounted to 1.4 million NIS.

In addition to monetary donations, the Company provides, free of charge, space in its possession to associations working for social and cultural purposes and the integration of people with disabilities. The total space provided as a donation amounts to 1,476 m$^2$ and the value of this donation amounts to 347,000 NIS yearly rent.

## 6. Environmental, Social and Governance Responsibility

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

## Investment in Photo Voltaic Systems

The Company is acting to expand its involvement in the field of solar energy and the creation of green energy and over the course of recent years the Company increased its investment in the field. The Company is in the advanced stages of an extended project, a significant portion of which is also carried out along with a partner active in the field, to replace the roofs on properties in its possession across the country with new roofs on which solar energy systems are installed in order to allow the production of renewable energy, in accordance with a long-term agreement with the Electric Company to provide electricity for a period of up to 25 years. As of the publication of the report, the Company has filed requests to regulate 301 solar energy systems and a licensing process was completed for the installation of 375 systems with an output of 44.6 MW, of which 351 systems were operated with an output of 41.5 MW. Concurrently, over the course of the year the Company has upgraded the existing solar energy systems in its possession while increasing their utilization level, by increasing the size of the systems, making the systems denser and replacing the existing equipment (solar panels and converters) with equipment with more advanced technology. In addition, the Company has engaged with a partner in the field in an agreement to build electrical storage facilities that will be operated on the Company's properties across the country, with a total output of 400 MW/h. At this stage the Company is in the process of granting approvals and permits for 26 systems in the information files stage and 6 systems in the pre-permit stage.

## Green Construction: Energy Efficiency in Maintaining Older Properties

New projects of office towers and employment compounds in development are being built according to the LEED Platinum or LEED Gold rating, a voluntary international standard for certifying buildings for green construction acting according to principles of environmental and social responsibility. The standard selects various categories such as energy savings and use of renewable energy, effective use of water, the environment inside the structure and so on. The standard consists of four grades – Certified, Silver, Gold and Platinum, with Platinum being the highest rating. Accordingly, the Company's employment compounds will provide its customers with optimal working conditions with energy savings and environmental protection. In the Company's older employment compounds as well, the Company is working on a regular basis to upgrade them both in terms of environmental protection and energy savings and is making investments in replacing bulbs with cost-effective LED bulbs, replacing chillers and installing charging stations for electrical vehicles in its parking garages.

## Promoting of electric transportation infrastructure

The Company and Scala Smart Energy Ltd. signed a collaboration agreement for construction and operation of EV charging stations at Company properties across Israel. As of the publication of the report, 38 regular stations and 10 fast stations have been installed in 10 compounds and 19 private stations are managed on Group properties. Some 10 more fast public charging stations are expected to be installed over the course of 2024.

### Ethical Code; Gender Equality and Protecting Employee Rights

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

The Company takes pride in gender equality in employee placement – 51.4% women and 48.8% men.

## 7. Disclosure Pertaining to the Company's Financial Reporting

The Company chose to present investment property using the fair value method. The fair value of most of the Company's assets in Israel and of all of the Company's assets abroad, is set by appraiser valuations conducted by the Company for its assets on a regular basis using independent professional appraisers at the Company. On a routine basis, appraiser assessments are carried out for the Company's real estate properties once per year, unless according to the Company's estimates circumstances exist that may have a material impact on the fair value of a property, and in such a case the appraiser's valuation will take place as early as possible. According to the decision of the Company Board of Directors, the Company spreads out the assessments in question across all quarters of the year. The division of the appraisals by the various quarters is generally set by areas and countries. In cases in which the Company receives an opinion on changes in capitalization rates in a certain country, an update is made to the value of the assets in that country according to the Company's assessment, using updated capitalization rates. The value of some of the Company's cash-generating properties in Israel is determined using models implemented by the Company to test the fair value of the assets, based on the capitalized cash flows received and expected to be received in the future from these assets. These models are examined from time to time by an independent appraiser, who expresses their opinion, among other things, on adapting the models and their ability to assess the market value of the assets, including the capitalization rates used in the models ("standard assets"). As of December 31 2023, the Company had 333 standard assets and their aggregate value amounted to 9.8% of the total value of cash-generating properties in Israel and the value of each of these properties is negligible. As of December 31 2023 the value of the Company's assets whose fair value is determined via appraiser valuation amounted to a total of some 11,855 million NIS from a fair value of investment properties in Israel to the sum of 12,971 million NIS (91.4% of the Company's total investment properties in Israel).

Appendix C

# Special Disclosure for Debenture Holders: The Bonds in Public Hands

## Appendix C

# Special Disclosure for Debenture Holders: The Debentures in Public Hands

As of the report issue date, there are 7 outstanding series of tradable debentures issued by the Company, as detailed in the following table. Note that during the reported period and as of the report date, the Company has met all of the terms and obligations in accordance with the deeds of trust and no conditions existed that gave grounds to the provision of the debentures for redemption or for the realization of collateral in accordance with the terms of the deeds of trust.

| As of December 31 2023 (In Thousands of NIS) | Debentures (Series 16) | Debentures (Series 17) | Debentures (Series 19) | Debentures (Series 20) |
|---|---|---|---|---|
| Date of Issue | 10.7.2014 May 17 2020 expansion | 10.7.2014 Expansions – over the course of 2016, February 23 2017, October 23 2017 | 29.9.2016 Expansions – 12.1.2017, 26.1.2017, 21.2.2017, 27.8.2020 | 30.7.2017 Expansions – 27.3.2022, 8.6.2023 |
| Notational value on the date of issue and by way of expansion | 347,130 | 747,503 | 487,512 | 1,439,687 |
| Outstanding Notational Value | 195,087 | 375,931 | 360,711 | 1,251,546 |
| Stock market rate (in 0.01 NIS) | 103.35 | 115.14 | 114.45 | 113.83 |
| Outstanding Notational Value, Linked | 195,087 | 419,195 | 405,477 | 1,411,137 |
| Accrued interest | - | - | 2,628 | - |
| Fair value | 201,622 | 432,847 | 412,834 | 1,424,635 |
| Interest type | Fixed interest | | | |
| Denoted Yearly Interest Rate | 5.65% | 3.7% | 2.6% | 2.81% |
| Principal payment dates | Twelve non-equal yearly installments paid on June 30 of each of the years from 2017 to 2028. 5% of the principal will be paid in each of the first through fourth installments and 10% of the principal paid in each of the fifth to twelfth installments. | Twelve unequal yearly installments, to be paid on June 30 of each of the years from 2017 to 2028, with 5% of the principal paid in each of the first through fourth payments and 10% of the principal paid in each of the fifth to twelfth payments. | Nine unequal 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 non-equal 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 through 2027 as well as on June 30 2028. | June 30 and December 31 of each year from 2014 through 2027 as well as on June 30 2028. | March 31 and September 30 of each year from 2017 to 2026, as well as on March 31 2027. | December 31 and June 30 of each year from 2017 to 2029. |



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<table>
<tr><th>As of December 31 2023 (In Thousands of NIS)</th><th>Debentures (Series 16)</th><th>Debentures (Series 17)</th><th>Debentures (Series 19)</th><th>Debentures (Series 20)</th></tr>
<tr><td>Linkage Basis and Terms (Principal and Interest)</td><td>Non-linked</td><td>May 2014 CPI</td><td>August 2016 CPI</td><td>June 2017 CPI</td></tr>
<tr><td>Does it constitute a material obligation?</td><td>No</td><td>No</td><td>No</td><td>Yes</td></tr>
<tr><td>Rating company 1</td><td colspan="4">Midroog<br>For more information see "Financing" in this report, under "Credit rating".</td></tr>
<tr><td>Rating</td><td>Aa2 Stable outlook</td><td>Aa2 Stable outlook</td><td>Aa1 Stable outlook</td><td>Aa2 Stable outlook</td></tr>
<tr><td>Rating company 2</td><td colspan="4">S&P Maalot<br>For more information see "Financing" in this report, under "Credit rating".</td></tr>
<tr><td>Rating</td><td colspan="4">AA stable</td></tr>
<tr><td>Are there guarantees for the payment of the obligations?</td><td colspan="4">No</td></tr>
<tr><td>Are there any liens?</td><td>No</td><td>No</td><td>Yes. Real estate properties. See Appendix A of Part A of the 2023 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.</td><td>No</td></tr>
<tr><td>The value of pledged properties on the financial statements</td><td>-</td><td>-</td><td>714,302</td><td>-</td></tr>
<tr><td>Trustee</td><td colspan="2">Mishmeret Trust Services Ltd. (1)</td><td colspan="2">Resnick Paz Nevo Trusts Ltd. (2)</td></tr>
<tr><td>Right to early repayment</td><td colspan="4">(3)</td></tr>
</table>

| As of December 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 | 18.9.2016 Expansions – 27.8.2020, 27.3.2022 | 21.6.2017 | 1.11.2021 Expansions – 6.2.2023, 8.6.2023 |
| Notational value on the date of issue, including offering by way of expansion | 837,655 | 612,810 | 1,026,666 |
| Outstanding Notational Value | 577,004 | 490,248 | 2,912,324 |
| Stock market rate (in 0.01 NIS) | 112.98 | 113.37 | 91.16 |
| Outstanding Notational Value, Linked | 646,643 | 548,908 | 3,168,537 |
| Accrued interest | 3,869 | - | 2,765 |
| Fair value | 651,899 | 555,794 | 2,654,874 |
| Interest type | Fixed interest | | |
| Denoted Yearly Interest Rate | 2.4% | 2.6% | 0.35% |
| Principal payment dates | Nine non-equal yearly installments paid on September 30 of each of the years 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 remaining of 58% of the principal on June 30 2028. | Nine non-equal yearly installments paid on September 30 of each of the years of 2023 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<br>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<br>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 2023 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 2023 Periodic Report. The liens in question are valid in accordance with the law and with the Company's articles of association. | No |
| The value of pledged properties on the financial statements | 1,298,314 | 844,203 | - |
| Trustee | Resnick Paz Nevo Trusts Ltd. (2) | | |
| Right to early repayment | (3) | | |



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## Further Details on the Company's 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 (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) 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.

(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).

(6) In June 2023 the Company issued 875,747,000 NIS NV debentures (Series 25) by way of a series expansion in return for a total of 778 million NIS.

(7) In June 2023 the Company issued 385,556,000 NIS NV debentures (Series 20) by way of a series expansion in return for a total of 434 million NIS.

(8) In January 2024 the Company issued 571,916,000 NIS NV debentures (Series 25) by way of a series expansion in return for a total of 525 million NIS.

(9) In January 2024 the Company issued 125,355,000 NIS NV debentures (Series 20) by way of a series expansion in return for a total of 143 million NIS.

# 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 Reports Date | Compliance as of Report Date |
|---|---|---|
| Equity will be decreased to below 1.2 billion NIS, for two consecutive quarters. | 7,989 | 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. | 40.3% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 17 for two consecutive quarters. | 7.9 | Meeting the condition |
| The net equity to total assets ratio, as defined in the deed of trust, shall be no less than 16% for two consecutive quarters. | 46.4% | Meeting the condition |

**Restrictions on the dividend distribution according to the debentures' (Series 20) deed of trust:**

| The Covenant | Ratio as of the Reports Date | Compliance as of Report Date |
|---|---|---|
| Equity will be decreased to below 1.3 billion NIS. | 7,989 | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 73%. | 40.3% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 15. | 7.9 | Meeting the condition |
| The net equity to total assets ratio, as defined in the deed of trust, shall be no less than 17% for two consecutive quarters. | 46.4% | Meeting the condition |

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

| The Covenant | Ratio as of the Reports Date | Compliance as of Report Date |
|---|---|---|
| Equity will be decreased to below 2.5 billion NIS, for two consecutive quarters. | 7,989 | 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. | 40.3% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 16 for two consecutive quarters. | 7.9 | Meeting the condition |
| The net equity to total assets ratio, as defined in the deed of trust, shall be no less than 20% for two consecutive quarters. | 46.4% | Meeting the condition |

**Restrictions on the dividend distribution according to the debentures' (Series 25) deed of trust:**

| The Covenant | Ratio as of the Reports Date | Compliance as of Report Date |
|---|---|---|
| Equity will be decreased to below 3.4 billion NIS. | 7,989 | Meeting the condition |
| The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 70%. | 40.3% | Meeting the condition |
| The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 13. | 7.9 | Meeting the condition |

**Cross default provisions**

| | |
|---|---|
| Debentures (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. |
| Debentures (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 December 31 2023 Consolidated Financial Statements:

| | Section | US Dollar | Swiss | Euro | Canadian Dollar | CPI | Unlinked | Non-Financial | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Thousands of NIS | | | | | | | |
| Assets | Cash and cash equivalents | 5,096 | 79,614 | 43,364 | 14,171 | - | 780,381 | - | 922,626 |
| | Short-term investments | - | - | 32,670 | 99 | - | 6,960 | - | 39,729 |
| | Customers | 864 | 1,105 | 79 | 1,797 | - | 26,931 | - | 30,776 |
| | Receivables and debit balances | 1,864 | 2,703 | 7,139 | 2,042 | 74,720 | 105,912 | 9,977 | 204,357 |
| | Taxes receivable | 413 | 802 | 62 | 16 | 8,227 | - | - | 9,520 |
| | Deposits and long-term debit balances | - | - | - | 248 | 42,469 | - | - | 42,717 |
| | Investments in investees | - | - | 23,424 | - | - | 57,869 | 451,765 | 533,058 |
| | Assets held for sale | - | - | - | - | - | - | 12,281 | 12,281 |
| | Advance payments on account of investments in land | - | - | - | - | - | - | 150,989 | 150,989 |
| | Inventory of land for residential construction and apartments under construction | - | - | - | - | - | - | 890,813 | 890,813 |
| | Investment property | - | - | - | - | - | - | 13,636,719 | 13,636,719 |
| | Investment property under construction | - | - | - | - | - | - | 1,413,947 | 1,413,947 |
| | Property, plant and equipment | - | - | - | - | - | - | 193,503 | 193,503 |
| | Intangible assets | - | - | - | - | - | - | 19,630 | 19,630 |
| | Deferred taxes | - | - | - | - | - | - | 413 | 413 |
| | **Total assets** | **8,237** | **84,224** | **106,738** | **18,373** | **125,416** | **978,053** | **16,780,037** | **18,101,078** |
| Liabilities | Credit from banks and other credit providers | - | - | - | - | - | 101,905 | - | 101,905 |
| | Trade payables | - | 442 | 3,462 | 3,433 | - | 49,049 | - | 56,386 |
| | Payables and credit balances | 2,727 | 2,106 | 5,539 | 1,736 | 13,151 | 125,458 | 21,465 | 172,182 |
| | Taxes payable | - | 2,092 | 10,435 | 569 | - | 22,967 | - | 36,063 |
| | Loans from banking corporations including current maturities | 55,107 | 204,891 | - | 37,745 | 597,302 | 260,386 | - | 1,155,431 |
| | Other liabilities | - | - | - | 237 | - | 18,981 | - | 19,218 |
| | Debentures | - | - | - | - | 6,348,076 | 206,226 | - | 6,554,302 |
| | Tenant deposits | 1,005 | 26 | 2,012 | - | 47,404 | - | - | 50,447 |
| | Employee benefit liabilities, net | - | - | - | - | - | - | 5,835 | 5,835 |
| | Deferred taxes | - | - | - | - | - | - | 1,838,618 | 1,838,618 |
| | **Total liabilities** | **58,839** | **209,557** | **21,448** | **43,720** | **7,005,933** | **784,972** | **1,865,918** | **9,990,387** |

# Mivne Real Estate (K.D) Ltd.

## ("The company")

Annually financial statements – for the year ended December 31, 2023

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on March 27, 2024 (reference no.: 2024-01-032490) (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.

December 31 2023 Consolidated Financial Statements

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*ey.com*

Building a better working world

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

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

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

We have inspected components of the internal controls of the financial reporting of Mivne Real Estate (K.D.) Ltd. and its subsidiaries (hereinafter together – the Company) as of December 31 2023. These control components have been established as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal controls over financial reporting, and for evaluating the effectiveness of the internal controls over financial reporting included in the periodic report for the date in question. Our responsibility is to express our opinion on the internal control components of the Company's financial reporting, based on our audit.

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

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

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

In our opinion, the Company has upheld in an effective manner, in all material aspects, its audited control components as of December 31 2023.

We have also audited, in accordance with generally accepted Israeli auditing standards, the Company's Consolidated Financial Statements for December 31 2023 and 2022 and for each of the three years of the period ending December 31 2023 and our report, published March 26 2024, includes our unreserved opinion of those Financial Statements.

Tel-Aviv,
March 26 2024

Kost Forer Gabbay & Kassirer
Certified Public Accountants

**Kost Forrer Gabbay & Kassirer**
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# Auditor's Report

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

We have audited the accompanying consolidated financial statements of Mivne Real Estate (K.D.) Ltd. and its subsidiaries (hereinafter – the Company) dated December 31 2023 and 2022, and the Statements of Operations, Report on Consolidated Income, Report on Changes in Shareholders' Equity and Cash Flow Report for each of the three years of the period ending December 31 2023. These Financial Statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express our opinion of these Financial Statements on the basis of our audit.

We have not audited the financial statements of consolidated subsidiaries, the assets of which included in the consolidation represent some 13.02% and 14.74% of total consolidated assets as of December 31, 2023 and 2022, respectively, and whose revenues included in consolidation constitute 13.43%, 13.93% and 17.92% of total consolidated revenues for the years ending December 31, 2023, 2022 and, 2021, respectively. Furthermore, we have not audited the financial statements of companies presented according to the book value method, the investment in which amounted to a total of 292,821,000 NIS and 273,176,000 NIS as of December 31 2023 and 2022, respectively, and which the Company's share of the profits of the companies in question amounted to a total of 13,263,000, 984,000 and 12,824,000 NIS for the years ending December 31 2023, 2022 and 2021, respectively. The financial statements of those companies have been audited by other accountants, whose reports have been submitted to us, and our opinion, to the extent that it relates to the sums consolidated in respect of such companies, is based on the reports of those other accountants.

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

In our opinion, based on our audits and the reports of other accountants, these Consolidated Financial Statements adequately reflect, in all material respects, the financial status of the Company and its subsidiaries as of December 31 2023 and 2022 and the results of their activities, changes to their equity and their cash flows for each of the three years in the period ending December 31 2023 in accordance with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Yearly Financial Statements), 2010.

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

Below are matters categorized as key matters in audit of the 2023 consolidated financial statements:

**Fair Value of Investment Property**

As set forth in Notes 2j, 3a, 11, 14 and 15 to the Consolidated Financial Statements, the Company has investment property presented at fair value as of said date, in conformity with the accounting policy as described in Note 2. As of December 31, 2023, the fair value of all investment property (generating income, under construction and future rights) amounted to 15,062,947,000 NIS; In 2023, the Company recognized valuation loss amounting to the net sum of 61,922,000 NIS.

As set forth in Note 3a to the Consolidated Financial Statements, determination of the fair value of investment property is a critical estimate, associated with uncertainty and based on valuations that include assumptions, some of which may be subjective considering the circumstances and best information available as of December 31 2023, prepared with assistance from external real estate appraisers. These assumptions primarily include the most appropriate yield and net operating income (NOI) forecasted for such property and market prices for relevant comparison units. These underlying assumptions, and determination of the overall fair value of Company investment property, including selection of the most appropriate appraisal approach, result from applying subjective judgement in an environment of uncertainty, sometimes highly significant uncertainty, and therefore changes to these underlying assumptions may result in changes to fair value of investment property, sometimes even material changes, and therefore may also affect the Company's financial standing as of December 31 2023 and its operating results for this year, as set forth in Note 14.

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

**Audit procedures applied in response to key audit matter:**

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

We have also audited, in accordance with Audit Standard 911 of the Institute of Certified Public Accountants in Israel “Inspection of Components of Internal Controls for Financial Reporting”, components of internal controls of the Company’s financial reporting as of December 31 2023, and our March 26 2024 report included an unreserved opinion regarding the effective existence of those components.

Tel-Aviv,
March 26 2024

Kost Forer Gabbay & Kassirer
Certified Public Accountants

## Consolidated Balance Sheets

| | Note | As of December 31 2023 | As of December 31 2022 |
|---|---|---|---|
| | | Thousands of NIS | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 922,626 | 178,575 |
| Short-term investments | 6 | 32,719 | 50,185 |
| Limited cash and funds in trust | 7 | 7,010 | 14,310 |
| Customers | 8 | 30,776 | 29,423 |
| Receivables and debit balances | 9 | 204,357 | 131,180 |
| Taxes receivable | | 9,520 | 28,992 |
| Inventory of land and apartments for sale and under construction | 10A1 | 648,788 | 548,324 |
| | | 1,855,796 | 980,989 |
| Assets held for sale | 11 | 12,281 | 1,660 |
| | | 1,868,077 | 982,649 |
| Non-Current Assets | | | |
| Advance payments on account of investment property | 14B | 150,989 | 143,641 |
| Restricted cash | 5C | 11,824 | - |
| Other receivables | 12 | 30,893 | 119,902 |
| Investments in companies handled using the book value method | 13 | 533,058 | 500,667 |
| Investment property | 14 | 13,636,719 | 13,455,538 |
| Investment property under development | 15 | 1,413,947 | 1,126,157 |
| Inventory of land for construction | 10A2 | 242,025 | 239,314 |
| Fixed assets, net | 16 | 193,503 | 175,471 |
| Intangible assets, net | | 19,630 | 19,630 |
| Deferred taxes | 27E | 413 | 354 |
| | | 16,233,001 | 15,780,674 |
| | | 18,101,078 | 16,763,323 |

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

## Consolidated Balance Sheets

| | Note | As of December 31 2023 | 2022 |
|---|---|---|---|
| | | Thousands of NIS | |
| Current Liabilities | | | |
| Credit from banks and other credit providers | 19B | 101,905 | 134,095 |
| Current maturities of debentures | 20 | 202,929 | 462,073 |
| Current maturities of loans and other liabilities | 19 | 404,838 | 43,242 |
| Trade payables | 17 | 56,386 | 65,684 |
| Payables and credit balances | 18 | 168,461 | 202,668 (*) |
| Advance payments from buyers | | 3,719 | 3,053 (*) |
| Taxes payable | | 36,063 | 21,593 |
| | | 974,301 | 932,408 |
| Non-Current Liabilities | | | |
| Loans from banking corporations and financial institutions | 19 | 750,594 | 1,128,754 |
| Debentures | 20 | 6,351,373 | 4,775,715 |
| Other liabilities | 21 | 19,218 | 58,353 |
| Tenant deposits | 22 | 50,447 | 43,981 |
| Employee benefit liabilities | | 5,835 | 6,829 |
| Deferred taxes | 27E | 1,838,618 | 1,791,117 |
| | | 9,016,085 | 7,804,749 |
| Equity Attributable to Company Shareholders | | | |
| Stock capital | 28 | 1,451,959 | 1,483,344 |
| Premium on shares | | 3,172,272 | 3,397,666 |
| Principal in respect of share-based payment transactions | 29 | 22,108 | 22,002 |
| Treasury shares | | - | (259,044) |
| Retained earnings | | 3,568,031 | 3,522,470 |
| Adjustments arising from the translation of the financial statements of foreign activity and other funds | | 118,426 | 97,690 |
| Capital reserve from transactions with minority shareholders | | (278,968) | (279,026) |
| | | 8,053,828 | 7,985,102 |
| Non-Controlling Interests | | 56,864 | 41,064 |
| Total Equity | | 8,110,692 | 8,026,166 |
| | | 18,101,078 | 16,763,323 |

(*) Reclassified

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

| March 26 2024 | | | |
|---|---|---|---|
| Financial Statements Approval Date | Tal Fuhrer<br>Chair of the Board of Directors | Uzi Levi<br>Chief Executive Officer | Amir Bennet<br>Controller |

## Consolidated Statements of Operations

| | Note | For the Year Ending December 31 | | |
|---|---|---|---|---|
| | | 2023 | 2022 | 2021 |
| | | Thousands of NIS (Except for Net Profit per Share Data) | | |
| Revenues | | | | |
| Rental and management fee income – Israel | | 939,435 | 875,887 | 780,782 |
| Rental and management fee income – abroad | | 109,707 | 93,138 | 118,148 |
| From the sale of apartments and land for housing | | 130,386 | 53,671 | 193,219 |
| From solar installations, net | | 13,742 | 10,021 | 6,105 |
| Other revenues, net | | 1,132 | 1,221 | 1,607 |
| Total revenues | | 1,194,402 | 1,033,938 | 1,099,861 |
| Expenses | | | | |
| Maintenance expenses – Israel | | 191,356 | 178,258 | 173,483 |
| Maintenance expenses – abroad | | 47,327 | 42,491 | 42,051 |
| Cost of apartments and land sold | | 81,736 | 35,745 | 154,636 |
| Total cost of sales and services | | 320,419 | 256,494 | 370,170 |
| Gross profit | | 873,983 | 777,444 | 729,691 |
| Valuation (loss) gain of investment property and investment property under development, net | 11,14,15 | (61,922) | 1,346,603 | 756,381 |
| Sales and marketing expenses | | (8,327) | (7,665) | (7,771) |
| Administrative and general expenses | 26A | (92,434) | (82,971) | (81,195) |
| Valuation loss of inventory of land for construction | | - | (10,126) | (523) |
| Other revenues (expenses), net | 26B | (824) | 16,657 | 29,200 |
| Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity | | - | (3,860) | 12,979 |
| The Company’s share of the profits (losses) of companies handled using the book value method, net | 13D | 24,699 | 10,792 | 21,276 |
| Operating profit | | 735,175 | 2,046,874 | 1,460,038 |
| Financing expenses | 26C | 366,942 | 410,872 | 296,153 |
| Loss from early redemption of debentures and loans | 26C | 286 | 3,605 | 13,903 |
| Financing income | 26C | 51,452 | 12,394 | 16,514 |
| Profit before taxes on income | | 419,399 | 1,644,791 | 1,166,496 |
| Taxes on income | 27D | 82,356 | 359,572 | 211,449 |
| Net income | | 337,043 | 1,285,219 | 955,047 |
| Attributed to: | | | | |
| Company shareholders | | 332,561 | 1,276,569 | 941,780 |
| Non-Controlling Interests | | 4,482 | 8,650 | 13,267 |
| | | 337,043 | 1,285,219 | 955,047 |
| Profit per share attributed to company shareholders (in NIS) | | | | |
| Basic net profit | 30 | 0.44 | 1.69 | 1.26 |
| Diluted net profit | 30 | 0.44 | 1.68 | 1.25 |

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

**Consolidated Statements of Comprehensive Earnings**

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Net income | 337,043 | 1,285,219 | 955,047 |
| Other comprehensive income (loss) (after tax influence): | | | |
| Sums classified or reclassified to gain or loss under specific conditions: | | | |
| Adjustments arising from the translation of the financial statements of foreign activity | 20,601 | 32,186 | 5,905 |
| Realization of capital reserve to Statement of Operations due to the realization of foreign activity | - | 3,860 | (12,979) |
| Total other comprehensive income (loss) | 20,601 | 36,046 | (7,074) |
| Items not reclassified to gain/loss: | | | |
| Profit due to investment in financial asset measured at fair value via other comprehensive income | - | - | 15,235 |
| | - | - | 15,235 |
| Total other comprehensive income | 20,601 | 36,046 | 8,161 |
| Total comprehensive income | 357,644 | 1,321,265 | 963,208 |
| Attributed to: | | | |
| Company shareholders | 353,297 | 1,319,297 | 949,152 |
| Non-Controlling Interests | 4,347 | 1,968 | 14,056 |
| | 357,644 | 1,321,265 | 963,208 |

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

## Consolidated Statements of Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Thousands of NIS | | | | | | | | | |
| | Stock capital | Premium on shares | Treasury shares | Retained earnings | Principal in respect of share-based payment transactions | Adjustments Deriving from the Translation of Financial Statements of Foreign Activity and Other Funds | Reserve from Transactions with Non-Controlling Interests | Total | Non-Controlling Interests | Total equity |
| Balance as of January 1 2023 | 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 income | - | - | - | 332,561 | - | - | - | 332,561 | 4,482 | 337,043 |
| Other comprehensive income (loss) | - | - | - | - | - | 20,736 | - | 20,736 | (135) | 20,601 |
| Total comprehensive income | - | - | - | 332,561 | - | 20,736 | - | 353,297 | 4,347 | 357,644 |
| Writing off treasury shares | (31,902) | (227,142) | 259,044 | - | - | - | - | - | - | - |
| Dividend paid to Company shareholders | - | - | - | (287,000) | - | - | - | (287,000) | - | (287,000) |
| Dividend to holders of non-controlling interests | - | - | - | - | - | - | - | - | (2,080) | (2,080) |
| Purchase of shares from minority shareholders of subsidiary | - | - | - | - | - | - | 58 | 58 | 13,533 | 13,591 |
| Exercise of employee options | 517 | 1,748 | - | - | (2,265) | - | - | - | - | - |
| Share-based payment | - | - | - | - | 2,371 | - | - | 2,371 | - | 2,371 |
| Balance as of December 31 2023 | 1,451,959 | 3,172,272 | - | 3,568,031 | 22,108 | 118,426 | (278,968) | 8,053,828 | 56,864 | 8,110,692 |

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

## Consolidated Statements of Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Thousands of NIS | | | | | | | | | |
| | Stock capital | Premium on shares | Treasury shares | Retained earnings | Principal in respect of share-based payment transactions | Adjustments Deriving from the Translation of Financial Statements of Foreign Activity and Other Funds | Reserve from Transactions with Non-Controlling Interests | Total | Non-Controlling Interests | Total equity |
| 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 |
| Dividend paid to 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 accompanying Notes constitute an inseparable part of the Consolidated Financial Statements.

## Consolidated Statements of Changes in Equity

| | Attributed to Company shareholders | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Thousands of NIS | | | | | | | | | | | |
| | Stock capital | Premium on shares | Buy options | Capital reserve of securities available for sale | Treasury shares | Retained earnings | Principal in respect of share-based payment transactions | Adjustments Deriving from the Translation of Financial Statements of Foreign Activity and Other Funds | Reserve from Transactions with Non-Controlling Interests | Total | Non-Controlling Interests | Total equity |
| Balance as of January 1 2021 | 1,515,298 | 3,634,931 | 14,456 | (11,526) | (641,127) | 1,760,412 | 17,122 | 62,825 | (279,026) | 6,073,365 | (11,367) | 6,061,998 |
| Net profit | - | - | - | - | - | 941,780 | - | - | - | 941,780 | 13,267 | 955,047 |
| Other comprehensive income (loss) | - | - | - | 15,235 | - | - | - | (7,863) | - | 7,372 | 789 | 8,161 |
| Total comprehensive income (loss) | - | - | - | 15,235 | - | 941,780 | - | (7,863) | - | 949,152 | 14,056 | 963,208 |
| Writing off treasury shares | (30,530) | (217,370) | - | - | 247,900 | - | - | - | - | - | - | - |
| Issue of shares, net of transaction costs | 10,870 | 81,644 | (14,456) | - | - | - | - | - | - | 78,058 | - | 78,058 |
| Departure from consolidation by consolidated company | - | - | - | - | - | - | - | - | - | - | (10,639) | (10,639) |
| Classification of capital reserve upon realization of securities | - | - | - | (3,709) | - | 3,709 | - | - | - | - | - | - |
| Dividend paid to Company shareholders | - | - | - | - | - | (205,000) | - | - | - | (205,000) | - | (205,000) |
| Dividends paid holders of non-controlling interests | - | - | - | - | - | - | - | - | - | - | (2,080) | (2,080) |
| Exercise of employee options | 214 | 824 | - | - | - | - | (1,038) | - | - | - | - | - |
| Share-based payment | - | - | - | - | - | - | 6,187 | - | - | 6,187 | - | 6,187 |
| Balance as of December 31 2021 | 1,495,852 | 3,500,029 | - | - | (393,227) | 2,500,901 | 22,271 | 54,962 | (279,026) | 6,901,762 | (10,030) | 6,891,732 |

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

## Consolidated Cash Flow Reports

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Cash flows from current activity | | | |
| Net income | 337,043 | 1,285,219 | 955,047 |
| Adjustments required to present cash flows from current activities | | | |
| Adjustments to profit or loss items: | | | |
| Depreciation and amortizations | 12,236 | 8,684 | 12,942 |
| Financing expenses, net | 315,776 | 402,083 | 293,542 (*) |
| Decrease (increase) in fair value of investment property and investment property under development, net | 61,922 | (1,346,603) | (756,381) |
| The Company's share of the profits of companies handled using the book value method, net | (24,699) | (10,792) | (21,276) |
| Change in employee benefit liabilities, net | (994) | (1,096) | 144 |
| Income tax expenses | 82,356 | 359,572 | 211,449 |
| valuation loss of inventory of land for construction and inventory of buildings and apartments for sale | - | 10,126 | 523 |
| Realization of capital reserve from translation differences to Statement of Operations | - | 3,860 | (12,979) |
| Change in fair value of put options measured at fair value | (580) | (2,052) | (39,813) |
| Profit from the realization of investment in subsidiary (a) | - | (7,569) | - |
| Profit from the realization of investment in associate | - | (10,751) | - |
| Cost of share-based payment | 2,371 | 2,983 | 6,187 |
| | 448,388 | (591,555) | (305,662) |
| Changes in asset and liability items: | | | |
| Decrease (increase) in trade receivables | (1,050) | (712) | 20,573 |
| Decrease (increase) in accounts receivable and debit balances | (96,388) | (15,390) | 17,015 |
| Increase (decrease) in trade payables | (9,799) | 23,897 | 7,846 |
| Increase (decrease) in other accounts payable and unearned revenues from buyers | (15,629) | 5,557 | (14,103) |
| Increase in tenant security deposits | 6,376 | 5,268 | 1,195 |
| | (116,490) | 18,620 | 32,526 |
| Cash paid and received during the reported period for: | | | |
| Interest paid | (205,689) | (127,710) | (179,814) |
| Interest received | 45,057 | 7,825 | 8,729 |
| Taxes paid | (36,200) | (37,603) | (19,906) |
| Taxes received | 26,024 | 1,876 | 12,412 |
| Dividend received | 4,520 | 4,313 | 8,851 |
| | (166,288) | (151,299) | (169,728) |
| 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. | 502,653 | 560,985 | 512,183 |
| Increase in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction. | (94,143) | (117,456) | (108,870) |
| Net cash from current activities | 408,510 | 443,529 | 403,313 |

(*) Reclassified

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

## Consolidated Cash Flow Reports

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Cash Flows from Investment Activities | | | |
| Purchases, advances on investments, and investments in investment property | (156,217) | (785,083) | (518,840) |
| Investment in investment property under development | (322,556) | (221,785) | (145,096) |
| Investment in property, plant and equipment | (30,202) | (46,385) | (54,145) |
| Investments in and loans to equity-accounted investees, net | (10,900) | (215,396) | (87,492) |
| Short-term investments, net | 31,812 | 6,607 | 83,078 |
| Proceeds from the realization of investment property and real estate held for sale | 6,649 | 40,002 | 186,543 |
| Proceeds from the sale of shares and redemption of shareholder loans of investee sold | - | 30,183 | 18,456 |
| Repayment of long-term loans granted, net | 93,004 | 1,688 | 16,003 |
| Repayment of (investment in) long-term deposits | (11,824) | - | 45,815 |
| Change in cash from the realization of investment in company consolidated in the past, net (a) | - | - | 55,695 |
| Cash paid in subsidiary (b) | - | (14,916) | - |
| Net cash used in investment activities | (400,234) | (1,205,085) | (399,983) |
| Cash Flows from Financing Activity | | | |
| Issue of shares, net of transaction costs | - | 16,060 | 78,058 |
| Dividend paid to Company shareholders | (287,000) | (255,000) | (205,000) |
| Proceeds from the issue of debentures, net of transaction costs | 2,247,413 | 780,493 | 1,030,566 |
| Redemption of debentures | (1,122,446) | (308,365) | (605,875) |
| Short-term credit from banking corporations and others, net | (33,000) | 98,085 | 7,415 |
| Receipt of loans and other long-term liabilities | 89,166 | 61,686 | 458,570 |
| Repayment of loans and other long-term liabilities | (162,896) | (382,902) | (266,544) |
| Dividend paid to holders of non-controlling interests | (2,080) | (2,079) | (2,080) |
| Net cash deriving from financing activities | 729,157 | 7,978 | 495,110 |
| Increase (decrease) in cash and cash equivalents | 737,433 | (753,578) | 498,440 |
| Exchange rate differences due to balances of cash and cash equivalents | 6,618 | 9,638 | (7,631) |
| Balance of cash and cash equivalents at the beginning of the year | 178,575 | 922,515 | 431,706 |
| Balance of cash and cash equivalents at the end of the year | 922,626 | 178,575 | 922,515 |

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

## Consolidated Cash Flow Reports

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| (a) Proceeds from the Realization of Investments in Subsidiaries Consolidated in the Past, Net | | | |
| Assets and liabilities of subsidiaries as of the date of sale: | | | |
| Working capital, excluding cash and cash equivalents | - | - | (3,693) |
| Investment property and investment property under construction | - | - | 70,305 |
| Other long-term assets and fixed assets | - | - | - |
| Non-controlling interests | - | - | (10,639) |
| Profit from divestment | - | - | (278) |
| | - | - | 55,695 |
| (b) Newly Merged Company | | | |
| Working capital | - | 7,490 | - |
| Investment property and investment property under construction | - | (30,393) | - |
| Long-term liabilities | - | 7,987 | - |
| | - | (14,916) | - |
| (c) Departure from consolidation by formerly consolidated company | | | |
| Working capital | - | (3,306) | - |
| Non-controlling interests | - | 51,205 | - |
| Long-term liabilities | - | (55,468) | - |
| Capital gain | - | 7,569 | - |
| | - | - | - |

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

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

Note 1 – General

A. Company Description

Mivne Real Estate (K.D.) Ltd. (hereinafter: "the Company") is a company resident in Israel, incorporated in Israel and its office of record is at 7 Totzeret Haaretz Street, Tel Aviv.

As of this report, the Company is operating in two areas of activity:

1. The field of cash-generating properties – within this framework the Company engages, by itself and through its investees, in varied real estate activity centering on Israel. The Company specializes in initiating, purchasing, renting and managing buildings intended for offices, high-tech, industry, logistics and commerce, data centers and residential units. Within the framework of this area, the Group (as defined above) is largely active in Israel as well as in a number of foreign countries including Switzerland.
2. Residential real estate development field – the Group is active in the development of residential real estate in Israel including locating, initiating, planning, developing, building, marketing and selling residential construction in Israel.
   The Company also owns partnerships that rent and operate petrol stations.

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

B. Definitions

In these Financial Statements –

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

C. The Iron Swords War

On October 7 2023 the State of Israel was attacked by the Hamas terrorist organization in a brutal and murderous surprise attack. The attack from the Gaza Strip involved missiles fired and thousands of terrorists invading Israeli territory, taking the lives of over a thousand soldiers, civilians and foreigners. In addition, hundreds of people were kidnapped int the Gaza Strip.
Following the surprise attack, the Israeli Government declared a state of war, Operation “Iron Swords”, in which thousands of rockets were fired into Israel, many towns in the Gaza envelope region were evacuated and over 300,000 reserve troops were called up for the attack on the Gaza Strip and to protect Israel’s other borders. Concurrently, towns along the norther border were evacuated in light of increased tension in the northern border of the State of Israel with the Hezbollah terrorist organization.

Note 1 – General (Continued)

The impact of the war is evident in the Israeli economy as a whole and in the capital market in particular. These are expressed, among other things, by temporary closures and/or shortened operating hours of many businesses, restrictions on gatherings at workplaces and events, restrictions in the education system, drops in the stock exchange, the devaluation of the exchange rate of the NIS versus foreign currencies as well as an increase in yields on corporate debenture rates, due to the increase in risk and uncertainty levels. Rating company S&P has lowered the State of Israel's credit rating outlook from Stable to Negative. Raying company Moody's has lowered the State of Israel's credit rating to A2 Negative Outlook, in light of the risk of the fighting expanding to the north and expanding the fighting in Gaza, which significantly increase the geopolitical risks in the State of Israel and hurt the State's fiscal fortitude in the foreseeable future and the international rating company Fitch has announced that it was placing the State of Israel's credit rating under a negative watch.
The Company is continuing to operate subject to Homefront Command directives, including continuing the marketing and management of its properties, developing, planning and building property, albeit on a partial basis as a result of the personnel shortage.
As of the publication of this report, the direction of the conflict cannot be predicted, but estimates say that it will continue for a number more months at the least. As a result of this, it seems as though the economy is entering a wartime routine. Therefore, at this stage we cannot estimate the future impact of the war on business activity in Israel in general and on the Company's activity in particular.
At the same time, subject to the above, the Company predicts that its ongoing revenues will decrease at a non-material rate as a result of the war and as of the publication of this report, the Company does not predict material delays in the construction of the projects. At the same time, at this stage, the Company cannot estimate the change, if one occurs, in the value of its investment properties as a result of the war.

Note 2 – Principal Accounting Policies

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

A. Basis of Presentation of the Financial Statements

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

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

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

Note 2 – Principal Accounting Policies (Continued)

B. Operating Cycle Period

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

C. Consolidated Financial Statements

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

D. Purchase of Property Companies

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

E. Investments Handled Using the Book Value Method

The Group's investments in associates and in joint operations are handled using the book value method.

According to the book value method, the investment in the associate or joint activity is presented at cost plus post-purchase changes in the Group's share of net assets, including other comprehensive income of the associate or joint activity.

Goodwill from the purchase of an associate or joint operation is presented as part of the investment in an associate or joint operation, and is measured at cost and is not depreciated systematically. Goodwill is tested for impairment as part of the investment in the associate or joint operation as a whole.

The Company examines, after applying the book value method, whether it is necessary to recognize another loss for the impairment of an investment in associates or joint ventures.

The Company examines on each reporting date whether there is any objective evidence that the investment in an associate or a joint venture has been impaired. Impairment review is conducted for the entire investment, including goodwill attributed to the associated company or joint venture.

Note 2 – Principal Accounting Policies (Continued)

F. Functional and Presentation Currency

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

The assets and liabilities or an investee constituting foreign activity including surplus costs created are translated according to the closing rate on each balance sheet date. Statement of Operations items are translated according to average exchange rates in all of the periods presented. The translation differences created are charged to other comprehensive income (loss).

G. Non-Current Asset or Group of Assets Held for Sale

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

H. The Company as Lessor

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

Operating Lease

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

I. Cash Equivalents

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

J. Investment Property

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

Note 2 – Principal Accounting Policies (Continued)

Investment property is written off upon realization, or when its use is discontinued and no future economic benefits from its realization are expected.

Investment property is first measured at cost, including direct purchasing costs. After initial recognition, investment property is measured at fair value which reflects market conditions on the balance sheet date. Profits or losses deriving from changes in the fair value of investment property are charged to gain/loss upon creation. Investment property is not depreciated systematically.

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

K. Fixed Assets

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

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

The useful life span, amortization method and residual value of each asset are reviewed at the end of each year at least, and changes are treated as changes to accounting estimates on a prospective basis.

L. Fair Value Measurement

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

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

Note 2 – Principal Accounting Policies (Continued)

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

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

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

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

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

M. Financial Instruments

1. Financial Assets

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

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

The Company's business model is to hold the financial assets in order to charge contractual cash flows; and the contractual terms of the financial asset provide rights on defined date for their cash flows, which are just principal and interest payments for the principal sum not yet redeemed.

After initial recognition, instruments in this group will be presented based on their terms at amortized cost using the effective interest method and less an impairment provision.

Capital Instruments and Other Financial Assets Held for Trade

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

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

Note 2 – Principal Accounting Policies (Continued)

2. Impairment of Financial Assets

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

3. Financial Liabilities

a) Financial Liabilities Measured at Depreciated Cost

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

Subtraction of Financial Liabilities

The Company subtracts a financial liability when, and only when, it is paid up, meaning when the liability defined in the contract is defrayed, cancelled or expired. A financial liability is cleared when the debtor has paid off the liability by making a payment in cash, in other financial assets, in goods or services, or is freed of the liability by legal means.
In the event of changes in terms due to existing financial liabilities, the Company studies whether the terms of the liabilities are materially different from the existing terms and takes qualitative and quantitative considerations into account.

N. Provisions

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

O. Lawsuits

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

P. Share-Based Payment Transactions

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

Note 2 – Principal Accounting Policies (Continued)

Transactions Cleared via Capital Instruments

The cost of transactions with employees cleared using capital instruments are measured at the fair value of the capital instruments upon the date of issue. Fair value is determined using an acceptable option pricing model.
The cost of transactions cleared using capital instruments is charged to gain/loss together with a concurrent increase in shareholders’ equity over the period in which the conditions of performance and/or the service exist and ends on the date on which the relevant employees are entitled to remuneration. Expenses for grants that do not eventually vest are not recognized.

Q. Recognition of Income

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

When setting the sum of the revenue from contracts with customers, the Company examines whether it acts as a primary supplier or an agent in the contract. The Company is a primary supplier when it controls the goods or the service promised prior to its transfer to the customer.

Revenues from the Provision of Services (Including Management Fees)

Revenues from services are recognized over time, across the period in which the customer receives and consumes the benefits produced by the Company's performance. Revenues are recognized in accordance with the reporting period in which the services were provided.

Revenues from the Development and Construction of Developed Real Estate in Israel

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

Note 2 – Principal Accounting Policies (Continued)

The Company implements the input method in order to measure the progress of its implementation, when the implementation obligation is upheld over time. The Company believes that use of the inputs method according to which revenues are recognized on the basis of inputs the Company invested in order to uphold the implementation obligation represents the income produced in practice in the best possible manner.

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

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

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

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

In order to measure the price of the transaction, the Company adjusts the sum of the proceeds promised for the impact of the money's time value if the timing of the payments agreed upon between the parties to the contract, explicitly or implicitly, provides the customer or the Company with a material financing benefit in transfer of the property (for example, in 20%-80% transactions). In these cases, the contract contains a material financing component. In cases in which the gap between the date payment is received and the date the goods or service are provided the customer is one year or more, the Company implements the practical relief set in the standard and does not separate a material financing component.

Contract Securing Costs

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

R. Taxes on Income

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

Note 2 – Principal Accounting Policies (Continued)

1. Current Taxes

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

2. Deferred Taxes

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

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

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

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

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

S. Change in accounting policy – first-time application of new financial reporting standards and revisions to existing accounting standards:

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 an impact on the disclosures of the Company's accounting policies, but it had not impact on the measurement, recognition or presentation of any items in the Company's Consolidated Financial Statements.

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

Estimates and Assumptions

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

A. Investment Property and Investment Property Under Development

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

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

B. Inventory of Apartments/Land for Residential Construction

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

C. Deferred Tax Assets

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

Note 4 – Disclosure for New IFRS Standards in the Period Prior to their Application

A. Revision to IAS 1 Presentation of Financial Statements

In January 2020, the IASB published a revision to IAS 1 on requirements to classify liabilities as current or non-current (hereinafter – “the Original Amendment”). In October 2022 the IASB issued a consecutive amendment the above amendment (hereinafter – “the Consecutive Amendment:).

The Consecutive Amendment states that:

- Only financial covenants an entity must comply with at the end of the reported period or prior to that, impact the classification of that liability as a current liability or a non-current liability.
- For liabilities the examination of compliance with financial covenants is tested within the 12 months consecutive to the report date, disclosure must be provided in a manner that will allow users of the Financial Statements to assess the risks for that liability. This means that the Consecutive Amendment states that disclosure must be provided for the book value of the liability, as well as information on financial covenants and facts and circumstance as of the end of the reported period, which may lead to the conclusion that the entity will have difficulty upholding the financial covenants.

The Original Amendment states that a conversion right of a liability will impact the classification of the liability as a whole as a current or non-current liability, except in cases in which the conversion component is capital-based.

The original amendment and the consecutive amendment shall be implemented for yearly reporting periods starting January 1 2024 or subsequently. The Amendments will be applied retroactively.

That the above revision will not have a material impact on the Company’s Consoidated Financial Statements.

Note 5 – Cash and Cash Equivalents

A. Composition

| | Interest Rate | December 31 2023 | December 31 2022 |
|---|---|---|---|
| | | Thousands of NIS | |
| Cash and deposits for immediate withdrawal | | 175,728 | 162,620 |
| Short-term deposits | 4.72% | 746,898 | 15,955 |
| | | 922,626 | 178,575 |

B. Linkage Terms

| | December 31 2023 | December 31 2022 |
|---|---|---|
| | Thousands of NIS | |
| NIS | 780,381 | 65,622 |
| US Dollar | 5,096 | 11,815 |
| Swiss Franc | 79,614 | 59,534 |
| Canadian Dollar | 14,171 | 9,833 |
| Euro | 43,364 | 31,771 |
| | 922,626 | 178,575 |

C. Non-Current Cash and Cash Equivalents

Following the war between Russia and Ukraine, trade restrictions were placed on withdrawing foreign capital from Ukraine. Therefore, the balance of cash deposited in bank accounts in Ukraine to the sum of 11 million NIS, after a credit loss provision of 3.9 million NIS, was classified as a non-current asset.

Note 6 – Short-Term Investments

Details of Investments in Financial Assets Measured at Fair Value via Gain/Loss

| | December 31 2023 | December 31 2022 |
|---|---|---|
| | Thousands of NIS | |
| Shares and options convertible to negotiable shares | 32,670 | 27,592 |
| Debentures | 49 | 22,593 |
| | 32,719 | 50,185 |
| Dividends recognized in gain/loss | - | 2,378 |

Note 7 – Limited Cash and Money in Trust

| | December 31 2023 | December 31 2022 |
|---|---|---|
| | Thousands of NIS | |
| Restricted deposits (mainly accompaniment accounts of apartment buyers) | 7,010 | 14,310 |
| | 7,010 | 14,310 |

Note 8 – Customers

A. Composition:

| | December 31 2023 | December 31 2022 |
|---|---|---|
| | Thousands of NIS | |
| Tenants: | | |
| Outstanding debt | 46,664 | 50,949 |
| Checks collectible | 2,486 | 1,835 |
| | 49,150 | 52,784 |
| Less - provision to tenants' doubtful debt | 18,374 | 23,361 |
| Total tenants, net | 30,776 | 29,423 |

B. Below is an analysis of trade receivables due to tenants, net, by the extent of the arrears relative to the balance sheet date:

| | Customers whose Redemption Date has Yet to Arrive (with no collection arrears) | Customers Whose Repayment Date has Past and the Delay in Collection is: up to 30 days | 30-60 Days | 60-90 Days | 90-120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|---|
| | Thousands of NIS | | | | | | |
| December 31 2023 | 8,086 | 9,580 | 2,323 | 1,414 | 3,152 | 6,221 | 30,776 |
| December 31 2022 | 4,568 | 12,270 | 2,291 | 2,406 | 1,253 | 6,635 | 29,423 |

Note 9 – Other Receivables

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Institutions | 20,795 | 29,168 |
| Revenues receivable | 39,933 | 31,918 |
| Prepaid expenses | 11,889 | 11,984 |
| Debit balances with investees | 27,717 | 12,527 |
| Receivables due to contract | 74,225 | 25,109 |
| Current maturities of loans to long-term buyers | - | 2,065 |
| Partner credit and debit | 16,157 | 5,098 |
| Other receivables and debit balances | 13,641 | 13,311 |
| | 204,357 | 131,180 |

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

A. Composition:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| 1. Inventory of land, apartments and homes for sale and under construction | | |
| Apartments under construction at Hashalom Street, Tel Aviv (b1) | 473,533 | 418,629 |
| Apartments under construction in Moshav Tzur Yitzhak (b2) | 174,029 | 128,426 |
| Apartment at Aminadav Street, Tel Aviv | 1,016 | 1,016 |
| Other | 210 | 253 |
| | 648,788 | 548,324 |
| 2. Inventory of land for construction | | |
| Land for construction at Sde Dov, Tel Aviv (b3) | 223,655 | 223,400 |
| Other lands | 18,370 | 15,914 |
| | 242,025 | 239,314 |

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

B. Additional Information

1. Apartments under construction at HaSolelim Street, Tel Aviv

The Company has signed agreements with Tidhar Construction Ltd. of the Tidhar Group (hereinafter – Tidhar Construction) in connection with the implementation of a project on land between Hashalom Road, Hasolelim St. and Hahascala Blvd. in Tel Aviv-Yafo (hereinafter – the Land) for the construction of two buildings zoned for employment and commercial, two buildings zoned residential and commercial, a public building and underground space, in accordance with a local plan that has been deposited and approved (hereinafter – the Plan and the Project, respectively). In addition, the Company sold Tidhar Rosh Ha'ayin Real Estate Ventures Ltd. (hereinafter – Tidhar Ventures), an additional company from the Tidhar Group, 25% of the construction rights zoned residential. In accordance with the Plan, 360 housing units will be built in the project in two residential towers with 32 stories each.
As of the Financial Statements date, 86 apartment sale contracts were signed at an accumulated sum of 302 million NIS. Apartment prices are partially linked to the Construction Input Index, as set forth in the sale contracts.

2. Apartments under construction in Moshav Tzur Yitzhak

The balances represent the rights of a Company consolidated partnership to the land, which is located west of Moshav Tzur Yitzhak (hereinafter – the Moshav). The land is zoned for the construction of 758 housing units as well as commercial areas. In return for purchasing the rights, the Partnership has undertaken to construct the project and pay the Moshav, in accordance with the terms and dates set in the agreement between the parties, 7.5% of the proceeds deriving from the sales and/or the lease of commercial space.
As of December 31 2023, 572 residential units were sold, out of 758 residential units whose construction was started by the Company (of which 5 apartments over the course of 2023), of which 527 residential units were delivered.

3. Land in Sdeh Dov Compound, Tel Aviv

On August 23, 2021 the Company received notice that it had won, along with two additional partners, in equal shares, for the purchase of capitalized leasing rights (with no development agreement) for 98 years (with an option to extend) in the lot known as "Lot 110" pursuant to a tender published by the Israel Land Administration located in the Sdeh Dov compound in Tel Aviv (hereinafter: the Lot and the Tender, respectively). The plot is an area of 4.7 dunam and on which 230 housing units and 1,300 square meters of commercial space can be built. The balance of the land in the Company's books remained unchanged and amounts to a total of 224 million NIS.

Note 11 – Assets Held for Sale and Liabilities Referring to Assets Held for Sale

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

| | December 31 2023 | | |
|---|---|---|---|
| | Assets | Liabilities | Assets, net |
| | Thousands of NIS | | |
| Israel | 12,281 | - | 12,281 |

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

Note 12 Other Receivables

| | | December 31 2023 | | December 31 2022 | |
|---|---|---|---|---|---|
| | Linkage Basis | Balance | Balance Less Current Maturities | Balance | Balance Less Current Maturities |
| | | Thousands of NIS | | Thousands of NIS | |
| Investment in financial asset | Unlinked | 1,227 | 1,227 | 1,363 | 1,363 |
| Revenues receivable | CPI | 29,157 | 29,157 | 27,214 | 27,214 |
| Receivables in respect of sale of investee (*) | USD | - | - | 92,865 | 90,800 |
| Other receivables | Unlinked | 509 | 509 | 525 | 525 |
| | | 30,893 | 30,893 | 121,967 | 119,902 |

(*) The balance is with respect to a seller's loan extended by the Company to a buyer for purchase of the Company's share in a partnership. The loan was provided for a period of three years, starting October 11 2022 and it bore annual interest of 4.5%. Over the course of May 2023 the buyer repaid the loan via early repayment. See Note 13e below.

Note 13 – Investments in Investees

A. Darban

On July 10 2022 Darban distributed as dividend in kind 16,525,024 par value company shares (dormant shares) held by it at a value of 175 million NIS, based on the value of the shares on the distribution date. After the distribution, the number of dormant shares for voting purposes held by Darban, was 31,901,921 par value. On July 12, 2022 the Company canceled the dormant shares thus distributed.
On February 28, 2023, Darban distributed as dividend-in-kind the remainder of dormant Company shares held thereby, valued at NIS 299 million, based on share value upon the distribution date. After said distribution, Darban no longer holds any Company shares. On March 2, 2023, the Company canceled the remaining dormant shares thus distributed.

Note 13 – Investments in Investees (Continued)

B. Kiryat Shechakim Ltd.

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

C. Yad Hanna

On July 19, 2022, the Company closed a transaction with Yad Hanna Homesh Community Cooperative Village – Agricultural Cooperative Association Ltd. (hereinafter: Yad-Hanna) and Hutzot Shefayim – Agricultural Cooperative Association Ltd. (hereinafter – Shefayim) (Shefayim and Yad Hanna are hereby together – the Sellers) to purchase shares of Yad Hanna Homesh Industries – Agricultural Cooperative Association Ltd. (hereinafter – the Association) with existing and potential rights to parts of the land in Block 8634 and Block 8635 and additional land around them (hereinafter – the Land) with a total area of 10 hectares, such that as of said date, the Company holds shares constituting 50% of the issued and paid-up stock capital of the Association, fully diluted (hereinafter: "the Sold Shares") and has joined the Association as member. In accordance with the plan applicable to part of the Land, the use permitted for them today is for industry, including storage. The Association intends to deal in the planning and promotion of a project for the construction of a cash-generating employment compound on the Land. The proceeds for the shares sold amounted to NIS 140 million, plus VAT. In addition, the Company provided the Association a capital note to the sum of NIS 43 million.

D. Digital Realty Mivne

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

Note 13 – Investments in Investees (Continued)

1. The Partnership will act to purchase, establish, manage, finance, develop and rent data centers throughout Israel (hereinafter – the Data Center Activity).
2. All of the parties' Data Center Activity in Israel shall be carried out through the Partnership only (other than exceptions set forth in the agreements).
3. Both of the parties must inject capital to the Partnership to the sum of up to $50 million in accordance with the board of directors of the General Partner (hereinafter – the Initial Investment). Additional financing of the activity will be carried out via outside financing, shareholder loans or additional capital injections by the parties, with dilution mechanisms set that will apply in the event that a decision is made by the board of directors of the General Partner to make an additional investment by the Parties (beyond the Initial Investment)), and one of the Parties has not provided their share.
4. So long as the Parties hold equal rights in the General Partner, the Board of Directors of the General Partner shall be comprised of an equal number of representatives for each of the parties, with the Chairman of the Board of Directors being a director on behalf of DLR and holding the deciding vote in the event of a tie in a vote except for subjects in which a special majority is needed, such as regarding certain changes in the articles of association of the Partnership or the General Partner, an initial public offering and sale of activity, expansion of the Partnership's areas of activity beyond Data Center Activity, offering, buying back, cancelling or redeeming shares or rights of the Partnership or the General Partner not in accordance with the terms of the agreement, changing the representation mechanism in the Board of Directors, long-term purchases or rentals of a material asset and approval of a budget or a deviation from the budget unless carried out within the framework of "permitted projects", voluntary dissolution of the General Partner or the Partnership, appointment or dismissal of senior officers, receipt of outside financing above the threshold set and interested party transactions. Note that DLR would also have a tie-breaker vote upon voting at a General Meeting of shareholders in case of a tied vote, except for matters that require a super-majority.
5. Within the framework of the Data Centers Activity, the Partnership shall consider buying, renting and/or building on land and/or of suitable buildings in Israel for the activity in question, including (but not limited to) buildings owned or leased by the parties and/or related parties. In this regard, subject to terms and conditions of the agreement, each party undertook to grant (or lead to the controlling company granting) the Partnership the first vote regarding renting such properties, so long as the purpose of their use is for Data Center Activity, as detailed in the agreement.
6. The agreements in question include additional generally accepted preconditions including mechanisms held by the Parties regarding the allocation of shares and rights to the General Partner and the Partnership, rights of refusal and joining rights in the event of a sale of shares or rights as noted above, and prohibition on the sale of such shares and rights for a period of seven years from the determining date, subject to specified exceptions.
7. When five years pass from the determining date, the Parties (subject to the terms of the agreement) shall be entitled to initiate the activation of a forced sales mechanism of the rights to the Partnership and the General Partner.

Note 13 – Investments in Investees (Continued)

E. Florida

In October 2022, a partnership fully owned by the Company (hereinafter – the Seller), which holds 45% of the issued and paid-up stock capital of a company holding rights to land with an area of 0.88 hectares in Fort Lauderdale, Florida (hereinafter – the Property Company), sold to an unrelated third party its entire holdings in the Property Company, in return for a total of 115.7 million NIS ($2.5 million). From the sum of the Proceeds, a total of 32.8 million NIS ($9.2 million) was paid to the Seller upon sale and the balance of the proceeds to the sum of 97 million NIS ($26.7 million) was paid through a guaranteed loan that the Seller provided the buyer (hereinafter – the Seller's Loan). Note that in May 2023 the buyer redeemed the full sum of the loan via early redemption.

F. Investments in equity-accounted investees

.1. Composition:

| | Associates | |
|---|---|---|
| | December 31 | |
| | 2023 | 2022 |
| | Thousands of NIS | |
| Shares and retained earnings | 452,952 | 422,770 |
| Loans | 80,106 | 77,897 |
| Total | 533,058 | 500,667 |

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

| | Associates | |
|---|---|---|
| | Thousands of NIS | |
| | 2023 | 2022 |
| Balance at the beginning of the year | 500,667 | 367,459 |
| Movement during the year: | | |
| Investment and loan given an associate | 10,900 | 198,099 |
| Equity profits, net | 24,699 | 10,792 |
| Adjustments from the translation of Financial Statements | (898) | 4,886 |
| Revaluation of loans and interest | 2,210 | 3,003 |
| Realization of associated company | - | (90,010) |
| Profit from the realization of investment in associate | - | 10,751 |
| Dividends | (4,520) | (4,313) |
| Balance at the End of the Year | 533,058 | 500,667 |

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

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Dividends from companies handled using the book value method | 4,520 | 4,313 | 7,797 |

Note 14 – Investment Property

A. Composition and movement:

| | 2023 | 2022 |
|---|---|---|
| | Thousands of NIS | |
| Balance as of January 1 | 13,455,538 | 11,340,203 |
| Additions During the Year | | |
| Acquisitions and investments | 148,869 | 805,126 |
| Re-classification from "Advance on account of investment property" | - | 76,131 |
| Reclassification from investment property under development | 15,288 | 131,631 |
| Reclassification for investment property from inventory | - | 910 |
| Reclassification to investment property from held for sale | - | 2,619 |
| Increase (decrease) in fair value, net | (42,444) | 1,060,591 |
| Adjustments from the translation of financial statements of foreign activity | 72,010 | 97,316 |
| Total additions | 193,723 | 2,174,324 |
| Disposals During the Year | | |
| Reclassification to assets held for sale (see Note 11b above) | 12,542 | 25,943 |
| Re-classification to "Investment property under construction" (see Note 10.B.1) | - | 27,083 |
| Classification to fixed assets | - | 5,963 |
| Total disposals | 12,542 | 58,989 |
| Balance as of December 31 | 13,636,719 | 13,455,538 |

Note 14 – Investment Property (Continued)

B. Details of material agreements for the purchase of assets:

Acquisition of Rights from Aura Group

On May 11, 2021 the Company entered into a framework agreement with three corporations of the Aura Group (hereinafter – the Sellers) to purchase rights to 290 housing units and 4,000 m² of office space located in a number of locations in central Israel in return for a total of 590 million NIS plus VAT (and linkage difference to the Construction Inputs Index), which will be paid according to milestones set forth in individual sale agreements, which primarily are:, 20% to the date the vouchers are produced and 80% near the delivery of the property. Pursuant to the framework agreement in question, the Company also entered into an agreement to purchase rights in student dormitories in Kiryat Ono in return for a total of 57 million NIS. In addition, the Company received a one-time option to purchase residential apartments in the pre-sale stage relative to housing units in 17 future projects of the sellers in central Israel, at 5% discount off the appraised price and subject to the terms set. The option period shall be for 4 years and it can be exercised up to 30 days from the Aura Group informing the Company to sell the residential apartments in the relevant project by way of early sale. The Company is entitled to trade this option to a corporation in which it holds at least 50% of the issued and paid-up capital over the course of the exercise period. It was also established that in the event that the Company issues a residential REIT controlled thereby during the period set, then subject to stipulated conditions, the sellers shall be entitled to purchase up to 15% of shares of this REIT at 7.5% discount off the issue price. Through December 31 2023, the Company received in its possession and began operating the student dormitories and 30 residential units in Kiryat Ono and in commercial space in Kiryat Ono. As of December 31 2023, the total advance payments the Company paid for the balance of the housing units and commercial spaces not yet receives amounts to a total of 148 million NIS.

C. The following are the discount rate ranges used by the value assessors in determining the fair value of the Group’s investment property, using the discounted cash flow method:

| | Israel | Other |
|---|---|---|
| | % | |
| December 31 2023 | 5.75-8.4 | 3.9-14.85 |
| December 31 2022 | 5.5-8.25 | 3.8-13.3 |

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

D. Property in Ukraine

War broke out between Russia and Ukraine in February 2022. As of the date of the financial statements, the war has caused, and is continuing to cause, significant casualties, damage to infrastructure and to buildings and disruptions to economic activity in Ukraine.

Note 14 – Investment Property (Continued)

The Company has a property in Kiev, Ukraine, valued by an independent outside appraiser as of December 31, 2023 at $53.9 million (195 million NIS) and as of December 31 2022 at $68 million (240 million NIS). Consequently, the Company recognized a valuation loss in 2023 amounting to $16 million (59 million NIS). The Company's revenues from rental and management fees for this property in 2023 amounted to a total of $7.4 million (27 million NIS) compared to a total of $6.8 million (23 million NIS) in the corresponding period last year.

E. Information on Fair Value

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

| | Offices | Industry | Commercial | Housing | Parking lot | Rights and land | Total |
|---|---|---|---|---|---|---|---|
| Fair value as of December 31 2023 | 4,713,384 | 5,012,119 | 2,467,237 | 253,231 | 40,940 | 1,377,329 | 13,864,240 |
| Weighted grossed-up yield rate | 6.4% | 6.9% | 5.9% | 5.3% | 6.6% | - | 6.5% |
| NOI | 303,724 | 345,207 | 145,537 | 13,451 | 2,700 | - | 810,619 |

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

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

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

Note 14 – Investment Property (Continued)

| | December 31 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Offices | Industry | Commercial | Housing | Parking lot | Total |
| | Thousands of NIS | | | | | |
| Profit (loss) as a result of changes in assumptions: | | | | | | |
| An increase of 25 base points in the grossed-up yield rate | (176,034) | (175,557) | (100,314) | (11,383) | (1,495) | (464,783) |
| A drop of 25 base points in the grossed-up yield rate. | 190,244 | 188,782 | 109,193 | 12,507 | 1,613 | 502,339 |
| 5% increase in grossed-up NOI | 235,669 | 250,606 | 123,362 | 12,662 | 2,047 | 624,346 |
| 5% decrease in grossed-up NOI | (235,669) | (250,606) | (123,362) | (12,662) | (2,047) | (624,346) |

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

Note 15 – Investment Property under Development

Composition and movement:

| | 2023 | 2022 |
|---|---|---|
| | Thousands of NIS | |
| Balance as of January 1 | 1,126,157 | 722,908 |
| Additions During the Year | | |
| Investments | 322,556 | 221,785 |
| Transfer from investment property | - | 27,083 |
| Increase in fair value | - | 286,012 |
| Total additions | 322,556 | 534,880 |
| Disposals During the Year | | |
| Fair value impairment | 19,478 | - |
| Reclassification to investment property | 15,288 | 131,631 |
| Total disposals | 34,766 | 131,631 |
| Balance as of December 31 | 1,413,947 | 1,126,157 |

Note 16 – Fixed Assets, Net

A. Composition and movement:

| | Offices (*) | Computers, office equipment, furnishings and others | Gas station | Photo-voltaic installations | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balance as of January 1 2023 | 40,573 | 50,095 | 23,429 | 144,217 | 258,314 |
| Additions during the year | - | 1,638 | 24 | 28,540 | 30,202 |
| Capital reserve from translation differences | - | 42 | - | 24 | 66 |
| Balance as of December 31 2023 | 40,573 | 51,775 | 23,453 | 172,781 | 288,582 |
| Accumulated Depreciation | | | | | |
| Balance as of January 1 2023 | 11,058 | 48,874 | 3,947 | 18,964 | 82,843 |
| Additions during the year | 749 | 1,720 | 409 | 9,358 | 12,236 |
| Balance as of December 31 2023 | 11,807 | 50,594 | 4,356 | 28,322 | 95,079 |
| Depreciated cost as of December 31 2023 | 28,766 | 1,181 | 19,097 | 144,459 | 193,503 |
| Depreciated cost as of December 31 2022 | 29,515 | 1,221 | 19,482 | 125,253 | 175,471 |

(*) The offices are owned by the Company.

B. As for liens, see Note 23c.

Note 17 – Trade Liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Outstanding debt | 53,724 | 63,134 |
| Bills redeemable | 2,662 | 2,550 |
| | 56,386 | 65,684 |

Note 18 – Payables and Credit Balances

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Interest payable | 13,838 | 52,496 |
| Unearned rent | 10,841 | 18,922 |
| Expenses payable | 55,429 | 43,592 |
| Government institutions | 9,289 | 12,088 |
| Wear fund | 1,846 | 2,766 |
| Financial liability for put options measured at fair value via gain or loss | 2,028 | 11,556 |
| Liability due to combination transaction | 20,978 | 22,797 |
| Advance payments from apartment buyers | 5,152 | 666 |
| Partner credit and debit | 28,906 | 22,477 |
| Others | 20,154 | 15,308 |
| | 168,461 | 202,668 |

Note 19 – Loans from Banking Corporations and Financial Institutions

A. Composition:

| | | December 31 2023 | | | December 31 2022 | | |
|---|---|---|---|---|---|---|---|
| | Effective Interest Rate | Balance | Current Maturities | Balance Less Current Maturities | Balance | Current Maturities | Balance Less Current Maturities |
| | Thousands of NIS | | | | | | |
| Loans from Banking Corporations | | | | | | | |
| Loans in CAD | 3.17 | 37,745 | 37,745 | - | 37,082 | 1,301 | 35,781 |
| Loans in USD* | 4.35 | 55,107 | 1,265 | 53,842 | 54,524 | 1,181 | 53,343 |
| Loan in CHF* | 0.75 | 204,891 | - | 204,891 | 181,217 | - | 181,217 |
| CPI-linked loans | 2.65 | 106,173 | 5,337 | 100,836 | 107,901 | 5,164 | 102,737 |
| Unlinked loans | 6.41 | 260,387 | 182,481 | 77,906 | 284,379 | 3,940 | 280,439 |
| | | 664,303 | 226,828 | 437,475 | 665,103 | 11,586 | 653,517 |
| Loans from financial institutions ** | | | | | | | |
| CPI-linked loans | 2.61 | 491,129 | 178,010 | 313,119 | 506,893 | 31,656 | 475,237 |
| | | 1,155,432 | 404,838 | 750,594 | 1,171,996 | 43,242 | 1,128,754 |

*) The loans are non-recourse loans.

**) Loans from financial institutions that are interested parties. The loans were received over the normal course of business and under generally accepted market conditions.

Note 19 – Loans from Banking Corporations and Financial Institutions (Continued)

B. As of December 31, 2023, the Company has and commercial papers issued to financial institutions amounting to 101 million NIS, bearing annual interest at the Bank of Israel interest rate plus 0.4%.

C. Financial Covenants

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

| Balance of loan as of December 31 2023 | Financial Covenant |
|---|---|
| Loan from financial institution to the sum of 107 million NIS | DSCR ratio of no less than 120%<br>The ratio of debt to the value of assets (LTV) shall not exceed 80%.<br>The yearly NOI ratio shall be no less than 19.5 million NIS<br>The Company's rating shall not drop below (-BBB) according to Maalot S&P or under comparable ratings from some other rating company. |
| Loan from financial institution to the sum of 172 million NIS | DSCR ratio of no less than 120%<br>The ratio of debt to the value of assets (LTV) shall not exceed 71%.<br>The ratio of equity to total balance sheet shall be no less than 25% |
| Loan from financial institution to the sum of 52 million NIS | A Company subsidiary undertook that:<br>The DSCR ratio shall be no less than 120%<br>The ratio of debt to the value of pledged assets (LTV) shall not exceed 70%.<br>The yearly NOI ratio shall be no less than 15.5 million NIS<br>The Company's rating shall not drop below (-BBB) according to Maalot S&P or under comparable ratings from some other rating company. |
| Loan from financial institution to the sum of 160 million NIS | A Company subsidiary undertook that:<br>The DSCR ratio shall be no less than 120%<br>The ratio between the balance of the loans less cash and cash equivalents deposited in a designated account (the Net Debt Balance) and the NOI in the last four quarters prior to the examination shall not exceed 9 (with a healing mechanism set in the ratio between 9 and 10.2).<br>The ratio between the net debt and the value of the land shall not exceed 80%. |

As of December 31 2023 the Company was in compliance with all necessary financial covenants.

Note 19 – Loans from Banking Corporations and Financial Institutions (Continued)

The Company has non-recourse loans provided overseas subsidiaries (hereinafter – the Subsidiaries) from financial bodies for financing the acquisition of properties overseas, the balance of which as of December 31 2023 amounted to 260 million NIS (versus 236 million NIS as of December 31 2022), which stipulate that these subsidiaries must maintain a certain ratio of loan to property value (LTV), and for some of the loans, also a certain Debt Coverage Service Ratio (DSCR). As December 31 2023 the subsidiaries are in compliance with all of the financial covenants in question with the exception of non-recourse loans provided U.S. subsidiaries (hereinafter – the Subsidiaries) from financial bodies for financing the acquisition of properties overseas, the balance of which as of December 31 2023 amounted to 55 million NIS and their final redemption date is in June 2023, and they feature a number of financial stipulations, including maintaining a minimal Debt Coverage Service Ratio (DSCR). As of December 31 2023, these loans have not complied with the ratio in question and a cash sweep mechanism was applied to one of them in accordance with the terms of the loan agreement.

Note 20 – Debentures

A. Additional Information

| Debentures | Linkage Basis | Repayment Dates | Principal Repayment Periods | Notational Value as of December 31 2023 | Interest Rate | Effective Interest Rate | December 31 2023 Balance | December 31 2023 Current Maturities | December 31 2023 Balance After Deduction of Current Maturities | December 31 2022 Balance After Deduction of Current Maturities |
|---|---|---|---|---|---|---|---|---|---|---|
| Series | | | | Thousands of NIS | % | % | Thousands of NIS | | | |
| Series 16 (1) | Unlinked | April 1 | 2016-2024 | - | 5.74 | 5.35 | - | - | - | 3,381 |
| Series 16 | Unlinked | June 30 | 2017-2028 | 195,087 | 5.65 | 2.82 | 206,226 | 43,050 | 163,176 | 206,227 |
| Series 17 | CPI | June 30 | 2017-2028 | 375,931 | 3.7 | 3.21 | 424,936 | 85,663 | 339,273 | 411,188 |
| Series 18 (2) | CPI | October 30 | 2021-2024 | - | 2.85 | 2.25 | - | - | - | 519,209 |
| Series 19 | CPI | March 31 | 2018-2027 | 360,711 | 2.6 | 2.43 | 407,763 | - | 407,763 | 394,751 |
| Series 20 (4) | CPI | December 31 | 2019-2029 | 1,251,546 | 2.81 | 1.79 | 1,469,002 | - | 1,469,002 | 1,042,064 |
| Series 23 (formerly 14) | CPI | September 30 | 2018-2026 | 577,004 | 2.4 | 1.61 | 659,248 | 47,321 | 611,927 | 639,822 |
| Series 24 (formerly 15) | CPI | June 30 | 2019-2028 | 490,248 | 2.6 | 2.74 | 546,588 | 26,895 | 519,693 | 528,904 |
| Series 25 (3)(5) | CPI | September 30 | 2023-2033 | 2,912,324 | 0.35 | 2.01 | 2,840,539 | - | 2,840,539 | 1,030,169 |
| | | | | | | | 6,554,302 | 202,929 | 6,351,373 | 4,775,715 |

1. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 15) amounting to NIS 7,500 thousand par value for a total of NIS 7,684 thousand in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 7,500 thousand. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 184 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 2.45%. The Company recognized a non-material gain with respect to the full early redemption.
2. On February 22, 2023, the Company conducted, at its initiative, a full early redemption of bonds (Series 18) amounting to 571,590,000 NIS NV for a total of 642,185,000 in respect of principal and interest. The principal sum redeemed via early redemption amounted to NIS 632,420 thousand. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early full redemption date amounted to NIS 9,765 thousand. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 1.54%. With respect to the full early redemption, the Company recognized a loss amounting to NIS 309 thousand.
3. 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%.

Note 20 – Debentures (Continued)

4. On June 7 2023 the Company issued 385,556,000 NIS NV debentures (Series 20) by way of a series expansion in return for a net total of 434 million NIS. The effective yearly interest rate embodied in the offering is 2.83%.
5. On June 7 2023 the Company issued 875,747,000 NIS NV debentures (Series 24) by way of a series expansion in return for a net total of 778 million NIS. The effective yearly interest rate embodied in the offering is 3.2%.

Note 20 – Debentures (Continued)

B. Financial Covenants

| Series | Financial covenant |
|---|---|
| 16-17 | The equity attributed to Company shareholders may not drop below 1 billion NIS. |
| | The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters. |
| | The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 15% for two consecutive quarters. |
| | The net debt to gross profit ratio, as defined in the deed of trust, calculated on the basis of the last 4 quarters, shall not exceed 17 for two consecutive quarters. |
| 19 | Equity attributable to Company shareholders shall be no less than 1 billion NIS for 2 consecutive quarters. Notwithstanding the foregoing, if the ratio of equity to balance sheet is 40% or more, the equity attributed to Company shareholders of shall be no less than 600 million NIS, for two consecutive quarters, so long as the ratio of capital to the balance sheet is 40% or more in each of the two quarters in question. |
| | The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters. |
| | The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 17 for two consecutive quarters. |
| | The ratio of capital attributed to the Company's shareholders to the net total assets, as defined in the Deed of Trust, shall be no less than 15% for two consecutive quarters. |
| 20 | Equity attributable to Company shareholders shall be no less than 1.2 billion NIS for 2 consecutive quarters. Notwithstanding the foregoing, if the ratio of equity to total assets, as defined in the Deed of Trust, is 40% or more, the equity attributed to Company shareholders of shall be no less than 700 million NIS, for two consecutive quarters, so long as the ratio of capital to the balance sheet is 40% or more in each of the two quarters in question. |
| | The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters. |
| | The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 17 for two consecutive quarters. |
| | The ratio between the capital attributed to the Company’s shareholders to net total assets, as defined in the deed of trust, shall be no less than 16% for two consecutive quarters. |
| 23 (formerly 14) | Equity attributable to Company shareholders shall be no less than 1.5 billion NIS for two consecutive quarters. |
| | The net financial debt to net balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters. |
| | The ratio of net financial debt to gross profit, as defined in the deed of trust will not exceed 18 for two consecutive quarters. |
| | Equity attributable to Company shareholders shall be no less than 1.5 billion NIS for two consecutive quarters. |

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

As of December 31 2023 the Company was in compliance with all necessary financial covenants.

Note 20 – Debentures (Continued)

C. Restrictions on the Distributions of Dividends

According to the deeds of trust for the debentures (Series 16-25), the Company undertook not to perform a distribution (as defined in the Companies Law, 1999), including to discontinue distributing dividends to its shareholders in each of the following cases, including a situation in which one of the following occurs as a result of the distribution in question:

1. If the ratio between “net financial debt” and “net balance sheet” exceeds 75% in Series 16-20 and exceeds 73% in Series W-Y;

2. If the ratio between “net financial debt” and gross profits, according to the Company's consolidated balance sheets (audited or reviewed, as the case may be) has exceeded 15 in Series 16-20, exceeded 16 in Series 23-24 and exceeded 13 in Series 25;

3. If the capital attributed to Company shareholders drops below 1.3 billion NIS in Series 16-20, below 2 billion NIS in Series W-X and below 3.4 million NIS in Series 25. In spite of the above, in Series 19 and 20, if the ratio between equity and balance sheet, as defined in Section 4 below is 40% or more, the Company shall not perform a distribution if the equity attributed to the Company’s shareholders is lower than 750 million NIS or 900 million NIS, respectively;

4. If the ratio between the equity attributed to the Company's shareholders, according to its consolidated balance sheets (audited or reviewed, as the case may be) and the balance sheet is less 15% in Series 16-19 and less than 17% in Series 20;

5. If grounds exist for immediate redemption.

6. If grounds exist for the realization of securities (in Series 19, 23 and 24).

7. If the Company is not in compliance with the financial stipulations set in the deeds of trust or the distribution will lead to the violation of any of the financial covenants in question, or the distribution will lead to the fact that in the quarter following the distribution date, the Company does not comply with any of the financial covenants detailed in the deeds of trust.

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

Note 20 – Debentures (Continued)

D. Ratings

1. The debentures issued by the Company are rated ilAA/Stable Outlook by Standard & Poor's Maalot.
2. Midroog Ltd. set a rating of Aa2.il for the debentures (Series 16, 17, 20 and 24) and a rating of Aa1.il for the debentures (Series 19 and 23) issued by the Company, all with a Stable outlook.
3. On February 5, 2023, Standard & Poor's Maalot rated bonds (Series 25), issued in February, 2023 by way of series expansion, ilAA / Stable outlook.
4. On February 12, 2023, Midroog Ltd. rated bonds (Series 25), issued in February, 2023 by way of series expansion, Aa2.il / Stable outlook.
5. 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, 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.
4. On June 6 2023 Standard & Poor's Maalot announced that it was ratifying the Company's rating at ilAA- Stable Outlook, see the Company's report from June 6 2023 (2023-01-062226).
5. On June 7, 2023, Midroog Ltd. rated debentures (Series 20 and 25), issued in June 2023 by way of series expansion, Aa2.il / Stable outlook.
6. On June 7, 2023, Midroog Ltd. rated debentures (Series 20 and 25), issued in June 2023 by way of series expansion, ilAA/Stable outlook.

Note 21 – Other Liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Liability due to combination agreement in Israel, see Note 10.b.2. | 1,111 | 1,111 |
| Loans from partners in subsidiaries | 12,669 | 35,986 |
| Loans from investees | 5,438 | 6,256 |
| Advance rental revenues | - | 15,000 |
| | 19,218 | 58,353 |

Note 22 – Deposits from Tenants

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

Note 23 – Pending Liabilities, Liens and Guarantees

A. Pending Liabilities

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

B. Guarantees Provided by the Group

| Guaranteeing Company | Guaranteed Company | Details | Collateral level (in millions of NIS) |
|---|---|---|---|
| The Company | Associates | Due to loan from financial corporations. | 102 |
| The Company | - | To guarantee the completion of buildings within the areas of various local authorities, for the purpose of participation in tenders and for credit assurance. | 31 |
| A partnership under Company control | - | Guarantees to apartment buyers in the Marom Hasharon project and Aminadav project. | 45 |
| The Company | M.N. Nofar Energy Partnership – Mivne Limited Partnership | Due to loans from a financial corporation | 63 |
| The Company | The Be’erot Yitzhak Land Development Company, subsidiary | For a loan given the Be’erot Yitzhak Land Development Company from a financial corporation. | 52 |
| The Company | Joint venture of the Company | For 33.3% of the obligations of the joint venture to the financial institution. | 176 |
| The Company | Joint venture of the Company | Guarantees to apartment buyers in the project on Solelim Street in Tel Aviv. | 66 |

Additional guarantees were provided by Group companies over the ordinary course of business, the sum of none of which nor their total sum is material to the Group.

Note 23 – Pending Liabilities, Liens and Guarantees (Continued)

C. Liens

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

The balances of guaranteed liabilities are as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Short-term loans and credit | - | 33,000 |
| Non-current liabilities (including current maturities) | 1,155,432 | 1,171,996 |
| Bank guarantees secured by lien | 243,416 | 630,999 |
| Debentures (*) | 1,620,096 | 2,295,594 |
| | 3,018,944 | 4,131,589 |

(*) To guarantee the Company's debentures (Series 24), Darban shares were pledged and to guarantee the debentures (Series 19 and 23), real estate properties were pledged.

2. The fair value of pledged assets in Israel as of December 31 2023 amounted to a total of 6.7 billion (as of December 31 2022, 8.2 billion NIS) and overseas to the sum of 565 million NIS (as of December 31 2022, 540 million NIS).

Note 24 – Balances and Transactions with Interested and Related Parties

A. Balances with Related Parties

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Investees | |
| | Thousands of NIS | |
| Receivables and debit balances | 27,717 | 14,592 |
| Investments in investees | 533,058 | 500,667 |
| | 560,775 | 515,259 |

B. Management Fees, Salaries and Benefits

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Management fees and participation in the expenses of the Chairman and members of the Board of Directors | 3,458 | 1,904 | 1,439 |
| Salary and bonus to CEO (1) (2) | 7,802 | 8,475 | 6,500 |
| Share-based payment (1) | 1,985 | 1,705 | 3,535 |
| Number of Board Members | 7 | 7 | 7 |

(1) On March 20, 2023, the Company reported (further to prior reports on this matter) that it has signed a definitive separation agreement with Mr. David Zavida and a private company in his full possession with regard to termination of the services agreement with the private company and conclusion of Mr. Zavida's term in office as Company CEO. Mr. Zavida 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 concluded this advance notice period on December 20 2023. The separation agreement governs the contracting terms with Mr. Zavida 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 ratified the granting of a special retirement bonus was approved for Mr. Zavida at a sum equal to management fees for 3 months, and the Company's engagement with Mr. Zavida (including through a company under his control) in an agreement to receive consultation services in the field of data centers 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.
On March 19 2023 the Company Remuneration Committee and Board of Directors approved a relative share of the 2023 annual bonus for Mr. Zavida at a sum equal to management fees for 3 months, a total of 786,000 NIS plus VAT as required by law, for the first quarter of 2023, in light of the Company's compliance, at the end of the first quarter of 2023, with the goals set (the Company's annual goals divided by four).

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

The cost of the management fees and bonuses in 2023 amounted to a total of 5,704,000 NIS.
The cost of the share-based payment amounted to a total of 516,000 NIS in 2023.

(2) On July 24 2023 the General Meeting of Company Shareholders approved the appointment of Mr. Uzi Levi as Company CEO, starting July 2 2023, and his terms of service after the approval of the Board of Directors and the Remuneration Committee from May 22 2023, as follows: (1) a gross monthly salary of 105,000 NIS; (2) a signup 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 – 2,084,645 non-tradable options exercisable as regular Company shares for an exercise price of 12 NIS per option, which will vest across a period of 4 years, the economic value of which, as of the approval date of the General Meeting, according to the B&S model is calculated according to a linear spread in the vesting period. according to the stock rate on the approval date which amounted to 9.61 NIS, risk-free interest at a rate of 3.595%, is 1.3 million NIS per year; (6) vacation, sick leave and convalescence – Nr. Levi is entitled to a yearly vacation of 24 work days or according to the Annual vacation Law, 1951, whichever is higher, which can be accumulated to the total vacation days owed for two years, sick days according to the law and convalescence fees for 10 convalescence days per year, starting from his first year of work at the Company; (7) car, telephone, computer and expenses reimbursements – the Company shall provide Mr. Levi with a vehicle worth up to 450,000 NIS, and shall bear all auto maintenance expenses and shall gross up all tax liabilities for the benefit of providing the vehicle at his disposal. At Mr. Levi's request, in lieu of providing the vehicle as note above, the Company shall reimburse Mr. Levi for his use of his vehicle, to the sum of 10,000 NIS. The Company hall provide Mr. Levi with a cellphone at its expenses including the tax liabilities for the benefit, a mobile computer and it shall also cover reasonable expenses that Mr. Levi spent for the purpose of his work; (8) the Company shall insure Mr. Levi in a Company executive insurance policy or a pension fund, as he chooses and shall make provisions to an education fund; (9) Mr. Levi shall be included in the Company's Officer Liability insurance policy and he shall be entitle to a letter of exemption and indemnification obligation with texts accepted by the Company.
The agreement is for an unfixed period in time and may be concluded by either parties with 180 days' advance notice. In addition, the Company has the right to end the engagement immediately, in certain cases.

On December 28 2023 and December 31 2023, the Company Remuneration Committee and Board of Directors, respectively, decided to approve the re-pricing of the options granted Mr. Uzi Levo in such a manner that the exercise price would be lowered from a sum of 12 NIS to a sum of 10.87 per option. To be clear, lowering the exercise price as noted is subject to the approval of the Tax Authority.
The value of the economic benefit grossed up in the amortization of the exercise price of the options in question is a total of 712,600 NIS (spread linearly across the balance of the vesting period, the yearly value of the benefit totals 203,600 NIS).

The cost of the salary and bonus in 2023 amounted to a total of 2,098,000 NIS.
The cost of the share-based payment amounted to a total of 1,469,000 NIS in 2023.

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

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

D. Within the framework of an advance sales of apartments in the Hasolelim Project in Tel Aviv, agreements were signed to purchase four apartments by related parties, to a monetary scope of 11 million NIS. See Note 10.b.1 above.

E. The following data concentrates transactions with associates and interested parties:

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Associates | | |
| | Thousands of NIS | | |
| Revenues from rent, management and maintenance fees | 2,406 | 2,561 | 1,882 |
| Financing revenues (expenses), net | 20,376 | 15,326 | (8,638) |
| | Interested parties | | |
| | Thousands of NIS | | |
| Rental revenues | 3,268 | 2,870 | 2,132 |
| Consolidated revenues | 1,017 | 557 | 503 |
| Gross profits from the sale of apartments | 1,460 | - | - |
| Payments for investments in real estate | 586 | 1,205 | - |

Note 25 – Financial Instruments

A. Classification of Financial Assets and Financial Liabilities

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Financial Assets | | |
| Financial assets measured at fair value via gain/loss | 32,719 | 50,185 |
| Financial assets measured at depreciated cost | 11,824 | 92,865 |
| Financial Liabilities | | |
| Financial liabilities measured at depreciated cost | 7,749,991 | 6,494,166 |

B. Financial Risk Factors

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

Risk management is carried out by the Company CEO.

1. Market Risks

a) Foreign Currency Risk

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

b) Consumer Price Index Risk

The Group has loans from banking corporations and others and issued debentures that are linked to fluctuations in the consumer price index in Israel. The sum of the financial instruments linked to the CPI and due to which as of December 31 2023 the Group is exposed to changes in the CPI, amounts to 7 billion NIS.

c) Interest Risk

The Group is exposed to risk due to fluctuations in market interest stemming from short-term deposits made and from long-term and short-term loans received bearing variable interest. The Group's policy is to manage the financing costs relating to interest whilst using a mix of variable and fixed interest for the Group's long-term loans. The net sum of short-term deposits and short and long-term loans at a variable interest rate is 392 million NIS as of December 31 2023.

Note 25 – Financial Instruments (Continued)

d) Price Risk

The Group has investments in financial instruments that are traded on the stock exchange, shares, options and debentures measured at fair value via gain/loss, for which the Company is exposed to risks for fluctuations in the price of the security. The balance sheet balance of these investments as of December 31 2023 is 33 million NIS.

2. Credit Risk

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

3. Liquidity Risk

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

Concentration of Liquidity Risk

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

As of December 31 2023

| | Up to 1 year | From 1 Year to 2 Years | From 2 Years to 3 Years | From 3 Years to 4 Years | From 4 Years to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|---|
| | Thousands of NIS | | | | | | |
| Credit from others | 105,150 | - | - | - | - | - | 105,150 |
| Trade payables | 56,386 | - | - | - | - | - | 56,386 |
| Payables and credit balances | 141,249 | - | - | - | - | - | 141,249 |
| Non-current loans from banking institutions and others and other long-term liabilities | 437,052 | 282,003 | 25,705 | 214,182 | 12,005 | 264,130 | 1,235,077 |
| Debentures | 309,213 | 695,890 | 1,217,070 | 909,015 | 1,270,846 | 2,841,916 | 7,243,950 |
| | 1,049,050 | 977,893 | 1,242,775 | 1,123,197 | 1,282,851 | 3,106,046 | 8,781,812 |

Note 25 – Financial Instruments (Continued)

As of December 31 2022

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

C. Fair Value

When determining the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair value measurements are divided into three levels in the fair value scale based on the data used in the estimate, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2: observable market data, direct or indirect, not included in Level 1 above.

Level 3: data not based on observable market data.

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

| | Balance | | Fair value | |
|---|---|---|---|---|
| | December 31 | | December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| | Thousands of NIS | | | |
| Financial Assets | | | | |
| Deposits and long-term debit balances | 11,824 | 92,865 | 11,824 | 92,865 |
| Financial Liabilities | | | | |
| Liabilities to banking corporations and others | 1,165,447 | 1,181,976 | 1,144,679 | 1,191,641 |
| Debentures | 6,563,564 | 5,286,391 | 6,304,506 | 5,026,618 |
| | 7,729,011 | 6,468,367 | 7,449,185 | 6,218,259 |

Note 25 – Financial Instruments (Continued)

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

D. Further Information on Material Investments in Financial Assets

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

December 31 2023

| | Up to 1 year | From 1 to 2 Years | From 2 to 3 Years | From 3 to 4 Years | Total |
|---|---|---|---|---|---|
| | Thousands of NIS | | | | |
| Financial assets measured at fair value via gain/loss: | | | | | |
| Shares and options | 32,670 | - | - | - | 32,670 |
| Debentures | 49 | - | - | - | 49 |
| | 32,719 | - | - | - | 32,719 |

December 31 2022

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

Note 25 – Financial Instruments (Continued)

E. Sensitivity Tests due to Changes in Market Factors and their Impact on the Statements of Operations

| | Test of Sensitivity to Changes in Exchange Rates | |
|---|---|---|
| | Gain (Loss) from Change | Gain (Loss) from Change |
| | 5% Exchange Rate Increase | 5% Exchange Rate Decrease |
| | Thousands of NIS | |
| 2023 | 5,646 | (5,646) |
| 2022 | 12,002 | (12,002) |

| | Sensitivity Test of Changes in the Consumer Price Index | |
|---|---|---|
| | Gain (Loss) from Change | Gain (Loss) from Change |
| | 2% CPI Increase | 2% CPI Decrease |
| | Thousands of NIS | |
| 2023 | (86,568) | 86,568 |
| 2022 | (60,153) | 60,153 |

| | Se Test of Changes in the Stock Exchange Rate of Tradable Securities | |
|---|---|---|
| | Profit from Change | Loss from Change |
| | 10% Rate Increase | 10% Rate Decrease |
| | Thousands of NIS | |
| 2023 | 3,272 | (3,272) |
| 2022 | 5,019 | (5,019) |

Sensitivity Tests and Principal Working Assumptions

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

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

Note 26 – Supplementary Information to Gain/Loss Items

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| A. Administrative and General Expenses | | | |
| Fees, salaries and associated | 53,191 | 49,486 | 44,823 |
| Management fees and director remuneration | 4,315 | 2,581 | 3,264 |
| Depreciation | 5,246 | 4,949 | 4,142 |
| Provision to doubtful debts and bad debts | 7,232 | 4,965 | 6,707 |
| Professional fees | 17,092 | 16,146 | 16,306 |
| Administrative and others | 5,358 | 4,844 | 5,953 |
| | 92,434 | 82,971 | 81,195 |
| B. Other Revenues (Expenses), Net | | | |
| Changes in fair value of financial liability due to put option | 579 | 2,052 | 39,813 |
| Amortization of goodwill | - | - | (7,498) |
| Profit from the realization of investment in investees | - | 18,231 | - |
| Others | (1,403) | (3,626) | (3,115) |
| | (824) | 16,657 | 29,200 |

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| C. Financing Expenses and Revenues | | | |
| Financing Expenses | | | |
| Interest from short term credit | 2,994 | 1,973 | 3,323 |
| Interest due to non-current loans | 42,166 | 30,876 | 36,133 |
| Interest due to debentures | 132,220 | 98,365 | 98,609 |
| Linkage differentials due to long-term credit and non-current loans | 19,875 | 32,026 | 22,364 |
| Linkage differentials due to debentures | 186,004 | 249,862 | 82,636 |
| Exchange rates, net | (26,306) | (42,508) | 51,269 |
| Loss from early redemption of debentures and loans | 286 | 3,605 | 13,903 |
| Loss from tradable securities, net | - | 36,091 | - |
| Early repayment of seller loans | 3,265 | - | - |
| Impairment for long-term restricted cash | 3,812 | - | - |
| Others | 2,912 | 4,187 | 1,819 |
| | 367,228 | 414,477 | 310,056 |

Note 26 – Supplementary Information to Statement of Operations Items (Continued)

| | | | |
|---|---|---|---|
| Financing Income | | | |
| Interest due to deposits and short-term investments | 39,710 | 3,333 | 1,289 |
| Dividends and profit from negotiable securities and from short-term investments, net | 3,918 | 2,378 | 5,450 |
| Linkage differentials due to bank deposits | 437 | 175 | 650 |
| Other financing revenues | 7,387 | 6,508 | 9,125 |
| | 51,452 | 12,394 | 16,514 |

Note 27 – Taxes on Income

A. Tax Laws Applicable to Group Members

Income Tax Law (Adjustments due to Inflation), 1985

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

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

B. Tax Rates Applicable to Group Members

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

The corporate tax rate in Israel is 23% in 2021-2023., including in the matter of capital gains tax.

Note 27 – Taxes on Income (Continued)

C. Taxes on Income Referring to Other Comprehensive Income (Loss) Items

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Tax due to translation differences | - | - | 3,100 |
| Taxes passing through other comprehensive income | - | - | 3,100 |

D. Taxes on Income Included in Gain/Loss

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Current taxes | 31,888 | 19,267 | 32,879 |
| Deferred taxes | 41,565 | 319,627 | 193,375 |
| Back taxes | 8,903 | 20,678 | (14,805) |
| | 82,356 | 359,572 | 211,449 |

E. Deferred Taxes

| | Balance Sheets | | Statements of Operations | | |
|---|---|---|---|---|---|
| | December 31 | | For the Year Ending December 31 | | |
| | 2023 | 2022 | 2023 | 2022 | 2021 |
| | Thousands of NIS | | | | |
| Investment property presented at fair value | 2,226,716 | 2,218,875 | 1,963 | 322,589 | 146,101 |
| Losses carried forward for tax purposes | (391,392) | (425,160) | 33,768 | 502 | 32,863 |
| Debentures and securities | (163) | (163) | - | - | 3,778 |
| Others | 3,044 | (2,789) | 5,833 | (3,464) | 10,633 |
| Deferred tax expenses | | | 41,564 | 319,627 | 193,375 |
| Deferred tax liabilities, net | 1,838,205 | 1,790,763 | | | |

F. Losses Carried Forward for Tax Purposes and Other Temporary Differences

The Group has business losses and capital losses for tax purposes carried forward for tax purposes to coming years, totaling 1.9 billion NIS as of December 31 2023 (a total of 2.1 billion NIS as of December 31 2022).

No deferred tax assets have been recognized for transferable business losses and capital losses to the amount of 80 million NIS, in the absence of any expectation of them being used in the foreseeable future.

Note 27 – Taxes on Income (Continued)

G. Tax Assessments

The Company has finalized tax assessments for tax years through, 2016.
Most Company investees incorporated in Israel have tax assessments considered final for the tax years up to and including the 2017 tax year.
On December 28 2022 the Company received assessments from the Tax Authority in accordance with their best judgement for 2017-2020, to the total sum of 227 million NIS (including interest and linkage). The Company, based on the estimates of its professional advisors, disputes the rulings of the assessment clerks and believes that it has arguments against these positions. The Company has taken the appropriate steps to protect its rights, including filing a reservation for this assessment. According to the Company's assessment, and based on the assessment of the professional elements, and based on the Company's arguments against the assessment, the Company listed an appropriate provision in its books.
Darban has finalized tax assessments for tax years through 2020.
A Darban subsidiary has finalized tax assessments for tax years through 2019.

H. Theoretical Tax

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

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Profit before taxes on income | 419,399 | 1,644,791 | 1,166,496 |
| Statutory tax rate | 23% | 23% | 23% |
| Tax calculated using statutory tax rate | 96,462 | 378,302 | 268,294 |
| Increase (decrease) in taxes on income due to the following factors: | | | |
| Expenses not deductible for tax purposes | 8,423 | 746 | 1,496 |
| First-time creation of deferred taxes for investees | - | - | (9,890) |
| Exempt income | - | (587) | (2,501) |
| Different tax rates at foreign companies and in Israel | (1,193) | (12,873) | (4,339) |
| Back tax expenses (revenues) | 8,903 | 20,678 | (14,805) |
| Taxes due to losses of partnerships | (5,681) | (2,482) | (4,893) |
| Increase in losses for tax purposes for which no deferred taxes were recognized | 13,156 | 22,560 | (1,277) |
| Utilization of tax losses from previous years, for which no deferred taxes were previously recognized | - | - | (11,135) |
| CPI benefit and others | (37,714) | (46,772) | (9,501) |
| Taxes on income | 82,356 | 359,572 | 211,449 |
| Average effective tax rate | 20% | 22% | 19% |

Note 28 – Stock Capital

A. Composition of Stock Capital

| | December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Registered | Issued and paid-up | Registered | Issued and paid-up |
| | Thousands of NIS | | | |
| Regular shares worth 1 NIS NV each | 2,000,000 | 755,388 | 2,000,000 | 786,772 |

1. For distribution-in-kind of Company shares by Darban and cancellation of dormant shares by the Company, see Note 13a.

2. On January 2 2020 the Company issued 18,231,293 non-tradable options to purchase 18,231,293 regular shares worth 1 NIS (hereinafter – the Options) NV each for Company employees and officer through the "Net Exercise" mechanism. The exercise price for each option: NIS 7.93 (before adjustments set in the options plan). The options' vesting period was set on a quarterly basis over the course of four years, so that on the allocation date, meaning January 1 2020 and subsequently on the first day of each calendar quarter, 1/16 of the options shall vest and will be exercisable (meaning that he final batch of 1/16 of the options shall be exercisable starting October 1 2023). The options shall expire 5.5 years from their date of issue. As of December 31 2023, 2,599,020 options were exercised for 878,823 ordinary shares of worth 1 NIS NV each, of which in 2023, 1,540,455 options were exercised for 517,310 ordinary shares worth 1 NIS NV each.

3. On July 25 2023 the Company issued 2,084,645 non-tradable options to purchase 2,084,645 regular shares worth 1 NIS NV (hereinafter – the Options) for the Company CEO, at an exercise price of 12 NIS per option, which will vest across a period of 4 years. On December 28 2023 and 31 2023, the Company Remuneration Committee and Board of Directors, respectively, decided to approve the re-pricing of the option in such a manner that the exercise price would be lowered to a sum of 10.87 per option. To be clear, lowering the exercise price as noted is subject to the approval of the Tax Authority. See Note 24.b.(2) above.

B. Management of Equity at the Company

The Company's capital management objectives are:

1. To preserve the Group's ability to ensure the continuity of the business and thereby generate yields to shareholders, investors and other interested parties.

2. To take care to ensure adequate yields for shareholders by pricing the products and services in such a manner so as to match the level of risk present in the Group's business activity.

3. To preserve a high credit rating and good equity ratios that will guarantee support of commercial operations and create maximum value for shareholders.

Note 28 – Stock Capital (Continued)

4. On March 20, 2023, the Company Board of Directors approved distribution of dividends amounting to 92 million NIS. The dividend per share is 0.1218752 NIS. 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, alongside business considerations. On May 30 2023, the Company Board of Directors approved distribution of dividend amounting to 65 million NIS. The dividend per share is 0.0861055 NIS. On August 15 2023 the Company Board of Directors approved a dividend distribution of 65 million NIS. The dividends per share are 0.0861052 NIS. On November 29 2023, the Company Board of Directors approved the distribution of dividends to the sum of 65 million NIS. The dividend per share is 0.0861052 NIS

Note 29 – Share-Based Payment

A. The expense that was recognized in the Financial Statements for services received from employees and officers is presented in the following table:

| For the Year Ending December 31 | | |
|---|---|---|
| 2023 | 2022 | 2021 |
| Thousands of NIS | | |
| 2,371 | 2,983 | 6,187 |

B. For share-based payment at the Company, see Note 28.a.2.

Note 30 – Net Profit per Share

Details of Number of Shares Used in Calculating Net Earnings per Share

| | For the Year Ending December 31 2023 | | For the Year Ending December 31 2022 | | For the Year Ending December 31 2021 | |
|---|---|---|---|---|---|---|
| | Weighted number of shares | Net income Attributed to shareholders | Weighted number of shares | Net income Attributed to shareholders | Weighted number of shares | Net profit attributed to shareholders |
| | Thousands | Thousands of NIS | Thousands | Thousands of NIS | Thousands | Thousands of NIS |
| Number of shares and income before Company's share in earnings of associates, net | 754,902 | 307,862 | 754,592 | 1,265,777 | 747,346 | 920,504 |
| Company's share in basic profits per share of associates | - | 24,699 | - | 10,792 | - | 21,276 |
| for the purpose of calculating basic net earnings | 754,902 | 332,561 | 754,592 | 1,276,569 | 747,346 | 941,780 |
| Influence of potentially dilutive ordinary shares | 4,169 | - | 6,053 | - | 5,571 | - |
| For the purpose of calculating diluted net earnings | 759,071 | 332,561 | 760,645 | 1,276,569 | 752,917 | 941,780 |

Note 31 – Segment-Based Information

A. General:

The Company reports two reportable segments in accordance with Management's approach to IFRS 8. Distribution to segments is carried out on the basis of the Company's areas of activity. Management tracks the segment's results separately in order to allocate the resources and assess the performance of the sector, which in certain cases is measured differently than the sums reported in the Consolidated Financial Statements. Management has established that the operating sectors are based on reports reviewed by senior management when making strategic decisions. The following is information on the Company's operating segments:

– Cash-generating property – ownership and operation of investment property mainly used for offices, high-tech, industry, logistics and trade, data centers and housing units for generating rental fees.

– Development residential real estate – the development of residential real estate in Israel including locating, planning, developing, building, marketing and selling residential construction in Israel.

Reportable operating segments were not collected. No transactions were made between the various segments.

Management examines the operating results of business units separately for the purpose of reaching decisions regarding the allocation of resources and the assessment or performance. Segment results are assessed on a gross profit basis.

Note 31 – Segment-Based Information (Continued)

B. Operating segments:

| | For the Year Ending December 31 2023 | | | |
|---|---|---|---|---|
| | Cash-generating property | Residential development real estate | Others | Total |
| | Thousands of NIS | | | |
| Revenues | 1,049,142 | 130,386 | 14,874 | 1,194,402 |
| Expenses | (238,683) | (81,736) | - | (320,419) |
| Gross profit | 810,459 | 48,650 | 14,874 | 873,983 |
| Decrease in value of investment property, net | (61,922) | - | - | (61,922) |
| Company share of profits of companies accounted for using the book value method, net | 25,337 | - | (638) | 24,699 |
| Administrative and general, sales, and marketing and others expenses | - | (1,501) | - | (101,585) |
| Operating profit | 773,874 | 47,149 | 14,236 | 735,175 |
| Financing expenses, net | | | | (315,776) |
| Profit before taxes on income | | | | 419,399 |
| Taxes on income | | | | (82,356) |
| Net profit for the year | | | | 337,043 |
| Segment assets: | | | | |
| Investment property, investment property under construction, advance payments on account of investment property, customers, income receivable, fixed assets and assets held for sale. | 15,274,123 | - | 163,556 | 15,437,679 |
| Inventory of land, apartments and homes for sale and under construction | - | 965,038 | - | 965,038 |
| Investment in associated companies | 518,175 | - | 14,884 | 533,058 |
| Total segment assets | 15,792,298 | 965,038 | 178,440 | 16,935,775 |

Note 31 – Segment-Based Information (Continued)

| | For the Year Ending December 31 2022 | | | |
|---|---|---|---|---|
| | Cash-generating property | Residential development real estate | Others | Total |
| | Thousands of NIS | | | |
| Revenues | 969,025 | 53,671 | 11,242 | 1,033,938 |
| Expenses | (220,749) | (35,745) | - | (256,494) |
| Gross profit | 748,276 | 17,926 | 11,242 | 777,444 |
| Valuation gain (loss) of investment properties, net | 1,346,603 | - | - | 1,346,603 |
| Valuation loss of inventory of land for construction | - | (10,126) | - | (10,126) |
| Company share of profits of companies accounted for using the book value method, net | 10,792 | - | - | 10,792 |
| Administrative and general, sales, and marketing and others expenses | - | (999) | - | (77,839) |
| Operating profit | 2,105,671 | 6,801 | 11,242 | 2,046,874 |
| Financing expenses, net | | | | (402,083) |
| Profit before taxes on income | | | | 1,644,791 |
| Taxes on income | | | | (359,572) |
| Net profit for the year | | | | 1,285,219 |
| Segment assets: | | | | |
| Investment property, investment property under construction, advance payments on account of investment property, customers, income receivable, fixed assets and assets held for sale. | 14,783,922 | - | 144,735 | 14,928,657 |
| Inventory of land, apartments and homes for sale and under construction | - | 812,747 | - | 812,747 |
| Investment in associated companies | 419,975 | - | 2,804 | 422,779 |
| Total segment assets | 15,203,897 | 812,747 | 147,539 | 16,164,183 |

Note 31 – Segment-Based Information (Continued)

| | For the Year Ending December 31 2021 | | | |
|---|---|---|---|---|
| | Cash-generating property | Residential development real estate | Others | Total |
| | Thousands of NIS | | | |
| Revenues | 898,930 | 193,219 | 7,712 | 1,099,861 |
| Expenses | (215,534) | (154,636) | - | (370,170) |
| Gross profit | 683,396 | 38,583 | 7,712 | 729,691 |
| Increase in value of investment property, net | 756,381 | - | - | 756,381 |
| Impairment of inventory of land for construction | - | (523) | - | (523) |
| Company share of profits of companies accounted for using the book value method, net | 28,550 | - | (7,274) | 21,276 |
| Administrative and general, sales, and marketing and others expenses | - | (2,975) | - | (46,787) |
| Operating profit | 1,468,327 | 35,085 | 438 | 1,460,038 |
| Financing expenses, net | | | | (293,542) |
| Profit before taxes on income | | | | 1,166,496 |
| Taxes on income | | | | (211,449) |
| Net profit for the year | | | | 955,047 |

Note 32 – Events Subsequent to the Report Date

A. On January 4 2024 the Company issued 125,355,000 NIS NV debentures (Series 20) by way of a series expansion in return for a total of 143 million NIS. The effective yearly interest rate embodied in the offering is 2.66%. Standard & Poor's Maalot announced a rating of ilAA, and Midroog Ltd. announced a rating of Aa2.il, both with Stable outlook, for issued debentures.

B. On January 4 2024 the Company issued 571,916,000 NIS NV debentures (Series 25) by way of a series expansion in return for a total of 525 million NIS. The effective yearly interest rate embodied in the offering is 3.06%. Standard & Poor's Maalot announced a rating of ilAA, and Midroog Ltd. announced a rating of Aa2.il, both with Stable outlook, for issued debentures.

C. In January 2024 the Company issued 3,011,966 non-tradable options to purchase 3,011,966 regular shares worth 1 NIS (hereinafter – the Options) NV each for 23 officers and employees as well as for an additional consultant (who is not an officer) providing services to a subsidiary under the Company’s control. The options shall best in phases across a period of four years, in such a manner that: (1) at the end of one year from the allocation date in practice – 1/4 of the number of options shall vest; (2) at the end of each calendar quarter after a year has passed from the allocation date in practice – options shall vest at a rate of 1/12 of the balance of the number of options, so long as on the vesting date the recipient is still employed by or provides services to the Company or a subsidiary under its control. The options shall expire 4.5 years from their date of issue. The exercise price will not be paid in practice to the Company but will be taken into account when calculating the number of shares each recipient is actually entitled to when exercising the options, so that the shares allocated them will reflect the benefit component embodied in the options that will be exercised by them on that date as will be calculated on the exercise date in accordance with the calculation detailed in the plan. The vested options and be exercised at all times, starting from their vesting date to their expiry date, all subject to the terms of the plan. The average economic value of each of the options is 3.65 NIS. This economic value was calculated according to the Black & Sholes formula, based on the following assumptions: (1) as of December 28 2023 (the day of trade prior to the date of the Board resolution), the closing price for the Company’s share on the stock exchange was 10.75 NIS; (2) the exercise price for each option is 10.87 NIS; (3) the expected standard deviation for the Company's shares is 34.28% (according to an estimate by an outside valuator); (4) the expected risk-free interest rate (according to an estimate by an outside valuator) in the option's life span is 3.6%.

Note 32 – Events Subsequent to the Report Date (Continued)

D. On March 26, 2024, the Company Board of Directors approved distribution of dividend amounting to 65 million NIS. The dividend per share is 0.0860484 NIS. On the same occasion, the Company Board of Directors decided to adopt a dividend policy according to which the Company intends to distribute up to 50% of the Company's yearly FFO per year, taking into account the act that the ratio of the net financial debt to the CAP desired at the Company will not exceed 50%. The dividend policy in question is in the form of policy statements only and shall not be seen as a commitment by the Company to distribute dividends. Any dividend distribution shall be stipulated on a specific decision passed by the Company Board of Directors after examining the distribution tests in accordance with legal requirements taking the Company's business situation into account, as well as its expected cash flow, the Company's strategy and its business needs. In addition, the Company Board of Directors may change from time to time, at its sole discretion, the Company's dividend distribution policy.

E. On March 26 2024, the Company Board of Directors certified Mr. Amir Bennet, the Company Comptroller, to sign the Company's December 31 2023 Financial Statements, along with the Chairman of the Board of Directors and Company CEO, due to the fact that there was no CFO serving at the Company upon the approval of its December 31 2023 Financial Statements.

Note 33 – Concise Darban Data

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

A. Consolidated Balance Sheets

| | As of December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Thousands of NIS | |
| Current Assets | | |
| Cash and cash equivalents | 37,166 | 4,705 |
| Investments in financial assets | 32,670 | 50,136 |
| Loan to parent company | 11,239 | 14,941 |
| Others | 27,910 | 8,922 |
| | 108,985 | 78,704 |
| Non-Current Assets | | |
| Investment in shares of parent company | - | 357,302 |
| Investments in associates handled using the book value method | 134,036 | 147,070 |
| Investment property | 1,058,907 | 1,048,337 |
| Others | 2,018 | 2,537 |
| | 1,194,961 | 1,555,246 |
| | 1,303,946 | 1,633,950 |
| Current Liabilities | | |
| Payables and credit balances | 12,615 | 9,633 |
| Current maturities of long-term loans | 160,983 | 10,172 |
| Taxes payable | 477 | 13,189 |
| Others | 392 | 1,389 |
| | 174,467 | 34,383 |
| Non-Current Liabilities | | |
| Long-term loans from financial institutions | - | 155,775 |
| Other long-term liabilities | - | 15,000 |
| Deferred taxes | 169,480 | 166,542 |
| | 169,480 | 337,317 |
| Total equity | 959,999 | 1,262,250 |
| | 1,303,946 | 1,633,950 |

Note 33 – Concise Darban Data (Continued)

B. Consolidated Statements of Operations

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Revenues | | | |
| From building rental, management and maintenance in Israel | 85,889 | 79,706 | 70,890 |
| From building rental, management and maintenance abroad and others | - | - | 2,336 |
| Total revenues | 85,889 | 79,706 | 73,226 |
| Costs | | | |
| Cost of building management and maintenance | 12,053 | 9,595 | 9,403 |
| Gross profit | 73,836 | 70,111 | 63,823 |
| Increase in fair value of investment property, net | 10,324 | 58,110 | 53,405 |
| Administrative and general and sales and marketing expenses | 10,854 | 9,428 | 11,419 |
| Group share of earnings (loss) of equity-accounted investees | (4,197) | (644) | 25,442 |
| Other comprehensive loss items charged to gain/loss due to Investment in investees | - | 291 | (3,996) |
| Profit from regular activities | 69,109 | 117,858 | 127,255 |
| Profit from the realization of consolidated companies and an investee according to the book value method | - | (172) | 373 |
| Financing revenues (expenses), net | (2,317) | (28,029) | 4,690 |
| Profit after financing | 66,792 | 89,657 | 132,318 |
| Tax expenses | 12,696 | 26,819 | 20,915 |
| Net income | 54,096 | 62,838 | 111,403 |
| Attributed to: | | | |
| Company shareholders | 54,092 | 62,875 | 111,289 |
| Non-Controlling Interests | 4 | (37) | 114 |
| | 54,096 | 62,838 | 111,403 |

Note 33 – Concise Darban Data (Continued)

C. Consolidated Cash Flow Reports

| | For the Year Ending December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | Thousands of NIS | | |
| Net cash from operating activities | 6,362 | 38,744 | 65,520 |
| Net cash derived from (used in) investment activity | 35,841 | (857) | (3,344) |
| Net cash used in financing activities | (10,430) | (41,537) | (60,568) |
| Translation differences due to cash balances held in foreign currency | 688 | 600 | (359) |
| | 32,461 | (3,050) | 1,249 |
| Balance of cash and cash equivalents at the beginning of the year | 4,705 | 7,755 | 6,506 |
| Balance of cash and cash equivalents at the end of the year | 37,166 | 4,705 | 7,755 |

\- - - - - - - - - - - - - - - - - - - - - - - - - - -