Board of Directors Report as of June 30, 2026

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

For the period ended June 30, 2026

The Company's Board of Directors is pleased to submit to the shareholders the Board of Directors Report of the Company for the period of six months and three months ended June 30, 2026 (hereinafter: the **"Reported Period"**).

Regarding the economic environment and the impact of external factors on the Company's activities - see section 4 of Chapter A of the Periodic report for 2025.

(1) Board of Directors' Explanations on the State of the Company's Business

1.1. Details on the Company's Activities

The Company is a Real Estate Investment Trust – a REIT fund.

The prominent advantages for shareholders in investing in the Company are:

- **Current dividend** – regular quarterly dividend payment of at least 90% of taxable income
- **High liquidity** – high liquidity in the share and high dispersion among shareholders
- **Stability** – investment in **income-producing** assets in Israel only with limited leverage of up to 60% of the asset value
- **High credit rating** – higher compared to similar companies
- **Taxation** – the Company is exempt from paying corporate tax

The Company's shares have been included for several years in the TA-125 index, TA-90 index, TA-Real Estate index, TA-Investment Property Israel, and Tel-Div index.

As of the date of the reports, the Company's business activity includes holding 46 income-producing assets in a variety of uses such as: office buildings, commerce, industry and logistics, hotels, a nursing hospital, and a residential cluster.

The income-producing assets are leased to approximately 650 tenants, with a total area of approximately 613,000 sqm, including approximately 219,000 sqm of parking areas.

Acquisition of an Income-Producing Asset – "Kfar Saba HaYeruka"

On April 19, 2026, a transaction was completed in which the Company entered into an agreement to acquire 100% of the ownership rights in a building located at 3 Natan Rapaport Street in Kfar Saba, known as the "Kfar Saba HaYeruka Mall", with a total area of approximately 75,000 sqm used as a commercial center, offices, storage, and parking ("the Asset"), for a total sum of NIS 580 million. The Asset is leased at 93% occupancy to 100 tenants, for primary lease terms of between three to seven years, with an option for some tenants to extend the lease term for additional periods. The expected NOI (net annual rent) (at full occupancy) will total approximately NIS 40.5 million, reflecting an annual yield of 7% relative to the purchase amount. The rent is linked to the Consumer Price Index.

Asset Volume

The volume of the Company's income-producing assets totals **6.62** billion NIS

Occupancy Rates

The average occupancy rate during the period is **91%**

Unencumbered Assets

All company assets are unencumbered

Credit Rating

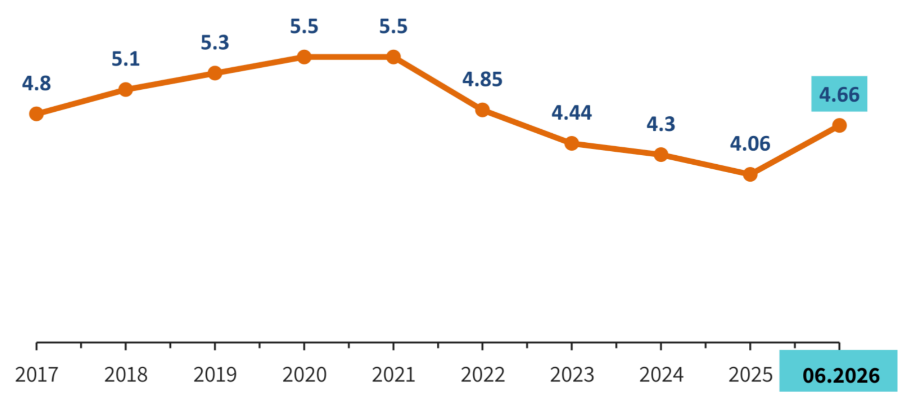
Maalot - The Company is rated at **ilAA-** and the issued BONDS series are rated **ilAA** with a stable rating outlook.

Duration and Weighted Interest

The weighted effective interest rate is **2.18%** with a duration of 4.66 years.

The marginal interest for a duration of 6.68 years is 2.69%.

Average Debt Life



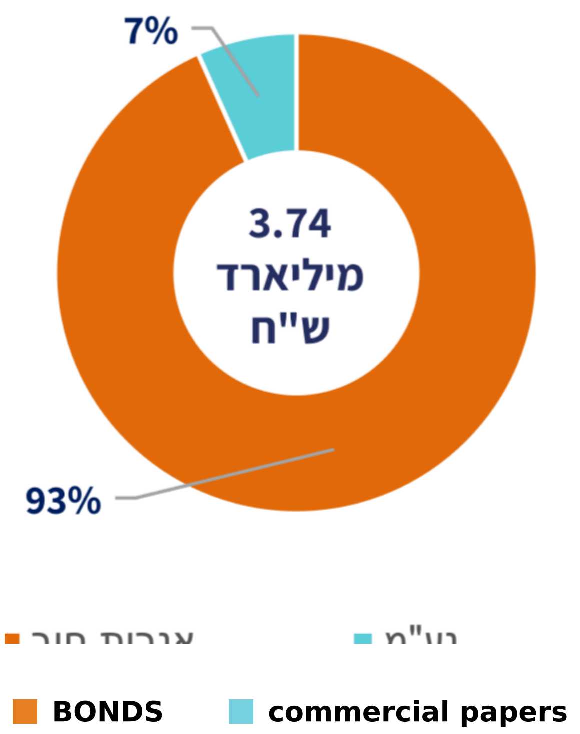
Financial Leverage

55.5% – Low net leverage

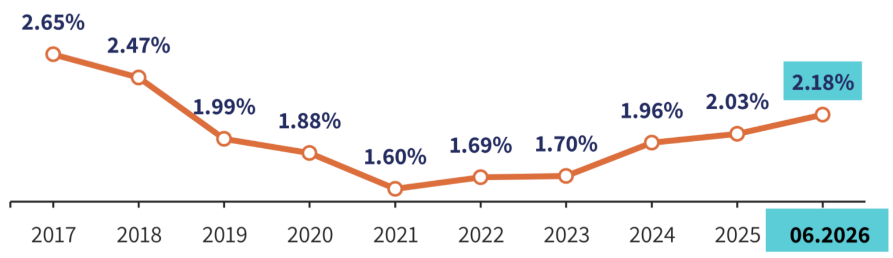
43.7% – Equity to balance sheet

All company assets are unencumbered

Debt Segmentation by Lenders

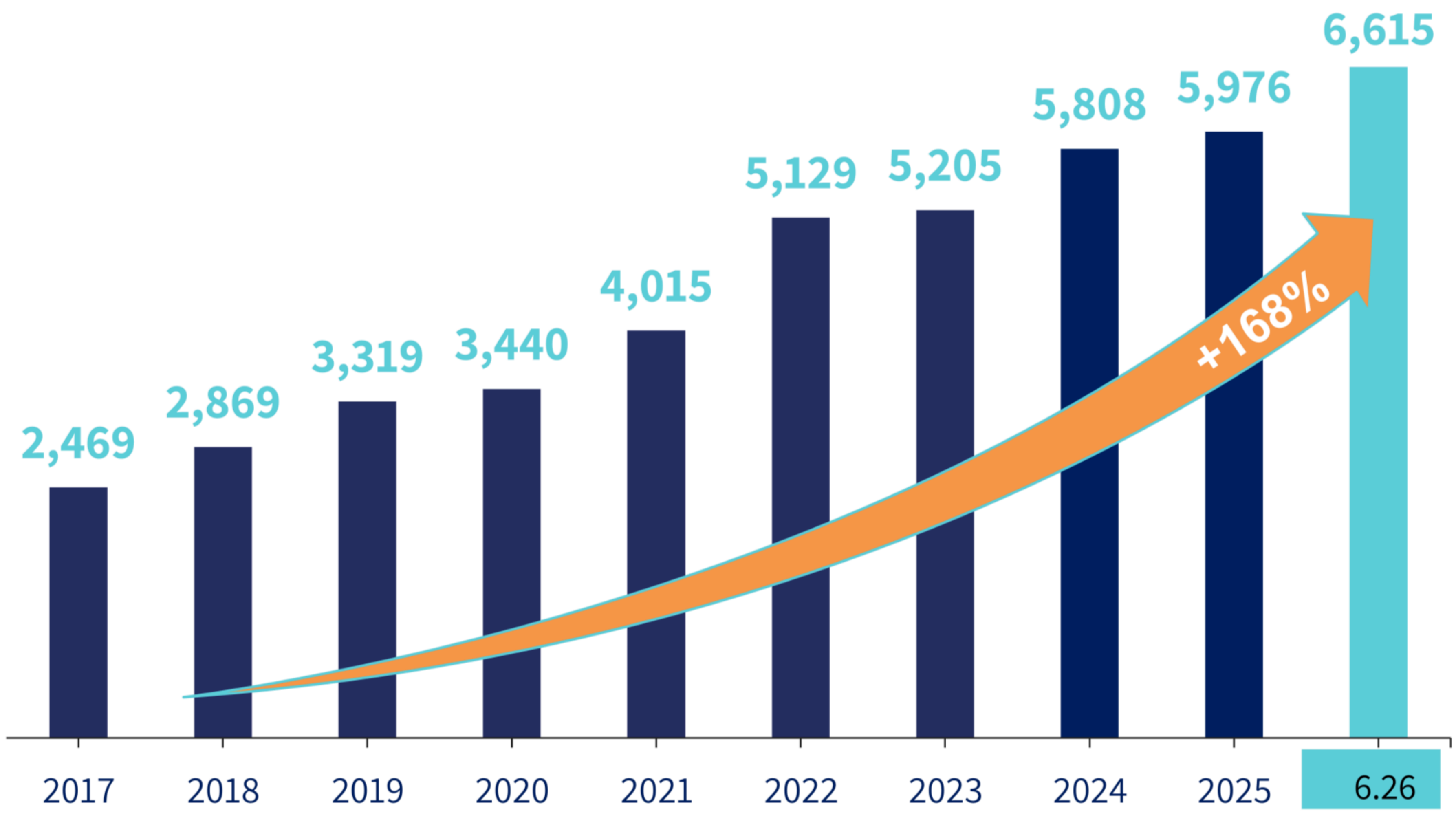


Average Effective Interest Over the Years



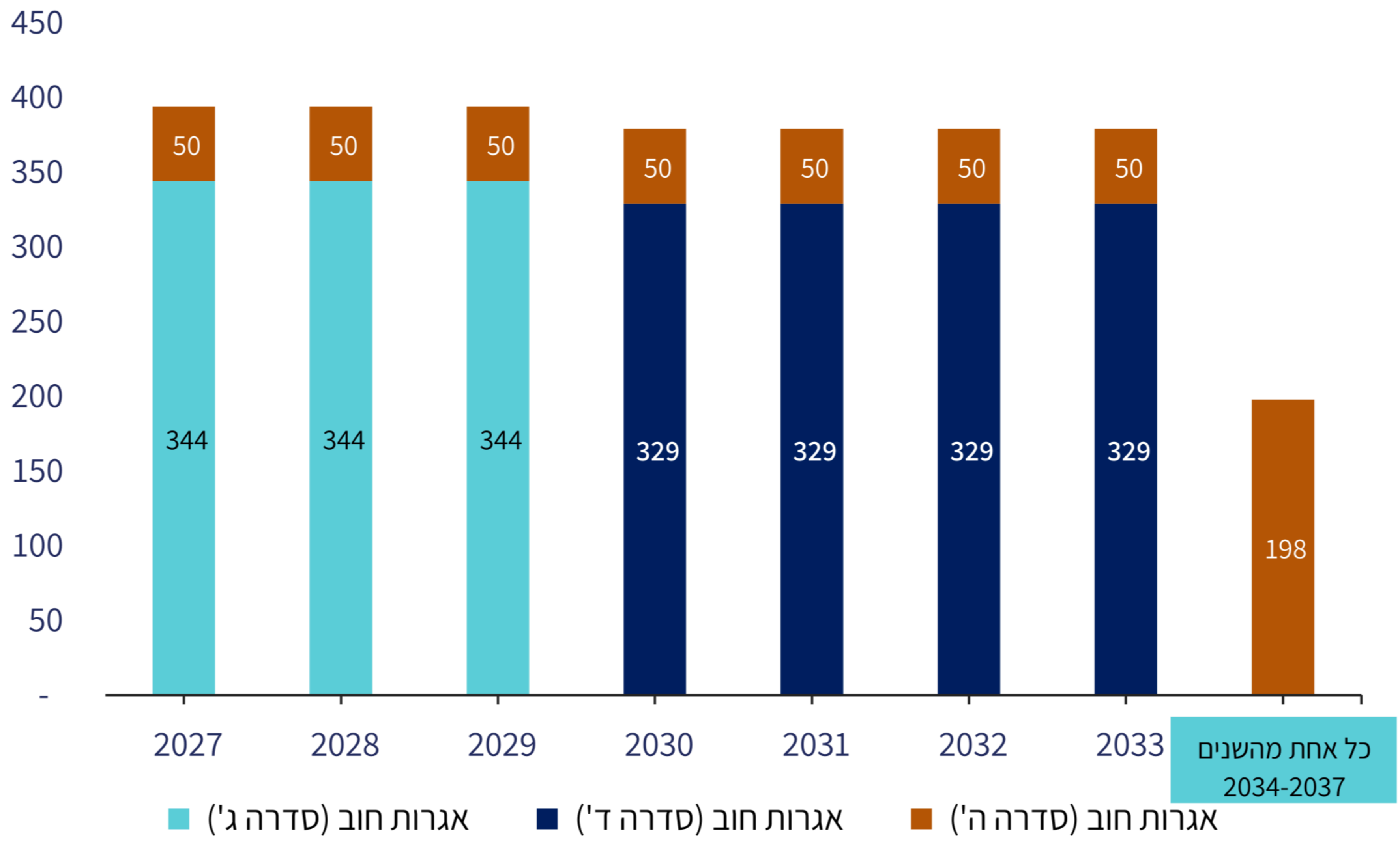
Growth in Income-Generating Assets

(in NIS millions)



Long-term credit - Repayment schedule (Principal only)

(in NIS millions)



Data for six-month and three-month periods ended June 30, 2026

(in NIS millions)

		4-6	
	% Change	2026	2025
NOI	6.8%	**94.0**	**88.0**
NOI - Same Property	-2.1%	**86.1**	**88.0**
Net Profit	-23.1%	**50.0**	**65.0**
Real FFO (according to management approach)	5.0%	**63.6**	**60.6**
Real FFO per share (agorot)	-5.0%	**25.8**	**27.2**

		1-6	
	% Change	2026	2025
NOI	4.5%	**184.0**	**176.0**
NOI - Same Property	-0.3%	**175.4**	**176.0**
Net Profit	-46.2%	**77.0**	**143.0**
Real FFO (according to management approach)	4.2%	**127.7**	**122.6**
Real FFO per share (agorot)	-4.4%	**52.6**	**55.0**

Data as of June 30, 2026

(in NIS millions)

		Data as of	
	% Change	30.06.2026	31.12.2025
Investment Property	+10.7%	6,615	5,976
Equity	+6.1%	2,935	2,767
Equity per share (NIS)	-1.0%	11.45	11.57

1.2. Material Events During the Reporting Period

- **Acquisition of Income-Generating Real Estate**

Regarding the acquisition of the Kfar Saba Hayeruka property for a total of NIS 580 million, see Note 4a to the financial statements for June 30, 2026.

- **BONDS issuance**

In March 2026 and April 2026, the company issued BONDS Series 5 for a total of NIS 709 million. The issuance amount reflects a CPI-indexed effective interest rate of 2.76% for a duration of 6.82. For further details, see Note 4b to the financial statements for June 30, 2026.

- **Exercise of warrants (Series 4)**

During the report period, approximately 17 million warrants (Series 4) were exercised for a total consideration of approximately NIS 156 million.

- **Dividend Declaration**

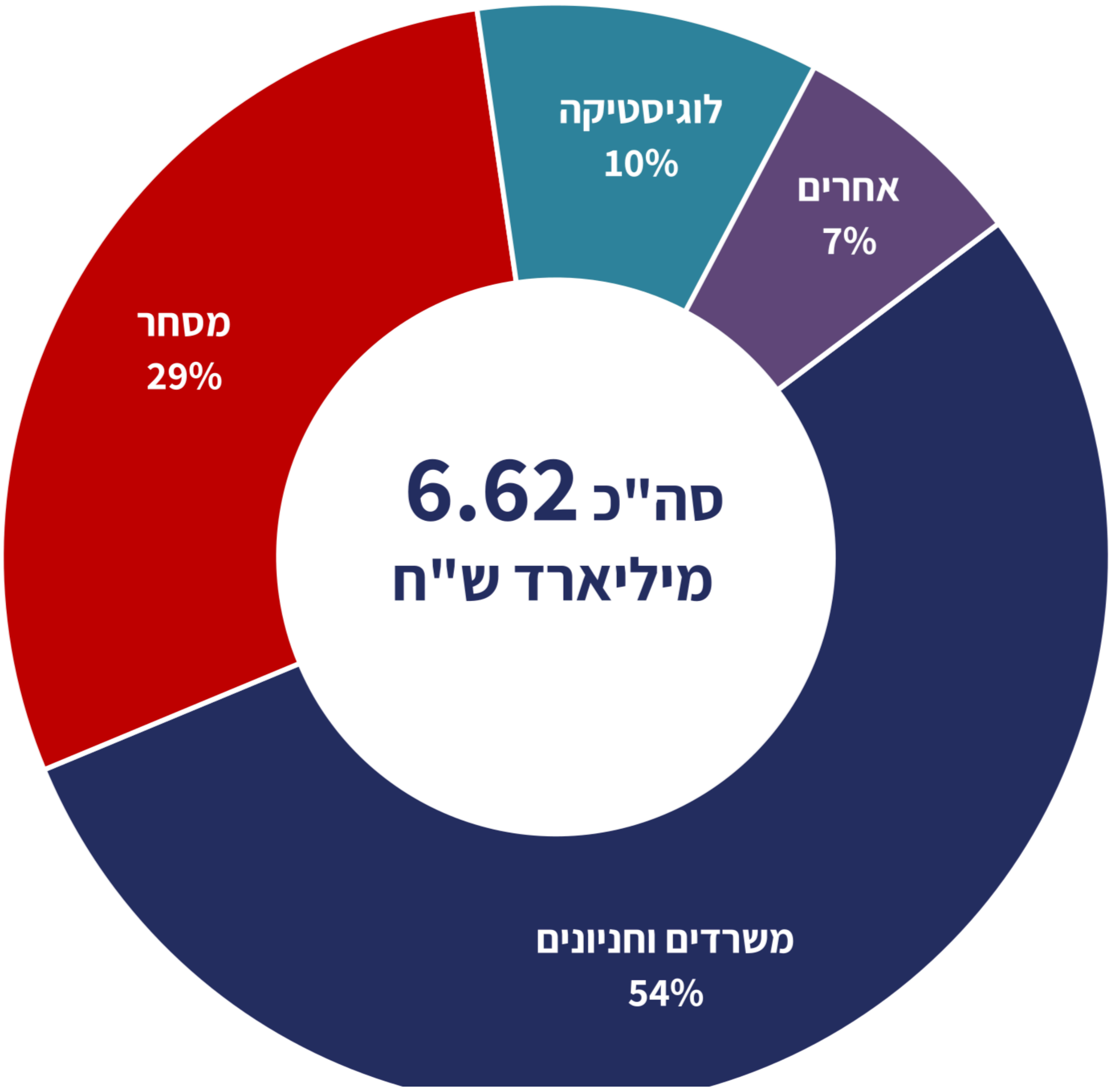
The company's board of directors decided in March 2026 that in light of the company's expected results for 2026, the dividend amount for 2026 will not be less than a total of NIS 146 million (approx. 57 agorot per share).

Company Assets – Principal Data as of June 30, 2026

Uses	Primary area in thousands of sqm	NOI in NIS millions	Rate of NOI	Occupancy rates	Fair value in NIS millions	Rate of fair value
Offices	186	96.5	52%	86%	3,590	54%
Commercial	99	52.5	29%	96%	1,898	29%
Logistics	81	21	11%	97%	656	10%
Others	28	14	8%	100%	472	7%
Total	**(1) 394**	**184**	**100%**	**91.0%**	**6,616**	**100%**

(1) In addition, parking area of approximately 219 thousand sqm.

Fair Value Distribution by Uses as of 30.06.2026



Forecast for 2026 (*)

The following is a forecast for the main operating results of the Company for 2026, which is based on the following main assumptions (in NIS millions):

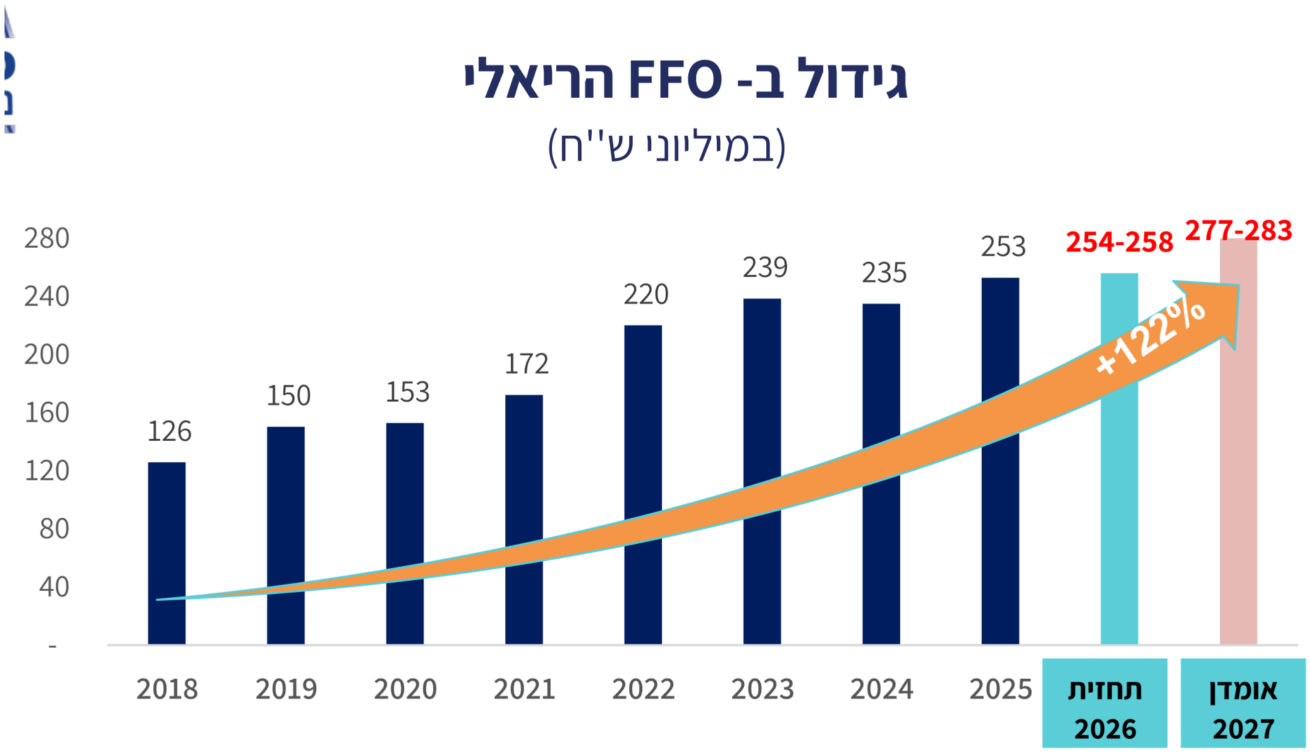
- The asset base as well as the composition of liabilities and equity of the Company as of the date of publication of the reports.
- An increase in the Consumer Price Index at a rate of 2%.
- Signed lease agreements and management's expectations regarding renewals of current lease agreements in 2026.
- Assumption that no material changes will occur in the business environment in which the Company operates in Israel.
- Acquisition of an income-producing asset in the amount of NIS 580 million (the acquisition was completed during the report period).

Additional guidance for 2027:

- "Beit Mani" - average occupancy rate of 75% in 2027.
- Moshe Aviv Tower (Mizrahi Tefahot Bank areas) – average occupancy rate of 50% in 2027.

NIS millions	Estimate 2027	Forecast 2026	Actual 2025	Actual 2024
NOI	**410-416**	**376-382**	**356**	**334**
FFO	**277-283**	**254-258**	**253**	**235**
FFO in agorot per share	**107-110**	**100-105**	**109.7**	**105.9**
Minimum dividend	**146**	**146**	**134**	**124**

(*) The information regarding the forecast for 2026 and the estimate for 2027 is forward-looking information according to section 32A of the Securities Law, 5728-1968. Forward-looking information is a forecast, assessment, estimate or other information relating to a future event or matters, whose realization is uncertain and is not under the sole control of the Company. The Company's forecast is based on the Company's subjective assessments, based on past experience.



1.3. Financial Position

The following is an analysis of the main changes in the financial position of the Company (in NIS millions):

	June 30 2026	December 31 2025	Notes
Total balance sheet	6,711	6,189	
Current assets	94	212	
Investment property	6,615	5,976	The increase is mainly due to the acquisition of the asset in Kfar Saba in the amount of NIS 580 million.
Current liabilities	699	675	
Working capital	The working capital deficit of the Company as of June 30, 2026, is composed of current assets in the amount of approximately NIS 94 million less current liabilities in the amount of approximately NIS 699 million (which include principal and interest of commercial papers and BONDS in the amount of approximately NIS 666 million). The Company regularly generates positive cash flow from operating activities. In the assessment of the Company's management, it has a good ability to recycle debts and raise additional debts from a variety of sources. Furthermore, the Company has unutilized bank credit lines in the amount of NIS 300 million as well as unencumbered assets in the amount of approximately NIS 6.6 billion. The Company's board of directors examined the repayment forecast and the credit sources for repayment of existing liabilities and expected liabilities of the Company during the next two years. In light of the above, the board of directors determined that the working capital deficit does not indicate a liquidity problem in the Company.		
Long-term liabilities	3,077	2,746	The increase results mainly from the expansion of BONDS (Series 5) - see Note 4B to the financial statements as of June 30, 2026.
Equity	2,935	2,767	As of the date of publication of the reports, equity constitutes approximately 44% of the Company's total assets.

1.4. Results of Operations

The following is an analysis of the main changes in the business results of the Company (in NIS millions):

	2026 Months 1-6	2025 Months 1-6	Explanations
Income from rental fees and property operation	206.0	196.0	The increase results mainly from the acquisition of the Green Kfar Saba asset (approx. NIS 9 million), from the effect of the index increase on rental fees as well as from an increase in rental fees in renewals of agreements. Conversely, there is a decrease in income in the amount of NIS 3 million resulting from the termination of the lease agreement with Mizrahi Tefahot in the Moshe Aviv Tower in Ramat Gan in April 2026.
Profit from rental and operation of properties	184.0	176.0	
Fair value adjustment of investment property Reduction of transaction costs regarding asset acquisition Revaluation of investment property **Total**	(41.0) 35.2 **(5.8)**	- 73.0 **73.0**	During the report period, a reduction in the value of the Green Kfar Saba asset was recorded in the amount of approximately NIS 41 million (due to the asset acquisition transaction costs, mainly purchase tax) and conversely an amount of approximately NIS 35 million was recorded as a positive revaluation of investment property.
General and administrative expenses	(23.7)	(21.0)	The increase results mainly from an increase in the Company's asset base and from the entry into force of the new management agreement.
Financing expenses, net Interest expenses, commissions and issuance expenses Linkage difference income (expenses) **Total**	(37.6) (39.9) **(77.5)**	(36.8) (48.2) **(85.0)**	The decrease in financing expenses results from a decrease in the rate of increase in the Consumer Price Index in the report period, compared to the rate of increase in the corresponding period last year.
Taxes on income	-	-	The Company is a Real Estate Investment Trust. According to the Income Tax Ordinance, the Company has a special tax status, and subject to meeting the established conditions, taxation of profits is done at the level of shareholders upon distribution of the profits. As of the date of the financial reports, the Company meets the established conditions and is a Real Estate Investment Trust.
Net profit	**77.0**	**143.0**	

1.5. Liquidity and Cash Flows

As of June 30, 2026, the company has cash balances totaling 83.4 million NIS compared to 205.9 million NIS as of December 31, 2025.

Sources and Uses

Below are the main sources and uses during the report period for continued operations:

	In NIS millions
Sources:	
From operating activities	104.9
Proceeds from exercise of warrants for shares	156.1
Proceeds from issuance of BONDS, net	708.2
Total sources:	**969.2**
Acquisitions and investments	(645.2)
Dividend payment	(70.8)
Repayment of credit and BONDS	(375.7)
Total uses:	**(1,091.7)**
Increase in cash	**(122.5)**

FFO (Funds From Operations)

FFO is a common measure in the US and other countries for providing additional information on the operating results of an income-producing real estate company, providing a proper basis for comparison between income-producing real estate companies. FFO as defined, expresses net profit (calculated according to GAAP), neutralizing one-time income and expenses, including gains (or losses) from asset sales, plus depreciation and amortizations (for real estate), neutralizing deferred taxes and non-cash expenses.

The company believes that measuring the operating results according to FFO and FFO per share data may provide added value, and will allow a better comparison of the company's operating results with income-producing real estate companies and companies that are Real Estate Investment Trusts (REIT) in Israel and worldwide.

It should be emphasized that FFO:

A. Does not present cash flows from operating activities according to GAAP.

B. Does not reflect cash held by the company and its ability to distribute funds.

C. Does not represent the company's net profit calculated according to GAAP.

Below are the FFO calculations for continued operations (in NIS millions):

	2026	2025	2026	2025	2025
	1-6		**4-6**		
Net profit	77.0	143.0	50.0	65.0	300
Adjustments to net profit:					
Adjustment of fair value of investment real estate	5.8	(73.0)	(31.0)	(47.0)	(128.0)
FFO according to the Securities Authority approach	**82.8**	**70.0**	**19.0**	**18.0**	**172.0**
Expenses for granting warrants and shares to service providers	5.0	4.4	2.5	2.8	9.28
Accrued credit linkage difference expenses	39.9	48.2	42.1	39.8	71.8
Real FFO (according to management approach)	**127.7**	**122.6**	**63.6**	**60.6**	**253.0**
Real FFO per share (in agorot)	**52.6**	**55.0**	**25.8**	**27.2**	**109.7**
Weighted number of shares (in thousands) for FFO per share calculation	242,909	222,896	246,382	223,134	230,540

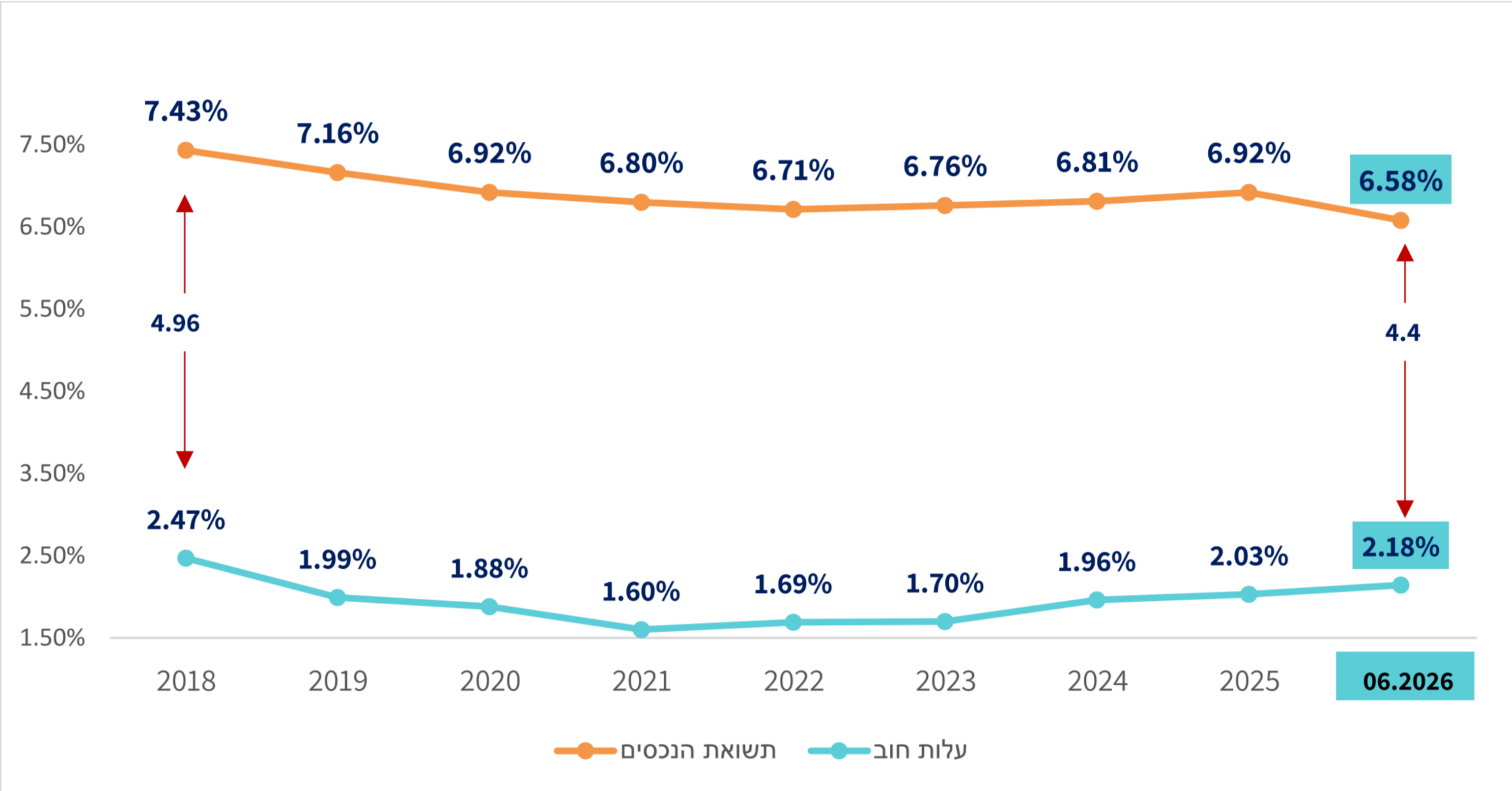
Weighted Cap Rate

Below is a weighted cap rate calculation as of June 30, 2026, in NIS millions:

Investment real estate as of 30.06.2026	6,615
Value attributed to vacant spaces	(394)
Value attributed to land, building rights and assets in marketing stages for lease	(430)
Investment real estate attributed to leasable areas	5,791
Actual NOI for the 2nd quarter of 2026	94.0
Additional income for property that yielded partially in the 2nd quarter	1.2
Adjusted representative NOI for the 2nd quarter of 2026	95.2
Representative NOI at an annual rate	380.8
Weighted Cap Rate derived from investment real estate	**6.58%**

The information in this section includes forward-looking information. This information is uncertain and is based, among other things, on information known to the company at the date of the report regarding contractual engagements with its tenants, and on information regarding the parameters used in the calculation of the fair value of investment real estate. Actual results may differ materially from the estimates detailed above and what is implied by them, for various reasons, including early cancellation of lease agreements or a business crisis of any of the tenants, or a change in the parameters used in determining the fair value.

Spread between the yield of the assets and the weighted cost of debt - over the years



(*) CPI-linked marginal cost of debt at a rate of 2.69% ((yield of BONDS (Series 5)) with a duration of 6.68 years (as of 24/07/2026)).

1.6. Dividends

General

A Real Estate Investment Trust (REIT), the Company is required under the provisions of the Ordinance to distribute its taxable income annually as a dividend to its shareholders on the date specified in the Ordinance, as detailed below:

At least 90% of the taxable income of the Fund, excluding land appreciation tax or capital gain from the sale of income-producing real estate, plus exempt income and less non-deductible expenses - by April 30 of the year following the year in which the income was generated or accrued;

Capital gain or land appreciation tax accrued to the company from the sale of real estate - until the end of 12 months from the sale of the real estate (except for land appreciation tax exempt due to the exchange of real estate for other real estate);

* Notwithstanding the definition of "profits" in section 302(b) of the Companies Law, the Company may, but is not obligated to, distribute amounts up to the amount of depreciation expenses until April 30 of the following year, despite the provisions of the Companies Law on the matter.

Dividend Distribution Policy

The Company's dividend distribution policy is as detailed below:

A. The Company's policy is to distribute an annual dividend in the amount of 100% of its taxable income.

B. Each year, the Company will publish, together with the publication of the financial reports for the first quarter (or earlier), the minimum dividend amount that the Company intends to distribute in that year.

C. The minimum annual dividend amount will be divided into 4 payments to be declared each calendar quarter.

D. Considering business considerations and in accordance with the provisions of any law, the Company's Board of Directors shall be entitled at any time to change the policy and make adjustments to the amount distributed.

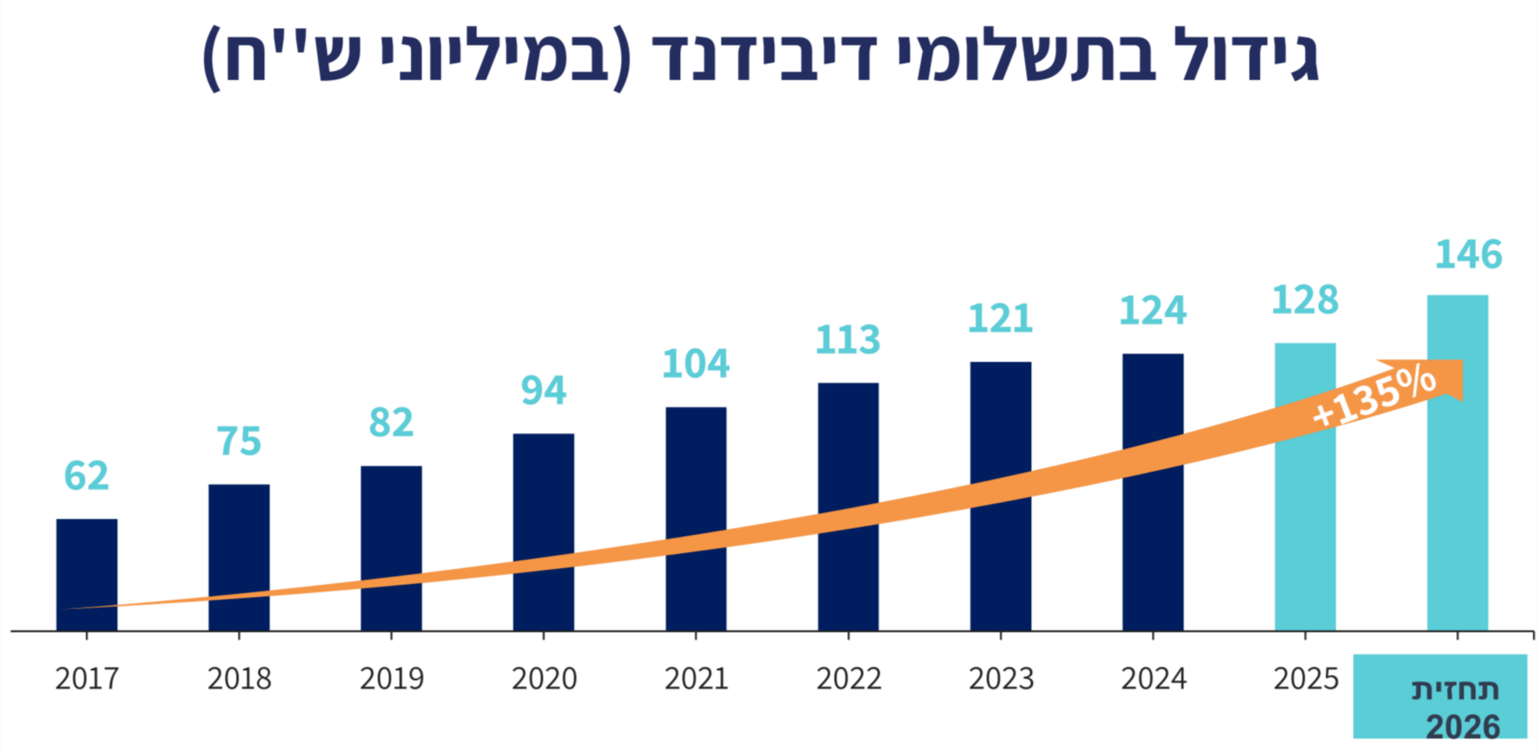
Distribution of Dividends

Below are data regarding dividends distributed by the Company to its shareholders for each of the years 2018-2025, as well as a minimum dividend for the year 2026:

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Annual Dividend - NIS millions	146	128	124	121	113	104	94	82	75.2
Dividend per share (in agorot) (*)	57.0	57.0	56.0	55.0	52.0	49.6	47.8	42.7	39.6
Dividend Yield (*)	**6.5%**	**6.2%**	**7.5%**	**7.5%**	**6.0%**	**7.1%**	**7.2%**	**5.3%**	**6.0%**

(*) Based on the number of outstanding shares and the share price at the time of each dividend distribution.

Growth in Dividend Payments (in NIS millions)



(2) Details regarding exposure to market risks and their management methods

The person responsible for market risks in the Company is the CFO, accountant Dror Yehuda, who operates within the framework of general guidelines from the Board of Directors and in coordination with the active Chairman of the Board, Mr. Shmuel Salvin. For personal and professional details of the CFO and the Chairman of the Board, see Regulation 26 and Regulation 26A in Chapter D of the Periodic report, respectively.

With respect to the market risks to which the Company is exposed and the Company's policy in managing market risks - see Note 18b to the financial reports as of December 31, 2025. The Company's credit policy is a risk reduction policy by way of diversification by taking loans that have repayment terms based on different linkage and/or interest mechanisms. Company management regularly examines the credit terms and their various alternatives. The preference for a particular alternative is determined based on the Company's assessment of expected inflation rates and interest rates.

The Company has commercial papers and CPI-linked BONDS bearing fixed interest. The Company has risk exposure due to changes in the fair value of loans, commercial papers, and BONDS as a result of changes in the market interest rate, exposure to changes in inflation, and cash flow exposure due to changes in the Prime interest rate.

Sensitivity test to changes in interest rates

(in NIS millions)

Sensitive Instrument	Profit from changes		Fair Value as of June 30, 2026 NIS millions	Loss from changes	
	Absolute increase in interest rate (*)			Absolute decrease in interest rate (*)	
	0.50%	0.25%		(0.25%)	(0.50%)
commercial papers	0.8	0.4	250	(0.4)	(0.8)
BONDS (Series 3)	8.8	4.4	1,027	(4.4)	(8.8)
BONDS (Series 4)	30.9	15.5	1,266	(15.5)	(30.9)

Sensitive Instrument	Profit from changes		Fair Value as of June 30, 2026 NIS millions	Loss from changes	
	Absolute increase in interest rate (*)			Absolute decrease in interest rate (*)	
	0.50%	0.25%		(0.25%)	(0.50%)
BONDS (Series 5)	38.5	19.3	1,173	(19.3)	(38.5)

Sensitivity test to changes in the Consumer Price Index rate

(in NIS millions)

Sensitive Instrument	Loss from changes		Fair Value as of June 30, 2026 NIS millions	Profit from changes	
	Increase in Index Rate			Decrease in Index Rate	
	2%	1%		(1%)	(2%)
BONDS (Series 3)	(20.6)	(10.3)	1,027	10.3	20.6
BONDS (Series 4)	(26.3)	(13.2)	1,266	13.2	26.3
BONDS (Series 5)	(23.4)	(11.7)	1,173	11.7	23.4

(3) Details regarding financial debt certificates of the Company

Below are details regarding the BONDS and commercial papers of the Company as of June 30, 2026 (in NIS millions):

Series	Issuance Date	Total Par Value at Issuance	Total Par Value at Report Date	Total Par Value Revalued according to Linkage Terms	Accrued Interest Amount as of Report Date	Book Value Included in Financial Reports	Market Value (Fair Value)	Interest Type	Principal Payment Dates	Interest Payment Dates	Principal/Interest Linkage Basis and Terms	Early Redemption Option
BONDS C	14.8.16 12.6.17 5.2.18 1.4.19 22.12.19 31.7.22	1,322.5	858.9	1,030.8	4.3	1,035.9	1,027.5	Fixed interest at an annual rate of 1.96%	(1)	(2)	CPI Linked (3)	The Company has the right to perform early redemption under specified conditions
BONDS D	29.6.20 21.8.16 18.5.22 31.7.22 15.1.23	1,360.9	1,102.8	1,317.1	5.4	1,298.9	1,266.2	Fixed interest at an annual rate of 1.58%	(7)	(8)	CPI Linked (9)	The Company has the right to perform early redemption under specified conditions

Series	Issuance Date	Total Par Value at Issuance	Total Par Value at Report Date	Total Par Value Revalued according to Linkage Terms	Accrued Interest Amount as of Report Date	Book Value Included in Financial Reports	Market Value (Fair Value)	Interest Type	Principal Payment Dates	Interest Payment Dates	Principal/Interest Linkage Basis and Terms	Early Redemption Option
BONDS E	26.03.24 18.03.25 12.03.26 16.04.26	460.0	1,067.5	1,140.0	7.6	1,137.2	1,173.1	Fixed interest at an annual rate of 3.0%	(10)	(11)	CPI Linked (12)	The Company has the right to perform early redemption under specified conditions
commercial papers Series 1 and Series 2	17.3.19 21.2.24	250.0	250.0	250.0	4.0	250.0	-	Variable interest consisting of bank of Israel interest plus 0.25% for 120 million, plus 0.25% for 130 million	(4)	(5)	(6)	Investors have the right to demand redemption of the commercial papers subject to seven business days' advance notice

(1) 6 installments, when the first 2 installments constitute 15% of the par value of the BONDS (and which were paid on April 13, 2018, and April 13, 2019) and installments 3-6 will constitute 17.5% of the par value of the BONDS each and which will be paid on April 13 of each of the years 2026 to 2029 (inclusive).

(2) Twice a year: on April 13 and October 13 of each of the years 2017 to 2028 and on April 13, 2029.

(3) The principal and interest are linked to the Consumer Price Index for July 2016.

(4) At the end of 5 years (5 exit points of one year) or upon repayment (with 7 business days' notice) or at an exit point, whichever is earlier.

(5) Every 365 days.

(6) The principal and interest are not linked to the index.

(7) The principal of the BONDS is due for repayment in 8 installments, when each of the first 4 installments constituted 8.33% of the par value of the BONDS (and which were paid on March 27 of each of the years 2022 to 2025 (inclusive)) and installments 5-8 will constitute 16.67% of the par value of the BONDS and which will be paid on March 27 of each of the years 2030 to 2033 (inclusive).

(8) The interest regarding the BONDS will be paid twice a year on March 27 and September 27 of each of the years 2020 to 2033 (inclusive).

(9) The principal and interest are linked to the Consumer Price Index for May 2020.

(10) 13 consecutive annual installments, when the first 9 installments will constitute 4% of the par value of the BONDS (and which were paid on April 10 of each of the years 2025 to 2033 (inclusive)) and installments 10-13 will constitute 16% of the par value of the BONDS and which will be paid on April 10 of each of the years 2034 to 2037 (inclusive).

(11) The interest regarding the BONDS will be paid twice a year on October 10 and April 10 of each of the years 2024 to 2037 (inclusive).

(12) The principal and interest are linked to the Consumer Price Index for February 2024.

BONDS (Series 3) - Additional Data:

From August 2016 until January 2024, the company issued 1,416 million NIS par value BONDS (Series 3) of 1.00 NIS par value each.

The BONDS (Series 3) are linked (principal and interest) to the Consumer Price Index for July 2016 and bear an annual interest rate of 1.96%.

1. Trustee Name - S.A. Trusts Ltd.
2. Rating of the BONDS by Maalot Ltd - In May 2026, Maalot Ltd confirmed the BONDS series at a rating of ilAA Stable.
3. As part of the issuance of the BONDS (Series 3), the company committed to comply with the following main covenants:

    A.

The value of the company's yield-generating real estate assets (hereinafter - "Yield-generating real estate assets") and the value of cash, deposits and debtors (hereinafter: "Other assets"), which are not pledged in favor of any party, shall not decrease for a period exceeding 2 consecutive quarters from a rate of 100% of the outstanding balance of the BONDS (Series 3) and the balance of other BONDS and debts to financial institutions (including linkage and interest), which are not secured by pledges in favor of any party (hereinafter - "Available liabilities"). For the purpose of examining the company's compliance with this undertaking, the value of the yield-generating real estate assets - shall constitute 70% of the value of the yield-generating real estate assets and the value of the other assets - 100% of the value of the other assets, as they will be included in the company's consolidated financial reports. As of June 30, 2026, the yield-generating real estate assets and other assets constitute a rate of approximately 126% of the total available liabilities.

B. The ratio between the net financial debt and the company's NOI shall not exceed 12 for a period exceeding 2 consecutive quarters. As of June 30, 2026, the said ratio is approximately 10.1.

C. The equity of the company shall not decrease from a total of 600 million NIS for a period of 2 consecutive quarters, and the ratio of equity to the total balance sheet shall not decrease from a rate of 30%. The company's equity as of June 30, 2026, is 2,935 million NIS and constitutes approximately 44% of the total balance sheet.

The said financial covenants will be examined once a quarter. In the event the company does not comply with them, the trustee and the bondholders will have cause to call the BONDS for immediate repayment. Furthermore, the trust deed includes other standard restrictions and conditions for calling the BONDS for immediate repayment, including, among others: maintaining the company's status as a real estate investment trust (REIT), restrictions regarding dividend distribution, an undertaking not to create a floating charge on all its property in favor of a third party without the consent of the bondholders, material deterioration in the company's business compared to its condition at the time of issuance and existence of real concern that the company will not be able to repay the BONDS on time, a going concern note in the financial reports, non-repayment of the BONDS, rating downgrade below Baa3, cessation of rating under circumstances within the company's control, Cross Default in certain cases, delisting from TASE, non-publication of financial reports according to any law, certain material legal proceedings (including in the context of liquidation, receivership, and asset realization and execution proceedings).

BONDS (Series 4) - Additional Data:

From June 2020 until January 2024, the company issued 1,552 million NIS par value BONDS (Series 4) of 1 NIS par value each. The BONDS (Series 4) are linked (principal and interest) to the Consumer Price Index for May 2020 and bear a nominal annual interest rate of 1.58%

1. Trustee Name- Mishmeret Trust Services Company Ltd.

2. Rating of the BONDS by Maalot Ltd- In May 2026, Maalot Ltd confirmed the BONDS series at a rating of ilAA Stable

3. As part of the issuance of BONDS (Series 3), the company committed to comply with the following main covenants:

A. The value of the company's yield-generating real estate assets and/or investments in associated companies (hereinafter – "Yield-generating real estate assets") which are not pledged in favor of any party, shall not decrease for a period exceeding 2 consecutive quarters from a rate of 100% of the remaining par value of the BONDS (Series 4) that has not yet been repaid plus linkage and interest differentials of the outstanding BONDS (Series 4) and the remaining par value that has not yet been repaid plus linkage and interest differentials of other bond series issued by the company and the company's remaining debts (principal plus linkage and interest differentials) to financial institutions, as they will be included in the company's latest consolidated financial reports, quarterly or annual, reviewed or audited as the case may be (hereinafter - "Available liabilities"). For the purpose of examining the company's compliance with this undertaking, the value of the yield-generating real estate assets - shall constitute 70% of the value of the yield-generating real estate assets, and the value of other assets – 100% of the value of other assets, as they will be included in the company's consolidated financial reports. As of June 30, 2026, the yield-generating real estate assets and other assets constitute a rate of approximately 126% of the total available liabilities.

B. The ratio between the net financial debt and the company's NOI shall not exceed 12 for a period exceeding 2 consecutive financial reports. As of June 30, 2026, the said ratio is approximately 10.1.

C. The equity of the company shall not decrease from a total of 900 million NIS for a period of 2 consecutive successive financial reports, and the ratio of equity to the total balance sheet shall not decrease from a rate of 30%. The company's equity as of June 30, 2026, is 2,935 million NIS and constitutes approximately 44% of the total balance sheet.

The said financial covenants will be examined once a quarter. In the event the company does not comply with them, the trustee and the bondholders will have cause to call the BONDS for immediate repayment. Furthermore, the trust deed includes other standard restrictions and conditions

for calling the BONDS for immediate repayment, including, among others: maintaining the company's status as a real estate investment trust (REIT), restrictions regarding dividend distribution, an undertaking not to create a floating charge on all its property in favor of a third party without the consent of the bondholders, material deterioration in the company's business compared to its condition at the time of issuance and existence of real concern that the company will not be able to repay the BONDS on time, a going concern note in the financial reports, non-repayment of the BONDS, rating downgrade below Baa3, cessation of rating under circumstances within the company's control, Cross Default in certain cases, delisting from TASE, non-publication of financial reports according to any law, certain material legal proceedings (including in the context of liquidation, receivership, and asset realization and execution proceedings).

<u>BONDS (Series 5) - Additional Data:</u>

In March 2024, the company issued 220 million NIS par value BONDS (Series 5) of 1 NIS par value each. The BONDS (Series 5) are linked (principal and interest) to the Consumer Price Index for February 2024 and bear a nominal annual interest rate of 3.0%.

In January 2025, the company issued 240,000,000 NIS par value BONDS (Series 5) by way of a series expansion, in consideration for a total of 245 million NIS net, an amount reflecting an effective interest rate of 3.16%.

In March 2026, the company issued 385,395,000 NIS par value BONDS (Series 5) by way of a series expansion, in consideration for a total of approximately 417 million NIS net, an amount reflecting an effective interest rate of 2.75%.

In April 2026, the company issued 275,000,000 NIS par value BONDS (Series 5) by way of a series expansion, in consideration for a total of 292 million NIS net, an amount reflecting an effective interest rate of 2.78%.

1. <u>Trustee Name -</u> Mishmeret Trust Services Company Ltd.

2. <u>Rating of the BONDS by Maalot Ltd -</u> In May 2026, Maalot Ltd confirmed the BONDS series at a rating of ilAA Stable.

3. As part of the issuance of the BONDS (Series 5), the company committed to comply with the following main covenants:

A.

The value of the company's yield-generating real estate assets and/or investments in associated companies (hereinafter – "Yield-generating real estate assets") which are not pledged in favor of any party, including the company's share in assets held by the company jointly with third parties, and/or investments in associated companies and/or cash and cash equivalents and/or NIS deposits and/or T-bills and/or Israeli government BONDS and/or debtors and debit balances ("Other assets"), shall not decrease for a period exceeding 2 consecutive quarters from a rate of 100% of the remaining available liabilities which are not secured by pledges to any party. As of June 30, 2026, the yield-generating real estate assets and other assets constitute a rate of approximately 135% of the total available liabilities.

B. The ratio between the net financial debt and the company's NOI shall not exceed 12 for a period exceeding 2 consecutive financial reports. The said ratio is approximately 9.1.

C. The equity of the company shall not decrease from a total of 1.4 billion NIS for a period of 2 consecutive successive financial reports and also shall not decrease from a rate of 32% of the balance sheet scope. The company's equity as of June 30, 2026, is 2,935 million NIS and constitutes approximately 44% of the total balance sheet.

Appendix A - Linkage Basis Report as of June 30, 2026 (in thousands of NIS)

	Non-linked	CPI-linked	Non-monetary items	Total balance sheet
Financial Assets				
Cash and cash equivalents	83,445	-	-	83,445
Trade receivables	6,887	-	-	6,887
Other receivables and debit balances	3,964	-	-	3,964
	94,296	-	-	94,296
Non-Financial Assets				
Investment property	-	-	6,615,284	6,615,284
Fixed assets	-	-	1,004	1,004
	-	-	6,616,288	6,616,288
Total assets	**94,296**	**-**	**6,616,288**	**6,710,584**
Current Liabilities				
Current maturities of long-term loans and BONDS	250,000	393,152	1,566	644,718
Trade payables and credit balances	32,057	17,357	4,469	53,883
	282,057	410,509	6,035	698,601
Non-Current Liabilities				

	Non-linked	CPI-linked	Non-monetary items	Total balance sheet
BONDS, net	-	3,094,678	(17,402)	3,077,276
	-	3,094,678	(17,402)	3,077,276
Total liabilities	**282,057**	**3,505,187**	**(11,367)**	**3,775,877**
Exposure balance of assets (liabilities)	**(187,761)**	**(3,505,187)**	**6,627,655**	**2,934,707**

August 9, 2026
Approval date of the Board of Directors report

Mr. Shmuel Slavin
Chairman of the Board of Directors

Mr. Gadi Elikim
General Manager

Appendix B

August 9, 2026

To

Sela Capital Real Estate Ltd.

Subject: Classification as a Real Estate Investment Trust (REIT)

At your request and as the accountants of your company, I hereby confirm that as of June 30, 2026, Sela Capital Real Estate Ltd. meets the conditions set forth in Section 64A3 of the Income Tax Ordinance (New Version), 1961.

Accordingly, the company meets the criteria for classification as a Real Estate Investment Trust under Section 64A3 of the Ordinance.

Sincerely,

Brightman Almagor Zohar & Co.

Accountants

A Firm in the Deloitte Global Network

Tel Aviv, August 9, 2026

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Sela Capital Real Estate Ltd.

Condensed Consolidated Financial Statements

as of June 30, 2026

(Unaudited)

Sela Capital Real Estate Ltd.

Condensed Consolidated Financial Statements

as of June 30, 2026

(Unaudited)

Table of Contents

Review Report of the Independent Auditors to the Shareholders of Sela Capital Real Estate Ltd.

Introduction

We have reviewed the accompanying condensed consolidated financial information of Sela Capital Real Estate Ltd. and its subsidiary (hereinafter - "the Company"), which includes the condensed consolidated statement of financial position as of June 30, 2026, and the condensed consolidated statements of profit or loss, changes in equity, and cash flows for the six and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting", and they are also responsible for the preparation of financial information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to the above, based on our review, nothing has come to our attention that causes us to believe that the aforementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Brightman Almagor Zohar & Co.

Accountants

A Firm in the Deloitte Global Network

Tel Aviv, August 9, 2026

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Sella Capital Real Estate Ltd.

Condensed Consolidated Statements of Financial Position

	As of June 30		As of December 31
	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Audited)
Assets			
Current Assets			
Cash and cash equivalents	83,445	4,583	205,879
Trade receivables, net	6,887	5,800	4,460
Other receivables and debit balances	3,964	1,583	1,676
	94,296	11,966	212,015
Non-current Assets			
Investment property	6,615,284	5,900,370	5,975,952
Fixed assets	1,004	767	963
	6,616,288	5,901,137	5,976,915
Total assets	**6,710,584**	**5,913,103**	**6,188,930**
Liabilities and equity			
Current liabilities			
Short-term credit and current maturities of BONDS	644,718	617,847	608,093
Trade and other payables	53,883	60,117	67,114
	698,601	677,964	675,207
Non-current liabilities			
BONDS, net	3,077,276	2,724,409	2,746,373
	3,077,276	2,724,409	2,746,373
Equity			
Share capital	256,219	223,138	239,116
Capital reserves	1,545,921	1,250,256	1,401,885
Retained earnings	1,132,567	1,037,336	1,126,349
Total equity	**2,934,707**	**2,510,730**	**2,767,350**
Total liabilities and equity	**6,710,584**	**5,913,103**	**6,188,930**

August 9, 2026

Date of approval of the financial statements

Shmuel Slavin	Gadi Eliyakum	Dror Yehuda
Chairman of the Board	CEO	CFO

The accompanying notes are an integral part of these condensed financial statements.

Sella Capital Real Estate Ltd.

Condensed Consolidated Statements of Profit or Loss

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue from rental and property operations	206,000	196,000	105,000	98,000	397,000
Cost of rental and property operations	(22,000)	(20,000)	(11,000)	(10,000)	(41,000)
Profit from rental and property operations	**184,000**	**176,000**	**94,000**	**88,000**	**356,000**
Fair value adjustments of investment property, net	35,200	73,000	31,000	47,000	128,000
Fair value adjustments - amortization of transaction costs	(41,000)	-	-	-	-
	178,200	249,000	125,000	135,000	484,000
General and administrative expenses	(23,700)	(21,000)	(12,000)	(11,000)	(42,000)
Operating profit	**154,500**	**228,000**	**113,000**	**124,000**	**442,000**
Financing expenses, net	(77,500)	(85,000)	(63,000)	(59,000)	(142,000)
Net profit for the period	**77,000**	**143,000**	**50,000**	**65,000**	**300,000**

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Basic earnings per 1 NIS par value ordinary share (in NIS)	0.32	0.64	0.20	0.29	1.30
Diluted earnings per 1 NIS par value ordinary share (in NIS)	0.31	0.63	0.20	0.28	1.21
Weighted average number of shares used in the calculation of basic earnings per share (in thousands)	242,909	222,896	246,382	223,134	230,540
Weighted average number of shares used in the calculation of diluted earnings per share (in thousands)	247,630	226,973	251,102	227,210	247,624

The accompanying notes are an integral part of these condensed financial statements.

Sella Capital Real Estate Ltd.

Condensed Consolidated Statements of Changes in Equity

For the six-month period ended June 30, 2026 (Unaudited)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2026	239,116	1,370,285	10,153	21,447	1,126,349	2,767,350
Share-based payment	84	736	-	4,190	-	5,010
Dividend paid	-	-	-	-	(70,782)	(70,782)
Exercise of warrants into shares	17,019	149,263	(10,153)	-	-	156,129

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	-	-	-	-	77,000	77,000
Balance as of June 30, 2026	**256,219**	**1,520,284**	**-**	**25,637**	**1,132,567**	**2,934,707**

For the six-month period ended June 30, 2025 (Unaudited)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2025	222,336	1,218,094	10,503	16,206	957,371	2,424,510
Share-based payment	611	3,130	-	714	-	4,455
Dividend paid	-	-	-	-	(63,035)	(63,035)
Exercise of warrants into shares	191	1,981	-	(372)	-	1,800
Net profit for the period	-	-	-	-	143,000	143,000
Balance as of June 30, 2025	**223,138**	**1,223,205**	**10,503**	**16,548**	**1,037,336**	**2,510,730**

The accompanying notes are an integral part of these condensed financial statements.

Sella Capital Real Estate Ltd.
Condensed Consolidated Statements of Changes in Equity
(Continued)

For the three-month period ended June 30, 2026 (Unaudited)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of April 1, 2026	239,505	1,373,749	9,970	23,107	1,119,078	2,765,409
Share-based payment	-	-	-	2,530	-	2,530
Dividend paid	-	-	-	-	(36,511)	(36,511)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Exercise of warrants into shares	16,714	146,535	(9,970)	-	-	153,279
Net profit for the period	-	-	-	-	50,000	50,000
Balance as of June 30, 2026	**256,219**	**1,520,284**	**-**	**25,637**	**1,132,567**	**2,934,707**

For the three-month period ended June 30, 2025 (Unaudited)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of April 1, 2025	223,129	1,223,135	10,503	13,730	1,004,133	2,474,630
Share-based payment	-	-	-	2,830	-	2,830
Dividend paid	-	-	-	-	(31,797)	(31,797)
Exercise of warrants into shares	9	70	-	(12)	-	67
Net profit for the period	-	-	-	-	65,000	65,000
Balance as of June 30, 2025	**223,138**	**1,223,205**	**10,503**	**16,548**	**1,037,336**	**2,510,730**

For the year ended December 31, 2025 (Audited)

	Share capital	Share premium	Receipts on account of warrants	Capital reserve for share-based payment transactions	Retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2025	222,336	1,218,094	10,503	16,206	957,371	2,424,510
Issuance of share capital	15,066	142,278	-	-	-	157,344
Share-based payment	932	2,568	-	5,675	-	9,175
Exercise of warrants (Series 4)	583	5,254	(350)	-	-	5,487
Dividend paid	-	-	-	-	(131,022)	(131,022)
Exercise of warrants into shares	199	2,091	-	(434)	-	1,856
Net profit for the year	-	-	-	-	300,000	300,000
Balance as of December 31, 2025	**239,116**	**1,370,285**	**10,153**	**21,447**	**1,126,349**	**2,767,350**

The accompanying notes are an integral part of these condensed financial statements.

Sela Capital Real Estate Ltd.

Condensed Consolidated Statements of Cash Flows

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Net profit for the period	77,000	143,000	50,000	65,000	300,000
Adjustments required to present cash flows from operating activities (Appendix A)	27,891	(41,464)	3,171	(12,978)	(58,793)
Net cash provided by operating activities	**104,891**	**101,536**	**53,171**	**52,022**	**241,207**
Cash flows from investing activities					
Purchase of fixed assets	(111)	(39)	(32)	(7)	(305)
Acquisitions and investments in investment property	(604,132)	(18,902)	(274,676)	(11,294)	(39,484)
Payment of transaction costs	(41,000)	-	(41,000)	-	-
Net cash used in investing activities	**(645,243)**	**(18,941)**	**(315,708)**	**(11,301)**	**(39,789)**
Cash flows from financing activities					
Repayment of short-term credit from financial institutions, net	-	(34,625)	-	(40,260)	(47,052)
Dividend paid	(70,782)	(63,035)	(70,782)	(31,797)	(131,022)
Repayment of BONDS	(375,665)	(337,352)	(375,665)	(19,029)	(337,352)
Issuance of commercial papers	-	50,520	-	50,520	50,520
Issuance of BONDS net of issuance expenses	708,237	244,989	291,822	-	244,989
Proceeds from issuance of share capital, net	-	-	-	-	157,344
Proceeds from exercise of warrants for shares	156,128	1,800	153,278	67	7,343

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		(Audited)
Net cash provided by (used in) financing activities	**417,918**	**(137,703)**	**(1,347)**	**(40,499)**	**(55,230)**
Net (decrease) increase in cash and cash equivalents	**(122,434)**	**(55,108)**	**(263,884)**	**222**	**146,188**
Balance of cash and cash equivalents at the beginning of the period	**205,879**	**59,691**	**347,329**	**4,361**	**59,691**
Balance of cash and cash equivalents at the end of the period	**83,445**	**4,583**	**83,445**	**4,583**	**205,879**

The accompanying notes to the condensed financial statements are an integral part thereof.

Sela Capital Real Estate Ltd.
Appendices to Condensed Consolidated Statements of Cash Flows
(Continued)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Appendix A - Adjustments required to present cash flows from operating activities:					
Income and expenses not involving cash flows:					
Fair value adjustments of investment property	5,800	(73,000)	(31,000)	(47,000)	(128,000)
Expenses in respect of share-based payments	5,010	4,455	2,530	2,830	9,175
Revaluation of long-term loans and BONDS	39,911	48,214	42,145	39,824	71,790

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2026	2025	2026	2025	2025
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Depreciation and amortization	189	1,089	255	295	1,724
Changes in asset and liability items:					
Decrease (increase) in accounts receivable	(2,427)	(903)	780	(37)	437
Increase in debtors and debit balances	(2,288)	(454)	(2,139)	(204)	(547)
Increase in creditors and credit balances	(18,304)	(20,865)	(9,400)	(8,686)	(13,372)
Total adjustments required to present cash flows	**27,891**	**(41,464)**	**3,171**	**(12,978)**	**(58,793)**
Appendix B - Additional information:					
Interest received	3,400	588	2,197	-	4,400
Interest paid	48,780	47,135	26,758	20,028	77,790

The accompanying notes to the condensed financial statements are an integral part thereof.

Sela Capital Real Estate Ltd.

Notes to the Condensed Consolidated Financial Statements as of June 30, 2026 (NIS thousands)

Note 1 - General

a. **General description of the Company and its activities:**

The Company is a Real Estate Investment Trust ("REIT").

The Company was established on June 18, 2007, for the purpose of being a Real Estate Investment Trust in accordance with the provisions of Part D Chapter Two of the Income Tax Ordinance, 1961 (hereinafter - "the Ordinance"). A Real Estate Investment Trust is an entity whose primary purpose is the holding and management of income-producing real estate, such as: office buildings, commercial centers, industrial buildings, residential apartments for rent, and the like. Another goal of a Real Estate Investment Trust is to allow investors to participate, indirectly, in income-producing projects in which the trust invests, while diversifying the risks involved in investing in income-producing assets. A Real Estate Investment Trust is entitled to unique tax benefits provided it meets the conditions specified in the Ordinance. Shareholders in a Real Estate Investment Trust also enjoy certain tax benefits.

According to Section 64A3 of the Ordinance, a company that meets all the conditions specified in Section 64A3(a) is considered a Real Estate Investment Trust. As of the date of preparation of the financial statements, the Company is engaged in income-producing real estate and holds mainly office, commercial and industrial buildings in Israel and meets the conditions and restrictions specified in Section 64A3(a) of the Ordinance and is entitled to the status of a Real Estate Investment Trust.

As part of its business activities, the Company will initiate the establishment and acquisition of income-producing assets and their lease over time.

The Company's shares are traded on several indices, including: TA-125 Index, TA-90 Index, Real Estate Index, and Tel-Div Index.

b. These condensed statements should be read in conjunction with the Company's annual financial statements as of December 31, 2025, and for the year then ended, and the accompanying notes.

Note 2 - <u>Significant Accounting Policies</u>

a. **<u>Basis of preparation of the financial statements:</u>**

The condensed financial statements (hereinafter - "interim financial statements") of the Company were prepared in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" (hereinafter - "IAS 34").

In preparing these interim financial statements, the Company applied accounting policies, presentation rules and calculation methods identical to those applied in the preparation of its financial statements as of December 31, 2025, and for the year then ended.

b. The condensed consolidated financial statements are prepared in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The Company did not attach separate financial information according to Regulation 38D to the financial report as of June 30, 2026, and for the three-month period then ended, see section c below.

c. **<u>Non-inclusion of separate financial information within the financial statements:</u>**

The Company did not include separate financial information in the condensed consolidated financial statements as of June 30, 2026, in accordance with Regulation 38D and the Tenth Schedule to the Securities Regulations (Periodic and Immediate Reports) 1970, because, in the Company's judgment, the separate financial statements would not provide additional material information to the reasonable investor that is not already included in the Company's consolidated financial statements.

Additionally, the Company examined the insignificance of the additional information derived from the separate financial information relative to the consolidated statements according to the following parameters:

- The ratio of the consolidated company's assets in proportionate consolidation out of the consolidated company's assets.
- The ratio of the consolidated company's liabilities in proportionate consolidation out of the consolidated company's liabilities.
- The ratio of the consolidated company's cash flow from operating activities in proportionate consolidation out of the consolidated company's cash flow from operating activities.

Notes to the Consolidated Financial Statements as of June 30, 2026 (NIS thousands)

Note 2 - Significant Accounting Policies (Continued)

d. Determination of fair value of investment property in interim reports:

To determine the fair value of investment property, the Company relies primarily on valuations performed by independent external real estate appraisers and an internal appraiser with the required knowledge, experience, and expertise, usually once a year. In addition, at each interim reporting date, the Company examines the need to update the fair value estimate of its investment property relative to the fair value determined at the last valuation, to examine whether this estimate represents a reliable estimate of fair value as of the interim reporting date. This examination is done by reviewing changes in the relevant real estate market, in the lease agreements for the property, and any other information that may indicate changes in the fair value of the property. If, in the Company's estimation, there are signs for certain properties that the fair value as of the interim reporting date is materially different from the fair value estimated at the last valuation, the Company estimates the fair value of these properties as of the interim reporting date using an external or internal appraiser.

As of June 30, 2026, the Company examined whether there were signs that the fair value of the investment property was materially different from the value determined at the last valuations of its properties. In the Company's estimation, no significant changes occurred in the value of the real estate relative to the last time valuations were conducted, except for properties where there was a change in the lease agreements for the property (including due to the effect of the index), in the macro-economic environment of the property, and new information regarding material transactions made in the property's vicinity and in similar properties, for which the Company updated the valuations using internal or external appraisers.

e. Exchange rates and linkage basis:

(1) Balances linked to the Consumer Price Index (CPI) are included according to the last known index at the balance sheet date or the index for the last month of the reporting period, according to the terms of the transaction.

(2) The following are the Consumer Price Index data:

	Index in Israel	
Date of financial statements:	**Index for points**	**Known index points**
As of June 30, 2026	121.8	121.8
As of June 30, 2025	119.8	119.5
As of December 31, 2025	120.4	120.4

Rate of change:	**%**	**%**
For the six-month period ended June 30, 2026	1.2	1.2
For the six-month period ended June 30, 2025	2.1	1.6
For the three-month period ended June 30, 2026	0.9	1.3
For the three-month period ended June 30, 2025	1.1	1.3

Rate of change:	**%**	**%**
For the year ended December 31, 2025	2.6	2.4

Note 3 - Financial Instruments Not Measured at Fair Value

Except as detailed in the following table, the Company believes that the carrying amount of the financial assets and liabilities presented at amortized cost in the financial statements is approximately identical to their fair value (the carrying amount includes accrued interest payable until the report date):

	As of June 30, 2026		As of June 30, 2025		As of December 31, 2025	
Financial liabilities:	**Carrying amount NIS thousands**	**Fair value NIS thousands**	**Carrying amount NIS thousands**	**Fair value NIS thousands**	**Carrying amount NIS thousands**	**Fair value NIS thousands**
BONDS net (1)	3,489,203	3,466,784	3,079,804	2,981,059	3,118,379	3,065,273

(1) The fair value of marketable BONDS was determined based on a quoted price on the stock exchange (Level 1). The carrying amount includes an unamortized discount balance with a book value of NIS 16.0 million.

Note 4 - Material Events During and After the Reporting Period

A. Acquisition of an income-producing property in the Green Neighborhood in Kfar Saba

On February 23, 2026, the Company entered into a sale agreement with a third party unrelated to the Company regarding the purchase of 100% of the ownership rights in a building located at 3 Natan Rapoport Street in Kfar Saba, known as the "Kfar Saba Green Mall", with a total area of approximately 75,000 sqm used as a commercial center, offices, storage, and parking ("the Property").

Below are additional transaction details:

1. **Consideration -** In consideration for the acquisition of the Property, the Company paid a total of NIS 580 million plus VAT, and also paid purchase tax and associated transaction costs totaling approximately NIS 41 million.

2. **Occupancy -** As of the transaction date, the Property is leased at 93% occupancy to several tenants, for primary lease terms of between three to seven years, with an option for some tenants to extend the lease term for additional periods.

3. **NOI -** Expected annual net rental income (at full occupancy) will total approximately NIS 40.5 million, reflecting an annual yield of 7% relative to the purchase amount. The rent is linked to the Consumer Price Index.

B. Expansion of BONDS Series E

In March 2026, the Company raised, under a shelf offering report, a total of 385,395,000 par value BONDS (Series 5) by way of expanding an existing series, for a net consideration of approximately NIS 417 million. This amount reflects an effective annual index-linked interest rate of 2.75%.

In April 2026, the Company raised, under a shelf offering report, a total of 275,000,000 par value BONDS (Series 5) by way of expanding an existing series, for a net consideration of approximately NIS 292 million. This amount reflects an effective annual index-linked interest rate of 2.78%.

C. Exercise of Warrants (Series 4)

During the accounting period, approximately 17 million warrants (Series 4) were exercised for a total consideration of approximately NIS 156 million.

Note 4 - Material Events During and After the Reporting Period (Continued)

D. Allocation of Restricted Shares and Warrants

In accordance with Note 12G to the financial statement as of December 31, 2025, the Company issued 84 thousand restricted shares in March 2026, pursuant to the Company's engagement in the management agreement for management services for the fourth quarter of 2025. Additionally, the management company is entitled to an allocation of 232,000 restricted shares for management services for the first half of 2026.

Regarding the management company's entitlement to warrants, the Company allocated a total of 2,236,000 warrants to the management company and its employees for the year 2026 in March 2026. Furthermore, 181 thousand warrants were allocated to the Company's employees in accordance with the decision of the Company's board of directors.

E. Dividends

(1) **Expected dividend for the year 2026:**

The Company's board of directors decided in March 2026 that in light of the Company's expected results for 2026, the dividend amount for 2026 will not be less than a total of NIS 146 million (approximately 57 agorot per share; considering business considerations and in accordance with the provisions of any law, the Company's board of directors may at any time change the policy and make adjustments to the distributed amount) and that the final dividend for 2025 will stand at a total of NIS 134 million.

(2) **Dividend for the second quarter of 2026:**

In August 2026, the Company's board of directors approved the declaration of a dividend distribution for the second quarter of 2026 in the amount of NIS 36 million, representing 14.25 agorot per share, which will be distributed in August 2026.

(2) **Dividend for the first quarter of 2026:**

In May 2026, the Company's board of directors approved the declaration of a dividend distribution for the first quarter of 2026 in the amount of NIS 36 million, representing 14.25 agorot per share, which will be distributed in June 2026.

(3) **Dividend for the fourth quarter of 2025:**

In March 2026, the Company's board of directors approved the declaration of a dividend distribution for the fourth quarter of 2025 in the amount of NIS 34 million, representing 14.25 agorot per share, which will be distributed in April 2026.

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure according to Regulation 38C(a)

Management, under the supervision of the Board of Directors of Sela Capital Real Estate Ltd. (hereinafter: "the Corporation"), is responsible for the determination and existence of adequate internal control over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

Gadi Elikam – General Manager

Dror Yehuda – CFO

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which were designed by the General Manager and the most senior officer in the field of finance or under their supervision, or by whoever actually performs the aforementioned roles, under the supervision of the Corporation's board of directors, intended to provide a reasonable degree of assurance regarding the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes according to the provisions of the law is collected, processed, summarized, and reported on time and in the format prescribed by law.

Internal control includes, among other things, controls and procedures designed to ensure that information that the Corporation is required to disclose as stated is accumulated and transferred to the Corporation's management, including to the General Manager and the most senior officer in the field of finance or to whoever actually performs the aforementioned roles, in order to allow decision-making at the appropriate time, with reference to disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a misstatement or omission of information in the reports will be prevented or detected.

In the annual report on the effectiveness of internal control over financial reporting and disclosure which was attached to the periodic report for the period ended 31.12.2025 (hereinafter: "the Last Annual Internal Control Report"), the Board of Directors and management evaluated the internal control in the Corporation; based on this evaluation, the Board of Directors and the Corporation's management reached the conclusion that said internal control, as of 31.12.2025, is effective.

Until the report date, no event or matter has been brought to the attention of the Board of Directors and management that would change the evaluation of the effectiveness of internal control, as presented in the Last Annual Internal Control Report;

As of the report date, based on the evaluation of the effectiveness of internal control in the Last Annual Internal Control Report, and based on information brought to the attention of management and the Board of Directors as stated above, the internal control is effective.

General Manager's Declaration

Management Statement

CEO Declaration according to Regulation 38C(d)(1)

I, Gadi Elikam, declare that:

1. I have examined the quarterly report of Sela Capital Real Estate Ltd. (hereinafter: "**the Corporation**") for the second quarter of 2026 (hereinafter: "**the Reports**").

2. To my knowledge, the Reports do not contain any misrepresentation of a material fact and do not lack a representation of a material fact necessary so that the representations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the period of the reports.

3. To my knowledge, the financial statements and other financial information included in the reports fairly reflect, in all material respects, the financial position, results of operations, and cash flows of the Corporation for the dates and periods to which the reports refer.

4. I have disclosed to the Corporation's independent accountant, to the Board of Directors, to the Audit Committee, and to the Financial Statement Review Committee of the Corporation's Board of Directors, based on my most current evaluation of internal control over financial reporting and disclosure:

   A. All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure which are reasonably likely to adversely affect the Corporation's ability to collect, process, summarize, or report financial information in a manner that casts doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and-

   B. Any fraud, whether material or immaterial, involving the General Manager or those directly subordinate to him, or involving other employees who have a significant role in internal control over financial reporting and disclosure.

5. I, alone or together with others in the Corporation:

   A. Have established controls and procedures, or ensured the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation is brought to my attention by others in the Corporation, particularly during the preparation period of the reports; and-

   B. Have established controls and procedures, or ensured the establishment and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

   C. No event or matter has been brought to my attention that occurred during the period between the date of the last report (the periodic report) and the date of this report, which would change the conclusion of the Board of Directors and management regarding the effectiveness of internal control over financial reporting and disclosure of the Corporation.

Nothing in the above shall detract from my responsibility or the responsibility of any other person, under any law.

August 9, 2026

Gadi Elikam, CEO

Statement of the most senior officer in the field of finance

Officers' Statement

Statement of the most senior officer in the field of finance according to Regulation 38(c)(2)

I, Dror Yehuda, declare that:

1. I have examined the interim financial statements and the other financial information included in the reports for the interim period of Sela Capital Real Estate Ltd. (hereinafter: "the **Corporation**") for the second quarter of 2026 (hereinafter: the "**Reports**" or the "**Interim Reports**").

2. To my knowledge, the financial statements and the other financial information included in the Interim Reports do not contain any misrepresentation of a material fact and do not lack a representation of a material fact necessary so that the representations included in them, in light of the circumstances under which such representations were included, will not be misleading with respect to the period of the reports.

3. To my knowledge, the interim financial statements and the other financial information included in the Interim Reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the reports refer.

4. I have disclosed to the Corporation's auditing accountant, to the Board of Directors, to the Audit Committee and to the Financial Statements Review Committee of the Corporation's Board of Directors, based on my most current assessment regarding the internal control over financial reporting and disclosure:

   A. All significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting and disclosure, as it relates to the interim financial statements and the other financial information included in the Interim Reports, which could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information in a manner that casts doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and-

   B. Any fraud, whether material or immaterial, involving the General Manager or those directly subordinate to him, or involving other employees who have a significant role in the internal control over financial reporting and disclosure.

5. I, alone or together with others in the Corporation:

   A. Have established controls and procedures, or ensured the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation is brought to my attention by others in the Corporation, particularly during the period of preparation of the reports; and-

   B.

Have established controls and procedures, or ensured the establishment and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

C. No event or matter has been brought to my attention that occurred during the period between the date of the last report (the Periodic report for the year 2025) and the date of this report, relating to the interim financial statements and any other financial information included in the Interim Reports, which would change, in my assessment, the conclusion of the Board of Directors and the management regarding the effectiveness of the internal control over financial reporting and disclosure of the Corporation.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

Dror Yehuda, CFO

August 9, 2026