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June

Quarterly statements



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Mivne Real Estate (K.D.) Ltd.

(“The company”)

Quarterly financial statements – for the period
ended 30st June 2020

Chapter 1 - Report of the Board of Directors on the State of the Corporation's Affairs

Chapter 2 – Financial statements – for the period ended 30st June 2020

Financial data and information from the consolidated statements
related to the company

This is an English translation of a Hebrew Immediate report, including its appendices, that was published on August 16, 2020 (reference no.: 2020-01-079078) (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.





Chapter 1

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

Mivne Real Estate (K.D.) Ltd.

Report of the Board of Directors on the State of the Corporation's Affairs For the Six-Month Period Ending June 30 2020

The Board of Directors of Mivne Real Estate (K.D.) (“**the Company**”) is honored to submit its Report of the Board of Directors of the Company and its subsidiaries for the six and three month period ending June 30 2020 (“**The Reported Period**” and “**the Quarter**”, respectively), which reviews the primary activities for the periods in question. The following review is limited in scope and refers to events and changes occurring to in the state of the Company's affairs in the reported period, the impact of which is material. The Report of the Board of Directors for the reported period must be studied in conjunction with the Company's Periodic Report (including the Report of the Board of Directors) for 2019, published March 26 2020 (reference no.: 2020-01-030609 (“**the 2019 Periodic Report**”).

1. The Company's Activity

The Company is a real estate company dealing, by itself and through its investees in varied real estate activity centering on Israel. The Company specializes in initiating, purchasing, building and managing buildings intended for offices, high-tech, industry, logistics and commerce, and is active in the field of residential real estate development in Israel. Furthermore, the Company is active in planning and supervising for implementation infrastructure development works for residential and industrial areas in Israel for the Israel Land Authority, local authorities and various entities. The geographic and segment-based distribution in Israel, number and variety of tenants constitute a valuable advantage that assists the Company's development and strength.

The Company owns some 1,960,000 m² of cash-generating space, 1,586,000 m² of which is in Israel. The Company has land reserves and unused rights to the amount of 678,000 m²

2. Business Environment

The Coronavirus Pandemic, Resulting Economic Crisis and Implications on the Company's Business Activity

Over the course of the first quarter of 2020, the world started to undergo a crisis with extensive macroeconomic implications originating in the spread of the Covid-19 coronavirus around the world, including in Israel. The World Health organization declared the coronavirus a global pandemic and there is a great deal of uncertainty around the world as to whether it can be defeated with medications or vaccines, and how long this would take. Actions and directives taken by various countries, including Israel, as part of the response to the pandemic, have included or still include prohibitions or restrictions on business activity, limiting attendance at workplaces, closing borders and/or movement restrictions for the general population (international and domestic), shutting down schools and so on, have led to a global financial crisis, which has also reached Israel. Over the course of the second quarter of the year, the Israeli government decided to remove most of its restriction in order to allow a return to full business activity, however, due to a sharp increase in the number of Covid-19 patients, new restrictions were imposed, largely intended to enforce social distancing. This crisis was expressed, among other things, in a dramatic increase in the unemployment rate in Israel, a sharp drop in global stock markets (including the Tel Aviv Stock Exchange), fluctuating foreign exchange rates, and an increase in yields of corporate debentures due to the increase in risk levels. As of the publication of this report, the economic crisis is still underway and its duration and full impact on business activity around the world and in Israel in particular cannot yet be estimated.

As of the publication of this report, and taking into account the current uncertainty regarding the amount of time needed to find a vaccine or cure for the Covid-19 virus and making them accessible to the public, as well as the frequent and changing revisions of policies and decisions of governments and regulatory bodies in Israel and around the world, which have a material impact on economic activity as a whole, the Company does not have an option of assessing the scope of the impact of the continuation of the coronavirus crisis and its derivatives on the Company's future activity, and this will be influenced in accordance with the degree and scope of the realization of the relevant risk factors including the state of the Israeli economy, the global health crisis, an economic slowdown in foreign countries in which the Group is active, a drop in tenant payment ability, a drop in demand for space, and a drop in rental prices, all as detailed in Section 1.35 of Chapter A of the 2019 Periodic Report.

The Company estimates that inasmuch as the above disruptions and restrictions will impact short-term business activity only, they will not have a material negative impact on the Company's activity and long-term results. At the same time, the continuation of the economic crisis or its worsening over time may have negative implications for the Israeli economy and in this case, a negative impact on the Company's monetary results can be expected.

Since the start of the crisis, the Company's policy has been to continue with its ongoing activity in all segments,

while implementing the emergency regulations and all government guidelines, and as such the Company continued with planning, development, marketing and management activity for Company properties as well as examining acquisition transactions and participation in tenders issued by the Israel Land Authority and local authorities. Concurrently, Company management is keeping daily track of developments in collecting rent and management payments from its tenants and occupancy rates in its properties. Most of the Company's revenues in Israel (some 88% of its yearly revenues) derive from assets used for industry and logistics, offices and businesses defined as vital and located in the commercial centers rented to over 2,000 tenants, with a broad geographic and sectoral distribution. The balance, at a rate of 12% of total yearly rental revenues, derives from cash-generating properties zoned commercial that do not include businesses defined as vital. Due to the Covid-19 coronavirus crisis, the Company has received requests from some of its tenants to cancel, reduce and/or spread out rental fee and management payments for the months featuring restrictions and reduced business activity. Some of them claimed that the coronavirus crisis constituted force majeure. In specific cases in which the Company saw fit to accept its tenants' requests it allowed them to pay in accordance with a share of their proceeds subject to the fact that the relief would be decreased by the full level of the grant and/or benefit these tenants would be entitled to from the State due to the crisis. The Company estimates that as of the balance sheet date, the sum of amortization in rental payments that will be derived from granting this relief to Company tenants in Israel and abroad amounts to 18 million NIS, 12 million of which is in Israel (without the amortization discount as a result of the provision of government assistance to these tenants). In other specific cases, the Company allowed specific tenants to spread out their payments and reached arrangements with them regarding the spread of the payments across coming months, and the Company estimates that most of the arrangements will be upheld by the tenants. The average occupancy rate increased slightly in the second quarter of the year and amounts to 90.3%, similar to the last 12-month average and according to Company management's estimates, there is not expected to be a significant change in the average occupancy rate in the near future. At the same time, the Company cannot currently estimate the changes expected in trends and tenant preferences, except in terms of the denseness of rented space, working from home and so on.

As of the publication of this report, there have been no material changes in the Group's development activity, which has continued as usual.

Over the coming months, the Company intends to check whether any changes occurred to its business strategy, including in all matters pertaining to possible changes in demand and in the needs of the Company's cash-generating real estate tenants, in the rate of progress of projects under development and construction starts as well as in its marketing strategy, all in accordance with the situational assessment regarding the expected harm to Company tenants and changes in trends and demand following the implications of the crisis.

Without subtracting from the above, the Company estimates at this stage, that the Company's financial fortitude, which is expressed, among other things, in the Company's high cash balances and unused credit frameworks that as of the publication of this report amount to 980 million NIS, a significant and stable cash flows, 560 cash-generating properties in a variety of segments and a broad geographic distribution in Israel occupied by 2,609 tenants at high occupancy rates, the extended life span of most of its loans, access to local capital markets and unpledged real estate properties to the sum of 3.3 billion NIS, will allow it to reduce the potential scope of the impact of the crisis on its activity and uphold its existing and expected obligations. **As the same time, we emphasize that as of the publication of the report, the scope of the crisis and its impact on the Company cannot be estimated reliably, and Company management is tracking and will continue to closely track future developments and will decide upon its steps accordingly. To be clear, the Company's assumptions and estimates presented above constitute forward-looking information, as defined in Section 32a of the Securities Law, 1968, which are based on information existing at the Company as of the publication of the report. These estimates may not be realized, in whole or in part, or be realized in a manner materially different than projected, among other things, in light of the fact that this is an unusual and ongoing event not under the Company's control. The continued spread of the virus, decisions by states and regulatory authorities in Israel and around the world in connection with their preparations, changes in interest rates and in discount rates of real estate properties, changes in the scope of business activity of tenants and their payment ability and changes in cash flows from ongoing activity as a result of the development or continuation of the situation, as well as additional changes deriving from the above, may impact the Company's activity and its monetary results in a manner different from the estimates detailed above.**

3. Points of Emphasis for the Reported Period and Subsequently

- **The Company's forecast on the impact of the Covid-19 crisis** on the results of the second quarter of 2020 ranged between 18 and 25 million NIS. In practice, the impact of the pandemic on second-quarter results amounted to 13 million NIS.
- **The Company updated its forecasts** for FFO from cash-generating assets for a range of 384-405 million NIS and the NOI forecast for a range of 644-657 million NIS. The forecasts were updated upward and present an increase of 3 million NIS.
- **NOI (as this term is defined in 13 below) in Israel** in the reported period amounted to 289 million NIS similar to the corresponding period last year, despite a 13 million NIS decrease following the impact of the coronavirus crisis.
- **Same property NOI in Israel** in the reported period amounted to a total of 281 million NIS and included a 7 million NIS drop due the impact of the Covid-19 crisis, compared to a total of 285 million NIS in the corresponding period last year, and if it were not for the decrease in question the Company would have listed an increase.
- **NOI abroad** in the reported period amounted to 42 million NIS, constituting a 30% decrease compared to the corresponding period last year. Most of the decrease derives from the realization of properties in France to the sum of 12 million NIS and from the impact of the Covid-19 crisis to the sum of 6 million NIS.
- **FFO from cash-generating properties (as this term is defined in 16 below) in Israel** in the reported period amounted to 196.5 million NIS similar to a total of 196 million NIS in the corresponding period last year, after the decrease due to the coronavirus. For further details see 16 below.
- **Net profit** in the reported period amounted to 361 million NIS, compared to profits of 156 million NIS in the corresponding period last year. For further details see 19.2 below.
- **Equity** amounted to a total of 5,903 million NIS, a 347 million NIS increase over equity on December 31 2019. For further details see 19.1 below.
- In the reported period, the **ratio of debt to CAP** dropped by 4.2% to 44.9%, in light of the continued debt redemptions and increase in capital.
- During the reported period, **the occupancy rate in Israel** increased by 0.3%, to 90.3%.
- **Sale of assets** – during the reported period, the Company sold properties in Israel in return for a total of 25 million NIS. The book value of the assets sold amounted to a total of 21 million NIS, so that an accumulated profit was listed for them to the sum of 4 million NIS. Furthermore, a Company subsidiary completed the sale of the property in Portugal, in return for a total sum of 87 million NIS (€22.25 million).
- **Sale of holdings in associate** – during the reported period, Darban Investments Ltd., a fully-owned Company subsidiary, sold all of its stock capital in Yakum Development Ltd. in return for a net sum of 243.5 million NIS and at a profit of 71 million NIS.
- **Cash and credit frameworks** – as of the publication of this report, the Company has cash balances and unused credit frameworks totaling 980 million NIS.
- For the first time since 2015 the Company's Board of Directors approved a **distribution of dividends** to the sum of 55 million NIS (of this a sum of 5.3 million NIS would be distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend per share is 0.068 NIS.

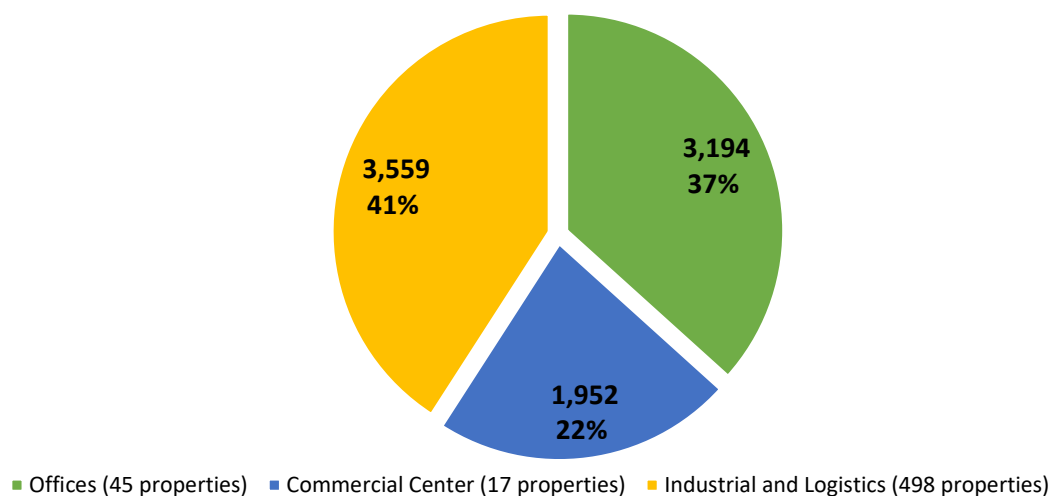
4. Details on The Company's activity in Israel

As of June 30 2020 the Company's properties in Israel, owned and leased, include:

- **560 cash-generating properties** spread out cross Israel with a total area of 1.6 million m², not including properties under construction. The properties are rented to 2,609 tenants, in contracts of various length.
- **14 projects** in advanced construction and planning stages to the scope of 360,000 m².
- **The rate of occupancy to value** of the Company's properties in Israel as of June 30 2020 is 91.8%.
- **The occupancy rate** of the Company's properties in Israel as of June 30 2020 is 90.3%.

5. Cross-Section of the Value of the Company's Properties in Israel

Three segments for Company assets (in millions of NIS):



6. A View of Company Data

	Rate of Change Compared to the Corresponding Period Last Year	1-6/2020 (In Thousands of NIS)	1-6/2019 (In Thousands of NIS)	Rate of Change Compared to the Corresponding Quarter Last Year	4-6/2020 (In Thousands of NIS)	4-6/2019 (In Thousands of NIS)	1-12/2019 (In Thousands of NIS)
NOI in Israel	0.04%	288,700	288,596	(3.3%)	140,466	145,268	588,832
NOI abroad	(29.7%)*	41,978	59,749	(46%)	17,672	32,711	113,980
NOI SP in Israel	(1.4%)**	281,322	285,351	(4.9%)	136,707	143,814	579,676
Net profit for the period	131.2%	361,262	156,278	493.3%	238,323	40,170	784,164
FFO from Cash-generating properties	0.2%	196,456	196,013	(9.5%)	93,143	102,955	396,259

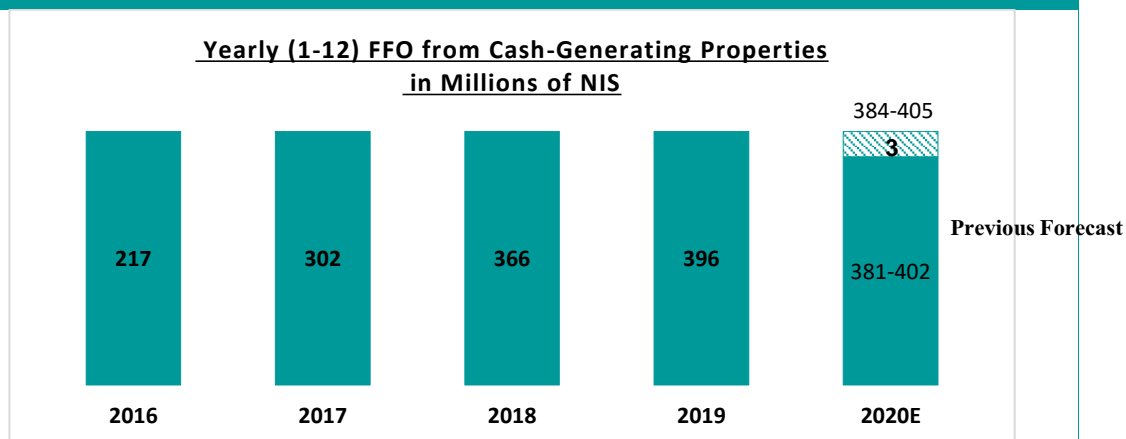
* The decrease is attributed to the sale of assets in accordance with the Company's strategy (11 million NIS) and the impact of the coronavirus crisis (totaling 6 million NIS).

** The drop is attributed to the impact of the coronavirus crisis, to the sum of 7 million NIS.

*** For the calculation method of the FFO see the definition of FFO in 16 above.

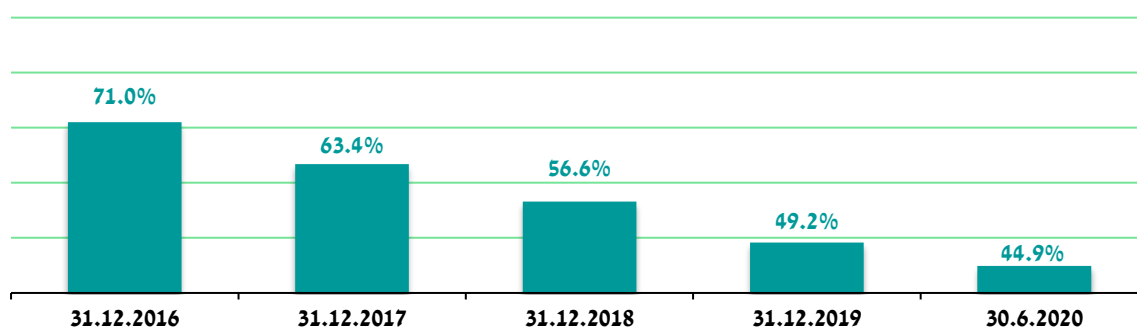
7. Key Data

The forecast FFO from cash-generating properties for 2020 is expected to be within a range of 384-405 million NIS



* The information in the above table featuring a forecast for all of 2020 is forward-looking information, as defined in Section 32a of the Securities Act, 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 the state of the Israeli economy, the global health crisis, changes on occupation rates, in CPI, in interest rates, and in rental fees. For further details on the risk factors characterizing the Company's activity see Section 1.35 of the Report on the Corporation's Business (Chapter A) in the 2019 Periodic Report and for details on the business environment see Section 2 above.

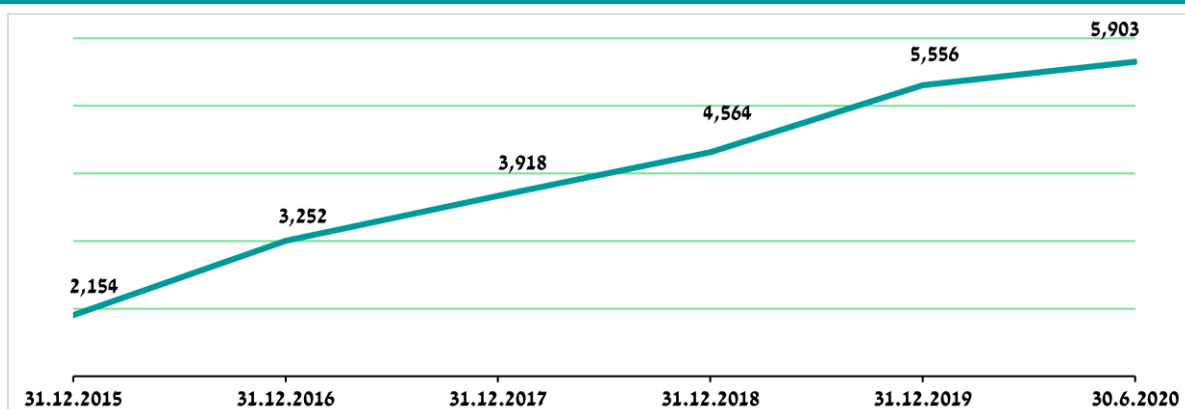
Ratio of debt* to CAP of 44.9% as of June 30 2020 compared to a ratio of debt to CAP of 49.2% as of December 31 2019**



(*) Debt less deposits, cash and tradable securities.

(**) The optimal debt framework for the Company and its compatibility with the business environment in which the Company is active is tested on a regular basis. The decrease in the ratio of debt to CAP in recent years has contributed to the decrease in the Company's risk, while at the same time a leverage level was maintained that allows business development and improved yield on capital.

Development of Equity (Millions of NIS)



Breakdown of Financial Debt

On a Consolidated Basis, in Millions of NIS

Israeli Outstanding Debt	30.6.2020	31.12.2019
Public and institutional debentures	4,646	5,208
Banks	606	268
Less deposits, cash and tradable securities	(393)	(255)
Net outstanding debt, in Israel	4,859	5,221
Outstanding debt abroad		
Banks and financial institutions	292	449
Less cash, deposits and short-term investments	(335)	(296)
Net outstanding debt abroad	(43)	153
Total outstanding debt	4,816	5,374

8. Looking Foreword – Developments in Initiation and Development*

	Project Name	Company's Share	Use	Built-Up Area (m²)	Design Status (*)	Book Value (In Millions of NIS)	Estimated Cost Balance (in Millions of NIS) (*)	Expected NOI Range (in Millions of NIS) (*)
Short Term	Hasolelim Compound Tel Aviv	100%	Offices and commercial	68,300	The plan was approved for validation, a request for excavation and reinforcement permits was filed.	409	553	80-90, not including development profit for the housing
	Hasolelim Compound Tel Aviv	75% (***)	Residential	360 housing units			884	
	"Mivne" Compound Holon	100%	Offices, Stage A	14,800	Underway, Estimated completion – 2021	54	74	7-8.5
	Sharona, Kfar Saba	100%	Offices	26,000	Underway, Estimated completion – 2023	44	210	22-24
	"Mivne" Or Yehuda	100%	Offices	7,500	Completed. In Form 4 receipt stage	61	1	4-5
	Logistical Center Kiryat Gat	100%	Industrial and logistics	6,000	Completed. In Form 4 receipt stage	30	5	2-3
	Haifa Life Sciences Park (2 buildings)	50%	Offices	14,000	Expected start of implementation – Q4 2020 Reinforcement and excavation permits request filed.	10	123	9-10
	Hideko Kiryat Gat	100%	Offices	4,200	Contractor appointed. Start of work order signed Project implementation begun.	14	28	2-3
	"Mivne" Herzliya Pituach	100%	Residential, office and commercial.	25,400	Town Construction Plan validated Request for information file submitted. Expected submittal of permit request over the course of Q2/2020. Expected start of implementation – Q1/2021.	102	350	-
Long-Term	Hasivim Petach Tikva	100%	Offices	13,000	The Town Construction Plan is in final stages of approval. Start of implementation is awaiting management's decision.	14	105	7-8
	Hameitav Tel Aviv	100%	Residential, employment and commercial	220,000 (**)	Pre-estimate. City Engineer forum takes place, plan advancement approved. Expected discussion of deposit Q4 2020.	117	Pre-estimate	-
	Haifa Life Sciences Park (2 buildings)	50%	Offices	14,000	Detailed design.	10	Pre-estimate	-
	Crytek 2 Yokneam	100%	Offices	25,000	Permit request filed, in advanced planning stage.	2	Pre-estimate	-
	Beersheba	100%	Hotels	7,000	Town plan approved for deposit In detailed planning for permit stage	-	Pre-estimate	-
	Akerstein Towers Stage B	53%	Offices Employment and residential	20,000 42,000	In discussions with local committee. In design for Town Construction Plan stages.	-	Pre-estimate	-
	Office Tower in Givat Shaul	100%	Offices	34,750	Plan deposited with Local Committee	-	Pre-estimate	-

- * Some of the information presented in this 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 business environment in which the Company is active and the risk factors characterizing the Company's activity, including the state of the Israeli economy, the global health crisis, the receipt of permits and approvals from the proper authorities, engagements with third parties, changes in legislation and regulation and increased construction costs. For further details on the risk factors characterizing the Company's activity see Section 1.35 of the Report on the Corporation's Business in the 2019 Periodic Report and for details on the business environment see Section 2 above.
- ** The Company is acting to advance a town construction plan under the authority of a local committee by virtue of the TA 5000 outline plan for additional rights, as follows: added residential rights of 31,500 m² constituting 310-350 housing units, and increasing existing employment and office rights from 96,000 m² to 213,000 m² (an addition of 117,000 m²).
- *** The Company has signed an agreement with Tidhar Real Estate Ventures Ltd. to sell rights to the land, which will reflect, after a deposited and approved local plan is validated, 25% of the construction rights zoned residential approved within the framework of the plan. See Note 13 to the December 31 2019 Financial Statements (Chapter C of the 2019 Periodic Report). The above financial data is presented at 100% and refer to the entire project. The Company has signed an agreement with the City of Tel Aviv-Jaffa to pay a sum of 348 million NIS plus VAT for capitalized leasing fees for the addition of these full rights (100%).

9. Solar Installations

The Company is acting to significantly increase the number of solar installations on rooftops in its possession throughout the country and is examining the utilization of additional opportunities in the field in question. The following is the status of the facilities as of the publication of this report:

	Number of Facilities	Size of Facilities in JW	Projected Yearly
Existing installations	16	2,286	4,454
Increasing the size of existing installations	-	1,018	1,998
Installations with quota Under construction or in planning	85	13,118	9,279
Installations in approval proceedings	142	14,065	10,541
Total	243	30,487	26,272(*)

(*) The Company's share of expected revenues, is expected to amount to a total of 21 million NIS.

10. 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:

10.1. Inventory of Land for Short-Term Residential Construction and Residential Apartments Under Construction

Location	No. of Housing Units	Holdings in Projects	Number of Housing Units for which Sales Agreements were Signed and Not Yet Delivered	Financial Scope of Sales Agreements (Millions of NIS, Not Yet Delivered)	Sign-Ups for which the Sales Agreement has Not Yet been Signed	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 June 30 2020 (Millions of NIS)
		%	As of June 30 2020			As of the Publication of the Report			
Marom Hasharon Stage H	13 *	90%	-	-	-	1	2	1	30
Marom Hasharon Stage B	61	90%	18	37	2	19	39	-	60
Hameitav Tel-Aviv	170	50%	141	341	-	142	344	-	127
Belarus, Minsk	2 *	100%	2	1	-	2	2	-	4
Total	246		161	379	2	164	387	1	221

(*) Balance of finished apartments

10.2. Inventory of Land for Long-Term Residential Construction

Location	Number of Housing Units	Construction Rights	Holdings in Projects	Total Investment as of June 30 2020
		In Thousands of m ²	in %	In Millions of NIS
Marom Hasharon	213	47	90%	31
Israel – other	173	17	100%	17
Total	386	64	-	48

11. Primary Information on the Company's Israeli Properties Divided by Segments

Uses	Number of Properties as of June 30 2020	Above-Ground Area as of 30.6.2020	NOI for the Period 1-6/2020	Fair Value of Cash-Generating Property as of 30.6.2020	Occupancy Rate as of June 30 2020	Fair Value of Real Estate Under Construction as of 30.6.2020
		m ²	In Thousands of NIS	In Thousands of NIS	%	In Thousands of NIS
Offices	45	363,326	107,221	3,194,450	88.5%	159,521
Commercial Centers	17	189,520	54,257	1,952,271	93.5%	-
Industrial and Logistics	498	1,015,093	127,222	3,557,846	90.4%	29,808
Total	560	1,567,939	288,700	8,704,567	90.3%	189,329

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

State	Number of Properties	Above-Ground Area	Number of Tenants	Occupancy Rate	Fair Value In Thousands of NIS	Actual NOI 1-6/2020 In Thousands of NIS
Cash-Generating Properties						
Israel	560	1,567,939	2,609	90.3%	8,704,567	288,700
Switzerland	2	55,739	20	93.2%	383,148	12,191
Ukraine	1	43,989	81	100%	260,990	12,907
France	6	128,825	22	97.8%	67,591	8,349
Canada	3	91,347	143	72.2%	158,048	2,242
U.S.A.	2	18,489	33	75.1%	96,008	2,891
Others	4	53,790	39	95%	103,067	3,389
Total number of cash-generating properties	578	1,960,118	2,947	90.23%	9,773,419	330,669
Lands and construction rights						
Israel	63	-	-	-	1,295,686	-
Overseas	3	-	-	-	35,228	-
Total lands and construction rights	66	-	-	-	1,330,914	-
Total	644	1,960,118	2,947	90.23%	11,104,333	330,669
Israel – Associated Companies	7	30,337	62	79%	305,751	9,424

13. NOI (Net Operating Income) in Israel

The following is information on the Company's NOI (profit from the rental and operation of properties, less depreciation and amortization) NOI is used to measure the free cash flow available for servicing the financial debt, after current investments and maintaining the current situation (Capex) charged to gain and loss Note that NOI:

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

13.1. Development of NOI (in thousands of NIS)

In Thousands of NIS	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Identical properties for the period in Israel (NOI Same Property)⁽¹⁾	136,707	144,615	146,586	147,905	143,814	141,537
NOI from properties purchased in the period	3,559	3,120	3,751	-	-	-
NOI from properties sold	200	499	943	1,051	1,454	1,791
Total NOI in Israel in the period	140,466	148,234	151,280	148,956	145,268	143,328
Total NOI abroad in the period ⁽²⁾	17,672	24,306	26,553	27,678	32,711	27,038
Total NOI in the period	158,138	172,540	177,833	176,634	177,979	170,366

(1) The decrease in the current quarter compared to the corresponding quarter last year derives from realizations carried out by the Company and from the impact of the coronavirus crisis.

(2) The decrease in NOI abroad derives from the realization of the Company's properties abroad

14. Weighted Yield Rate

The following is the weighted cap rate for real estate properties in Israel, derived from all of the Company's cash-generating properties as of June 30 2020:

	Consolidated In Millions of NIS
Investment property in June 30 2020 consolidated Statements	10,859
Less - abroad real estate	(1,104)
Less – value of land classified as investment property	(1,260)
Plus – value of cash-generating properties intended for realization	29
Cash-generating investment property in Israel as of June 30 2020	8,524
Less value charged for open spaces	(713)
Expected investments	40
Investment property attributed to rented spaces as of June 30 2020	7,851
NOI in Israel as of June 30 2020	289
Expected NOI* in Israel for 2020	580
Weighted cap rate deriving from cash-generating investment property in Israel	7.4%

* The information in the above table featuring a forecast for all of 2020 is forward-looking information, as defined in Section 32a of the Securities Act, 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 Group's activity, including the state of the Israeli economy, the global health crisis, changes on occupation, in CPI, in interest rates, and in rental fees. For further details on the risk factors characterizing the Company's activity see Section 1.35 of the Report on the Corporation's Business (Chapter A) in the 2019 Periodic Report and for details on the business environment see Section 2 above.

15. Spreading debt redemptions over years

	Average Life Span	Weighted Effective Interest	7-12 /2020	2021	2022	2023	2024	2025	2026	2027	2028 onward	Balance as of June 30 2020 *)
In Millions of NIS												
Banks	4.43	3.15%	5	11	11	11	71	93	20	-	-	222
Institutional	3.11	3.32%	23	47	249	29	162	96	9	198	-	813
Debentures O	2.13	5.35%	-	3	3	3	3	-	-	-	-	15
Debentures P	4.09	3.16%	-	39	39	39	39	39	39	39	39	344
Debentures Q	4.21	3.19%	-	75	75	75	75	75	75	75	75	615
Debentures R	3.35	2.48%	-	111	77	91	418	-	-	-	-	705
Debentures S	5.40	2.60%	-	20	20	20	-	20	20	270	-	366
Debentures T	6.01	2.94%	53	26	-	26	-	53	106	-	238	499
Debentures U	3.22	2.52%	-	37	37	37	37	37	37	-	-	236
Debentures W	4.84	2.52%	27	27	27	27	27	27	334	-	-	491
Debentures X	6.13	2.73%	-	25	25	25	25	37	37	37	357	562
Israel total	4.46	2.88%	108	421	563	383	857	477	677	619	709	4,868
Weighted interest rate			2.88%	2.89%	2.86%	2.87%	2.88%	2.85%	2.91%	2.87%	2.94%	
Banks abroad	1.57	2.65%	6	176	57	1	1	52	-	-	-	293
Total redemptions			114	597	620	384	858	529	677	619	709	
Of these, a "balloon" guaranteed by a lien			(39)	(168)	(223)	-	(625)	(226)	(355)	(465)	(357)	
Redemptions less pledged cash flows			75	429	397	384	233	303	322	154	352	
Value of asset pledged			96	335	727	-	1,726	591	657	1,214	1,204	
LTV rate of pledged asset			40.9%	50.3%	30.7%	-	36.2%	38.3%	54%	38.3%	29.64%	

*) The balance as of June 30 2020 includes a discount or premium

Estimated Life Span and Weighted Interest in Israel

The weighted estimated life span of the Company in Israel as of June 30 2020 amounts to 4.5 years.

The effective weighted interest rate as of June 30 2020 is 2.88% compared to 3.23% as of December 31 2019.

The total weighted interest rate calculated for the Company's loans in Israel amounts to a total of 2.88%, so that the gap between the yield rate calculated in the above table (7.4%) amounts to 4.52%.

Unrestricted Assets

The Company has unpledged assets worth 3.3 billion NIS (of which 2.9 billion NIS is in Israel).

16. FFO (funds from operations) from cash-generating properties

FFO is a commonly used global 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. FFO from cash-generating properties, 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, non-cash flow expenses as well as after neutralizing expenses attributed to residential construction and development rights.

We emphasize that the FFO:

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

The 443 million NIS (0.2%) increase in FFO from cash-generating properties in the reported period compared to the corresponding period last year is largely explained by a drop in interest expenses, and on the other hand, a drop in NOI as a result of the sale of assets and the impact of the coronavirus crisis.

	FFO for the Period				
	1-6/2020	1-6/2019	4-6/2020	4-6/2019	1-12/2019
	In Thousands of NIS				
Net profit for the period	361,262	156,278	238,323	40,171	784,164
Changes in value of investment property and investment property under construction	(239,424)	(128,075)	(210,893)	(79,308)	(494,117)
Profits and losses from the sale of real estate, investees, other revenues and realization of capital reserves from translation differences.	(36,712)	55,959	12,934	54,064	30,581
Tax expenses from the sale of properties and other revenues	18,841	(2,497)	-	(5,790)	-
Changes in fair value of financial instruments	17,510	-	10,119	-	(6,812)
Adjustments due to taxes	95,290	53,937	68,681	17,310	61,171
Adjustments attributed to affiliated companies	3,026	28,506	393	26,858	48,808
Revaluation of assets and liabilities	2,155	3,007	1,147	1,197	14,717
Other expenses/revenues	(38,534)	(55,999)	(19,863)	(17,813)	(78,990)
Nominal FFO	183,414	111,116	100,841	36,689	359,522
Added (subtracted) – expenses (revenues) from linkage differentials on the debt principal and exchange rate differences	3,327	75,503	(12,642)	61,435	17,413
Real FFO	186,741	186,619	88,199	98,124	376,935
FFO attributed to lands, construction rights and inventory	9,715	9,394	4,944	4,831	19,324
FFO attributed to cash-generating property	196,456	196,013	93,143	102,955	396,259

17. Strategy and Vision

The Company has adopted a strategy at the basis of which is the Company's focus on business activity in Israel while placing an emphasis on improving Group properties and improving the rental fees deriving from them, construction of new and high-quality properties on Group lands and examining purchase transactions of assets, asset portfolios or companies in the field of cash-generating real estate – actions the integration of which is intended to lead to the Company's short and long-term growth. As part of this strategy, in recent years the Company has been active in selling most of its properties abroad as well as selling properties in Israel not part of the Company's core business, properties with low occupation rates and properties in areas in which the Company does not have a relative advantage. For further details see Section 1.33 of the Report on the Corporation's Business in the 2019 Periodic Report.

From time to time, the Company Board of Directors examines the need to adjust its strategy to changes in the business environment and in particular when there is an expectation of changes in demand for rentals in the segments and geographical regions in which the Group is active as well as in the demand for purchasing housing units in the

geographical regions in which the Group is active. In addition, due to the coronavirus pandemic and the resulting economic crisis, over the coming months, the Company intends to check whether any changes occurred to its business strategy, including in all matters pertaining to the possible demand in the demand and needs of the Company's cash-generating real estate tenants, in the rate of progress of projects under development and construction starts as well as in its marketing strategy, all in accordance with the situational assessment regarding the expected harm to Company tenants and expected changes in trends.

18.2020 Forecast ⁽¹⁾

The Company has revised its FFO from cash-generating properties forecast and NOI forecast for 2020.

The following is the Company's forecast for its key operating results in 2020, based on the following working assumptions:

- Known CPI as of June 30 2020.
- Without the purchase of new properties.
- No material changes will occur in the business environment in which the Company is active in Israel beyond the estimate detailed below attributed to the impact of the coronavirus pandemic. For further information on the business environment in which the Company is active, see 2 above.
- Signed leases and Company management's projections regarding current lease renewals in 2020.

FFO from Cash-Generating Properties Forecast for Q3/2020, in Millions of NIS	
7-9/2019 FFO	100
Changes in NOI following 2019 sales and 2020 sales forecast	(11)
Changes in FFO following the sale of affiliated companies	(6)
Decrease in NOI following impact of Covid-19 in Israel and abroad	(3) - (6)
Projected improvement in FFO	23 - 20
FFO forecast for 7-9/2020 ⁽¹⁾	103 - 97

Projected FFO from Cash-Generating Properties for 2020, in Millions of NIS	
FFO In practice 1-6/2020	196
2019 FFO	396
Changes in NOI following 2019 sales and 2020 sales forecast	(40)
Changes in FFO following the sale of affiliated companies	(20)
Decrease in NOI following impact of Covid-19 in Israel and abroad	(18) - (25)
Projected improvement in FFO	87 - 73
FFO forecast 2020 ⁽¹⁾	405 - 384

NOI Forecast for Q3/2020, in Millions of NIS ⁽²⁾	
NOI 7-9/2019	177
Changes in NOI following 2019 asset sales and 2020 sales forecast	(11)
Decrease in NOI following impact of Covid-19 in Israel and abroad	(3) - (6)
Operational improvement in NOI	1 - 0
NOI forecast for 7-9/2020 ⁽¹⁾	164 - 160

Projected NOI for 2020, in millions of NIS ⁽²⁾	
NOI in practice in 1-6/2020	331
NOI in practice in 2019	703
After neutralizing NOI from 2019 asset sales and 2020 sales forecast	(40)
Decrease in NOI following impact of Covid-19 in Israel and abroad	(18) - (25)
Operational improvement	12 - 6
NOI forecast for 2020 ⁽¹⁾	644-657

(1) The information in the above tables, including a forecast for 2020 as a whole, 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 exist 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 the state of the Israeli economy, the global health crisis, changes on occupation, in interest rates, and in rental fees. For further details on the risk factors characterizing the Company's activity see Section 1.35 of the Report on the Corporation's Business (Chapter A) in the 2019 Periodic Report and for details on the business environment see Section 2 above.

(2) A yearly CPI assumption of 1% was made.

19. Summary of balance sheet and operating results

19.1.

The following table summarizes the concise financial situation, liquidity and sources of finance (in millions of NIS):

	As of 30.6.2020	As of 31.12.2019	Notes and Explanations
Current Assets*	1,235	1,314	
Investments handled using the book value method	356	604	The decrease derives from the sale of shares of Yakum Development For further details see Note 23 to the December 31 2019 Financial Statements (Chapter C of the 2019 Periodic Report).
Investment Property	10,859	10,632	
Short-term credit, current maturities and liabilities in respect of assets designated for sale	770	747	The change largely derives from the utilization of credit frameworks, against redemptions of debentures and loans.
Loans from banking institutions and other credit providers	1,361	1,454	The decrease largely derives from current redemptions
Long-term debentures	3,542	3,911	The decrease largely derives from the early redemption of Debentures Series O and V, offset by the expansion of Series P.
Total equity attributed to shareholders	5,924	5,571	Most of the increase derives from profit in the period to the sum of 361 million NIS.
Equity	5,903	5,556	

(*) Working capital as of June 30 2020 amounts to a total of 161 million NIS.

19.2. The following table summarizes business results (in millions of NIS):

		For the period		For the period		Notes and Explanations
		1-6/2020	1-6/2019	4-6/2020	4-6/2019	
Revenues from rental and property management fees		431	453	203	228	Most of the decrease derives from the sale of properties, the impact of the coronavirus, counterbalanced by improved occupancy rates and rental fees.
Maintenance and management cost		100	105	45	50	The decrease derives from the impact of the Covid-19 coronavirus and operational improvements.
Increase in fair value of real estate		239	130	211	81	The change in the period largely derives from a net increase in the fair value of real estate in Israel. Over the course of the period, 127 valuations were carried out for properties worth 3.8 billion NIS. Most of the increase in the value of these properties derives from an increase in real rental fees and improved occupation rates. In addition, the Company listed a 116 million NIS increase in value deriving from the vesting and formulation of a town Construction Plan, mainly for the Solelim project and in Jerusalem.
Sales, Marketing, Administrative and General Expenses		59	59	25	30	
Financing Expenses	Net interest expenses	85	107	42	52	
	Expenses (revenues) from drop in CPI	(31)	55	(9)	67	
	Loss from early redemption	17	-	17	-	Over the course of the period, an early redemption was made of Series O and V debentures.
	Net expenses (revenues) from exchange rate differences of foreign currencies and others.	25	27	(5)	(7)	
	Other expenses (revenues), net	9	(7)	(6)	1	Most of the expenses in the period derive from interest tax interest expenses and loss due to the revaluation of financial instruments.
	Total	105	182	39	113	
Profit Before Taxes on Income		481	221	309	58	
Taxes on Income		120	65	71	18	
Net Profit		361	156	238	40	

20. Cash and Credit Frameworks

20.1. Cash Flows

Sources	In Millions of NIS
Balance of Cash at the Beginning of the Period	427
Cash Deriving from Current Activities	120
Investment Activities	
Sale of assets	295
Decrease in restricted cash, net	(6)
Proceeds from the realization of investment in investee	215
Investment in investment property, real estate under development and fixed assets	(102)
Total investment activity	402
Financing Activity	
Receipt of short-term credit	354
Repayment of other long-term loans and liabilities	(330)
Issue of debentures	283
Redemption of debentures	(677)
Total financing activity	(370)
Balance of cash at the end of the period	579

20.2. Credit Frameworks

As of the publication of this report, the Company has cash balances and unused credit frameworks totaling 980 million NIS. As of the date of this report, the Company is in compliance with all of the financial criteria it was committed to within the framework of the loan agreements and deeds of trust of the Company's debentures.

21. Credit Rating

On January 23 2020 Standard & Poor's Maalot announced that it was raising the rating of the Company and its debentures. The rating of the Company, its unguaranteed debentures (Series O, P, Q, T, U, and V) and debentures guaranteed by Darban shares (Series X) increased from ILA+ to ILAA-. The rating of the debentures guaranteed by cash-generating real estate properties (Series R, S and W) increased from ILAA- to ILAA, all with a stable outlook. On May 13 2020 Standard & Poor's Maalot announced a rating of ILAA- for the debentures issued by the Company through the expansion of Series P (in effect to up to 350 million NIS NV).

On June 26 2020 Standard & Poor's Maalot announced that it was ratifying the Company's rating at ILAA- Stable Outlook.

22. Working Capital

The working capital, including assets held for sale, as of June 30 2020 amounted to a total of 161 million NIS in the consolidated Statements. The working capital, including assets held for sale, as of June 30 2020 amounted to a total of 46 million NIS in the consolidated Statements.

23. Linkage Balance

The Company has financial obligations to the sum of 5.8 billion NIS, of which 4.3 billion NIS are CPI-linked. The Company's cash-generating property in Israel is worth 8.7 billion NIS, is largely rented in CPI-linked rental agreements, and the Company considers this to be long-term inflationary protection.

24. Investment in Associates

The Company has investments in investees active in Israel, the U.S., Canada and Poland. The Company lists its investments in these companies using the book value method. As of June 30 2020 the investment in these companies amounts to 356 million NIS, of which 194 million NIS is in Israel.

During the period, Darban sold the full stock capital held by it in Yakum Development in return for a total of 243.5 million NIS.

25. Equity

The equity attributed to the Company's shareholders as of June 30 2020 amounted to 5.92 billion NIS (equity to share of 8.07 NIS).

The equity attributed to the Company's shareholders as of December 31 2019 amounted to 5.57 billion NIS (equity to share of 7.59 NIS).

The Company Board of Directors would like to thank the Company's employees and management 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.

David Zvida
Company CEO

Tal Forer
Chairman of the Board of Directors

Date: August 13 2020

Appendices

Appendix A – Market Risk Exposure and Management

Appendix B – Disclosure Provisions with Regard to the Corporation's Financial Reporting

Appendix C – Dedicated Disclosure to Debenture Holders

Appendix D – Linkage Basis Report

Appendix A – Market Risk Exposure and Management

1. The person responsible for managing market risks is Mr. David Zvida, Chairman of the Company Board of Directors. For details regarding Mr. Zvida, see Regulation 26 of Part D (Additional Details) of the 2019 periodic report.
2. No material changes in risk factors have occurred in the reported period compared to those reported in the 2019 periodic report. For details on changes in the global business environment see Section 2 of the Report of the Board of Directors.

Appendix B – Disclosure Provisions with Regard to the Corporation's Financial Reporting

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

For details on material events during and subsequent to the reported period, see Note 6 to the Company's June 30 2020 Consolidated Interim Financial Statements.

Appendix C

As of June 30 2020 there are 9 outstanding series of tradable debentures issued by the Company, as detailed in the following table. Note that 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 June 30 2020 (In Thousands of NIS)	Debentures (Series O) ¹	Debentures (Series P) ²	Debentures (Series Q)	Debentures (Series R)	Debentures (Series S)	Debentures (Series T)
Date of Issue	31.10.2013	10.07.2014	10.07.2014	10.5.2016	29.9.2016	30.7.2017
Notational Value Upon Issue	437,881	347,130	757,524	683,000	423,512	523,521
Outstanding Notational Value	15,000	312,139	601,490	683,000	365,201	497,345
Stock market rate (in 0.01 NIS)	109.11	113.74	108.1	107.5	108.8	106.18
Outstanding Notational Value, Linked	15,000	312,139	601,490	696,136	368,105	502,821
Accrued Interest	212	-	-	3,316	2,386	-
Fair Value	16,367	355,027	650,210	734,225	397,339	528,081
Interest Type	Fixed interest	Fixed interest	Fixed interest	Fixed interest	Fixed interest	Fixed interest
Denoted Yearly Interest Rate	5.74%	5.65%	3.70%	2.85%	2.60%	2.81%
Principal Payment Dates	Eight unequal yearly installments paid on April 1 of each of the years from 2017 to 2024. 4% of the principal shall be paid in the first installment, 8% of the principal shall be paid in the second installment and 14% of the principal shall be paid in each of the installments from fourth to eighth.	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 tenth payments.	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 tenth payments.	4 unequal annual installments on December 30 of each year from 2021 to 2024. 16% of the principal shall be paid in the first installment, 11% of the principal shall be paid in the second installment, 13% of the principal shall be paid in the third installment and 60% of the principal shall be paid in the fourth installment.	10 unequal annual installments on March 31 of each year from 2018 to 2023 and each year from 2025 to 2027.	Eight unequal yearly payments to be paid on December 31 of each year from 2019 to 2029, with the first, second and third installments being 5%, second and fourth installments 10%, sixth and seventh installments 20% and eighth installment 25%.
Interest Payment Dates	April 1 and October 1 of each year from 2014 to 2024.	June 30 and On December 31 of each year from 2014 to 2028.	June 30 and December 31 of each year from 2014 to 2028.	October 30 and April 30 of each year from 2016 to 2024.	March 31 and September 30 of each year from 2017 to 2026, as well as on March 31 2027.	December 31 and June 30 on each year from 2017 to 2029.
Linkage Basis and Terms (Principal and Interest)	Non-linked	Non-linked	June 2014 CPI	March 2016 CPI	September 2016 CPI	June 2017 CPI
Does it constitute a material obligation?	No	No	No	Yes	No	No
Rating Company	See rating table					
Rating	See rating table					
Are there guarantees for the payment of the obligations?	No	No	No	No	No	No

¹ On June 1 2020 the Company performed an early redemption of 87.8% of the uncleared balance. On June 17 2020 Industrial Buildings – Hamelacha Development (2015) General Partnership, a partnership fully owned by the Company, published a full and unconditional purchase order to purchase the full balance of outstanding debentures within the framework of which the Partnership purchased 1,494,640 NIS NV debentures constituting 9.96% of the series.

² On May 14 2020 the Company issued, by way of a series expansion, 244,000 NIS NV debentures in return for a total of 284.4 million NIS.

Are there any liens?	No	No	No	Yes. Real estate properties. See Appendix A to Part A of the 2019 Periodic Report.	Yes. Real estate properties. See Appendix A to Part A of the 2019 Periodic Report.	No
Trustee	Mishmeret (1)	Mishmeret (1)	Mishmeret (1)	Reznik Paz Nevo (2)	Reznik Paz Nevo (2)	Reznik Paz Nevo (2)
Right to Early Repayment	(3)					

In Thousands of NIS	Debentures Series U (Formerly Series L in Economy)	Debentures Series W (Formerly Series N in Economy)	Debentures Series X (Formerly Series O in Economy)
Date of Issue	11.2.2014	18.9.2016	21.6.2017
Notational Value Upon Issue	170,630	607,923	612,810
Outstanding Notational Value	222,345	491,050	563,785
Stock Market Rate (in 0.01 NIS)	108.54	107.18	103.0
Outstanding Notational Value, Linked	222,345	493,453	566,019
Accrued Interest	777	2,985	-
Fair Value	241,333	526,308	580,699
Interest Type	Fixed interest	Fixed interest	Fixed interest
Denoted Yearly Interest Rate	4.4%	2.4%	2.6%
Principal Payment Dates	2 installments of 5% of the principal each on June 1 of each year from 2016 to 2017, 9 installments of 10% of the principal on June 1 of each year from 2018 to 2026.	2% of the principal on September 30 2018, 7 installments of 5% of the principal each of September 30 of each year from 2019 to 2025, the balance of 63% of the principal on September 30 2026.	6 installments of 4% of the principal each on June 30 of each year from 2019 to 2024, 3 installments of 6% of the principal on June 30 of each year from 2025 to 2027, the balance of 58% of the principal on June 30 2028.
Interest Payment Dates	June 1 and December 1 of each year from June 1 2014 to June 1 2026.	June 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.
Linkage Basis and Terms (Principal and Interest)	December 2013 CPI	July 2016 CPI	May 2017 CPI
Does it constitute a material obligation?	No	No	No
Rating Company	See rating table		
Rating	See rating table		
Are there guarantees for the payment of the obligations?	No	No	No
Are there any liens?	No	Yes. Real estate properties. See Appendix A to Part A of the 2019 Periodic Report.	Yes. Darban shares See Note 25.c.1 to the Consolidated Financial Statements in the 2019 Periodic Report.
Trustee	Mishmeret (1)	Reznik Paz Nevo (2)	Reznik Paz Nevo (2)
Right to Early Repayment	(3)		

Further Details on Company Debentures

- (1) Mishmeret Trust Services Ltd., the details of the engagement with which, to the best of the Company's knowledge, are as follows: contact: Mr. Rami Sabbati; address: 46-48 Menachem Begin Road Tel Aviv; telephone number: 03-6386894; fax: 03-6374344; email address: Trusts@bdo.co.il.
- (2) Resnick Paz Nevo Trusts Ltd., the details of which, to the best of the Company's knowledge, are as follows: contact: Yossi Resnick; address: 14 Yad Harutzim, Tel Aviv; telephone number: 03-6389200; fax: 03-6389222; email address: trust@rpn.co.il.
- (3) The terms of the debentures (Series O-X) 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.

Rating Table						
Rating Company	S&P Maalot					
Series	O	P	Q	R	S	T
21.10.2013	A Stable	N/A	N/A	N/A	N/A	N/A
22.6.2014	N/A	A Stable	A Stable	N/A	N/A	N/A
9.9.2014	A Positive	A Positive	A Positive	N/A	N/A	N/A
21.12.2014	A Negative	A Negative	A Negative	N/A	N/A	N/A
28.4.2015	A- Negative	A- Negative	A- Negative	N/A	N/A	N/A
29.10.2015	BBB+ Negative	BBB+ Negative	BBB+ Negative	N/A	N/A	N/A
7.1.2016	BBB Negative	BBB Negative	BBB Negative	N/A	N/A	N/A
7.4.2016	N/A	N/A	N/A	BBB+ Stable	N/A	N/A
14.7.2016	BBB+ Stable	BBB+ Stable	BBB+ Stable	A- Stable	N/A	N/A
15.9.2016	N/A	N/A	N/A	N/A	BBB+ Stable	N/A
29.11.2016	A- Stable	A- Stable	A- Stable	N/A	A- Stable	N/A
3.7.2017	A- Positive	A- Positive	A- Positive	A- Positive	A- Positive	N/A
9.7.2017	N/A	N/A	N/A	N/A	N/A	A- positive
24.7.2017	A Stable	A Stable	A Stable	A Stable	A Stable	A Stable
22.3.2018	N/A	N/A	N/A	A+ Stable	A+ Stable	N/A
20.6.2018	A+ Stable	A+ Stable	A+ Stable	AA- stable	AA- Stable	A+ Stable
23.1.2020	A+ stable	A+ Stable	A+ Stable	AA Stable	AA Stable	A+ Stable

Rating Table								
Rating Company	Midroog				S&P Maalot			
Series	U	V	W	X	U	V	W	X
27.1.2014	N/A	N/A	N/A	N/A	A- positive	N/A		
17.12.2014	N/A	N/A	N/A	N/A	A- negative	N/A		
21.5.2014	N/A	N/A	N/A	N/A	N/A			
17.8.2014	A2 stable		N/A	N/A	N/A			
18.12.2014	A2 negative		N/A	N/A	N/A			
31.12.2014	Baa1 negative		N/A	N/A	BBB negative	N/A		
26.1.2015	N/A	N/A	N/A	N/A	Rating halt	N/A		
26.10.2015	Baa2 negative		N/A	N/A	N/A			
3.3.2016	Baa2 negative		N/A	N/A	N/A			
30.6.2016	Baa2 negative		N/A	N/A	N/A			
14.9.2016	Unchanged		Baa1 positive	N/A	N/A			
4.6.2017	A3 stable				N/A			
31.5.2018	A2 stable				N/A			
13.9.2018	N/A				A+ stable		AA- stable	A+ stable
3.4.2019	A1 stable				N/A			
4.7.2019	N/A				A+ stable		AA- stable	A+ stable
22.7.2019	A1 stable		N/A		A+ stable		N/A	
6.11.2019	N/A				A+ stable		AA- stable	A+ stable
7.11.2019	Halt to rating following the completion of the merger with Industrial Buildings				N/A			
23.1.2020	N/A				A+ stable		AA stable	A+ stable

Reportable Credit

Company debentures (Series R) constitute reportable credit. As of June 30 2020 and as of the date of this report, the Company has been in compliance with the financial covenants required in accordance with the debentures' deeds of trust:

Series	Financial Covenant	Ratio as of June 30 2020	Compliance Status as of Report Date
Series R	Equity less minority rights shall be no less than 1,000 million NIS.	5,924	Yes
	The net financial debt to balance sheet ratio, as defined in the deed of trust, shall not exceed 75% for two consecutive quarters.	40%	Yes
	The net financial debt to gross profit ratio, as defined in the deed of trust, shall not exceed 17 for two consecutive quarters.	6.97	Yes
	The net financial debt to balance sheet ratio shall be no less than 15% for two consecutive quarters.	48%	Yes

Appendix D – Linkage Basis Report

	Thousands of NIS	US Dollar	Swiss	EUR	Canadian Dollar	Hryvnia	Index	Unlinked	Non-Financial	Total
Assets	Cash and cash equivalents	9,315	22,459	279,855	20,159	2,991	-	244,353	-	579,132
	Short-term investments	-	-	-	31,173	-	45,185	26,755	512	103,625
	Trade receivables	135	37	13,579	2,692	229	-	43,173	-	59,845
	Receivables and debit balances	1,886	733	15,543	4,459	270	59,146	71,505	15,651	169,193
	Taxes receivable	-	539	3,126	359	10	31,902	1,364	-	37,300
	Deposits and long-term debit balances	2,322	-	-	-	665	386,020	-	-	389,007
	Investments in investees	-	-	20,851	(837)	-	10,968	11,976	313,222	356,180
	Assets held for sale	-	-	-	-	-	-	-	64,152	64,152
	Inventory of land for residential construction and apartments under construction	-	-	-	-	-	-	-	269,278	269,278
	Investment property	-	-	-	-	-	-	-	10,859,340	10,859,340
	Investment real estate under construction	-	-	-	-	-	-	-	189,329	189,329
	Fixed assets	-	-	-	-	-	-	-	68,749	68,749
	Intangible assets	-	-	-	-	-	-	-	27,128	27,128
	Deferred taxes	-	-	-	-	-	-	-	1,338	1,338
	Total assets	13,658	23,768	332,954	58,005	4,165	533,221	399,126	11,808,699	13,173,596
Liabilities	Credit from banks and other credit providers	-	-	-	-	-	-	357,300	-	357,300
	Trade payables	13	2,306	13,423	5,129	-	-	39,522	-	60,393
	Payables and credit balances	2,158	2,495	25,718	2,206	97	8,709	117,132	41,133	199,648
	Taxes payable	1,820	-	37,802	-	-	-	400	-	40,022
	Provisions	-	-	-	-	-	-	3,135	-	3,135
	Loans from banking corporations including current maturities	56,087	196,834	78,716	39,472	-	745,580	60,954	180,991	1,358,634
	Other liabilities	-	-	59,200	-	-	15,000	50,416	-	124,616
	Debentures	-	-	-	-	-	3,473,988	357,980	-	3,831,968
	Tenant deposits	863	-	11,302	-	-	27,482	2,121	-	41,768
	Employee benefit liabilities, net	-	-	-	-	-	-	-	7,960	7,960
	Deferred taxes	-	-	-	-	-	-	-	1,244,677	1,244,677
	Total liabilities	60,941	201,635	226,161	46,807	97	4,270,759	988,960	1,474,761	7,270,121



Chapter 2

Financial statements -
for the period ended 30st June 2020

Financial data and information from the
consolidated statements related to the company

Mivne Real Estate (K.D.) Ltd.

June 30, 2020 Consolidated Interim Financial Statements

Unaudited

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

Introduction

We have reviewed the attached interim financial information on Mivne Real Estate (K.D.) Ltd. and its subsidiaries (hereinafter – the Group), which includes its Concise Consolidated Balance Sheet as of June 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 13% of total consolidated assets as of June 30, 2020, and whose revenues included in consolidation constitute approximately 14.6% and 12.8% of total consolidated revenues for the six and three months periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of certain companies accounted for at equity, the investment in which, at equity, amounted to approximately 178 million NIS as of June 30, 2020, and the Company's share of their losses amounted to approximately 4 and 0.2 million NIS for the six and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of the 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 and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Unaudited Consolidated Interim Statements of Financial Position

	As of June 30,		As of December 31,
	2020	2019 *)	2019
	Unaudited		Audited
	NIS in thousands		
<u>Current Assets</u>			
Cash and cash equivalents	579,132	837,162	426,790
Short-term investments	76,870	78,499	78,450
Limited cash and funds in trust.	26,755	79,699	24,438
Tenants	59,845	52,924	36,913
Trade receivables	169,193	142,533	178,018
Taxes receivable	37,300	-	9,028
Inventory of land, apartments and buildings for sale and under construction	221,403	228,937	230,620
	1,170,498	1,419,754	984,257
<u>Assets held for sale</u>	64,152	95,071	330,105
	1,234,650	1,514,825	1,314,362
<u>Non-Current Assets</u>			
Deposits in banking corporations	45,135	92,064	45,634
Other accounts receivables	343,872	61,432	353,487
Investments in companies accounted for at equity	356,180	648,371	604,014
Investment property	10,859,340	10,283,483	10,632,076
Investment property under development	189,329	62,531	134,597
Inventory of land for construction	47,875	55,978	57,885
Property, plant and equipment, net	68,749	71,180	68,197
Intangible assets, net	27,128	27,128	27,128
Deferred taxes	1,338	6,917	1,372
	11,938,946	11,309,084	11,924,390
	13,173,596	12,823,909	13,238,752

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy Ltd. (hereinafter – Jerusalem Economy) with and into the Company. The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Financial Position

	As of June 30		As of December 31
	2020	2019 *)	2019
	Unaudited		Audited
	NIS in thousands		
<u>Current Liabilities</u>			
Credit from banks and others	357,300	52,000	3,016
Current maturities of debentures	290,097	355,356	328,493
Current maturities of loans and other liabilities	122,623	294,868	262,603
Trade payables	60,393	49,064	58,551
Payables and credit balances	181,375	202,969	197,004
Advance payments from buyers	21,408	30,693	41,584
Taxes payable	40,022	6,861	40,289
	1,073,218	991,811	931,540
<u>Liabilities attributed to assets held for sale</u>	-	43,053	152,752
	1,073,218	1,034,864	1,084,292
<u>Non-Current Liabilities</u>			
Loans from banking corporations and financial institutions	1,236,011	1,496,453	1,271,483
Debentures	3,541,871	4,001,975	3,911,176
Other liabilities	124,616	171,866	182,379
Tenant deposits	41,768	41,535	43,443
Employee benefit liabilities	7,960	7,083	7,460
Deferred taxes	1,244,677	1,171,035	1,182,146
	6,196,903	6,889,947	6,598,087
<u>Equity Attributable to Company Shareholders</u>			
Share capital	1,509,503	1,143,690	1,509,503
Share premium	3,607,405	2,039,586	3,607,405
Reserve from share-based payment transactions	11,908	2,688	2,694
Treasury shares	(641,127)	-	(641,127)
Retained earnings	1,599,671	674,935	1,231,356
Reserve in respect of cash flow hedging transaction	(3,784)	(4,729)	(3,732)
Adjustments arising from translating financial statements of foreign operations	119,016	155,226	128,715
Reserve from transactions with non-controlling interests	(279,026)	(75,316)	(263,678)
	5,923,566	3,936,080	5,571,136
<u>Non-Controlling Interests</u>	(20,091)	963,018	(14,763)
<u>Total equity</u>	5,903,475	4,899,098	5,556,373
	13,173,596	12,823,909	13,238,752

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company. The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

August 13, 2020			
Date of Approval of the Financial Statements	Tal Forer Chairman of the Board	David Zvida Chief Executive Officer	Yossi Filiba VP of Finance Accounting and Reporting

Unaudited Consolidated Interim Statements of Profit or Loss

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		Year Ended December 31,
	2020	2019 *)	2020	2019 *)	2019
	Unaudited				Audited
	NIS in thousands				
	(Except for Net Profit per Share Data)				
<u>Revenues</u>					
Rental and management fee income – Israel	364,650	368,458	174,156	184,871	757,495
Rental and management fee income – abroad	65,929	84,658	28,836	43,165	169,272
Sale of apartments and land	61,675	115,268	31,181	36,134	181,598
From management of buildings and infrastructure	1,126	1,059	575	324	1,699
From solar installations, net	2,057	1,736	1,409	1,224	3,716
From the sale of fuels, net	345	496	143	219	1,050
Total revenues	495,782	571,675	236,300	265,937	1,114,830
<u>Expenses</u>					
Cost of maintenance – Israel	75,950	79,862	33,690	39,603	168,663
Cost of maintenance– abroad	23,951	24,909	11,164	10,454	55,292
Cost of apartments and land sold	41,013	70,654	21,155	24,626	116,237
Total cost of sales and services	140,914	175,425	66,009	74,683	340,192
Gross profit	354,868	396,250	170,291	191,254	774,638
Valuation gains of investment property and investment property under development, net	239,424	129,661	210,893	80,894	494,117
Selling and marketing expenses	2,188	4,419	696	2,146	9,372
General and administrative expenses	56,767	54,858	24,341	27,977	124,723
Increase (decrease) in value of inventory of land for construction	449	(1,586)	123	(1,535)	(2,766)
Other income (expenses), net	45,926	(404)	(9,104)	1,491	(5,237)
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	-	(55,554)	-	(55,554)	(55,554)
Group's share of earnings (losses) of companies accounted for at equity, net	5,144	(5,429)	1,256	(14,977)	24,973
Operating profit	586,856	403,661	348,422	171,450	1,096,076
Finance expenses	96,760	230,059	25,200	122,229	237,312
Loss from early redemption of debentures and loans	16,772	-	16,772	-	10,655
Finance income	8,168	47,750	2,688	9,089	32,479
Profit before taxes on income	481,492	221,352	309,138	58,310	880,588
Taxes on income	120,230	65,074	70,815	18,140	96,424
Net income	361,262	156,278	238,323	40,170	784,164
Attributed to:					
Equity holders of the Company	368,315	121,411	232,892	40,215	677,832
Non-controlling interests	(7,053)	34,867	5,431	(45)	106,332
	361,262	156,278	238,323	40,170	784,164
<u>Net earnings per share attributed to equity holders of the Company (in NIS):</u>					
Basic net earnings	0.50	0.21 **)	0.32	(0.07) **)	1.14
Diluted net earnings	0.50	0.21 **)	0.32	(0.07) **)	1.14

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company.

**) See Note 32a to the December 31, 2019 Consolidated Financial Statements on the conversion ratio used in the calculation. The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Comprehensive Income

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		Year Ended December 31,
	2020	2019 *)	2019	2019 *)	2019
	Unaudited				Audited
	NIS in thousands				
Net income	361,262	156,278	238,323	40,170	784,164
Other comprehensive profit (loss) (net of tax effect):					
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:</u>					
Gain (loss) from cash flow hedges	(52)	(922)	-	(541)	75
Adjustments arising from translation financial statements of foreign operations	(10,952)	9,351	(6,892)	(7,851)	(18,993)
Realization of capital reserve to gain or loss due to the realization of foreign operations	-	55,554	-	55,554	55,554
Total other comprehensive income (loss)	(11,004)	63,983	(6,892)	47,162	36,636
Total comprehensive income	350,258	220,261	231,431	87,332	820,800
Attributed to:					
Equity holders of the Company	358,564	168,982	230,941	72,152	699,889
Non-controlling interests	(8,306)	51,279	490	15,180	120,911
	350,258	220,261	231,431	87,332	820,800

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company.

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

Unaudited Consolidated Interim Statements of Changes in Equity

	Attributed to Company shareholders										
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Reserve From Hedge	Reserve From Share Based Payment Transactions	Foreign Currency Translation Reserve	Reserve From Transactions With Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
	Unaudited										
	NIS in thousands										
Balance as of January 1, 2020 (Audited)	1,509,503	3,607,405	(641,127)	1,231,356	(3,732)	2,694	128,715	(263,678)	5,571,136	(14,763)	5,556,373
Net profit (loss)	-	-	-	368,315	-	-	-	-	368,315	(7,053)	361,262
Other comprehensive loss	-	-	-	-	(52)	-	(9,699)	-	(9,751)	(1,253)	(11,004)
Total comprehensive income (loss)	-	-	-	368,315	(52)	-	(9,699)	-	358,564	(8,306)	350,258
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	(11,088)	(11,088)	-	(11,088)
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	(4,260)	(4,260)	4,260	-
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,282)	(1,282)
Share-based payment	-	-	-	-	-	9,214	-	-	9,214	-	9,214
Balance as of June 30, 2020	1,509,503	3,607,405	(641,127)	1,599,671	(3,784)	11,908	119,016	(279,026)	5,923,566	(20,091)	5,903,475

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

Unaudited Consolidated Interim Statements of Changes in Equity

	Special for Company shareholders									
	Share Capital	Share Premium	Retained Earnings	Reserve From Hedge	Reserve From Share Based Payment Transactions	Foreign Currency Translation Reserve	Reserve From Transactions With Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
	Unaudited									
	NIS in thousands									
Balance as of January 1, 2019 (Audited) *)	1,143,690	2,039,586	553,524*)	(3,807)	2,614	114,059	(86,703)	3,762,963	800,852*)	4,563,815
Net profit	-	-	121,411	-	-	-	-	121,411	34,867	156,278
Realization of capital reserve to Statement of Operations	-	-	-	-	-	37,949	-	37,949	17,605	55,554
Other comprehensive income (loss)	-	-	-	(922)	-	10,544	-	9,622	(1,193)	8,429
Total comprehensive income (loss)	-	-	121,411	(922)	-	48,493	-	168,982	51,279	220,261
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	(2,249)	(2,249)
Allocation of capital deficit attributed to non-controlling interests to Company shareholders	-	-	-	-	-	-	11,387	11,387	(11,387)	-
Repayment of perpetual loans	-	-	-	-	-	(7,326)	-	(7,326)	(3,399)	(10,725)
Capital benefit from transaction with non-controlling interests	-	-	-	-	-	-	-	-	128,602	128,602
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	(680)	(680)
Share-based payment	-	-	-	-	74	-	-	74	-	74
Balance as of June 30, 2019	1,143,690	2,039,586	674,935	(4,729)	2,688	155,226	(75,316)	3,936,080	963,018	4,899,098

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company.
The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Changes in Equity

	Attributed to Company shareholders										
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Reserve From Hedge	Reserve From Share Based Payment Transactions	Foreign Currency Translation Reserve	Reserve From Transactions With Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
Unaudited											
NIS in thousands											
Balance as of April 1, 2020	1,509,503	3,607,405	(641,127)	1,366,779	(3,784)	8,245	120,967	(270,903)	5,697,085	(16,334)	5,680,751
Net profit	-	-	-	232,892	-	-	-	-	232,892	5,431	238,323
Other comprehensive loss	-	-	-	-	-	-	(1,951)	-	(1,951)	(4,941)	(6,892)
Total comprehensive income (loss)	-	-	-	232,892	-	-	(1,951)	-	230,941	490	231,431
Departure from consolidation by consolidated company								(11,088)	(11,088)	-	(11,088)
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	2,965	2,965	(2,965)	-
Dividends paid holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,282)	(1,282)
Share-based payment	-	-	-	-	-	3,663	-	-	3,663	-	3,663
Balance as of June 30, 2020	1,509,503	3,607,405	(641,127)	1,599,671	(3,784)	11,908	119,016	(279,026)	5,923,566	(20,091)	5,903,475

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

Unaudited Consolidated Interim Statements of Changes in Equity

	Attributed to Company shareholders									
	Share Capital	Share Premium	Retained Earnings	Reserve From Hedge	Reserve From Share Based Payment Transactions	Foreign Currency Translation Reserve	Reserve From Transactions With Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
	Unaudited									
	NIS in thousands									
Balance as of April 1, 2019 (Audited) *)	1,143,690	2,039,586	634,720	(4,188)	2,662	122,748	(74,885)	3,864,333	948,057	4,812,390
Net profit (loss)	-	-	40,215	-	-	-	-	40,215	(45)	40,170
Realization of capital reserve to Statement of Operations	-	-	-	-	-	37,949	-	37,949	17,605	55,554
Other comprehensive loss	-	-	-	(541)	-	(5,471)	-	(6,012)	(2,380)	(8,392)
Total comprehensive income	-	-	40,215	(541)	-	32,478	-	72,152	15,180	87,332
Allocation of capital deficit attributed to non-controlling interests to Company shareholders	-	-	-	-	-	-	(431)	(431)	431	-
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	(650)	(650)
Share-based payment	-	-	-	-	26	-	-	26	-	26
Balance as of June 30, 2019	1,143,690	2,039,586	674,935	(4,729)	2,688	155,226	(75,316)	3,936,080	963,018	4,899,098

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company.
The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Reserve From Hedge	Reserve From Share Based Payment Transactions	Foreign Currency Translation Reserve	Reserve From Transactions With Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
	Audited										
	NIS in thousands										
Balance as of January 1, 2019 *)	1,143,690	2,039,586	-	553,524	(3,807)	2,614	114,059	(86,703)	3,762,963	800,852	4,563,815
Net profit	-	-	-	677,832	-	-	-	-	677,832	106,332	784,164
Realization of capital reserve to Statement of Operations	-	-	-	-	-	-	37,949	-	37,949	17,605	55,554
Other comprehensive income (loss)	-	-	-	-	75	-	(15,967)	-	(15,892)	(3,026)	(18,918)
Total comprehensive income	-	-	-	677,832	75	-	21,982	-	699,889	120,911	820,800
Capital benefit from transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	128,602	128,602
Issue of shares due to merger	365,813	1,567,819	(641,127)	-	-	-	-	(197,158)	1,095,347	(1,041,755)	53,592
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	20,183	20,183	(20,183)	-
Repayment of perpetual loans	-	-	-	-	-	-	(7,326)	-	(7,326)	(3,399)	(10,725)
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	-	(2,249)	(2,249)
Sale of shares to minority	-	-	-	-	-	-	-	-	-	4,148	4,148
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,690)	(1,690)
Share-based payment	-	-	-	-	-	80	-	-	80	-	80
Balance as of December 31, 2019	1,509,503	3,607,405	(641,127)	1,231,356	(3,732)	2,694	128,715	(263,678)	5,571,136	(14,763)	5,556,373

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company.
The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Cash Flow

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		Year Ended December 31,
	2020	2019 **)	2020	2019 **)	2019
	Unaudited				Audited
	Thousands of NIS				
Cash Flows from Operating Activity					
Net income	361,262	156,278	238,323	40,170	784,164
Adjustments to reconcile net income to net cash provided by operating activities					
Adjustments to profit or loss items:					
Depreciation and amortization	3,010	3,422	1,462	1,692	6,567
Loss (profit) from short-term investments, net	283	(3,949)	(7,313)	3,675	(17,467)
Increase in fair value of investment property and investment property under development, net	(239,424)	(129,661)	(210,893)	(80,894)	(494,117)
Group's share of losses (earnings) of companies accounted for at equity, net The Company	(5,144)	5,429	(1,256)	14,977	(24,973)
Interest and revaluation of debentures and loans	53,672	137,904	31,323	67,637	205,470
Change in employee benefit liabilities, net	500	-	52	-	2,268
Interest and revaluation of deposits and debit balances	34,637	14,210	(1,498)	(337)	16,820
Impairment loss of property, plant and equipment (capital gains), net	(3,039)	42	-	39	-
Tax on income	120,230	57,700	70,815	10,766	96,424
Loss (gain) from the impairment of inventory of land for construction and inventory of buildings and apartments for sale	(449)	1,586	(123)	1,535	2,766
Realization of capital reserve from translation differences to Statement of Operations	-	55,554	-	55,554	55,554
Loss from the merger of company merged for the first time	-	-	-	-	18,619
Capital (gain) from realization of investment in subsidiary (a)	-	(582)	-	-	(582)
Profit from the realization of investment in associate	(71,662)	-	-	-	-
Loss from early redemption of debentures and loans	16,772	-	16,772	-	10,665
Share-based payment	9,214	74	3,663	26	80
	(81,400)	141,729	(96,996)	74,670	(121,906)
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(24,178)	1,478	(19,025)	9,288	(1,102)
Decrease (increase) in other receivables	(31,930)	(4,129)	(5,166)	(8,768)	(90,857)
Increase (decrease) in trade liabilities	2,025	12,697	(11,138)	(6,960)	21,165
Increase (decrease) in payables, credit balances and liabilities due to contract	62,905	16,404	(18,411)	26,104	(17,317)
Increase (decrease) in tenant security deposits	(1,685)	4,956	804	2,666	6,074
	7,137	31,406	(52,936)	22,330	(82,037)
Cash paid and received during the reported period for:					
Interest paid	(103,935)	(104,995)	(80,611)	(75,150)	(224,370)
Interest received	4,110	5,415	455	2,469	10,922
Taxes paid	(76,557)	(17,592)	(11,722)	(7,059)	(37,139)
Taxes received	51	2,916	12	1,639	10,718
Dividends received	-	6,874	-	4,595	18,565
	(176,331)	(107,382)	(91,866)	(73,506)	(221,304)
Net cash deriving from current activity before a decrease in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	110,668	222,031	(3,475)	63,664	358,917
Decrease in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	9,021	29,616	5,023	3,203	39,567
Net cash deriving from current activity	119,689	251,647	1,548	66,867	398,484

**) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company. The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Cash Flow

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending on December 31
	2020	2019 **)	2020	2019 **)	2019
	Unaudited				Audited
	Thousands of NIS				
<u>Cash Flows from Investment Activities</u>					
Acquisitions of and investments in investment property	(62,170)	(51,346)	(33,905)	(25,934)	(137,602)
Investment in investment property under development	(35,549)	(10,338)	(12,229)	(4,671)	(25,162)
Investment in property, plant and equipment	(4,375)	(797)	(3,113)	(448)	(1,555)
Decrease (increase) in long-term debit balances	-	211	-	12	(320,053)
Investment in investees, net	-	72,622	-	1,282	45
Yield from the sale of short-term investments, net	(6,118)	(641) *	(27,625)	(1,165) *	51,024
Proceeds from the realization of investment property and real estate held for sale	290,527	204,746	77,775	131,106	270,165
Proceeds from the realization of fixed assets	3,599	-	-	-	340
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	215,017	-	9,796	-	95,917
Repayment of long-term loans granted, net	2,057	-	1,089	-	5,099
Repayment of long-term deposits	-	-	-	-	48,923
Proceeds received (paid) from the realization of investment in subsidiary consolidated in the past, net (a)	(225)	40,148	(225)	-	40,148
Cash received from company merged for the first time (b)	-	-	-	-	8,451
Net cash deriving from investment activity	402,763	254,605	11,563	100,182	35,740
<u>Cash Flows from Financing Activity</u>					
Issue of debentures	282,705	-	282,705	-	332,139
Repayment of perpetual loan	-	(11,500)	-	-	(11,500)
Repayment of debentures	(676,790)	(263,426)	(668,942)	(200,904)	(678,443)
Short-term credit from banking corporations and others, net	354,014	19,812	(243,921)	20,000	828
Receipt (repayment) of loans and other long-term liabilities	-	98,014	(120)	97,299	2,535
Repayment of loans and other long-term liabilities	(329,549)	(101,437)	(18,011)	(26,545)	(239,034)
Proceeds from the sale of shares to non-controlling interests	-	-	-	-	4,148
Dividend paid to holders of non-controlling interests	(1,282)	(650)	(1,282)	(650)	(1,690)
Net cash used in financing activities	(370,902)	(259,187)	(649,571)	(110,800)	(591,017)
<u>Increase (decrease) in cash and cash equivalents</u>	151,550	247,065	(636,460)	56,249	(156,793)
<u>Exchange rate differentials due to cash and cash equivalent balances</u>	792	(15,200)	206	(2,282)	(21,714)
<u>Balance of cash and cash equivalents at the beginning of the period</u>	426,790	605,297	1,215,386	783,195	605,297
<u>Balance of cash and cash equivalents at the end of the period</u>	579,132	837,162	579,132	837,162	426,790

*) Reclassified.

**) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company. The attached Notes constitute an integral part of these Consolidated Interim Financial Statements.

Unaudited Consolidated Interim Statements of Cash Flow

	For the 6 Months		For the 3 Months		For the Year Ending
	Ending June 30		Ending June 30		on December 31
	2020	2019 *)	2020	2019 *)	2019
	Unaudited				Audited
	Thousands of NIS				
(a) <u>Proceeds from the Realization of Investments in Subsidiaries Consolidated in the Past, Net</u>					
Assets and liabilities of subsidiaries as of the date of sale:					
Working capital	118	(16,381)	118	-	(16,381)
Investment property and investment property under development	-	58,331	-	-	58,331
Other long-term assets and fixed assets	-	-	-	-	-
Inventory of land	10,745	-	10,745	-	-
Long-term loans from financial institutions	-	(135)	-	-	(135)
Deferred taxes	-	-	-	-	-
Non-controlling interests	(11,088)	(2,249)	(11,088)	-	(2,249)
Loss from the sale of investment	-	582	-	-	582
	<u>(225)</u>	<u>40,148</u>	<u>(225)</u>	<u>-</u>	<u>40,148</u>
(b) <u>Newly Merged Company</u>					
Cash received from merging company	-	-	-	-	8,451
Investment property	-	-	-	-	282,257
Property, plant and equipment	-	-	-	-	87
Receivables and debit balances	-	-	-	-	2,188
Investments in associates	-	-	-	-	(66,371)
Payables and credit balances	-	-	-	-	(17,688)
Trade payables	-	-	-	-	(1,234)
Loans from banking corporations	-	-	-	-	(116,586)
Deferred taxes	-	-	-	-	(40,428)
Capital issued	-	-	-	-	(69,295)
Loss from the merger of company	-	-	-	-	18,619
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(c) <u>Additional information on material actions not involving cash flows:</u>					
Realization of assets held for sale against other accounts receivable	-	16,541	-	-	17,499

*) See Note 1c to the December 31, 2019 Consolidated Financial Statements on the merger of Jerusalem Economy with and into the Company. The attached Notes constitute an integral part of these Interim Consolidated Financial Statements.

Notes to the Consolidated Interim Financial Statements

Note 1: - General

- A. These financial statements have been prepared in a condensed format as of June 30, 2020 and for the six and three month periods ending that date (hereinafter – interim consolidated financial statements). These statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and accompanying notes (hereinafter – annual consolidated financial statements).

B. Impact of CCovid-19 Coronavirus

Over the course of the first quarter of 2020, the world started to undergo a crisis with extensive macroeconomic implications originating in the spread of the Covid-19 coronavirus around the world, including in Israel. The world health organization declared the coronavirus a global pandemic and there is a great deal of uncertainty around the world as to whether it can be defeated with medications or vaccines, and how long this would take. Actions and directives taken by various countries, including Israel, as part of the response to the pandemic, which included or still include prohibitions or restrictions on business activity, limiting attendance at workplaces, closing borders and/or movement restrictions for the general population (international and domestic), shutting down schools and so on, have led to a global financial crisis, which has also reached Israel. Over the course of the second quarter of the year, the Israeli government decided to remove most of its restriction in order to allow a return to full business activity, however, due to a sharp increase in the number of Covid-19 patients, new restrictions were imposed, largely intended to enforce social distancing. This crisis was expressed, among other things, in a dramatic increase in the unemployment rate in Israel, a sharp drop in global stock markets (including the Tel Aviv stock exchange), fluctuating foreign exchange rates, and an increase in yields of corporate debentures due to the increase in risk levels. As of the publication of this report, the economic crisis is still underway and its duration and full impact on business activity around the world and in Israel in particular cannot yet be estimated.

As of date of the publication of this report, and taking into account current uncertainty regarding the amount of time needed to find a vaccine or cure for the Covid-19 virus and make them accessible to the public, as well as the frequent and changing revisions of policies and decisions of governments and regulatory bodies in Israel and around the world, which have a material impact on economic activity as a whole, the Company unable to assess the scope of the impact of the continuation of the coronavirus crisis and its derivatives on the Company's future activity, and this will be impacted in accordance with the degree and scope of the realization of the relevant risk factors including the state of Israel economy, the global health crisis, economic slowdowns in foreign countries in which the group is active, a drop in tenant payment ability, a drop in demand for space, and a drop in rental prices.

The Company estimates that inasmuch as the above disruptions and restrictions will impact short-term business activity only, they will not have a material negative impact on the Company's activity and results. At the same time, the continuation of the economic crisis or its worsening over time may have negative implications for the Israeli economy and in this case, a negative impact on the Company's monetary results can be expected.

Since the start of the crisis, the Company's policy has been to continue with its ongoing activity in all its segments, while implementing the emergency regulations and all government guidelines, and as such the Company continued with planning, development, marketing and management activity for company properties as well as examining acquisition transactions and participation in tenders issued by the Israel land authority and local authorities. Concurrently, company management is keeping daily track of developments in collecting rent and management payments from its tenants and occupancy rates in its properties. Most of the Company's Israeli revenues (88% of its total yearly revenues) derive from assets used for industry and logistics, for offices and businesses defined as vital and which are located in commercial centers, rented out to 2,609 tenants with abroad geographic and sectoral spread. The balance, at a rate of 12% of total yearly rental revenues, derives from income-generating properties zoned commercial that do not include businesses defined as vital. Due to the Covid-19 coronavirus crisis, the Company has received requests from some of its tenants

Notes to the Consolidated Interim Financial StatementsNote 1: - General (Continued)

to cancel, reduce and/or spread out rental fee and management payments for the months featuring restrictions and reduced business activity. some of them claimed that the coronavirus crisis constituted force majeure. in specific cases in which the Company saw fit to accept its tenants' requests it allowed them to pay in accordance with a share of their proceeds subject to the fact that the relief would be decreased by the full level of the grant and/or benefit these tenants would be entitled to from the state due to the crisis. the Company estimates that as of the balance sheet date, the sum of amortization in rental payments that will be derived from granting this relief to company tenants in Israel and abroad amounts to 18 million NIS, 12 million of which is in Israel (without the amortization discount as a result of the provision of government assistance to these tenants). in other specific cases, the Company allowed specific tenants to spread out their payments and reached arrangements with them regarding the spread of the payments across coming months, and the Company estimates that most of the arrangements will be upheld by the tenants.

the average occupancy rate remained unchanged at 90.3% similar to the last 12-month average and according to company management's estimates, there is not expected to be a significant change in the average occupancy rate in the near future.

In addition, based on actions taken by company management including valuations carried out by independent outside valuers during the reported period on 127 of its assets with a value of 3.8 billion NIS in which the value of the assets was preserved or underwent positive revaluation, among other things, due to an increase in appropriate rental fees and a drop in capitalization rate. After conducting discussions with independent outside appraisers and after an examination conducted by the Company, the Company estimates that as of the financial statements date, there is no need to revise the fair value of the balance of its income-generating assets.

C. Completion of process of structural change

On November 4 2019 a structural change to which the Company was a party was completed, as follows: (a) Jerusalem economy merged with and into the Company by way of a statutory merger in accordance with the first chapter of the eighth part of the companies law (hereinafter – statutory merger), so that upon the completion of the merger Jerusalem economy was eliminated without liquidation, in return for the allocation of company shares to entitled shareholders of Jerusalem economy on the basis of the replacement ration of 1.935 regular company shares worth 1 NIS NV for each regular Jerusalem economy 1 NIS NV share. (b) Shemi Bar and B.R.A.P. (each of the companies, Shemi Bar and B.R.A.P. Shall hereby be referred as the target company) were merged with and into the Company by way of statutory merger, in such a manner that upon the completion of the merger each of the target companies was eliminated without liquidation, in return for the allocation of company shares to shareholders of the target company by way of a private allocation. In addition, the Company undertook toward the shareholders in the target companies to receive a guaranteed stock rate for the allocated shares if and when these are sold by them, in whole or in part, during a period defined in the merger agreements. In addition, Jerusalem economy construction and supervision ltd., a Jerusalem economy subsidiary, merged with and into Jerusalem economy in a statutory merger, for no compensation.

The companies that participated in the structural change contacted the Israeli tax authority and received tax rulings on the tax implications that would apply to them, their shareholders and Jerusalem economy debenture holders following the structural change described above.

The Company dealt with the above mergers with the exception of the B.R.A.P merger in a manner similar to the pooling of interests method. The Company prepared consolidated financial statements in order to reflect the merger as if it had happened at the start of the earliest period presented in the statements (January 1, 2019). In addition, the consolidated financial statements include the Company's financial status on a consolidated basis, operating results and consolidated cash flows and that of the merged companies as if they had always been owned by the Company. The consolidated statements of changes in equity were also presented according to the "as pooling" method while making requisite adjustments to the various items absorbed into the premium on shares item in order to reflect the legal rights of the Company's majority shareholders and of its non-controlling interests up to the merger date and subsequently, respectively. The impact of the

Notes to the Consolidated Interim Financial Statements

Note 1: - General (Continued)

merger on the rights of majority shareholder and non-controlling interests was charged upon the merger date to premium on shares and to the principal from transactions with non-controlling interests, respectively. Until the completion of the merger, B.R.A.P was measured using the book value method. The merger of B.R.A.P was treated as an acquisition made in stages, capital rights held by the group prior to achieving control are measured at fair value as of the date of purchase while being charged to gain/loss from the revaluation of the previous investment on the date control was achieved.

For additional details see Note 1c to the December 31, 2019 Consolidated Financial Statements

Note 2: – Significant Accounting Policies

A. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below:

Initial adoption of amendments to existing financial reporting and accounting standards:

IFRS 3 “Business Combinations”:

In October 2018 the IASB issued an amendment to the definition of “business” in IFRS 3, “Business Combinations” (hereinafter – the Amendment). The purpose of the Amendment is to assist companies in determining whether a purchase transaction would be treated as a business combination or as an assets purchase transaction.

The Amendment includes:

- (a) A clarification to the fact that in order to be considered a “business”, a system of activities and assets purchased must include, as a minimum, an input and substantive process that together significantly contribute to the ability to create outputs.
- (b) Omission of the reference to the assessment whether a market participant can continue operating a purchased business by replacing inputs and processes.
- (c) Additional guidelines and examples that will help companies estimate whether processes purchased are substantive.
- (d) Changes in the definition of “output” and “business” making the definitions more focused and concise.
- (e) An optional test according to which a company can determine that this is not the acquisition of a business, without the need for additional tests.

The Amendment is applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The Company estimates, after examining the implications of the amendments, that their application is not expected to have a material effect on the Company’s Financial Statements.

Notes to the Consolidated Interim Financial Statements

Note 2: – Significant Accounting Policies (Continued)Amendment to IAS 16, "Property, Plant and Equipment"

In May 2020, the IASB issued an amendment to IAS 16 (hereinafter – the Amendment). The amendment prohibits a company from deducting from the cost of property, plant and equipment ("PP&E") consideration received from the sales of items produced while the company is preparing the asset for its intended use. Instead, the company should recognize such consideration and related costs in profit or loss.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Amendment is to be applied retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the Amendment. The entity should recognize the cumulative effect of initially applying the Amendment as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

Annual Improvement to IFRS Standards 2018-2020

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"), which addresses which fees should be included in the "10% test" described in paragraph B3.3.6 of IFRS 9. The "10% test" is used to evaluate whether the terms of a debt instrument that has been modified or exchanged are substantially different than the terms of the original debt instrument.

The Amendment is effective for annual periods beginning on or after January 1, 2022. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

Notes to the Consolidated Interim Financial StatementsNote 2: – Significant Accounting Policies (Continued)

- B. The following is data pertaining to the exchange rates of principal currencies in the countries in which the group operates and the consumer price index:

	<u>CPI (in points)</u>		<u>Representative rate of exchange (in NIS)</u>				
30.6.2020	132.50	132.63	3.466	3.883	2.531	3.643	0.127
30.6.2019	133.96	134.75	3.566	4.062	2.723	3.661	0.135
31.12.2019	133.56	133.56	3.456	3.878	2.653	3.575	0.145

<u>Rate of Change during the Period</u>	<u>The Consumer Price Index</u>						
	<u>Israel (*)</u>						
	<u>Actual</u>	<u>Known</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Canadian Dollar</u>	<u>Swiss franc</u>	<u>Hryvnia</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
30.6.2020 (6 months)	(0.8)	(0.7)	0.3	0.1	(4.6)	1.9	(12.4)
30.6.2020 (3 months)	(0.7)	(0.2)	(2.8)	(0.4)	1.2	(1.2)	0.7
30.6.2019 (6 months)	0.9	1.2	(4.9)	(5.4)	(1.1)	(3.8)	0.2
30.6.2019 (3 months)	0.4	1.5	(1.8)	(0.4)	0.6	0.3	2.2
31.12.2019	0.6	0.3	(7.8)	(9.6)	(3.6)	(6.1)	7.7

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

Notes to the Consolidated Interim Balance Sheets

Note 3: - Compliance With Financial Covenants

As of June 30, 2020 and as of the date of this report, the Company has been in compliance with the financial covenants required in accordance with the debentures' deeds of trust.

Note 4: – Assets And Liabilities Held For Sale

Transactions for the sale of assets that Company management estimates at a high level of certainty will be completed within a year and meet the other rules of International Financial Reporting Standard 5 (IFRS 5) were presented in the Financial Statements under the following items:

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:

		30 June ,2020		
		Assets	Liabilities	Assets, net
		Unaudited		
		Thousands of NIS		
Israel		64,059	-	64,059
		64,059	-	64,059
		30 June ,2019		
		Assets	Liabilities	Assets, net
		Unaudited		
		Thousands of NIS		
Israel		50,533	-	50,533
Overseas		44,538	43,053	1,485
		95,071	43,053	52,018
		December 31 2019		
		Assets	Liabilities	Assets, net
		Thousands of NIS		
Israel		78,899	-	78,899
Overseas		251,206	152,752	98,454
		330,105	152,752	177,353

Notes to the Consolidated Interim Balance Sheets

Note 5: - Summary Of Darban Data

The following is a summary of the financial data of Darban, the shares of which are pledged to the holders of company debentures (series x):

A. Consolidated balance sheets

	As of June 30		As of December 31
	2020	2019	2019
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	206,431	222,268	61,387
Restricted cash	-	12,916	-
Investments in financial assets	31,583	27,978	30,940
Inventory of land for residential construction	-	135,211	-
Current maturities of long-term deposits	45,136	45,856	45,634
Others	24,852	28,968	17,902
	<u>308,002</u>	<u>473,197</u>	<u>155,863</u>
<u>Non-Current Assets</u>			
Purchase of shares of parent company	701,452	-	798,494
Long-term deposits	45,135	91,713	45,634
Investments in associates handled using the book value method	163,314	480,994	414,738
Investment property	966,757	2,073,798	954,717
Others	5,156	19,602	5,703
	<u>1,881,814</u>	<u>2,666,107</u>	<u>2,219,286</u>
	<u>2,189,816</u>	<u>3,139,304</u>	<u>2,375,149</u>
<u>Current Liabilities</u>			
Credit from financial institutions	130,961	52,000	-
Payables and credit balances	17,923	57,088	44,000
Current maturities of debentures	-	119,487	-
Current maturities of long-term loans	24,434	210,995	10,517
Current maturities of loan from parent company	254,038	-	203,000
Others	9,230	17,389	7,810
	<u>436,586</u>	<u>456,959</u>	<u>265,327</u>
<u>Non-Current Liabilities</u>			
Long-term loans from financial institutions	183,052	467,807	203,834
Loan from parent company	-	203,501	249,156
Debentures	-	235,967	-
Other long-term liabilities	15,000	71,857	71,341
Deferred taxes	130,734	276,901	165,466
	<u>328,786</u>	<u>1,256,033</u>	<u>689,797</u>
Total equity	<u>1,424,444</u>	<u>1,426,312</u>	<u>1,420,025</u>
	<u>2,189,816</u>	<u>3,139,304</u>	<u>2,375,149</u>

Notes to the Consolidated Interim Balance SheetsNote 5: - Summary Of Darban Data (Continued)

B. Consolidated Statements of Profit or Loss

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending on December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
<u>Revenues</u>					
From building rental, management and maintenance in Israel	36,512	76,713	18,284	38,698	136,173
From apartment sales	-	33,203	-	16,717	55,401
From building rental, management and maintenance abroad and others	3,326	4,632	1,590	2,524	8,860
Total revenues	39,838	114,548	19,874	57,939	200,434
<u>Costs</u>					
Cost of building management and maintenance	4,583	13,271	2,472	6,813	22,941
Cost of apartments sold	-	22,133	-	11,265	36,737
Gross profit	35,255	79,144	17,402	39,861	140,756
Net increase (decrease) in fair value of investment property	8,213	30,230	8,322	34,346	91,491
Administrative and general and sales and marketing expenses	5,935	10,389	2,664	5,653	20,867
Group's share of losses of associates treated according to the book value method	7,563	(11,770)	6,821	(17,869)	(1,012)
Other revenues (expenses)	63	1,792	-	2,009	924
Profit from regular activities	45,159	89,007	29,881	52,694	211,292
Financing revenues (expenses), net	(8,303)	(22,601)	2,708	(24,691)	(20,656)
Loss from early redemption of debentures	-	-	-	-	10,665
Profit from the realization of consolidated companies and an investee according to the book value method	71,626	-	-	-	13,343
Profit after financing	108,482	66,406	32,589	28,003	193,314
Tax expenses	(24,109)	(15,281)	(3,906)	(7,865)	(60,730)
Net profit	84,373	51,125	28,683	20,138	132,584
Attributed to:					
Company shareholders	84,457	46,345	29,080	17,275	118,523
Non-controlling interests	(84)	4,780	(397)	2,863	14,061
	84,373	51,125	28,683	20,138	132,584

Notes to the Consolidated Interim Balance SheetsNote 5: - Summary Of Darban Data (Continued)C. Consolidated cash flow reports

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending on December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
Net cash deriving from current activity	20,339	54,400	12,308	25,146	92,394
Net cash deriving from (used for) investment activity	211,173	(9,254)	(41,230)	(1,968)	75,317
Net cash deriving from (used in) financing activity	(86,133)	80,331	(232,287)	106,367	(199,599)
Translation differences due to cash balances held in foreign currency	(335)	(3,183)	(89)	(1,128)	(6,699)
	145,044	122,294	(261,298)	128,417	(38,587)
Balance of cash and cash equivalent balance at start of year	61,387	99,974	467,729	93,852	99,974
Balance of cash and cash equivalents at the end of the year	206,431	222,268	206,431	222,269	61,387

Note 6: - Material Events During And Subsequent To The Reported Period

- A. On January 2, 2020 the Company issued 18,231,293 non-tradable options for the purchase of 18,231,293 regular shares worth 1 NIS NV (hereinafter - the options) for each of the Company's workers and officers, including the Company CEO. Out of the total number of options issued, 9,523,819 options were issued to the CEO. For details on the terms of the options and parameters used to calculate the economic value of each of the options see note 30.a.(4) of the December 31, 2019 consolidated financial statements.
- B. On January 23 2020 Standard & Poor's Maalot announced that it was raising the Company's rating to ILAA-, and that it was raising the rating of its guaranteed debentures to ILAA and raising the rating of its non-guaranteed debentures including the series guaranteed by Darban shares to ILAA-.
- C. On December 26, 2018 the Company received tax assessments from the tax authority in accordance with their best judgement for 2013-2016, to the total sum of 74 million NIS (including interest and linkage). On February 27, 2020 the Company signed an assessment agreement for the years in question, in which the Company paid a total of 56 million NIS on that date. The signing of the assessment agreement had no material impact on the Company's monetary results.
- D. On February 27 2020 the Company announced that it had closed the transaction to sell its rights to three industrial properties in France in return for a total of €42.5 million (159.8 million NIS), and the balance of the proceeds of the sale was paid after the terms set in the sales agreement were met. The properties were subtracted during the reported period upon the completion of the transaction.
- E. On March 3 2020 the Company announced that it was changing its name to Mivne (K.D.) Ltd.

Notes to the Consolidated Interim Balance Sheets

Note 6: - Material Events During And Subsequent To The Reported Period (Continued)

- F. On March 22 2020 Darban entered into an agreement to sell all of the stock capital held by it in Yakum development to an unrelated third party (hereinafter – the buyer) in return for a (net) total of 243.5 million NIS plus vat (hereinafter – the sales agreement and the compensation, as the case may be). The transaction covered by the sales agreement was completed upon signing the sales agreement (hereinafter – the completion date) and Darban received the full proceeds. In addition, on the completion date, a guarantee given by Darban to financial institutions to guarantee Yakum development's obligations to these bodies expired. On the completion date, Darban listed a profit (before tax) from the sale to the sum of 71 million NIS. The cash flow available to Darban from the sale (before taxes and after transaction costs) amounts to 229 million NIS.
- G. On April 20 2020 the Company's general meeting ratified an amendment to the Company's bylaws, according to which that the number of directors on the Company's board of directors would be no less than three and no more than seven (including external directors).
- H. On August 5 2019 a company subsidiary sold a property in Portugal in return for a sum total of 87 million NIS (€22.25 million). The Company recognized revaluation profits to the sum of 9 million NIS. On April 30, 2020 the transaction was completed and all of the proceeds plus interest to the sum of €436,000 was paid.
- I. On May 13 2020 the Company announced a partial early redemption, initiated by the Company, of the Company's debentures (series o), carried out on June 1, 2020. The Company performed an early redemption of the debentures to the sum of 108,474,034 NIS NV and at a total sum of 118,763,066 NIS for principal and interest. The principal sum redeemed in the partial early redemption amounts to 108,474,034 NIS. The sum of interest accumulated, including the added interest for the partial early redemption up to the partial early redemption date is 10,289,032 NIS. The partial early redemption rate in terms of uncleared balance amounted to 87.8517% (the partial early redemption rate in terms of the original series including expansions amounted to 24.77249%). The interest rate paid in the partial early redemption, including the added interest for the partial early redemption, is 9.48525%. The interest rate paid in the partial early redemption, including the added interest for the partial early redemption, calculated according to the uncleared balance, is 8.33295%. The rates of partial redemptions remaining in the terms of the original series are 3.42559%. In accordance with the provisions of the deed of trust of series o, the redemption rate is 1.0948525 NIS per each 1 NIS NV debenture (series o) redeemed and 1 NIS for each 1 NIS NV debenture (series o) redeemed after neutralizing interest. The Company listed a one-time expense of 8.2 million NIS due to the partial early redemption.
- J. On June 2 2020 the Company announced that a partnership fully owned by the Company had made an offer to the holders of debentures (series o) to purchase all of the debentures (series o) held by them at the same redemption rate set in the partial early redemption as noted above. Responding to the purchase order were debenture holders holding debentures worth 1,494,640 NIS NV in return for 1.636 million NIS (9.96% response to purchase offer).
- K. On May 13, 2020 the Company announced a full early redemption, initiated by the Company, of the Company's debentures (series v), carried out on June 1 2020. The Company performed an early redemption of the debentures to the sum of 284,639,172 NIS NV and at a total sum of 299,337,848 NIS for principal and interest. The interest rate accumulated, including the added interest for the partial early redemption until the redemption date, is 14,698,676 NIS. The interest rate paid in the early redemption, including the added interest for the early redemption, is 5.16397% in accordance with the provisions of the deed of trust of series v, on the early redemption date, the Company paid the holders of the debentures (series v) according to a redemption rate of 1.0516397 NIS per each 1 NIS NV debenture (series v) redeemed and 1 NIS for each 1 NIS NV debenture (series v) redeemed after neutralizing interest. The Company listed a one-time expense of 8.6 million NIS due to the early redemption.

Notes to the Consolidated Interim Balance Sheets

Note 6: - Material Events During And Subsequent To The Reported Period (Continued)

- L. On May 14 2020 the Company issued 243,913,000 NIS NV debentures (series p) in return for a total of 284.4 million NIS, by way of a series expansion. The issuing costs created amounted to a total of 1.7 million NIS. The net effective interest rate embodied in the expansion is 2.20%.
- M. On June 26 2020 Standard & Poor's Maalot announced that it was ratifying the Company's rating at ILAA- stable outlook.
- N. On August 13, 2020 the Company's board of directors approved a distribution of dividends to the sum of 55 million NIS (of this a sum of 5.3 million NIS would be distributed to Darban investments ltd, a fully owned subsidiary holding company shares). The dividend per share is 0.068 NIS.

Mivne Real Estate (K.D.) Ltd.

Presentation of Financial Data from the Consolidated Interim Financial Statements

Attributed to the Company

As of June 30, 2020

Unaudited

Special Review of Separate Financial Information as per
Regulation 38d of the Securities Regulations
(Periodic and Immediate Reports), 1970

Introduction

We have reviewed the interim financial information presented according to Regulation 38d of the Securities Regulations (Periodical and Immediate Reports), 1970 of Mivne Real Estate (K.D.) Ltd. (hereinafter: "The Company"), as of June 30 2020 and for the six and three-month periods ending that date. The Company's Board of Directors and Management are responsible for separate financial information. Our responsibility is to express our conclusion on this separate interim financial information based on our review.

We have not reviewed the separate interim financial information from the financial statements of investees the assets less liabilities attributed to which on a net basis amounted to a total of 1,542 million NIS as of June 30 2020 and the income from which amounted to 96 and 33 million NIS for the six and three month periods ending that date. The financial statements of said companies have been reviewed by other accountants, the reports of whom have been provided us and our conclusion, inasmuch as it refers to said companies' financial statements, is based on the reviews conducted by these other accountants.

Scope of the Review

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

Conclusion

Based on our review and on those of other accountants, nothing has come to our attention to make us believe that the separate interim financial information in question has not been prepared, in all material aspects, in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv

August 13 2020

Kost Forrer Gabbay &
Kassirer
Certified Public Accountants

Special Report as per Regulation 38d

Financial Information and Financial Information from Consolidated Interim Financial Statements

Attributed to the Company

Below is separate financial information and financial data from the Group's June 30 2020 Interim Consolidated Financial Statements, published as part of its Periodic Reports (hereinafter - "Consolidated Financial Statements") presented in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

Financial Data from the Consolidated Statements of Financial Position Attributed to the Company

	As of June, 30		As of
	2020	2019 *)	December 31
	Unaudited		2019
			Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	73,026	320,002	112,877
Short-term investments	152	2,338	1,876
Restricted cash	17,736	13,805	18,485
Tenants	37,207	17,176	21,036
Trade receivables	107,154	31,540	110,457
Current debit and credit balances with investees	4,976	12,290	40,322
Taxes receivable	30,447	8,837	-
Current maturities of loans to investees	297,599	-	295,048
Inventory of apartments for sale	127,352	-	137,321
	695,649	405,988	737,422
Assets held for sale	64,059	46,208	78,899
Total current assets	759,708	452,196	816,321
<u>Non-Current Assets</u>			
Loans to investees	1,629,041	667,625	1,824,713
Investments in investees	593,225	691,834	571,544
Deposits and other receivables	338,383	-	344,426
Inventory of land for residential construction	16,654	16,654	16,654
Investment property	8,494,805	4,676,142	8,266,179
Investment real estate under construction	189,329	62,531	134,597
Property, plant and equipment	57,634	33,683	60,093
Intangible asset	19,630	-	19,630
Total non-current assets	11,338,701	6,148,469	11,237,836
Total	12,098,409	6,600,665	12,054,157

*) See Section 1 of the December 31, 2019 Solo Financial Statements on the accounting treatment of the merger of Jerusalem Economy with and into the Company.

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

Financial Data from the Consolidated Statements of Financial Position Attributed to the Company

	As of June 30		As of
	2020	2019 *)	December 31
	Unaudited		2019
			Audited
	Thousands of NIS		
<u>Current Liabilities</u>			
Credit from banks and others	226,339	-	3,016
Current maturities of loans, other liabilities and debentures	331,014	168,494	505,615
Trade payables	29,236	8,933	39,927
Payables and credit balances	120,387	69,235	211,640
Current debit and credit balances with investees	6,622	3,744	7,058
Taxes payable	-	-	36,105
Total current liabilities	713,598	250,406	803,361
<u>Non-Current Liabilities</u>			
Loans from banking corporations	182,074	-	187,106
Other non-current liabilities	618,137	367,264	547,708
Non-current loans from investees	103,437	90,994	110,010
Tenant deposits	27,481	21,360	25,464
Debentures	3,543,002	2,429,357	3,911,176
Employee benefit liabilities, net	7,485	5,476	6,985
Deferred taxes	979,629	707,943	891,211
Total non-current liabilities	5,461,245	3,622,394	5,679,660
<u>Equity Attributable to Company Shareholders</u>			
Share capital	1,509,503	1,143,690	1,509,503
Share premium	3,607,405	330,864	3,607,405
Treasury shares	(641,127)	-	(641,127)
Retained earnings	1,599,671	1,128,564	1,231,356
Hedge capital fund	(3,784)	-	(3,732)
Capital reserved of share-based payment	11,908	-	2,694
Capital reserve from transactions with minority shareholders of associate	(279,026)	(16,096)	(263,678)
Other funds	86,747	126,990	86,747
Adjustments from the translation of financial statements	32,269	13,853	41,968
Total equity	5,923,566	2,727,865	5,571,136
	12,098,409	6,600,665	12,054,157

*) See Section 1 of the December 31, 2019 Solo Financial Statements on the accounting treatment of the merger of Jerusalem Economy with and into the Company.

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

August 13, 2020			
Date of Approval of the Financial Statements	Tal Forer Chairman of the Board of Directors	David Zvida CEO	Yossi Filiba VP of Finance Accounting and Reporting

Financial Data from the Consolidated Statements of Operations Attributed to the Company

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
<u>Revenues</u>					
From rental fees	256,817	168,786	123,062	84,749	472,462
From the sale of apartments	42,183	-	19,883	-	16,185
From the management of buildings, infrastructure and others	42,680	18,887	20,340	9,713	74,537
Total revenues	341,680	187,673	163,285	94,462	563,184
Maintenance and administration costs	47,560	23,978	20,165	12,210	89,225
Cost of apartments sold	26,284	-	12,354	-	11,166
Building, infrastructure and other management costs	600	493	300	230	1,611
Gross profit	267,236	163,202	130,466	82,022	461,182
Increase in fair value of Investment real estate and Investment real estate under construction, net	217,101	78,121	186,986	24,376	340,070
The Company's share of the profits of investees	76,764	21,495	41,019	1,976	160,287
Sales and marketing expenses	(1,664)	(777)	(541)	(431)	(4,521)
Administrative and general expenses	(34,276)	(19,193)	(15,489)	(9,745)	(78,617)
Unfreezing capital reserve due to adjustments from the translation of financial statements for foreign activity	-	(55,554)	-	(55,554)	
Other revenues (expenses), net	(25,714)	4	(7,232)	(59)	(18,416)
Profit from regular activities	499,447	187,298	335,209	42,585	859,985
Financing expenses	(73,023)	(81,214)	(46,878)	(64,807)	(153,830)
Financing revenues	1,879	2,950	1,030	2,788	7,265
Financing revenues (expenses) from the revaluation of tradable securities	-	-	-	-	7,802
Net financing revenues (expenses) from investees	24,077	(12,030)	1,400	(3,681)	(51,234)
Profit (loss) before taxes on income	452,380	97,004	290,761	(23,115)	669,988
Taxes on income (tax benefit)	84,065	37,189	57,869	1,216	(7,844)
Net profit (loss)	368,315	59,815	232,892	(24,331)	677,832

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

Financial Data from the Statements of Comprehensive Income Attributed to the Company

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
Net profit (loss) attributed to the Company	368,315	59,815	232,892	(24,331)	677,832
Other comprehensive income (loss) attributed to the Company (after tax effect):					
<u>Sums restated to gain or loss under specific conditions:</u>					
Profit (loss) due to cash flow hedging transactions	(52)	-	-	-	75
Adjustments from the translation of financial statements of foreign activity	(9,699)	(15,122)	(1,951)	(915)	(15,967)
Adjustments from the translation of financial statements	-	1,509	-	3,549	-
Realization of capital reserve to gain or loss due to the realization of foreign activity	-	55,554	-	55,554	37,949
Total other comprehensive income (loss) attributed to the Company	(9,751)	41,941	(1,951)	58,188	22,057
Total comprehensive income attributed to the Company	358,564	101,756	230,941	33,857	699,889

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

Financial Data from the Consolidated Cash Flow Reports Attributed to the Company

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
Cash Flows from Current Company Activities					
Net profit (loss) attributed to the Company	368,315	59,815	232,892	(24,331)	677,832
Adjustments required to present cash flows from current Company activities:					
Adjustments to Company Statement of Operations items:					
The Company's share of the profits of investees	(76,764)	(21,495)	(41,019)	(1,976)	(160,287)
Taxes on income (tax benefit)	84,065	37,189	66,197	1,216	(7,844)
Loss (profit) from short-term Investments, net	308	786	10	325	(5,851)
Change in employee benefit liabilities, net	500	1,861	52	1,834	2,067
Increase in fair value of Investment property and Investment property under construction, net	(217,101)	(78,121)	(186,986)	(24,376)	(294,241)
Depreciation and amortization	2,317	1,708	1,143	847	3,592
Interest and revaluation of long-term credit, loans and debentures	46,636	39,490	27,298	63,418	128,078
Interest and revaluation of long-term deposits and debit balances	(16,650)	50,018	367	1,957	67,770
Profit from sale of property, plant and equipment	(3,039)	-	-	-	-
Loss from the merger of companies	16,772	-	16,772	-	18,755
Loss due to the realization of capital reserves of investees	-	55,554	-	55,554	-
	(162,956)	86,990	(116,166)	98,799	(247,961)
Changes in Company asset and liabilities items:					
Decrease (increase) in trade receivables	(17,357)	(1,209)	(13,735)	6,056	28,272
Decrease (increase) in other accounts receivable and long-term receivables	25,741	(10,950)	8,821	28,912	(43,421)
Increase (decrease) in trade liabilities	(10,691)	(1,767)	(19,279)	(11,278)	19,208
Increase (decrease) in other accounts payable	27,783	50,216	9,536	4,660	(92,925)
Increase in tenant security deposits	2,017	2,290	777	1,738	4,751
	27,493	38,580	(13,880)	30,088	(84,115)
Cash paid and received during the period at the Company for:					
Interest paid	(96,377)	(51,505)	(77,015)	(42,961)	(163,242)
Interest received	25	1,700	-	1,620	5,617
Taxes paid	(67,306)	(3,244)	(8,329)	(3,221)	(3,595)
	(163,658)	(53,049)	(85,344)	(44,562)	(161,220)
Net cash deriving from current activity before a decrease (increase) in inventory of land for residential construction	69,194	132,336	17,502	59,994	184,536
Decrease (increase) in inventory of land for residential construction	9,969	(5)	4,417	-	(5,136)
Net cash deriving from (used for) current Company activity	79,163	132,331	21,919	59,994	179,400

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

Financial Data from the Consolidated Cash Flow Reports Attributed to the Company

	For the 6 Months Ending June 30		For the 3 Months Ending June 30		For the Year Ending December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	Thousands of NIS				
<u>Cash Flows from the Company's Investment Activities</u>					
Acquisitions of and Investments in investment property	(56,188)	(22,513)	(30,383)	(7,919)	(65,308)
Investment in investment property under construction	(35,549)	(10,338)	(12,229)	(4,671)	(25,162)
Investment in property, plant and equipment	(418)	(330)	666	(83)	(672)
Proceeds from realization of fixed assets	3,599	-	-	-	-
Yield from the sale of short-term investments	1,664	254	(19,426)	(3)	28,916
Proceeds from the realization of investment property	50,488	101,332	11,120	56,325	121,499
Repayment (issue) of loans to investees, net	204,215	142,370	193,319	77,660	(106,205)
Cash receive in merger	-	-	-	-	112,936
Proceeds from Investment in investees	242	-	242	-	(4,000)
Dividends received from investees, net	36,575	5,677	33,697	9,677	11,516
Net cash derived from Company Investment activities	204,628	216,452	177,006	130,986	73,520
<u>Cash Flows from Company Financing Activity</u>					
Short-term credit, net	226,106	-	(211,211)	-	-
Repayment of long-term loans from financial institutions	(6,049)	(11,304)	(2,210)	(5,704)	(48,067)
Receipt of other long-term liabilities	-	815	(120)	445	1,235
Repayment of other long-term liabilities	(151,123)	(39,605)	(9,401)	(6,111)	(53,865)
Proceeds from the issue of debentures deposited in trust	282,705	10,640	282,705	-	-
Redemption of debentures	(675,281)	(82,059)	(667,433)	(74,219)	(135,477)
Redemption of perpetual loan	-	(11,500)	-	-	(8,101)
Net cash used in Company financing activities	(323,642)	(133,013)	(607,670)	(85,589)	(244,275)
<u>Increase (decrease) in cash and cash equivalents</u>	(39,851)	215,770	(408,745)	105,391	8,645
<u>Balance of cash and cash equivalents at the beginning of the period</u>	112,877	104,232	481,771	214,611	104,232
<u>Balance of cash and cash equivalents at the end of the period</u>	73,026	320,002	73,026	320,002	112,877
<u>(a) Material Non-Cash Company Activity</u>					
Sale of Investment property against long-term receivables	(16,996)	16,541	(8,545)	(3,641)	(635)

(*) Reclassified

The attached additional information constitutes an inseparable part of the financial data and separate financial information.

Additional Information

1. General

- A. This separate financial information has been compiled in a concise format as of June 30, 2020 and for the three- and six-month periods ending that date in accordance with regulation 38d of the securities regulations (periodic and immediate reports), 1970. This separate financial information must be seen in context of the Company's yearly financial statements for December 31, 2019 and the year ending that date and the accompanying additional information.

B. Impact of Covid-19 Coronavirus

Over the course of the first quarter of 2020, the world started to undergo a crisis with extensive macroeconomic implications originating in the spread of the Covid-19 coronavirus around the world, including in Israel. The world health organization declared the coronavirus a global pandemic and there is a great deal of uncertainty around the world as to whether it can be defeated with medications or vaccines, and how long this would take. Actions and directives taken by various countries, including Israel, as part of the response to the pandemic, which included or still include prohibitions or restrictions on business activity, limiting attendance at workplaces, closing borders and/or movement restrictions for the general population (international and domestic), shutting down schools and so on, have led to a global financial crisis, which has also reached Israel. Over the course of the second quarter of the year, the Israeli government decided to remove most of its restriction in order to allow a return to full business activity, however, due to a sharp increase in the number of Covid-19 patients, new restrictions were imposed, largely intended to enforce social distancing. This crisis was expressed, among other things, in a dramatic increase in the unemployment rate in Israel, a sharp drop in global stock markets (including the Tel Aviv stock exchange), fluctuating foreign exchange rates, and an increase in yields of corporate debentures due to the increase in risk levels.

As of the publication of this report, the economic crisis is still underway and its duration and full impact on business activity around the world and in Israel in particular cannot yet be estimated.

As of the publication of this report, and taking into account current uncertainty regarding the amount of time needed to find a vaccine or cure for the Covid-19 virus and make them accessible to the public, as well as the frequent and changing revisions of policies and decisions of governments and regulatory bodies in Israel and around the world, which have a material impact on economic activity as a whole, the Company does not have an option of assessing the scope of the impact of the continuation of the coronavirus crisis and its derivatives on the Company's future activity, and this will be impacted in accordance with the degree and scope of the realization of the relevant risk factors including the state of the Israeli economy, the global health crisis, economic slowdowns in foreign countries in which the group is active, a drop in tenant payment ability, a drop in demand for space, and a drop in rental prices.

The Company estimates that inasmuch as the above disruptions and restrictions will impact short-term business activity only, they will not have a material negative impact on the Company's activity and results. At the same time, the continuation of the economic crisis or its worsening over time May have negative implications for the Israeli economy and in this case, a negative impact on the Company's monetary results can be expected.

Since the start of the crisis, the Company's policy has been to continue with its ongoing activity in all segments, while implementing the emergency regulations and all government guidelines, and as such the Company continued with planning, development, marketing and management activity for company properties as well as examining acquisition transactions and participation in tenders issued by the Israel land authority and local authorities. Concurrently, company management is keeping daily track of developments in collecting rent and management payments from its tenants and occupancy rates in its properties. Most of the Company's Israeli revenues (88% of its total yearly revenues) derive from assets used for industry and logistics, for offices and businesses defined as vital and which are located in commercial centers, rented out to 2,609 tenants with abroad geographic and sectoral spread. The balance, at a rate of 12% of total yearly rental revenues, derives from income-generating properties zoned commercial that do not include businesses defined as vital. Due to the Covid-19 coronavirus crisis, the Company has received requests from some of its tenants to cancel, reduce and/or spread out rental fee and management payments for the months featuring restrictions and reduced business activity.

Additional Information

1. General (Continued)

Some of them claimed that the coronavirus crisis constituted force majeure. In specific cases in which the Company saw fit to accept its tenants' requests it allowed them to pay in accordance with a share of their proceeds subject to the fact that the relief would be decreased by the full level of the grant and/or benefit these tenants would be entitled to from the state due to the crisis. The Company estimates that as of the balance sheet date, the sum of amortization in rental payments that will be derived from granting this relief to company tenants in Israel and abroad amounts to 18 million NIS, 12 million of which is in Israel (without the amortization discount as a result of the provision of government assistance to these tenants). In other specific cases, the Company allowed specific tenants to spread out their payments and reached arrangements with them regarding the spread of the payments across coming months, and the Company estimates that most of the arrangements will be upheld by the tenants.

The average occupancy rate remained unchanged at 90.3% similar to the last 12-month average and according to company management's estimates, there is not expected to be a significant change in the average occupancy rate in the near future.

In addition, based on actions taken by company management including valuations carried out by independent outside valuers during the reported period on 127 of its assets with a value of 3.8 million NIS in which the value of the assets was preserved or underwent positive revaluation, among other things, due to an increase in appropriate rental fees and a drop in capitalization rate. After conducting discussions with independent outside appraisers and after an examination conducted by the Company, the Company estimates that as of the financial statements date, there is no need to revise the fair value of the balance of its income-generating assets.

C. Completion of Process of Structural Change

On November 4 2019 a structural change to which the Company was a party was completed, as follows: (a) Jerusalem Economy merged with and into the Company by way of a statutory merger in accordance with the First Chapter of the Eighth Part of the Companies Law (hereinafter – Statutory Merger), so that upon the completion of the merger Jerusalem Economy was eliminated without liquidation, in return for the allocation of Company shares to entitled shareholders of Jerusalem Economy on the basis of the replacement ratio of 1.935 regular Company shares worth 1 NIS NV for each regular Jerusalem Economy 1 NIS NV share. (b) Shemi Bar and B.R.A.P. (each of the companies, Shemi Bar and B.R.A.P. shall hereby be referred as the Target Company) were merged with and into the Company by way of statutory merger, in such a manner that upon the completion of the merger each of the Target Companies was eliminated without liquidation, in return for the allocation of Company shares to shareholders of the target Company by way of a private allocation. In addition, the Company undertook toward the shareholders in the target companies to receive a guaranteed stock rate for the allocated shares if and when these are sold by them, in whole or in part, during a period defined in the merger agreements. In addition, Jerusalem Economy Construction and Supervision Ltd., a Jerusalem Economy subsidiary, merged with and into Jerusalem Economy in a statutory merger, for no compensation.

The companies that participated in the structural change contacted the Israeli Tax Authority and received tax rulings on the tax implications that would apply to them, their shareholders and Jerusalem Economy debenture holders following the structural change described above.

The Company dealt with the above mergers with the exception of the B.R.A.P merger in a manner similar to the pooling of interests method. The Company prepared consolidated Financial Statements in order to reflect the merger as if it had happened at the start of the earliest period presented in the statements (January 1, 2017). In addition, the Consolidated Financial Statements include the Company's financial status on a consolidated basis, operating results and consolidated cash flows and that of the merged companies as if they had always been owned by the Company. The Consolidated Statements of Changes in Equity were also presented according to the "as pooling" method while making requisite adjustments to the various items absorbed into the Premium on Shares item in order to reflect the legal rights of the Company's majority shareholders and of its minority shareholders up to the merger date and subsequently, respectively.

Additional Information

1. General (Continued)

The impact of the merger on the rights of majority shareholder and minority shareholders was charged upon the merger date to premium on shares and to the principal from transactions with non-controlling interests, respectively. Until the completion of the merger, B.R.A.P was measured using the book value method. The merger of B.R.A.P was treated as an acquisition made in stages, capital rights held by the Group prior to achieving control are measured at fair value as of the date of purchase while being charged to gain/loss from the revaluation of the previous investments on the date control was achieved.

For additional details see Note 1c to the December 31, 2019 Consolidated Financial Statements

2. Significant Accounting Policies

- A. The accounting policy implemented in the preparation of this separate financial information is consistent with that implemented in preparing the separate financial information as of December 31, 2019.

3. Material Events During and After the Reported Period

- A. On January 2, 2020 the Company issued 18,231,293 non-tradable options for the purchase of 18,231,293 regular shares worth 1 NIS NV (hereinafter - the options) for each of the Company's workers and officers, including the Company CEO. Out of the total number of options issued, 9,523,819 options were issued to the CEO. For details on the terms of the options and parameters used to calculate the economic value of each of the options see note 30.a.(4) of the December 31, 2019 consolidated financial statements.
- B. On January 23 2020 standard & poor's Maalot announced that it was raising the Company's rating to ILAA-, and that it was raising the rating of its guaranteed debentures to ILAA and raising the rating of its non-guaranteed debentures including the series guaranteed by Darban shares to ILAA-.
- C. On December 26, 2018 the Company received tax assessments from the tax authority in accordance with their best judgement for 2013-2016, to the total sum of 74 million NIS (including interest and linkage). On February 27, 2020 the Company signed an assessment agreement for the years in question, in which the Company paid a total of 56 million NIS on that date. The signing of the assessment agreement had no material impact on the Company's monetary results.
- D. On March 3, 2020 the Company announced that it was changing its name to Mivne (K.D.) Ltd.
- E. On April 20 2020 the Company's general meeting ratified the amendment of regulation 81 to the Company's bylaws, in such a manner that the number of directors on the Company's board of directors would be no less than three and no more than seven (including external directors).
- F. On May 13, 2020 the Company announced a partial early redemption, initiated by the Company, of the Company's debentures (series o), carried out on June 1, 2020. The Company performed an early redemption of the debentures to the sum of 108,474,034 NIS NV and at a total sum of 118,763,066 NIS for principal and interest. The principal sum redeemed in the partial early redemption amounts to 108,474,034 NIS. The sum of interest accumulated, including the added interest for the partial early redemption up to the partial early redemption date is 10,289,032 NIS. The partial early redemption rate in terms of uncleared balance amounted to 87.8517% (the partial early redemption rate in terms of the original series including expansions amounted to 24.77249%). The interest rate paid in the partial early redemption, including the added interest for the partial early redemption, is 9.48525%. The interest rate paid in the partial early redemption, including the added interest for the partial early redemption, calculated according to the uncleared balance, is 8.33295%. The rates of partial redemptions remaining in the terms of the original series are 3.42559%. In accordance with the provisions of the deed of trust of series o, the redemption rate is 1.0948525 NIS per each 1 NIS NV debenture (series o) redeemed and 1 NIS for each 1 NIS NV debenture (series o) redeemed after neutralizing interest the Company listed a one-time expense of 8.2 million NIS due to the partial early redemption.

Additional Information

3. Material Events During and After the Reported Period (Continued)

- G. On May 13, 2020 the Company announced a full early redemption, initiated by the Company, of the Company's debentures (series v), carried out on June 1, 2020. The Company performed an early redemption of the debentures to the sum of 284,639,172 NIS NV and at a total sum of 299,337,848 NIS for principal and interest. The interest rate accumulated, including the added interest for the partial early redemption until the redemption date, is 14,698,676 NIS. The interest rate paid in the early redemption, including the added interest for the early redemption, is 5.16397% in accordance with the provisions of the deed of trust of series v, on the early redemption date, the Company paid the holders of the debentures (series v) according to a redemption rate of 1.0516397 NIS per each 1 NIS NV debenture (series v) redeemed and 1 NIS for each 1 NIS NV debenture (series v) redeemed after neutralizing interest. The Company listed a one-time expense of 8.6 million NIS due to the early redemption.
- H. On May 14, 2020 the Company issued 243,913,000 NIS NV debentures (series p) in return for a total of 284.4 million NIS.
- I. On June 2 2020 the Company announced that a partnership fully owned by the Company, made and offer to the holders of debentures (series o) to purchase all of the debentures (series o) held by them at the same redemption rate set in the partial early redemption as noted above. Responding to the purchase order were debenture holders holding debentures worth 1,494,640 NIS NV in return for 1.636 million NIS (9.96% response to purchase offer).
- J. On June 26, 2020 standard & poor's Maalot announced that it was ratifying the Company's rating at Ilaa-stable outlook.
- K. On august 13, 2020 the Company's board of directors approved a distribution of dividends to the sum of 55 million NIS (of this a sum of 5.3 million NIS would be distributed to Darban Investments Ltd, a fully owned subsidiary holding company shares). The dividend per share is 0.068 NIS.

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