



Mivne Real Estate (K.D) Ltd.

(“The company”)

Quarterly financial statements – for the period
ended June 30 2021

This is an English translation of the Hebrew consolidated Interim financial statements, that was published on August 15, 2021 (reference no.: 2021-01-131706) (hereafter: “the Hebrew Version”). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.



Mivne Real Estate (K.D) Ltd.

Consolidated Interim Financial Statements
As of June 30 2021

Unaudited

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

Introduction

We have reviewed the accompanying financial information of Mivne Real Estate (K.D) Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2021 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 17.5% of total consolidated assets as of June 30, 2021, and whose revenues included in consolidation constitute approximately 12.6% and 10.5% 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 NIS 155 million as of June 30, 2021, and the Company's share of their losses amounted to approximately NIS 2.5 million and NIS 1 million for the nine 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 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 on those of other accountants, nothing has come to our attention that causes us to believe that the financial information is not prepared, in all material aspects, 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.

Tel-Aviv,
August 12, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young
Global

Consolidated Statements of Financial Position

	As of June 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	214,499	579,132	431,706
Short-term investments and deposits	143,232	76,870	69,288
Limited cash and funds in trust	80,256	26,755	63,851
Trade receivable	39,939	59,845	50,117
Other accounts receivables	94,973	169,193	157,342
Taxes receivable	15,258	37,300	20,150
Inventory of land, apartments and buildings for sale and under construction	410,937	221,403	175,540
	999,094	1,170,498	967,994
<u>Assets held for sale</u>	110,288	64,152	50,724
	1,109,382	1,234,650	1,018,718
<u>Non-Current Assets</u>			
Deposits in banking corporations	-	45,135	-
Other accounts receivables	27,745	343,872	20,301
Investments in financial assets measured at fair value via other comprehensive income	-	-	85,633
Investments in companies accounted for at equity	281,110	356,180	294,304
Advance payments on account of investment property	192,667	-	-
Investment property	10,816,807	10,859,340	10,993,476
Investment property under development	533,304	189,329	167,870
Inventory of land for construction	16,654	47,875	389,072
Fixed assets, net	104,191	68,749	83,722
Intangible assets, net	27,128	27,128	27,128
Deferred taxes	241	1,338	1,471
	11,999,847	11,938,946	12,062,977
	13,109,229	13,173,596	13,081,695

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

Consolidated Statements of Financial Position

	As of June 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Liabilities</u>			
Credit from banks and credit providers	15,000	357,300	22,150
Current maturities of debentures	368,162	290,097	405,327
Current maturities of loans and other liabilities	391,881	122,623	246,351
Trade payables	52,687	60,393	34,252
Accounts payable	171,782	181,375	211,053
Advance payments from buyers	38,336	21,408	2,725
Taxes payable	14,122	40,022	49,642
	1,051,970	1,073,218	971,500
<u>Non-Current Liabilities</u>			
Loans from banking corporations and financial institutions	831,555	1,236,011	982,916
Debentures	3,312,295	3,541,871	3,635,402
Other liabilities	100,675	124,616	116,461
Tenant deposits	38,835	41,768	37,400
Employee benefit liabilities	7,921	7,960	7,781
Deferred taxes	1,333,953	1,244,677	1,268,237
	5,625,234	6,196,903	6,048,197
<u>Equity Attributable to Company Shareholders</u>			
Stock capital	1,526,222	1,509,503	1,515,298
Share premium	3,716,971	3,607,405	3,634,931
Buy options	-	-	14,456
Capital reserve from tradable securities	-	-	(11,526)
Reserve in respect of share-based payment transactions	20,286	11,908	17,122
Treasury shares	(641,127)	(641,127)	(641,127)
Retained earnings	2,012,711	1,599,671	1,718,294
Capital reserve in respect of cash flow hedging transaction	-	(3,784)	-
Adjustments arising from the translation of the financial statements of foreign activity	99,358	119,016	104,943
Capital reserve from transactions with minority shareholders	(279,026)	(279,026)	(279,026)
	6,455,395	5,923,566	6,073,365
<u>Non-Controlling Interests</u>	(23,370)	(20,091)	(11,367)
<u>Total equity</u>	6,432,025	5,903,475	6,061,998
	13,109,229	13,173,596	13,081,695

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

August 12 2021
Approval Date of the
Financial Statements

Tal Fuhrer
Chairman of the Board
of Directors

David Zvida
Chief Executive
Officer

Yossi Filiba
Chief Financial
Officer

Consolidated Statements of Profit or Loss

	For the 6 months ending June 30		For the 3 months ending June 30		Year Ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS (Except for Net Profit per Share Data)				
<u>Revenues</u>					
Rental and management fee income – Israel	375,121	364,650	192,408	174,156	748,467
Rental and management fee income – abroad	61,315	65,929	28,317	28,836	131,589
Sale of apartments and land	162,355	61,675	110,497	31,181	162,347
From management of buildings and infrastructure	251	1,126	96	575	1,538
From solar installations, net	3,007	2,057	1,994	1,409	3,829
From the sale of fuels, net	571	345	262	143	1,237
Total revenues	602,620	495,782	333,574	236,300	1,049,007
<u>Expenses</u>					
Maintenance expenses – Israel	78,786	75,950	40,244	33,690	167,295
Maintenance expenses – abroad	23,013	23,951	10,971	11,164	48,658
Cost of apartments and land sold	137,152	41,013	99,755	21,155	121,405
Total cost of sales and services	238,951	140,914	150,970	66,009	337,358
Gross profit	363,669	354,868	182,604	170,291	711,649
Increase in value of investment property and investment property under development, net	268,658	239,424	196,434	210,893	299,389
Sales and marketing expenses	2,753	2,188	1,594	696	4,402
Administrative and general expenses	41,435	56,767	20,670	24,341	106,930
Increase (decrease) in value of inventory of land for construction	-	449	-	123	(553)
Other revenues (expenses), net	11,224	45,926	12,514	(9,104)	57,779
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	12,979	-	16,975	-	-
The Company's share of the profits (losses) of companies handled using the book value method, net	(135)	5,144	2,320	1,256	6,610
Operating profit	612,207	586,856	388,583	348,422	963,542
Financing expenses	127,952	96,760	97,251	25,200	185,059
Loss from early redemption of debentures and loans	13,903	16,772	-	16,772	23,011
Financing revenues	7,574	8,168	3,533	2,688	9,716
Profit before taxes on income	477,926	481,492	294,865	309,138	765,188
Taxes on income	84,839	120,230	52,475	70,815	188,458
Net profit	393,087	361,262	242,390	238,323	576,730
Attributed to:					
Company shareholders	390,708	368,315	241,220	232,892	577,224
Non-controlling interests	2,379	(7,053)	1,170	5,431	(494)
	393,087	361,262	242,390	238,323	576,730
<u>Profit per share attributed to company shareholders (in NIS)</u>					
Basic net income	0.53	0.50	0.32	0.32	0.79
Diluted net income	0.52	0.50	0.32	0.32	0.78

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

Consolidated Statements of Comprehensive Income

	For the 6 months ending June 30		For the 3 months ending June 30		Year Ended December 31, 2020
	2021	2020	2020	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Net profit	393,087	361,262	242,390	238,323	576,730
Other comprehensive profit (loss) (after tax influence):					
<u>Sums restated to gain or loss under specific conditions:</u>					
Profit (loss) due to cash flow hedging transactions	-	(52)	-	-	3,732
<u>Adjustments</u> arising from the translation of the financial statements of foreign activity	5,732	(10,952)	5,966	(6,892)	(21,534)
<u>Realization</u> of capital reserve to gain or loss due to the realization of foreign activity	(12,979)	-	(16,975)	-	-
	(7,247)	(11,004)	(11,009)	(6,892)	(17,802)
<u>Items not reclassified to gain/loss:</u>					
Profit (loss) due to investment in financial asset measured at <u>fair</u> value via other comprehensive income	15,235	-	12,341	-	(11,526)
	15,235	-	12,341	-	(11,526)
Total other comprehensive income (loss)	7,988	(11,004)	1,332	(6,892)	(29,328)
Total comprehensive income	401,075	350,258	243,722	231,431	547,402
Attributed to:					
Company shareholders	400,358	358,564	242,691	230,941	545,658
Non-controlling interests	717	(8,306)	1,031	490	1,744
	401,075	350,258	243,722	231,431	547,402

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Share capital	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Treasury shares	Retained earnings	Reserve in respect of share-based payment transactions	Adjustments arising from the translation of the financial statements of foreign activity and other funds	Capital Reserve from Transactions with Non-Controlling Interests	Total	Non-controlling interests	Total Equity
	Unaudited											
	Thousands of NIS											
Balance as of January 1 2021 (Audited)	1,515,298	3,634,931	14,456	(11,526)	(641,127)	1,718,294	17,122	104,943	(279,026)	6,073,365	(11,367)	6,061,998
Net profit	-	-	-	-	-	390,708	-	-	-	390,708	2,379	393,087
Realization of capital reserve to Statement of Operations	-	-	-	-	-	-	-	(12,979)	-	(12,979)	-	(12,979)
Other comprehensive income (loss)	-	-	-	15,235	-	-	-	7,394	-	22,629	(1,662)	20,967
Total comprehensive income (loss)	-	-	-	15,235	-	390,708	-	(5,585)	-	400,358	717	401,075
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	-	-	(10,639)	(10,639)
Classification of capital reserve upon realization of securities	-	-	-	(3,709)	-	3,709	-	-	-	-	-	-
Exercise of employee options	54	396	-	-	-	-	(450)	-	-	-	-	-
Stock offering	10,870	81,644	(14,456)	-	-	-	-	-	-	78,058	-	78,058
Dividend to Company shareholders	-	-	-	-	-	(100,000)	-	-	-	(100,000)	-	(100,000)
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	-	-	-	(2,081)	(2,081)
Share-based payment	-	-	-	-	-	-	3,614	-	-	3,614	-	3,614
Balance as of June 30 2021	1,526,222	3,716,971	-	-	(641,127)	2,012,711	20,286	99,358	(279,026)	6,455,395	(23,370)	6,432,025

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders							Total	Non-controlling interests	Total Equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Hedge capital fund	Reserve in respect of share-based payment transactions	Adjustments deriving from the translation of the financial statements of foreign activity and other funds				Capital Reserve from Transactions with Non-Controlling Interests
	Unaudited										
	Thousands of NIS										
<u>Balance as of January 1 2020</u> (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
<u>Balance as of June 30 2020</u>	<u>1,509,503</u>	<u>3,607,405</u>	<u>(641,127)</u>	<u>1,599,671</u>	<u>(3,784)</u>	<u>11,908</u>	<u>119,016</u>	<u>(279,026)</u>	<u>5,923,566</u>	<u>(20,091)</u>	<u>5,903,475</u>

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Stock capital	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Treasury shares	Retained earnings	Reserve in respect of share-based payment transactions	Adjustments arising from the translation of the financial statements of foreign activity and other funds	Capital Reserve from Transactions with Non-Controlling Interests	Total	Non-controlling interests	Total Equity
	Unaudited											
	Thousands of NIS											
Balance as of April 1 2021	1,515,298	3,634,931	14,456	(8,632)	(641,127)	1,817,782	19,083	110,228	(279,026)	6,182,993	(22,320)	6,160,673
Net profit	-	-	-	-	-	241,220	-	-	-	241,220	1,170	242,390
Realization of capital reserve to Statement of Operations	-	-	-	-	-	-	-	(16,975)	-	(16,975)	-	(16,975)
Other comprehensive income (loss)	-	-	-	12,341	-	-	-	6,105	-	18,446	(139)	18,307
Total comprehensive income (loss)	-	-	-	12,341	-	241,220	-	(10,870)	-	242,691	1,031	243,722
Classification of capital reserve upon realization of securities	-	-	-	(3,709)	-	3,709	-	-	-	-	-	-
Exercise of employee options	54	396	-	-	-	-	(450)	-	-	-	-	-
Stock offering	10,870	81,644	(14,456)	-	-	-	-	-	-	78,058	-	78,058
Dividend to Company shareholders	-	-	-	-	-	(50,000)	-	-	-	(50,000)	-	(50,000)
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	-	-	-	(2,081)	(2,081)
Share-based payment	-	-	-	-	-	-	1,653	-	-	1,653	-	1,653
Balance as of June 30 2021	<u>1,526,222</u>	<u>3,716,971</u>	<u>-</u>	<u>-</u>	<u>(641,127)</u>	<u>2,012,711</u>	<u>20,286</u>	<u>99,358</u>	<u>(279,026)</u>	<u>6,455,395</u>	<u>(23,370)</u>	<u>6,432,025</u>

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders								Non-Controlling Interests	Total Equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Hedge capital fund	Reserve in respect of share-based payment transactions	Adjustments from the translation of financial statements of Foreign Activity and Other Funds	Capital Reserve from Transactions with Non-Controlling Interests			Total
	Unaudited										
	Thousands of NIS										
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 inseparable part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders											
	Stock capital	Share premium	Buy options	Capital reserve due to financial assets measured at fair value via other comprehensive income:	Treasury shares	Retained earnings	Reserve in respect of share-based payment transactions	Adjustments arising from the translation of the financial statements of foreign activity and other funds	Capital Reserve from Transactions with Non-Controlling Interests	Total	Non-Controlling Interests	Total Equity
	Audited											
	Thousands of NIS											
<u>Balance as of January 1 2020</u>	1,509,503	3,607,405	-	-	(641,127)	1,231,356	2,694	124,983	(263,678)	5,571,136	(14,763)	5,556,373
Net profit (loss)	-	-	-	-	-	577,224	-	-	-	577,224	(494)	576,730
Other comprehensive income (loss)	-	-	-	(11,526)	-	-	-	(20,040)	-	(31,566)	2,238	(29,328)
Total comprehensive income (loss)	-	-	-	(11,526)	-	577,224	-	(20,040)	-	545,658	1,744	547,402
Issue of call options	-	-	14,456	-	-	-	-	-	-	14,456	-	14,456
Issue of shares for the acquisition of investment property	5,795	27,526	-	-	-	-	-	-	-	33,321	-	33,321
Allocation of capital deficit attributed to non-controlling interests	-	-	-	-	-	-	-	-	(4,260)	(4,260)	4,260	-
Departure from consolidation by consolidated company	-	-	-	-	-	-	-	-	(11,088)	(11,088)	-	(11,088)
Dividends paid to Company shareholders	-	-	-	-	-	(90,286)	-	-	-	(90,286)	-	(90,286)
Dividends paid holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,608)	(2,608)
Share-based payment	-	-	-	-	-	-	14,428	-	-	14,428	-	14,428
<u>Balance as of December 31 2020</u>	<u>1,515,298</u>	<u>3,634,931</u>	<u>14,456</u>	<u>(11,526)</u>	<u>(641,127)</u>	<u>1,718,294</u>	<u>17,122</u>	<u>104,943</u>	<u>(279,026)</u>	<u>6,073,365</u>	<u>(11,367)</u>	<u>6,061,998</u>

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

Consolidated Cash Flow Reports

	For the 6 Months Ending June 30		For the 3 months ending June 30		For the Year Ending December 31
	2021	2020	2020	2020	2020
	Unaudited				Audited
Thousands of NIS					
Cash Flows from Current Activity					
Net profit	393,087	361,262	242,390	238,323	576,730
Adjustments needed to reconcile net income to net cash from current activity					
Adjustments to profit or loss items:					
Depreciation and amortization	2,328	3,010	1,148	1,462	5,301
Loss (profit) from short-term investments, net	(7,570)	283	(6,109)	(7,313)	6,191
Increase in fair value of investment property and investment property under development, net	(268,658)	(239,424)	(196,434)	(210,893)	(299,389)
The Group's share of losses (profits) of associates handled using the book value method, net	135	(5,144)	(2,320)	(1,256)	(6,610)
Interest and revaluation of debentures and loans	116,270	53,672	76,383	31,323	124,326
Change in employee benefit liabilities, net	140	500	83	52	321
Interest and revaluation of deposits and debit balances	11,677	34,637	23,443	(1,498)	44,826
Capital gain, net	-	(3,039)	-	-	(3,039)
Taxes on income	84,839	120,230	52,475	70,815	188,458
Loss (profit) from the impairment of inventory of land for construction and inventory of buildings and apartments for sale	-	(449)	-	(123)	553
Realization of capital reserve from translation differences to Statement of Operations	(12,979)	-	(* (16,975)	-	-
Profit from the realization of investment in associate	-	(71,662)	-	-	(69,005)
Loss from early redemption of debentures and loans	13,903	16,772	-	16,772	23,011
Share-based payment	3,614	9,214	1,653	3,663	14,428
	(56,301)	(81,400)	(66,653)	(96,996)	29,372
Changes in asset and liability items:					
Decrease (increase) in trade receivables	10,092	(24,178)	9,620	(19,025)	(14,858)
Decrease (increase) in other receivables	33,052	(31,930)	(8,740)	(5,166)	(22,797)
Increase (decrease) in trade liabilities	18,439	2,025	18,921	(11,138)	(24,686)
Increase (decrease) in payables, credit balances and liabilities due to contract	(52,874)	62,905	(* (44,837)	(18,411)	24,308
Increase (decrease) in tenant security deposits	1,438	(1,685)	1,481	804	(5,927)
	10,147	7,137	(23,555)	(52,936)	(43,960)
Cash paid and received during the reported period for:					
Interest paid	(78,668)	(103,935)	(56,086)	(80,611)	(186,886)
Interest received	3,815	4,110	1,164	455	4,540
Taxes paid	(21,138)	(76,557)	(5,298)	(11,722)	(85,671)
Taxes received	11,389	51	9,675	12	18,260
Dividends received	6,832	-	6,832	-	58,443
	(77,770)	(176,331)	(43,713)	(91,866)	(191,314)
Net cash deriving from (used for) current activity before a decrease in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	269,163	110,668	108,469	(3,475)	370,828
Decrease in inventory of apartments and houses for sale under construction, land for sale and inventory of land for construction.	149,405	9,021	129,421	5,023	36,958
Net cash deriving from current activity	418,568	119,689	237,890	1,548	407,786

*) Reclassified.

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

Consolidated Cash Flow Reports

	For the 6 months ending June 30		For the 3 months ending June 30		For the Year Ending December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
<u>Cash Flows from Investment Activity</u>					
Purchases, advance payments and investments in investment property	(283,584)	(62,170)	(225,638)	(33,905)	(177,120)
Investment in investment property under development	(58,641)	(35,549)	(39,786)	(12,229)	(74,409)
Investment in fixed assets	(23,416)	(4,375)	(12,987)	(3,113)	(22,049)
Investment and loans to companies handled using the book value method, net	(2,400)	-	-	-	-
Proceeds from the realization of short-term investments (investment in investments), net	25,236	(6,118)	68,834	(27,625)	(121,630)
Proceeds from the realization of investment property and real estate held for sale	109,407	290,527	36,554	77,775	431,278
Proceeds from the realization of fixed assets	-	3,599	-	-	3,599
Proceeds from the sale of shares and redemption of shareholder loans of investee sold	-	215,017	-	9,796	215,428
Repayment of long-term loans granted, net	-	2,057	-	1,089	2,118
Repayment of long-term deposits	-	-	-	-	45,844
Proceeds received (paid) from the realization of investment in subsidiary consolidated in the past, net (a)	55,695	(225)	42,056	(225)	(225)
Net cash derived from (used in) investment activity	(177,703)	402,763	(130,967)	11,563	302,834
<u>Cash Flows from Financing Activity</u>					
Dividends paid to Company shareholders	(100,000)	-	(100,000)	-	(90,286)
Issue of shares as a result of option exercise	78,058	-	78,058	-	-
Issue of debentures	-	282,705	-	282,705	585,126
Redemption of debentures	(414,581)	(676,790)	(143,682)	(668,942)	(765,157)
Short-term credit from banking corporations and others, net	(12,500)	354,014	-	(243,921)	18,884
Receipt of loans from banks and other long-term liabilities	34,800	-	10,400	-	1,032
Repayment of loans from banks and other long-term liabilities	(40,540)	(329,549)	(20,896)	(18,131)	(456,021)
Dividend paid to holders of non-controlling interests	(2,081)	(1,282)	(2,081)	(1,282)	(2,608)
Net cash used in financing activities	(456,844)	(370,902)	(178,201)	(649,571)	(709,030)
<u>Increase (decrease) in cash and cash equivalents</u>	(215,979)	151,550	(71,278)	(636,460)	1,590
<u>Exchange rate differences due to balances of cash and cash equivalents</u>	(1,228)	792	(330)	206	3,326
<u>Balance of cash and cash equivalents at the beginning of the period</u>	431,706	426,790	286,107	1,215,386	426,790
<u>Cash and cash equivalents balance at end of period</u>	214,499	579,132	214,499	579,132	431,706

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

Consolidated Cash Flow Reports

	For the 6 months ending		For the 3 months ending		For the Year
	June 30		June 30		Ending
	2021	2020	2021	2020	December 31
	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	(3,427)	118	(140)	118	118
Investment property and investment property under development	70,305	-	42,740	-	-
Other long-term assets and fixed assets	-	-	-	-	10,745
Inventory of land	-	10,745	-	10,745	-
Capital loss	(544)	-	(544)	-	-
Non-controlling interests	(10,639)	(11,088)	-	(11,088)	(11,088)
	<u>55,695</u>	<u>(225)</u>	<u>42,056</u>	<u>(225)</u>	<u>(225)</u>
(b) <u>Additional information on material actions not involving cash flows:</u>					
Classification from investment property and balance of long-term receivables to inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,500</u>
Purchase of investment property and investment property under construction against the issue of shares and put option	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,708</u>
Purchase of investment in financial asset measured at fair value via other comprehensive income against the issue of put options	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,456</u>

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

Notes to the Consolidated Interim Financial Statements

Note 1: - General

A. These Financial Statements have been prepared in a concise format as of June 30 2021 and for the six and three month periods ending that date (hereinafter – Interim Consolidated Financial Statements). These Statements should be read in conjunction with of the Company's Annual Financial Statements as of December 31 2020 and for the year ending that date and accompanying notes (hereinafter – the Annual Consolidated Financial Statements).

b. Impact of Covid-19 Coronavirus

The first half of 2021 was characterized by recovery from the crisis deriving from the spread of Covid-19 (hereinafter – the Covid-19 Pandemic), after the Israeli Government imposed various lockdowns and restrictions over the course of 2020 and at the beginning of 2021 in accordance with the rate of infection in Israel. The last lockdown continued to February 2021, and only then was business activity allowed to gradually resume. By early June 2021 most of the restrictions had already been lifted from the economy and regular business activity had resumed, but in recent weeks a regression has taken place, and some of the restrictions have been reimposed due to a new outbreak of the pandemic in Israel. Therefore, as of now uncertainty exists regarding the continued policy and activities of the new government on the subject and their implications on the economy and on business activity.

Since the start of the spread of the Covid-19 pandemic, the Company's policy has been to maintain continuity of its ongoing activity in all segments, while implementing legal provisions and protecting the health of its workers, tenants and visitors to its properties. As such, the Company has continued with planning, development, marketing, rental and management activity for Company properties and purchased real estate properties in Israel and participated in tenders issued by the Israel Land Authority and local authorities. Most of the Company's Israeli revenues derive from assets used for industry and logistics, for offices and businesses defined as vital (including those located in commercial centers).

As of the balance sheet date, the sum of amortization in rental payments derived from granting this relief to Company tenants in Israel and abroad amounted to 11 million NIS (without the amortization discount as a result of the provision of government assistance to these tenants), charged as a decrease in revenues over the course of the first half of 2021.

Company management and the Board of Directors estimate at this time that the Company's financial fortitude, as expressed, among other things, in the Company's high cash balances and unused credit framework amounting to 1.4 billion NIS as of the publication of this report, cash-generating properties in a variety of segments and broad geographical distribution in Israel occupied at high occupancy rates, a low leverage rate, the extended life span of most of its loans, accessibility to the domestic capital market and unpledged real estate properties to the sum of some 3.3 billion NIS, will allow it to limit the potential impact of the crisis on its activity and meet its existing and expected obligations in the foreseeable future.

Notes to the Consolidated Interim Financial Statements

Note 2: – Principal Accounting PoliciesA. Basis of Preparation of the Interim Consolidated Financial Statements

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

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

A. Initial adoption of amendments to existing financial reporting and accounting standards:1. Revisions to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IFRS 39 on the Reform in IBOR Interest Rates

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

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

In accordance with one of the practical reliefs, the Company will handle contractual amendments or amendments to cash flows directly required as a result of implementation of the reform similar to the accounting treatment of changes in variable interest rates. In other words, a company needs to recognize the changes in interest rates by adjusting the effective interest rate without altering the book value of the financial instrument. Use of this practical relief is dependent on the fact that the change from IBOR to RFR occurs on the basis of equal economic conditions. In addition, the Amendments allow the changes required by the IBOR reform to be made to the designation of the hedging and the documentation without halting the hedging relationships when certain conditions are met. Pursuant to the Amendments, a temporary practical relief was also given in connection with the implementation of hedge accounting pertaining to identifying the hedged risk as “identifiable separately.”

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

The above revisions are not expected to have a material impact on the Company’s Interim Financial Statements.

Notes to the Consolidated Interim Financial StatementsNote 2: – Principal Accounting Policies (Continued)2. Revision to IAS 12 Taxes on Income

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

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

The Amendment shall be applied to yearly reporting periods starting January 1 2023 or subsequently. Early implementation is possible. Regarding lease agreements and recognition of liabilities due to disassembly and renovation – the Amendment will be implemented starting from the start of the earliest reporting period presented in the Financial Statements in which the amendment was implemented for the first time, while charging the cumulative impact of the first-time implementation to the surpluses opening balance (or some other capital component, as relevant) as of this date.

The Company estimates that the above revision will not have a material impact on the Company’s Financial Statements.

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

<u>Rate of Change during the Period</u>	<u>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>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
June 30 2021 (6 months)	1.6	1.4	1.4	(1.8)	4.3	(3.2)
June 30 2021 (3 months)	0.8	1.3	(2.2)	(1.0)	(0.6)	(0.2)
June 30 2020 (6 months)	(0.8)	(0.7)	0.3	0.1	(4.6)	1.9
June 30 2020 (3 months)	(0.7)	(0.2)	(2.8)	(0.4)	1.2	(1.2)
December 31 2020	(0.7)	(0.6)	(7.0)	1.7	(5.0)	2.1
	<u>CPI (in points)</u>		<u>Representative rate of exchange (in NIS)</u>			
June 30 2021	134.76	134.63	3.26	3.875	2.629	3.532
June 30 2020	132.50	132.63	3.466	3.883	2.531	3.643
December 31 2020	132.6	132.7	3.215	3.944	2.521	3.649

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

Notes to the Consolidated Interim Financial StatementsNote 3: – Concise Darban Data

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

A. Consolidated Balance Sheets

	As of June 30		As of December 31
	2021	2020	2020
	Unaudited		Audited
	Thousands of NIS		
<u>Current Assets</u>			
Cash and cash equivalents	9,715	206,431	6,506
Investments in financial assets	97,095	31,583	23,969
Current maturities of long-term deposits	45,815	45,136	45,181
Others	17,455	24,759	23,599
	<u>170,080</u>	<u>307,909</u>	<u>92,255</u>
Assets held for sale	-	93	-
	<u>170,080</u>	<u>308,002</u>	<u>99,255</u>
<u>Non-Current Assets</u>			
Investment in shares of parent company	842,593	701,452	799,508
Long-term deposits	-	45,135	-
Investments in associates handled using the book value method	131,421	163,314	136,934
Investment property	987,558	966,757	975,698
Others	4,653	5,156	4,738
	<u>1,966,225</u>	<u>1,881,814</u>	<u>1,916,878</u>
	<u>2,136,305</u>	<u>2,189,816</u>	<u>2,016,133</u>
<u>Current Liabilities</u>			
Credit from financial institutions	-	130,961	-
Accounts payable and credit balances	22,046	17,923	25,787
Current maturities of long-term loans	24,539	24,434	24,941
Current maturities of loan from parent company	37,690	254,038	65,212
Others	7,611	9,230	4,160
	<u>91,886</u>	<u>436,586</u>	<u>120,100</u>
<u>Non-Current Liabilities</u>			
Long-term loans from financial institutions	160,889	183,052	163,452
Loan from parent company	73,642	-	31,792
Other long-term liabilities	15,000	15,000	15,000
Deferred taxes	175,612	130,734	158,916
	<u>425,153</u>	<u>328,786</u>	<u>369,160</u>
Total Equity	<u>1,619,266</u>	<u>1,424,444</u>	<u>1,526,873</u>
	<u>2,136,305</u>	<u>2,189,816</u>	<u>2,016,133</u>

Notes to the Consolidated Interim Financial StatementsNote 3: – Concise Darban Data (Continued)

B. Consolidated Statements of Operations

	For the 6 months ending June 30		For the 3 months ending June 30		For the Year Ending December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
<u>Revenues</u>					
From building rental, management and maintenance in Israel	34,507	36,512	17,028	18,284	72,866
From building rental, management and maintenance abroad and others	1,471	3,326	446	1,590	6,473
Total revenues	35,978	39,838	17,474	19,874	79,339
<u>Costs</u>					
Cost of building management and maintenance	4,624	4,583	2,281	2,472	10,856
Gross profit	31,354	35,255	15,193	17,402	68,483
Increase in fair value of investment property, net	38,901	8,213	39,411	8,322	12,415
Administrative and general and sales and marketing expenses	5,586	5,935	2,383	2,664	13,708
Company share of losses of investees treated according to the book value method	5,757	7,563	3,463	6,821	11,082
Realization of capital reserve due to adjustments from the translation of financial statements for foreign activity	(3,996)	-	-	-	-
Other revenues	-	63	-	-	66
Profits from regular activities	66,430	45,159	55,684	29,881	78,338
Financing revenues (expenses), net	13,591	(8,303)	6,086	2,708	(14,843)
Profit from the realization of consolidated companies and an investee according to the book value method	373	71,626	-	-	68,315
Profit after financing	80,394	108,482	61,770	32,589	131,810
Tax expenses	12,329	24,109	10,359	3,906	21,148
Net profit	68,065	84,373	51,411	28,683	110,626
Attributed to:					
Company shareholders	67,938	84,457	51,391	29,080	109,553
Non-controlling interests	127	(84)	20	(397)	1,073
	68,065	84,373	51,411	28,683	110,626

Notes to the Consolidated Interim Financial Statements

Note 3: – Concise 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 December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Thousands of NIS				
Net cash deriving from current activity	36,390	20,339	27,842	12,308	60,947
Net cash derived from (used in) investment activity	(50,355)	211,173	(62,938)	(41,230)	255,134
Net cash deriving from (used in) financing activity	17,179	(86,133)	24,828	(232,287)	(371,430)
Translation differences due to cash balances held in foreign currency	(5)	(335)	(781)	(89)	468
Increase (decrease) in cash and cash equivalents	3,209	145,044	(11,049)	(261,298)	(54,881)
Balance of cash and cash equivalent balance at start of year	6,506	61,387	20,764	467,729	61,387
Balance of cash and cash equivalents at the end of the year	9,715	206,431	9,715	206,431	6,506

Notes to the Consolidated Interim Financial Statements

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

- A. On January 7 2021 the Company announced that the Local Committee had approved an excavation, paneling and foundations permit for Hasolelim Project in Tel Aviv and that the Company was preparing for the start of these works. As a result of the state of works in February 2021, the Company classified the inventory of land attributed for apartments to a sum of 337 million NIS to current assets and the land attributed to office buildings to the sum of 326 Million NIS from investment property to investment property under development. On May 12 2021 the Company announced that it was starting marketing for some of the project's housing units.
- B. On February 23 2021 the Company performed, at its initiative, an early redemption of Company debentures (Series U) to the sum of 222,344,571 NIS NV and at a total sum of 249,515,078 NIS for principal and interest. The principal sum redeemed via early redemption amounted to 222,344,571 NIS. The accrued interest sum, including the added interest for the full early redemption, for the sum of the principal, as of the early redemption date, is 27,170,507 NIS. As a result of the early redemption the Company recognized a loss in its Statement of Operations for the first quarter of 2021 to the sum of 13,903,000 NIS. The interest rate and the added interest for the full early redemption, calculated for the uncleared balance, is 12.22%.
- C. On March 18 2021 the Company's Board of Directors approved a distribution of dividends payment of which began on April 12 2021 to the sum of 55.3 million NIS (of this a sum of 5.3 million NIS was distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend sum per share is 0.06759 NIS.
- D. On March 26 2021, a fully-owned Company subsidiary holding rights to an office property in France, sold its full rights to this property to a third party, for a total of 62 million NIS (€15.75 million). As of December 31 2020 the value of the property in the Company's books was 56.8 million NIS (€14.4 million). The cash flow created for the Company from the sale (before tax and before transaction expenses) amounts to 62 million NIS and the profit amounts to 5.3 million NIS.
- E. On April 17 2021 the sale of companies in Serbia was completed and the full proceeds were received by the seller, a company fully owned by the Company. The free cash flow created for the Company from the sale (before tax and before transaction expenses) amounts to 42 million NIS (€10.8 million).
- F. On April 21 2021 the Company announced that it had allocated to three recipients from the Phoenix Group 10,869,484 Company shares as a result of the exercise of a Call option for the purchase of Company shares granted them, in return for the receipt of an exercise price of 78 million NIS.
- G. On May 11 2021 the Company entered into a framework agreement with three corporations of the Aura Group (hereinafter – the Sellers) to purchase rights to 290 housing units and 4,000 m² of office space located in a number of locations in central Israel in return for a total of 590 million NIS plus VAT (and linkage difference to the Construction Inputs Index), which will be paid according to milestones, which primarily are: 20% to the date the vouchers are produced and 80% near the delivery of the property. For each such payment, the relevant seller shall provide the Company with Sales Law guarantees. Pursuant to the framework agreement in question, the Company also entered into an agreement to purchase rights in student dormitories in Kiryat Ono in return for a total of 57 million NIS, with this purchase stipulated on a number of preconditions that have not yet been met in full. The proceeds for the student dormitories shall be paid in a number of installments with the total payment to the sum of 90% of the proceeds paid upon compliance with the preconditions and receipt of possession of the dormitories. In addition, the Company received a one-time option to purchase residential apartments at a 5% discount on the price of assessments at the advance sales stage relative to housing units in 17 future projects of the sellers in central Israel, subject to the terms set. The Company shall be entitled to trade this option to a corporation in which it holds at least 50% of the issued and paid-up capital over the course of

Notes to the Consolidated Interim Financial Statements

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

the exercise period. It was also established that in the event that the Company issues a residential REIT during the period set the sellers shall be entitled to purchase up to 15% of the shares of this principle at a discount of 7.5% on the issue price, subject to the terms set. As of June 30 2021 the Company has made advance payments to the sum of 193 million NIS.

- H. Following that stated in Note 6b to the December 31 2020 Consolidated Financial Statements on the Company's purchase of 11,814,657 shares of Sela Capital Real Estate Ltd. (hereinafter – Sela) from two corporations in the Phoenix Group in return for a total of 83.7 million NIS, on May 20 2021 the Company sold 11,728,407 shares to a third party in an off-stock market transaction at a price of 8.98 NIS per share and for a total compensation of 105.3 million NIS. After the sale, the Company ceased being a controlling shareholder in Sela. On May 23 2021, the Company sold the balance of its holdings in Sela shares. The total increase in capital created for the Company from its investment in Sela shares (including dividends) and before tax amounted to a total of 26 million NIS.
- I. On May 25 2021 the Company's Board of Directors approved a distribution of dividends, payment of which fell on June 15 2021, to the sum of 55.3 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 sum per share is 0.06661 NIS.
- J. On May 27 2021 Standard & Poor's Maalot revised the rating of the Company and its debentures. The rating of the Company, its unguaranteed debentures (Series O, P, Q and T) and debentures guaranteed by Darban shares (Series X) increased from ilAA- to ilAA. The rating of the debentures guaranteed by income-generating real estate properties (Series R, S and V) which had been ilAA and the Company's short-term create rating which was ilA-1+ were ratified, all with a stable outlook.
- K. On August 9 2021, Darban distributed dividend in kind of 30,529,529 NV of the Company's shares held by it, to the sum of 290 million NIS, based on the value of the Shares at the distribution date, to the Company. After the distribution the number of dormant shares for voting purposes, held by Darban is 48,426,945 NV and the number of dormant shares held by the Company is 30,529,529 NV. On August 12 2021 the Company's Board of Directors approved to write off the dormant shares in question in its possession.
- L. On August 12 2021 the Company's Board of Directors approved a distribution of dividends, payment of which will occur on August 31 ,2021 to the sum of 53.2 million NIS (of this a sum of 3.2 million NIS would be distributed to Darban Investments Ltd, a fully owned subsidiary holding Company shares). The dividend sum per share is 0.06661 NIS.