Melisron Ltd.

Financial Statements as at December 31, 2023

Prepared according to International Financial Reporting Standards (IFRS)

Melisron Ltd.

Financial Statements as at December 31, 2023

Contents

Deloitte.

Auditors Report to the Shareholders of
Melisron Ltd.
about the audit of internal controls over financial reporting
in accordance with section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the internal controls over the financial reporting of Melisron Ltd. and its subsidiaries (together: "the Company) as at December 31, 2023. The control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over the financial reporting and for their assessment of the effectiveness of these internal controls over the financial reports attached to the periodic report at this date. Our responsibility is to express an opinion on the Company's internal controls over the Company's financial reporting based on our audit.

The audit components of the internal controls over financial reporting which were defined in accordance with Auditing Standard 911 of the Institute of Certified Public Accountants in Israel, Audit of Internal Controls Over Financial Reporting ("Audit Standard 911"). These controls are: 1) entity-level controls, including audits on the process for preparation and closing of financial reports and information technology general controls (ITGC); (2) controls over the process for the valuation of investment property; (3) controls over the process for revenues from rentals from investment property; (all these together are referred to hereunder as: the "Audited Controls").

We conducted our audit in accordance with Audit Standard (Israel) 911, The Standard requires us to plan and perform the audit to identify the Audited Controls and obtain reasonable assurance that these controls have been implemented effectively in all material respects. Our audit included obtaining an understanding of the internal control over financial reporting, identifying the Audited Controls, assessing the risk for material weaknesses in the Audited Controls, and testing and evaluating the effectiveness of the planning and implementation of these controls based on the assessed risk. Our audit, regarding these controls, included performing other procedures, as we considered necessary in the circumstances. Our audit referred only to the Audited Controls, as opposed to internal control over all the significant processes regarding financial reporting, therefore our opinion refers to the Audited Controls only. Additionally, our audit did not refer to the reciprocal effects between the Audited Controls and those that are unaudited, therefore, our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in respect of the aforesaid.

Due to inherent limitations, internal control over financial reporting in general, and internal control components in particular, may not prevent or disclose misstatement. Moreover, drawing forward-looking conclusions based on any present assessment of effectiveness involves risks that the controls may become inadequate due to changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company has implemented effectively, in all material aspects, the audited controls as at December 31, 2023.

We have also audited, in accordance with generally accepted control standards in Israel, the consolidated financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, and our report of March 10, 2024, includes an unqualified opinion of these financial statements, based on our audit and the reports of other auditors.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network
Tel Aviv, March 10, 2024

Deloitte.

Auditors Report to the Shareholders of

Melisron Ltd.

We have audited the accompanying consolidated statements of financial position of Melisron Ltd. (the "Company") as at December 31, 2023 and 2022, and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for each of the three years ended on December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of an equity-accounted investee, the investment in which as at December 31, 2023 and 2022 amounted to NIS 453 million and NIS 418 million, respectively, and the share in its profits for the years ended December 31, 2023, 2022 and 2021 amounted to NIS 35 million, NIS 87 million, and NIS 84 million, respectively. The financial statements of that company were audited by other auditors, whose opinions have been given to us, and our opinion, insofar as it relates to amounts included for that company, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes sampling of evidence supporting the amounts and information in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and by the Management of the Company, and evaluating the overall financial statement presentation. We believe that our audits and the audit of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the reports of the other auditors, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2023 and 2022 and the results of their operations, changes in equity and cash flows for each of the three years ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in conformity with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting", the components of the internal controls over the Company's financial reporting as at December 31, 2023, and our report of March 10, 2024, includes an unqualified opinion of the effective fulfillment of these components.

Key audit issues

Key issues in the audit as set out below are the issues that were reported, or that should have been reported to the Company's Board of Directors, and that in our professional opinion were most significant in the audit of the consolidated financial statements for 2023. These issues include, among other things, any issue that (1) refers, or should refer, to material items or disclosures in the financial statements and (2) our opinion thereof was particularly challenging, subjective or complex. These issues were addressed in our audit and our opinion as formulated regarding the entire consolidated financial statements. Reporting of these issues below does not change our opinion regarding the overall consolidated financial statements and we do not use it to give a separate opinion on these issues nor the items and disclosures that they refer to.

Change in fair value of investment property

As set out in Notes 3(M) and 13 to the consolidated financial statements as at December 31, 2023, the Company holds investment real estate that is presented at fair value as at that date in accordance with the accounting policy described in Note 3. The fair value of all the Company's investment property (income producing and under development) as at December 31, 2023, amounts to NIS 24,124 million, and in 2023 the Company recognized gains from the increase in fair value of an amount of NIS 624 million.

As set out in Note 3C. to the consolidated financial statements, the fair value set for the investment property is a material estimate that involves uncertainty and is based on the valuations, including analysis that are partly subjective, taking into consideration the circumstances and best available information as at December 31, 2023, and that were assessed with the help of an external real estate appraiser. These assumptions include mainly the most appropriate rate of return, the projected NOI of the properties and the market prices for relevant comparable units. These underlying assumptions, as well as the estimates of the overall fair value of the Company's investment real estate, including its choice of the most appropriate valuation approach, are the result of subjective opinions in an uncertain environment, often extremely so, and therefore any changes in these underlying assumptions could lead to a change in the fair value of the investment property, often substantially, and therefore may also affect the Company's financial position as at December 31, 2023, and the results of its operations in that year, as described in Note 13.

We identified management's estimates and assumptions used for measuring fair value of the investment property as a key audit issue. The audit of the fair value of investment real estate requires the auditor's discretion when examining how management established the adequacy of the assumptions and estimates used in measuring the fair value of the investment real estate.

Audit procedures implemented for addressing the key issue of the audit

For addressing the uncertainty involved in determining the fair value of the Company's investment property, we mainly implemented the following procedures with emphasis on examining the reasonableness of the rates of return determined in the valuation of the properties: 1. Understanding of the internal control environment with regard to determination of the fair value of the investment real estate and auditing effectiveness of the relevant internal audits for determining fair value; 2. Examining and analyzing the fair value presentations, primarily the valuations, conducted by the company and its appraisers, based on samples involving qualitative and quantitative considerations; 3. Examining the underlying assumptions used in the valuations, which were selected based on samples, with emphasis on examining the rates of return and projected NOI, prices of comparable per sq.m units for rent/acquisition and the appraisal approach adopted; 4. Review of the valuations, based on samples, by our expert appraisers with emphasis on rates of return; 5. Communicating with the Company's appraisers; 6. Involvement of senior team members and consultations.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 10, 2024

Melisron Ltd.

Consolidated Statements of Financial Position (in NIS million)

	Note	31.12.2023	31.12.2022
Current assets:			
Cash and cash equivalents	4	625	543
Short-term financial assets	5	358	325
Short-term loans and deposits		1	10
Trade receivables	6	62	35
Other receivables	7	37	47
Inventory of development real estate for the construction of apartments for sale	8	112	76
		1,195	1,036
Non-current assets:			
Long-term loans	9	-	165
Investments and loans to investees	10	1,222	1,185
Intangible assets and goodwill	11	558	598
Long-term financial assets and other assets	12	10	66
Fixed assets		11	9
Investment property	13	24,124	22,462
		25,925	24,485
		27,120	25,521
Current liabilities:			
Liabilities to banking and other corporations	14	927	149
Current maturities of debentures	18	1,113	859
Trade payables and service providers	15	154	275
Other payables	16	298	157
Provisions for tax	17	111	122
		2,603	1,562
Non-current liabilities			
Debentures	18	9,378	8,984
Long term liabilities to banks and others	19	530	1,206
Deferred taxes	20	3,499	3,268
Liabilities in respect of employee benefits, net		2	3
Other liabilities and provisions	21	60	130
		13,469	13,591
Equity:			
Equity attributable to the Company's shareholders		10,547	9,882
Non-controlling interests		501	486
Total equity		11,048	10,368
		27,120	25,521

March 10, 2024			
Date of approval Financial Statements	Liora Ofer Chairman of the Board of Directors	Ophir Sarid CEO	Oren Hillinger CFO

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Comprehensive Income (in NIS million)

	Note	Year ended December 31, 2023	2022	2021
Rental and other revenue	26	1,803	1,673	1,424
Maintenance and operating costs	27	462	433	373
Gross profit		1,341	1,240	1,051
General and administrative expenses	28	77	76	61
Advertising and Marketing Expenses		16	18	7
Operating profit before other income (expenses)		1,248	1,146	983
Increase in fair value of investment property, net	13	624	1,224	1,327
Company's share in profits of equity-accounted investees, net		34	89	84
Other revenues (expenses), net	29	(74)	(19)	3
Operating profit after other income (expenses)		1,832	2,440	2,397
Financing expenses	30	536	672	450
Financing income	30	66	33	53
Profit before deduction of taxes on income		1,362	1,801	2,000
Income tax expenses	20	310	359	459
Net profit for the year		1,052	1,442	1,541
Net earnings for year attributable to:				
Company shareholders		1,037	1,391	1,473
Non-controlling interests		15	51	68
		1,052	1,442	1,541
Total comprehensive income attributable to:				
Company shareholders		1,037	1,391	1,473
Non-controlling interests		15	51	68
		1,052	1,442	1,541
Earnings per ordinary share of NIS 1 (in NIS)	31			
Attributable to shareholders of the Company:				
Basic and diluted earnings		21.84	29.30	31.06
Number of shares used to calculate basic earnings per share (thousands)		47,498	47,480	47,456

The accompanying notes constitute an integral part of the financial statements.

Consolidated Statements of Changes in Equity (in NIS million)

Year ended December 31, 2023

	Equity attributable to the Company's shareholders								
	Paid up share capital	Share premium	Capital reserve for share-based payments	Capital reserve due to translation differentials	Capital reserve from transactions with non-controlling interests	Capital surplus	Total	Non-controlling interests	Total
Balance as at January 1, 2023	62	2,149	14	(4)	(9)	7,670	9,882	486	10,368
Changes in the year ended December 31, 2023:									
Total comprehensive profit for the year	-	-	-	-	-	1,037	1,037	15	1,052
Issue of shares for employees	-	3	(3)	-	-	-	-	-	-
Cost of share-based payment	-	-	8	-	-	-	8	-	8
Dividend paid	-	-	-	-	-	(380)	(380)	-	(380)
Balance as at December 31, 2023	62	2,152	19	(4)	(9)	8,327	10,547	501	11,048

The accompanying notes are an integral part of the financial statements.

Melisron Ltd.

Consolidated Statements of Changes in Equity (in NIS million)

Year ended December 31, 2022

	Equity attributable to the Company's shareholders								
	Paid up share capital	Share premium	Capital reserve for share-based payments	Capital reserve due to translation differentials	Capital reserve from transactions with non-controlling interests	Capital surplus	Total	Non-controlling interests	Total
Balance as at January 1, 2022	62	2,148	10	(4)	(9)	6,459	8,666	435	9,101
Changes in the year ended December 31, 2022:									
Total comprehensive profit for the year	-	-	-	-	-	1,391	1,391	51	1,442
Issue of shares for employees	-	1	(1)	-	-	-	-	-	-
Cost of share-based payment	-	-	5	-	-	-	5	-	5
Dividend paid	-	-	-	-	-	(180)	(180)	-	(180)
Balance as at December 31, 2022	62	2,149	14	(4)	(9)	7,670	9,882	486	10,368

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Equity (in NIS million)

Year ended December 31, 2021

	Equity attributable to the Company's shareholders								
	Paid up share capital	Share premium	Capital reserve for share-based payments	Capital reserve due to translation differentials	Capital reserve from transactions with non-controlling interests	Capital surplus	Total	Non-controlling interests	Total
Balance as at January 1, 2021	62	2,145	7	(4)	(9)	4,986	7,187	370	7,557
Changes in the year ended December 31, 2021:									
Total comprehensive profit for the year	-	-	-	-	-	1,473	1,473	68	1,541
Issue of shares for employees	-	3	(3)	-	-	-	-	-	-
Cost of share-based payment	-	-	6	-	-	-	6	-	6
Dividend to holders of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(3)	(3)
Balance as at December 31, 2021	62	2,148	10	(4)	(9)	6,459	8,666	435	9,101

The accompanying notes are an integral part of the financial statements.

Melisron Ltd.

Consolidated Statements of Cash Flows (in NIS million)

	Year ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Net profit for the year	1,052	1,442	1,541
Adjusted for:			
Company's share in profits of equity-accounted investees, net of dividend received	(28)	(89)	(84)
Increase in fair value of investment property	(624)	(1,224)	(1,327)
Depreciation and amortization	63	21	7
Expenses for share-based payments	8	5	6
Income tax expenses	310	359	459
Financing income from loans provided, net	(12)	(18)	(11)
Revaluation of loans from banks and others and changes in accrued interest	27	14	7
Revaluation of debentures and changes in accrued interest	303	426	184
Investment in inventory of development real estate for the construction of apartments for sale	(16)	(23)	(10)
Revaluation of short-term financial assets	(23)	32	(29)
	1,060	945	743
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(27)	8	26
Decrease in other receivables	5	1	7
Increase (decrease) in trade payables	(31)	43	9
Increase (decrease) in other accounts payable	50	(10)	13
Increase in other liabilities	10	22	-
Increase in employee benefit liabilities, net	-	1	-
	7	65	55
Cash flows for operating activities			
Net income tax paid	(88)	(83)	(64)
Net cash from operating activities	979	927	734

The accompanying notes are an integral part of the financial statements.

Melisron Ltd.

Consolidated Statements of Cash Flows (in NIS million) (cont.)

	Year ended December 31,		
	2023	2022	2021
Cash flow used for investing activities			
Acquisition of an investee that is consolidated for the first time	-	-	(42)
Acquisition of an equity accounted company	-	(600)	-
Repayment of a loan provided to an equity accounted company	2	23	18
Short-term investments in financial assets, net	(10)	(1)	-
Proceeds from sale of investment property	-	205	-
Acquisition of and investment in investment real estate and investment property under construction	(1,030)	(651)	(392)
Settlement payment	-	-	(53)
Reimbursement due to cancellation of partial sale	-	-	(67)
Taxes received (paid) for investment property	(16)	(31)	5
Investment in fixed assets and intangible assets	(23)	(22)	(7)
Payment of levies for investment property	(79)	(109)	-
Repayment (provision) of short and long-term loans and deposits, net	178	3	(5)
Net cash for investing activities	(978)	(1,183)	(543)
Cash flows from (for) financing activities			
Dividends paid	(380)	(180)	-
Dividend to holders of non-controlling interests in a subsidiary	-	-	(3)
Receipt of long-term loans from a bank and others	147	575	-
Repayment of long-term loans to banks and others	(38)	(245)	(89)
Short-term borrowings from banks and others, net	(5)	(2)	(301)
Additional acquisition of shares of a subsidiary	-	(1)	(1)
Issue of debentures (less issuance expenses)	1,232	264	902
Repayment of debentures	(875)	(670)	(608)
Net cash from (for) financing activities	81	(259)	(100)
Increase (decrease) in cash and cash equivalents	82	(515)	91
Balance of cash and cash equivalents as at beginning of year	543	1,058	967
Balance of cash and cash equivalents as at end of year	625	543	1,058

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows (in NIS million) (cont.)

Appendix A - Financing and Investing Activities that do not Involve Cash Flows

	Year ended December 31,		
	2023	2022	2021
Trade and other Payables for investment property	79	174	65
Levy for investment real property	-	32	-
Deposit in trust with respect to a debenture issue	-	-	1,103
Repayment of debentures from trust deposit	-	(1,102)	-

Appendix B - Additional Information on Cash Flows

	Year ended December 31,		
	2023	2022	2021
Interest paid	259	243	280
Interest received	40	15	7

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

Note 1 - General

A. Melisron Ltd. (the "Company") was incorporated in Israel on August 5, 1987 as a private company limited in shares. The Company is defined as resident of Israel. The Company owns and manages, directly and indirectly, through companies it controls, shopping malls, retail complexes and one of the largest leading office campuses in Israel. Furthermore, the Company engages in the development and construction of residential real estate and urban renewal through Aviv Real Estate Development and Management Ltd. in which it holds 50% of the issued share capital (for further information see Note 10).

B. The key uses in the income producing real estate segment are:

Shopping Malls and Retail Centers - the Company owns 18 shopping malls and retail centers around the country, most of them in major cities and areas of demand. Of the foregoing number of shopping centers and malls, 15 are wholly owned or controlled by the Company and three are jointly controlled with third parties.

Office and High-Tech Parks and High-rise Office Buildings - the Company owns five real estate campuses of office that it rents out, as well as office buildings that form part of the mall complexes.

In addition, the Company has five properties that are rented to a single tenant and real estate projects under construction and development.

The Company has been traded on the Tel Aviv Stock Exchange since July 29, 1992.
The Company's controlling shareholder is Ofer Investments Ltd. ("Ofer Investments"), which holds 47.02% of the issued share capital and voting rights of the Company. Until December 31, 2022, 85% of Ofer Investments was held by Ms. Liora Ofer (through a wholly owned company) and 15% by Mr. Doron Ofer. As of January 1, 2023, Liora Ofer (through a wholly owned private company) owns 100% of Ofer Investments. In addition to the foregoing, Liora Ofer owns (through a wholly owned private company) 0.05% of the Company's issued share capital and voting rights.
Company address: 1 Abba Eban Ave., Herzliya Pituah.

C. Definitions:

In these financial statements:

The Company	-	Melisron Ltd. And its subsidiaries.
Financial Reporting Standards ("IFRS")	-	IFRS and IAS, including international interpretations published in respect thereto (IFRIC and SIC, respectively).
Subsidiaries	-	companies that are controlled by the Company (as defined in IFRS 10) and their financial statements are consolidated with the financial statements of the Company.
Joint venture	-	a company in which two or more parties collaborate, under an agreement, in the control of its financial operations.
Investees	-	companies/subsidiary partnerships or entities under joint control.
CPI	-	the consumer price index as published by the Central Bureau of Statistics.
Related party	-	as defined in IAS24 regarding disclosure of the relationship of the related party.
Interested party and controlling shareholder	-	as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

Note 1 – General (cont.)

A. Information concerning the CPI rates:

Below is a breakdown of the CPI and rate of changes in the reporting periods:

	As at December 31		
	2023	2022	2021
CPI (points)	105.1	101.7	96.6

	Rate of change in % in the year ended December 31		
	2023	2022	2021
CPI (points)	3.34	5.28	2.40

NOTE 2 – Iron Swords

On October 7, 2023, a surprise attack was launched against the State of Israel, leading to the beginning of the "Iron Swords", which is still ongoing.

The war has had numerous effects on the Company's operations:

- **The shopping malls and retail centers operations** - at the outset of the war, the shopping malls operations were adversely impacted, but as time went by, the effect of the war diminished and the traffic and intake in the malls returned to their pre-war levels. October intake dropped by 30% compared to October 2022, from mid-November traffic and intake in the malls began to recover, thus November intake ended with a 3% drop compared to November 2022 (which was considered the strongest month in 2022), December intake ended with a 16% increase compared to December 2022 and January 2024 recorded an increase of 11% compared to January 2023.

  Due to the adverse effect on the intake of the tenants at the outset of the war, the Company published a relief plan for tenants in its shopping malls and retail centers, based on the principal of balanced sharing the burden of loss between the State (which published a financial aid plan for businesses whose operations were harmed), the tenant and the landlord, as follows:

  - A 25% discount in rent and service charges for November.
  - The option of spreading the November rent payment into three consecutive monthly payments.
  - Certain tenants, such as supermarket and pharmaceutical chains, office located in shopping malls, banks and HMOs were eligible for a discount in rent and service charges.

  The rate of the discounts given based on the foregoing relief plan amounted to NIS 32 million, which were reflected in the current period as a decrease in revenue.

  Construction and residential operations - during the first weeks of the war construction sites were shut down at the instructions of the local authorities and there was a nationwide shortage of construction workers due to the ban on workers from the Gaza Strip and the Palestinian Authority areas entering Israel and due to foreign workers leaving the country.

  As at date of publication of the report, the Company's constructions sites have returned to almost full operation, however the shortage of workers is still noticeable. The foregoing shortage of workers mainly impact the residential projects of Aviv Yizum (in which the Company's share is 50%), and could lead to a delay in marketing and in the construction of new projects.

- **Financial effects** - at the outset of the war there was an increase in the return on the Company's debentures, attributable mainly to the increase in return on government debentures at similar duration costs. At the present time the returns are similar to the prewar returns. The Company's unsecured debentures at long maturity cost (Debentures Series 21, maturity 6.8) traded at a price reflecting yield to maturity of 3.0% and secured debentures at long maturity cost (Debentures Series 20, maturity 5.9) at a price reflecting yield to maturity of 2.6%.

The Company is monitoring and will continue to monitor the effects of the war on its operations and on its financial results, including with respect to the value of its assets.

Note 3 – Significant Accounting Policies:

A. Adoption of international financial reporting standards (IFRS)

The financial statements are prepared in accordance with the provisions of the international financial reporting standards (IFRS) and their interpretations as published by the International Accounting Standards Board (IASB).

B. Principles for preparing financial statements:

The annual financial statements include additional disclosure as required under the Securities (Annual Financial Statements) Regulations, 2010.

The Company's operating cycle is 12 months, with the exclusion of its inventory of real estate under development for the construction of residential apartments for sale, where the operating cycle exceeds 12 months.

The accounting principle presented in this note was applied consistently throughout the reporting periods presented in the financial statements.

C. Causes of uncertainty in material estimates:

Preparation of the Company's financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions about the future. The Company's management consistently reviews the estimates based on past experience and other factors, such as reasonable assumptions depending on the circumstances regarding future events. Actual results may differ from the management's estimates. The effect of changes in accounting estimates is recognized prospectively in the modified period if the change affects only this period, or in the modified period and in future periods if the change also affects them.

Below is a description of the assumptions about the future and other causes of uncertainty in the accounting estimates at the end of the Reporting Period, which have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in subsequent reporting period.

Investment real estate property - at the end of the reporting period, the Company has its investment properties evaluated by an external appraiser. The accepted method for appraising income producing real estate is the income capitalization approach, where the appropriate capitalization rate is determined taking into account the specific risk factors of the appraised property. The Company's management reviews the estimates at the end of each Reporting Period. For further information regarding the valuation techniques and estimates made in measuring the fair value of the investment properties - see Note 13.

Income taxes - the calculation of the tax liability of the Company and its subsidiaries involves discretion, especially in situations where the applicable tax laws are given to interpretation and certain tax opinions may not be fully accepted by the tax authorities. Although in the Company's opinion, the tax positions included in the Company's tax adjustment statements are supported by the relevant tax laws, where the Company anticipates a dispute with the tax authorities regarding any uncertain tax position, the Company recognizes additional tax liabilities based on an estimate of the additional amount that it might be required to pay to the tax authorities based on the Company's past experience, on the interpretation of the tax laws and other factors, if applicable.

Impairment of goodwill - for determining whether there has been any impairment of goodwill, the Company's management assesses the value in use of cash generating units to which goodwill is attributed. To calculate the value in use, the Company estimates expected future cash flows deriving from each cash generating unit. For further information, see Note 11.

D. Functional currency and presentation currency

The Company's financial statements are presented in New Israeli Shekel, which is the operating currency of the Company and of its investees (NIS). All values are rounded to the nearest million, unless otherwise stated.

Note 3 – Significant Accounting Policies (Cont.)

E. Consolidated Financial Statements:

1. **Subsidiaries:**

   The Consolidated Financial Statements present the financial statements of the Company and of its subsidiaries as the financial statements of a single economic entity from the date on which control is acquired until the date on which the Company loses such control. Consequently, for the purpose of consolidation, all inter-company transactions, balances, income and expenses are canceled. The Company re-evaluates its control of a subsidiary when the facts and circumstances change.

   Furthermore, the financial statements of the subsidiaries were prepared by using similar accounting policies as the Company with respect to similar transactions and events under similar circumstances.

2. **Non-controlling interests:**

   Some of the non-controlling interests in the net assets, other than goodwill, of consolidated subsidiaries, are presented separately as part of the Company's equity. Non-controlling interests include the amount of such interests at the date of the acquisition (see below), and the share of such non-controlling interests in changes that occurred in the equity of the investee subsequent to the date of the business combination.

F. Investments in joint ventures - application of the equity method:

When the Company has joint control obtained by a contractual arrangement, according to which decisions regarding the relevant activities require unanimous consent of the parties sharing control, the Company has joint control under such arrangement. The Company classifies joint arrangements as joint transactions or as joint ventures based on the rights and liabilities arising from the arrangement. When the Company has a right in the net assets of a joint arrangement, the Company classifies the arrangement as a joint venture. A joint venture is accounted according to the equity method.

The financial statements of joint ventures were prepared using similar accounting policies as the Company with respect to similar transactions and events under similar circumstances.

According to the equity accounted method, investments in joint ventures are included in the statement of consolidated financial position at cost adjusted for the changes that occurred after acquisition of the Company's share in net assets, including capital funds, net of any impairment, if any, in the value of the joint venture.

The excess purchase costs of a joint venture over and above the Company's share in the fair value of identifiable assets, liabilities and contingent liabilities of the joint venture are recognized at the time of acquisition as goodwill. The goodwill attributed to the joint venture includes the carrying amount of the investment and is not amortized.

The Company tests the existence of signs of impairment of equity accounted investments. Such impairment arises when there is objective evidence that the expected future cash flows from the investment have been adversely affected. Impairment is tested for the investment as a whole. To determine the amount of the impairment loss, if any, the recoverable amount of the investment is estimated. The recoverable amount is the higher of the fair value of the investment less costs of disposal and its value in use. When assessing the value in use of the investment, the Company estimates its share of the present value of estimated future cash flows that are expected to be generated from the investee's operations and its disposal, or estimates the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

Note 3 – Significant Accounting Policies (Cont.)

G. Business combinations:

When the Company obtains control of one or more enterprises for the first time, the business combination is treated using the acquisition method. Pursuant to this method, the Company recognizes the acquiree, fixes the date of acquisition and recognizes the identifiable assets acquired and liabilities assumed at fair value, with the exclusion of several exceptions as set out in IFRS3. Components of non-controlling interests in the acquiree that constitute present ownership interests and entitle the holder to a share of net assets in the event of liquidation are measured at acquisition date according to the pro rata share of the current ownership instruments in the amounts recognized with respect to identifiable net assets.

The Company recognizes goodwill at the date of acquisition as surplus of the total amount of the consideration that was transferred and the amount of non-controlling interests over the net amount on the date of acquisition of the identifiable assets acquired and of the liabilities assumed.

Any costs that can be attributed to the business combination are recognized as an expense in the period in which they were incurred.

H. Cash and cash equivalents

Cash comprises cash available for immediate use and call deposits. Cash equivalents are short-term highly liquid investments (of three months or less from date of investment) that are readily convertible into known amounts of cash and are exposed to insignificant risk of change in value. Cash equivalents are held to meet short term commitments for cash payment and not for investment or other purposes.

I. Financial instruments:

1. Financial assets:

Financial asset is recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified to one of the following measurement categories based on the Company's business model for the management of financial assets and based on the contractual cash flow features of the financial asset. Classification is for the financial asset as a whole, without separating embedded derivatives.

a. Debt instruments at discounted cost:

Debt instruments, held within a business model whose objective is achieved by collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows representing solely payments of principal and interest, were initially measured at fair value with the addition of directly attributed transaction costs, other than receivables measured initially at their transaction price. After initial recognition, such assets are measured at amortized cost. Based on the effective interest method interest income is recognized at gross carrying amount of the financial asset.

b. Financial assets at fair value through profit or loss:

The Company has investments in marketable securities that were initially measured at fair value, and changes in fair value after initial recognition were recognized in profit or loss. Transaction costs that were directly attributed to these assets were recognized in profit or loss when incurred.

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial asset expire. When derecognizing a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the proceeds received or that will be received is recognized in profit or loss.

Note 3 – Significant Accounting Policies (Cont.):

I. Financial instruments (Cont.)

2. Financial liabilities and equity instruments:

Liabilities and equity instruments issued by the Company are classified as financial liabilities or equity instruments based on the nature of the contractual arrangements and definition of financial liability and equity instrument.

An equity instrument is any contract that indicates a residual right to the Company's assets after deducting all of its liabilities. The equity instruments issued by the Company are recorded according to proceeds from their issue less expenses directly attributed to the issue of these instruments. Buyback of the Company's equity instruments are recognized and derecognized directly in equity. No profit or loss in the purchase, sale, issue or cancellation of the Company's equity instruments are recognized.

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial liabilities (such as debentures and bank loans) are classified as financial liabilities measured at amortized cost.

These liabilities, were initially measured at fair value after deduction of directly attributable additional transaction costs, if any (such as debentures raising costs). Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method, that takes into account directly attributable transaction costs. Short-term credit (such as supplier and other credit) is recognized according to its terms, usually at nominal value.

3. Derecognition of financial liabilities

A financial liability is derecognized from the statement of financial position when the liability is discharged, canceled or expires.

Agreements for the purchase of electricity:

The Company engaged in several agreements for purchasing electricity (for further information see Note 22E). IFRS9 "Financial Instruments" does not apply with respect to these agreements as these are agreements for the purchase of a non-financial item (electricity) where the purpose of the engagements is to purchase the non-financial item and are not net settlement items.

J. Inventory of development real estate for the construction of apartments for sale:

The cost of inventories of apartments for sale under construction include the identifiable direct costs with respect to the cost of the property, such as taxes, fees and levies, and all the building costs.

Inventories of apartments for sale under construction are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price of the apartment in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

K. Linkage

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index are adjusted at the relevant index at each reporting date according to the terms of the agreement.

Note 3 – Significant Accounting Policies (Cont.):

L. Provisions:

The Company recognizes provisions in the financial statements when the Company has a current liability (legal or implicit) resulting from past events, it is expected that a negative flow of resources containing financial benefits is required for discharging the liability and the amount of the liability can be reliably estimated. The amount recognized as a provision is the best estimate of the expense required to discharge the current liability at the end of the reporting period.

A provision for a liability to pay a betterment levy imposed by law is recognized in the financial statements only when the activity causing the payment of the levy occurs, as set out in the legislation. Accordingly, the Company recognizes a liability to pay a betterment levy imposed under the Planning and Building Law, 1965, only when "realizing a right in the real estate" as per the meaning of the term in the provisions of the law (obtaining a permit, commencing the use of real estate under a permit that was granted or transferring rights in the real estate).

M. Investment property, including investment property under construction:

This property is treated as investment real estate if the secondary services provided to the tenants constitute an immaterial component, pro rata, of the entire settlement.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value (see also Note 3C). Profits or losses arising from changes in the fair values of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.
Investment property under construction is also measured at fair value as set out above.
Investment property is derecognized when it is sold. The date of realization is the date on which control of the property is transferred. The difference between the net consideration from the sale of the asset and the carrying amount in the financial statements, if any, is recognized in the statement of profit or loss in the period in which the asset is derecognized. The date of transfer of control of a property is determined in accordance with the relevant provisions on the subject under IFRS 15.

Under the signed rental agreements the Company may participate in the costs for modifications to the rental property prior to the tenant occupying the property. The Company reviews whether the costs it incurred constitute an investment in the property or alternatively a leasing incentive. If the Company concludes that the costs it incurred constitute an investment in the property, such amounts are capitalized for the property and the term of the lease begins only after completion of the modifications for which the Company participated in their costs. If the Company concludes that the costs it incurred constitute a leasing incentive, the incentive is recognized on a straight-line basis over the term of the lease and the lease begins on the date on which the property is handed over to the tenant for the purpose of carrying out the modifications.

N. Borrowing costs

Borrowing costs attributable to the establishment of investment properties that require considerable preparation time for their intended use are capitalized for those properties until the properties are essentially ready for their intended use as investment properties. Borrowing costs that are not specific for any particular project are calculated as a multiple of the Company's average interest rate (that also includes a CPI linkage component) on the cost of the property actually invested and that was not financed with earmarked credit. All other borrowing costs are recognized in profit or loss when generated.

Note 3 – Significant Accounting Policies (Cont.)

O. Intangible assets:

1. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.
2. Intangible assets that are created internally from the Company's development operations will be recognized when the following conditions are met:
   a) There is technical feasibility of completing the property so that it will be available for use or for sale.
   b) The Company intends to complete the asset and use it or sell it.
   c) The Company is able to complete the asset and use it or sell it.
   d) The manner in which the asset will generate future economic benefits can be determined.
   e) The Company has the available technical, financial and other resources to complete the development and to use the asset or sell it.
   f) Costs incurred during the development that are attributable to the asset can be measured reliably.
3. According to management's assessment, intangible assets (other than goodwill) have a finite useful life. Intangible assets are amortized using the straight-line method over their useful life, and are presented at cost, less amortization and impairment losses. For further information, see Note 11.B.4. below.
   The Company reviews the useful life and depreciation method used, at least once at the end of each fiscal year. Changes are treated from here on as a change in an accounting estimate.
4. With regard to the impairment of intangible assets, see Note 3Q. below.

P. Recognition of revenues:

A. Rental income under an operating lease:
Rental income is recognized on a straight-line basis over the lease term.
A fixed increase in rent over the term of the lease is recognized as revenues on a straight-line basis as an inherent part of the rental. Lease incentives granted to tenants are recognized as a separate asset and are deducted using the straight-line method against a decrease in rental income over the lease term. For information concerning the treatment of the relief extended to the tenants, see Note 2R below.

B. Revenue from providing services:
The revenue from investment property management services (maintenance, cleaning, etc.) are recognized over the service period as the customer receives and consumes the benefits provided by the Company's services. The Company acts as a key supplier and therefore recognizes the gross revenue as charged to the tenants for the management services. Furthermore, the gross revenue from the sale of electricity is also recognized as the Company converts high tension power to low tension power before supplying the electricity to the tenants.

Q. Impairment of non-financial assets:

At the end of each reporting period the Company reviews whether there are any indications of impairment of non-monetary assets, which require assessment of such impairment. Regardless of whether there are indications of impairment, once a year the Company assess impairment of goodwill arising from a business combination or of an intangible asset that is not yet available for use. If such assessment is required, the Company estimates the recoverable value of the asset or cash generating unit. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at acquisition to each of the cash generating units expected to benefit from the synergy in the business combination. If the recoverable amount is lower than the value of the carrying amount of the property, the Company recognizes an impairment loss. In such event, the Company allocates the impairment loss to lowering the value of the unit's assets, first against the goodwill attributed to the unit and then to the other assets pro rata based on their carrying amount (subject to their recoverable amount). These losses are immediately recognized in profit or loss. The loss due to impairment of goodwill cannot be reversed. For further information concerning impairment tests for cash generating units to which goodwill is attributed, see Note 11C. below.

Note 3 – Significant Accounting Policies (Cont.)

R. Leases:

The Company as a lessor in an operating lease and as a lessee:

The Company's investment real estate properties are leased under operating lease agreements to the properties' lessees. With regard to leasing income, see section 2P above. The initial direct costs incurred when obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense under the change in fair value of the investment property.

In the operating lease contracts that combine fixed lease payments and variable lease payments, the lessees were granted relief under which the fixed component was reduced to a lower amount for a limited period while the variable component was left in place, the Company considers the revised minimum fixed component as another systematic basis which better represents the pattern in which benefit from the use of the underlying asset is diminished. The Company accounts for the rent concessions granted to the lessees in operating lease contracts with regard to past lease payments, as derecognition of a financial asset. Accordingly, and after taking into account projected credit losses, if any, the Company derecognizes the operating lease receivables in the statement of income as reduced income when the contractual rights to the cash flows from this finance ial asset expire.

The Company has right-of-use assets with respect to land leased under lease agreements with the Israel Lands Authority, and which the Company uses as investment property measured at fair value. Amounts recognized in respect of such assets (prepaid amounts in capitalized leases) are treated and presented as investment property where the measurement at fair value refers to the right-of-use assets and not to the underlying assets. Future payments that will apply when exercising the option to extend the lease term with the Israel Land Authority are not recognized as assets against liabilities because they are considered variable lease payments, derived from the fair value of the land at the date of renewal of the lease. Such payments are taken into account when determining the fair value of the rights of use.

S. Income tax:

1. The Financial Statements include deferred taxes for temporary differences between financial reporting purposes and income tax purposes. Such differences are mainly due to the differences between the carrying amounts of items in the financial statement and the future remaining amounts for income tax purposes, due to certain items that are measured at fair value in the financial statements without corresponding adjustments for tax purposes, due to the difference in timing of recognition of certain expenses and income, and due to losses brought forward for tax purposes.
2. The calculation of current taxes is based on tax rates and tax laws legislated or effective by the date of the statement of financial position. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset is disposed or the liability is discharged, based on the tax rates and tax laws that are being enacted or are actually enacted, by the end of the Reporting Period.
3. Deferred tax liabilities are recognized in respect of temporary taxable differences unless the deferred tax liability is the result of initial recognition. Deferred tax assets are recognized for all deductible temporary differentials up to an amount that is expected will be taxable income against which the deductible timing differences may be utilized.
4. Deferred tax liabilities have not been recognized in respect of temporary differences generated due to investments in investees. Such temporary differences may be taxable if the Company disposes of the investment in these investees. As long as the Company does not intend to utilize such temporary differences and controls their reversal, no such liability is recognized.
5. Deferred taxes for investment properties presented at fair value are measured on the assumption that their carrying amount will be settled in full by selling them only, and accordingly are measured to reflect the tax consequences that will apply when selling the property and not during its period of use.

Note 3 – Significant Accounting Policies (Cont.)

S. Income tax (cont.):

6. The Company reflected the effect of uncertainty in calculating current and deferred taxes when the tax authority is unlikely (probability above 50%) to accept the treatment of uncertain tax positions. The Company reflected the effect of uncertainty for any uncertain tax position using the most reasonable amount method. The Company decides whether to consider uncertain tax positions separately, or in conjunction with one or more other uncertain tax positions, depending on which approach provides better forecasts concerning the decision regarding uncertainty. In addition, the Company assumes that the tax authority will check amounts that it is entitled to check and will have full knowledge of all the relevant information.
7. Current tax assets and liabilities are offset and presented when the entity has an enforceable legal right to offset the amounts recognized and intends to settle the net amount, or to dispose of the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset and presented when the entity has an enforceable legal right to offset current tax assets against current tax liabilities, and when they relate to income tax imposed by that tax authority, and the company intends to dispose of the current net tax assets and liabilities.

T. Statement of Cash Flows:

The Company classifies cash flows from interest and dividends it received and cash flows from interest paid, as cash flows that were used or resulted from current operations. Cash flows with regard to income tax are generally classified as cash flows used for current operations, excluding those that can be easily identified with cash flows that were used for investment or financing activities. Dividends paid by the Company are classified as cash flows from financing activities.

In the statement of cash flow, the Company classifies cash flows relating to consistently discounted interest payments on eligible assets with other payments relating to such assets.

U. **New standards, new interpretations and amendments to standards that have had an effect on the current period and/or the preceding reporting periods:**

Amendment to IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" (Definition of Accounting Estimates):

The definition of a "change in accounting estimates" was replaced with a definition of "accounting estimates". Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The Amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Amendment will be applied prospectively for the annual reporting periods beginning on or after January 1, 2023. The Amendment had no material effect on the Company's financial statements.

Amendment to IAS 1 – "Presentation of Financial Statements" - (Disclosure of Accounting Policies)

The amendment replaces the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of financial statements for general purpose make on the basis of those financial statements, when considered together with other information included in an entity's financial statements. In addition, the amendment clarifies that accounting policy information relating to immaterial transactions, other events or conditions are immaterial and there is no need to disclose it. Accounting policy information may be material due to the nature of the transactions, other events or related conditions, even if the amounts are not material. However, not all accounting policy information regarding material transactions, other events or conditions is necessarily, in itself, material. The Amendment is applied prospectively for the annual reporting periods beginning on or after January 1, 2023. The foregoing description of the Company's accounting policies are adapted to reflect the consequences of the amendment.

V. **The effect of new International Financial Reporting Standards, and amendments to the standards in the period before their application that could affect the financial statements in the period of initial application:**

Classification of Liabilities as Current or Non-Current - Amendment to International Accounting Standard 1 – "Presentation of Financial Statements" ("Amendment to IAS 1"):

In 2020, an amendment to IAS 1 was issued with regard to the classification of liabilities as current or non-current ("Amendment 2020"). The Amendment clarifies that classification of liabilities as current or non-current is based on the existence of a right until the end of the reporting period and is not affected by the entity's expectation to utilize such right.

The Amendment removed reference to the existence of an unconditional right and clarified that if the right to defer settlement is conditional on compliance with financial covenants, the right exists if the entity complies with the covenants set for the end of the reporting period, even if the lender tests compliance with the covenants at a later date.

Furthermore, a definition of the term "settlement" was added to the Amendment to clarify that settlement could mean the transfer of cash, goods and services or equity instruments of the entity itself to the counterparty. In this context, it was clarified that if under the terms of the liability, the counterparty has an option to demand settlement with the entity's own equity instruments, such condition does not affect the classification of the liability as current or non-current if the option is classified as a separate capital component under IAS 32 "Financial Instruments: Presentation".

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

Note 3 – Significant Accounting Policies (Cont.)

V. The effect of new International Financial Reporting Standards, and amendments to the standards in the period before their application that could affect the financial statements in the period of initial application (contd.):

Classification of Liabilities as Current or Non-Current - Amendment to International Accounting Standard 1 – "Presentation of Financial Statements" ("Amendment to IAS 1") (cont.):

The Amendment only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of recognition of such liabilities or the income and expenses related to them.

In October 2022, another amendment was published regarding the classification of liabilities with financial covenants (below: Amendment 2022), where it was clarified that only financial covenants with which the entity is required to comply before or at the end of the reporting period, affect the entities right to defer settlement of the liability for at least 12 months after the reporting period, also if compliance is in practice tested after the reporting period.

Amendment 2022 provides that if the entity's right to defer settlement of a liability is subject to compliance with financial covenants within 12 months after the reporting period, the entity is required to disclose information that will allow the users of the financial statements to assess the inherent risk. The other amendments issued under Amendment 2020 remained in place. The effective date for Amendment 2020 and Amendment 2022 was set for the reporting period beginning on or after January 1, 2024. Early adoption is possible on condition that the entity adopts both amendments at the same time. In the Company's assessment, Amendment IAS 1 is not expected to have a material effect on the financial statements.

Note 4 – Cash and Cash Equivalents

	Interest rate as at December 31, 2023	December 31, 2023	December 31, 2022
	%		
NIS:			
In cashbox and in banks		4	3
Deposits	4.35-4.75	620	538
		624	541
Foreign currency:			
In cashbox and in banks		-	1
Deposits		1	1
		1	2
		625	543

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 5 – Short-Term Financial Assets:

Composition:

	December 31, 2023	December 31, 2022
Financial assets held for trading at fair value through profit or loss		
Linked government debentures	8	11
NIS government debentures	26	16
USD-linked corporate debentures	2	2
CPI-linked corporate debentures	44	44
NIS corporate debentures	44	39
Shares in Israel	17	22
Foreign shares and debentures	70	61
ETFs and mutual funds	147	130
Total	358	325

NOTE 6 – Trade Receivables:

A. Composition:

	December 31, 2023	December 31, 2022
Open debts	13	10
Checks receivable	31	13
Income receivable	20	15
	64	38
Less provision for doubtful debts	(2)	(3)
Total	62	35

B. The Company has many customers, none of which are significant for the Company, therefore its exposure to credit risk is low. The increase in the checks receivable item relates to spreading of rental fees in November as part of the "Iron Swords" relief, for further information see Note 2.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 7 – Other Receivables:

Composition:

	December 31, 2023	December 31, 2022
Jointly-controlled transactions	1	2
Prepaid expenses	12	6
Income receivable	12	6
Advance payments to suppliers	3	3
Income tax receivable	9	17
Institutions	-	11
Other receivables	-	2
Total	37	47

NOTE 8 - Real Estate Under Development for Construction of Apartments for Sale:

The Company is developing (together with a partner in equal parts) the Landmark project in the Sarona complex in Tel Aviv. The project includes office, commerce, public buildings, and residential units. The total building rights include 8.1 thousand sq.m for residential use (116 apartments) (Company's share is 50%) in Tower B, for which the Company obtained a building permit in November 2023.

NOTE 9 – Long-term Loans:

Composition:

	Linkage basis	Interest rate as at December 31, 2023	December 31, 2023	December 31, 2022
		%		
Loans for tenants	CPI	4.0-6.0	1	2
Sellers' loan (see Note 22.D)	CPI	-	-	171
			1	173
Less current maturities			(1)	(8)
Total			-	165

NOTE 10 – Investments and Loans to Investees

A. Composition:

	December 31, 2023	December 31, 2022
Equity-accounted investments (1)	1,048	1,021
Other investments:		
Loan (2)	174	164
Total other investments	174	164
Total	1,222	1,185

The Company has equity-accounted investments in two companies, Hotzot Hamifratz Haifa Ltd. and Aviv Real Estate Development and Management Ltd.

1) **Acquisition of 50% of the shares of Aviv Real Estate Development and Management Ltd.:**

On May 26, 2022, the Company entered into an agreement with Aviv & Co. Group Real Estate 1963 Ltd. (the "Seller") and wholly-owned company of the Seller, Aviv Real Estate Development and Management Ltd. ("Aviv Development") for the acquisition of 50% of the share capital of Aviv Development (which develops and constructs residential housing and urban renewal projects). Under the agreement, on completion of the transaction on July 3, 2022, Aviv Development allocated to the Company and the Seller sold to the Company shares of Aviv representing 50% of the share capital of Aviv Development for a total consideration of NIS 600 million (of which an amount of NIS 146 million was paid to the Seller for the acquired shares and an amount of NIS 454 million was paid to Aviv Development for the allocated shares), reflecting for Aviv Development the value of the Company (before the money and before deducting the debt of Aviv Development to the Seller in the amount of NIS 90 million, which was repaid on completion of the transaction) in the amount of NIS 836 million.

The investment in Aviv Development is presented in the financial statements of the Company using the equity method as at July 1, 2022.

Allocation of the acquisition cost in NIS millions:

Consideration paid	600
Capital acquired	286
Original difference:	**314**
Attribution of original difference:	
Project backlog	26
Expected projects	95
Retail name	13
Tax reserve	(31)
Goodwill	211
Total	**314**

The consideration paid includes amounts related to expected benefits and future developments. All of these resulted in goodwill amounting to NIS 211 million

NOTE 10 – Investments in and Loans to Investees (Cont.)

2) Shareholder loan Hotzot Hamifratz Haifa Ltd.

On December 31, 2021, the Company and Ashtrom Properties Ltd. "(Ashtrom") provided a shareholder loan to Hotzot Hamifratz Haifa Ltd. ("Hotzot Hamifratz"), in which each of the companies owns 50% of its capital and voting rights, in a total amount of NIS 355 million (half by the Company and half by Ashtrom). Hotzot Hamifratz used the full amount of the loan to repay the existing shareholder loans.

Under the terms of the loan, the loan principal is not linked to the CPI and will be repaid by Hotzot Hamifratz in one payment on December 31, 2027. In addition to repayment of the loan principal, Hotzot Hamifratz will pay unlinked interest to the shareholder at an annual rate of 4%. In addition, Hotzot Hamifratz may, at any time, advance and repay any amount on account of the repayment of the loan principal without an early repayment penalty.

Due to an amendment to the terms of the loan as from July 1, 2022, it was agreed that the principal and interest on it will be linked to the CPI and the interest rate will decrease by 0.5% to a rate of 3.5%. The other terms of the loan remained unchanged.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 10 – Investments in and Loans to Investees (Cont.)

B. Information concerning rates of ownership and control of key companies and operations in the Company:

		December 31, 2023		December 31, 2022
Name of holding company	Name of investee	% in capital	Status in Company	% in capital
Melisron Ltd.:				
	British Israel Investments Ltd.	100.0%	Subsidiary	100.0%
	Ramat Aviv Mall Ltd.	100.0%	Subsidiary	100.0%
	Hotzot Hamifratz Haifa Ltd.	50.0%	Joint venture	50.0%
	Grouper Social Shopping Ltd.	100.0%	Subsidiary	100.0%
	Aviv Real Estate Development and Management Ltd.	50.0%	Joint venture	50.0%
British Israel Investments Ltd.:				
	Azo-Rit Properties Ltd.	100.0%	Subsidiary	100.0%
	British Israel High Tech (North) Ltd.	100.0%	Subsidiary	100.0%
	Irus HaGilboa Ltd.	100.0%	Subsidiary	100.0%
Azo-Rit Properties Ltd.:				
	Shopping Centers (Azo-Rit) Ltd.	100.0%	Subsidiary	100.0%
	My Ofer Management Services Ltd.	100.0%	Subsidiary	100.0%
Shopping Centers (Azo-Rit) Ltd.:				
	Azo-Rit Rehovot Ltd.	100.0%	Subsidiary	100.0%
	Azo-Rit Bilu Center Ltd.	72.0%	Subsidiary	72.0%
	Harel - Hatayelet Malls Ltd.	100.0%	Subsidiary	100.0%
	Azo-Rit Hadar Ltd.	100.0%	Subsidiary	100.0%
	Sirkin Mall (British Israel) Ltd.	100.0%	Subsidiary	100.0%
	M.L.A HaNegev Investments and Development Ltd.	100.0%	Subsidiary	100.0%
	Oz Technologies (1972) Ltd.	100.0%	Subsidiary	100.0%
	Avnat Ltd. *	-	Subsidiary	82.3%
	Nahariya North Mall Properties Ltd.	100.0%	Subsidiary	100.0%
My Ofer Management Services Ltd.:				
	Clal Real Estate Investments Ltd.	100.0%	Subsidiary	100.0%
Oz Technologies (1972) Ltd.:				
	Avnat Ltd. *	-	Subsidiary	17.7%
Clal Real Estate Investments Ltd.:	Melisron (Millennium House) Ltd.	100.0%	Subsidiary	100.0%
	Azorei Mallal Industries Ltd.	74.0%	Subsidiary	74.0%
Harel Hatayelet Malls Ltd.:				
	Pizza Hut (Israel) Holdings 1993 Ltd.	100.0%	Subsidiary	100.0%
	A.R.D Omri and Roi Ltd.	100.0%	Subsidiary	100.0%

* At the end of 2023, the company merged with and into Melisron Ltd. and was liquidated.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 10 – Investments in and Loans to Investees (Contd.)

C. Information concerning rates of ownership and control of key companies and operations in the Company (contd.):

Merger of Avnat Ltd.

On December 26, 2023, a non-material statutory merger (as approved by the Company's board of directors on March 12, 2023) was completed, according to which Avnat Ltd. ("Avnat"), a wholly owned (indirectly) subsidiary of the Company, was merged with and into the Company in return for allotment of 5,416,409 ordinary treasury shares of the Company to two subsidiaries of the Company that were holding Avnat (each according to the rate of their possession), all as part of the structural changes under which, at the date of allotment of the ordinary shares (January 22, 2024) they were immediately transferred to the Company, thus the shares were de-facto allotted as treasury shares without rights in the issued and paid-up share capital or voting rights in the Company. Upon completion of the merger, Avnat was liquidated. On March 10, 2024, the Company's board of directors approved the cancellation of the 5,416,409 treasury shares and their deletion from the Company's equity.

NOTE 11 – Intangible Assets and Goodwill:

A. Composition:

	Intangible assets	Goodwill	Total
Cost as at January 1, 2022	45	562	607
Additions in 2022	21	-	21
Cost as at December 31, 2022	66	562	628
Additions in 2023	19	-	19
Cost as at December 31, 2023	85	562	647
Accumulated amortization as at January 1, 2022	12	-	12
Amortization for 2022	8	10	18
Accumulated amortization as at December 31, 2022	20	10	30
Amortization for 2023 (B.4)	31	28	59
Accumulated amortization as at December 31, 2023	51	38	89
Amortized balance as at December 31, 2023	34	524	558
Amortized balance as at December 31, 2022	46	552	598

B. Additional details:

1. On April 12, 2011, the acquisition of British Israel Investments Ltd. was completed. As at the acquisition date, the Company recognized goodwill arising from the acquisition in the amount of NIS 438 million (see Cash-Generating Unit 1 below).
2. On December 31, 2016, the preconditions for acquisition of 23.4% of Azorei Mallal Industries Ltd. were fulfilled. As at the acquisition date, the Company recognized goodwill arising from the acquisition in the amount of NIS 88 million (see Cash-Generating Unit 2 below).
3. In July 2021, the Company completed a transaction for acquisition of the entire share capital of Grouper Social Shopping Ltd. ("Grouper"). As at the acquisition date, the Company recognized goodwill arising for the acquisition in the amount of NIS 36 million. (See Cash-Generating Unit 3 below).
4. Amortization of intangible assets with a finite useful life is recognized under other expenses in the statement of income.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 11 – Intangible Assets and Goodwill (Contd.)

C. Additional information about the recoverable amount of a cash-generating unit:

Information about amounts of goodwill allocated to the various cash-generating units:

	Goodwill as at December 31	
	2023	2022
Cash-Generating Unit 1	436	436
Cash-Generating Unit 2	88	88
Cash-Generating Unit 3	-	28

Cash-Generating Unit 1

The recoverable amount of the cash-generating unit is based on the fair value less disposal costs.

The fair value calculation for the unit is based on the value of the Company's equity plus the fair value of its financial liabilities, net. The calculation is classified at level 2 on the fair value hierarchy.

Key assumptions used to calculate the fair value of the Company's operations:

A. Fair value of equity - based on the quoted price of the Company's shares in an active market (the TASE), as at December 31, 2023.

B. Control premium - calculated based on the estimated inherent control premium as generally accepted.

C. Fair value of marketable debentures - based on the quoted price of the debentures in an active market (the TASE), as at the impairment assessment date.

For testing impairment, if any, the fair value less disposal costs attributed to each of the unit assets was compared with the carrying amount of the operating assets plus goodwill recognized in the financial statements and less part of the tax reserves. According to this test, the value of the unit assets exceeds their carrying amount, therefore there is no goodwill impairment.

Cash-Generating Unit 2

The recoverable amount of the cash-generating unit is based on the value in use. In assessing the value in use, forecasted future net cash flows used in the appraisal of the income-producing operating assets of Azorei Mallal were taken into account, using the income approach - discounted cash flows (DCF) at discount rates of 6.71%-7.57%.

The calculation is classified at level 3 on the fair value hierarchy. The value in use was compared with the carrying amount of the operating assets plus goodwill recorded in the financial statements. According to the comparison, the value of the cash-generating unit exceeds its carrying amount, therefore there is no goodwill impairment.

Cash-Generating Unit 3

Subsequent to termination of the online trade site Grouper Social Shopping Ltd., the Company amortized the unamortized original difference in the amount of NIS 48 million that attributed to this cash generating unit. Such amortization included amortization of goodwill in the amount of NIS 28 million. For further information, see Note 29.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 12 – Long-Term Financial Assets and Other Assets:

Composition:

	December 31, 2023	December 31, 2022
Payment on account of betterment tax (1)	-	50
Other assets (2)	10	16
	10	66

1. Payment on account of betterment tax for the Landmark Tel Aviv project, which the Company holds together with a partner. In 2023 the balance was allocated to the investment real estate and inventory of land under development items for the construction of apartments for sale, following the final assessment received.
2. Including receivables from municipal institutions in the amount of NIS 5 million.

NOTE 13 - Investment Property

A. Composition/change:

	2023	2022
Fair value as at January 1	22,462	20,379
Investment in investment property	458	624
Acquisition of land and payment of taxes for it (Note 13.C)	518	123
Increase in fair value of investment property, net (Note 13.B)	624	1,224
Advance payment on account of acquisition of investment property and payment of taxes for it (Note 13.C)	-	63
Capitalization of financing for property under construction	62	49
Balance as at December 31	24,124	22,462

B. Valuation update as at December 31, 2023:

The value of the Company as at December 31, 2023, as in every year, was revised by evaluations of its properties conducted by external appraisers. The evaluations included adjustment of the representative NOI of the properties based on the current lease data and the Company's forecast regarding the terms of the rental contracts. The change in NOI was mainly due to the revision of the rental contracts signed during the period and updates regarding the CPI effect on the rental income. Furthermore, the fair value of projects under construction were revised, mainly due to the progress made in the construction and marketing of them (signing of rental contracts).

The Company recorded in its financial statements for 2023 a net increase in value of investment real estate in the amount of NIS 624 million.

For further information about the fair value measurement, see Note 3M.

NOTE 13 - Investment Property (Contd.):

C. **Acquisition of property in 2023:**

1. In January 2023, the Company completed the acquisition of a 4,500 sq.m plot of land on Lincoln Street in Tel Aviv on which an old building is currently situated, that is used for retail and office space above basement levels, for consideration of NIS 298 million, with duly added VAT. The approved building rights allow for the construction of a 17,500 sq.m office block (above 6 basement levels). At the beginning of 2024, a town planning scheme was filed for increasing the building rights to 25, 500 sq.m. zoned for office space.

   On January 22, 2023, the Company engaged in an agreement with a bank for providing a credit facility in an amount of up to NIS 147 million that will be valid until November 2024 and will be used only for paying the Seller for the acquisition of the land. The credit facility was used for payment of the consideration as aforesaid. To secure the credit facility, a lien on the foregoing acquired land will be used. The credit facility bears annual interest of Prime plus 0.6%, which will be repaid regularly every quarter as of the first quarter of 2023. In February 2024, the Company extended the credit facility agreement until April 2026 at the same terms.

2. In February 2023, a mediation agreement the Company signed with unrelated parties was enhanced, under which, among other things, a transaction from 2013 for the sale of the shares of a company that holded the Harel Shopping Mall in Mevaseret Zion ("Harel Mall Ltd." and "the Mall") would be canceled and Harel Shopping Mall would sell its entire interests in the Mall to the Company. Under the mediation arrangement, the Company paid (net of proceeds that were received) an amount of NIS 32 million to third parties in the arrangement and to the tax authorities, and the loans it provided (through a subsidiary) in the past to Harel Mall and to the buyer and loans it (the subsidiary) received, in a net amount of NIS 157 million, were written off. Furthermore, as part of the sale of the Mall by Harel Mall Ltd. to the Company, the Company and Harel Mall Ltd. Has paid and will pay taxes in amount that is immaterial to the Company.

   After completing the mediation arrangement, the Company holds (indirectly) all the rights in the Mall.

Acquisition of land in 2022:

1. In April 2022, a wholly owned subsidiary of the Company purchased a 9,000 sq.m plot of land located adjacent to the Ofer Carmel Park, for NIS 36 million. The Company will use the land for future expansion of the Ofer Hacarmel Park.
2. In June 2022, the Company signed a purchase and partnership agreement with M. Yochananof and Sons (1988) Ltd. for the joint promotion of the development, planning, and execution of a project for the construction of an open retail center including commerce and office areas, covering 24 thousand sq.m in Yavne. Under the agreement, the Company acquired 70% of the lease rights in the land on which the project will be built in exchange for a consideration of NIS 47 million (such that subsequent to the transaction, the Company holds 70% of the property rights).
3. In June 2022, a wholly owned subsidiary of the Company purchased a 16,500 sq.m plot of land in the Kanot Junction area for NIS 29 million. In November, 2022, an agreement was signed for the purchase of additional adjacent land covering 4 thousand sq.m for a consideration of NIS 5 million. The purchased lands are part of a total complex of 250 thousand sq.m zoned for agriculture and the local council is advancing a plan under the authority of a district committee to rezone the complex from agriculture to logistics (industry and storage) and office.

NOTE 13 - Investment Property (Contd.):

D. Fair value measurement:

Description of the Group	Fair value	Valuation technique	Significant unobservable information	Range	Marketed area (thousands of sq.m)
December 31, 2023					
Group A	21,172	Revenue approach - discounted cash flows (DCF)	Monthly rent per sq.m	53-508	5-88
			Primary discount rate	5.5%-7.79%	
			Occupancy rate	93%-100%	
Group B	696	Comparison approach			
Group C	2,256	Discounted cash flows (DCF) less estimated construction costs expected to arise from its construction	Primary discount rate	6.4%-6.75%	
Total	24,124				
December 31, 2022					
Group A	20,189	Revenue approach - discounted cash flows (DCF)	Monthly rent per sq.m	51-482	5-88
			Primary discount rate	5.25%-7.75%	
			Occupancy rate	91%-100%	
Group B	676	Comparison approach			
Group C	1,597	Discounted cash flows (DCF) less estimated construction costs expected to arise from its construction	Primary discount rate	6.42%-6.75%	
Total	22,462				

(1) Group A includes income-producing real estate, with fair value measured on the basis of the projected discounted cash flow, based on reliable estimates of future cash flows, supported by the terms of any lease or other contracts and by external evidence, such as: rental fees appropriate for similar real estate in the same location and position, and the use of discount rates reflecting current market assessments of the uncertainty regarding the amount and timing of the cash flows. The main discounting rates used as at December 31, 2023 are between 5.5% and 7.79%, compared with the main discounting rates of between 5.25% and 7.75% at December 31, 2022. In the valuations as at December 31, 2022, amortization of NIS 450 million was recorded, reflecting the market risks for retail space (increase in interest, inflation and the risk of a recession). For calculating this amortization, the valuator assumed that the discounting rate would increase by 1% for a period of 5 years. As at December 31, 2023, this amortization has not been revised.

(2) Group B includes purchased land and rights with fair value based on the assessment of the market value of the property, based on transactions in other properties in a location similar to the evaluated property.

(3) Group C includes mainly real estate under construction, with fair value based on the value of the built-up and inhabited property net of development profit and construction costs.
The main monthly rental fees used to estimate the value of the built-up and inhabited property for most of the property in this group as at December 31, 2023 amount to NIS 160 per sq.m, compared with NIS 164 per sq.m as at December 31, 2022.

Groups A and C constitute level 3 and Group B constitutes level 2 in the fair value hierarchy as set out in Note 25.C.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 13 - Investment Property (Contd.):

E. Amounts recognized in profit or loss for investment property:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Rental fees and other revenue from investment property	1,784	1,646	1,409
Direct operating costs from investment property generating rental and other revenue	440	406	358

F. Sensitivity analysis:

Below is a sensitivity analysis of the real estate cap rate based on standardized NOI (including companies that are accounted for at equity in the financial statements): Based on NOI of NIS 1,463 million (standardized NOI) an increase of 0.25% in the discounting rate will reduce the fair value by NIS 721 million (less deferred taxes at a rate of 23% - NIS 555 million), and a decrease of 0.25% in the discounting rate will increase the fair value by NIS 774 million (less deferred taxes at a rate of 23% - NIS 596 million).

G. Liens:

See Note 22.B

H. Description of composition and change

	As at December 31, 2023			
	Group A	Group B	Group C	Total
As at January 01, 2023	20,189	676	1,597	22,462
Investments in the period	207	31	220	458
Purchases in the period	264	-	254	518
Adjusted value	512	34	78	624
Financing discount	-	-	62	62
Group transfer	-	(45)	45	-
As at December 31, 2023	21,172	696	2,256	24,124

	As at December 31, 2022			
	Group A	Group B	Group C	Total
As at January 01, 2022	18,705	469	1,205	20,379
Investments in the period	285	45	294	624
Purchases in the period	-	72	51	123
Advance payments on account of acquisition of land	-	63	-	63
Adjusted value	940	35	249	1,224
Financing discount	-	-	49	49
Group transfer	259	(8)	(251)	-
As at December 31, 2022	20,189	676	1,597	22,462

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 13 - Investment Property (Contd.):

I. Expected revenue for signed rental contracts:

	December 31, 2023	December 31, 2022
First year	1,227	1,123
Second year	958	893
Third year	715	640
Fourth year	524	453
Fifth year	365	332
Sixth year and onwards	873	857
Total	4,662	4,298

- It should be clarified that the expected revenue does not include expected revenue for the exercise of options to renew existing contracts that will come to an end. The expected revenue set out above includes only revenue from rental and parking, for which there are contracts signed as at December 31, 2023, without revenue from service charges, income from proceeds, and revenue from lease contracts paid as a percentage of proceeds. As at December 31, 2023, the revenue component from variable components is not material to the Company and the Company has no information about its expected revenue from this component.
- The information about the expected revenue may change, among other things, due to the cancellation or breach of lease agreements, among other things, due to the effects of the "Iron Swords" war and/or a change in the economic situation of the tenants such that they will be unable to pay rent (including but not limited to bankruptcy or foreclosure).
- The figures include 50% of the revenue expected from Hotzot Hamifratz (the Company holds 50% of its capital and voting rights, and the investment in it is presented in the financial statements of the Company using the equity method).

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 14 – Liabilities to banking and other corporations

A. Composition:

	Interest rate as at December 31, 2023	December 31, 2023	December 31, 2022
	%		
Banks:			
Short-term loans (1 and 2)	P+0.35-P+0.6	789	-
Current maturities for long-term loans		7	7
Total		796	7
Other:			
Commercial Securities (Series 3)	P-1	99	99
Current maturities for long-term loans (see Note 19)		32	43
		131	142
Total		927	149

- In January, 2024, the Ramat Aviv Mall extended the credit facility in an amount of NIS 850 million agreement for a further two years, until March 2026. As at the reporting date, the subsidiary has an unused credit facility of NIS 200 million.
- On January 22, 2023, the Company engaged in an agreement with a bank for providing a credit facility in an amount of up to NIS 147 million that will be valid until November 2024 and will be used only for paying the Seller for the acquisition of the land. The credit facility was used for payment of the consideration as aforesaid. To secure the credit facility, a lien on the foregoing acquired land will be used. The credit facility bears annual interest of Prime plus 0.6%, which will be repaid regularly every quarter as of the first quarter of 2023. In February 2024, the Company extended the credit facility agreement until April 2026.

B. Contractual restrictions and financial covenants

With regard to an undertaking to the bank, the balance of which at December 31, 2023 is NIS 642 million, a subsidiary undertook that:

- The NOI (aggregate in the previous four quarters, or in the last quarter multiplied by four, according to the higher) with respect to the property mortgaged to the bank will not at any time fall below NIS 80 million.
- The LTV ratio (between the loan balance and the value of the mortgaged property) will not exceed 70%.
- The outstanding balance of the loan to NOI ratio will not exceed, at any time, 8.5.

As at December 31, 2023 and 2022, the Company is in compliance with the contractual restrictions and financial covenants.

C. For further information see Note 25.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 15 – Trade payables and service providers:

A. Composition:

	December 31, 2023	December 31, 2022
Open debts	61	83
Checks payable	26	45
Expenses payable (B)	67	147
Total	154	275

B. The balance is mainly due to provisions for investments and completion of construction.

NOTE 16 - Other Payables

A. Composition:

	December 31, 2023	December 31, 2022
Employee obligations and related salary expenses	32	32
Interest payable	78	65
Institutions	10	-
Advance income	51	15
Expenses payable (B)	117	41
Others	10	4
Total	298	157

B. The balance is mainly due to provisions for levies and betterment.

NOTE 17 - Provisions for Tax

The provisions are mainly due to disputed tax issues; for further information see Note 20.E.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 18 – Debentures:

A.

1. Composition:

	Linkage basis	Effective interest rate as at December 31, 2023	Nominal interest rate as at December 31, 2023	December 31, 2023 Total less current maturities	December 31, 2022 Total less current maturities
		%	%		
In Melisron:					
Debentures (Series J)	CPI	1.91	1.76	1,473	1,459
Debentures (Series K)	CPI	2.51	2.30	1,389	1,375
Debentures (Series N)	CPI	1.48	2.15	1,356	1,352
Debentures (Series O)	-	3.50	3.50	-	695
Debentures (Series P)	CPI	2.15	2.35	1,052	802
Debentures (Series Q)	CPI	1.60	2.25	1,365	1,146
Debentures (Series R)	CPI	1.35	0.65	533	398
Debentures (Series S)	CPI	1.57	1.43	436	431
Debentures (Series T)	CPI	0.79	0.25	1,317	1,326
Debentures (Series U) (c)	CPI	3.78	3.61	457	-
Total				9,378	8,984

2. Current maturities for debentures:

	December 31, 2023	December 31, 2022
Current maturities for debentures:	1,113	859

NOTE 18 - Debentures (Contd.)

B. Additional details:

Series	Rating agency	Issuance rating as at the reporting date		Total par value as at the issuance date (including expansions and exchanges) (NIS thousands)	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Interest payment dates	Current maturity December 31, 2023 (NIS millions)	Nominal par value December 31, 2023 (NIS millions)	Par value CPI-linked, December 31, 2023 (NIS millions)	Carrying amount December 31, 2023 (NIS millions)	Interest payable, December 31, 2023 (NIS millions)	Market value December 31, 2023 (NIS millions)
		Issuance	Reporting date											
Debentures (Series J) Mar 31, 2015 Exchange: Jan 28, 2017 Oct 23, 2017 Expansions: Feb 24, 2019 Apr 16, 2020	Maalot	A+	AA	1,528,817	Fixed	1.76%	1.33%-2.29%	Fixed semiannual interest, Jan 10, Jul 10, in 2016-2025	36	1,336	1,512	1,509	13	1,486
Debentures (Series K) Mar 31, 2015 Expansions: Apr 19, 2016 Jan 12, 2017 Jun 8, 2017	Maalot	A+	AA	1,469,530	Fixed	2.3%	2.19%-2.82%	Fixed semiannual interest, Jan 10, Jul 10, in 2016-2025	34	1,260	1,427	1,423	15	1,411
Debentures (Series N) Apr 19, 2016 Exchange: Mar 5, 2018 Apr 11, 2018 Expansions: Oct 30, 2019 Apr 16, 2020	Maalot	AA-	AA	1,370,403	Fixed	2.15%	0.52%-2.29%	Fixed semi-annual interest - Apr 27 and Oct 27 in 2016-2026 (in 2016, one payment on Oct 27 only, and in 2026, one payment on Apr 27 only)	32	1,207	1,369	1,388	5	1,372
Debentures (Series O) Apr 19, 2016 Expansions: Jan 12, 2017 Jun 8, 2017	Maalot	AA-	AA	1,062,425	Fixed	3.5%	3.15%-3.79%	Fixed semi-annual interest - Jun 30 and Dec 30 in 2016-2024 (in 2016, one payment on Dec 30 only)	695	695	695	695	-	688

Series	Rating agency	Issuance rating as at the reporting date		Total par value as at the issuance date (including expansions and exchanges) (NIS thousands)	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Interest payment dates	Current maturity December 31, 2023 (NIS millions)	Nominal par value December 31, 2023 (NIS millions)	Par value CPI-linked, December 31, 2023 (NIS millions)	Carrying amount December 31, 2023 (NIS millions)	Interest payable, December 31, 2023 (NIS millions)	Market value December 31, 2023 (NIS millions)
		Issuance	Reporting date											
Debentures (Series P) Jan 12, 2017 Exchange: Mar 5, 2018 Expansion: Sep 6, 2018 Sep 13 2023	Maalot	AA-	AA	1,054,482	Fixed	2.35%	1.69%-2.66%	Fixed semiannual interest - Apr 1 and Oct 1, in 2017-2027	25	950	1,071	1,077	6	1,081
Debentures (Series Q) Mar 6, 2018 Expansions: Oct 30, 2019 Mar 1, 2021 Apr 21, 2021 Sep 13, 2023	Maalot	AA-	AA	1,580,456	Fixed	2.25%	0.75%-3.03%	Fixed semiannual interest, Jan 1 and Jul 1, in 2018-2032 (in 2032, one payment on Jan 1 only)	198	1,352	1,526	1,563	17	1,406
Debentures (Series R) Mar 3, 2020 Expansion: Mar 28, 2023	Maalot	AA	AA	533,025	Fixed	0.65%	0.79%-2.93%	Fixed semi-annual interest - Jan 1 and Jul 1 in 2020-2028 (in 2020, one payment on Jul 1 only)	12	504	560	545	2	516
Debentures (Series S) Aug 18, 2020	Maalot	AA	AA	428,000	Fixed	1.43%	1.57%	Fixed semiannual interest, Jan 1 and Jul 1, in 2021-2029	10	402	448	446	3	417
Debentures (Series T) Aug 17, 2021 Expansion: Nov 1, 2022	Maalot	AA	AA	1,398,495	Fixed	0.25%	0.38%-2.32%	Fixed semi-annual interest - Jan 1 and Jul 1 in 2020-2030 (in 2030, one payment on Jan 1 only)	62	1,298	1,419	1,379	2	1,203
Debentures (Series U) Mar 28, 2023	Maalot	AA	AA	459,433	Fixed	3.61%	3.78%	See note 18C	9	459	470	466	8	476

NOTE 18 - Debentures (Contd.)

C. Issuance of debentures in 2023:

Under a shelf offering memorandum published by the Company on March 26, 2023, the Company issued Debentures (Series U) in a total amount of NIS 459 million par value, at a price of NIS 1 per share for each NIS 1 par value Debentures (Series U), for a gross consideration of NIS 459 million and at an effective interest rate of 3.78%. The Debentures (Series U) are CPI-linked and bear an annual interest rate of 3.61%. The principal of the debentures will be paid in 27 unequal installments as follows:

- 2 equal installments of 1%, payable twice a year, on January 1 and July 1, 2024.
- 2 equal installments of 0.25%, payable twice a year, on January 1 and July 1, 2025.
- 2 equal installments of 2%, payable twice a year, on January 1 and July 1, 2026.
- 2 equal installments of 4.75%, payable twice a year, on January 1 and July 1, 2027.
- 2 equal installments of 6%, payable twice a year, on January 1 and July 1, 2028.
- 4 equal installments of 2%, payable twice a year, on January 1 and July 1, from January 1, 2029 to July 1, 2030.
- 6 equal installments of 6%, payable twice a year, on January 1 and July 1, from January 1, 2031 to July 1, 2033.
- 2 equal installments of 3%, payable twice a year, on January 1 and July 1, 2034.
- 2 equal installments of 5%, payable twice a year, on January 1 and July 1, 2035.
- 3 equal installments of 4%, payable twice a year, on January 1 and July 1, from January 1, 2036 to January 1, 2037.

The interest on the debentures is payable twice a year, on January 1 and July 1, from July 1, 2023 to January 1, 2037 (inclusive).

Financial covenants:

Undertaking to maintain a minimum equity: The Company undertakes that as long as there are Debentures (Series U) outstanding, its equity (including non-controlling interests) under its most recently published audited or reviewed consolidated financial statements will not fall below NIS 3.5 billion in two consecutive quarters.

Equity to balance sheet ratio: The Company undertakes that as long as there are Debentures (Series U) outstanding, its equity including non-controlling interests, plus net deferred tax liability, as specified in its most recently published audited or reviewed consolidated financial statements, will not fall below 25% of its total balance sheet under its most recently published audited or reviewed consolidated financial statements, in two or more consecutive quarters (regarding this section, "total balance sheet" means, the Company's total balance sheet, less cash (unrestricted), cash equivalents (unrestricted), marketable securities, short-term assets and current assets such as short-term loans and deposits (unrestricted).

As at December 31, 2023, the Company complies with the contractual restrictions and financial covenants.

D. Expansion of debentures in 2023:

1. In March 2023, the Company issued NIS 133 million par value Debentures (Series R) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 0.985 per share for each NIS 1 par value Debentures (Series R), for a gross consideration of NIS 131 million and at an effective interest rate of 2.93%.
2. In September 2023, the Company issued NIS 359 million par value Debentures (Series Q) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.099 per share for each NIS 1 par value Debentures (Series Q), for a gross consideration of NIS 394 million and at an effective interest rate of 3%.
3. In September 2023, the Company issued NIS 227 million par value Debentures (Series P) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.129 per share for each NIS 1 par value Debentures (Series P), for a gross consideration of NIS 256 million and at an effective interest rate of 2.66%.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 18 - Debentures (Contd.)

E. Final repayments in 2023:

In May 2023, a final repayment was made of Debentures (Series M), and in October 2023, a final repayment was made of Debentures (Series F), which were secured by a lien on the shares of the subsidiary British Israel Investments Ltd. ("British").

F. Expansion of debentures in 2022:

On November 6, 2022, the Company issued a private offering for the class of investors set out in the First Schedule to the Israel Securities Law, in an amount of NIS 287 million par value Debentures (Series T) by way of expansion of an existing debenture series. The issuance was made at a price of 92.04 agorot per share for each NIS 1 par value Debentures (Series T), for a gross consideration of NIS 264 million and at an effective interest rate of 2.32%. The consideration for the issuance was received in full.

G. For further information see Note 25.

H. Financial covenants:

1. **Undertaking to maintain a minimum equity:**
   The Company undertook that as long as there are Debentures (Series J - Series U) outstanding, its equity under its latest consolidated financial statements will not fall below NIS 2.5-3.5 billion (according to the relevant series), in two or more consecutive quarters ("equity" in this regard means the Company's equity under its consolidated balance sheet, including non-controlling interests).

2. **Equity to balance sheet ratio:**

   The Company undertook that as long as there are Debentures (Series K, Series O - Series U) outstanding, its equity including non-controlling interests plus net deferred tax liability, as specified in its latest consolidated financial statements, will not fall below 20%-25% (according to the relevant series) of the Company's total balance sheet under its latest consolidated financial statements in two or more consecutive quarters. For this purpose, "total balance sheet" means the total balance sheet of the Company, less cash, cash equivalents, and marketable securities. Regarding some of the series, "total balance sheet" means, the Company's total balance sheet, less cash (unrestricted), cash equivalents (unrestricted), marketable securities, short-term assets and current assets such as short-term loans and deposits (unrestricted).

As at December 31, 2023 and 2022, the Company complies with the contractual restrictions and financial covenants.

NOTE 19 – Long Term Liabilities to Banks and Others

A. Composition:

	Linkage basis	Interest rate at December 31, 2023	December 31, 2023	December 31, 2022
			Total less current maturities	
		%		
Unlinked bank loan (see Note 14.A)	-	-	-	642
Linked bank loan	CPI-linked	-	-	7
Loans from banks and others	CPI-linked	1.77-1.97	530	557
			530	1,206

NOTE 19 - Long-term Liabilities to Banks and Others (Contd.)

B. Loans from an institutional entity:

1. In July 2022, Azo-Rit Bilu Center Ltd. ("Bilu Center"), 72% of which is held by the Company (indirectly) through the subsidiary Shopping Centers (Azo-Rit) Ltd., which is wholly owned (100%) by the Company ("Shopping Centers"), signed a loan agreement of NIS 175 million with an institutional entity for a 10-year term, which will be used to repay part of Bilu Center's existing loans, the balance of which as at June 30, 2022 was NIS 222 million.
   The loans are secured by a lien on the Company's right in the open Ofer Bilu Center complex as well as a guarantee of Shopping Centers and the Company.
   The loans provided are CPI-linked and bear annual interest at a rate of 1.77%-1.89%. The loan principal and interest are repayable in 40 installments as follows: The principal will be paid in 39 equal installments of 1.43% each, every quarter from October 14, 2022 until April 14, 2032 (inclusive), and the final principal payment of 44% will be settled on July 14, 2032. The interest in respect of the loans will be paid quarterly on the same dates.
2. In August 2022, the same institutional entity provided the Company with a credit facility of NIS 400 million, which is convertible into a loan in the amount of the credit facility for a 10-year term. This credit facility is another facility for the debt refinancing of NIS 175 million by Bilu Center as set out above.
   The entire credit facility was utilized and accordingly, the Company received a loan for a 10-year term, which is secured by a guarantee of Shopping Centers as well as a first-degree lien on Shopping Center's holdings of shares of Bilu Center, which owns the Ofer Bilu Center shopping center and on 50% of the interests in Ofer Hagivaa Mall. The loan is CPI-linked and bears annual interest of 1.97%. The loan principal and interest will be paid in 40 installments as follows: The principal will be paid in 39 equal installments of 1.25% each, every quarter from November 21, 2022 until May 21, 2032 (inclusive), and the final principal payment of 51% will be settled on August 21, 2032. The interest in respect of the loans will be paid quarterly on the same dates.

C. Contractual restrictions and financial covenants:

1. In respect of a liability to a financial corporation which as at December 31, 2023 was NIS 171 million, an investee undertook that:
   A. The net annual rent (NOI) from assets pledged to the financial corporation will not fall below NIS 38 million (CPI-linked up to a maximum of 2% per year cumulatively).
   B. The LTV ratio (between the loan amount and the value of the pledged asset) will not exceed 65%.
2. In respect of a liability to a financial corporation which as at December 31, 2023 was NIS 390 million, the Company undertook that:
   A. The equity of the investee will not fall below NIS 500 million.
   B. The LTV ratio (between the loan amount and the value of the pledged asset) will not exceed 75%.

As at December 31, 2023 and 2022, the Company complies with the contractual restrictions and financial covenants.

D. Additional information:

1. Liens - see Note 22.B.
2. For further information, see Note 25.
3. For information about current maturities, see Note 14.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 20 - Income tax expenses:

A. Composition of deferred taxes, net:

	Deferred taxes in respect of			
	Investment property	Losses from securities, losses for tax purposes and unrecognized expenses	Other	Total
Balance as at January 1, 2022	(3,129)	136	9	(2,984)
Movement in profit or loss in 2022	(289)	5	-	(284)
Balance as at December 31, 2022	(3,418)	141	9	(3,268)
Movement in profit or loss in 2023	(211)	(11)	(9)	(231)
Balance as at December 31, 2023	(3,629)	130	-	(3,499)

Deferred taxes as at December 31, 2023 and 2022 were calculated at a tax rate of 23%, which is expected to apply to the Company upon reversal of the time differences in respect of which they were created.

B. Composition of income tax:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Current taxes	(69)	(59)	(37)
Deferred taxes	(231)	(284)	(371)
Taxes for preceding years	(10)	(16)	(51)
Total	(310)	(359)	(459)

C. Tax rate and changes in tax rates applicable to the Company:

Tax rates applicable to the Company as of 2018: 23%.

D. Losses for tax purposes:

Losses for tax purposes carried forward to the following tax year of the Company, as at the balance sheet date, amount to NIS 767 million, of which the Company did not recognize deferred taxes in respect of carry-forward losses amounting to NIS 161 million.

NOTE 20 - Composition of Income Tax (Contd.):

E. Main tax issues under dispute:

1. In December 2021, the tax assessment officer issued best judgment tax assessments to a wholly-owned subsidiary of the Company amounting to NIS 48 million for the 2015-2019 tax years in respect of several tax issues, mainly intercompany dividends, which according to the tax authorities, are mainly from profits in respect of which no tax was charged due to depreciation expenses that are deductible solely for tax purposes in the distributing company. In 2023, the tax assessment officer issued a phase B best judgment tax assessment of NIS 103 million. The Company disagrees with these assessments, and filed an appeal with the court.
2. In December 2021, the tax assessment officer issued best judgment tax assessments to another wholly-owned subsidiary of the Company amounting to NIS 32 million for the 2016-2019 tax years, for certain non-permissible financing expenses. In 2023, the Company signed a tax-assessment agreement for 2016-2021 under which it paid NIS 27 million and non-permissible financing expenses were adjusted.
3. In 2023, the Company signed a mediation agreement reached with parties not associated with the Company, according to which the Company paid a total of NIS 32 million (net of receipts received and receivable) to specific third parties in the arrangement and to the Israel Tax Authority. For more information, see Note 13.C.
4. In 2020, the tax assessment officer issued best judgment tax assessments to a wholly-owned subsidiary of the Company amounting to NIS 76 million for the 2014-2016 tax years in respect of several tax issues, mainly receipt of dividends which, according to the tax authorities, are from depreciation differences and certain non-permissible financing expenses. The Company filed an objection against the assessments, which are under deliberation by the court.

The Company, with the advice of its advisors, recognized tax provisions in its financial statements, the balance of which as at December 31, 2023 was NIS 111 million.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 20 - Composition of Income Tax (Contd.):

F. Theoretical tax:

Presented below is the reconciliation between the theoretical tax amounts that would have applied had all income been taxable at the normal rates and the provision for income taxes net of income tax recognized in the statements of comprehensive income:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Income before taxes on income and equity profits	1,328	1,712	1,916
Corporate tax rate applicable to the Company	23%	23%	23%
Theoretical tax	305	394	441
Tax addition (saving) for:			
Unrecognized expenses (exempt income), net	24	13	(7)
Taxes for preceding years	10	16	51
Provision for which deferred taxes were not recognized	4	17	4
Benefit from previous period not recognized before, that were used to reduce deferred and current tax expenses	-	(5)	(8)
Difference between accounting of assets as reported for tax purposes and accounting of assets as reported in the financial statements	(38)	(68)	(23)
Other differences	5	(8)	1
Total	310	359	459

NOTE 21 – Other Liabilities and Provisions:

Composition:

	December 31, 2023	December 31, 2022
Deposits from tenants (a)	25	25
Equipment renewal reserve (b)	4	2
Prepaid revenue in respect of projects under construction (c)	-	18
Liabilities for levies (d)	31	81
Others	-	4
	60	130

A. To secure the liabilities of tenants under lease and management agreements with the Company, the tenant is required to make a deposit at the beginning of the agreement term. The deposits are returned to tenants at the end of the lease term linked to the CPI on the date of receipt thereof or alternatively are used as payment in respect of the last lease months. The deposits are recognized in the financial statements plus linkage differences accrued as at the balance sheet date.

B. Amounts collected for future repairs, which according to the lease and management contracts will be financed by the tenants and not by the Company. The amounts are accrued in a special reserve for this purpose.

C. Prepaid rental income in respect of the Landmark Tel Aviv project was reclassified to payables in 2023.

D. Most of the balance is attributable to provisions for betterment taxes.

NOTE 22 – Contingent Liabilities, Liens and Agreements:

A. Contingent liabilities:

In February 2018, a claim was filed against British Israel Investments Ltd. (A wholly-owned subsidiary of the Company ("British")) for payment of development or brokerage fees in respect of the acquisition of the Company's holdings in British. The claim amounts to NIS 50 million (for fee purposes).

In July 2023, a judgment was handed down dismissing most of the plaintiffs' allegations and awarding NIS 11 million plus linkage and interest from March 27, 2012 and VAT, in their favor. British appealed the judgment at the Supreme Court, and further to its motion for stay of execution, it was ordered to pay half of the amount ruled and deposit the balance with the court. In November 2023, the plaintiffs filed an appeal with the Supreme Court regarding the calculation method of the development fees and not charging British court expenses.

B. Liens:

To secure repayment of credit from banks, financial institutions and debentures, assets valued at NIS 14.8 billion were pledged.

C. Agreements:

1. Regarding agreements with stakeholders, see Note 32.
2. On December 20, 2021, the extraordinary general meeting of Company shareholders approved (further to approval by the audit committee and board of directors of the Company on November 7, 2021 and November 14, 2021, respectively) an extension of the Company's agreement (by way of renewal of the previous agreement that ended on December 31, 2021, with the necessary adjustments) with the controlling shareholder - Ofer Investments Ltd., according to which the Company will provide Ofer Investments Ltd. with real estate appraisal and management, payroll accounting and human resources, general and operations services in predefined volumes by the Company's employees, in return for NIS 135 thousand per quarter plus duly required VAT. Furthermore, Ofer Investments will bear a proportionate share of incidental expenses for engagement of the Company's employees who provide the services. The agreement is valid for a three-year term from January 1, 2022. As from November 1, 2022, the agreement was revised to include the provision of information system services by the Company's information systems manager in return for another NIS 30 thousand per quarter plus duly required VAT, and it also specifies that Ofer Investments will cover a proportionate share of the incidental expenses for employment of the information systems manager who provides the services, based on the actual volume of services provided plus duly required VAT.

NOTE 22 – Contingent Liabilities, Liens and Agreements (Contd.)

Agreements (contd.):

1. On September 21, 2022, the general meeting of Company shareholders approved (further to approval by the Company's compensation committee and board of directors on August 10, 2022 and August 14, 2022, respectively) the extension of the tenure of Ophir Sarid, Company CEO, under the same terms and conditions as his original employment agreement dated November 14, 2019, other than the following changes: 1. The term of engagement was extended for another three years from November 1, 2022 (i.e., until October 31, 2025); 2. His fixed base salary was revised to NIS 165,000, while according to the provisions of his employment agreement and the Company's compensation policy, the base salary will be linked (upwards) to the CPI set in his original employment agreement (August 2019); 3. Allocation of options according to Note 24.A. The CEO is eligible for an annual bonus equal to up to 12 monthly salaries, based on the bonus formula in the Company's compensation policy, and the other terms of employment under his original employment agreement remain unchanged.
2. On May 5, 2021, an extraordinary general meeting of Company shareholders approved (subsequent to obtaining the approval of the Company's compensation committee and board of directors) the Company's officers compensation policy, adjusted to the changes in the Company and the provisions of the law relevant from the date of adoption of the Company's previous compensation policy ("Compensation Policy"). The Compensation Policy is for a 3-year term from May 5, 2021.
3. For information about the Company's agreement with a wholly-owned company of the chairperson of the board, Liora Ofer, for chairperson of the board services, see Note 32 below.

D. Harel Mall mediation agreement:

For information about the mediation agreement, see Note 13.C.

E. Electricity consumption agreement:

In February 2023, the Company finalized its engagement in two separate agreements for the supply of most of the electricity consumption of its properties from renewable energy sources and is eligible for 205 International Renewable Energy Certificates (I-REC's) from Doral Energy From Nature Ltd. and a wholly-owned partnership of Shikun & Binui Energy Ltd. Under the agreements, the Company will gradually purchase electricity as from January 2024 in an estimated volume (presently, subject to actual consumption and linkage to the generation component set from time to time by the Electricity Authority) at a total cost (for both agreements together) of NIS 100 million per year, for a total term of 10 years. The agreements include the standard terms and mechanisms in agreements of this type, including termination of the agreements in standard cases, including material changes (defined in the agreements) in the generation component set from time to time by the Electricity Authority. However, it should be noted that due to the temporary delays in the ability to produce green electricity in the facilities, due to the "Iron Swords", the supply of green energy will start in September 2024. As a result, the Company signed an appendix to the green energy supply agreement, extending the original agreement by several months.

Note 23 - Capital:

A. Share capital;

1. Nominal share capital:

	Registered		Issued and paid up	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Ordinary shares of NIS 1 par value each	75,000,000	50,000,000	47,516,911	47,491,202

2. Main rights of the shares:

The Company's ordinary shares grant their holder the right to vote, receive dividends and to participate in distribution of the Company's assets in the event of liquidation.

B. Additional information:

1. Distribution of dividends as from January 1, 2021:

Declaration date	Distribution date	Dividend per share (agorot)	Amount (NIS millions)
August 14, 2022	September 5, 2022	252.8	120
November 23, 2022	December 12, 2022	126.3	60
March 13, 2023	April 27, 2023	547.5	260
May 22, 2023	July 3, 2023	126.3	60
August 14, 2023	October 2, 2023	126.3	60

2. On February 25, 2020, the board of directors resolved to revise the Company's dividend distribution policy from 2020, whereby a decision to distribute a dividend and the amount thereof will be made, if any, quarterly, subject to the provisions of the law regarding distribution of dividends and business considerations.

3. Capital issuance:
On February 1, 2023, the Company announced an increase in its registered share capital from 50,000,000 ordinary shares of NIS 1 par value each to 75,000,000 ordinary shares of NIS 1 par value each, as resolved at the general meeting of Company shareholders of January 3, 2023.

4. For information about the merger of Avnat Ltd. with and into the Company, see Note 10.B.

NOTE 24 - Share-Based Payment:

A. Company CEO:

1. On September 21, 2022, the general meeting of Company shareholders approved (subsequent to approval by the Company's compensation committee and board of directors on August 10, 2022 and August 14, 2022 respectively) the extension of the Company CEO's tenure under terms that include the allocation of 79,095 non-marketable options for Company shares pursuant to section 102 of the Income Tax Ordinance in a capital track, through a trustee, in a volume that reflects 0.17% of the Company's issued share capital on the grant date. The CEO's eligibility for the options will form in three tranches ("Vesting Dates") as follows:
   a. 26,365 options in the first tranche: The first tranche will form within two years of the grant date, meaning November 1, 2024, and will expire two years from the Vesting Date, meaning November 1, 2026.
   b. 26,365 options in the second tranche: The second tranche will form within two years of the grant date, meaning November 1, 2024, and will expire two years from the Vesting Date, meaning November 1, 2026.
   c. 26,365 options in the third tranche: The third tranche will form within three years of the grant date, meaning November 1, 2025 and will expire two years from the Vesting Date, meaning November 1, 2026.

   According to the terms of the options, the exercise price per option was set at NIS 262.4 (subject to adjustments), deriving from the weighted average closing price of the Company share on October 31, 2022, which reflected the higher between: (a) The weighted average closing price of the Company share in a representative period of 30 trading days preceding the grant date; (b) the price of the Company share on the grant date. The fair value of the underlying benefit of the options granted to the CEO as at the grant date was NIS 6.3 million, recognized to profit or loss over the vesting period.

B. Officers, managers and other employees:

1. On March 12, 2023, the Company's board of directors approved (after obtaining the compensation committee's approval) the allocation of 163,017 options (non-marketable) convertible into Company shares to 6 of its officers (not directors or the CEO) and 29 managers and other employees in the Company, under an employee plan.

   The options will be granted according and subject to the Company's options plan as approved by its compensation committee and board of directors on October 10, 2013 and October 14, 2013, respectively, pursuant to the provisions of section 102 of the Income Tax Ordinance in a capital track, by a trustee. Eligibility for the options will form in two tranches of equal value, as follows:
   a. Two years after the grant date of the options, the offerees will be eligible for the first tranche (87,003 options).
   b. Three years after the grant date of the options, the offerees will be eligible for the second tranche (76,014 options).

   The options will be exercisable within two years from their Vesting Date.

   The exercise price of each option was set at NIS 231.8 (subject to adjustments), which derives from the closing price of the Company share on March 9, 2023 and reflects the higher between: 1. The weighted average closing price of the Company share in a representative period of 30 trading days preceding the approval date of the allocation of options by the Company's board of directors. 2. The closing price of the Company share on the last trading day preceding the approval date of allocation of the options by the Company's board of directors. The fair value of the underlying benefit of the options is estimated at NIS 10.6 million, recognized to profit or loss over the Vesting Period.

   The options will be converted into Company shares using the cashless method.

NOTE 24 - Share-Based Payment (Contd.):

B. Officers, managers and other employees (contd.):

2. On March 9, 2022 and March 13, 2022, the Company's compensation committee and board of directors (respectively) approved a private placement of 13,915 options (non-marketable) to Company officer (who is not director or the CEO). The options will be granted according and subject to the Company's option plan as approved by its compensation committee and board of directors on October 10, 2013 and October 14, 2013, respectively, pursuant to the provisions of section 102 of the Income Tax Ordinance in a capital track, by a trustee.

   The eligibility for the options will form in two tranches of equal value, as follows:

   a. 7,362 options in the first tranche: The first tranche will form within two years of grant date, meaning March 13, 2024, and will expire two years after the Vesting Date, meaning March 13, 2026.

   b. 6,553 options in the second tranche: The second tranche will form within three years of the grant date, meaning March 13, 2025, and will expire two years after the Vesting Date, meaning March 13, 2027.

   According to the terms of the options, the exercise price of each option was set at NIS 263.6 (subject to adjustments), deriving from the weighted average closing price of the Company share in a period of 30 trading days preceding the grant date, which reflects the higher price between: (a) The weighted average closing price of the Company share in a representative period of 30 trading days preceding the grant date; (b) the price of the Company share on the grant date. The fair value of the underlying benefit of the options is estimated at NIS 0.8 million. This amount is recognized to profit or loss over the Vesting Period.

3. On November 7, 2021 and November 14, 2021, the Company's compensation committee and board of directors (respectively) approved a private placement of 13,923 options (non-marketable) to Company officer, which are exercisable for ordinary shares of the Company. The options will be granted according and subject to the Company's options plan as approved by its compensation committee and board of directors on October 10, 2013 and October 14, 2013, respectively, pursuant to the provisions of section 102 of the Income Tax Ordinance in a capital track, by a trustee.

   The options will be granted in a periodic grant format. The offeree will be eligible to exercise the proposed options in two tranches of equal value, as follows:

   a. Two years after the grand date of the options, the offeree will be eligible for the First Tranche (7,332 options).

   b. Three years after the grand date of the options, the offeree will be eligible for the Second Tranche (6,591 options).

      The options will be exercisable within two years from their Vesting Date.

   The exercise price of each option was set at NIS 274.2 (subject to adjustments), which derives from the closing price of the Company share on November 11, 2021 and reflects the higher between: 1. The weighted average closing price of the Company share in a representative period of 30 trading days preceding the approval date of the allocation of options by the Company's board of directors. 2. The closing price of the Company share on the last trading day preceding the approval date of allocation of the options by the Company's board of directors. The fair value of the underlying benefit of the options allocated above, as at the grant date, is NIS 0.9 million. This amount is recognized to profit or loss over the Vesting Period. The options will be converted into Company shares using the cashless method.

4. On March 25, 2021 and March 29, 2021, the Company's compensation committee and board of directors (respectively) approved a private placement of 248,255 options (non-marketable) to officers and other employees, while of such options: (a) 150,143 options were allocated to seven officers who report directly to the CEO (whereas for two of them, the allocations is subject to and after exchange of existing options allocated to them (35,558 options) on March 22, 2020, and a tax decision made in connection with exchange of the options and allocation of new options), and (b) 98,112 options were allocated to 26 managers and other employees in the Company and its subsidiaries (non-officers of the Company). The options were actually allocated on March 11, 2021.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 24 - Share-Based Payment (Contd.):

B. Officers, managers and other employees (contd.):

4. The options will be granted according and subject to the Company's options plan as approved by its compensation committee and board of directors on October 10, 2013 and October 14, 2013, respectively, pursuant to the provisions of section 102 of the Income Tax Ordinance in a capital track, by a trustee.

The offerees will be eligible for the options in two tranches of equal value, as follows:

Regarding officers: Two years after the grant date of the options to the officers, they will be eligible for the First Tranche (79,442 options), and three years after the grant date, they will be eligible for the Second Tranche (70,701 options). The fair value of the underlying benefit of respect of the officers (except two who report directly to the CEO for whom the allocation will be by means of exchange of the existing options) is estimated at NIS 5.1 million, and the incremental fair value of the underlying benefit in respect of the two officers for whom the allocation will be carried out as an exchange of existing options is estimated at NIS 0.5 million (the fair value of the underlying benefit of the exchanged options, as at their grant date, is estimated at NIS 1.3 million).

With respect to the other managers: Two years after the grant date of the options to the other managers, they will be eligible for the First Tranche (51,912 options), and three years after the grant date, they will be eligible for the Second Tranche (46,200 options). The fair value of the underlying benefit is estimated at NIS 4.2 million.

The options will be exercisable within two years from their Vesting Date. The exercise price of each option was set at NIS 185 (subject to adjustments), which derives from the closing price of the Company share on March 25, 2021 and reflects the higher between: 1. The weighted average closing price of the Company share in a representative period of 30 trading days preceding the approval date of the allocation of options by the Company's Board of Directors. 2. The closing price of the Company share on the last trading day preceding the approval date of allocation of the options by the Company's Board of Directors. The options will be converted into Company shares using the cashless method.

C. Further information about the granted options:

	As at December 31, 2023		As at December 31, 2022	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Options granted to employees:				
Outstanding at the beginning of the period	433,987	211.94	419,892	192.45
Granted	163,017	231.80	95,758	263.22
Forfeited	16,115	252.85	42,356	185.0
Exercised	76,293	181.09	39,307	157.7
Outstanding at the end of the period	504,596	221.71	433,987	211.94
Exercisable at the end of the period:	158,389	209.69	118,407	209.98

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 25 - Financial Instruments:

A. Method of determining fair value:

Due to their nature, the fair value of financial instruments, such as cash and cash equivalents, trade and other short-term receivables, and trade and other short-term payables are a reasonable approximation of their carrying amount.

Marketable assets and liabilities	According to the price quoted in an active market as at the balance sheet date.
Non-marketable short-term interest-bearing assets and liabilities with a fixed repayment date	Their carrying amount reflects their fair value as at the balance sheet date, since their average interest rate is not materially different to the standard market interest rate for similar items as at the balance sheet date.
Assets and liabilities at variable interest rates	The fair value of assets and liabilities at variable interest rates, in respect of which there were no material changes, is determined according to the contractual terms and conditions of the instrument.
Long-term fixed interest loans	The fair value of long-term fixed-interest loans is determined based on calculation of the current value of cash flows at the standard interest rate of similar loans with similar characteristics.

B. Fair value of financial instruments whose carrying amount is not a reasonable approximation of their fair value:

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Marketable debentures (1)	10,563	10,055	9,903	9,400
Long-term fixed interest loans (1)	562	538	615	593

(1) Including interest payable, in addition, the carrying amount of the debentures include a premium/discount.

C. Fair value hierarchy:

The Company classifies measurement of financial instruments using a fair value hierarchy that reflects the nature of the data used when making the measurements. The fair value hierarchy is:

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

b) Level 2 - inputs other than quoted prices included within Level 1 that are observable, regarding the asset or the liability, either directly (i.e., as prices) or indirectly (i.e., derived from the prices).

c) Level 3 - inputs for the asset or liability that are not based on observable market information (unobservable inputs).

Below are figures regarding the fair value hierarchy of financial instruments measures at fair value recognized in the balance sheet:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Marketable securities as at December 31, 2023	358	-	-	358
Marketable securities as at December 31, 2022	325	-	-	325

NOTE 25 - Financial Instruments (Contd.):

D. Risk management policy:

The Company's operations expose it to various financial risks, such as market risk (including in respect of interest and inflation risk), credit risk and liquidity risk. Company management focuses on measures to minimize possible negative effects on the financial performance of the Company.

1. Market risks

Market risks derive from the risk that the fair value or future cash flows of a financial instrument will change as a result of changes in market prices.

Below are the financial risks to which the Company is exposed and management policy thereof:

a) CPI risk:

Due to the fact that a vast majority of financial liabilities undertaken by the Company are CPI linked and likewise with revenues, an increase in inflation will lead to a rise in the Company's financing expenses and the volume of its liabilities, but in contrast, an increase in its revenues will be recorded, which could lead to positive revaluation of the Company's assets in a manner that reduces the negative impact on the Company's results.

b) Interest risk:

Since most of the Company's liabilities are at fixed interest rates, the Company is not materially exposed to short-term interest rate fluctuations.

However, if long-term interest rates increase, the required return on the Company's assets may increase and the value of its assets may decrease accordingly.

Interest rate fluctuations may also affect the cost of debt raising by the Company as well as financing expenses in respect of variable interest loans.

2. Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by non-compliance with a commitment.

Most of the Company's revenue is rent, which is usually payable monthly. A lion's share of the rent receipts is made by standing orders, while a significant part of the contracts is accompanied by a deposit in the amount of one month's rent or more and/or a bank guarantee. The Company has many customers, none of which are material to it.

Therefore, the risk level involved is low.

3. Liquidity risk:

Liquidity risks derive from the management of the Company's working capital as well as financing expenses and principal repayments of the Company's debt instruments. Liquidity risk is the risk that the Company will struggle to meet its commitments related to financial liabilities which are to be settled in cash or another financial asset.

The Company's policy is to ensure that the cash held is sufficient to cover liabilities on their due date. To achieve this goal, the Company works to hold sufficient cash balances (or binding credit facilities) to repay its short-term liabilities. The Company also aspires to reduce liquidity risk by fixing the interest rates on long-term loans. As at the approval date of the financial statements, the Company has unutilized binding credit facilities amounting to NIS 500 million.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

Note 25 - Financial Instruments (Contd.):

D. Risk management policy (contd.):

A. Analysis of the contractual due dates of financial liabilities including interest and interest rates as at the balance sheet date:

December 31, 2023		Maturity dates				
	Stated interest rate (%)	Up to 1 year	Between 1-3 years	Between 3-5 years	Over 5 years	Total
Short-term loans from banks and others	P - 1.0	104	-	-	-	104
Trade and other payables, and tax provisions	-	717	284	125	126	1,252
Debentures	0.25-3.61	1,113	4,619	2,099	2,666	10,497
Long term loans from banks and others	1.77 up to P +0.6%	828	63	63	405	1,359
Total		2,762	4,966	2,287	3,197	13,212

December 31, 2022		Maturity dates				
	Stated interest rate (%)	Up to 1 year	Between 1-3 years	Between 3-5 years	Over 5 years	Total
Short-term loans from banks and others	P-1.0	101	-	-	-	101
Trade and other payables, and tax provisions	-	724	327	117	90	1,258
Debentures	0.25-5.85	858	3,932	2,395	2,620	9,805
Long term loans from banks and others	1.77-6.29	38	724	61	421	1,244
Total		1,721	4,983	2,573	3,131	12,408

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

Note 25 - Financial Instruments (Contd.):

D. Risk management policy (contd.):

B. Sensitivity analysis of the fair value of key financial instruments as at December 31, 2023:

1. Sensitivity to changes in prices of marketable securities:

	Income (loss) from changes in market factor		Fair value	Income (loss) from the change in market factor	
Sensitive instruments	+10%	5%		-5%	-10%
Short-term financial assets as at December 31, 2023	36	18	358	(18)	(36)
Short-term financial assets as at December 31, 2022	33	16	325	(16)	(33)

- The securities held by the Company are marketable securities with a market price. Their fair value as at December 31, 2023 was calculated by multiplying the market price on December 31, 2023 by the par value held by the Company on that date of each of the securities.

2. Sensitivity of the Company's liabilities to CPI changes:

	Resulting increase in liabilities From a CPI increase		Carrying amount	Resulting decrease in liabilities From a CPI decrease	
	3%	1%		-1%	-3%
Linked marketable debentures as at December 31, 2023	296	99	9,874	(99)	(296)
Linked marketable debentures as at December 31, 2022	268	89	8,935	(89)	(268)

	Resulting increase in liabilities From a CPI increase		Carrying amount	Resulting decrease in liabilities From a CPI decrease	
	3%	1%		-1%	-3%
Long-term fixed interest loans as at December 31, 2023	17	6	562	(6)	(17)
Long-term fixed interest loans as at December 31, 2022	18	6	615	(6)	(18)

***The balances include interest payable and exclude the Company's Debentures (Series O), which are unlinked.**

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 25 - Financial Instruments (Contd.):

E. The Company's cash management policy:

The Company, subject to the decision of the board of directors, reserves the right to invest the cash balances managed by it in investment portfolios mainly according to the following limits:

1. Up to 25% shares.
2. Up to 20% debentures with a BBB rating or unrated.
3. The remainder in debentures with an A rating or above.
4. Up to 15% of the portfolio in foreign currency.
5. Duration of up to 4 years.

The investment policy also includes maintenance of a cash buffer as shall be from time to time. Therefore, at an overall level the percentage of investment in securities is lower than the above.

F. Management of Company's capital:

The Company includes as capital its ordinary share capital, premium, capital reserves and surplus.

The Company's main capital management goal is to ensure the ability to constantly provide return to its shareholders by increasing capital or distributions (payment of dividends). To meet this goal, the Company strives to maintain a leverage ratio that reasonably balances risks and yields, while maintaining a financing basis that allows the Company to meet its investment and working capital needs. When deciding on changes to its capital structure to meet the above goals, by changing its dividend distribution policy, issuing new capital, or reducing its debt, the Company does not only consider its short-term position, but its long-term goals as well.

According to the deeds of trust of the debentures signed by the Company, it undertook that if its equity falls below NIS 2.75 billion (with respect to Series J and K), NIS 3 billion (with respect to Series N - Q), NIS 3.3 billion (with respect to Series R, S and T) and NIS 4 billion (with respect to Series U) under its last known financial statements, it will refrain from making a distribution (as defined in the Companies Law) to its shareholders (including a situation whereby following such distribution the Company's equity falls below the above thresholds), until its equity increases above the foregoing amount in its financial statements. The Company also undertook in those deeds to refrain from a distribution if on the distribution decision date or as a result of the distribution its equity ratio, including non-controlling interests, plus net deferred taxes, falls below 20%-27% (based on the relevant series) of the total balance sheet. For this purpose, "total balance sheet" means the total balance sheet of the Company, less cash, cash equivalents, and marketable securities.

"Equity" in this regard means the Company's equity under its financial statements, including non-controlling interests.

As at December 31, 2023, the Company's equity is NIS 11.1 billion. Beyond the foregoing and subject to the provisions of any law, there are no restrictions on the Company in connection with distribution of dividends or buyback of its shares.

NOTE 26 - Rental and Other revenue:

Composition:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Rent*	1,300	1,208	1,022
Service charges	332	300	272
Electricity income	122	115	100
Services and miscellaneous	49	50	30
Total	1,803	1,673	1,424

* Including discounts under the "Iron Swords" outline plan. For further information, See Note 2.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 27 - Maintenance and Operating Costs:
Composition:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Salaries and incidentals	63	64	49
Maintenance expenses	160	146	133
Electricity	123	113	98
Depreciation	6	3	1
Advertising and Marketing	25	25	23
Others	85	82	69
Total	462	433	373

NOTE 28 – General and Administrative Expenses:
Composition:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Salaries and incidentals	37	40	29
Cost of share-based payment	8	5	6
Professional and consulting fees	9	9	9
Compensation to chairperson of the board	3	3	2
Depreciation	5	5	3
Others	15	14	12
Total	77	76	61

NOTE 29 - Other Income (Expenses), Net:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Reduction of original difference in respect of the investment in Grouper	(50)	(9)	(1)
Partial return on account of the investment in Grouper	7	-	-
Others	(31)	(10)	4
Other income (expenses), net	(74)	(19)	3

NOTE 30 - Financing Expenses/Income, Net:

Composition:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
1. Expenses for:			
Interest and linkage on debentures	503	639	426
Interest and linkage on long-term loans from banks and others	80	44	20
Short-term loans	5	2	21
Others	10	36	13
	598	721	480
Less financing capitalized for investment property under construction	(62)	(49)	(30)
	536	672	450
2. Income for:			
Short-term financial assets and interest on deposits	53	9	36
Long-term loans provided	2	14	10
Loans to equity accounted investees	11	10	7
	66	33	53
Total financing expenses, net	470	639	397

NOTE 31– Earnings Per Share:

Basic earnings per share:

Presented below are the earnings per year attributable to Company shareholders and par value of the shares taken into account to calculate basic earnings attributable to holders of an ordinary share of NIS 1 par value of the Company.

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Calculation of basic earnings per share:			
Earnings per year attributable to ordinary shareholders	1,037	1,391	1,473
Weighted number of shares used to calculate earnings per share:			
Weighted number of shares used to calculate basic earnings (par value in thousands)	47,498	47,480	47,456
Weighted number of shares used to calculate diluted earnings (par value in thousands)	47,550	47,557	47,506
Basic and diluted earnings (NIS)	21.84	29.30	31.06

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 32 - Controlling Shareholders, and Related and Interested Parties:

A. Income (expenses):

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Financing income from loans to equity accounted investees	11	10	7
Income from provision of services to the controlling shareholder	1	1	1
Rent and related expenses	(2)	(2)	(2)

B. Fees and salary:

	No. of recipients in 2023	Year ended		
		December 31, 2023	December 31, 2022	December 31, 2021
Salary and benefits of interested parties *	2	11	9	9
Salary of directors not employed in or on behalf of the Company	6	1	1	2

* In 2023, including the cost of share-based payments of NIS 3 million (in 2022 - NIS 1 million and in 2021 - NIS 2 million).

C. Balances:

	December 31, 2023	December 31, 2022
Loans to equity accounted investees	174	164

NOTE 32 - Controlling Shareholders, and Related and Interested Parties: (cont.)

D. Transactions with shareholders, and interested and related parties:

1. On December 23, 2020, the general meeting of Company shareholders approved (subsequent to approval by the compensation committee and board of directors) an extension of the current terms of tenure of the chairperson of the board for another three-year term ended December 31, 2023. The appointment percentage will be 75% and the monthly consideration in respect of the services will be a total of NIS 156,000 linked to the CPI of December 2020. The chairperson of the board notified the Company of her decision to limit the total service charges and annual bonus to which she is entitled under her terms of tenure to an annual maximum of NIS 4.5 million for services equivalent to a full-time position (from which an annual maximum of NIS 3.375 million for services equivalent to a 75% position is obtained). The chairperson of the board is also entitled to letters of exemption and indemnification, and inclusion in officers' insurance policy under the same terms as those of the other Company officers. On November 21, 2023, the Company's board of directors approved an extension of the tenure of the chairperson of the board for a further four-month term, i.e., until April 30, 2024, in accordance with the Law on Extension of Periods and Postponement of Deadlines (Temporary Order - Iron Swords) (Administrative Procedures, Tenure Periods and Companies) 2023, which became effective on November 23, 2023.
   On March 6, 2024 and March 10, 2024, the Company's compensation committee and board of directors, respectively, approved renewal and revision of the terms of tenure of the chairperson of the board for a further three-year term until December 31, 2027, subject to approval in the general meeting of Company shareholders, for which the notice of convening will be published on the dates required by law.

2. For information about the Company CEO's terms of employment, see Note 22.C.3.

3. On December 23, 2020, the general meeting of Company shareholders approved (subsequent to approval by the compensation committee and board of directors) the Company's engagement in a service agreement with Rona Angel (the daughter of Liora Ofer, chairperson of the board and a controlling shareholder of the Company (through private companies wholly-owned by her)), as Director of Growth and Strategy in the Company. The service agreement will be valid for a three-year term from December 23, 2020 until December 23, 2023. The volume of services to be provided by Rona Angel will not fall below the number of hours attributed to a 60% position. The monthly consideration in respect of the services will be NIS 15,000 plus duly required VAT. In addition to the above, Rona Angel will be entitled to letters of exemption and indemnification, and inclusion in officers' insurance policy under the same terms as those of all Company officers.

   The service agreement ended at the end of the stipulated period and was not extended, and accordingly, Rona Angel ceased serving as the Director of Growth and Strategy in the Company.

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 33 - Changes in Liabilities Deriving From Financing Activities:

Below is the reconciliation between the opening balance and closing balance of liabilities for which the underlying cash flows were classified or will be classified as cash flows from financing activities in the statement of cash flows:

	Debentures	Loans from banks and others	Total cash flow from financing activities
Balance as at January 1, 2022	10,924	1,009	
Issuance of debentures (less issuance expenses)	264	-	264
Repayment of debentures	(670)	-	(670)
Long-term loans received from others	-	575	575
Repayment of long-term loans from banks and others	-	(245)	(245)
Short-term credit from banks and others	-	(2)	(2)
Total changes in cash flows from financing activities	(406)	328	(78)
Repayment of debentures by deposit in trust	(1,102)	-	
Revaluation of financial liabilities	452	18	
Reduction of premium and excess cost	(25)	-	
Balance as at December 31, 2022	9,843	1,355	
Issuance of debentures (less issuance expenses)	1,232	-	1,232
Repayment of debentures	(875)	-	(875)
Long-term loans received from others	-	147	147
Repayment of long-term loans from banks and others	-	(38)	(38)
Short-term credit from banks and others	-	(5)	(5)
Total changes in cash flows from financing activities	357	104	461
Revaluation of financial liabilities	306	24	
Premium reduction	(15)	-	
Others	-	(26)	
Balance as at December 31, 2023	10,491	1,457	

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 34 - Segmental Reporting:

A. **General:**

The system of reports forwarded to the Company's key decision maker, for allocation of resources and assessment of the performance of the operating segments, is based on the different operating sectors in which the Company operates. The Company reports on operating segments, including income-producing property segment and other segment (that includes the residential and urban renewal real estate development and construction operations as well as the Company's digital operations).

The segmental figures also include the operations of equity-accounted associates, according to the Company's share of these companies, and are canceled in the Adjustments column.

B. **Analysis of results by operating segment:**

Year ended December 31, 2023

	Income producing assets	Other	Total	Adjustments	Consolidated
Revenue from external sources	1,827	154	1,981	(178)	1,803
Expenses	451	147	598	(136)	462
Sector results (gross profit)	1,376	7	1,383	(42)	1,341
Net increase (decrease) in fair value of investment property	647	(1)	646	(22)	624
General and administrative expenses					77
Marketing and advertising expenses					16
Company's share in profits of equity-accounted companies, net					34
Other expenses, net**					74
Operating profit					1,832
Financing expenses, net					470
Profit before taxes on income					**1,362**

	Income producing assets	Other	Total	Adjustments	Consolidated
Segment assets	25,650	934	26,584	(447)	26,137
Unallocated assets (*)					983
Total					27,120
Sector liabilities	16,174	640	16,814	(742)	16,072
Information on additions to non-current assets	1,158	658	1,816	(684)	1,132

* Cash and cash equivalents of NIS 625 million and short-term financial assets of NIS 358 million.

** Other expenses, net, including an amount of NIS 48 million in respect of impairment of intangible assets (including goodwill).

Notes to the Financial Statements as at December 31, 2023 (NIS millions)

NOTE 34 - Segmental Reporting (Contd.):

B. Analysis of results by operating segment (contd.):

Year ended December 31, 2022

	Income producing assets	Other	Total	Adjustments	Consolidated
Revenue from external sources	1,686	103	1,789	(116)	1,673
Expenses	415	93	508	(75)	433
Sector results (gross profit)	1,271	10	1,281	(41)	1,240
Net increase in fair value of investment property	1,315	2	1,317	(93)	1,224
General and administrative expenses					76
Marketing and advertising expenses					18
Company's share of profits of equity-accounted companies, net					89
Other expenses, net					19
Operating profit					2,440
Financing expenses, net					639
Profit before taxes on income					**1,801**

	Income producing assets	Other	Total	Adjustments	Consolidated
Segment assets	24,148	531	24,679	(26)	24,653
Unallocated assets (*)					868
Total					25,521
Sector liabilities	15,239	248	15,487	(334)	15,153
Information on additions to non-current assets	732	189	921	(190)	731

* Cash and cash equivalents of NIS 543 million and short-term financial assets of NIS 325 million.

** Other expenses, net, including an amount of NIS 7 million in respect of impairment of goodwill.

C. Analysis of revenue by type of use:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Retail	1,369	1,282
Office and hi-tech parks	415	362
Other	19	29
Total	1,803	1,673

NOTE 35 – Subsequent Events:

A. Bank credit facilities:

- In January 2024, an amendment to the existing credit facility of Ramat Aviv Mall Ltd. was signed. The deadline for utilization of the credit facility was extended to March 1, 2026. For further information, see Note 14.A.
- In January 2023, the Company signed a NIS 147 million credit facility agreement with a bank for a period until November 2024, which will be used to pay the seller the consideration for the purchase of land. The credit facility was used to pay the said consideration.
  In February 2024, the Company extended the credit facility agreement until April 1, 2026. For further information, see Note 14.A.

B. Issuance of debentures:

- In February 2024, the Company issued NIS 738.2 million par value Debentures (Series S), which are secured by a second-degree lien on "Ofer Kiryon", by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.051 per share for each NIS 1 par value Debentures (Series S), for a gross consideration of NIS 776 million and at an effective interest rate of 2.83%. The Company will use NIS 618 million of the consideration of the issuance for partial prepayment of Debentures (Series J), which are secured by a first-degree lien on Ofer Kiryon.
- In February 2024, the Company issued NIS 624.5 million par value Debentures (Series U) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.061 per share for each NIS 1 par value Debentures (Series U), for a gross consideration of NIS 663 million and at an effective interest rate of 3.25%.

C. Land purchase:

In February 2024, the Company purchased another 0.4 hectares adjacent to its land in the Kanot Junction area for NIS 7 million.

D. Declared dividends:

In March 2024, the Company's Board of Directors declared the distribution of dividends amounting to NIS 120 million, which will be paid on April 7, 2024.

Chapter B

Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2023

Landmark Tower Tel Aviv – Simulation

DISCLAIMER

The following is an unofficial translation into the English language, for convenience purposes only, of the Annual Supplemental Presentation of Melisron Ltd. ("the Company") for the year ended December 31, 2023 that was originally prepared in the Hebrew language. The full, legal and binding version of the Board of Directors' Report for all purposes is the Hebrew version, filed by the Company with the Israel Securities Authority and published on the MAGNA website: www.magna.isa.gov.il on March 10, 2024.

Dear Investors,

We are pleased to present to you Melisron's periodic report for the year ended December 31, 2023. The State of Israel is currently, since October, in the midst of the Iron Swords. We wish our soldiers in the IDF and security forces much strength and share in the grief of the families of those who fell and those who were slaughtered, and hope for the return of the hostages. In these difficult times, the Israeli company has demonstrated its social and national resilience.

The Iron Swords also has wide-ranging consequences for the Israeli economy. As a leading company, at the beginning of this challenging period Melisron was stable and strong, with robust financial capacities. This robustness has allowed the Company to continue its business operations, which are significant for driving the wheels of the market and strengthening the Israeli economy, especially in such hard times.

Melisron summarizes 2023 as a year that produced good financial results, with NOI and FFO growth, and continuation of the increasing trend of shopping mall turnovers and stable high occupancy of the Company's properties.

At the same time, the Company acted during this year to continue implementation of its strategic plan to strengthen and preserve its core operations in the shopping mall and office block sectors while promoting and developing new growth engines. As part of this the Company continued to further its operations in residential development and urban renewal through the joint company, Aviv Yizum.

We believe that with our superior properties, mall shoppers and the ongoing trust of the capital market, we can continue, even in these challenging times, to generate value for our investors.

Thank you for your trust.

Liora Ofer
Chairman of the Board of Directors

Melisron

Milestones

2014 Included in TA 35 index

2011 Acquisition of British Israel

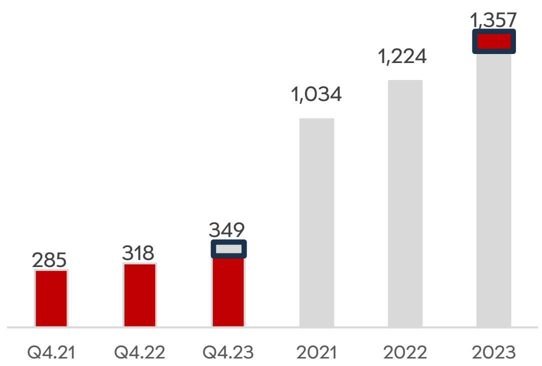
1992 IPO

1987 Year of established

Average effective linked interest rate: 2.23%	Average duration of debt: 3.11	Credit rating: AA-/Positive Bond rating: AA	Market value (March 8, 2024): NIS 13 billion	**Equity & debt**
Occupancy: 99.2%	Value of managed leased area: NIS 16.8 billion	2,400 tenants	Managed leased area: 517,000 sqm + 20,000 parking spaces	**18 shopping malls**
Occupancy: 98%	Value of managed leased area: NIS 5.8 billion	330 tenants	Managed leased area: 357,000 sqm + 6,000 parking spaces	**5 hi-tech parks & offices in malls**
		Value of managed leased area: NIS 1.1 billion	Managed leased area: 41,000 sqm	**5 single-tenant properties**
		NIS 258 million Expected stabilized NOI (company's share)	GLA: 161,000 sqm (company's share)	**Real estate under construction**
		NIS 192-212 million Expected stabilized NOI (company's share)	GLA: 145,000 sqm (company's share)	**Development properties**

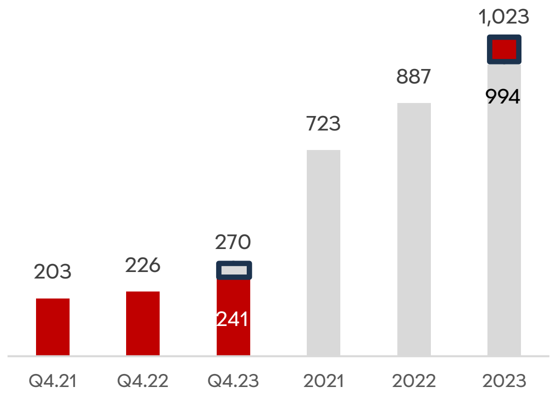
The Company's results in 2023 and the fourth quarter of 2023 compared to the corresponding periods in 2022 and 2021 (NIS million)

NOI (Owners' Share)*



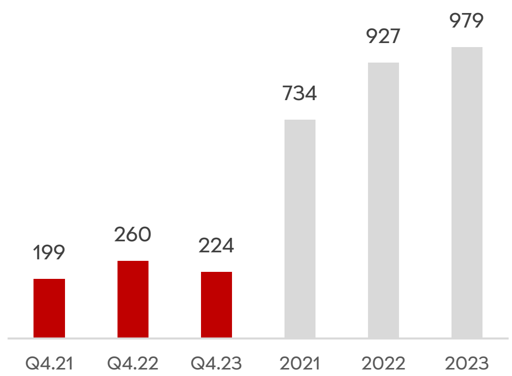
Net of the discounts given due to the Iron Swords relief plan, NIS 1,326 million in 2023 and NIS 318 million in Q4 2023.

FFO (as per management concept)*

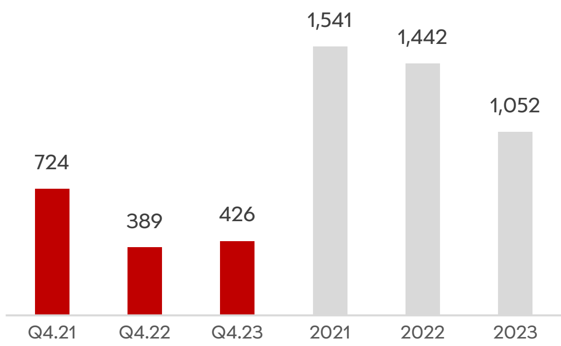


Net of the discounts given due to the Iron Swords relief plan, NIS 994 million in 2023 and NIS 241 million in Q4 2023.

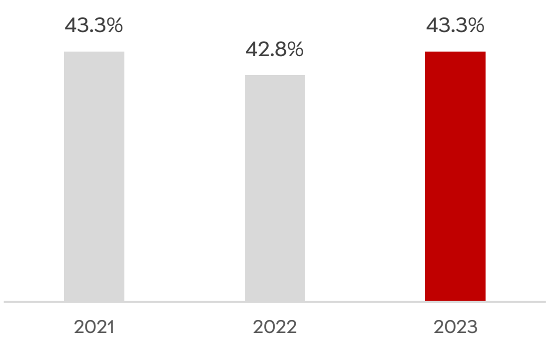
Cash Flow from ongoing operations



Net Profit



LTV ratio



* FFO according to the Security Authority method, was NIS 717 million and NIS 230 million in 2023 and in Q4 2023, respectively. See the chapter on FFO in this Directors' Report.

Statement of the CEO

The State of Israel is currently in the midst of the Iron Swords that began on October 7, 2023 and is one of the most difficult periods it has experienced. We wish the IDF soldiers and security forces fighting right now to restore security and peace for the citizens of Israel much strength and share in the grief of the families of those who fell and were murdered, we wish a speedy recovery to the wounded and hope for the quick safe return of the hostages.

As a large company whose entire operations are in Israel, we consider maintaining the stability of the economy as extremely important. In this context, the Company has acted to encourage the tenants of its malls to get back to normal business and to help them through a plan for rent concessions, based on our belief that the burden should be balanced and shared between the State, the landlord and the tenant.

After the proceeds of the tenants in the Company's shopping malls increased in the first nine months of 2023 by 5% compared to the corresponding period last year, once the war began, in October, the tenants' proceeds dropped by 30% compared to October 2022. In November the number of visitors gradually recovered and the decline in the tenants' proceeds decreased to 3%. Tenants' proceeds in December were the highest ever achieved in the Company's shopping malls, with an increase of 16% compared to the corresponding month the previous year. This trend continued in January 2024 as well, with an increase of 11%, and in February with an increase of 10% (based on RIS data).

Accordingly, as at reporting date, visitor traffic has returned to the pre-war level and occupancy in the malls and office remain high (99%).

This year too, despite the effects of the war, the Company ended the operating year with improvement in all operational indices:

Net operating income (NOI) has grown and at the end of the year amounts to NIS 1.4 billion (according to Q4 2023 figures less discounts given in the wake of the Iron Swords), funds from operations (FFO) also increased and at the end of the year amounts to NIS 1.08 billion (less the effects of the Iron Swords), and rentals in new agreements signed during the year increased on average by 10%.

During the year and subsequently, the Company continued full speed ahead with implementing its strategic plan for growth and diversification of its sources of income. As part of this plan, several important and strategic measures for further development of the Company were completed this year:

- In February 2023 the acquisition of the Harel Mall in Mevaseret Zion was completed. The Company is taking measures to increase the NOI of the mall and to expand the mall by utilizing the existing building rights on the land by 7,400 sq.m of retail and employment space, 1,300 sq.m of residential space and 800 sq.m of public buildings and institutes.
- In January 2023, the acquisition of a 4,500 sq.m plot of land in Lincoln Street in Tel Aviv was completed. The Company is acting to promote a UBP with the local authority to increase the building rights to 25,500 sq.m, and in August 2023 the plan was approved for submitting to the local committee in early 2024.

Alongside the new acquisitions, the Company continues construction and occupation of the projects under development:

- Construction of Tower A in the Landmark project in Tel Aviv, of total area of 100,000 sq.m was completed and 92% of the rental space was marketed (of which a binding contract was signed for 80% of the space and advanced negotiations are underway for the rest). The Company expects to obtain an occupancy form for the Tower by April 2024. In addition, in November 2023, the building permit for Tower B was received, which includes 43,000 sq.m of office space, 3,400 sq.m of retail space and 116 apartments. As at reporting date, the construction of the stores has been completed and the construction of the upper structure has begun.
- In Ofer Carmel Park, the Company completed full occupancy of Building C, bringing in income for the Company of NIS 24 million per year.
- Buildings C and D in the Ofer Petach Tikva East Park are in final stages of occupancy and as at reporting date, 85% of the space has been let.
- Construction of the Ofer Yavne shopping center has begun (where retail agreements have already been signed with tenants for all the retail areas).
- In the Ofer Nof HaGalil complex, construction has begun of 21,000 sq.m additional retail space, which will double the total retail area of the complex.

Furthermore, the Company continued to advance the UBP and permits for other projects, including: An office building above the Ofer Rehovot Mall, a residential, office and retail project adjacent to the Ofer Hasharon Mall, an office building in the Ofer Carmel Park and another office building close to the Ofer Grand Mall Petach Tikva.

In implementing the strategy for diversifying operations as aforesaid, the Company continues to advance and increase its operations in the residential development and urban renewal sector through Aviv Yizum (50%), and considers this operation to be an important growth engine.

In the reporting period Aviv Yizum won two tenders for acquiring land, in the Kiryat Shchakim complex in Herzliya and the Shirat Hayam project in Netanya. Furthermore, since its acquisition (50%) by the Company, Aviv Yizum obtained 21 urban renewal projects for a total 2,500 apartments for sale. Aviv Yizum is preparing to begin construction on four projects in 2024.

In the financing sector, in February 2024 S&P Maalot upgraded the outlook for Melisron from stable to positive and ratified the Company's rating (ilAA-). In the rating report it reiterated that the change of the outlook to positive is "due to expected further improvement in the business aspects and diversification of the Company's segments, simultaneous to maintaining a conservative financial profile".

Moreover, during the year the Company expanded its long term debentures and took bank loans in an amount of NIS 1.4 billion while managing to maintain the low average annual interest rate on the debt (2.2%). In addition, the Company maintained cash balances of NIS 1 billion and binding unsecured credit facilities of NIS 500 million. Since the beginning of 2024 through close to reporting date, the Company refinanced bank loans and expanded debentures in a cumulative amount exceeding NIS 2.2 billion.

We believe that also in this difficult time we can continue the momentum of business development and growth, while maintaining stability and financial robustness.

Company Goals and Objectives

The Company operates and manages its businesses with the aim of generating value for its investors by producing cash flows from the income producing properties and selling of residential apartments, increasing the value of the properties and developing new businesses. To achieve these goals the Company operates as follows:

- frequently investing in renewal and facade of the properties, diversifying and adjusting the mix, improving existing properties and utilizing the existing rights in them.
- Developing and constructing projects
- Creating digital and technological innovation for the purpose of strengthening customer relations, improving the purchase experience and increasing tenant proceeds.
- Maintaining and improving financial robustness by extending the debt maturity and maintaining direct access to the capital market.
- Seeking opportunities for acquiring properties and land in the Company's operating segments.
- Exploring operations in new areas of the real estate industry.

The Company implements its strategic plans for generating measures to reinforce and maintain its core operations through improving the shopping malls and office parks, and promoting measures for supporting its core operations while at the same time developing operations in new areas by improving existing properties through mixed uses as well as through new operations in the real estate industry, mainly as at reporting date, development of residential building and urban renewal projects.

It is emphasized that the CEO's statement concerning assessments, forecasts and expectations regarding the continuation of the Company's operations and property development, as well as the Company's foregoing goals and objectives are forward-looking information, as defined under the Securities Law, 1968, based on the Company's subjective assessments as at reporting date, and there is no certainty that they will materialize, all or in part, or they may materialize differently (even substantially), due, among other things, to factors beyond the Company's control, including changes in market conditions, the length of time it will take to approve construction plans for execution and the prices of construction inputs, as well as the manifestation of risk factors as described in section 31 of Chapter A in the Company's periodic report as at December 31, 2023.

New contracts, contract renewals and exercise of options in 2023

In 2023, the Company signed 711 new contracts, as follows:

retail	Exercise of options and renewal of contracts	Tenant churn
Number of contracts	453	136
Space rented (sq.m thousands)	71	18
Annual revenues (NIS millions)	149	56

Office	Exercise of options and renewal of contracts	Tenant churn
Number of contracts	43	7
Space rented (sq.m thousands)	49	3
Annual revenues (NIS millions)	41	3
Real rental growth rate	1%	4%

New contracts for space unoccupied for over a year and new ventures	retail	Office
Number of contracts	64	8
Space rented (sq.m thousands)	9	24
Annual revenues (NIS millions)	17	24

Iron Swords

On October 7, 2023, a surprise attack was launched against the State of Israel, leading to the beginning of the Swords of Iron was, which is still ongoing.

The war has had numerous effects on the Company's operations:

- **Shopping malls and retail centers** - at the outset of the war, the shopping mall operations were adversely impacted, but as time went by the effect of the war diminished and the traffic and intake in the malls returned to their pre-war levels. October intake dropped by 30% compared to October 2022, from mid-November traffic and intake in the malls began to recover, thus November intake ended with a 3% drop compared to November 2022 (which was considered the strongest month in 2022), December intake ended with a 16% increase compared to December 2022 and January recorded an increase of 11% compared to January 2023.

  Due to the adverse effect on the intake of the tenants at the outset of the war, the Company published a relief plan for tenants in its shopping malls and retail centers, based on the principal of balanced sharing the burden of loss between the State (which published a financial aid plan for businesses whose operations were harmed), the tenant and the landlord, as follows:

  - a 25% discount in rent and service charges for November.
  - The option of spreading the November rent payment into three consecutive monthly payments.
  - Certain tenants, such as supermarket and pharmaceutical chains, office located in shopping malls, banks and HMOs were eligible for a discount in rent and service charges.

  The total amount of the discounts given under the foregoing plan was NIS 31 million.

  Construction and residential operations - during the first weeks of the war construction sites were shut down at the instructions of the local authorities and there was a nationwide shortage of construction workers due to the ban on workers from the Gaza Strip and the Palestinian Authority areas entering Israel and due to foreign workers leaving the country.

  As at date of publication of the report, the Company's constructions sites have returned to almost full operation, however the shortage of workers is still noticeable. The foregoing shortage of workers that mainly impact the residential projects of Aviv Yizum (in which the Company's share is 50%), could lead to a delay in marketing and in the construction of new projects.
- **Financial effects** - at the outset of the war there was an increase in the return on the Company's debentures, attributable mainly to the increase in return on government bonds at similar duration costs. At the present time the returns are similar to the prewar returns. The Company's unsecured debentures at long maturity cost (Debentures Series 21, maturity 6.8) traded at a price reflecting return at redemption of 3.0% and secured debentures at long maturity cost (Debentures Series 20, maturity 5.9) at a price reflecting return at redemption of 2.6%.
- **Donations and volunteering** - since the beginning of the war, the Company has contributed, in monetary donations and in the purchase of products, a total amount of NIS 1.5 million to aid the displaced residents of the south and various IDF units. In addition, the Company facilitated and encouraged employees to volunteer during working hours.

The Company is monitoring and will continue to monitor the effects of the war on its operations and on its financial results, including with respect to the value of its assets. It is hereby emphasized that the foregoing, which is based on information in the Company's possession and on the Company's estimates as at the date of publication of this report, is forward-looking information, as this term is defined under the Securities Law, 1968, based on the Company's subjective estimates as at reporting date, and there is no certainty that they will materialize, in whole or in part, and that under the circumstances, in view of the uncertainty regarding the nature and duration of the war, it is not possible to assess at this stage the extent of the potential impact of the war on the State of Israel and the Israeli economy in general, and on the Company in particular.

Breakdown of the Company's income producing properties by groups of properties

Number of income producing properties

	Area (Company's share)	Occupancy rate	Value attributable per share	Value attributed to rights and construction	NOI For reporting period	Weighted capitalization rate	Average life of Rentals	Percentage of NOI
	Thousands sq.m	%	NIS million	NIS million	NIS million	%	Years	%
Regional malls	268	99.8%	11,043	243	705	7.01%	4.5	53%
Outlets and Power Centers	86	98.9%	1,831	414	115	7.08%	2.3	9%
Urban Malls	41	98.4%	748	104	52	7.51%	2.9	4%
Neighborhood Malls	67	98.2%	1,354	44	88	7.24%	2.8	7%
High-tech Parks and Office	319	98%	4,474	2,583	296	7.00%	3.1	22%
Single Tenant Properties	41	100%	1,114	4	70	6.08%	9.0	5%
Total	**822**	**98.8%**	**20,564**	**3,392**	**1,326**	**6.99%**	**3.4**	**100%**

<u>Notes</u>:

1. The figures for high-tech and office parks include office in the shopping mall buildings or adjacent to them.
2. The occupancy rate for the Outlets and Power Centers excludes an area of 2,500 sq.m in the Hutsot Hamifratz complex that was leased as an event venue, for which the contract was canceled due to the Covid-19 pandemic. Including this area, the occupancy rate is 97%.
3. Construction of Buildings C and D in the Petach Tikva East Park was completed and the buildings are in advanced stages of occupation. These buildings are not included in the occupancy rates in the foregoing table.

Attributed category

Regional complexes		Local malls		Office	
Regional malls	Outlets and Power Centers	Urban Malls	Neighborhood Malls *)	High-tech Parks and Office	Single Tenant Properties
Ofer Ramat Aviv	Ofer Bilu Center	Ofer Hasharon Mall Netanya	Ofer Marom Center	Ofer Park Petach Tikva West	IKEA Rishon LeZion
Ofer Kiryon	Hutsot Hamifratz	Ofer Lev Hadera	Ofer Kenyoter	Ofer Park Petach Tikva East	Hamashbir Zion Square
Ofer Grand Haifa	Ofer Nof HaGalil		Ofer Adumim	Ofer Park Yokne'am	Residential Clusters in Ashdod
Ofer Grand Mall Petach Tikva	Ofer HaGiva		Ofer Sirkin	Ofer Park Carmel	Sport and Country Club in Haifa
Ofer Rehovot			Ofer Nahariya	Ofer Millennium House buildings	BE Store Eilan Promenade
Ofer Grand Canyon Beer Sheva			Ofer Harel		

*) In February 2023 the Company completed the acquisition of the Harel Mall. For further information see transactions in the period in this Directors' Report on page 21.

Aspects of the property groups - retail

1. Regional complexes

Regional Malls

The regional malls usually have customers that also come from outside of the cities where they are located.

The malls provide a complete shopping and entertainment experience that, in addition to the shopping, also include recreation and entertainment activities, restaurants and cultural activities.

Prominent aspects of regional malls:

- Their central location in the heart of urban cities provide the residents of the region a range of services in employment opportunities, education, cultural and other services.
- They usually have a retail area of over 35,000 sq.m enabling a wide range of brands and numerous and diverse shopping opportunities for the consumer.
- Access to them is convenient along main transport routes.

Regional malls are key for drawing foot traffic and in national trade lead in the number of visitors, tenants' proceeds and in attracting big chains.

Office space in the regional mall complexes*

These office complexes are a complementary feature of the mall operations, where they constitute a community complex of service providers and attract people from the entire region.

Prominent aspects:

- Leased mainly to service providers such as clinics, municipal and government institutions and service providers that are required to be accessible for the entire population regardless of transportation, while at the same time constitute a natural traffic generator for the mall.
- Typically with long term contracts.
- Benefit from the proximity to the regional malls from the aspect of restaurant, cultural and entertainment services (mixed uses).
- We expect that in the future mixed uses will be expanded, such as HMOs, hotels, office and residential apartments.

Outlet Malls and Power Centers

Outlet malls are often located on the outskirts of cities and have a variety of national and international chain stores, which are differentiated by selling their surplus goods at discount prices.

The main advantage of these complexes is the increase in consumption of discounted products and the fact that they are open-air strip malls.

Key features of outlet malls and power centers:

- These malls are built on large strips of land, allowing for building large-scale surplus stores.
- The building is relatively easy and inexpensive, relatively small built-up public areas, no need for multiple systems and as a result low management costs.
- Creating a large parking lot.

* The office complexes in regional malls are presented under the high-tech and office parks.

2. Local Malls

Urban Malls

Key features of urban malls:

- They mainly serve a target population in the city in which they are located and its nearby surroundings.
- They are located in the city center and in the heart of mass residential areas.
- They usually contain a retail area of up to 20,000 sq.m.

The Company is acting to transforming the nature of urban malls into larger neighborhood malls by:

- Adapting the tenant mix by renting space to banks, external non-public schools, gyms, HMOs and clinics, neighborhood coffee-shops and any other services that address the needs of the nearby community, with the aim of reinforcing their connection with the mall and accordingly to increase the number of visitors and frequency of visits.
- UBP and regulatory approvals that will enable maximum utilization of the large reserve of city center land and on the roofs of the malls for establishing mixed-use projects close to the mall, such as residential apartments, office, etc.

Neighborhood Malls

Key features of neighborhood malls:

- They are located within residential neighborhoods at walking distance (high frequency of visits).
- They enable basic consumption that meets the needs of the immediate environment (the neighborhood).
- They are a quick and available alternative to using transportation to get to the regional malls.

Over the past three years such malls have grown stronger, mainly due to the advantage of proximity and community's entertainment needs close to home.

The revenue mix of the malls according to sectors in 2023

9% | Restaurants & Cafes

1% | Cinemas

1% | Gyms

7% | Private Service Providers

6% | Clinics & Pharma

1% | Hotels

45% | Fashion & Apparel

3% | Department Stores

5% | Supermarkets

22% | Others

Trends in the Retail Shopping Sector

The retail shopping mall segment continued to grow in 2023. The turnover of the tenants up until October 7, 2023, increased throughout the country compared to the corresponding period in 2022, and there was much need for expanding and opening of new stores. Since October 7, 2023, with the outbreak of the Iron Swords, through to mid-November, there was a sharp fall in turnover, which evened out as time passed, so that from mid-November onwards turnover increased and stabilized at the same level as the corresponding period in 2022. In December there was a substantial increase in tenant turnover compared to the corresponding period last year, other than in the areas close to the conflict zones and areas affected by the sparse tourist traffic, such as Eilat. The Company estimates that the increase in turnover since December can be attributed, among other things, to the substantial decline in the number of Israelis traveling abroad, the temporary increase in delivery times for online shopping from abroad, an improved sense of personal security compared to the beginning of the war and the desire of the population to get back to normal alongside the war.

Main Trends in the Retail Shopping Sector in 2023:

Downturn of online growth - In 2023 there was a general downturn in online growth in Israel where since October 7, 2023, there was a substantial decline in online purchases resulting from the negative impact on the supply chain of shipments from abroad combined with the lack of international websites to stand by Israel, and the rise in the exchange rates. The Israeli online websites, mainly of basic consumer products, increased substantially in the fourth quarter of 2023. The Company estimates that this trend will continue into the first quarters of 2024 as well.

Entry of new international brands, mainly through big chains - Prior to the outbreak of the war, new international brands continued to arrive and show interest. This trend ceased on October 7, 2023, but in the past few weeks, the interest of the international brands seems to have renewed. Furthermore, the existing brands continue to demand wide ranging retail space and expansion of stores.

Restaurants and cafes - The turnover of restaurants and cafes increased in 2023, and even experienced a renewed boom, after the instability in the industry as a result of Covid, rising prices of inputs, shortage of workers and the Iron Swords.

Expected population growth - According the Central Bureau of Statistics data, the population of Israel at the end of 2023 was 9.8 million, and is expected to increase to 10 million in 2024, at an annual growth rate of close to 2% per year. In 2040, the population of Israel is expected to reach 14 million. Israel leads the OECD countries in number of children per family at average birthrate of 2.9 per family. This trend supports the ongoing increase in private consumption.

Robustness of the regional malls - again this year, as in 2022, the regional malls continue becoming stronger and the number of visitors and turnovers are increasing, and there has been an increase in new contracts and in NOI.

Stability of neighborhood malls - these malls show a stable demand for space as well as stable turnover. It appears that the Israeli consumers tend to buy basic products from accessible malls close to home.

Concerns of possible recession and resulting decrease in private consumption - in an attempt to curb inflation the central banks have consistently raised interest rates in recent years. The increase in interest together with inflation and the expected government budgetary deficit due to the war has caused concerns of a recession. Due to this, the Bank of Israel began lowering the interest rate and on January 1, 2024 announced a decrease of 0.25% with the intention of continuing to reduce the rate in the coming year. In addition, 2023 ended with 3% inflation, which is on the upper limit according to the Bank of Israel goals, the Bank of Israel assesses that inflation in 2024 will be 2.5%.

Aspects of the property groups - Office

3. Office

High-tech Parks and Office Buildings

Features

- The properties are built according customary standards for the high-tech industry as a comfortable luxurious work environment, benefiting from new and advanced systems and infrastructure.
- A mixed-use environment that reflects the changes in employee needs.
- Benefiting from the advantage of size regarding management and operating costs.
- Enables flexibility for customer needs to expand rental space according to growth of their operations.
- Enables long-term growth through development of additional rights on the plot of land.

Single Tenant Properties

Features

- Require limited management resources from the Company.
- Rentals under long term contracts to quality tenants.

Trends in the office sector in 2023:

In 2023, the trend observed since the end of 2022 of the slowdown in the high-tech market continued, leading to a downturn in demand for land. In the Tel Aviv area, after prices increased substantially in 2021-2022 a 15% decrease was observed in rentals while in the other areas in which the Company operates there was no significant change during any of the periods.

In 2023, the Company signed new leasing contracts and renewed contracts for an area of 52,000 sq. m, with real rental fee growth of 2%, and contracts for 24,000 sq.m (the Company's share) in properties under construction that are expected to yield income for the Company of NIS 24 million. Average occupancy in the office properties remained unchanged and as at reporting date is 98%. 92% of the space in Tower A of the Landmark flagship project in Sarona Tel Aviv (held in equal share partnership) have been marketed, of which binding contracts have been signed for 80% and the rest are in advanced stages of negotiations. Tower A is expected to receive Form 4 occupancy approval in April 2024 to begin occupation. In addition, in November 2023, the Company received a building permit for construction of the Tower B project, which the construction of the office and retail spaces are expected to be completed at the end of 2026, and the residential space during the course of 2027. In the Ofer Carmel Park, the Company completed occupation of 23,000 sq.m space in Building C, the construction of which was completed in August 2022, and it yields annual NOI of NIS 24 million. With regard to Buildings C and D in the Ofer East Park, from the beginning of 2023 through date of publication of this report, the Company signed three agreements for space of 16,000 sq.m and occupancy in these buildings, following these agreements, is 85%.

Some 74% of the Company's office space is leased to large-scale well established lessees in the high-tech, biomed and health services sectors, tenants that in recent years experienced substantial growth in their operations. The size of the high-tech premises owned by the Company constitute an advantage in that they provide flexible solutions for the customers' requirements for increasing office space based on their needs. Thus, many companies that lease office space in the Company's properties have increased their space over the years:

- Nvidia (formerly Melanox) in the Ofer Carmel Park expanded its space from 3,350 sq.m to 38,000 sq.m.
- Cyberark in the Ofer Petach Tikva Park expanded its space from 843 sq.m to 12,900 sq.m.
- Cellebrite in the Ofer Petach Tikva Park expanded its space from 830 sq.m to 6,800 sq.m.
- Novocure in the Ofer Carmel Park expanded its space from 400 sq.m to 6,000 sq.m.
- Insightec in the Ofer Carmel Park expanded its space from 2,500 sq.m to 10,000 sq.m.
- Medotronic (formerly Given) in the Ofer Yokne'am Park expanded its space from 1,939 sq.m to 10,465 sq.m.

Key Tenants:

Aspects of the property groups – Residential

Residential projects for sale

Features

- Due to the Iron Swords, there has been a slowdown in apartment sales, causing an increase in inventory of apartments for sale.
- A large gap between demand and supply could grow due to the decrease in new construction starts since the outbreak of the Iron Swords. This gap, the Company believes, could in the mid-long term, lead to an increase in housing prices at a higher rate that the GDP growth rate.
- In the wake of the increase in interest on mortgages it is possible that buyers will have difficulty in buying and financing new apartments, which could lead to a slowdown in sales in the short to mid-term, due to expectations that the prices will drop. The Company estimates that such decline in demand is temporary and if there is no solution regarding supply, the pending demand will accumulate.
- The increase in interest rates and decrease in apartment sales has an adverse effect on real estate entrepreneurs who took financing to purchase land that does not have a building permit, which could create opportunities for purchasing land at reduced prices.
- New State issued tenders for marketing land in certain geographic areas encountered a lack of demand, so it is possible that the State will lower prices in the next tenders it issues, in order to restore demand.
- Prolonged planning and licensing procedures also make it difficult to start construction and may lead to price increases in the long run.
- A shortage of workers, intensified due to the Iron Swords, will lead to an increase in the cost of inputs which may cause an increase in prices.
- In urban renewal complexes, interest rates have a small impact on the developer, since no significant costs are accrued on the land component before a building permit is issued.

Trends in the residential sector in 2023:

In 2023, apartment prices in Israel dropped by an average of 2%, following the average 20% increase in apartment prices in 2022. The decline in prices is due mainly to the decrease in the sale of apartments, which is partly due to, among other things, the increase in apartment prices in 2022 and the interest hike that increase the cost of mortgages, which in turn pushes potential apartment buyers out of the market. Towards the end of the year, the market recovered somewhat.

The Company believes that stabilization and also drop in the prices, if any, will enable Aviv Yizum to increase its inventory of projects and will generate opportunities for tenders on land in areas of demand. Furthermore, Aviv Yizum's operations focus mainly on the urban renewal sector, which is naturally less exposed to financing costs (and therefore lower the Company's exposure to interest hikes). Moreover, the fact that Aviv Yizum is the executing contractor in the projects that it develops, allows Aviv Yizum to control all the value and quality components.

In 2023, Aviv Yizum completed constructions of the Ministry of Foreign Affairs district (Jerusalem), Ahimeir (Tel Aviv), Hankin (Tel Aviv), and Hanetsach (Ramat Hasharon) projects and made progress in the Podim Street (Ramat Gan) project.

In addition, Aviv Yizum won:

- two tenders to purchase land in 2023: in the Kiryat Shchakim complex in Herzliya and the Shirat Hayam project in Netanya. With regard to the Kiryat Shchakim project, in December 2023 Aviv Yizum signed an agreement with an institutional investor that joined as a financial partner of 12% in the project.
- Since the date of acquisition of Aviv Yizum (July 2022) through to date, Aviv Yizum has initiated 21 urban renewal projects that include 2,500 residential apartments, where in 7 projects the residents have already started signing and in the others, preparations are underway for signing this year.

The total number of units in Aviv Yizum projects increased from 1,638 on date of acquisition by Melisron (July 2022) to 2,743 at date of publication of this report, and expected gross profit (100%) increased in that period from NIS 1,151 million to NIS 1,944 million (excluding expected gross profit in projects that have not yet reached 67% signatures).

Aviv Yizum is preparing to begin construction on four projects in 2024. In addition, Aviv Yizum is continuing to explore opportunities in the market, whether new tenders or land offered for sale by other players in the market that have run into difficulties.

Implementation of the Company's strategic plan

In 2023, the Company continued progress on implementation of its strategic plan, based on two key directions:

1. Projects in the Company's core area of operations aimed at improving its core business, adapting them to the changing market trends and thereby supporting continuation of its business leadership in the shopping mall sector in Israel.
2. Projects aimed at diversifying the Company's operations, decentralizing risks arising from industry concentration in its existing portfolio and growth in its other areas of operation, and all harmonious with the Company's operations as a real estate company, and adjusted to the scope of available resources for such projects.

A. Implementation of projects in the Company's core operations over the past year:

- **Improving and optimizing the retail portfolio and completing existing development projects:**
  - In the reporting period the Company acted in a number of directions in which it places emphasis: Expansion and renovation of stores in the Ramat Aviv Mall with emphasis on opening the Zara flagship store, a lululemon store and Alo Yoga and continuing construction on the 3rd floor of the mall; continuing the deep store mix changes at the Ofer Kiryon Mall as part of which some 80 tenants are switching their location and size with new construction; product mix changes and start of renovations in the fast food court of the Ofer Grand Petach Tikva Mall (the Company is planning extensive renovations in the Mall this year); and renovations and specific appearance improvements in several of the Company's other properties.
- Progress in construction of the Landmark project in Tel Aviv; marketing of 92% of Tower A and preparations for obtaining Form 4 occupancy approval in April 2024, and obtaining a

building permit and beginning construction on Tower B; preparing to complete construction on the Jumbo Hutsot Hamifratz building and the Ofer Nof HaGalil office building; and start of construction of the Ofer Yavne Mall and marketing most of its retail space.

- **Projects that support the Company's core operations:**
  - During the year the Company continued, through its digital division, the development and improvement of the My Ofer application, the Company's customer club, and it intends to continue the development and improvement also in 2024. In addition, the Company continued the development of the hybrid mall that it intends to launch in 2024. At the same time, the Company shutdown the Gro online shopping websites that it operated through the subsidiary, Grouper, with the aim of focusing solely on the digital division's core operations which is development of a digital support system for Ofer shopping malls.

B. Implementation of projects for diversification of the Company's operating areas:

- **Maximizing and improving the existing property portfolio by utilizing the existing and future rights in the Company's properties to build mixed-use complexes:**

  - The Company continued to promote the mixed-uses plan for all of its properties and sees future development as one of its main growth engines by increasing the rate of its real estate zoned for office and other uses. For further information concerning future development of the Company's income-producing properties, see page 30 of the Board of Directors' report.

- **New development projects:**

  Housing for sale - during the year the Company continued to further develop its residential development and urban renewal operations through Aviv Yizum, a company it acquired (50%) in 2022. Subsequently, Aviv Yizum obtained two land tenders for significant projects (Kiryat Shchakim in Herzliya and the Shirat Hayam in Netanya). In addition, it won 21 urban renewal projects. For further information concerning Aviv Yizum, see the residential chapter on pages 18-20 of the Board of Directors' report.

- **New transactions carried out by the Company this year as part of its strategic plan:**

  1. Acquisition of 4.5 thousand sq.m of land on Lincoln Street in Tel Aviv, currently there is a building permit for the construction of 17.5 thousand sq.m for office space (above 6 basement levels), and the Company is working to advance a UBP with local authority to increase the building rights to 25.5 thousand sq.m. For further information see page 24 of this Directors' Report.
  2. Acquisition of the Harel Mall. Melisron is working to integrate the shopping and entertainment experience into the Mall, in accordance with the standards characteristic of Ofer Malls and to utilize its additional building rights.

  For further information concerning these projects, see the chapter on future development of the Company's income-producing properties on page 30 of the Board of Directors' report.

As at reporting date, the Company is working to advance and assimilate processes deriving from its strategic plan and implementation projects carried out in 2023, which may be changed and be revised from time to time in accordance with the current circumstances and changes in the Company's macro-economic and business environment. The Company estimates that certain projects in its plan could develop in the near future and the consolidation of others could be spread over many more years, and may even not develop at all.

The Company continues to monitor the market and pursue opportunities that may arise as a result of the high interest rates, or for any other reason.

It should be emphasized that the Company's assessments regarding various aspects of the Company's property groups, trends in the various sectors in which the Company operates, the Company's plans for diversifying its operating segments, including entering new operating segments and exploring new opportunities, and increasing building rights on existing land, constitute forward-looking information as this term is defined in the Securities Law, based on the Company's subjective assessments as at reporting date, and there is no certainty that they will materialize, in whole or in part, or they may materialize differently (even substantially), among other things, due to factors that cannot be assessed in advanced and are beyond the Company's control, including changes in market conditions, deterioration of the political-security situation in Israel, deterioration of the economic and/or health situation in Israel, the length of time it may take to approve construction plans for execution and the prices of construction inputs, obtaining permits from the relevant authorities and the consent of third parties, and decline in demand on the part of the tenants and customers in the Company's operating segments.

Key information regarding the Company's substantial income-producing properties as at December 31, 2023

Name of property, location	Company's effective holding in the property	Total gross leasable area (GLA)	NOI for reporting period	Occupancy rate	Cumulative repayment load for the period *)	Adjusted annual NOI **)	Value of income-producing real estate	Value of real estate under construction, occupancy and rights
		In sq.m	NIS millions	%	%		NIS millions	
Ofer Shopping Mall, Ramat-Aviv	100%	33,766	169	100%	10.2%	181	2,730	156
Ofer Shopping Mall, Kiryat Bialik ***)	100%	89,671	158	98.4%	9.4%	175	2,586	42
Ofer Grand Mall, Petach Tikva	100%	53,180	124	99.5%	10.8%	137	1,970	67
Ofer Grand Mall, Haifa	100%	58,505	124	99.8%	10.2%	133	1,893	5
Ofer Shopping Mall, Rehovot	100%	43,612	96	100%	9.9%	104	1,456	38
Ofer Grand Mall, Be'er Sheva	100%	54,390	91	100%	8.6%	100	1,418	11
Ofer Bilu Center, Bilu Junction	72%	44,737	73	99.2%	7.8%	82	1,188	-
Ofer West Park, Petach Tikva	74%	88,136	88	95.7%	-	75	1,191	3
Ofer East Park, Petach Tikva ****)	74%	27,614	42	98.7%	-	45	659	294
Total significant properties		493,611	965	98.8%		1,032	15,091	616
Other income producing properties		371,844	417	98.7%		432	6,316	2,853 *****)
Net of non-controlling interests		(43,565)	(56)	-		(57)	(843)	(77)
Total income-producing properties, net		821,890	1,326	98.8%		1,407	20,564	3,392

Total investment real estate, Company's effective share (consolidated expanded) (NIS millions) 23,956

*) The cumulative repayment load is the ratio of rentals and tenants' revenue in 2023. For information concerning the debt burden including management, see sections 11-16 of the description of the corporation's business in Chapter A of this Report.

**) Adjusted NOI includes the annualized effect of revenue from new contracts that have been signed and not yet generated revenue over a full year.

***) Ofer Hakiryon is undergoing a deep change in its store mix with the addition of new construction that resulted in stores being temporarily relocated or closed, which causes a temporary decline in NOI. The Company expects that most of the construction will be completed at the beginning of 2024 (part of which has already been completed and the tenants in the stages of occupying) and NOI will increase to its adjusted annual level.

****) The benefit does not include the area and occupancy of Buildings C and D in the Ofer Petach Tikva East Park, the construction of which has been completed and which are currently in advanced occupancy stages.

The NOI for the reporting period includes NIS 10 million with regard to Buildings C and D. The value of the space occupied that amounts to NIS 176 million, is included in the income producing real estate value and not in the value of properties under construction and occupancy.

*****) This amount includes the Company's share (50%) of the Landmark project under construction in Tel Aviv, in an amount of NIS 1,725 million.

Transactions in the period

Purchase of land in Tel Aviv

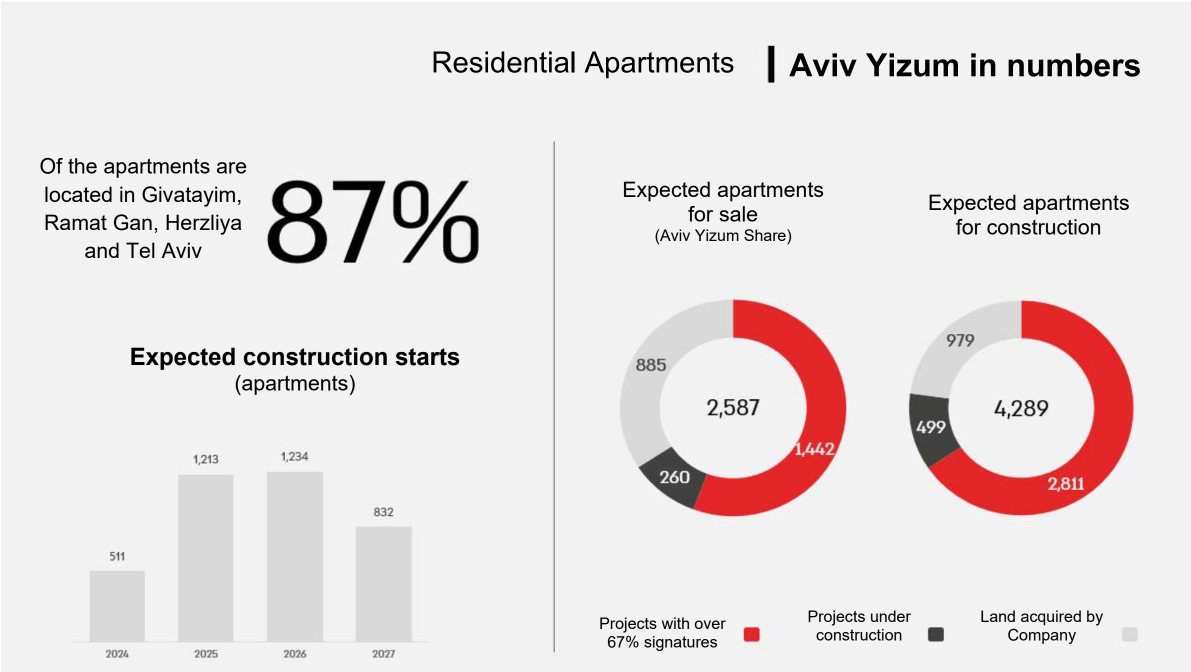
In January 2023, the Company completed the acquisition of a 4,500 sq.m plot of land on Lincoln Street in Tel Aviv on which an old building is currently situated, that is used for retail and office space above basement levels, for consideration of NIS 298 million, with duly added VAT. The approved building rights allow for the construction of a 17,500 sq.m office block (above 6 basement levels). At the beginning of 2024, a UBP was filed with the local authority for increasing the building rights to 25,500 sq.m. zoned for office space.

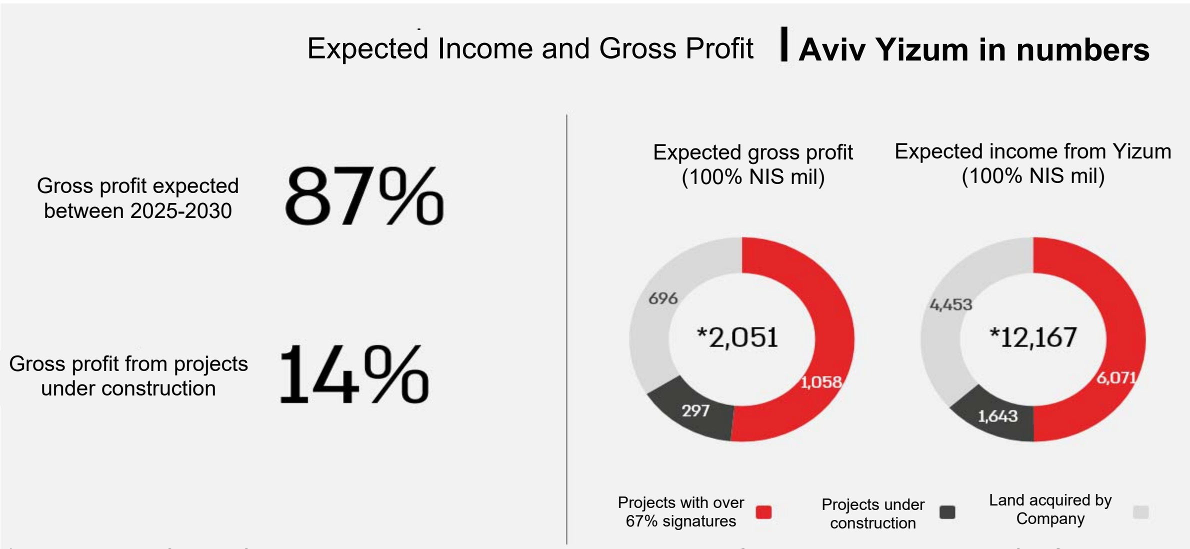
Acquisition of the Harel Mall

In February 2023, the mediation agreement signed between the Company and unrelated parties came into effect, under which a transaction from 2013 for the sale of the shares of the company that held the Harel Mall will be canceled and this company will sell its entire interests in the Harel Mall to the Company.

Under the mediation arrangement, the Company paid (net of proceeds that were received) an amount of NIS 32 million to third parties in the arrangement and to the tax authorities, and the loan it provided (through a subsidiary) in the past to Harel Mall Ltd. and to the buyer and loans it (the subsidiary) received, in a net amount of NIS 157 million, were written off. Furthermore, as part of the sale of the Mall by Harel Mall Ltd. to the Company, the Company and Harel Mall Ltd. paid and will pay taxes in an amount that is immaterial to the Company.

After completion of the bridging arrangement, the Company holds (indirectly) all the rights in the Harel Mall, which is located in Mevaseret Zion. The Harel Mall contains 11,600 sq.m of retail space that yielded in 2023 NOI of NIS 16.5 million. In addition, the land on which the Mall is located has unused building rights for 7,400 sq.m retail and employment use, 1,300 sq.m residential use and 800 sq.m for public buildings and institutions.





* Throughout the life span of the projects, the joint company's share in the revenue is NIS 10.6 billion and in the gross profit NIS 1.7 billion.

** In addition, Aviv Yizum is working on projects that are not presented above, regarding which at present there is no certainty regarding planning and/or minimal scope. The number of expected apartments in these projects (including apartments owned by the residents) – 3,700 apartments.

A. In January 2023, Aviv Yizum completed the transaction with the Israel Lands Authority for the purchase of leasing rights (98 years with option for a further 98 years) for a plot in the Kiryat Shchakim complex in Herzliya, of 5,300 sq.m, in return for NIS 916 million with duly added VAT, to which development costs (including permits) of NIS 206 million were added. The approved plan for this land allows the construction of 733 apartments, 900 sq.m of retail space and 2,640 sq.m (gross) of public buildings. In December 2023 Aviv Yizum signed an agreement with an institutional investor that joined as a financial partner of 12% in the project.

B. In August 2023, Aviv Yizum won a tender to purchase 4,700 sq.m land in the Shirat Hayam complex in Netanya for NIS 171 million with duly added VAT. Aviv Yizum is expected to construct 126 luxury apartments on the land in two 16-17 storey buildings.

In addition, in the reporting period, Aviv Yizum won 21 other urban renewal projects that it intends to promote in the coming years.

The Company's assessments and plans to enter the residential development real estate sector, its estimates concerning expected operations of Aviv Yizum and its plans, estimated apartments for construction and sale, estimated commencement of construction, estimated revenues and gross income of Aviv Yizum and the planning approval of the new plan for the land on Tabenkin Street, constitute forward looking information as defined in the Securities Law, 1968, and are based, among other things, on the information the Company has regarding Aviv Yizum. The Company's foregoing estimates and plans may not materialize, in whole or in part, or may materialize differently to expected, even substantially, due to, among other things, factors or effects that cannot be estimated in advance and/or are not in the Company's control, including the co-management (50-50) of Aviv Yizum, a changing economic and geopolitical environment, changes in government policy and authorities acting on its behalf relating to Aviv Yizum's areas of operation, Aviv Yizum's ability to complete the urban renewal projects on the dates and in the scope forecast, and to obtain the required consent from the owners of the rights in the foregoing projects and/or factors and risks involved in Aviv Yizum's operations that are not in the Company's control, each of which, or any combination thereof, may adversely affect the results of the Company's operations and in any case the materialization of such estimates and forecasts.

Portfolio of income-producing properties under construction

The Company views growth through planning and development of properties as the best potential of growth and realizing profits in its core area of operations in the shopping mall and office sector and frequently explores opportunities for executing such operations.

As part of this, the Company (together with a partner) developed its flagship Landmark project, in the Sarona complex in Tel Aviv. In 2017, the Company began construction on the project and as at reporting date has completed construction of Tower A, which is being prepared for obtaining the Form 4 occupancy approval in April 2024. In November 2023, construction began on Tower B which is expected to be completed at the end of 2026. The Landmark project includes building rights for 166,000 sq.m (gross), of which 140,000 sq.m is for office, 7,000 sq.m for retail use, 7,500 sq.m for public buildings and 11,500 sq.m for residential use (8,100 sq.m for marketing) (116 apartments). As at reporting date, 92% of Tower A has been marketed and contracts have been signed for 80%, and the rest are in advanced negotiations.

In the reporting period, the Company signed a contract in the Ofer Carmel Building C for an area of 3,500 sq.m, and with that the building is fully occupied. In addition, the Company signed contracts in Buildings C and D in the Ofer Petach Tikva Park, thus as at date of publication of the report, 85% of the space in the buildings have been marketed.

Breakdown of projects in various stages of construction and occupancy that are expected to increase the scope of Melisron's income and properties (NIS million)

Name of property	Rate of holding of property	Primary use of property	Rental space (sq.m)	% Rented space	Development stage	Construction completion date (Form 4) actual/ expected	Estimated cost of the Project	Company's net carrying amount of the Project as at December 31, 2023	Estimated cost of completing construction	NOI at full occupancy	Actual NOI in the period
Projects that have been completed and are in process of occupancy:											
Ofer Park East Petach Tikva - Buildings C + D *	74%	Office	33,500	85%	Occupancy	Completed	252	442	35	31	10
Ofer Carmel - Building C	100%	Office	23,000	100%	Occupancy completed	Completed	199	362	-	24	17
Ofer Kiryon - Additional retail space	100%	retail	3,000	100%	Handed over to tenants	Completed	59	70	-	8	-
Projects under development:											
Ofer Ramat Aviv	100%	retail	3,000	100%	Under construction	2024	78	82	37	10	-
Hutsot Hamifratz	50%	retail	19,000	82%	Under construction	2024	151	167	89	18	-
Landmark - Tower A **	50%	Office	100,000	80%	Under construction	2024	1,615	2,931	245	200	-
Landmark - Tower B	50%	Office	50,000	-	Under construction	2026	1,015	487	608	113	-
Ofer Nof HaGalil - Building F	90.9%	Office	6,000	-	Under construction	2024	50	31	30	5	-
Ofer Yavne	70%	retail and office	24,300	-****	Under construction	2026	406	80	332	32	-
Company's share			160,754				2,244	2,718	794	258	24

* Construction completion costs reflect the cost of participation in the investment for tenants with which advanced negotiations are underway.

** Costs include the construction of a parking lot for Tower B, other that the specific parking spaces for the residential apartments.

*** Does not include the residential section of the Landmark project, which is expected to generate income of NIS 523 million and gross profits of NIS 137 million (100%).

**** There are retail agreements on the table for the entire the retail space (17,000 sq.m).

As we see from the foregoing table, the Company estimates the expected rate of return in the venture to be 11% above the cost of the projects.

The Company's estimates concerning the expected construction completion dates of the projects under planning and development, as set out in this section and in the foregoing table, the estimated costs for each project, estimated costs for completing construction for each project and the expected rates of return for the projects, constitute forward looking information as defined under the Securities Law, 1968. The actual results may differ (including substantially) from the estimates set out above and as implied by them, for various reasons, including reasons beyond the control of the Company, including changes in the construction costs of the projects, in the time schedules for the projects, their actual scope and marketing, the length of time that will be required for approval of the building plans for execution, obtaining permits from the relevant authorities and third party agreements, and the materialization of risk factors as described in section 31 of Chapter A of the Company's period report as at December 31, 2023.

Future development of the Company's income-producing properties

The Company owns several plots of land and projects that are in the planning stage for changing the UBP or for obtaining building permits for mixed-uses and combining residential apartments, retail and office space, rental apartments and hotels. Below is a breakdown of projects (NIS million):

Name of property	Rate of holding of property	Primary use of property	Rental space (sq.m)	Status	Expected construction commencement date	Expected construction completion date	Net value at December 31, 2023	Estimated cost of the Project	Estimated NOI at full occupancy
Ofer Hasharon*	100%	retail and office	7,000	Urban Building Plan approved, excavation and shoring permit received	2024	2027	43	65-70	7-9
Ofer Nof HaGalil	91%	retail	21,000	Urban Building Plan approved, demolition permit received	2024	2025	85	355-365	31-34
Ofer Rehovot	100%	Office	11,000	Urban Building Plan approved, building permit received	2024	2026	38	160-170	12-13
Ofer Carmel	100%	Office	18,000	Urban Building Plan approved	2024	2026	36	220-230	18-20
Ofer Mall Petach Tikva	100%	Office and hotels	25,000	Urban Building Plan approved	2025	2027	67	315-320	24-26
Ofer Yokne'am	100%	Office	35,000	CBP pending	2024	2027	-	435-440	30-32
Ofer Adumim	100%	retail	3,400	Urban Building Plan approved	2025	2026	9	25-30	5-7
Ofer Harel	100%	retail and office	8,700	Urban Building Plan approved	2025	2027	22	165-170	12-14
Land in Tel Aviv**	100%	Office	17,500	Urban Building Plan approved	2025	2028	292	700-710	56-60
Company's share			144,689				584	2408-2472	192-212

Projects whose date of construction commencement and assessments have not yet been determined:

Name of property	Rate of holding of property	Primary use of property	Rental space (sq.m)	Status	Net value at December 31, 2023
Ofer Ramat Aviv	100%	retail, office, hotels and rental housing	90,000	Urban Building Plan pending	74
Ofer Be'er Sheva	100%	Office and clinics	14,000	UBP approved, permit received	11
Ofer Grand Haifa	100%	Hotels	6,000	UBP approved	5
Ofer Kiryon	100%	Office	23,000	UBP approved	42
Ofer Mall Petach Tikva	100%	retail	7,000	UBP approved	-
Ofer Carmel	100%	Office and employment	23,000	UBP approved	22
Nof HaGalil	91%	Office and employment	16,000	UBP approved	24
Hutsot Hamifratz	50%	Logistics and office	100,000	UBP approved	296
Land in Kanot Junction area***	100%	Logistics	20,000	UBP pending	34
Land at Ofer Carmel	100%	Office and employment	16,000	UBP approved	16
Ofer Carmel	100%	Server farm	18,000	UBP approved	17
Ofer Adumim	100%	Office	11,400	UBP approved	-
Company's share			292,944		391
Total Company share (of all properties)			437,633		975

The Company's estimates concerning future development of the Company's properties, expected dates for staring and completing construction of projects and estimated costs for each project and NOI at full occupancy, as set out in the table, constitute forward looking information as this term is defined in the Securities Law, 1968. The actual results may differ (including substantially) from the estimates set out in the foregoing table and as implied by them, for various reasons beyond the control of the Company, including changes in the construction costs of the projects, in the time schedules for the projects, their actual scope and marketing, the length of time that will be required for approval of the building plans for execution, obtaining permits from the relevant authorities and third party agreements, and due to the effects of the Iron Swords, and the materialization of risk factors as described in section 31 of Chapter A of the Company's period report as at December 31, 2023.

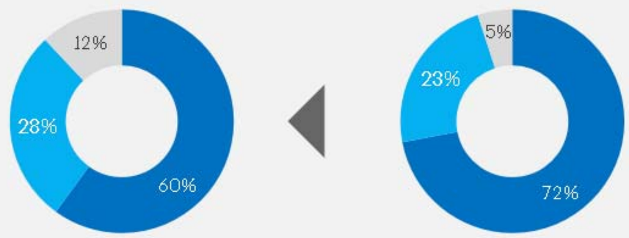
* Not including the residential part of the Ofer Hasharon project, the apartments in the project are intended for sale.

* * The land has an existing approved UBP for the construction of 17,500 sq.m of office, and a plan has been submitted to increase the building rights to 25,500 sq.m zoned for office. Estimated costs and NOI assume that the building rights will be increased accordingly.

***Subsequent to balance sheet date, the Company acquired additional plots of 4,000 sq.m adjacent to the Company's land for a total amount of NIS 7 million.

Breakdown of key operating segments

According to current NOI and NOI after completing the existing project in the mid-term and weighting of Aviv Yizum's operations



Weight of operating segments
After full occupancy of existing projects under development in the mid-term and weighting Aviv Yizum's operations

Weight of current operations

Other operations refer at this time to buildings rented to a single tenant and in the future, also to the Company's share in Aviv Yizum results

Office located in Malls or close to them are included under the Office segment

Company's share in Aviv Yizum's results at expected average gross profit for 2025-2031

Other (including Aviv Yizum | Office | Retail

The Company's assessments regarding the weight of the Company's operating areas (based existing and expected NOI and weighting of Aviv Yizum operations) constitute forward-looking information, as defined in the Securities Law, 1968, and are based, among other things, on the information available to the Company concerning its various operations, including the completion dates of development and occupancy of Aviv Yizum projects that are currently in planning and future development.

The Company's foregoing estimates and plans may not materialize, in whole or in part, or may materialize differently to expected, even substantially, due to, among other things, factors or effects that cannot be estimated in advance and/or are not in the Company's control, including, among others, changes in market conditions, time required to obtain approval of building plans for execution, changes in construction costs and/or time schedules of the projects, their actual scope and marketing, the success of the collaboration jointly managed with Aviv Yizum, the Company's ability together with the Aviv Group, to bring about the effective development of Aviv Yizum, a changing economic and geopolitical environment, changes in government policy and authorities acting on its behalf, Aviv Yizum's ability to complete the urban renewal projects on the dates and in the scope forecast, and to obtain the required consent from the owners of the rights in the foregoing projects and/or factors and risks involved in the operations of the Company and/or of Aviv Yizum that are not in the Company's control, each of which, or any combination thereof, may adversely affect the results of the Company's operations and in any case the materialization of such estimates and forecasts.

Financial debt

Highlights

Financial management

Since the beginning of 2022 and through to date of publication of this report, the Company raised debentures and bank and institutional debt in an amount of NIS 4.4 billion. The Company maintains financial flexibility by raising debt at good terms and with long maturity, which helps it continue planning, improving and developing additional projects and taking advantage of new business opportunities while maintaining financial stability and robustness also in the most challenging times.

The guiding principles in managing its financial debt are:

1. Maintaining sufficient liquidity.
2. Extending debt maturity.
3. Maintaining strong stable balance sheet data.
4. Maintaining its high rating.

The Company's debt mix includes: Publicly traded debenture series, private loans from institutional investors, bank loans and credit facilities and marketable securities.

With regard to the effects of the Iron Swords see relevant section in this Directors' report.

The Company's financial leverage

Reducing leverage in past years contributed to lowering the Company's risks together with maintaining a level of leverage that allows for business development and improvement of the return on capital.

The Company believes that, as at reporting date, the Company's correct LTV is 50%. The Company's current LTV (as at December 31, 2023) is 43.3%, an increase of 0.5% compared to December 31, 2022.

Financial challenges

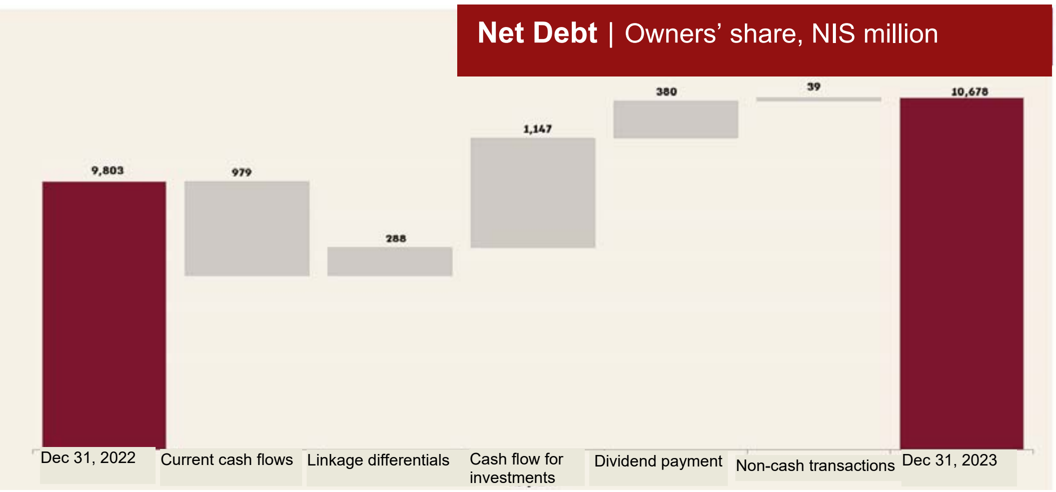
In recent years, the Company has managed to reduce its financing costs and extend the average duration of its debt. Under the current market environment, in view of the increase in interest rates, the Company focuses on extending maturity dates.

As at date of publication of this report, in the coming year (through to December 31, 2024), the Company is required to repay debt of NIS 1.4 billion (principal and interest), after the Company rescheduled bank loans of NIS billion in January 2024, which after rescheduling are due for repayment in March and April 2026.

As at December 31, 2023, the Company has a cash balance and financial asset portfolio that can be disposed immediately for an amount of NIS 1 billion, and subsequent to balance sheet date the Company issued debentures for a total amount of NIS 1.4 billion (for further information see the relevant section in this Directors' report) and it has an unutilized binding bank credit facility of NIS 500 million.

Changes in the net financial debt (consolidated expanded)

As at December 31, 2023, the Company's net debt balance is NIS 10.7 billion.

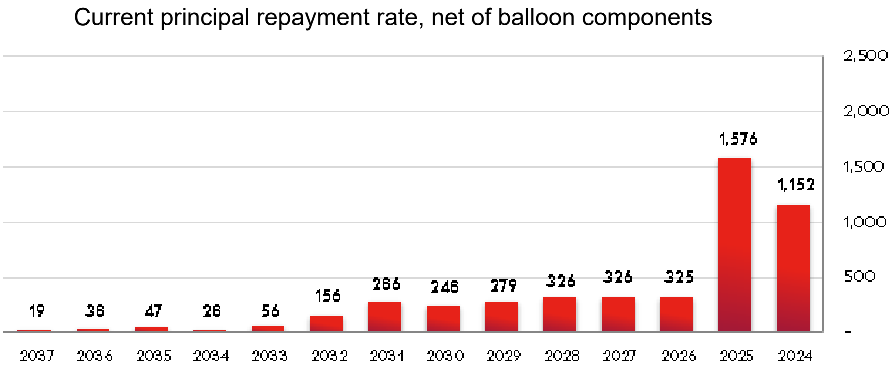


				Debt principal repayment schedule (NIS million)									
Source of financing	Nature of	Average life	Weighted effective interest	2024	2025	2026	2027	2028	2029	2030	2031	2032 onwards	Total nominal linked balance at December 31, 2023
Bank	Bank①	0.16	6.60%	642	-	-	-	-	-	-	-	-	642
	Bank①	0.89	6.85%	147									147
	Other	0.40	6.29%	7	-	-	-	-	-	-	-	-	7
Institutional lenders	Batch of loans	6.08	1.92%	31	31	31	31	31	31	31	31	310	561
Public	Series J	1.46	1.91%	36	1,476	-	-	-	-	-	-	-	1,512
	Series K	1.46	2.51%	34	1,393	-	-	-	-	-	-	-	1,426
	Series N	2.21	1.49%	32	32	1,305	-	-	-	-	-	-	1,369
	Series O①	0.69	3.50%	695	-	-	-	-	-	-	-	-	695
	Series P	3.02	2.15%	25	25	25	997	-	-	-	-	-	1,071
	Series Q	4.05	1.60%	198	40	198	198	198	198	198	198	99	1,526
	Series R	4.19	1.35%	12	12	12	12	512	-	-	-	-	560
	Series S	4.94	1.57%	10	10	10	10	10	401	-	-	-	448
	Series T	5.82	0.79%	62	31	31	31	31	31	1,203	-	-	1,419
	Series U	6.43	3.78%	9	2	19	45	56	19	19	56	244	470
Marketable securities	Series 3*	4.82	5.25%	-	-	-	-	99	-	-	-	-	99
	Total repayments	3.11	2.23% **	1,941	3,052	1,630	1,323	937	680	1,451	286	654	11,953
	of which a balloon payment is secured by a lien			789②	1,476③	1,305④	997⑤	512⑥	401⑦	1,203⑧	-	310⑨	6,993
	Value of the pledged property			3,178	2,628	2,037	1,429	752	-	1,898	-	1,188	
	LTV rate of pledged property			25%	71% ⑩	64%	70%	68%	-	63%	-	26%	
Debt schedule (principal) less balloon payments secured by pledged assets and marketable securities				1,152	1,576	325	326	326	279	248	286	344	4,862

*) Marketable securities and/or binding credit facilities are utilized for short term as an interim solution until public debt is raised or loans are received. As such, they were not included in the calculations for the interest rate and the effective interest rate of the Company's total gross financial debt, and they were also not included in the calculation of current repayments after deducting balloon components guaranteed by lien.

**) It should be noted that the average effective interest rate includes index-linked debt, debt at NIS-linked interest and debt at prime-linked interest. The effective linked interest rate, assuming index of 2.5%, is 1.92%

When repaying the "balloon", the Company has the option of releasing the property from the lien or refinancing the debt against a new lien.



The financing component is one of the main factors for the Company's success. By diversifying funding sources and maintaining high liquidity, the Company can continue its development momentum.

1. Bank loans and debenture Series O are not linked to the index.
2. Balloon components on debts against which Ofer Ramat Aviv and Lincoln were pledged, for which repayment dates were postponed subsequent to balance sheet date through to March-April 2026.
3. Balloon components on debts against which Ofer Karyon was pledged.
4. Balloon components on debts against which Ofer Grand Mall Petach Tikva was pledged.
5. Balloon components on debts against which Ofer Grand Mall Beer Sheva was pledged.
6. Balloon components on debts against which the Company's share in the Hutsot Hamifratz Outlet Mall is pledged.
7. Balloon components on debts against which Ofer Karyon was pledged in a second degree lien.
8. Balloon components on debts against which Ofer Grand Mall Haifa was pledged.
9. Balloon components on debts against which Ofer Bilu Center and the shares of Azo-Rit Center Ltd., which holds the property, were pledged.
10. The calculated LTV ratio includes balloon components that are secured by a second degree lien on the Ofer Kiryon Mall, are payable in 2029.

Total Blended Cost Of Debt

Below is a breakdown of the weighted effective cost of debt (real interest attributed to profit and loss) and the nominal cost of debt (interest paid on the debt) as at reporting date and for each year and over the repayment period of Melisron's financial liabilities for that year.

	Debt principal repayment schedule (NIS million)								
	2024	2025	2026	2027	2028	2029	2030	2031 onwards	Total
Total debt repayments	**1,941**	**3,052**	**1,630**	**1,323**	**838**	**680**	**1,451**	**940**	**11,855***
Effective interest	**4.37% ****	**2.17%**	**1.53%**	**2.08%**	**1.58%**	**1.62%**	**0.97%**	**2.26%**	**2.23%**
Nominal interest (cash flow)	**4.42%**	**2.0%**	**2.13%**	**2.30%**	**1.27%**	**1.70%**	**0.6%**	**2.29%**	**2.25%**

* Excluding marketable securities

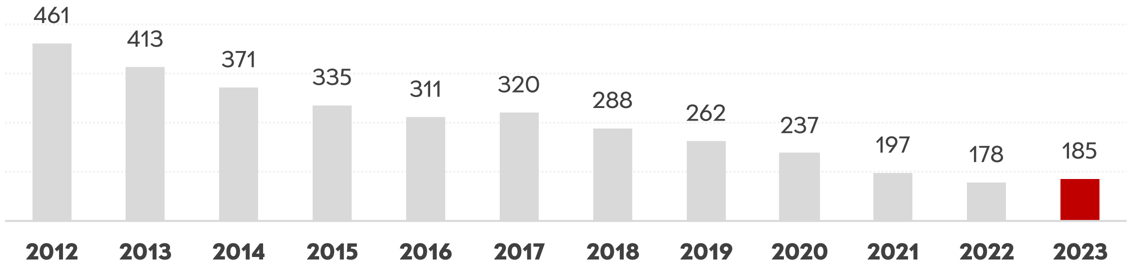
** It should be noted that the average effective interest rate includes index-linked debt, debt at NIS-linked interest and debt at prime-linked interest.

The effective real interest rate, assuming index of 2.5%, is 2.45%.

As can be seen, despite the increase in interest rates in Israel and worldwide, the effective weighted interest rate on the Company's debt maturities in 2024 and 2025 (amounting to NIS 5 billion) is 3.03%, compared to the yield to maturity of secured bonds currently trading at 2.59% (based on Melisron linked bonds (Series T - that are secured by a first-class lien), with duration of 5.8 years) and unsecured bonds at 2.97% (based on Melisron linked bonds (Series Q), with duration of 6.57 years), therefore, the Company estimates that if the long term interests does not continue to rise, no significant changes are expected in the financing expenses for these two years.

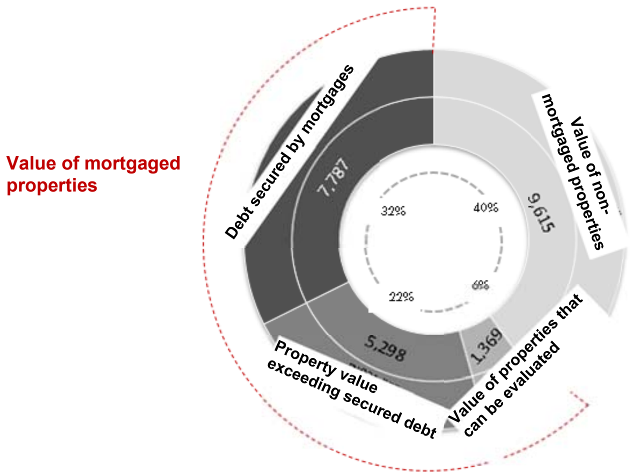
It should be clarified that the Company's assessments concerning the effects of the rise in interest, including its assessment regarding maintaining the level of financing costs, and the effects of the Company's financing costs in scenarios of increase in interest and return on bonds, including substantial effects on the Company and its financial stability, constitute forward-looking information as defined in the Securities Law, 1968, based on the Company's subjective assessments at reporting date and there is no certainty that they will materialize, in whole or in part, or they may materialize differently (including materially), among other things, due to factors that are not in the Company's control, including as noted in sections 6 (the financial environment and the effects of external factors on the Company's operations) and 31 (the discussion on the risk factors regarding the Company's operations) of the chapter on the description of the Company's businesses in the 2023 periodic report.

Real interest on the financial debt over the years (Melisron's share)*



* Net of real non-cash flow financing expenses for reducing surplus costs.

Breakdown of the value of the pledged properties (owner's share)



The Company owns properties worth NIS 9.6 billion that are not pledged at all and pledged properties worth NIS 1.4 billion for which credit facilities were granted that, as at balance sheet date, are unused and therefore the liens can be released.

The pledged properties have potential for expanding the debt as the average LTV of the secured debt is 60%, which can be increase to 70%-80%.

Loan to Value ratio on the Company's properties: LTV

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
		NIS millions			
Total financial debt (consolidated)	11,947	11,198	11,934	10,744	10,746
Plus Company's share of debt of equity accounted investees	-	-	-	-	96
Less non-controlling share in consolidated debt	(48)	(49)	(63)	(83)	(91)
Less accounting differences	7	(38)	(101)	(82)	(137)
Total financial debt to be repaid (consolidated expanded)	**11,906**	**11,111**	**11,770**	**10,579**	**10,614**
Less balances (from consolidated expanded)					
Cash flows	(614)	(554)	(1,065)	(970)	(994)
Deposit in trust for repayment of debentures Series H	-	-	(1,116)	-	-
Marketable financial assets	(358)	(325)	(355)	(326)	(315)
Financial assets backing lien	(256)	(429)	(422)	(391)	(397)
Total share of corporation:					
In net financial debt *)	**10,678**	**9,803**	**8,812**	**8,892**	**8,908**
Investment real estate, inventory of land under development and the investment in Aviv Yizum					
Investment real estate and inventory of land under development (consolidated expanded) **)	**24,068**	**22,306**	**20,356**	**18,547**	**19,017**
Investment in Aviv Yizum ***)	**594**	**603**	-	-	-
Total assets	**24,662**	**22,909**	**20,356**	**18,547**	**19,017**
LTV ratio	**43.3%**	**42.8%**	**43.3%**	**47.9%**	**46.8%**

*) The financial debt presented in the above table is net of the accounting differences included in the financial debt in the Company's balance sheet.

**) The investment real estate presented in the table includes the inventory of real estate under development for the construction of apartments for sale.

***)The investment in Aviv Yizum is presented as recorded in the books and not separately as per the various items in the table.

The changes in the leverage during the reporting period	
LTV ratio as at December 31, 2022	**42.8%**
Cash flow from current operations for the reporting period	(4.3%)
Dividends paid	1.8%
Increase in value of liabilities with respect to changes in the CPI	1.4%
Investments in investment real estate, net of valuation	0.9%
Acquisition of the Harel Mall	0.7%
LTV ratio as at December 31, 2023	**43.3%**

Explanation of the LTV ratio increase in the period:
The increase in the index of 3.34% which resulted in an increase of NIS 288 million in the financial debt, distribution of a dividend in the amount of NIS 380 million, investments in investment real estate and purchase of the Harel and Lincoln malls, offsetting current cash flows generated by the Company in the reporting period in the amount of NIS 979 million and revaluation of real estate in the period in an amount of NIS 624 million.

Credit rating

In February 2024, Maalot revised the Company rating outlook to positive due to expected continuation of improvement of the business aspects and further improvement in its segmental diversification, while at the same time maintaining a conservative financial profile, thus the Company's rating is: ilAA-\Positive

The rating for all the Company's debenture series, secured and unsecured, is: ilAA.

Review of our performance indices

(Net Operating Income) NOI

The Company believes that the NOI is one of the most important parameters in estimating the value of income-producing real estate. Furthermore, the NOI is used to measure free cash flows available to service financial debt assumed for financing the acquisition of a property, when the total NOI, after deducting current maintenance expenses, is for maintaining the existing level. It is hereby emphasized that the NOI:

A. Does not present cash flows from current operations in accordance with GAAP.

B. Does not reflect cash for financing all the Company's cash flows, including its ability to distribute a cash dividend.

C. Does not constitute an alternative for net profit for the purpose of valuating the results of Melisron's operations.

D. Refers to all properties, including properties under joint control that are included in the financial statements as equity-accounted.

<u>Breakdown of the development of annual and quarterly NOI (NIS million):</u>

	Q4 2023	Q4 2022	2023	2022	Changes compared to the previous year
NOI (SP) for the period	**322**	**329**	**1,348**	**1,270**	**6%**
NOI from new properties constructed	10	2	34	5	
Total NOI for the period	**332**	**331**	**1,382**	**1,275**	**8%**
Minority interest in NOI for the period	(14)	(13)	(56)	(51)	
Owners' interest in NOI for the period*	**318**	**318**	**1,326**	**1,224**	**8%**
Discounts given based on the Swords of Iron plan	31	-	31	-	
Owners' interest in NOI for the period (without the Swords of Iron plan discounts)	**349**	**318**	**1,357**	**1,224**	**11%**

The owner's share in NOI in 2023 amounted to NIS 1,326 million, an increase of 8% compared to last year. The increase in NOI is due to the signing of new contracts with increased rental and increase in CPI of NIS 104 million, and due to new properties that were acquired and built in an amount of NIS 29 million, net of the discounts given this year under the Swords of Iron plan in an amount of NIS 31 million.

The owner's share in the NOI for the fourth quarter of 2023 amounted to NIS 318 million, without any change compared to last year. The increase in NOI is due to the signing of new contracts with increased rental and increase in CPI of NIS 21 million, and an increase due to new properties that were built in an amount of NIS 8 million, net of the discounts given in this quarter under the Swords of Iron plan in an amount of NIS 31 million.

Breakdown of the development of quarterly NOI (NIS million):

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
NOI from same property	322	349	343	334	329
NOI from new properties constructed	10	10	9	5	2
Minority interest in NOI	(14)	(14)	(14)	(14)	(13)
NOI - owners' share	**318**	**345**	**338**	**325**	**318**
Discounts given based on the Swords of Iron plan	31	-	-	-	-
Owners' interest in NOI (without the Swords of Iron plan discounts)	**349**	**345**	**338**	**325**	**318**

Reconciliation between NOI for reporting period and gross profit presented in the financial statements (NIS million):

	Jan-Dec 2023	Jan-Dec 2022
NOI - owners' share	1,326	1,224
Minority interest in NOI	56	51
Companies' share of NOI using the equity method and others	(41)	(35)
Gross profit presented in financial statements	**1,341**	**1,240**

Funds From Operations (FFO)

For providing additional information regarding the results of operations, FFO indices are presented below: This index is customarily used worldwide and provides an appropriate base for comparing income-producing real estate companies. The index is published by NAREIT (the organization of REIT companies in the US) and as it is defined, it presents net reported profit, net of income and expenses from increase/impairment of the value of real estate and non-recurring income/expenses, with addition of depreciation. The Company assumes that, in addition to the foregoing, deferred tax expenses for previous years and financing income/expenses with respect to CPI linkage of financial liabilities and assets should also be excluded from the FFO calculation.

It should be emphasized that the FFO index does not represent cash flows from current operations, does not reflect cash held by the Company and does not replace the reported net profit, in accordance with generally accepted accounting standards.

The Company deems it appropriate to analyze the elements that make up the FFO gains (top-down) to increase transparency and increase understanding of what affects the FFO index. For further information concerning the FFO index pursuant to the Securities Authority guidelines, which in 2023 amounted to NIS 717 million, see Appendix A to this report.

The FFO (management concept) for 2023 amounted to NIS 994 million (annual FFO rate (management concept) is NIS 1,080 million based on the fourth quarter of 2023, net of the discounts given under the Swords of Iron plan) compared to NIS 887 million in the corresponding period in 2022, an increase of 12% that is mainly due to:

An increase in the owners' share in NOI by an amount of NIS 102 million, net of losses from other operations in the amount of NIS 5 million and decrease in tax expenses (including net of the effect of the index) in the amount of NIS 7 million, offset by an increase in real interest expenses of NIS 7 million.

NIS millions	2023	2022	2021	2020
NOI - owners' share	1,326	1,224	1,034	779
Net of the owners' share in the following expenses:				
Administrative and general (net of depreciation and share-based payment)	(67)	(65)	(51)	(53)
Marketing and adversiting expenses	(16)	(18)	(7)	(7)
Net of other operating loss	16	11	4	-
Real interest expenses on the financial debt	(184)	(175)	(191)	(228)
Net of real non-cash flow financing expenses for reducing surplus costs.	(1)	(3)	(6)	(9)
Current tax expense	(69)	(60)	(39)	(28)
Net of effect of CPI on provisions for current taxes *)	(11)	(27)	(21)	7
Total real FFO presented according to the management concept	**994**	**887**	**723**	**461**
Discounts given based on the Swords of Iron plan	29	-	-	-
Total real FFO presented according to the management concept (excluding the Swords of Iron discount)	**1,023**	**887**	**723**	**461**
Change in index during the period	+3.3%	+5.3%	+2.4%	-0.6%

The FFO for the fourth quarter of 2023 amounted to NIS 241 million (annual rate of NIS 1,080 million based on the fourth quarter of 2023 net of discounts given under the Swords of Iron plan) compared to NIS 226 million in the corresponding period in 2022, an increase of 7% that is mainly due to:

A decrease in administrative and general and marketing expenses of NIS 4 million, decrease in current tax expenses (net of the effect of the index) of NIS 7 million, decrease in real interest expenses of NIS 4 million.

NIS millions	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Real FFO presented according to the management concept	241	255	255	243	226
Real FFO presented according to the management concept (excluding the Swords of Iron discount)	270	255	255	243	226

*) When the CPI decreases/increases during the reporting period, there is a decrease/increase in financing expenses due to recording of financing income/expenses from the CPI change (87% of the Company's total financing debt is linked to the CPI), causing an increase/decrease in provisions for current taxes. The effect of the index on the current taxes is not a timing event that is expected to reverse and therefore the Company usually presents the FFO index net of this effect.

CAPEX (Capital Expenditure)

For providing additional information regarding the results of operations, the CAPEX presented below: This index is customarily used worldwide and provides an appropriate base for comparing income-producing real estate companies. The index, as defined, reflects the capital costs that the Company uses for purchasing or upgrading of operating equipment and systems and income-producing properties.

Such costs are not included in maintenance costs for properties and operating systems that are recorded as part of NOI.

CAPEX costs include:

- Costs expended that extend and improve the life span of the asset and/or operating systems.
- New purchases of essential systems and equipment for proper operation of the property
- Renovations or extensions to existing income-producing properties
- Modifications for the tenant

The CAPEX (Company's share) in 2023 amounted to NIS 67 million (0.3% of the value of its properties), of which NIS 57 million are attributed to retail use and NIS 10 million are attributed to office use:

	2023	Notes
Cash flows used for investments in investment real estate (consolidated)	**1,125**	
With addition of real estate investments in an investee	34	
Net of non-controlling participation in investments	(17)	
Cash flows used for investments in investment real estate (consolidated expanded)	**1,142**	
Net of:		
Progress of investments in real estate projects under construction	402	Primarily includes: Landmark, Hutzot Hamifratz, Ofer Nof HaGalil and others
Land and malls that were purchased	518	including: Lincoln, Ofer Harel Mall
Betterment and development levies that were paid	84	
Expansion and upgrades made in the existing income producing properties with regard to which additional NOI applies	64	The expansion in income-producing properties include, among others, the product mix in the Ofer Kiryon Mall, renovation of the Ofer Ramat Aviv Mall, upgrade of the parking lot at the Ofer Bilu Center and others.
Participation in modifications for tenants as incentive, pursuant to application of IFRS 16.	7	The Company applies IFRS 16 according to which, part of the investments for tenant incentive is deducted from the Company's revenue, on a straight-line basis over the lease term.
CAPEX - Company's share	67	
Attributed to retail use	57	
Attributed to office use	10	

EPRA NRV Index

The EPRA is an association of European income-producing and public real estate companies. The purpose of EPRA indices is to increase uniformity, transparency and comparability of the financial information among the real estate companies included in the index.

EPRA NRV Index

The EPRA NRV index reflects the net value of Melisron's properties assuming future continuity of operations and that properties are never sold, and therefore certain adjustments are required, such as presenting properties at fair value although they are not presented that way in the financial statements, and neutralizing deferred taxes deriving from revaluation of investment real estate.

It should be noted that properties in planning and inventory of land under development are included in the index at current value, namely based on reports including investments made in the properties, and it is not possible to evaluate future income from these properties once they are occupied/sold and producing profit.

NIS millions	December 31, 2023	December 31, 2022
Equity (consolidated expanded)	10,547	9,882
With addition of reserve for deferred taxes for investment real estate (consolidated expanded)	3,540	3,303
EPRA NRV	14,087	13,185
EPRA NRV per share (NIS)	297	277
Number of shares at end of period (thousand shares)	47,498	47,480

Extension of Nof HaGalil -

Weighted Cap Rate

Below is the calculation for estimating the unaudited weighted cap rate deriving from all of Melisron's income-producing real estate as at December 31, 2023

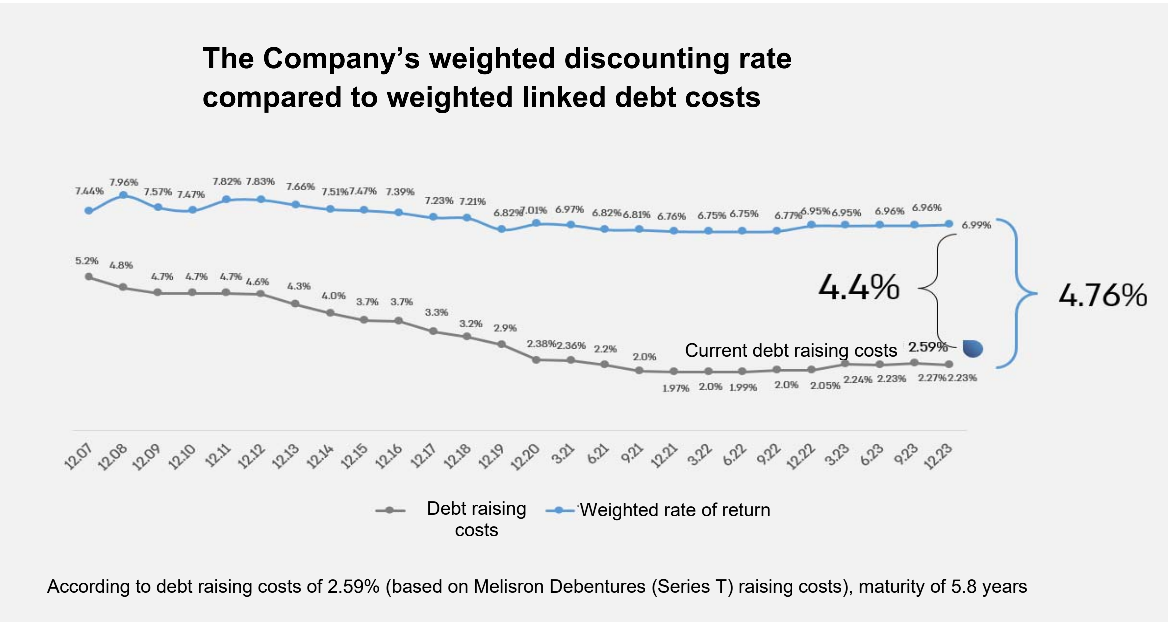
Owners' share (consolidated expanded)	(in NIS millions)
Carrying amount for investment real estate*	23,956
Net of the value attributed to vacant space	(451)
Net of the value attributed to projects under construction and rights	(3,392)
Net value attributed to income-producing real estate	20,113
Actual NOI in Q4/2023	318
Discounts given based on the Swords of Iron plan	31
Annual grossing up of actual NOI in Q4/2023	1,396
Expected additional NOI for income-producing real estate **	11
Expected standardized NOI ***	1,407
Standardized NOI to net value ratio attributed to investment real estate	**6.99%**

* Including properties of equity-accounted companies under joint control presented in the financial statements (excluding Aviv Yizum).

** Additional NOI refers to additional rents based on rental contracts signed and full contribution of extensions and projects under development that were completed in the period. The additional expected NOI does not include the expected NOI from available space that has not yet been marketed and expected NOI from completion of projects under construction. Primarily includes: Signed contracts regarding the deep store mix in the ofer karyon mall, signed contracts for Ofer Carmel Building C, signed contracts regarding Buildings C and D in the Ofer Petach Tikva mall and expected increases in the coming year due to signed contracts.

*** Adjusted expected NOI does not constitute the Company's forecast for 2024.

Margin between the rate of return and weighted cost of Melisron's debt over the years:



From the above graph we see that the margin between the weighted rate of return on income-producing properties and the Company's weighted cost of debt has increased over the years. Where the Company's weighted financing costs over the years have decreased significantly, the weighted rate of return on properties remains stable.

*) It should be noted that 87% of the Company's total financial debt is linked to the CPI.

**) The yield to maturity of secured debentures currently traded (based on Debentures Series T - 5.8 years maturity).

Financial review of the Company's results

The Company's financial statements are prepared in accordance with IFRS, according to which after tax profit of jointly controlled companies are presented the same "as the Company's share of profits of equity-accounted companies, net" and the net investments in such companies are presented in the balance sheet under the item for investments in equity-accounted companies. The Company analyzes its business performance according to its relative share in its assets and liabilities, i.e. based on the consolidation of its relative share in its jointly controlled companies (as of the third quarter of 2022, including 50% of Aviv Yizum).

Profit and loss (NIS millions)	2023			2022		
	Consolidated (audited)	With addition of jointly controlled companies and net of non-controlling share	Consolidated expanded	Consolidated (audited)	With addition of jointly controlled companies and net of non-controlling share	Consolidated expanded
Gross profit from rental property	1,341	(20)	1,321	1,240	(17)	1,223
Gross profit from sale of apartments and others	-	9	9	-	10	10
Total gross profit	**1,341**	**(11)**	**1,330**	**1,240**	**(7)**	**1,233**
General and administrative expenses	(77)	(10)	(87)	(76)	(5)	(81)
Advertising, sales and marketing expenses	(16)	(3)	(19)	(18)	(6)	(24)
Operating profit before other income	**1,248**	**(24)**	**1,224**	**1,146**	**(18)**	**1,128**
Company's share in profits of equity-accounted investees, net	34	(34)	-	89	(89)	-
Increase in fair value of investment property, net	624	38	662	1,224	57	1,281
Other expenses, net	(74)	-	(74)	(19)	-	(19)
Operating profit after other income	**1,832**	**(20)**	**1,812**	**2,440**	**(50)**	**2,390**
Financing expenses, net	(470)	11	(459)	(639)	14	(625)
Profit before deduction of taxes on income	**1,362**	**(9)**	**1,353**	**1,801**	**(36)**	**1,765**
Income tax	(310)	(6)	(316)	(359)	(15)	(374)
Profit for the period	**1,052**	**(15)**	**1,037**	**1,442**	**(51)**	**1,391**
Non-controlling interest in profit	(15)	15	-	(51)	51	-
Profit for the period - owners' share	**1,037**	**-**	**1,037**	**1,391**	**-**	**1,391**

Changes in the owner's profit compared to the corresponding period last year	NIS millions
Attributed to 2022	**1,391**
An increase in gross profit from rental property and apartment sales	97
An increase in administrative and general and marketing expenses	(1)
Decrease in the increase in fair value of investment property	(619)
Increase in other expenses	(55)
Decrease in net financing expenses	166
Decrease in income tax expenses	58
Attributed to 2023	**1,037**

The increase in gross profit from rental properties - in an amount of NIS 97 million is mainly due to an increase in rents with regard to an increase in real rents and the index increase during the period that contributed NIS 104 million, due to the contribution of properties that were acquired and built in an amount of NIS 29 million, offsetting discounts given under the Iron Swords plan in an amount of NIS 31 million.

Reduction in the increase in value of investment property - an increase in value of NIS 662 million was recorded in the period, mainly as a result of the effects of the CPI increase in the period of NIS 642 million, real increase in NOI of certain properties and progress in the marketing and construction of properties under constructions and occupancy.

Increase in other expenses - the total amount of NIS 55 million is mainly due to amortization of the balance of investment in the Gro online shopping website after it was shutdown.

The decrease in net financing expenses - in the amount of NIS 166 million is mainly due to a decrease in linkage differentials on the Company's debt as a result of the increase in the CPI in the period, which was lower than in 2022 (the index increased by 3.3% compared to 5.3% in 2022), in an amount of NIS 135 million, due to an increase in profit from securities in the amount of NIS 56 million, offsetting an increase in other financing expenses in an amount of NIS 19 million and an increase in real interest expenses in an amount of NIS 9 million.

The decrease in income tax expenses - in the amount of NIS 58 million is mainly a result of a decrease in deferred taxes in the amount of NIS 61 million, mainly due to a decrease in the increase in value of the Company's assets, and utilization of deferred tax assets recorded in the past, and a decrease in the tax expenses item for previous years in an amount of NIS 6 million offset by an increase in current tax expenses in an amount of NIS 9 million for the increase in current profit.

Exposure to inflation - all the Company's lease agreements with tenants are linked to the CPI and 87% of the Company's loans are linked to this index. When the CPI increases, the Company's revenues are expected to increase at similar rates, while on the other hand, the Company's financing expenses also increase. The increase in income causes (due to other effects) a corresponding increase in the value of the properties, while on the other hand the CPI linked loan balance also increases. Accordingly, the Company believes that as at reporting date, the hedging against inflation as inherent in the rental contracts, as aforesaid, is effective and therefore the Company's exposure in this regard is not high.

It should be clarified that the Company's assessments concerning its exposure to inflation, including due to the inherent hedging in the rent contracts, constitute forward-looking information as defined in the Securities Law, -1968, based on the Company's subjective assessments at reporting date and there is no certainty that they will materialize, in whole or in part, or they may materialize differently (including materially), among other things, due to factors that are not in the Company's control, including as noted in sections 6 (the financial environment and the effects of external factors on the Company's operations) and 31 (the discussion on the risk factors regarding the Company's operations) of the chapter on the description of the Company's businesses in the 2023 periodic report.

Building J Ofer Carmel - simulation

Financial position (NIS million)	As at December 31, 2023			As at December 31, 2022		
	Consolidated	With addition of jointly controlled companies and net of non-controlling share	Consolidated expanded	Consolidated	With addition of jointly controlled companies and net of non-controlling share	Consolidated expanded
Cash and cash equivalents	625	14	639	543	181	724
Restricted Cash	-	58	58	-	49	49
Short-term financial assets	358	-	358	325	-	325
Short-term loans and deposits	1	-	1	10	-	10
Trade receivables	62	30	92	35	56	91
Other receivables	37	17	54	47	15	62
Inventory of development real estate for the construction of apartments for sale	112	120	232	76	212	288
Group of assets classified as held for sale	-	-	-	-	8	8
Total current assets	**1,195**	**239**	**1,434**	**1,036**	**521**	**1,557**
Long-term loans and payables	-	256	256	165	258	423
Investment in an equity accounted company	1,222	(1,220)	2	1,185	(1,183)	2
Intangible assets and goodwill	558	221	779	598	220	818
Long-term inventory	-	749	749	-	96	96
Long-term financial assets and other assets	10	-	10	66	-	66
Fixed assets	11	-	11	9	1	10
Investment property	24,124	(164)	23,960	22,462	(229)	22,233
Total non-current assets	**25,925**	**(158)**	**25,767**	**24,485**	**(837)**	**23,648**
Total assets	**27,120**	**81**	**27,201**	**25,521**	**(316)**	**25,205**
Liabilities to banking and other corporations	927	20	947	149	10	159
Current maturities of debentures	1,113	-	1,113	859	-	859
Trade payables and service providers	154	2	156	275	-	275
Other payables	298	13	311	157	35	192
Customer advance payments from sale of apartments	-	25	25	-	70	70
Provisions for tax	111	-	111	122	1	123
Total current liabilities	**2,603**	**60**	**2,663**	**1,562**	**116**	**1,678**
Debentures	9,378	-	9,378	8,984	-	8,984
Liabilities to banking and other corporations	530	479	1,009	1,206	17	1,223
Deferred taxes	3,499	41	3,540	3,268	35	3,303
Liabilities in respect of employee benefits, net	2	-	2	3	-	3
Other liabilities	60	2	62	130	2	132
Total non-current liabilities	**13,469**	**522**	**13,991**	**13,591**	**54**	**13,644**
Equity attributable to the Company's shareholders	10,547	-	10,547	9,882	-	9,882
Non-controlling interests	501	(501)	-	486	(486)	-
Total equity	**11,048**	**(501)**	**10,547**	**10,368**	**(486)**	**9,882**
Total equity and liabilities	**27,120**	**81**	**27,201**	**25,521**	**(316)**	**25,205**
EPRA NAV			**14,087**			**13,185**
EPRA NAV per share (NIS)			**297**			**277**

Explanations regarding material changes in financial position (expanded and consolidated) during the year:

Long-term loans and deposits - most of the decrease is due to repayment of a loan given in the past to the Harel Shopping Mall buyers in the amount of NIS 164 million, as set out in the relevant section of this Directors' Report.

Long-term inventory - most of the increase is due to the sale of land in the Kiryat Shchakim complex in Herzliya by Aviv Yizum during the year (the Company's share is 50%).

Long-term financial assets and other assets - most of the decrease is due to amortization of the investment in the Groo e-commerce website following its closure.

Investment property - the value of investment property as at December 31, 2023 amounted to NIS 24 billion (Melisron's effective share), an increase of NIS 1.7 billion compared to December 31, 2022. The increase is due mainly to the sale of new properties in the amount of NIS 518 million, investments in properties and properties under construction in the amount of NIS 547 million, and an increase in value of NIS 662 million mainly due to the effect of the rise in CPI in the period and a real increase in NOI of certain properties.

Financial debt, net (debt less cash and short-term financial assets) – the net financial debt as at December 31, 2023 amounted to NIS 11.4 billion, an increase of NIS 1,264 million compared to December 31, 2022. The increase is mainly due to the acquisition of new real estate, investment in existing real estate, increase in CPI and distribution of dividends, offset by cash from current cash flows.

Trade and other payables - most of the increase is due to expenses payable amounting to NIS 44 million, advance payment from customers amounting to NIS 36 million (mainly in respect of the Landmark project) and an increase in interest payable of NIS 14 million.

Liquidity and Sources of Finance

Net cash flow from ongoing operating activities

Cash flows generated from operating activities amounted to NIS 979 million, compared with NIS 927 million last year. The increase is due to a rise in NOI amounting to NIS 102 million, mainly from an increase in rent due to an increase in real rent and index, and a decrease in net interest payments of NIS 9 million, offset by a decrease in working capital of NIS 58 million and an increase in net tax payments of NIS 5 million.

Cash flows used for investment activities

Cash flows used for investment activities in the period amounted to NIS 978 million, compared with cash flows of NIS 1,183 million used for investment activities last year. Cash flows used in investing activities in the reporting period included mainly acquisition of investment property and land in an amount of NIS 502 million, investment in investment property and investment property under construction in the amount of NIS 528 million, payment of development and betterment levies and taxes in an amount of NIS 95 million, investment in fixed and intangible assets in an amount of NIS 23 million, and investment in short-term financial assets in an amount of NIS 10 million, offset by repayment of a loans given in the past to the Harel Shopping Mall buyers in the amount of NIS 178 million. In the same period last year, most of the cash flows used in investing activities included mainly the investment in Aviv Yizum in an amount of NIS 600 million, investment in investment property and investment property under construction in the amount of NIS 490 million, purchase of land in an amount of NIS 161 million, payment of development and betterment levies and taxes in an amount of NIS 140 million, and investment in fixed and intangible assets in an amount of NIS 22 million, offset by proceeds from the disposal of investment property in an amount of NIS 205 million, and repayment of loans to equity accounted investees in an amount of NIS 23 million.

Cash flows from financing activities

Cash flows from investment activities in the period amounted to NIS 81 million, compared with cash flows of NIS 259 million used for investment activities last year. The significant components of the cash flows used in financing activities in the reporting period include mainly receipt of a bank loan and issuance of debentures in an amount of NIS 1,379 million, offset by redemption of debentures and settlement of loans to banks and others in an amount of NIS 918 million and distribution of dividends in the amount of NIS 380 million. The significant components of the cash flows used in financing activities in the corresponding period last year include mainly redemption of debentures and settlement of loans to banks and others in the amount of NIS 915 million, and the distribution of a dividend in the amount of NIS 180 million, offset by loans received from other financing corporations and the issuance of debentures in the amount of NIS 839 million.

Liquidity risk

As at December 31, 2023, the Company had a working capital deficit in the amount of NIS 1,408 million, compared with a working capital deficit of NIS 526 million at December 31, 2022.

The deficit is mainly due to current maturities of debentures and long-term loans in the amount of NIS 2,040 million. Subsequent to the balance sheet date, the Company extended two bank credit facilities in the amount of NIS 789 million by two more years (until March 1, 2026 and April 1, 2026), and raised cash by issuance of Debentures (Series S and U), so that its cash increased by NIS 819 million. The Company also has cash and cash equivalents amounting to NIS 983 million and binding credit facilities amounting to NIS 500 million.

Below is a breakdown of the volume of unpledged properties as at the reporting date:

Amount of unpledged investment property	NIS 9.6 billion
Unpledged investment property to total value of investment property	40%
Secured debt to total value of investment property	32%
Secured debt to value of pledged investment property (LTV ratio of pledged properties)*	60%

* In addition, the company has property valued at NIS 1.3 billion that is pledged against unused credit facilities (including the above balance, the secured debt rate is 52%).

Due to the above and following the Company's board of directors' assessment, among other things, of the sources for settlement of existing and expected liabilities, focusing on repayment of liabilities which the Company is required to settle within two years from December 31, 2023, the Company's existing unused credit and credit facilities, cash flows from operating activities generated by the Company, investments which the Company intends to make and the value of the unpledged assets, the Company's board of directors believes that despite having a working capital deficit as at December 31, 2023 of NIS 1,408 million (consolidated), the Company does not have a liquidity problem. Furthermore, the Company's board of directors estimates that there is no reasonable concern that the Company will default on its existing and expected liabilities when they become due.

Borrower group

The Company and its investees may be restricted under the Proper Banking Practice Directives issued by the Supervisor of Banks, including by, among other things, restrictions on the volume of loans that an Israeli bank can provide to a "single borrower," a "borrower group" and to the six largest borrowers and largest borrower group of the bank (as these terms are defined in the foregoing directives). The Company, its investees and its controlling shareholder (including some of their affiliates and/or direct or indirect family members) are defined as a single "borrower group" for the purposes of the Proper Banking Practice Directives.

Following the acquisition of 50% of Aviv Yizum as specified in this report, the scope of the Company's credit from Israeli banks was added to the total credit of the borrower group that the Company belongs to, which accordingly affected the credit available to the companies of this borrower group, from certain banks in Israel or the Company's ability to invest in companies that have taken loans from the same banks. The Company adopted required measures to comply with the Bank of Israel requirement to recognize the separation of the Company from certain companies included in the foregoing borrower group so that in the first quarter of 2023, such separation was recognized by the Bank of Israel. To the best of the Company's knowledge, as at the reporting date the restriction on the scope of credit available to the Company's borrower group does not effectively restrict the Company's operations.

Main developments in the operating sectors in and subsequent to reporting period

A. Valuation update as at December 31, 2023:

At December 31, 2023, as in every year, the Company conducted full appraisals of its properties through external appraisers. The appraisals included adjustment of the representative NOI of the properties based on the current lease data and the Company's forecast regarding the terms and conditions of the rental contracts. The change in NOI was mainly due to the revision of the rental contracts signed during the period and updates regarding the CPI effect on the rental income. Furthermore, the fair value of projects under construction were revised, mainly due to the progress made in the implementation and marketing of them (signing of rental contracts).

The Company recorded in its financial statements for 2023 a net increase in value of investment real estate in the amount of NIS 624 million.

B. Purchase of land:

1. In January 2023, the Company completed the acquisition of land on Lincoln Street in Tel Aviv. For further information see the relevant section of this Directors' Report.

2. In February 2023, the Company signed an agreement to acquire 100% of the interest in the Harel Shopping Mall and completed the acquisition. For further information see the relevant section of this Directors' Report.

C. Dividend announced

In March 2023, the Company announced the distribution of a dividend in the amount of NIS 260 million (including a one-time dividend of NIS 200 million). The dividend was paid on April 27, 2023.

In May 2023, the Company's board of directors declared the distribution of dividends amounting to NIS 60 million, which was paid on July 3, 2023.

In August 2023, the Company's board of directors declared the distribution of dividends amounting to NIS 60 million, which was paid on October 2, 2023.

In March 2024, the Company's board of directors declared the distribution of dividends amounting to NIS 120 million, which will be paid on April 7, 2024.

D. Issuance of debentures by expansion of existing series

1. In March 2023, the Company issued NIS 133 million par value Debentures (Series R) of the Company, which are secured by a lien on the Hutsot Hamifratz complex, by way of expansion of an existing debenture series. The issuance was at a price of NIS 0.985 per share for each NIS 1 par value Debentures (Series R), for a gross consideration of NIS 131 million, with a gross duration of 4.88 years and at an effective interest rate of 2.93%.
2. In September 2023, the Company issued:
   - NIS 359 million par value Debentures (Series Q) by way of expansion of an existing debenture series. The issuance was at a price of NIS 1.099 per share for each NIS 1 par value Debentures (Series Q), for a gross consideration of NIS 394 million and at an effective interest rate of 3%.
   - NIS 227 million par value Debentures (Series P) by way of expansion of an existing debenture series. The issuance was at a price of NIS 1.129 per share for each NIS 1 par value Debentures (Series P), for a gross consideration of NIS 256 million and at an effective interest rate of 2.66%.
3. In February 2024, the Company issued:
   - NIS 738 million par value Debentures (Series S) of the Company, which are secured by a second degree lien on Ofer Kiryon, by way of expansion of an existing debenture series. The issue was at a price of NIS 1.051 per unit, for a gross consideration of NIS 776 million and at an effective interest rate of 2.83%. The Company will use NIS 618 million of the consideration of the issuance for partial prepayment of Debentures (Series J) of the Company, which are secured by a first degree lien on the Ofer Kiryon Shopping Mall.
   - NIS 625 million par value Debentures (Series U) of the Company by way of expansion of an existing debenture series. The issue was at a price of NIS 1.061 per unit, for a gross consideration of NIS 664 million and at an effective interest rate of 3.25%.

E. Issuance of a new debenture series

Under a shelf offering memorandum published by the Company in March 2023, the Company issued a new series of debentures (unsecured) - Debentures (Series U) in a total amount of NIS 459 million par value, at a price of NIS 1 per share for each NIS 1 par value Debentures (Series U), for a gross consideration of NIS 459 million, for a gross duration of 7.11 years and at an effective interest rate of 3.78%. The Debentures (Series U) are CPI-linked and bear an annual interest rate of 3.61%.

F. Electricity consumption agreements from renewable energy sources

In February 2023, the Company finalized its engagement in two separate agreements for the supply of most of the electricity consumption of its properties from renewable energy sources and is eligible for International Renewable Energy Certificates (I-REC's) from Doral Energy From Nature Ltd. and a wholly-owned partnership of Shikun & Binui Energy Ltd. Under the agreements, the Company will gradually purchase electricity as from January 2024 in an estimated volume (presently, subject to actual consumption and linkage to the generation component set from time to time by the Electricity Authority) at a total cost (for both agreements together) of NIS 100 million per year, for a total term of 10 years. For further information about green energy consumption agreements, see the Company's immediate report of February 26, 2023 (Ref. No.: 2023-01-017482), the details of which are presented here by way of reference.

However, it should be noted that due to the temporary delays in the ability to produce green electricity in the facilities, due to the Iron Swords War, the supply of green energy will start in September 2024. As a result, the Company signed an appendix to the green energy supply agreement, extending the original agreement by several months.

G. **Allocation of employee options**

In April 2023, after obtaining approval of the Tel Aviv Stock Exchange Ltd. ("TASE"), the Company allotted 163,017 options (non-marketable) convertible into shares to 6 officers (not directors or the CEO) of the Company and 29 managers and other employees in the Company, under an employee plan that was published on March 13, 2023, further to approval by the Company's compensation committee and board of directors in March 2023.

H. **Directors and officers liability insurance policy**

In May 2023, the Company's compensation committee and board of directors approved authorizing Company management to negotiate for the renewal of the liability insurance policy for directors and officers who serve and will serve from time to time in the Company and/or its subsidiaries, including directors and officers who are controlling shareholders of the Company or who the controlling shareholder has a personal interest in engaging with, as shall be from time to time of the Company, that ended on May 31, 2023 (the "Insurance Policy"), in accordance with the terms of the Company's compensation policy and market terms and conditions. Accordingly, the Insurance Policy was renewed for a 12-month term from June 1, 2023. For further information, see the immediate report issued by the Company on May 22, 2023 (Ref. No.: 2023-01-046378), presented here by way of reference.

I. **Legal proceedings**

In February 2018, a claim was filed against British Israel Investments Ltd. (a wholly-owned subsidiary of the Company ("British") for payment of development or brokerage fees in respect of the acquisition of the Company's holdings in British. The claim amounts to NIS 50 million (for fee purposes).

In July 2023, a judgment was handed down dismissing most of the plaintiffs' allegations and awarding NIS 11 million plus linkage and interest from March 27, 2012 and VAT, in their favor.

British appealed the judgment at the Supreme Court, and at its request, a stay of execution of the judgment was granted, while further to its motion for stay of execution of the judgment, the court ordered it to pay half of the amount ruled and deposit the balance with the court. In November 2023, the plaintiffs filed an appeal with the Supreme Court regarding the calculation method of the development fees and not charging British court expenses.

Corporate Governance

A. Appointment of directors:

In June 2023, the special general meeting of Company shareholders approved the appointment of Peer Nadir as an external director in the Company for an initial term of office of three years from the date of approval by the general meeting. For further information, see the immediate reports issued by the Company on May 22, 2023 and June 27, 2023 (Ref. Nos.: 2023-01-046384 and 2023-01-071097, respectively) noted in this report by way of reference.

On November 21, 2023, the Company's board of directors approved the appointment of Smadar Barber-Tzadik (who was appointed chairperson of the board of Ofer Investments Ltd., the controlling shareholder of the Company, from December 1, 2023 under a management agreement, in a part-time position) as a director of the Company from December 1, 2023. For further information, see section 20.4.6.5 of the chapter on the description of the Company's businesses in this report.

B. Termination of office of directors:

For information about termination of office of the external director Shlomo Scharf after three terms of office, see the immediate report issued by the Company on April 30, 2023 (Ref. No.: 2023-01-039592), presented here by way of reference.

On January 1, 2023, Yoav Doppelt ceased serving as a director of the Company. For further information, see the immediate report issued by the Company on January 1, 2023 (Ref. No.: 2023-01-000829), presented here by way of reference.

C. Directors with accounting and financial expertise

Pursuant to section 92(a)(12) of the Companies Law, 1999 (the "Companies Law"), the Company's board of directors decided that the appropriate minimum number of directors with accounting and financial expertise in the Company is two, considering, among other things, the type and size of the Company, and the scope and complexity of its operations. As at the reporting date, seven directors classified as having accounting and financial expertise serve in the Company (Shouky Oren, Rinat Gazit, Shlomo Zohar, Dorit Salingar, Peer Nadir, Smadar Barber-Tzadik and Itzhak Nodary Zizov). For information about the education and experience of the above directors, see section 15 of the chapter on additional information about the Company in Chapter D of this periodic report.

The positions and qualifications of the above board members award them the expertise and understanding that allow them to fully understand the Company's financial statements and to place various issues and questions connected to the Company's financial reporting on the board of directors' agenda.

D. **Independent directors**

As at the publication date of this report, the Company's articles of association do not include the provision of the Companies Law regarding the percentage of independent directors, as defined in the Companies Law. It should be noted that in practice, five directors who meet the criteria of the description of an independent director serve on the Company's board (including three external directors who serve on the Company's board of directors).

E. **Search committee for new external directors**

Further to a corporate governance survey of the Company conducted by Entropy Corporate Governance Consulting Ltd., the Company adopted policy on the composition of the board of directors and the method of selecting external directors in the Company, and resolved to establish a board subcommittee, the search committee, consisting of four board members and that has an independent majority (two external directors and another independent director), that will be responsible for assessing the suitability of potential candidates to serve as new external directors in the Company.

F. **Procedure for classifying and approving transactions with related parties and procedure for classifying and approving the acquisition of Aviv Yizum apartments**

With regard to the regulations regarding the classification and approval of the transactions of the Company (and of its subsidiaries) with the controlling shareholder of the Company or in which the controlling shareholder has a personal interest, or with an officer of the Company or in which such officer has a personal interest, for the purpose of classifying and approving such transactions as extraordinary transactions and for the purpose of classifying them as negligible transactions, see section 10.2 of the chapter on additional information about the Company attached as Chapter D to this periodic report. The procedure includes criteria and standards for classification and approval of transactions for the acquisition of apartments in Aviv Yizum residential projects by officers or interested parties in the Company and/or any of them who the controlling shareholder may have an interest in engaging with, see section 10.3 of the chapter on additional information about the Company attached as Chapter D to this periodic report.

G. Matters related to the delineation of operations

On April 19, 2023, the special general meeting of Company shareholders approved (after approval by the Company's audit committee and board of directors), a restricted operations arrangement between the Company and Liora Ofer, chairperson of the Company's board of directors and the controlling shareholder of Ofer Investments, valid for three years from approval in the general meeting, under which Ms. Ofer undertakes that, so long as she is classified as the controlling shareholder of the Company and simultaneously serves as an officer of the Company, she (and her relatives (as defined in the Companies Law) if any of them also serve as officers of the Company) will refrain, and will exercise her powers of control in private companies under her control (and including Ofer Investments, and for the avoidance of any doubt, the corporations under the control of the Company, directly or indirectly) in order for them to refrain from carrying out any new transaction in restricted operations, other than transactions and operations defined as extraordinary, unless subject to granting first right of offer to the Company to exercise them and carry them out itself, and all as set out in the restricted operations arrangement. For information, see the report on convening of a general meeting published by the Company on March 13, 2023 (Ref. No.: 2023-01-021667), presented here by way of reference.

H. Donations

The Company's policy with regard to donations has been set for an amount that will not exceed 0.5% of its net profit. From the beginning of 2023 until the date of publication of this report, Melisron donated a total of NIS 2 million, including NIS 1.5 million in favor of various IDF units and Gaza Envelope residents, as part of its efforts to assist during the Iron Swords war period.

I. Internal Auditor

Name of internal auditor: Israel Gvirtz, CPA

Commencement of office: Fahn Kanne & Co. (February 21, 2010), Mr. Yisrael Gewirtz on behalf of Fahn Kanne (August 14, 2022).

Qualifications for the position: CPA

The internal auditor complies with the conditions of section 3(a) and 8 of the Internal Audit Law, 1992 (the "Internal Audit Law"), and section 146(b) of the Companies Law, 1999.

The internal auditor does not hold securities of the Company or an entity related to it.

The internal auditor does not have any material business or other relationships with the Company or any entity related to it.

Mr. Gvirtz is not an employee of the Company, but provides it with internal auditing services as an external supplier. Mr. Gvirtz, through Fahn Kanne Control Management Ltd., also provides corporate consulting services on assessment and implementation of processes in connection with internal control of the company's financial reporting (ISOX).

Mr. Yisrael Gewirtz was chosen for the position, among other things, in view of his qualifications and vast internal auditing experience, and after Mr. Gewirtz declared that he meets all the qualifications required for filling the position of internal auditor pursuant to the law, and taking into consideration, among other things, the type and size of the Company, and the scope and complexity of its operations.

Identity of the internal auditor's organizational supervisor: The internal auditor's supervisor is the chairman of the board.

Work plan: The Company's internal auditor operates according to an annual work plan approved by the Company's audit committee.

Considerations in establishing the Company's ongoing and multi-annual audit plan: The internal auditor recommended an annual and multi-annual audit plan based on a control risk survey. The plan was approved by the audit committee. The multi-annual plan is based on conducting audits in all of the Company's departments and properties every few years, based on the exposure level set by Company management and the internal auditor. The work plan grants the internal auditor discretion to change the audited topics, subject to the audit committee's official approval.

The number of hours was set according to the approved multi-annual auditing requirements, and accordingly, the budget is adjusted annually in order to comply with the multi-annual work plan.

Scope of employment: The scope of employment of the internal auditor in the reporting year amounted to 1,300 hours.

Professional standards according to which the auditor conducts the audit: The auditor, according to his statement, reported that the audit in the reporting year was conducted according to generally accepted auditing standards, as set out in section 4(b) of the Internal Audit Law.

The internal auditor was provided with documents and information at his request, as specified in section 9 of the Internal Audit Law, and he was given continuous and independent access to the Company's information systems, including its financial data.

Dates on which a written report on the internal auditor's findings was submitted to the chairman of the board and chairman of the audit committee, and dates on which the audit committee held discussions on the internal auditor's findings: A written report on the Company's internal auditor's findings was filed with Company management regularly during the reporting year.

After filing the audit reports with Company management and obtaining its position, discussions were held on the subject of the reports and the conclusions raised by the audit committee. The internal auditor's reports were filed in writing to the audit committee as follows:

Name and content of Report	Sent to the Company	Reviewed before the audit committee
Implementation of the 2022 recommendations regarding salary	February 2023	March 2023
Compliance with the donation procedure	March 2023	March 2023
Security of payment means	May 2023	May 2023
Safety and hygiene at the subsidiary Aviv Yizum	August 2023	August 2023
Management of Ofer Hasharon Mall	August 2023	August 2023
Properties leased to a single tenant, Residential Clusters and Millennium House	August 2023	August 2023
Management of Ofer Rehovot Mall	October 2023	November 2023

Volume, nature and continuity of the internal auditor's activities and work plan: In the Company's board of directors' opinion, the nature and continuity of the activities and work plan are reasonable and sufficient for fulfillment of the internal auditing goals.

Compensation granted to the internal auditor: In respect of the service provided by the internal auditor to the Company in 2023, the Company granted him compensation in a total amount of NIS 325 thousand. It should be noted that the internal auditor's salary derives from his work hours, as defined by the audit committee, and therefore, may change according to changes in his work hours. The Company's board of directors believes that the compensation granted to the internal auditor is acceptable and does not affect his professional discretion

J. Disclosure regarding auditors fees

The Company's auditors are Deloitte Israel Brightman Almagor Zohar & Co.

Below is a breakdown of the auditors fees at Melisron (including subsidiaries):

	2023	2022
Auditing and audit-related services, including audit-related tax services (1) (2) (in NIS thousands)	1,650	1,505
Other services (in NIS thousand)	30	-
Total (in NIS thousands)	1,680	1,505

(1) The fee includes the Company's share of the payment to Deloitte by Aviv Yizum.

(2) In 2022 and 2023, the Company paid other auditors in its subsidiaries an amount of NIS 38 thousand annually (Melisron's share).

The auditors fees are set globally. The entity that approves the auditors fees is the Company's board of directors, after discussion by the financial statement review committee of the volume of work and salary of the internal auditor and the suitability of his qualifications to performance of the Company's audit.

K. Financial reporting

1. Critical accounting estimates:

Preparing the Company's financial statements according to IFRS requires management to make estimates and assumptions that affect the amounts presented in the financial statements.
These estimates sometimes require discretion in an environment of uncertainty and have a material effect on presentation of figures in the financial statements.
Below is a description of the critical accounting estimates used to prepare the Company's financial statements, which upon establishment, Company management was required to make assumptions regarding circumstances and events that involve significant uncertainty. Company management's discretion in making the estimates is based on past experience, various papers, external factors and reasonable assumptions, based on the appropriate circumstances for each assessment. Actual results may differ from the management's estimates.
Investment property - every quarter, the Company appraises the maximum value of its investment property The accepted method for appraising investment real estate is the income capitalization approach, where the appropriate capitalization rate is determined taking into account the specific risk factors of the appraised property.
When assessing the risk factors, environmental factors, type of property (office or retail), its location, competition, demand, expected taxes and levies, building plans and others are taken into account. Management is also required to estimate the expected revenue, occupancy rates of the property, and more. These estimates are based on approved budgets prepared by Company management, which amount, among others, to the agreements signed with tenants and the Company's past experience in managing and maintaining investment real estate. The Company's management reviews the estimates every quarter.
See the list of external valuations conducted by the Company of properties defined as very material and attached to this report as an appendix.

2. **Information regarding valuation**

Valuations of properties are attached to this periodic report as follows: Ofer Ramat Aviv Mall and Ofer Kiryon, which are classified as very material valuations according to Legal Position No. 105-23: Parameters for Examination of Materiality of Valuations. For information about these properties, which are classified as very material under the proposed amendment to the Securities Regulations to anchor a disclosure directive regarding investment real estate operations, see section 13.1 and 13.2, respectively, of the chapter on additional information about the Company in Chapter A of this periodic report. Furthermore, and accordingly, among other things, for the Company's obligations pursuant to Legal Position No. 103-29: Findings on the Adequacy of Disclosure regarding Collateral and/or Pledges Given by Reporting Corporations to Secure Settlement of Promissory Notes, valuations for Ofer Grand Canyon Haifa, Ofer Canyon Petach Tikva, Hutsot Hamifratz complex and Ofer Grand Canyon Beer-Sheva were attached to this periodic report. For disclosure regarding valuation pursuant to Regulation 8B of the Securities Law (Periodic and Immediate Reports), 1970, see sections 11.1 (about Ofer Petach Tikva Park West), 11.2 (about Ofer Bilu Center Outlet), 11.3 (about Ofer Rehovot Mall), 12 (about Landmark TLV), 13.1 (about Ofer Ramat Aviv Mall), 13.2 (about Ofer Kiryon), 14.1 (Ofer Grand Canyon Haifa), 14.2 (about Ofer Canyon Petach Tikva), 14.3 (about Ofer Grand Canyon Beer-Sheva), 14.4 (about Hotzot Hamifratz Haifa Mall) of the chapter on additional information about the Company in Chapter A of this periodic report.

3. **Events subsequent to the date of the statement of financial position**

See Note 35 to the financial statements as of December 31, 2023.

We thank the Company's management and staff for their enormous contribution and dedicated work.

___________________________,	___________________________
Liora Ofer	Ophir Sarid
Chairman of the Board	CEO

Today: March 10, 2024

Appendices:

Appendix A - Detailed reference tables

Appendix B - Dedicated disclosure to Melisron's debenture holders as at December 31, 2023

Appendix C - Details of Aviv Yizum Projects

Appendix A - Detailed reference tables

Expanded consolidated statement of income (in NIS millions)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Rental and other revenue	1,911	1,725	1,402
Maintenance and operating costs	581	492	367
Gross profit	1,330	1,233	1,035
Marketing and advertising expenses	(19)	(24)	(7)
General and administrative expenses	(87)	(81)	(62)
Operating profit before other income	1,224	1,128	966
Company's share in losses of equity-accounted investees, net	-	-	(1)
Increase in value of investment property, net	662	1,281	1,358
Other revenues (expenses), net	(74)	(19)	3
Operating profit after other income (expenses)	1,812	2,390	2,326
Financing expenses	(525)	(658)	(440)
Financing income	66	33	53
Profit (loss) before taxes on income	1,353	1,765	1,939
Income tax expenses	(316)	(374)	(466)
Profit for the year	1,037	1,391	1,473

Expanded consolidated gross financial debt schedule

Below are the Company's liabilities (expanded and consolidated) which are due after December 31, 2023 (in NIS millions):

	Debentures	Loans from banks and financial institutions	Less minority interests in consolidated loans	Retail securities and short-term loans	Loans granted against collateral	Total
First year	1,113	828	(3)	-	-	1,938
Second year	3,020	31	(3)	-	-	3,048
Third year	1,599	31	(3)	-	-	1,627
Fourth year	1,292	31	(3)	-	-	1,320
Fifth year and onwards	3,473	435	(36)	99	(256)	3,715
Total repayments	10,497	1,356	(48)	99	(256)	11,648
Discount						(7)
Total gross financial debt (consolidated expanded)						11,641

* Does not include the Company's share loans taken by Aviv Yizum amounting to NIS 547 million.

FFO (funds from operations) index pursuant to Israel Securities Authority directive

For the purpose of providing further information about operating results, presented below is the FFO (funds from operations) index. This index is widely used in the world and provides an adequate basis for comparing income producing real estate companies. The index was published by NAREIT (the REIT companies organization in the United States) and as defined, it expresses net operating profit, less income and expenses from an increase/decrease in the value of real estate and one-off income/expenses, and plus depreciation. The Company believes that in addition to the above, deferred tax expenses, tax expenses for previous years, and financing expenses/income for CPI-linkage of financial liabilities and assets should also be deducted.

It should be emphasized that the FFO index does not represent cash flows from current operations, does not reflect cash held by the Company and is not in lieu of the reported net profit, in accordance with generally accepted accounting standards.

NIS millions	2023	2022	2021
Net profit for the period	1,052	1,442	1,541
Adjustments:			
Net of fair value adjustment	(624)	(1,224)	(1,327)
Net of depreciation and amortization	11	8	5
Net of other non-cash financing income	(20)	30	(22)
Plus recognition of a benefit in respect of the employee option plan	8	5	6
Net of non-debt financing expenses	1	(6)	1
Net of profits of jointly controlled companies	(34)	(89)	(84)
Net of other expenses (income)	74	19	(3)
Net of other operating loss	16	11	4
Net of deferred taxes, taxes for previous years and capital gains taxes	241	301	422
Plus FFO of jointly controlled companies	29	28	23
Net of minority share of FFO	(37)	(34)	(27)
Total nominal FFO pursuant to the directives of the Israel Securities Authority attributable to shareholders	717	491	539
Financial assets and liabilities linkage differentials	288	423	205
Total real FFO according to the management's approach	1,005	914	744
Net of effect of CPI on provisions for current taxes	(11)	(27)	(21)
Total real FFO presented according to the management's approach (net of effect of inflation on taxes)	994	887	723
Change in CPI rate in the period	3.3%	5.3%	2.4%

*) Upon a CPI decrease/increase during the reporting period, financing expenses decrease/increase due to recognition of financing income/expenses from the CPI change (87% of the Company's entire financial debt is CPI-linked), which leads to an increase/decrease in provisions for current taxes. The effect of the CPI on current taxes is a periodic and is expected to reverse. Therefore, the Company usually presents the FFO index net of this effect.

Appendix B - Special Disclosure to Holders of Debentures: Melisron as at December 31, 2023

Series	Rating agency	At the issuance	Rating as at reporting date	Total par value as at the issuance date (including expansions and exchanges) in NIS thousands	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Listed on the Stock Exchange Yes/ No	Interest payment dates	Par value Nominal, December 31, 2023 (NIS millions)	Par value CPI-linked, December 31, 2023 (NIS millions)	Carrying amount, December 31, 2023 (NIS millions)	Interest payable, December 31, 2023 (NIS millions)	Market value, December 31, 2023 (NIS millions)	Material
Debentures (Series J) March 31, 2015 Exchange: January 28, 2017 October 23, 2017 Expansions: February 24, 2019 April 16, 2020	Maalot	A+	AA	1,528,817	Fixed	1.76%	1.33%-2.29%	Yes	Fixed semiannual interest, January 10, July 10, in 2016-2025	1,336	1,512	1,509	13	1,486	Material
Debentures (Series K) March 31, 2015 Expansions: April 19, 2016 January 12, 2017 June 08, 2017	Maalot	A+	AA	1,469,530	Fixed	2.3%	2.19%-2.82%	Yes	Fixed semiannual interest, January 10, July 10, in 2016-2025	1,260	1,427	1,423	15	1,411	Material
Debentures (Series N) April 19, 2016 Exchange: March 05, 2018 April 11, 2018 Expansions: October 30, 2019 April 16, 2020	Maalot	AA-	AA	1,370,403	Fixed	2.15%	0.52%-2.29%	Yes	Fixed semi-annual interest - April 27 and October 27 in 2016-2026 (in 2016, one payment on October 27 only, and in 2026, one payment on April 27 only)	1,207	1,369	1,388	5	1,372	Material
Debentures (Series O) April 19, 2016 Expansions: January 12, 2017 June 08, 2017	Maalot	AA-	AA	1,062,425	Fixed	3.5%	3.15%-3.79%	Yes	Fixed semi-annual interest - June 30 and December 30 in 2016-2024 (in 2016, one payment on December 30 only)	695	695	695	-	688	Immaterial

Appendix B - Special Disclosure to Holders of Debentures: Melisron as at December 31, 2023 (Continued)

Series	Rating agency	AT the issuance	Rating as at reporting date	Total par value as at the issuance date (including expansions and exchanges) in NIS thousands	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Listed on the Stock Exchange Y es/No	Interest payment dates	Par value Nominal, December 31, 2023 (NIS millions)	Par value CPI-linked, December 31, 2023 (NIS millions)	Carrying amount, December 31, 2023 (NIS millions)	Interest payable, December 31, 2023 (NIS millions)	Market value, December 31, 2023 (NIS millions)	Material
Debentures (Series P) January 12, 2017 Exchange: March 05, 2018 Expansion: September 06, 2018 September 13, 2023	Maalot	AA-	AA	1,054,482	Fixed	2.35%	1.69%-2.66%	Yes	Fixed semiannual interest, April 1, October 1, in 2017-2027	950	1,071	1,077	6	1,081	Immaterial
Debentures (Series Q) March 06, 2018 Expansions: October 30, 2019 March 01, 2021 April 21, 2021 September 13, 2023	Maalot	AA-	AA	1,580,456	Fixed	2.25%	0.75%-3.03%	Yes	See notes to Appendix B below	1,352	1,526	1,563	17	1,406	Material
Debentures (Series R) March 03, 2020 Expansion: March 27, 2023	Maalot	AA	AA	533,025	Fixed	0.65%	0.79%-2.93%	Yes	Fixed semi-annual interest - January 1 and July 1 in 2020-2028 (in 2020, one payment on July 1 only)	504	560	545	2	516	Immaterial
Debentures (Series S) August 18, 2020	Maalot	AA	AA	428,000	Fixed	1.43%	1.57%	Yes	Fixed semiannual interest, January 1, July 1, in 2021-2029	402	448	446	3	417	Immaterial
Debentures (Series T) August 17, 2021 Expansion: November 01, 2022	Maalot	AA	AA	1,398,495	Fixed	0.25%	0.38%-2.32%	Yes	Fixed semi-annual interest - January 1 and July 1 in 2022-2030 (in 2030, one payment on January 1 only)	1,298	1,419	1,379	2	1,203	Material
Debentures (Series U) March 27, 2023	Maalot	AA	AA	459,433	Fixed	3.61%	3.78%	Yes	See notes to Appendix B below	459	470	466	8	476	Immaterial

* Market value takes into account the ex-day prior to balance sheet date and therefore is lower that the carrying amount.

Notes to Appendix B:

1. On October 10, 2023, the final repayment was made on Debentures F, which was secured by a lien on the shares of the subsidiary, British-Investments Israel Ltd. ("British"). Accordingly, as of date of the third quarter of 2023 reports, the condensed financial statements of British (the results of which are consolidated in the Company's financial statements) are not attached to the Company's reports.
2. The principal of Debentures Series J and K will be repaid in 20 installments, as set out below: 19 equal installments of 1% of the principal each, which will be paid twice a year, on January 10 and July 10, starting on January 10, 2016 and ending on January 10, 2025 (inclusive). The balance of the principal (81%) will be repaid in a lump sum on July 10, 2025.
3. On May 30, 2023, Debentures M were redeemed in full.
4. Repayment of Debentures (Series N) - will be made in 20 installments that will be paid as follows: 19 installments equivalent to 1% each of the debenture principal will be repaid semiannually, on April 27 and October 27, starting on October 27, 2016 and ending on October 27, 2025 (inclusive), and a final principal payment of 81% of the debenture principal will be paid on April 27, 2026.
5. Repayment of Debentures (Series O) - will be made in 20 installments that will be repaid as follows: 17 equal installments of 1% of the debenture principal each to be paid semiannually on June 30 and December 30, starting on December 30, 2016 and ending on December 30, 2024 (inclusive), where the first principal payment will be made on December 30, 2016; an additional payment of 20% of the debenture principal will be paid on December 30, 2023; and an further payment of 63% of the debenture principal will be repaid on December 30, 2024.
6. Repayment of Debentures (Series P) - will be made in 21 installments as set out below: 20 equal installments of 1% of the principal each, which will be paid twice a year, on January 1 and July 10, starting on April 01, 2017 and ending on April 01, 2027 (inclusive). The balance of the principal (80%) will be repaid in a lump sum on April 1, 2027.
7. Repayment of debentures (Series Q) - will be made in 27 unequal installments, semiannually on January 1 and July 1, as set out in the principal repayment schedule below:

Principal repayment date (in January and July)	**Rate of principal repayment (semi-annual)**
2019	1.5%
2020	1.0%
2021-2022	2.0%
2023-2024	5.0%
2025	1.0%
In 2026-2032 (one payment only in 2032 on January 1)	5.0%

The interest on the debentures is payable twice a year, on January 1 and July 1, starting from July 1, 2018 up to January 1, 2032 (inclusive).

8. Repayment of Debentures (Series R) - will be made in 17 installments as set out below: 16 equal installments of 1% of the principal each, which will be paid twice a year, on January 1 and July 10, starting on July 01, 2020 and ending on January 01, 2028 (inclusive). The balance of the principal (84%) will be repaid in a lump sum on July 1, 2028.
9. Repayment of Debentures (Series S) - will be made in 18 installments as set out below: 17 equal installments of 1% of the principal each, which will be paid twice a year, on January 1 and July 10, starting on January 01, 2021 and ending on January 01, 2029 (inclusive). The balance of the principal (83%) will be repaid in a lump sum on July 1, 2029.
10. Repayment of Debentures (Series T) - will be made in 18 installments as set out below: 6 equal installments of 2% of the debt principal each to be paid semiannually on January 1 and July 1, starting from January 1, 2022 and ending on July 1, 2024 (inclusive), 11 equal installments of 1% of the debt principal each to be paid semiannually on January 1 and July 1, starting on January 1, 2025 and ending on January 1, 2030 (inclusive). The balance of the principal (77%) will be repaid in a lump sum on July 1, 2030.

11. Repayment of debentures (Series U) - will be made in 27 unequal installments, semiannually on January 1 and July 1, as set out in the principal repayment schedule below:

Principal repayment date (in January and July)	**Rate of principal repayment (semiannual)**
2024	1%
2025	0.25%
2026	2.0%
2027	4.75%
2028	6%
2029-2030	2%
2031-2033	6%
2034	3%
2035	5%
In 2036-2037 (one payment only in 2037 on January 1)	4%

The interest on the debentures is payable twice a year, on January 1 and July 1, starting from July 1, 2023 up to January 1, 2037 (inclusive).

12. For further information concerning the right to early redemption of Debentures (Series J), see section 7 of the deed of trust for the Debentures (Series J) attached as Appendix A to the shelf offering memorandum dated March 30, 2015 (Ref. No.: 2015-01-066691).
13. For further information concerning the right to early redemption of Debentures (Series K), see section 8 of the deed of trust for the Debentures (Series K) attached as Appendix B to the shelf offering memorandum dated March 30, 2015 (Ref. No.: 2015-01-066691). For further information concerning a commitment to refrain from creating a floating charge on all the Company's assets, see section 5.5 of the foregoing deed.
14. For further information concerning the right to early redemption of Debentures (Series N), see section 7 of the deed of trust for the Debentures (Series N) attached as Appendix A to the shelf offering memorandum dated April 18, 2016 (Ref. No.: 2016-01-050488).
15. For further information concerning the right to early redemption of Debentures (Series O), see section 8 of the deed of trust for the Debentures (Series O) attached as Appendix A to the shelf offering memorandum dated April 18, 2016 (Ref. No.: 2016-01-050488). For further information concerning a commitment to refrain from creating a floating charge on all the Company's assets, see section 5.5 of the foregoing deed.
16. For further information concerning the right to early redemption of Debentures (Series P), see section 7 of the deed of trust for the Debentures (Series P) attached as Appendix A to the shelf offering memorandum dated January 11, 2017 (Ref. No.: 2017-01-005040).
17. For further information concerning the right to early redemption of Debentures (Series Q), see section 9 of the deed of trust for the Debentures (Series Q) attached as Appendix A to the shelf offering memorandum dated March 04, 2018 (Ref. No.: 2018-01-017334).
18. For further information concerning the right to early redemption of Debentures (Series R), see section 7 of the deed of trust for the Debentures (Series R) attached as Appendix A to the shelf offering memorandum dated March 01, 2020 (Ref. No.: 2020-01-017572, 2020-01-017623 and 2020-01-01780, respectively).
19. For further information concerning the right to early redemption of Debentures (Series S), see section 7 of the deed of trust for the Debentures (Series S) attached as Appendix A to the shelf offering memorandum dated March 04, 2018 (Ref. No.: 2020-01-079504).
20. For further information concerning the right to early redemption of Debentures (Series T), see section 7 of the deed of trust for the Debentures (Series T) attached as Appendix A to the shelf offering memorandum dated March 04, 2018 (Ref. No.: 2021-01-065470).
21. For further information concerning the right to early redemption of Debentures (Series U), see section 8 of the deed of trust for the Debentures (Series U) attached as Appendix A to the shelf offering memorandum dated March 26, 2023 (Ref. No.: 2023-01-027175).

22. The trustee for debenture series J, N, P, R, S, and T - Reznik Paz Nevo Trustee Company Ltd., the contact person for the series with the Trustee is Adv. Michal Avtalion-Rishoni, Contact information: Telephone: 03-6389200; Fax: 03-6389222; email: michal@rpn.co.il; Postal address: 14 Yad Harutzim Street, Tel Aviv 67778.
23. The trustee for debentures series K, O, Q, and U - Hermetic Trust (1975) Ltd. Contact person is Adv. Dan Avnon, Tel: 03-5274867 Email: hermetic@hermetic.co.il Postal address: 113 Yarkon Street, Tel Aviv POB 3524 Tel Aviv 61034
24. As at reporting date and during the reporting period, the Company was and continues to be in compliance with all the terms and obligations under the deeds of trust for the Company's debentures and there were no terms that could constitute grounds for calling the Company's debentures for immediate repayment.
25. During the reporting period the trustees for the Company's debentures did not require the Company to execute any actions with respect to the debentures.
26. As at the date of approval of the financial statements all the unsecured debentures of the Company as well as the debentures secured by the Company's real estate properties were rated as ilAA. For further information, see the immediate report dated February 18, 2024 (Ref. No.: 2024-01-014560), where the information included therein is presented here by way of reference. The Company's debentures (Series K), (Series O) , (Series Q) and (Series U) are not secured.
27. To secure debentures (Series J), a first degree charge was recorded on the Company's rights in the Kiryon Mall in Kiryat Bialik, including the proceeds and insurance payments deriving from them. For further information concerning the value of the Kiryon Mall, see the revised valuation published together with this report. For further information concerning the collateral mechanism for Debentures (Series J), see section 6 of the deed of trust for the Debentures (Series J) attached as Appendix A to the shelf offering memorandum issued by the Company on March 30, 2015 (Ref. No.: 2015-01-066961).
28. To secure the Company's debentures (Series N) a first degree charge unlimited in amount was created on the entire rights of Avnat Ltd. (a wholly owned subsidiary of the Company that was merged into the Company in December), in the Ofer Grand Mall, Petach Tikva and including the adjacent Tower (below jointly: "The Mall") and including the right to receive proceeds from the property and insurance payments with regard to the Mall.
29. To secure debentures (Series P), a first degree charge was created on the ownership rights of MLA in land attributed to the Ofer Grand Mall in Beer Sheva and including MLA's rights to receive proceeds from the property and insurance payments with respect to the pledged property. For further information concerning the collateral mechanism for Debentures (Series P), see section 6 of the deed of trust for the Debentures (Series P) attached as Appendix A to the shelf offering memorandum issued by the Company on January 11, 2017 (Ref. No.: 2017-01-005040).
30. To secure debentures (Series R) Hotzot Hamifratz Haifa Ltd. (A 50% held investee of the Company) (the "Mortgagor") non-specific 50% of its rights in Hotzot Hamifratz Mall (as defined in the deeds of trust), including 50% of the Mortgagor's rights to receive insurance payments and 50% of the Mortgagor's rights to receive proceeds from Hutsot Hamifratz (all from the rental agreements) including proceeds that may be due if at all from the exercise of additional building rights, existing or future, in Hutsot Hamifratz and/or any of the properties permitted to be pledged as collateral that will be added as collateral and/or that will replace Hutsot Hamifratz as may be at such time. For further information concerning the collateral mechanism for Debentures (Series R), see section 6 of the deed of trust for the Debentures (Series R) attached as Appendix A to the shelf offering memorandum issued by the Company on March 1, 2020 (as amended on March 1, 2020 and March 3, 2020 (Ref. Nos.: 2020-01-017572, 2020-01-017623 and 2020-01-01780, respectively).
31. To secure debentures (Series S), the Company pledged in a subordinated lien the Company's rights in the Kiryon Mall, including the sub-complex Kiryon Mall in Bialik City, the Delek gas station and the Kiryon Towers located in Kiryat Bialik. For further information concerning the collateral mechanism for Debentures (Series S), see section 6 of the deed of trust for the Debentures (Series S) attached as Appendix A to the shelf offering memorandum dated August 16, 2020 (Ref. No.: 2020-01-079504).
32. To secure debentures (Series T) a caveat and undertaking to register a mortgage were recorded and the Company pledged in a first degree pledge the proceeds, insurance payments and rights to be registered as owners on the Grand Mall in Haifa which is wholly owned (100%) by a subsidiary of the Company. For further information concerning the collateral mechanism for Debentures (Series T), see section 6 of the deed of trust for the Debentures (Series T) attached as Appendix A to the shelf offering memorandum dated August 15, 2021 (Ref. No.: 2021-01-065470).
33. The collateral provided to secure the Company's debentures as set out above are valid under any law and pursuant to the Company's incorporation documents.

34. Below is a breakdown of the Company's compliance with the financial covenants based on the provisions of the deeds of trust for the debentures as set out below, and it is noted that as at reporting date, the Company is in compliance with all the foregoing financial covenants:

Series	Financial covenant	Test date - December 31, 2023	Test date - September 30, 2023
Debentures (Series J), (Series K), (Series N), (Series O), (Series P), (Series Q), (Series R), (Series S), (Series T), (Series U)	The Company's equity pursuant to its latest consolidated financial statements will not fall below the amount of NIS 2.5 - 3.5 billion (according to the relevant series) for two consecutive quarters or more. "Equity" in this context means the Company's equity based on its consolidated balance sheet, including minority rights.	Equity - NIS 11.1 billion	Equity - NIS 10.6 billion
Debentures (Series K), (Series O), (Series P), (Series Q), (Series R), (Series S), (Series T), (Series U)	The Company's equity including non-controlling interests based on the latest consolidated financial statements with addition of net deferred tax liabilities will not fall below 20%-25% (according to relevant series) of the Company's total balance sheet as per its latest consolidated financial statements for two consecutive quarters or more. For this purpose, "total balance sheet" means the total balance sheet of the Company, less cash, cash equivalents, and marketable securities. With regard to part of the series "total balance sheet" means the Company's total balance sheet less cash (unrestricted), cash equivalents (unrestricted), marketable securities, short term financial assets and current assets such as short term loans and deposits (unrestricted).	Equity to balance sheet ratio - 56%	Equity to balance sheet ratio - 54%

35. Debentures (Series J and Series K) are linked (principal and interest) to the published CPI for February 2015.
36. Debentures (Series N) are linked (principal and interest) to the published CPI for February 2016.
37. Principal and interest of Debentures (Series O) are unlinked.
38. Debentures (Series P) are linked (principal and interest) to the published CPI for November 2016.
39. Debentures (Series Q) are linked (principal and interest) to the published CPI for January 2018.
40. Debentures (Series R) are linked (principal and interest) to the published CPI for January 2020.
41. Debentures (Series S) are linked (principal and interest) to the published CPI for January 2020.
42. Debentures (Series T) are linked (principal and interest) to the published CPI for July 2021.
43. Debentures (Series U) are linked (principal and interest) to the published CPI for February 2023.

44. In February 2024, the Company issued NIS 738,251 thousand par value Debentures (Series S) of the Company for total proceeds (gross) of NIS 776 million and 624,504 thousand par value Debentures (Series U) of the Company for total proceeds (gross) of NIS 663 million. At the same time the Company announced the approval of the Company's Board of Directors to execute partial early redemption of 541,344 par value Debentures (Series J) for an amount of NIS 618 million from the proceeds of the foregoing issue of Debentures (Series S), which was executed on April 1, 2024. For further information, see the immediate report issued by the Company on February 19, 2024 (Ref. No. 2024-01-015169), noted here by way of reference.

Appendix C - Details of Aviv Yizum Residential Projects

Projects under construction

Project	Company's effective share in the project	Date of commencement of construction	Date of completion of construction	Total number of units under construction	Total number of units for marketing in the project	Total number of residential apartments sold	Percentage of engineering completion (%)	Total expected income from the project (NIS million)	Total expected costs (NIS million)	Total expected gross profit (NIS million)	Expected surplus balance, including equity invested in the project (NIS million)	Equity invested in the project	Gross profit recognized by December 31, 2023
Aviv in Achimeyer	85%	November 2019	March 2023	64	64	64	91%	639	534	105	170	89	104
Aviv in Haumah residences	51%	December 2018	Phase A July 2022 Phase B April 2023	266	254	251	Phase A - 100% Phase B - 100%	629	505	124	177	81	103
Aviv in Henkin Street Tel Aviv	51%	December 2020	August 2023	30	15	15	100%	98	76	25	28	11	24
Aviv in Hanetzach Street Ramat Hasharon	60%	January 2021	July 2023	28	16	15	100%	61	54	10	13	8	9
Aviv in pods	80%	April 2022	July 2025 (estimated)	111	74	60	33%	216	183	33	50	24	10
Total				**499**	**423**	**405**		**1,643**	**1,352**	**297**	**438**	**213**	**250**
Total Aviv Yizum share				**311**	**260**	**247**		**1,123**	**929**	**198**	**297**	**147**	**167**

Projects in planning

Project	Company's effective share in the project	Commencement of construction	Percentage of tenants that have signed contracts	Planning status	Total number of existing apartments in building	Total number of apartments in building after construction	Total number of apartments designated for sale	Total expected income from the project (NIS million)	Total expected costs (NIS million)	Total expected gross profit (NIS million)	% gross profit on costs
Reading, Tel Aviv.	85%	2024	94%	A conditional building permit was received, all the conditions in the permit were completed	36	84	48	188	152	36	24%
Hamakor, Ramat Gan	84.75%	2024	92%	A conditional building permit was received, actions were taken to complete the conditions in the permit	24	72	48	141	123	18	15%
Hefetz Chaim, Tel Aviv	70%	2024	100%	Building permit received	32	63	31	119	101	18	18%
Histadrut Complex C, Givatayim	85%	2024	100%	A conditional building permit was received, actions were taken to complete the conditions in the permit	115	332	207	908	759	149	20%
Histadrut Complex D, Givatayim	85%	2024	88%	Application for building permit was submitted	48 + 8 stores	142	86	332	257	75	29%
Histadrut Complex E, Givatayim	85%	2025	94%	Application for building permit was submitted	48	134	86	313	255	58	23%
Histadrut Complex F, Givatayim	85%	2026	75%	The UBP was approved by the local committee, to be submitted for objections	208	582	374	1,297	1,058	239	23%
Histadrut Complex K, Givatayim	85%	2025	88%	UBP was approved, application for building permit was submitted	50	160	110	371	289	82	28%
Histadrut Complex J, Givatayim	85%	2025	86%	UBP was approved, preparing to submit application for building permit	50	160	110	358	287	71	25%
Maoz Aviv, Tel Aviv	80%	2025	90%	Architectural plan was approved parallel to submitting application for building plan	96	266	170	590	484	106	22%
Sokolov, Ramat Gan	85%	2025	91%	Local committee recommendations received Prior to submitting Urban Building Plant to district committee	33 + 2 retail use units	99	66	169	143	26	18%
Ma'ale Hashuava, Ramat Gan	85%	2025	96%	District committee approved plan with conditions	47 + storeroom	132	85	233	199	34	17%

Projects in planning (cont.)

Project	Company's effective share in the project	Commencement of construction	Percentage of tenants that have signed contracts	Planning status	Total number of existing apartments in building	Total number of apartments in building after construction	Total number of apartments designated for sale	Total expected income from the project (NIS million)	Total expected costs (NIS million)	Total expected gross profit (NIS million)	% gross profit on costs
Haroeh Hagat, Ben Gurion Street, Ramat Gan	85%	Unknown	73%	Documents submitted for discussion by local committee	66 + 10 Retail use units	186	120	403	331	72	22%
Uziel, Ramat Gan	85%	2027	71%	Preliminary planning with the municipality	48 + 2 retail use units	130	82	192	164	28	17%
Yaffet, Tel Aviv.	43%	2026	67%	Documents submitted for discussion by local committee	97	269	172	457	411	46	11%
Total					998	2,811	1,795	6,071	5,013	1,058	21%
Total Aviv Yizum share					796	2,253	1,442	4,921	3,759	872	23%

Land purchased by the Company

Project	Company's effective share in the project	Commencement of construction	Planning status	Total number of apartments in the project	Total expected income from the project (in NIS millions)	Total expected costs (NIS million)	Total expected gross income (in NIS millions)	% gross profit on costs
Shchakim project, Herzliya	88%	2025	Urban Building Plan approved, design plan advanced by the local committee	733 + 1,170 sq.m Retail use	3,443	2,872	571	20%
Aviv in Shirat Hayam	100%	2025	UBP approved, preparing application for building permit	126	535	456	79	17%
Tabenkin, Tel Aviv.	95%	2026	In process of obtaining Urban Building Plan approval	120	475	429	46	11%
Total				979	4,453	3,757	696	18%
Total Aviv Yizum share				885	4,016	3,391	625	18%

- In addition, Aviv Yizum is promoting 21 additional projects that are not presented above, for which at this time there is no planning certainty and/or minimal signatures obtained. Total number of apartments expected in these projects (including apartments belonging to the residents) 4,200 apartments.