Melisron Ltd.

Financial Statements as at December 31, 2024

Prepared According to International Financial Reporting Standards (IFRS)

Melisron Ltd.

Financial Statements as at December 31, 2024

Contents

Deloitte.

Auditors Report to the Shareholders of
Melisron Ltd.
Regarding the Audit of Internal Control 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 (jointly, "the Company") as at December 31, 2024. 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 are jointly 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, 2024.

We also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2024 and 2023 and for each of the two years ended December 31, 2024, and our report of March 9, 2025, includes an unqualified opinion of these financial statements, based on our audit and the reports of other auditors.

Brightman Almagor & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network
Tel Aviv, March 9, 2025

Deloitte.

Auditors Report to the Shareholders of
Melisron Ltd.

Introduction

We have audited the accompanying consolidated statements of financial position of Melisron Ltd. (the "Company") as at December 31, 2024 and 2023, 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, 2024. 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, 2024 and 2023 amounted to NIS 521 million and NIS 453 million, respectively, and the share in its profits for the years ended December 31, 2024, 2023 and 2022 which amounted to NIS 67 million, NIS 35 million, and NIS 87 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.

Basis for the opinion

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.

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, 2024 and 2023 and the results of their operations, changes in equity and cash flows for each of the three years ended December 31, 2024, 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, 2024, and our report of March 09, 2025, 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 of the current period. 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 14 to the consolidated financial statements as at December 31, 2024, the Company holds investment property 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 generating and under development) as at December 31, 2024, amounts to NIS 25,687 million and in 2024 the Company recognized gains from the increase in fair value of an amount of NIS 1,086 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, 2024, 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 property, 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, 2024, and the results of its operations in that year, as described in Note 14.

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 property 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 & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 9, 2025

Melisron Ltd.

Consolidated Statements of Financial Position (in NIS million)

	Note	December 31, 2024	December 31, 2023
Current assets:			
Cash and cash equivalents	4	862	625
Short-term financial assets	5	375	358
Restricted loans and deposits	6	79	1
Trade receivables and assets for customer contracts	7	87	62
Other receivables	8	71	37
Inventory of apartments for sale in buildings under construction and land	9	309	112
		1,783	1,195
Non-current assets:			
Investments and loans to investees	11	702	1,222
Intangible assets and goodwill	12	873	558
Long-term financial assets and other assets	13	51	10
Fixed assets		12	11
Inventory of land	10	2,159	-
Investment property	14	25,687	24,124
		29,484	25,925
		31,267	27,120
Current liabilities:			
Liabilities from banks and others	15	331	927
Current maturities of debentures	19	1,482	1,113
Trade payables and service providers	16	163	154
Other payables	17	456	298
Provisions for tax	18	184	111
		2,616	2,603
Non-current liabilities			
Debentures	19	9,947	9,378
Long-term liabilities to banks and others	20	2,388	530
Deferred taxes	21	3,902	3,499
Liabilities in respect of employee benefits, net		2	2
Other liabilities and provisions	22	104	60
		16,343	13,469
Equity:			
Equity attributable to the Company's shareholders		11,707	10,547
Non-controlling interests		601	501
Total equity		12,308	11,048
		31,267	27,120

March 9, 2025			
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, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	27	2,016	1,803	1,673
Cost of sales	28	500	462	433
Gross profit		1,516	1,341	1,240
General and administrative expenses	29	83	77	76
Advertising and marketing expenses		11	16	18
Operating profit before other expenses, net		1,422	1,248	1,146
Increase in fair value of investment property, net	14	1,086	624	1,224
Company's share in profits of equity-accounted investees, net		62	34	89
Other expenses, net	30	13	74	19
Operating profit after other expenses		2,557	1,832	2,440
Financing expenses	31	666	536	672
Financing income	31	99	66	33
Profit before deduction of taxes on income		1,990	1,362	1,801
Income tax expenses	21	411	310	359
Net profit for the year		1,579	1,052	1,442
Net earnings for year attributable to:				
Company shareholders		1,531	1,037	1,391
Non-controlling interests		48	15	51
		1,579	1,052	1,442
Total comprehensive income attributable to:				
Company shareholders		1,531	1,037	1,391
Non-controlling interests		48	15	51
		1,579	1,052	1,442
Earnings per ordinary share of NIS 1 (in NIS)	32			
Attributable to shareholders of the Company:				
Basic and diluted earnings		32.22	21.84	29.30
Number of shares used to calculate basic earnings per share (thousands)		47,530	47,498	47,480

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

Melisron Ltd.

Consolidated Statements of Changes in Equity (in NIS million)

Year ended December 31, 2024

	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 01, 2024	62	2,152	19	(4)	(9)	8,327	10,547	501	11,048
Changes in the year ended December 31, 2024:									
Total comprehensive profit for the year	-	-	-	-	-	1,531	1,531	48	1,579
Issue of shares for employees	-	8	(8)	-	-	-	-	-	-
Cost of share-based payment	-	-	9	-	-	-	9	-	9
Consolidation of an investee (see Note 11)	-	-	-	-	-	-	-	52	52
Dividend paid	-	-	-	-	-	(380)	(380)	-	(380)
Balance as at December 31, 2024	62	2,160	20	(4)	(9)	9,478	11,707	601	12,308

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, 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 01, 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 01, 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.

Melisron Ltd.

Consolidated Statements of Cash Flows (in NIS million)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from operating activities			
Net profit for the year	1,579	1,052	1,442
Adjusted for:			
Company's net share in profits of equity-accounted investees, net of dividends received	(62)	(28)	(89)
Increase in fair value of investment property	(1,086)	(624)	(1,224)
Depreciation and amortization	31	63	21
Expenses for share-based payments	9	8	5
Income tax expenses	411	310	359
Financing income from loans provided, net	(17)	(12)	(18)
Revaluation of loans from banks and others and changes in accrued interest	23	27	14
Revaluation of debentures and changes in accrued interest	392	303	426
Investment in inventory of development real estate for the construction of apartments for sale	(52)	(16)	(23)
Revaluation of short-term financial assets	(33)	(23)	32
	1,195	1,060	945
Changes in assets and liabilities:			
Decrease (Increase) in trade receivables	7	(27)	8
Decrease (Increase) in other receivables	(40)	5	1
Increase (Decrease) in trade payables	(2)	(31)	43
Increase (Decrease) in other accounts payable	4	50	(10)
Change in other liabilities	1	10	22
Increase in employee benefit liabilities, net	-	-	1
	(30)	7	65
Cash flows for ongoing operations			
Net income tax paid	(62)	(88)	(83)
Net cash from ongoing operations	1,103	979	927

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, 2024	December 31, 2023	December 31, 2022
Cash flows used for investing activities			
Acquisition of an investee that is consolidated for the first time (see Note 11.B)	(592)	-	-
Acquisition of an equity-accounted company	-	-	(600)
Repayment of a loan provided to an equity-accounted company	8	2	23
Short-term investments in financial assets, net	16	(10)	(1)
Proceeds from sale of investment property	-	-	205
Acquisition of and investment in investment property and investment property under construction	(444)	(1,030)	(651)
Taxes paid for investment property	(25)	(16)	(31)
Investment in property, plant and equipment and intangible assets	(11)	(23)	(22)
Payment of levies for investment property	-	(79)	(109)
Repayment (provision) of short and long-term loans and deposits, net	(28)	178	3
Net cash for investment activities	(1,076)	(978)	(1,183)
Cash flows from (for) financing activities			
Dividend paid	(380)	(380)	(180)
Receipt of long-term loans from a bank and others	-	147	575
Repayment of long-term loans to banks and others	(33)	(38)	(245)
Short-term borrowings from banks and others, net	52	(5)	(2)
Additional acquisition of shares of a subsidiary	-	-	(1)
Issue of debentures (less issuance expenses)	2,186	1,232	264
Repayment of debentures	(1,615)	(875)	(670)
Net cash from financing operations (for operations)	210	81	(259)
Increase (decrease) in cash and cash equivalents	237	82	(515)
Balance of cash and cash equivalents as at beginning of year	625	543	1,058
Balance of cash and cash equivalents as at end of year	862	625	543

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, 2024	December 31, 2023	December 31, 2022
Trade and other Payables for investment property	64	79	174
Levy for investment real property	-	-	32
Deposit in trust with respect to a debenture issue	620	-	-
Repayment of debentures from trust deposit	(622)	-	(1,102)

Appendix B - Additional Information on Cash Flows

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Interest paid	297	259	243
Interest received	50	40	15

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

Notes to the Financial Statements at December 31, 2024 (in NIS thousands)

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. In addition, the Company operates in the planning and construction of residential real estate and urban renewal through Aviv by Melisron Ltd. (formerly, Aviv Real Estate Development and Management Ltd). in which the Company holds 100% of the share capital (for further information concerning the closing of the transaction for acquiring the additional 50% in the accounting year, see Note 11).

B. Operating sectors in which the Company operates:

Income-producing real estate sector - main uses:

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 and controlled by the Company and three are jointly controlled.

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.

Residential Development and Urban Renewal - this sector includes planning, construction and marketing of residential real estate projects and urban renewal in Israel, mainly through the subsidiary, Aviv by Melisron.

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 as at Reporting Date, held 48.55% of the issued share capital and voting rights of the Company. As at Reporting Date, 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. Subsequent to the Reporting Date, on January 28, 2025, pursuant to the notice given to the Company, 379,998 shares were returned to Ofer Investments out of 1,900,000 shares (so that to date, a total 1,139,994 shares were returned), which were transferred for the purpose of limiting exposure under a financial transaction dated January 20, 2021 between Ofer Investments and JPMorgan, a foreign investment bank, and which, in accordance with the terms of the financial transaction, were returned to Ofer Investments in installments on the dates specified in the agreement on a number of closing dates (starting from the second quarter of 2024 through to the third quarter of 2025). Following the foregoing restitution of the shares on January 28, 2025, the holdings of Ofer Investments increased so that it holds 49.35% of the Company's issued share capital and the voting rights therein.

Company address: 1 Abba Eban Ave., Herzliya Pituah

C. **Definitions:**

In these financial statements:

The Company	-	Melisron Ltd. and its subsidiaries
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 parties or more 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, 2024 (NIS millions)

NOTE 1 – General (cont.)

D. **Information concerning the CPI rates:**

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

	December 31,		
	2024	2023	2022
CPI (points)	108.7	105.1	101.7

	Rate of change in % in the year ended December 31		
	2024	2023	2022
CPI (%)	3.43	3.34	5.28

NOTE 2 – Iron Swords

On October 7, 2023, the Hamas terror organization launched a murderous attack against the State of Israel, leading to the outbreak of a multi-front war. The war was waged for many months until ceasefires were reached in the northern front at the end of November 2024 and in the southern front in January 2025.

The main effects of the war on the Company's businesses:

Shopping Malls and Shopping Centers – the war caused much uncertainty in the market economy as well as in the shopping mall and shopping center operations, nonetheless a derivative effect of the war was that most Israelis refrained from traveling abroad, which led to an increase in consumption in Israel. Consequently, and as a result of the consistent improvement of the tenant mix, significant growth of 13% was recorded in tenant proceeds in the reporting period compared with 2023.

Since mid-September 2024 through to signing of the ceasefire agreement at the end of November 2024, as a result of increasing direct fire in the north, proceeds at the Company's malls and shopping centers located in Haifa and northward, declined. Since the ceasefire came into effect through to date of publication of this report, operations at the shopping malls and centers in the north has returned to normal.

High-Tech Parks And Office – the slowdown in high-tech market that began at the beginning of 2023 continued during the war period, which caused the demand for space to moderate. However, recently it has become apparent that the market has recognized stability and a positive outlook, and accordingly, the market has started to recover, especially in the high demand areas of Tel Aviv.

Construction and residential – the construction sites where the Company operates have returned to full operation, however, the shortage of workers in certain fields continues to have impact. The foregoing shortage of workers raises concerns about continuation of construction work and certain increase in the cost of construction work, especially in the residential sector of the Aviv by Melisron.

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. **Application of IFRS Accounting Standards**:

The financial statements are prepared in accordance with the provisions of international financial reporting standards (IFRS Accounting Standards) 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 real estate under development sector, where the operating cycle is 4 years.

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

NOTE 3 – Significant Accounting Policies (Cont.)

C. **Causes of uncertainty in material estimates**:

Preparation of the Company's financial statements in accordance with IFRS Accounting Standards 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 the following reporting periods:

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-generating properties 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 14.

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 that may not be fully accepted by the tax authorities. Although in the Company's opinion, the tax positions included in the Company's tax returns 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 - To determine 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 12.

Cost to finish estimate in the real estate development sector – The Company applies the input method for measuring progress of execution when a commitment to execute remains in force over time. To apply the input method, the Company estimates the cost required to complete the project in order to determine the revenue to be recognized. This estimate includes direct construction costs (such as materials, work hours, etc.).

Measuring net inventory exercise value –To determine whether the inventory balances should be deducted from the net exercise value in the real estate development sector, management estimates the expected net exercise value of the inventory balances. To do this, the Company's management estimates, among other things and if relevant, the required costs to finish and the relevant market prices at the end of the reporting period.

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 affiliates (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 interests and liabilities arising from the arrangement. When the Company has an interest in the net assets of a joint arrangement, the Company classifies the arrangement as a joint operation. 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.

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.

NOTE 3 – Significant Accounting Policies (Cont.)

H. Cash and cash equivalents and loan accounts:

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.

Cash and deposits that are restricted for use only in loan accounts for such projects whereby the Company's ability to withdraw funds from such accounts is limited and withdrawals are supervised, are classified in the statement of financial position under the use-restricted loans and deposits item.

I. Financial instruments:

1. Financial assets:

Financial assets are 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 the 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 gain or loss in the purchase, sale, issue or cancelation 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, debt 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.

NOTE 3 – Significant Accounting Policies (Cont.)

I. Financial Instruments (cont.)

3. Derecognition of financial liabilities

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

4. Agreements for the purchase of electricity:

The Company engaged in several agreements for the purchase of electricity. IFRS 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 in the real estate development sector:

the cost of inventories of apartments for sale under construction include, among other things, the identifiable direct costs with respect to the cost of the property, such as taxes, fees and levies, and all the building costs. Furthermore, the cost of inventory includes Sales Law guarantee fees (including fees for the foregoing frameworks).

Inventories of land and apartments for sale under construction are measured at the lowest cost and net exercise value. Net exercise value is the estimated selling price in the ordinary course of business less the estimated costs to finish, estimated future financing costs specifically earmarked for the project, and required selling costs.

In consecutive periods, for apartments sold, inventory of land and residential apartments are attributed to cost of sale based on the rate of progress of construction as a whole.

The Company attributes the costs for each sales contract separately to reflect pricing of the costs of the contract with the customer as described below: Land costs (including fees, levies and credit costs capitalized for land) as well as other shared construction costs that cannot be attributed to a specific apartment are attributed to each contract based on the expected sales price of the apartment out of the total expected sales of the entire building.

Land acquired as part of a combination transaction in exchange for providing construction services to the landowners (including urban renewal or NOP 38/2 projects), is recognized at the fair value of the construction services for the landowners (the sellers), at the date on which control over the land is obtained, concurrent with recognition of the obligation to provide construction services. The Company recognizes revenue and costs for construction services provided to the landowners based on progress of execution, concurrent with a decrease in the obligation to provide construction services.

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, if it is expected that a negative flow of resources containing financial benefits is required for discharging the liability and if 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 use of the 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 property 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). Gains 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 incurred constitute an investment in the land, such amounts are capitalized for the land. If the Company concludes that the costs incurred constitute a lease incentive, the incentive is recognized on a straight-line basis over the term of the lease.

N. Borrowing costs:

Borrowing costs attributable to the establishment of qualifying assets (land for investment or inventory), which require considerable preparation time for their intended use, are capitalized for those properties until the properties are essentially ready for their intended use. Borrowing costs that are not specific for any particular project are calculated as a multiple of the relevant 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. In the real estate development sector, as the control of the apartments being sold in the Company's sales contracts is transferred over time, the Company ceases to capitalize credit costs at such time when non-conditioned sales can be made, which is when all actions required for such sale have substantially been completed. All other borrowing costs are recognized in profit or loss when generated.

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 12.B.5. 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 3R below.

NOTE 3 – Significant Accounting Policies (Cont.)

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 further information concerning the treatment of the relief extended to the tenants, see Note 2S 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.

C. **Revenue in the real estate development sector**:

The Company operates in the real estate development sector in planning, construction and sale of residential apartments in Israel. When engaging in a contract with a customer, and pursuant to the terms thereof, the Company recognizes the residential units as execution obligations.

The Company has concluded, based on the legal and regulation provisions in the real estate development sector in Israel and on legal advice that it obtained, that the contracts with its customers do not create alternative use assets for the Company and it is eligible to receive enforceable payment for work completed up to that date. Consequently, the Company recognizes revenue from such contracts over time, according to contract execution rate from the date of signing of the sale agreement, which is not conditional / and is enforceable.

The Company applies the input method for measuring progress of execution when a commitment to execute remains in force over time. The Company believes that using the input method according to which the revenue is recognized based on inputs invested by the Company to comply with execution obligations better reflects the revenue actually generated. To apply the input method, the Company estimates the cost required to complete the project in order to determine the revenue to be recognized. The Company does not include, when measuring cost, the "rate of completion" that does not reflect execution progress such as cost of land, fees, levies and taxes and credit costs. The Company assesses the rate of progress regarding each sale contract based on the progress of the entire project. In the real estate development sector, the proceeds are received from customers according to generally accepted milestones in the industry. In cases where the contractual payment schedule does not coincide with the work progress, such as: In contracts under which a significant down payment is made or when a significant part of the proceeds is deferred to the end of the project, the Company reviews compliance with the significant financing component and recognizes financing expenses or income accordingly.

NOTE 3 – Significant Accounting Policies (Cont.)

P. Recognition of revenues (cont.):

C. Revenue in the real estate development sector (cont.):

The Company chose the practical expedient of not adjusting the amount of the promised consideration for the effects of a significant financing component, as when engaging in the contract the Company expects that the period between the date of transfer of the goods/services promised to the customer and the date of payment will not exceed one year. The expedient is applied only in transactions in which the period does not exceed one year. Incremental costs of obtaining a contract with a customer, such as sales commissions to agents, are recognized as an asset when the Company expects that it will recover such costs. Capitalized costs are systematically amortized to the statement of income, consistent with the rate of recognition of revenue from the sale of the apartment. Under development real estate contracts, the Company grants the customers warranty services pursuant to the contract, legal provisions or as generally accepted in the industry. When warranty services are provided solely to ensure the quality of the work and compliance with the specifications agreed upon between the parties, they do not constitute an additional service to the customer. Therefore, in such situations, the Company does not recognize the warranty as a separate execution obligation, but rather treats it in accordance with the provisions of IAS 37 and recognizes a provision for inspection and warranty based on the estimated cost of the services. The provision is recognized simultaneously with the recognition of revenue from the sale of the apartment.

Q. Advertising and marketing expenses

Advertising and marketing expenses that are attributable to a specific asset are recorded under the cost of sales item. Other advertising and marketing expenses, such as the cost of branding of malls,are recorded as a separate item in the statement of income.

R. 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 12C below.

NOTE 3 – Significant Accounting Policies (Cont.)

S. **Leases:**

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

The Company's investment properties are leased under operating lease agreements to the properties' lessees. With regard to income from leasing fees, see section 3P above; The initial direct costs incurred when obtaining an operating lease are add 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 financial 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.

NOTE 3 – Significant Accounting Policies (Cont.)

T. 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. The Company does not generate deferred taxes for temporary differences resulting from first-time recognition of goodwill, and from first-time recognition of assets or liabilities in a transaction that is not a business combination when at the transaction date the first-time recognition of the asset or liability does not affect the accounting profit or the taxable income (loss for tax purposes) and does not create temporary taxable differences and the temporary differences can be deducted in equal amounts.

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.

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.

U. 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.

V. 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 1, Presentation of Financial Statements (regarding classification of liabilities as current or non-current)

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

The Amendment removed reference to the existence of an unconditional right to defer settlement of a liability for at least 12 months after the reporting period and clarified that if such 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.

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. Conversely, financial covenants that an entity is required to comply by at a later date than the end of the reporting period do not affect the existence of the foregoing right as of the end of the reporting period.

Furthermore, Amendment 2022 provides that if the entity's right to defer settlement for a period of at least 12 months after the reporting period 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. Amendment 2020 and Amendment 2022 came into force for annual reporting periods as of January 1, 2024 or thereafter. The Amendment had no material effect on the Company's financial statements.

NOTE 3 – Significant Accounting Policies (Cont.)

W. 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:

International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

On April 9, 2024, IFRS 18 was issued, replacing International Accounting Standard 1, Presentation of Financial Statements ("IAS1"). The objective of this Standard is to improve the way the information is presented by the entities to the users of their financial statements.

The Standard focuses on the following issues:

1. The structure of the Statement of Profit or Loss - the presentation of defined subtotals and classification into categories in the Statement of Profit or Loss.
2. Requirements for improving aggregation and disaggregation of information in the financial statements and in the notes.
3. Presentation of information regarding Non-GAAP management-defined performance measures ("MPM") in the notes to the financial statements.
   Furthermore, when applying IFRS 18, other IFRS amendments will come into force, among others for amending IAS7, Statement of Cash Flows, intended to improve comparability between entities. The changes include, mainly: Use of subtotals for operating profit as a single starting point in implementing the indirect method for reporting cash flows from current operations and cancelation of alternatives for choosing accounting policies regarding the presentation of interest and dividends. Consequently, other than in certain cases, interest and dividend received will be included under cash flows from investment category and conversely, interest and dividend paid will be included under financing category.

The Standard will come into effect for the annual reporting periods commencing January 1, 2027 onwards. The Standard is applied retrospectively with specific transition provisions.

Early adoption is permitted, but based on the decision of the Securities Authority, early adoption will only be possible as of the period starting on January 1, 2025 (financial statements for the first quarter of 2025).

The Company is reviewing the effect of IFRS 18, including the effect of amendments to additional IFRS standards resulting from its application, on the financial statements.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 4 – Cash and Cash Equivalents

Composition:

	Interest rate as at December 31, 2024	December 31, 2024	December 31, 2023
	%		
NIS:			
In cashbox and with banks		5	4
Deposits	4.35-4.75	857	620
		862	624
Foreign currency			
Deposits		-	1
		-	1
		862	625

NOTE 5 – Short-Term Financial Assets

Composition:

	December 31, 2024	December 31, 2023
Financial assets held for trading at fair value through profit or loss		
Linked government bonds	12	8
NIS government bonds	29	26
USD-linked corporate bonds	1	2
CPI-linked corporate bonds	51	44
NIS corporate bonds	46	44
Shares in Israel	17	17
Foreign shares and debentures	68	70
ETFs and mutual funds	151	147
Total	375	358

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 6 – Restricted Loans and Deposits

Composition:

	Interest rate as at December 31, 2024	December 31, 2024	December 31, 2023
	%		
Restricted cash (a)	-	61	-
Escrow deposits	3.93	15	-
Total		76	-
Other		3	1
Total		79	1

A. Project financing agreements signed with financial corporations stipulate that proceeds from apartment buyers will be deposited into closed escrow accounts. The amounts deposited in such escrow accounts are designated for use related to the projects only, in accordance with the terms established in the escrow agreement.

NOTE 7 — Trade Receivables and Assets for Customer Contracts

A. **Composition:**

	December 31, 2024	December 31, 2023
Open debts	16	13
Checks receivable	8	31
Income receivable	26	20
Asset for customer contracts (c)	39	-
	89	64
Less provision for doubtful debts	(2)	(2)
Total	87	62

B. The Company has several customers, none of which are significant for the Company, therefore its exposure to credit risk is low. The decrease in the checks receivable item relates to spreading of rental fees in November 2023 as part of the Iron Swords relief.

C. When the Company transfers apartments to customers before due payment date, the Company presents the balance as an asset recognized in respect of a contract.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 8 – Other Receivables

Composition:

	December 31, 2024	December 31, 2023
Jointly-controlled transactions	4	1
Prepaid expenses	13	12
Revenues receivable - short-term straight line approach assets	19	12
Advances to suppliers	-	3
Income tax	28	9
VAT	3	-
Other receivables	4	-
Total	71	37

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 9 - Inventory of Apartments for Sale in Buildings under Construction and Land

A. The balance include the following projects:

- In November 2023, a building permit was received for Tower B of the Landmark project in the Sarona complex in Tel Aviv. The building rights include 8.1 thousand sq.m for residential (116 housing units) (the Company's share is 50%).
- The Company has several urban renewal projects for which building permits were received, the key projects are:
- HaPodim 30 in Ramat Gan, for which a building permit was received in November 2021. The project includes a total of 111 apartments of which 37 apartments are for the landowners and 74 are for the developer to sell on the open market. As at balance sheet date, 72 apartments have been sold.
- Hafetz Hayim 11/13 in Tel Aviv for which a building permit was received in February 2024. The project includes a total of 63 apartments of which 32 apartments are for the landowners and the remaining 31 apartments are for the developer to sell on the open market. As at balance sheet date, 18 apartments have been sold.
- Reading 31/33 in Tel Aviv, for which a building permit was received in March 2024. The project includes a total of 84 apartments of which 36 apartments are for the landowners and the 48 remaining apartments are for the developer to sell on the open market. As at balance sheet date, 9 apartments have been sold.

B. Inventory expected to be realized over a period exceeding 12 months:

Breakdown of information regarding inventory and down payments from customers that are expected to be realized more than 12 months after the end of the reporting period and are classified under the Company's current assets and liabilities:

	December 31, 2024	December 31, 2023
Inventory of land	243	-
Advance payments from customers	38	-

NOTE 10 - Inventory of Land

A. The balance includes capitalized credit costs amounting to a total of NIS 140 million.

B. Inventory of land includes several properties, the main properties are in the Kiryat Shchakim complex in Herzliya.

A wholly owned subsidiary of Aviv by Melisron (in this Note: the "Company") acquired from the Israel Land Authority leasing rights in a 5,300 sq.m. Plot (98 years with option for a further 98 years), located in the Kiryat Shchakim complex in Herzliya that is designated for the construction of 733 residential units, 900 sq.m (main part) of Retail space and 2,640 sq.m (gross) public buildings, for NIS 916 million with duly added VAT and additional development costs (including levies) for an amount of NIS 206 million. The subsidiary financed the transaction with equity and a revolving loan from a bank at Prime interest plus a fixed margin that is expected to be repaid in full by March 27, 2026, and the balance of which as at the Reporting Date is NIS 896 million. The loan was provided against a mortgage as is customary for this type of agreement, and the Company's guarantee. According to the financing agreement, the Company undertook financial covenants according to which the LTV, the ratio between the outstanding balance of the loan and the value of the Company's rights in the land (excluding VAT) will not exceed 80%. As at date of approval of the financial statements, the Company is in compliance with the financial covenants. On December 25, 2023, the subsidiary closed an investment transaction with Menora Mivtahim Group entities under a contract according to which the Menora entities provided the subsidiary with a sum of money as equity and as shareholders loan against the allotment of 11.83% of the subsidiary's shares.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 11 – Investments in and Loans to Investees

A. Composition:

	December 31, 2024	December 31, 2023
Equity-accounted investments (1)	524	1,048
Other investments:		
Loan (2)	178	174
Total other investments	178	174
Total	702	1,222

1) The changes compared with the previous year are due to completing the transaction for the acquisition of a further 50% of the share capital of Aviv by Melisron. For further information see Note 11B.

2) **Shareholder loan Hutzot Hamifratz Haifa Ltd.**

On December 31, 2021, the Company and Ashtrom Properties Ltd. "(Ashtrom") provided a shareholder loan to Hutzot Hamifratz Haifa Ltd. ("Hutzot 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).

Under the terms of the loan, the loan principal is linked to the CPI and will be repaid by Hutzot Hamifratz in a lump sum payment on December 31, 2027. In addition to repayment of the loan principal, Hutzot Hamifratz will pay the shareholders CPI-linked interest at an annual rate of 3.5%. In addition, Hutzot Hamifratz may, at any time, advance and repay any amount on account of the repayment of the loan principal without an early repayment penalty.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 11 – Investments in and Loans to Investees (Cont.)

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

Name of holding company	Name of investee	December 31, 2024 % in capital	December 31, 2024 Status in the Company	December 31, 2023 % in capital
Melisron Ltd.				
	British Israel Investments Ltd.	100.0%	Subsidiary	100.0%
	Ramat Aviv Mall Ltd.**	100.0%	Subsidiary	100.0%
	Hutzot Hamifratz Haifa Ltd.	50.0%	Joint venture	50.0%
	Grouper Social Shopping Ltd.**	100.0%	Subsidiary	100.0%
	Aviv by Melisron Ltd. (formerly: Aviv Real Estate Development and Management Ltd.)	100.0%	Subsidiary	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%
	Iris 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.*	-	Subsidiary	100.0%
	Sirkin Mall (British Israel) Ltd.	100.0%	Subsidiary	100.0%
	MLA HaNegev Investments and Development Ltd.	100.0%	Subsidiary	100.0%
	Oz Technologies (1972) Ltd.	100.0%	Subsidiary	100.0%
	Nahariya North Mall Properties Ltd.*	-	Subsidiary	100.0%
My Ofer Management Services Ltd.				
	Clal Real Estate Investments Ltd.	100.0%	Subsidiary	100.0%
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%
	ERD Omri and Roi Ltd.	100.0%	Subsidiary	100.0%

* In 2024, the company merged with and into Shopping Centers (Azo-Rit) Ltd. and was liquidated.

** For further information concerning the merger process, see Note 11C.

NOTE 11 – Investments in and Loans to Investees (Cont.)

B. Entry into consolidation:

As part of further implementation of the Company's strategic plan to expand its operations into new sectors, to spread risks to diversify sources of income, on September 12, 2024, the Company signed an agreement with the Aviv & Co. Real Estate Group 1963 Ltd. ("Aviv Group") and Aviv by Melisron Ltd. (formerly Aviv Real Estate Development and Management Ltd.) ("Aviv by Melisron") (which since July 2022 was held in equal parts by the Company and Aviv Group) for the acquisition of another 50% of the share capital of Aviv by Melisron from Aviv Group for an amount of NIS 625 million. On October 31, 2024, the transaction was completed and as of this date, the Company wholes the entire issued and paid-up share capital of Aviv by Melisron. The agreement stipulates, among other things, irrevocable commitments by Aviv Group and its controlling shareholders to refrain from engaging in the urban renewal sector (as defined in the agreement) for a period of four years from date of closing of the transaction. Until the date of consolidation (October 1, 2024), the investment was treated according to the equity method.

Cash used for the acquisition (NIS million):

Cash and cash equivalents in the acquired company as at acquisition date	33
Cash paid for the acquisition	(625)
Net cash	(592)

Allocation of the acquisition cost (NIS millions):

Consideration paid	625
Fair value of the investment in the joint venture	588
Total	1,213
Acquired equity (attributable to shareholders)	592
Surplus cost for allocation	**621**
Allocation of surplus costs:	
Inventory of apartments for sale in buildings under construction and land	33
Inventory of land	394
Branding	32
Tax reserve	(105)
Non-controlling interests (*)	(37)
Goodwill	(304)
Total	**621**

(*) The amount of the non-controlling interests in Aviv by Melisron that was recognized as part of allocation of surplus costs amounts to NIS 37 million. The non-controlling interests were estimated at their share of the fair value of the assets and liabilities of the acquired company, excluding their share of goodwill.

The consideration under for the business combination includes amounts for expected benefits from future developments. All of these resulted in goodwill amounting to NIS 304 million. Aviv by Melisron is a company specializing in planning, construction and sale of residential real estate, focusing on large-scale projects and urban renewal. Aviv by Melisron is a reputed company with years of experience in the real estate and housing sector, it has a C5 registered contractor license and has the execution capacities that allow control of construction quality and high-end finishing.

Acquisition costs were allocated using the DCF method at discounting rate of 13.7% and long-term growth rate of 3%. The projected cash flow was based on management assumptions and past experience, and common practice in the sector.

NOTE 11 – Investments in and Loans to Investees (Cont.)

B. Entry into consolidation (cont.):

Amounts recognized at acquisition date for assets and liabilities (NIS million):

Cash and cash equivalents	33
Restricted cash and deposits	46
Trade receivables and assets with respect to customer contracts	32
Other receivables	9
Inventory of apartments for sale in buildings and land under construction	180
Inventory of land	2,127
Investments in investees	2
Investment property	7
Intangible assets and goodwill	336
Fixed assets	1
Lease assets	3
Deferred tax assets	6
Short-term borrowings from banks and others	(11)
Trade payables and service providers	(11)
Accounts payable	(57)
Payables for acquisition of land in combination transaction	(107)
Long-term borrowings from banks and others	(1,209)
Lease liabilities	(3)
Tax reserve	(119)
Non-controlling interests (*)	(52)
Total identifiable assets, net	**1,213**

C. **Further information concerning rates of ownership and control of key companies and operations in the Company:**

Merger of Ramat Aviv Mall Ltd. and Grouper Social Shopping Ltd.

On July 1, 2024, the Company reported with regard to immaterial statutory mergers where, once completed, Ramat Aviv Mall Ltd. ("Ramat Aviv") and Grouper Social Shopping Ltd. ("Grouper"), wholly owned subsidiaries of the Company, would be merged into the Company. As a result of these mergers all the assets and liabilities of Ramat Aviv and Grouper (the "Merged Companies") will be transferred to the Company and they will cease to exist as separate companies and will be liquidated. Execution of the mergers is part of the overall internal structural changes with regard to other subsidiaries, all of which are wholly owned by the Company. The purpose of the overall internal structural changes is to consolidate the management and operating of the Merged Companies in order to streamline their management by saving management and operating costs. As part of the merger proceedings, no payment or consideration will be transferred between the parties, whether directly or indirectly. The date of merger of Ramat Aviv and Grouper was set for June 30, 2024. The merger agreements and their execution are subject to certain preconditions, based on which they will not take effect and will not be executed unless these preconditions are met by and no later than December 31, 2024, including receipt of approval from the tax authorities, as set out below. On June 30, 2024, the Company filed application to receive an early ruling from the Tax Authority for the mergers, without tax liabilities pursuant to Section 103 of the Income Tax Ordinance and the Regulations enacted thereunder, and including a reduced purchase tax liability of 0.5% (NIS 15 million) for the real estate properties held by Ramat Aviv that will be transferred under the merger between Ramat Aviv and the Company. Subsequent to balance sheet date, the foregoing Tax Authority approval was received.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 11 – Investments in and Loans to Investees (Cont.)

C. Additional information on rates of ownership and control of key companies and operations in the Company (cont.):

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 overall structural changes as set out above, 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 rescinding of the 5,416,409 treasury shares and their deletion from the Company's equity.

NOTE 12 – Intangible Assets and Goodwill

A. Composition:

	Intangible assets	Goodwill	Total
Cost as at January 1, 2023	66	562	628
Additions in 2023	19	-	19
Cost as at December 31, 2023	85	562	647
First-time consolidation	32	304	336
Additions in 2024	8	-	8
Cost as at December 31, 2024	125	866	991
Accumulated amortization as at January 1, 2023	20	10	30
Amortization for 2023	31	28	59
Accumulated amortization as at December 31, 2023	51	38	89
Amortization for 2024	29	-	29
Accumulated amortization as at December 31, 2024	80	38	118
Amortized balance as at December 31, 2024	45	828	873
Amortized balance as at December 31, 2023	34	524	558

B. Additional details:

1. On April 12, 2011, the acquisition of control 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. Subsequent to termination of the online trade site Grouper Social Shopping Ltd., in 2023 the Company amortized the unamortized goodwill 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.
4. On October 31, 2024, the acquisition of the remaining share capital of Aviv by Melisron was completed. At the time of acquisition the Company recognized goodwill generated due to the acquisition in the amount of NIS 304 million (see Cash-Generating Unit 3 below).
5. 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, 2024 (NIS millions)

NOTE 12 – Intangible Assets and Goodwill (Cont.)

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	
	2024	2023
Cash-Generating Unit 1	436	436
Cash-Generating Unit 2	88	88
Cash-Generating Unit 3	304	-

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, 2024.

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 6.72%-7.95%. 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

On October 31, 2024, the acquisition transaction for the remaining share capital of Aviv by Melisron Ltd. was completed. At the time of acquisition the Company recognized goodwill in the amount of NIS 304 million. Acquisition costs were allocated using the DCF method at discounting rate of 13.7% and long-term growth rate of 3%. The projected cash flow was based on management assumptions and past experience, and common practice in the sector.

On December 31, 2024, the Company reviewed the validity of the assumptions and estimates used for the allocation of the consideration as aforesaid. This review indicated that the estimated value in use of the Unit generates higher amounts of cash than estimated in the books, and accordingly, the goodwill attributed to this Unit was not impaired.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 13 – Short-Term Financial Assets and Other Assets

Composition:

	December 31, 2024	December 31, 2023
Income receivable - long-term straight line approach assets	37	4
Deferred expenses	7	-
Other assets (a)	7	6
	51	10

a. Including receivables from municipal institutions in the amount of NIS 5 million.

NOTE 14 - Investment Property

A. Composition/change

	2024	2023
Fair value as at January 1	24,124	22,462
Investments in investment property	374	458
Acquisition of land and payment of taxes thereof	54	518
Increase in fair value of investment property, net	1,086	624
First-time consolidation	7	-
Capitalization of financing for property under construction	42	62
Balance as at December 31	25,687	24,124

B. Revised valuation as at December 31, 2024:

The value of the Company as at December 31, 2024, 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, improvement of operating expenses 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 included appreciation, net of investment property, in the amount of NIS 1,086 million in its financial statements for 2024.

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

C. Acquisition of land in 2024:

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

D. Acquisition of land 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. As at the acquisition date, the approved building rights allowed for the construction of a 17,500 sq.m office block (above 6 basement levels). At the beginning of 2024, a TBP was filed, which was approved and entered into force in September 2024 to increase the building rights on 25,500 sq.m. of land zoned for office, and the Company paid NIS 47 million accordingly.

   For information regarding signing of a credit facility agreement with a bank, see Note 20.B.

NOTE 14 - Investment Property (Cont.):

D Acquisition of land in 2023 (cont.):

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 holds 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 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. will pay and has paid taxes an amount that is immaterial to the Company.

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

NOTE 14 - Investment Property (Cont.):

E. **Fair value measurement**:

Group	Fair value	Valuation technique	Significant unobservable information	Range	Marketed area (thousands of sq.m)
December 31, 2024					
Group A	24,200	Revenue approach - discounted cash flows (DCF)	Average monthly rent per sq.m	55-528	5-104
			Primary discount rate	5.5%-7.95%	
			Occupancy rate	80%-100%	
Group B	594	Comparison approach			
Group C	893	Discounted cash flows (DCF) less estimated construction costs expected to arise from construction of real estate	Primary discount rate	6.69%-7%	
Total	25,687				
December 31, 2023					
Group A	21,172	Revenue approach - discounted cash flows (DCF)	Average 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 construction of real estate	Primary discount rate	6.4%-6.75%	
Total	24,124				

(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, 2024 are between 5.5% and 7.95%, compared with the main discounting rates of between 5.5% and 7.79% at December 31, 2023.

(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, 2024 amount to NIS 154 per sq.m, compared with NIS 160 per sq.m as at December 31, 2023.

Groups A and C constitute level 3 and Group B constitutes level 2 in the fair value hierarchy as set out in Note 26.C.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 14 - Investment Property (Cont.):

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

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Rental fees and other revenue from investment property	1,990	1,784	1,646
Direct operating costs from investment property generating rental and other revenue	459	440	406

G. 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 1,681 million (standardized NOI) an increase of 0.25% in the discounting rate will reduce the fair value by NIS 833 million (less deferred taxes at a rate of 23% - NIS 641 million), and a decrease of 0.25% in the discounting rate will increase the fair value by NIS 895 million (less deferred taxes at a rate of 23% - NIS 689 million).

H. Liens:

See Note 23.B

I. Description of composition and change

	As at December 31, 2024			
	Group A	Group B	Group C	Total
As at January 1, 2024	21,172	696	2,256	24,124
Investments in the period	262	12	100	374
Purchases in the period and payment of taxes	-	7	47	54
Adjusted value	1,168	(50)	(32)	1,086
Financing discount	-	-	42	42
First-time consolidation	-	7	-	7
Group transfer	1,598	(78)	(1,520)	-
As at December 31, 2024	24,200	594	893	25,687

	As at December 31, 2023			
	Group A	Group B	Group C	Total
As at January 1, 2023	20,189	676	1,597	22,462
Investments in the period	207	31	220	458
Purchases in the period and payment of taxes	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

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 14 - Investment Property (Cont.):

J. Expected revenue for signed rental contracts:

	December 31, 2024	December 31, 2023
First year	1,328	1,227
Second year	1,097	958
Third year	859	715
Fourth year	632	524
Fifth year	447	365
Sixth year and onwards	884	873
Total	5,247	4,662

- 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, 2024, without revenue from management fees, income from proceeds, and revenue from lease contracts paid as a percentage of proceeds. As at December 31, 2024, 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 cancelation or breach of lease agreements, among other things, due to the effects of the Iron Swords, pandemic 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 Hutzot 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, 2024 (NIS millions)

NOTE 15 – Liabilities to Banks and Others:

A. Composition:

	Interest rate as at December 31, 2024	December 31, 2024	December 31, 2023
	%		
Banks:			
Short-term loans (1)	6.3-6.8	197	789
Current maturities for long-term loans		-	7
Total		197	796
Other:			
Commercial Securities (Series 3)	4.65	102	99
Current maturities for long-term loans (see Note 19)		32	32
		134	131
Total		331	927

1. In December 2023, a subsidiary signed a financing agreement with a bank for a revolving loan of NIS 131 million at an interest rate of Prime plus a fixed margin. The due date of the loan is December 2025. The loan is secured by a lien on land of the Company.

   Under the financing agreement, the subsidiary undertook a financial covenant that the LTV ratio, the ratio between the outstanding balance of credit and the value of the Company's rights in the land (excluding VAT) will not exceed 77%. As at December 31, 2024, the Company is in compliance with the financial covenant.

B. For further information see Note 26.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 16 – Trade Payables

A. Composition

	December 31, 2024	December 31, 2023
Open debts	57	61
Checks payable	27	26
Expenses payable (1)	79	67
Total	163	154

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

NOTE 17 - Other Payables

A. Composition

	December 31, 2024	December 31, 2023
Employee obligations and related salary expenses	37	32
Interest payable	104	78
Institutions	16	10
Prepaid revenue and advance payment from customers	34	51
Advance payments from apartment buyers	67	-
Expenses payable (1)	83	117
Trade payables for purchase of land in combination transactions (2)	105	-
Other	10	10
Total	456	298

1. The balance is mainly due to provisions for levies and betterment.
2. Including expenses payable to tenants in respect of rent and other expenses amounting to NIS 18 million.

NOTE 18 - Provisions for Tax

The provisions are mainly due to disputed tax issues; for further information see Note 21.G.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 19 – Debentures

A.

1. **Composition:**

	Linkage basis	Effective interest rate as at December 31, 2024	Nominal interest rate as at December 31, 2024	December 31, 2024 Total less current maturities	December 31, 2023 Total less current maturities
		%	%		
In Melisron:					
Debentures (Series 10)	CPI	1.91	1.76	-	1,473
Debentures (Series 11)	CPI	2.51	2.30	-	1,389
Debentures (Series 14)	CPI	1.48	2.15	1,360	1,356
Debentures (Series 16)	CPI	2.15	2.35	1,060	1,052
Debentures (Series 17)	CPI	2.16	2.25	2,033	1,365
Debentures (Series 18)	CPI	1.41	0.65	600	533
Debentures (Series 19)	CPI	2.26	1.43	1,754	436
Debentures (Series 20)	CPI	1.01	0.25	1,458	1,317
Debentures (Series 21)	CPI	3.38	3.61	1,682	457
Total				9,947	9,378

2. **Current maturities for debentures:**

	December 31, 2024	December 31, 2023
Current maturities of debentures	1,482	1,113

NOTE 19 - Debentures (Cont.)

B. Additional details:

Series	Rating agency	Issuance rating as at the Reporting Date		Total par value as at date of issue (including expansions and exchanges) in NIS thousands	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Interest payment dates	Current maturity, December 31, 2024 NIS millions	Par value Nominal, December 31, 2024 (NIS millions)	Par value CPI-linked, December 31, 2024 (NIS millions)	Carrying amount , December 31, 2024 (NIS millions)	Interest payable, December 31, 2024 (NIS millions)	Market value, December 31, 2023 (NIS millions)
		As at the issuance	As at the Reporting Date											
Debentures (Series 10) 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%	Fixed semi-annual interest, January 10, July 10, in 2016-2025	319	273	319	319	3	314
Debentures (Series 11) March 31, 2015 Expansions: April 19, 2016 January 12, 2017 June 8, 2017	Maalot	A+	AA	1,469,530	Fixed	2.3%	2.19%-2.82%	Fixed semi-annual interest, January 10, July 10, in 2016-2025	943	806	943	943	10	929
Debentures (Series 14) April 19, 2016 Exchange: March 5, 2018 April 11, 2018 Expansions: October 30, 2019 April 16, 2020	Maalot	AA-	AA	1,370,403	Fixed	2.15%	0.52%-2.29%	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)	33	1,179	1,383	1,393	5	1,379
Debentures (Series 16) January 12, 2017 Exchange: March 5, 2018 Expansion: September 6, 2018 September 13, 2023	Maalot	AA-	AA	1,054,482	Fixed	2.35%	1.69%-2.66%	Fixed semi-annual interest, April 1 and October 1, 2017-2027	26	928	1,082	1,086	6	1,083

NOTE 19 - Debentures (Cont.)

B. Additional details (cont.)

Series	Rating agency	Issuance rating As at the Reporting Date – As at the issuance	Issuance rating As at the Reporting Date – As at the Reporting Date	Total par value as at date of issue (including expansions and exchanges) in NIS thousands	Type of interest	Nominal interest	Effective interest rate as at the issuance date	Interest payment dates	Current maturity, December 31, 2024 NIS millions	Par value Nominal, December 31, 2024 (NIS millions)	Par value CPI-linked, December 31, 2024 (NIS millions)	Carrying amount , December 31, 2024 (NIS millions)	Interest payable, December 31, 2024 (NIS millions)	Market value, December 31, 2023 (NIS millions)
Debentures (Series 17) March 6, 2018 Expansions: October 30, 2019 March 1, 2021 April 21, 2021 September 13, 2023 October 13, 2024	Maalot	AA-	AA	2,194,697	Fixed	2.25%	0.75%-3.23%	Fixed semi-annual interest - January 1 and July 1, 2018-2032 (in 2032, one payment on January 1 only)	62	1,791	2,090	2,095	24	2,016
Debentures (Series 18) March 3, 2020 Expansion: March 28, 2023 Exchange: December 24, 2024	Maalot	AA	AA	586,771	Fixed	0.65%	0.79%-2.93%	Fixed semi-annual interest - January 1 and July1 in 2020-2028 (in 2020, one payment on July 1 only)	14	547	628	614	2	583
Debentures (Series 19) August 18, 2020 Expansion: February 20, 2024 Exchange: December 24, 2024	Maalot	AA	AA	1,649,967	Fixed	1.43%	1.57%-2.83%	Fixed semi-annual interest, January 1 and July 1, in 2021-2029	40	1,608	1,853	1,794	13	1,739
Debentures (Series 20) August 17, 2021 Expansion: November 1, 2022 October 13, 2024	Maalot	AA	AA	1,524,995	Fixed	0.25%	0.38%-3.19%	Fixed semi-annual interest, January 1 and July 1, 2022-2030 (2030 payment on January 1 only)	35	1,368	1,547	1493	2	1,356
Debentures (Series 21) March 28, 2023 Expansion: February 20, 2024 December 19, 2024	Maalot	AA	AA	1,591,216	Fixed	3.61%	3.19%-3.78%	See Note 19.C	9	1,576	1,666	1,691	30	1,715

NOTE 19 - Debentures (Cont.)

C. Expansion of debentures and partial early redemptions in 2024:

- In February 2024 the Company issued NIS 738.2 million par value Debentures (Series 19), 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 19), for a gross consideration of NIS 776 million and at effective interest rate of 2.83%, CPI-linked.

  The amount of NIS 620 million of the issuance proceeds was deposited in trust and used for partial early redemption of Debentures (Series 10), which were secured by a first-degree lien on Ofer Kiryon, that was executed on April 1, 2024.
- In February 2024, in addition the Company issued NIS 624.5 million par value Debentures (Series 21) 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 21), for a gross total consideration of NIS 663 million and at effective interest of 3.25%, CPI-linked.
- In June 2024, the Company made partial early redemption in the amount of NIS 430 million par value (NIS 495 million par value linked to the CPI) Debentures (Series 11).
- In October 2024 the Company issued NIS 614.2 million par value Debentures (Series 17) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.141 per share for each NIS 1 par value Debentures (Series 17), for a gross consideration of NIS 701 million and at effective interest rate of 3.23%, CPI-linked.
- In October 2024 the Company issued NIS 126.5 million par value Debentures (Series 20), which are secured by a first-degree lien on Ofer Grand Canyon Haifa, by way of expansion of an existing debenture series. The issuance was made at a price of NIS 0.98 per share for each NIS 1 par value Debentures (Series 20), for a gross total consideration of NIS 124 million and at effective interest of 3.19%, CPI-linked.
- In December 2024 the Company issued NIS 507.3 million par value Debentures (Series 21) by way of expansion of an existing debenture series. The issuance was made at a price of NIS 1.112 per share for each NIS 1 par value Debentures (Series 21), for a gross total consideration of NIS 564 million and at effective interest of 3.19%, CPI-linked.

D. Exchange of debentures in 2024:

In accordance with the shelf offering report (which also constitutes purchase offer specifications) published by the Company on December 17, 2024, the Company sent an offer to all holders of Debentures (Series 10) to purchase from them between NIS 0 par value and NIS 576,727,000 par value Debentures (Series 10) held by it (which constitutes between 0% and 75% of the par value of Debentures (Series 10) that were outstanding on the date of the offering report), by way of a partial exchange purchase offer with a range of quantities, in return for issuance of up to NIS 62,863,243 par value Debentures (Series 18) of NIS 565,769,187 and up to NIS 565,769,187 par value Debentures (Series 19) of the Company, which will be issued by expansion of Debentures (Series 18) and Debentures (Series 19) under the shelf offering report and will be listed on the Tel Aviv Stock Exchange Ltd., at an exchange ratio to be determined in a tender and in a quantity as decided at the Company's discretion, which will be within the range of quantities. Orders were received for exchange of NIS 649,824,454.89 par value Debentures (Series 10) and the Company decided to accept the orders for exchange of NIS 496,271,466.42 par value Debentures (Series 10). The uniform exchange ratio set in the exchange ratio tender is 1.083, meaning for each NIS 1 par value Debentures (Series 10) given to the Company in accordance with the offering report, the Company issued NIS 0.1083 par value Debentures (Series 18) and NIS 0.9747 par value Debentures (Series 19), so that in total the Company issued NIS 53,746,200 par value Debentures (Series 18) at effective interest of 1.97%, CPI-linked and NIS 483,715,798 Debentures (Series 19) at effective interest of 1.96%, CPI-linked, for NIS 496,271,466.42 par value Debentures (Series 10).

The Debentures (Series 10) purchased by the Company under the replacement were canceled and delisted from the TASE. The carrying amount of the exchanged debentures was NIS 585 million (including the balance of interest payable and accrued discount). For the exchange transaction, in 2024 the Company recognized a one-time expense of NIS 24 million in financing expenses.

NOTE 19 - Debentures (Cont.)

E. Issuance of debentures in 2023:

In accordance with the shelf offering report published by the Company on March 26, 2023, the Company issued Debentures (Series 21) amounting to NIS 459 million par value at a price of NIS 1 per NIS 1 par value of Debentures (Series 21), for a gross consideration of NIS 459 million and at effective interest of 3.78%, CPI-linked. The Debentures (Series 21) are CPI-linked and bear annual interest 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).

<u>Financial covenants:</u>

Undertaking to maintain a minimum equity: The Company undertakes that as long as the Debentures (Series 20) are in circulation, the Company's equity (including non-controlling interests) according to its most recently published audited or reviewed consolidated financial statements will not fall below NIS 3.5 billion over two consecutive quarters.

Equity to balance sheet ratio: The Company undertakes that as long as Debentures (Series 20) are in circulation, the Company's equity, including non-controlling interests and plus a net deferred tax liability, according to its most recently published audited or reviewed consolidated financial statements, will not fall below 25% of the total balance sheet of the Company, for two or more consecutive quarters (in this section, "total balance sheet" means the total balance sheet of the Company, less cash (non-restricted), cash equivalents (non-restricted), marketable securities, short-term financial assets, and current assets such as short-term loans and deposits).

F. Expansion of debentures in 2023:

1. In March 2023, the Company issued NIS 133 million par value Debentures (Series 18) 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 18), for a gross consideration of NIS 131 million and at effective interest rate of 2.93%, CPI-linked.

2. In September 2023, the Company issued NIS 359 million par value Debentures (Series 17) 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 17), for a gross consideration of NIS 394 million and at effective interest rate of 3%, CPI-linked.

3. In September 2023, the Company issued NIS 227 million par value Debentures (Series 16) 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 16), for a gross total consideration of NIS 256 million and at effective interest of 2.66%, CPI-linked.

G. For further information see Note 26.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 19 - Debentures (Cont.)

H. Financial covenants:

1. **Undertaking to maintain a minimum equity:**

   The Company undertakes that as long as the Debentures (Series 10-Series 21) are in circulation, the Company's equity according to its most recently published consolidated financial statements will not fall below NIS 2.5-3.5 billion (according to the relevant series) for two or more consecutive quarters ("equity" in this section means the Company's equity according to the consolidated balance sheet, including rights that do not confer control).

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

   The Company undertakes that as long as Debentures (Series 11, Serie 16-Series 21) are circulation, the Company's equity, including non-controlling interests plus a net deferred tax liability, according to its most recent consolidated financial statements, will not fall below 20%-25% (based on the relevant series) of the Company's total balance sheet according to its most recent consolidated financial statements for 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. 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).

As at December 31, 2024 and 2023, the Company is in compliance with the contractual restrictions and financial covenants.

NOTE 20 - Long-Term Liabilities from Banks and Others

A. Composition:

	Linkage basis	Interest rate as at December 31, 2024	December 31, 2024	December 31, 2023
			Total less current maturities	
		%		
Long-term variable interest loans	-	6.35-6.95	1,819	-
Loans from banks and others	CPI-linked	1.77-1.97	515	530
Long-term fixed-interest loans		8-2.9	54	-
			2,388	530

B. Loans from institutional entities and banks:

1. In July 2022, Bilu Center Azo-Rit Ltd. ("Bilu Center"), which is 72% held (indirectly) by the Company through the subsidiary, Commerce Center (Azo-Rit) Ltd., 100% held by the Company ("Shopping Centers"), engaged in an agreement with an institutional entity for provision of loans amounting to NIS 175 million for a 10-year term, that will be used to repay existing loans of Bilu Center that as at June 30, 2022, amounted to NIS 222 million.

   The loans are secured by a lien on the Company's rights in the Ofer Bilu Center open outlet complex and by Shopping Centers' and the Company's guarantees.

   The foregoing loans are linked to the CPI and bear annual interest of 1.77% - 1.89%. The loan principal and interest are repayable in 40 installments as follows: The loan principal will be repaid in 39 equal installments of 1.43% each that will be paid each quarter as of October 14, 2022, through April 14, 2032 (inclusive), with a final principal payment of 44% to be repaid on July 14, 2032. The interest in respect of the loans will be paid quarterly on the same dates.

NOTE 20 - Long-Term Liabilities from Banks and Others (Cont.)

B. Loans from institutional entities and banks (cont):

2. In August 2022, the same institutional entity, as specified in Note 20.B.1 above, 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 are repayable in 40 installments as follows: The loan principal will be repaid in 39 equal installments of 1.25% each that will be paid each quarter from November 21, 2022, to May 21, 2032 (inclusive), with a final principal payment of 51% to be repaid on August 21, 2032. The interest in respect of the loans will be paid quarterly on the same dates.
3. In January, 2024, the Ramat Aviv Mall extended the credit facility agreement in an amount of NIS 850 million for a further two years, until March 2026. As at the Reporting Date, the subsidiary has an available credit facility of NIS 200 million. The utilized credit facility bears annual interest of Prime plus a fixed margin.
4. 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 land. The credit facility, which bears annual interest of Prime plus a fixed margin, was used to pay the aforesaid consideration. A lien on the foregoing acquired land is used to secure the credit facility, In February 2024, the Company extended the credit facility agreement until April 2026.
5. In March 2023, a subsidiary signed a financing agreement with a bank for a revolving loan of NIS 896 million at an interest rate of Prime plus a fixed margin. The loan maturity date is March 2026.

C. Contractual restrictions and financial covenants

1. With regard to an undertaking to the bank, the balance of which at December 31, 2024 is NIS 166 million, a subsidiary 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 balance and the value of the mortgaged property) will not exceed 65%.
2. With regard to an undertaking to the bank, the balance of which at December 31, 2024 is NIS 382 million, a subsidiary undertook that:
   a. The equity of the subsidiary will not fall below NIS 500 million.
   b. The LTV ratio (between the loan balance and the value of the mortgaged property) will not exceed 75%.
3. With regard to an undertaking to the bank, the balance of which at December 31, 2024 is NIS 642 million, a subsidiary undertook that:
   a. 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.
   b. The LTV ratio (between the loan balance and the value of the mortgaged property) will not exceed 70%.
   c. The outstanding balance of the loan to NOI ratio will not exceed, at any time, 8.5.
4. With regard to an undertaking to the bank, the balance of which at December 31, 2024 is NIS 896 million, the Company undertook that the LTV ratio between the outstanding balance of credit and the value of the Company's rights in specific land (excluding VAT) will not exceed 80%.

As at December 31, 2024 and 2023, the Company is in compliance with the contractual restrictions and financial covenants.

D. Additional information:

1. Liens - see Note 23.B.
2. For further information see Note 26.
3. For information about current maturities, see Note 15.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 21 – Income Tax

A. Composition of deferred taxes, net:

	Deferred taxes for				
	Investment property	Temporary differences for inventory of apartments for sale and land	Losses from securities, losses for tax purposes and unrecognized expenses	Others	Total
Balance as at January 1, 2023	(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)
Movement in profit or loss in 2024	(360)	8	67	(5)	(290)
First-time consolidation	-	(112)	6	(7)	(113)
Balance as at December 31, 2024	(3,989)	(104)	203	(12)	(3,902)

Deferred taxes as at December 31, 2024 and 2023 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, 2024	December 31, 2023	December 31, 2022
Current taxes	(97)	(69)	(59)
Deferred taxes	(290)	(231)	(284)
Taxes in respect of previous years	(24)	(10)	(16)
Total	(411)	(310)	(359)

C. Tax rate:

Tax rate applicable to the Company: 23%

D. Tax of contractors:

According to the provisions of section 8A of the Income Tax Ordinance, recognition of income from the sale of apartments for tax purposes is on the date of completion of construction, and upon compliance with the conditions of section 8A of the Income Tax Ordinance. According to the provisions of section 18D of the Income Tax Ordinance, financing expenses and general and administrative expenses are charged to the cost of projects during the construction period, and are recognized as a tax deduction as part of the project costs upon recognition of profit for tax purposes. Losses from the sale of apartments are recognized based on actual sale and compliance with the conditions of section 8A of the Income Tax Ordinance.

E. Losses for tax purposes:

Losses for tax purposes carried forward to the following tax year of the Company and its subsidiaries, as at the balance sheet date, amount to NIS 972 million, of which the Company did not recognize deferred taxes in respect of carry-forward losses amounting to NIS 87 million.

F. Tax Assessments:

In December 2024, the Company signed a tax assessment agreement with the tax assessment officer for the 2019-2022 tax years. According to the agreement, the Company will pay NIS 36 million. Furthermore, part of the financing expenses that the Company required in those years was not recognized as current expenses, and on the other hand, part were spread over several years. In February 2025, the tax liability was paid.

G. Main tax issues under dispute:

1. In December 2024, the tax assessment officer issued best judgment tax assessments to another wholly owned subsidiary of the Company for the 2019-2022 tax years under which a liability for tax payments amounting to NIS 28 million was added, mainly for certain non-permissible financing expenses. The Company disagrees with these assessments and intends to appeal them.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 21 – Income Tax (Cont.)

G. Main tax issues under dispute (cont):

2. 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 District Court. In December 2024, the court ruled that the Company's objection was largely accepted, mainly the dividends that the tax assessment officer claimed were taxable are tax-exempt. Regarding the financing expenses which the tax assessment officer claimed are not recognized, the court ruled that the Company should re-discuss the matter with the tax assessment officer to try to reach a compromise, and if the parties fail to reach a compromise, the matter will return to court.

3. In 2023, the tax assessment officer issued best judgment tax assessments to a wholly owned subsidiary of the Company amounting to NIS 103 million for the 2015-2019 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 District Court. In September 2024, the court ruled that the Company's objection was largely accepted, mainly the dividends that the tax assessment officer claimed were taxable are tax-exempt. Regarding the financing expenses which the tax assessment officer claimed are not recognized, the court ruled that the Company should re-discuss the matter with the tax assessment officer to try to reach a compromise, and if the parties fail to reach a compromise, the matter will return to court.

   The Company, with the advice of its advisors, recognized tax provisions in its financial statements (including those set forth above), the balance of which as at December 31, 2024 was NIS 184 million.

H. 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, 2024	**December 31, 2023**	**December 31, 2022**
Income before income taxes and equity gains	1,928	1,328	1,712
Corporate tax rate applicable to the Company	23%	23%	23%
Theoretical tax	444	305	394
Tax addition (saving) for:			
Unrecognized expenses (exempt income), net	22	24	13
Taxes in respect of previous years	24	10	16
Provisions for which deferred taxes were not recognized	(8)	4	17
Benefit from previous periods not recognized before, that were used to reduce deferred and current tax expenses	(35)	-	(5)
Difference between accounting of assets as reported for tax purposes and accounting of assets as reported in the financial statements	(40)	(38)	(68)
Other provisions	4	5	(8)
Total	411	310	359

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 22 – Other Liabilities and Provisions

Composition:

	December 31, 2024	December 31, 2023
Deposits from tenants (a)	25	25
Equipment renewal reserve (b)	5	4
Liabilities for levies (c)	71	31
Liability for lease	3	-
	104	60

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

NOTE 23 – Contingent Liabilities, Liens, Guarantees 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, the court issued a judgment dismissing most of the plaintiffs' claims, ruling an amount of NIS 14 million in their favor, half of which (NIS 7 million) was paid to the plaintiffs on that date and half was deposited with the court at the Company's request. The parties appealed the judgment with the Supreme Court. On October 31, 2024, a hearing was held on the appeal, at the end of which the parties agreed to accept the court's proposal, for settlement purposes, which means reducing the amount that was ruled, in 2023, against British as aforesaid, by 50%. The NIS 7 million that was deposited with the court as aforesaid was returned to the Company accordingly.

B. Liens

Assets valued at NIS 17.3 billion were pledged to secure repayment of credit from banks, financial institutions and debentures.

C. Guarantees

Aviv by Melisron provided the Company with unlimited guarantees to secure the liabilities of its subsidiaries under evacuation-construction agreements.

Aviv by Melisron and subsidiaries also pledged their rights in certain projects in a fixed first-degree lien unlimited in amount, and subsidiaries also pledged all their assets in a floating lien, in favor of various banks and institutional entities, to secure funds that banks and financial institutions may require to be paid by apartment buyers for whom the banks and financial institutions have issued guarantees in accordance with the Sale (Apartments) (Assurance of Investments of Apartments Buyers) Law, 1984, amounting to NIS 362 million.

D. Contracts

1. Regarding agreements with stakeholders, see Note 33.
2. On December 30, 2024, the special general meeting of Company shareholders approved (further to approval by the audit committee and board of directors of the Company on November 19, 2024 and November 21, 2024, respectively) an extension of the Company's agreement (by way of renewal of the previous agreement that ended on December 31, 2024, with the necessary adjustments) with the controlling shareholder of Ofer Investments Ltd., according to which the Company will provide Ofer Investments Ltd. with real estate appraisal and management, payroll accounting and human resources, and information systems services in predefined volumes by the Company's employees, in return for NIS 150 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 three years from January 1, 2025.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 23 – Contingent Liabilities, Liens, Guarantees and Agreements (cont.)

D. Contracts

3. 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 Ofir 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 agreement term was extended for another three years from November 1, 2022 (meaning 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. Allotment of options according to Note 25.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.

4. On April 18, 2024, a special general meeting of Company shareholders approved (subsequent to approval by the Company's compensation committee and board of directors) the Company's revised officers compensation policy, adjusted to the changes in the Company and the market from the date of adoption of the Company's previous compensation policy the "Compensation Policy"). The Compensation Policy is for a 3-year term from the date of approval by the general meeting.

5. 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 33 below.

E. Power consumption agreements:

In February 2023, the Company entered into two separate agreements for the provision of most of the power consumption of its properties from renewable energy sources and is eligible to acquire an International Renewable Energy Certificate 205, from Doral Power from Nature Ltd. and a wholly owned partnership of Shikun & Binui Energy Ltd. Under these agreements the Company will purchase, gradually starting from January 2024, power estimated (to date, subject to actual consumption and linked to the generation component as 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 period of 10 years. The agreements include generally accepted terms and mechanisms for agreements of this type, and including, termination of the agreements upon occurrence of generally accepted events, including in the event of material changes (as defined in the agreements) of the generation component that will be 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 War, 50% of the supply of green energy started in October 2024, and the balance will be supplied from March 2025. As a result, the Company signed an appendix to the green energy supply agreement, extending the original agreement by several months.

NOTE 24 - Capital

A. Share capital

1. Nominal share capital:

	Registered		Issued and paid-up	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Ordinary shares of NIS 1 par value each	75,000,000	75,000,000	47,581,013	47,516,911

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.

NOTE 24 – Capital (Cont.)

B. Additional information:

1. Distribution of dividends as from January 1, 2022:

Declaration date	Date of distribution	Dividend per share (agorot)	Amount (in 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
March 10, 2024	April 7, 2024	252.5	120
May 21, 2024	June 20, 2024	168.3	80
August 14, 2024	September 17, 2024	189.4	90
November 21, 2024	December 24, 2024	189.2	90

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 its amount will be made, if any, quarterly, subject to the provisions of the law regarding distribution of dividends and business considerations.
3. Issuance of capital:

   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.

NOTE 25 – 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 allotment 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 a Company share on October 31, 2022, which reflected the higher between: (a) The weighted average closing price of a Company share in a representative period of 30 trading days preceding the grant date; (b) the price of a 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. This amount is recognized to profit or loss over the vesting period.

   The options will be converted into Company shares using the cashless method.
2. On September 19, 2024, the general meeting of Company shareholders approved (further to approval by the Company's compensation committee and board of directors) extending the exercise period of the original options allotted to the Company CEO under the initial one-year appointment to the position, without any other change to the terms of the options or their exercise price. The incremental fair value of the underlying benefit of respect of extension of the exercise period, is estimated at NIS 1 million, which was recognized to profit or loss in the reporting period.

NOTE 25 – Share-Based Payment (Cont.)

B. Officers, directors and other employees:

1. On March 10, 2024, the Company's board of directors approved (after obtaining the compensation committee's approval) the allotment of 13,619 options (non-marketable) convertible into Company shares to Company officers (not directors or the CEO). The options will be allotted 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, in accordance with the provisions of section 102 of the Income Tax Ordinance in a capital track, through a trustee. The options will be granted in a periodic grant format. The offerees will be eligible to exercise the proposed options 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 (7,243 options).

   b. Three years after the grant date of the options, the offerees will be eligible for the second tranche (6,376 options). The options will be exercisable within two years from their vesting date.

   The exercise price of each option was set at NIS 267.6 (subject to adjustments), deriving from the weighted average closing price of a Company share in a representative period of 30 trading days preceding the approval date of the allotment of options by the Company's Board of Directors, and reflects the higher between:: 1. The closing price of a Company share on the last trading day preceding the approval date of allotment of the options by the Company's Board of Directors. 2. The weighted average closing price of a Company share in a representative period of 30 trading days preceding the approval date of the allotment of options by the Company's Board of Directors. The fair value of the underlying benefit of the options is estimated at NIS 1 million, recognized to profit or loss over the vesting period.

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

2. On March 12, 2023, the Company's board of directors approved (after obtaining the compensation committee's approval) allotment of 163,017 options (non-negotiable) convertible for Company shares, to 6 officers (who are not directors or CEO) and 29 managers and other employees of 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 a Company share on March 9, 2023 and reflects the higher between: 1. The weighted average closing price of a Company share in a representative period of 30 trading days preceding the approval date of allotment of the options by the Company's Board of Directors. 2. The closing price of a Company share on the last trading day preceding the approval date of allotment 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 25 – Share-Based Payment (Cont.)

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 officers, 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 offerees will be eligible to exercise the proposed options 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 (7,332 options).
   b. Three years after the grant date of the options, the offerees 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 a Company share on November 11, 2021 and reflects the higher between: 1. The weighted average closing price of a Company share in a representative period of 30 trading days preceding the approval date of allotment of the options by the Company's Board of Directors. 2. The closing price of a Company share on the last trading day preceding the approval date of allotment of the options by the Company's Board of Directors. The fair value of the underlying benefit of the options allotted 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 allotted to seven officers who report directly to the CEO (whereas for two of them, the allotment is subject to and after exchange of existing options allotted to them (35,558 options) on March 22, 2020, and a tax decision made in connection with exchange of the options and allotment of new options), and (b) 98,112 options were allotted to 26 directors and other employees of the Company and its subsidiaries (non-officers of the Company). The options were actually allotted on March 11, 2021. 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 with respect to the officers (except two who report directly to the CEO for whom the allotment 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 allotment 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 directors: Two years after the grant date of the options to the other directors, 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 a Company share on March 25, 2021 and reflects the higher between: 1. The weighted average closing price of a Company share in a representative period of 30 trading days preceding the approval date of allotment of the options by the Company's Board of Directors. 2. The closing price of a Company share on the last trading day preceding the approval date of allotment of the options by the Company's Board of Directors. The options will be converted into Company shares using the cashless method.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 25 – Share-Based Payment (Cont.):

C. Further information about the granted options:

	As at December 31, 2024		As at December 31, 2023	
	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	504,596	221.71	433,987	211.94
Granted	13,619	267.60	163,017	231.80
Forfeited	-	-	16,115	252.85
Exercised	159,948	201.18	76,293	181.09
Outstanding at the end of the period	358,267	232.62	504,596	221.71
Exercisable at the end of the period:	153,967	224.86	158,389	209.69

NOTE 26 - 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 necessarily a reasonable approximation of their fair value:

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Marketable debentures	11,524	11,114	10,563	10,055
Long-term fixed-interest loans	549	529	562	538

1. The fair value of the marketable securities is based on prices quoted on an active market at the date of the balance sheet. The fair value also takes into account the ex-day prior to balance sheet date and the carrying amount of the debentures includes a premium discount and interest payable. The carrying amount of the loans include interest payable.

NOTE 26 - Financial Instruments (Cont.)

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 assets or liabilities

b) Level 2 - inputs other than quoted prices included within Level 1 that are observable, 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, 2024	375	-	-	375
Marketable securities as at December 31, 2023	358	-	-	358

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 rate 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.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 26 - Financial Instruments (Cont.)

D. Risk management policy (cont.):

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.

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

December 31, 2024		Maturity dates				
	Stated interest rate (%)	Up to one year	Between 1-3 years	Between 3-5 years	More than 5 years	Total
Short-term loans from banks and others	-P -1.35% P+1%	294	7	8	-	309
Trade and other payables, and tax provisions	-	889	369	222	215	1,695
Debentures	0.25-3.61	1,482	3,438	3,285	3,307	11,512
Long-term loans from banks and others	1.77 to P+0.7%	32	1,930	65	386	2,413
Total		2,697	5,744	3,580	3,908	15,929

December 31, 2023		Maturity dates				
	Stated interest rate (%)	Up to one year	Between 1-3 years	Between 3-5 years	More than 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 to P+0.6%	828	63	63	405	1,359
Total		2,762	4,966	2,287	3,197	13,212

* For information about the linkage bases of financial liabilities, see also Notes 15, 19 and 20.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 26 - Financial Instruments (Cont.)

D. Risk management policy (cont.):

b. Sensitivity analysis of the fair value of key financial instruments as at December 31, 2024:

1. Sensitivity to changes in prices of marketable securities:

	Income (loss) from changes in market factor		Fair value	Income (loss) from changes in market factor	
Sensitive instruments	+10%	5%		-5%	-10%
Short-term financial assets as at December 31, 2024	38	19	375	(19)	(38)
Short-term financial assets as at December 31, 2023	36	18	358	(18)	(36)

- The securities held by the Company are marketable securities with a market price. Their fair value as at December 31, 2024 was calculated by multiplying the market price on December 31, 2024 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, 2024	348	116	11,607	(116)	(348)
Linked marketable debentures as at December 31, 2023	296	99	9,874	(99)	(296)

	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, 2024	16	5	549	(5)	(16)
Long-term fixed-interest loans as at December 31, 2023	17	6	562	(6)	(17)

* The balances include interest payable and exclude the balances of the Debentures (Series O) of the Company as at December 31, 2023 as they are not CPI-linked (in 2024, Debentures (Series O) were redeemed in full),

3. Sensitivity of the Company's liabilities to interest rate changes:

	Resulting increase in liabilities From an interest increase		Carrying amount	Resulting decrease in liabilities From an interest decrease	
	+1%	0.5%		-0.5%	-1%
Prime-linked loans as at December 31, 2024	16	8	2,009	(8)	(16)
Prime-linked loans as at December 31, 2023	8	4	789	(4)	(8)

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 26 - Financial Instruments (Cont.)

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 (in Israel and abroad).
2. Up to 15% debentures with a BBB rating or unrated, through foreign mutual funds and portfolio managers only.
3. Up to 50% debentures with an A rating.
4. At least 25% debentures with an AA rating and above and/or government bonds and/or money market funds.
5. Up to 15% of the portfolio in foreign currency.
6. Duration of up to 5 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.

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, or 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, P and 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 minority interests.

As at December 31, 2024, the Company's equity is NIS 12.3 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 27 - Revenue

Composition:

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Rental fees	1,472	1,300	1,208
Management fees	359	332	300
Electricity	128	122	115
Apartment sales and provision of construction services to landowners	25	-	-
Services and miscellaneous	32	49	50
Total	2,016	1,803	1,673

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 28 - Cost of Sales

Composition:

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Salaries and benefits	52	63	64
Maintenance expenses	174	160	146
Electricity	126	123	113
Depreciation	14	6	3
Advertising and marketing	28	25	25
Apartment sales and provision of construction services to landowners	22	-	-
Levies and mandatory payments	43	46	41
Others	41	39	41
Total	500	462	433

NOTE 29 – General and Administrative Expenses

Composition:

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Salaries and benefits	41	37	40
Cost of share-based payment	9	8	5
Professional and consulting fees	10	9	9
Compensation to chairperson of the board	5	3	3
Depreciation	2	5	5
Others	16	15	14
Total	83	77	76

NOTE 30 - Other Income (Expenses), Net

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Amortization of original difference in respect of the investment in Grouper	-	(50)	(9)
Partial return on account of the investment in Grouper	-	7	-
Others	(13)	(31)	(10)
Total other expenses, net	(13)	(74)	(19)

NOTE 31 - Financing Income (Expenses), Net

Composition:

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
1. Expenses for:			
Interest and linkage on debentures	609	503	639
Interest and linkage on long-term loans from banks and others	100	80	44
Short-term loans	5	5	2
Others	14	10	36
	728	598	721
Less financing capitalized to cost of eligible assets	(62)	(62)	(49)
	666	536	672
2. Income for:			
Short-term financial assets and interest on deposits	87	53	9
Long-term loans provided	-	2	14
Loans to equity-accounted companies	12	11	10
	99	66	33
Total financing expenses, net	567	470	639

NOTE 32 – Earnings per Share

Basic earnings per share:

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, 2024	December 31, 2023	December 31, 2022
Calculation of basic earnings per share:			
Earnings per year attributable to ordinary shareholders	1,531	1,037	1,391
Weighted number of shares used to calculate earnings per share:			
Weighted number of shares used to calculate basic earnings (par value in thousands)	47,530	47,498	47,480
Weighted number of shares used to calculate diluted earnings (par value in thousands)	47,595	47,550	47,557
Basic and diluted earnings (NIS)	32.22	21.84	29.30

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 33 - Controlling Shareholders, and Related and Interested Parties

A. Income (Expenses):

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Financing income from loans to equity-accounted companies	12	11	10
Income from provision of services to the controlling shareholder	1	1	1
Income from management fees from an equity-accounted company	1	1	-
Rent and related expenses	(2)	(2)	(2)

B. Fees and salary:

	No. of recipients in 2024	Year ended		
		December 31, 2024	December 31, 2023	December 31, 2022
Salary and benefits of interested parties*	2	14	11	9
Fees of directors not employed in or on behalf of the Company	6	2	1	1

* In 2024, including the cost of share-based payments of NIS 3 million (in 2023 - NIS 3 million and in 2022 - NIS 1 million).

C. Balances:

	December 31, 2024	December 31, 2023
Loans to equity-accounted companies	178	174

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

1. On April 18, 2024, 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 years, from the date of approval by the general meeting. The appointment percentage will be 100% and the monthly consideration for the services amount to NIS 250,000 linked to the CPI of December 2023. The maximum annual bonus of the chairperson of the board, subject to full compliance with measurable goals as specified in the compensation policy, will be equal to 10 monthly management fee payments. The chairperson of the board will also be entitled to letters of exemption and indemnification, and inclusion in officers' insurance policy under the same terms as the other Company officers.
2. For information about the Company CEOs employment terms, see Note 23.C.3.
3. The Company leases 400 sq.m to a related party at market prices.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 34 - Changes in Liabilities From Financing Activities

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

	Debentures	Loans from banks	Total cash flow from financing activities
Balance as at January 1, 2023	9,843	1,355	
Issue of debentures (less issue 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	
Amortization of premium	(15)	-	
Others	-	(26)	
Balance as at December 31, 2023	10,491	1,457	
Issue of debentures (less issue expenses)	2,186	-	2,186
Repayment of Debentures	(1,615)	-	(1,615)
Repayment of long-term loans from banks and others	-	(38)	(38)
Short-term loans from banks and others, net	-	57	57
Total changes in cash flows from financing activities	571	19	590
Revaluation of financial liabilities	349	24	
First-time consolidation	-	1,219	
Discount reduction	5	-	
Others	13	-	
Balance as at December 31, 2024	11,429	2,719	

NOTE 35 - Segmental Reporting

A. General:

The system of reports forwarded to the Company's key decision makers (the CODM in terms of IFRS 8 standard), 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. Up to and including the financial statements as at September 30, 2024, the Company reported on the income-producing property and another segment that included the residential and urban renewal segment real estate development and construction operations as well as the Company's digital operations. As specified in Note 11, in the fourth quarter of 2024, the Company finalized a transaction for the acquisition of all Aviv by Melisron shares. Due to the strategic importance placed by the Company on this investment, the Company started presenting the development operations (including residential and urban renewal real estate development and construction) as a reportable segment, as from these financial statements, while the CODM reviews the development segment's results without amortization of surplus costs. The comparative figures were adjusted retrospectively whereby in all comparison periods, this segment is presented as a reportable segment and Aviv by Melisron's results are presented at 100% (while canceling Aviv by Melisron's contribution to expenses for periods in which the Company held Aviv by Melisron at a rate of 50% in the Adjustments column). Furthermore, due to discontinuation of Grouper's operations, the Company's CODM stopped reviewing the results of the digital operations separately, but as part of the marketing expenses of the Company's malls. As a result, this segment is no longer in the Company's financial statements, while retrospective adjustment were made to the comparative figures. The segmental figures also include the operations of companies, according to the Company's share of these companies (other than the foregoing regarding Aviv by Melisron), and are canceled in the Adjustments column.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 35 - Segmental Reporting (Cont.)

B. Analysis of results by operating segment:

	Year ended December 31, 2024				
	Income-producing property	Residential development	Total	Adjustments	Consolidated
Revenue from external sources	2,040	129	2,169	(153)	2,016
Expenses	472	112	584	(84)	500
Sector results (gross profit)	1,568	17	1,585	(69)	1,516
Increase in value of real estate for investment, net	1,147	-	1,147	(61)	1,086
General and administrative expenses					83
Advertising and Marketing Expenses					11
Other expenses					13
Company's share of profits of companies, net					62
Operating profit					2,557
Financing expenses, net					567
Profit before income tax					1,990

	Income-producing property	Residential development	Total	Adjustments	Consolidated
Segment assets:	27,178	2,214	29,392	623	30,015
Unallocated assets (*)					1,252
Total					31,267
Segment liabilities	17,498	1,496	18,994	(35)	18,959
Information on additions to non-current assets	475	48	523	(42)	481

* Cash and cash equivalents of NIS 862 million, deposit in trust of NIS 15 million, and short-term financial assets of NIS 375 million.

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 35 - Segmental Reporting (Cont.)

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

	Year ended December 31, 2023				
	Income-producing property	Residential development	Total	Adjustments	Consolidated
Revenue from external sources	1,827	470	2,297	(494)	1,803
Expenses	451	389	840	(378)	462
Sector results (gross profit)	1,376	81	1,457	(116)	1,341
Increase (decrease) in value of investment property, net	647	(1)	646	(22)	624
General and administrative expenses					77
Advertising and Marketing Expenses					16
Company's share of profits of companies, net					34
Other expenses, net **					74
Operating profit					1,832
Financing expenses, net					470
Profit before income tax					**1,362**

	Income-producing property	Residential development	Total	Adjustments	Consolidated
Segment assets:	25,539	2,197	27,736	(1,599)	26,137
Unallocated assets (*)					983
Total					27,120
Segment liabilities	16,174	1,426	17,600	(1,528)	16,072
Information on additions to non-current assets	1,158	1,412	2,570	(1,438)	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, 2024 (NIS millions)

NOTE 35 - Segmental Reporting (Cont.)

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

Year ended December 31, 2022

	Income-producing property	Residential development	Total	Adjustments	Consolidated
Revenue from external sources	1,686	257	1,943	(270)	1,673
Expenses	415	207	622	(189)	433
Sector results (gross profit)	1,271	50	1,321	(81)	1,240
Increase in value of real estate for investment, net	1,315	5	1,320	(96)	1,224
General and administrative expenses					76
Advertising and Marketing 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 income tax					**1,801**

	Income-producing property	Residential development	Total	Adjustments	Consolidated
Segment assets:	24,072	1,305	25,377	(724)	24,653
Unallocated assets (*)					868
Total					25,521
Segment liabilities	15,239	600	15,839	(686)	15,153
Information on additions to non-current assets	732	71	803	(72)	731

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

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 35 - Segmental Reporting (Cont.)

C. Additional information for the segment results:

	Year ended December 31, 2024				
	Income-producing property	Residential development	Total	Adjustments	Consolidated
Financing expenses	678	4	682	(16)	666
Tax expenses (income), net	431	(2)	429	(18)	411

	Year ended December 31, 2023				
	Income-producing property	Residential development	Total	Adjustments	Consolidated
Financing expenses	547	5	552	(16)	536
Tax expenses, net	319	14	333	(23)	310

	Year ended December 31, 2022				
	Income-producing property	Residential development	Total	Adjustments	Consolidated
Financing expenses	682	8	690	(18)	672
Tax expenses, net	385	9	394	(35)	359

Notes to the Financial Statements as at December 31, 2024 (NIS millions)

NOTE 35 - Segmental Reporting (Cont.)

D. Analysis of revenue by type of use:

	Year ended		
	December 31, 2023	December 31, 2023	December 31, 2023
Retail space	1,501	1,369	1,282
Office and hi-tech parks	490	415	362
Residential development	25	-	-
Other	-	19	29
Total	2,016	1,803	1,673

NOTE 36 – Subsequent Events

A. Declared dividends:

On March 9, 2025, the Company's board of directors declared the distribution of dividends amounting to NIS 90 million, which were paid on April 10, 2025.

B. On March 9, 2024, subsequent to the balance sheet date, the Company's board of directors approval the allotment of 198,471 options (non-marketable) convertible to Company shares to six Company officers (not directors or CEO) and to 36 managers and other employees of the Company and its subsidiaries, under an employee plan published on March 13, 2023, TASE approval for listing the exercised shares deriving from the exercise of the options for trading.

Chapter B

Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2024

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, 2024 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 9, 2025.

Dear Investors,

We are pleased to present to you Melisron's Periodic Report for the Year ended December 31, 2024.

Melisron summarizes 2024 as a year that presented financial results with increased profitability and operational parameters, continuing the shopping mall turnover growth trend and maintaining stable high occupancy of the Company's properties.

The Company continues to develop and grow in accordance with our long-term strategy by maintaining the diversity of our sources of revenue and improving our properties. The excellent results testify to the Company's abilities and robustness, and to the high quality management and trust that we earn from our business partners and customers.

We are promoting projects with significant value potential in the residential sector with completing the acquisition of Aviv Melisron, and in the Company's retail and office properties segments. All of these are expected to continue to strengthen the Company's robustness, to preserve its stable foundation and to establish its growth engines for the coming years.

We believe in the resilience of the Israeli economy and its power to prosper, and look forward to times of stability, security and growth for the Israeli economy and society.

Thank you for your trust.

Liora Ofer

Chairman of the Board of Directors

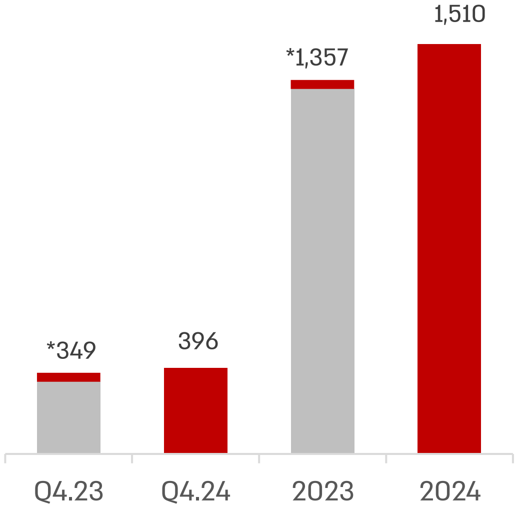
Melisron – In numbers

Equity and debt Data	NIS 14.8 billion Market value at March 6, 2025	AA/Stable Credit rating	3.40 Average duration of debt	2.35% Effective average linked interest
18 Shopping malls	536 thousand sq. m + 20,000 parking spaces Managed leasable area	2,400 Tenants	NIS 17.9 billion Managed property value	99.5% Occupancy rate
6 High-tech parks + office in malls	499 thousand sq. m + 8,000 parking spaces Managed leasable area	370 Tenants	NIS 9.5 billion Managed property value	92.8% Occupancy rate
5 Single-tenant properties	41 thousand sq. m Managed leasable area	NIS 1.2 billion Managed property value	100% Occupancy rate	
Properties under construction	62 thousand sq. m GLA (Company's share)	NIS 105 million Expected fully generated NOI (Company's share)		
Properties under development	84 thousand sqm GLA (Company's share)	NIS 117-128 million Expected fully generated NOI (Company's share)		
Residential	4,400 apartments - construction expected	NIS 13.2 billion expected income from development activities (100%)	NIS 2.2 billion Eexpected gross profit (100%)	

Company's Results for 2024

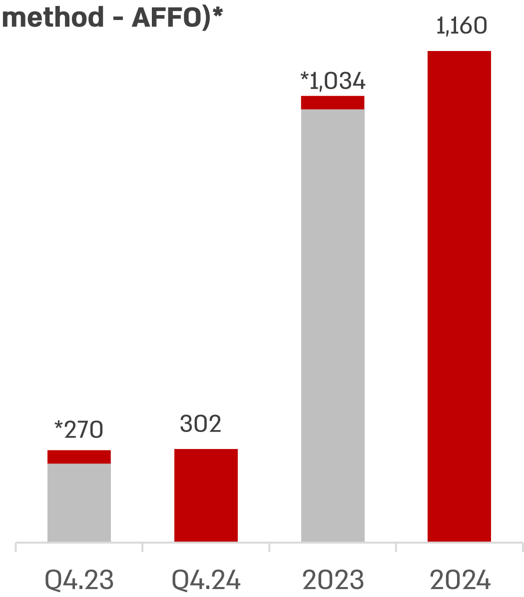
and Q4 2024, compared with the corresponding period in 2023 (NIS million)

NOI (Shareholders' share)



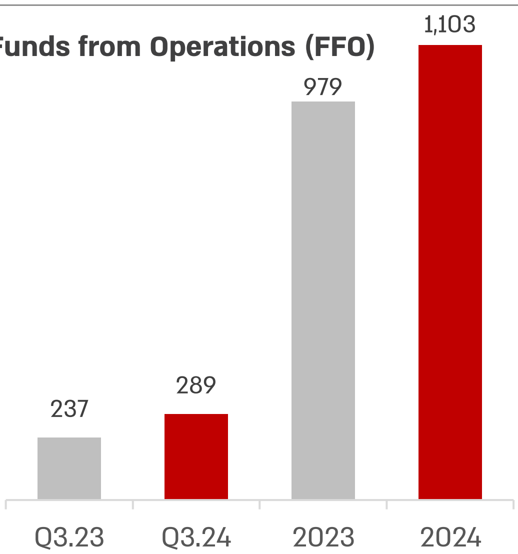
* Net of the concessions based on the Iron Swords relief plan, NIS 1,326 million in 2023 and NIS 318 million in Q4 2023.

FFO (according to management method - AFFO)*

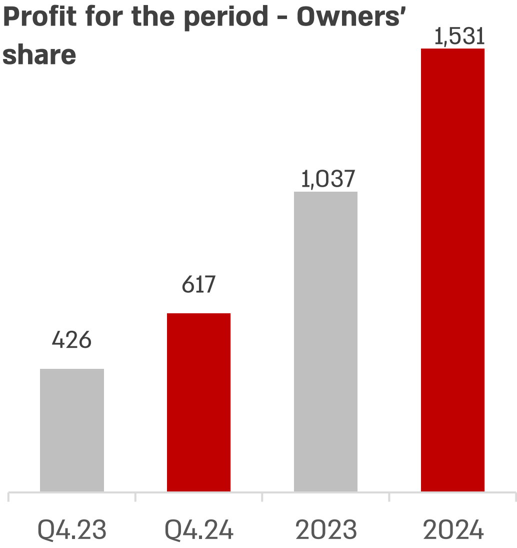


* Net of the concessions based on the Iron Swords relief plan, NIS 994 million in 2023 and NIS 241 million in Q4 2023.

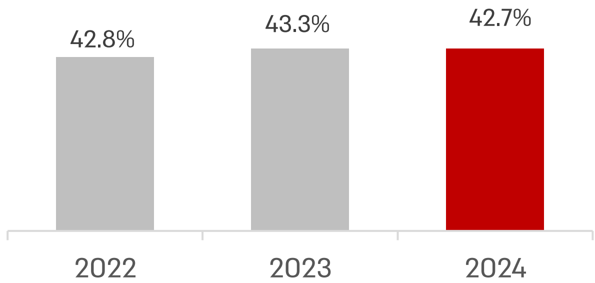
Funds from Operations (FFO)



Profit for the period - Owners' share



LTV rate



* FFO according to the methods of the Israel Securities Authority totaled NIS 806 million and NIS 303 million in 2024 and Q4 2024, respectively. See the chapter on FFO in this Directors' Report.

Statement by the CEO

In 2024 the State of Israel continued to confront the war that began with the Hamas attack on October 7, 2023, and its development into an all-out war on several fronts. The war impacts the country and Israeli society from the security, political, economic and social perspectives, that will persist in the coming years. Notwithstanding these challenges, the Company presented very good results.

In 2024, the turnovers in the Melisron malls increase by an extraordinary rate of 13% compared with last year. The Company estimates that this increase is, among other things, due to a few factors: decrease in the number of Israelis traveling abroad compared with the pre-war period; consistent better mix and improved appearance of the Company's malls; decline in online purchasing from abroad due to shipment difficulties; and concentration of the population in the center of the country due to the evacuation of towns and villages from the north and from the Gaza border area.

In 2024, the Company presented continued growth in all operating measures:

Net operating income (NOI) - the shareholders' share increased by 14% and amounted to NIS 1.5 billion, funds from operations (FFO) increased by 12% and amounted to NIS 1.16 billion. Based on the Q4 2024 data, the annual NOI amounts to NIOS 1.6 billion and the FFO amounts to NIS 1.2 billion. This year the real growth trend in leasing fees, as recorded in previous years continued, and rose by an average rate of 6% (in new contracts, contract renewals and exercise of options).

During the year, 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, on October 31, 2024, the transaction was completed for the acquisition of the other 50% of Aviv Melisron Ltd. (formerly: Aviv Real Estate Development and Management Ltd.) for consideration of NIS 625 million (based on company value of NIS 1.25 billion), so that as of that date, the Company holds 100% of Aviv Melisron. The Company considers Aviv Melisron to be a significant engine for the Company's business development and for diversification of its sources of revenue. In 2024, Aviv Melisron won several residential tenders for additional urban renewal projects, increasing the backlog of residential apartments by 820 units, so that to date, the backlog of apartments at various stages is 4,200 units. Furthermore, Aviv Melisron is preparing to start construction of eight additional projects, so that in 2025 there will be a total of ten projects under construction with total number of 1,270 residential apartments. Aviv Melisron's sales in 2024 amounted to 182 apartments and the proceeds amounted to NIS 751 million.

At the same time, the Company continues to construct and hand over occupation of projects under construction:

- In the Landmark Tel Aviv project, construction of Tower A was completed in April 2024, bringing the development phase of this part of the project to an end, where to date of publication of this report, 95% of the space has been marketed. At the same time, the Company is continuing the construction of Tower B, which contains 42.5 thousand sq. m of office space, 3,800 sq. m of retail space and 116 residential apartments. Construction is expected to be completed at the end of 2026 (the residential section in the first quarter of 2027). Upon completion of the construction of Tower A in the second quarter of 2024, the Company recognized, for the first time, revenue from the leased spaces in the Tower.
- In the Ofer Nof Hagalil complex, construction began of 21,000 sq. m additional retail space, which will double the current retail space in the complex, significantly improving tenant mix and is expected to contribute NIS 33 million annually to NOI (Company's share is 90.9%). The Company reached retail contracts with tenants for most of the space in the complex. After full occupation of the new retail space, the annual NOI for the complex will amount to NIS 68 million.
- The Company is progressing with the construction of the Ofer Yavne shopping center that will contain 17,000 sq. m of retail space (almost all of which has been marketed) and 7,300 sq. m of office space, which are expected to contribute NIS 32 million annually to NOI (Company's share is 70%). Construction is expected to be completed in 2027.
- In the Tel Aviv Lincoln project, the Company has completed the process for approval of the new master plan for transferring and increasing the rights from 17 thousand sq. m to 25.5 thousand sq. m, for the construction of an office tower at this location. The project is now in advanced planning stages.

Furthermore, the Company is continuing to upgrade the façade of its existing properties and to improve the tenant mix and diversity in the Company's malls. As part of this, the Company will continue to improve the tenant mix in the Ofer Kiryon mall. In the Petah Tikva Ofer Grand Mall, the Company is preparing to invest NIS 65 million in 2025 to renovate the public areas. In Ofer Ramat Aviv, the Company is expected to complete the construction of the third retail floor in Q2 2025, that will enable it to introduce new brands and enhance the customer experience in the mall. At the same time, the Company is continuing to make progress with the master plans and permits for other projects, such as Ofer Carmel and Ofer Yokne'am.

In the financial sector, in February 2025, S&P, Maalot raging agency upgraded the Company's rating from AA- to AA.
The rating report emphasized that the rating upgrade is due to the improved business profile, significant increase in the properties portfolio and improvement of the segmental diversification.

In addition, during the year, the Company refinanced bank loans and expanded debentures series for an aggregated amount exceeding NIS 3.5 billion, of which the Company paid off by early redemption Company debentures in an amount of NIS 1.1 billion, and executed an exchange tender offer in the amount of NIS 0.6 billion.

We thank our investors and hope for the speedy return of all the hostages.

Effects of the War

On October 7, 2023, the Hamas terror organization launched a murderous attack against the State of Israel, leading to the outbreak of a multi-front war. The war was waged for many months until ceasefires were reached in the northern front at the end of November 2024 and in the southern front in January 2025.

The main effects of the war on the Company's businesses:

Shopping malls and shopping centers – the war caused much uncertainty in the market economy as well as in the shopping mall and shopping center operations, nonetheless a derivative effect of the war was that most Israelis refrained from traveling abroad, which led to an increase in consumption in Israel. Consequently, and as a result of the consistent improvement of the tenant mix, significant growth of 13% was recorded in tenant proceeds in the reporting period.

Since mid-September through to signing of the ceasefire agreement at the end of November, as a result of increasing direct fire in the north, proceeds at the Company's malls and shopping centers located in Haifa and northward, declined. Since the ceasefire came into effect through to date of publication of this report, operations at the shopping malls and centers in the north has returned to normal.

High-tech parks and office – the slowdown in high-tech market that began at the beginning of 2023 continued during the war period, which caused the demand for space to even out. However, recently it has become apparent that the market has recognized stability and a positive outlook, and accordingly, the market has started to recover, especially in the high-demand areas of Tel Aviv.

Construction and residential – the construction sites where the Company operates have returned to full operation, however, the shortage of workers in certain fields continues to have impact. The foregoing shortage of workers raises concerns about continuation of construction work and certain increase in the cost of construction work, especially in the residential sector of the Aviv Melisron.

It is emphasized that the CEO's statement concerning assessments, forecasts and expectations regarding the continuation of the Company's operations and property development, including with regard to Ofer Kiryon, Ofer Ramat Aviv, Ofer Rehovot, Ofer Hacarmel and Ofer Yokne'am, as well as the Company's foregoing goals and objectives and expected NOI and construction completion dates, Ofer Nof Hagalil and Ofer Yavne, the Company's plans regarding the Tel Aviv Lincoln project, the estimated investment in the Petah Tikva Ofer Grand Mall, Aviv Melisron's expected new construction starts, and the Company's review of the effects of the war on its operations and financial results, including with regard to the value of its properties, 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 changes in market conditions, including changes in market conditions, the length of time it will take to approve building plans for execution and the prices of construction inputs, the uncertainty caused by the nature and duration of the war, as well as the manifestation of risk factors as described in section 30 of Chapter A in this periodic report.

Implementation of the Company's Strategic Plan

Company Goals and Objectives

The Company operates and manages its business affairs with the aim of generating value for its investors by generating 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:

- It frequently invests in renewing and improving of the façade of the properties, diversifying and adjusting the store mix, improving existing properties and utilizing the existing rights in them.
- Planning and construction of projects, including residential and urban renewal projects.
- Seeking opportunities for acquiring properties and land in the Company's operating segments.
- 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 and banks.

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 by improving existing properties through mixed uses as well as through development of residential building and urban renewal projects.

In 2024, the Company continued 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 and as a significant player in the office building 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:**
  - Expansion and renovation of stores in the Ramat Aviv Mall with emphasis on continuing construction of the third floor of the mall that will enable introduction of stores that will improve the mall's tenant mix, further deep changes in the tenant mix in the Ofer Kiryon mall, which started in 2020, most of which is expected to be completed this year, changes in the tenant mix and commencement of the NIS 65 million budget overall renovation of the Ofer Grand Mall in Petah Tikva, and renovation and improvement of the façade of several additional properties of the Company.
- Completion of construction of Tower A in the Landmark project and continuing construction of Tower B.
- Beginning construction of the expansion of the Ofer Nof Hagalil complex that is expected to become one of the largest and leading complexes in the area, and beginning of construction of the Ofer Yavne Mall, where most of the retail space in these two complexes have already been marketed. In addition, this year the Company completed the construction of the Jumbo and Fox Home building at Hutzot Hamifratz and is expected to complete construction of another building in this complex at the beginning of 2025 (Company's share is 50%).
- **Projects that support the Company's core operations:**
  - Later in the year, the Company continued the development and improvement of the Company's customer club app, My Ofer, and towards the end of the year launched a special gift card for the Company's shopping malls, which will allow purchasing at any of the stores in the Company's 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:**
- **Development of new operating segments in the real estate sector:**

  Residential apartments for sale - during the year the Company acquired the additional 50% of Aviv Melisron and thus holds 100% of Aviv Melisron's shares. The Company considers Aviv Melisron, which operates in the housing for sale and urban renewal sector, as a significant addition to its operations and diversification of its revenue. For this purpose, Aviv Melisron is taking action to prepare for the expected growth in the coming years with construction starts on eight projects in 2025 and four additional projects in 2026 (in addition to the 2 projects currently under way), with the appointment of the new CEO, Mr. Tsahi Didi, and the modification of the Company's infrastructure and its human resources. Furthermore, Aviv Melisron plans to continue future business development, including bidding on new tenders for land and promoting other urban renewal projects. For further information concerning Aviv Melisron see the chapter on residential housing on page 17 of this Directors' Report and section 15 of Chapter A (Description of the Corporation's Business) that is attached to the periodic report.

  Moreover, the Company continues to monitor the market and follow up on opportunities for acquiring land and income producing properties.

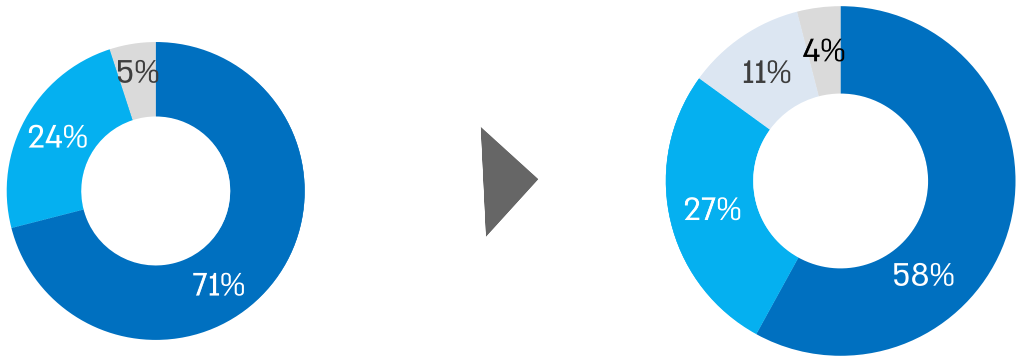
  For further information concerning these projects, see the chapter on future development of the Company's income-generating properties on page 15 of the Board of Directors' Report.

As at reporting date, the Company is working to advance and assimilate processes deriving from its strategic plan and implementation projects carried out in 2024, which may be changed and be revised from time to time in accordance with the current circumstances and changes in the Company's macroeconomic 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.

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, exploring new opportunities, and increasing building rights on existing land, constitute forward-looking information as this term is defined in the Securities Law, 1968, 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.

Company Operations by Category

According to NOI and NOI after completion of existing mid-term development and Aviv Melisron weighted operations



Current weight

Future weight

After full occupancy of the existing mid-term development projects and Aviv Melisron's operations; and subsequent to completing the acquisition

Retail | Office | Residential housing (Aviv Melisron) | Other

Comments:

- The Company's share in the residential housing segment is accounted according to projected average gross profit in 2025-2030
- The office space located in or adjacent to the malls are included under the office segment
- Classification to the Other category refers to buildings leased to a single tenant.

The Company's assessments regarding the weight of the Company's various operations (based existing and expected NOI and weighting of the residential housing segment) constitute forward-looking information, as defined in the Securities Law, 1968, and is 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 Melisron 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, a changing economic and geopolitical environment, changes in government policy and authorities acting on its behalf, Aviv Melisron'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 urban renewal projects and/or factors and risks involved in the operations of the Company and/or of Aviv Melisron 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.

Income-Generating Properties

The Income-Generating Properties

	Area (Company's share)	Occupancy rate	Value attributed To income-generating properties	Value attributed to rights and construction	NOI for reporting period	Weighted capitalization rate	Average tenancy	Percentage of NOI
	Thousands sq. m	%	NIS million	NIS million	NIS million	%	Years	%
Regional Malls	274	99.7%	11,840	208	777	7.03%	3.8	52%
Outlets and Power Centers	91	98.7%	2,044	375	131	7.08%	2.9	9%
Urban Malls	41	99.1%	773	104	54	7.55%	2.1	3%
Neighborhood Malls	68	99.8%	1,475	44	100	7.21%	2.8	6%
High-tech Parks and Office	400	92.8%	6,583	938	379	6.89%	4.1	25%
Single-Tenant Properties	42	100%	1,170	4	69	6.08%	7.9	5%
Total	**916**	**96.6%**	**23,885**	**1,673**	**1,510**	**6.98%**	**3.8**	**100%**

Notes:

1. The figures for high-tech and office parks include office space in the shopping mall buildings or adjacent to them.
2. Occupancy in the high-tech and office parks was affected by the inclusion of the Tel Aviv Landmark Tower A (subsequent to balance sheet date, two additional contracts were signed for 4,200 sq. m space), and this data does not include Nof Hagalil Building F, construction of which was recently completed and occupancy is 21%.

By 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 Adumim	Ofer Park Petah Tikva	IKEA Rishon LeZion
Ofer Kiryon	Hutzot Hamifratz	Ofer Lev Hadera	Ofer Harel	Ofer Park Yokne'am	Residential Clusters in Ashdod
Ofer Grand Haifa	Ofer Nof Hagalil		Ofer Kenyoter	Ofer Park Carmel	Hamashbir Zion Square
Ofer Grand Mall Petah Tikva	Ofer Hagiva		Ofer Sirkin	Ofer Millennium House buildings	BE Store Eilat Promenade
Ofer Rehovot			Ofer Marom Center	Tower A Landmark Tel Aviv	Sport and Country Club in Haifa
Ofer Grand Mall Be'er Sheva			Ofer Nahariya		

Profiles of Property Groups – Retail

1. Regional Spaces

A. Regional Malls

The regional malls usually have customers that also come from outside 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.
These complexes are mainly closed malls, but there are also open-air strip malls.

Key features 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, services and numerous and diverse shopping opportunities for the consumer.
- Access 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 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.

Key features:

- 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 private 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 space, and residential apartments.

B. 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. These complexes are open-air strip malls.

The main advantage of these complexes is the increase in consumption of discounted products.

Key features of outlet malls and power centers:

- These malls are built on large strips of land, making it possible to create large-scale surplus/outlet stores.
- Construction is relatively easy and inexpensive, relatively small proportion of built-up public areas, no need for multiple systems, resulting in low management costs.
- Availability of large parking lot.

* For office complexes in regional malls, see High-Tech and Office Parks.

1. Local Malls

A. 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 high-demand residential areas.
- They usually contain up to 20,000 sq. m in retail spaces.

The Company is working to transform urban malls into larger neighborhood malls by:

- changing the tenant mix by renting space to banks, external non-public schools, gyms, HMOs and clinics, neighborhood coffee-shops and any other services that meet the needs of the nearby community, with the aim of reinforcing their connection with the mall and accordingly to increase traffic and visit frequency.
- Obtaining UBP and regulatory approvals that will enable maximum use of these large reserves of land located in the city centers and use of the roofs of the malls to create mixed-use projects adjacent to the mall, such as residential apartments, office space, etc.

B. Neighborhood Malls

Key features of neighborhood malls:

- They are located within residential neighborhoods at walking distance (high frequency of visits).
- They offer opportunities for basic consumption that meet the needs of the immediate environment (the neighborhood).
- They are a rapidly accessible and available alternative, compared to regional malls that require transportation.

Over the past five years such malls have grown stronger, mainly due to the advantage of proximity and consumption of leisure and entertainment options close to home.

2. Mall Revenue by Sector, 2024

מוצרי צריכה 76%

- 48% אופנה והלבשה
- 4% בתי כלבו
- 5% סופרמרקטים
- 19% אחר

שירותי בריאות ועסקים 13%

- 6% נותני שירות פרטיים
- 6% מרפאות ופארם
- 1% מלונאות

פנאי וחוויה 11%

- 9% הסעדה ובתי קפה
- 1% בתי קולנוע
- 1% חדרי כושר

3. Trends in the Retail Shopping Sector

The retail shopping sector in malls continues to show growth in 2024, continuing the trend noted in recent years, despite the economic uncertainty due to the war. The year 2024 ended with a 13% increase in tenant sales compared with 2023.

At the same time, it should be noted that the growth was not uniform due to the increase in rocket fire in the north. From October to the ceasefire in November, a decline was recorded in tenant sales in the malls in the north (from Haifa northwards) while in the other parts of the country, growth continued.

The Company estimates that the increase in tenant sales 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 due to the scarcity of flights, a heightened sense of personal security compared to the beginning of the war, and the population's desire to return to normal alongside the war.

The main trends in the retail sector in 2024 and as at date of publication of the report:

Stability of regional mall robustness – Since the end of the Covid-19 pandemic in 2022, regional malls have returned to their position as key leaders in the retail sector, in terms of number of visitors, an increase in tenant sales, and an increase in new contracts and in NOI. This trend also continued in 2024.

Continued weakening of street shopping – For several years now, street shopping sales in Israel have showed a decline, which, according to the Company, is due to the neglect of street shopping in the absence of unified management, and a perceived lack of personal security (lack of security guards and protected spaces). Therefore, street trading is becoming less attractive, both for end customers and for tenants who see it as a less attractive alternative to retail shopping centers and malls.

Slowdown in the growth rate of online shopping – Following the online sector boom during the Covid pandemic years (2020 and 2021), starting in 2022 there has been a slowdown in the growth rate of online shopping in Israel. Since the beginning of the war there has been significant decline in overseas buying as a result of supply chain issues involving deliveries from abroad combined with a lack of identification with global websites, and rising exchange rates.

New international brands, mainly through big chains - Since the outbreak of the war, the recent trend of introducing new international brands on the Israeli market has all but ceased. Conversely, the international brands that are already established in Israel continue to demand retail space nationwide and are expanding their stores.

Use of technology in shopping malls – Many shopping malls have incorporated smart technologies in recent years, including mobile shopping apps, self-service checkouts, charging stations for electric vehicles, branded gift cards for a specific mall or group of malls, and customized digital signage.

Fashion, footwear and accessories sector – This sector has seen renewed prosperity in recent years after years of difficulties. This prosperity is reflected in an increase in sales and store size. The fashion sector is the largest and key sector, especially in regional malls, and benefits from the strength they demonstrate.

Community – Many brands have begun to develop communities and personalized experiences, including unique promotions, targeting specific audience, and activities that connect shoppers with local residents.

Population growth – According Central Bureau of Statistics data, at the end of 2024 Israel's population was 10 million, and is expected to increase to 10.2 million in 2025, at 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, with an average of 2.9 children per family. This trend supports the ongoing growth in private consumption.

New neighborhood complexes – In recent years, neighborhood complexes have demonstrated stability in their demand for space as well as tenant sales. Therefore, a neighborhood complex is opened in almost every new neighborhood, serving the local consumer for daily shopping needs as an accessible option close to home.

Macroeconomic developments, and concerns of possible recession and decline in private consumption - In an effort to curb inflation, the central banks have steadily raised interest rates in recent years. The increase in interest together with inflation and increased tax burden resulting from the increase in government budget deficit due to the war has caused concerns of a recession. In addition, 2024 ended with 3.4% inflation, exceeding the upper limit of the Bank of Israel's target. The Bank of Israel assesses that inflation in 2025 will be 2.6%. The VAT increase from 17% to 18% and other price increases that took effect in January 2025 are expected to negatively impact customers' disposable income and, as a result, could also affect private consumption.

4. Profiles of Property Groups – Office

High-tech Parks and Office Buildings

Features

- The properties are built according customary standards for the high-tech industry to create comfortable, high-end work environments, benefiting from new and advanced systems and infrastructure.
- A mixed-use environment that reflects the changes in employee needs.
- Benefit from economies of scale in management and operating costs.
- Offer flexibility to adapt to tenants' needs to expand rental spaces as their operations grow.
- Supports long-term growth through development of additional building rights on the land.

Single-Tenant Properties

Features

- Require limited management resources from the Company.
- Rented to Grade A tenants under long term contracts.

Trends in the office sector in 2024:

In 2024 we saw a slowdown in the high-tech market that began with the introduction of the judicial reform in early 2023 and continued as a result of the war, leading to slowdown in demand for spaces, prolonging negotiations and reducing requested contract terms. However, the market has recently revived, especially in the high-demand areas of Tel Aviv.

In some geographic areas, including in areas where the Company operates, such as Petah Tikva, there is an excess of new office space, causing keen competition and a decline in prices and occupancy rates.

In 2024, the Company signed new leasing contracts and renewed contracts for total space of 62,000 sq. m, reflecting 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 annual income of NIS 25 million for the Company. The average occupancy rate of the Company's office properties is 93% as at the end of 2024, compared to 98% at the end of 2023. The decline compared to 2023 is mainly due to the first-time occupancy of the Landmark project Tower A in April of this year, with occupancy rate at the end of 2024 of 92%, and due to the Petah Tikva Ofer Park West complex, with an occupancy rate of 80%. In 2024, the Company continued the construction of the Landmark project Tower B, where construction of the office and retail spaces is expected to be completed at the end of 2026, and the residential space — in the course of 2027.

The Company's office spaces are mostly leased to large well-established tenants in the high-tech, biomed, and healthcare industries. The remainder is rented mainly to HMOs, government office, and small-scale professionals. The size of the Company's high-tech complexes constitutes an advantage in that they provide flexible solutions for tenants' needs to increase office space. In fact, many companies that lease office space in the Company's properties have increased their space over the years.

New contracts, contract renewals and exercise of options in the reporting period

In 2024, the Company signed 734 new contracts, as follows:

Retail	Exercise of options and renewal of contracts	Tenant churn
Number of contracts	453	125
GLA (sq. m thousands)	67	22
Annual income (NIS millions)	146	49
Real PRG (percent rent growth)	5%	13%

Office	Exercise of options and renewal of contracts	Tenant churn
Number of contracts	47	18
GLA (sq. m thousands)	56	6
Annual income (NIS millions)	47	5
Real PRG (percent rent growth)	2%	1%

New contracts for space unoccupied for over a year and new ventures	Retail	Office
Number of contracts	65	26
GLA (sq. m thousands)	22	24
Annual income (NIS millions)	28	25*

* Company's share

Key information on the Company's significant income-generating properties as at December 31, 2024

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-generating property	Value of properties under construction and rights
		Sq.m	NIS millions	%	%		NIS millions	
Ofer Shopping Mall, Ramat Aviv	100%	33,766	189	100%	9.7%	191	2,933	121
Ofer Shopping Mall, Kiryat Bialik ***)	100%	92,499	177	99%	9.8%	193	2,786	43
Ofer Grand Mall, Petah Tikva	100%	55,447	136	99.6%	10.4%	145	2,116	53
Ofer Grand Mall, Haifa	100%	58,707	138	100%	9.2%	144	2,032	5
Ofer Grand Mall, Be'er Sheva	100%	55,252	104	100%	8.4%	110	1,567	11
Ofer Shopping Mall, Rehovot	100%	43,562	106	100%	9.4%	107	1,479	15
Ofer Bilu Center, Bilu Junction	72%	45,630	85	99%	8.3%	89	1,290	-
Ofer Park, Petah Tikva ****)	74%	147,790	125	82.6%	-	130	2,162	2
Landmark Tower A, Tel Aviv *****)	50%	51,933	65	92%	-	106	1,698	293
Total significant properties		584,586	1,125	95.2%		1,215	18,063	543
Other income-generating properties		383,244	443	97.6%		466	6,777	1,130
Net of non-controlling interests		(52,145)	(58)	-		(61)	(955)	-
Total income-generating properties, net		915,685	1,510	96.6%		1,620	23,885	1,673

Total value of investment property, Company's effective share (consolidated extended)(NIS millions) **25,558**

*) The cumulative debt burden is the ratio between rentals and tenants' sales for 2024.

**) 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 Kiryon is undergoing a significant 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 in 2025 (part of which has already been completed and occupancy of the new/renovated stores is underway) and NOI is expected to increase to its adjusted annual level.

****) Including Ofer West Park and Ofer East Park.

*****) The figures represent the Company's share (50%). Value of building rights under construction refers to Tower B in the project (excluding the residential section).

The Company's estimates regarding the completion of construction in Ofer Kiryon and the expected annual adjusted NOI constitute forward-looking information, as this term is defined in the Securities Law, 5728-1968, and are based, among other things, on the information available to the Company at the time of the report. The Company's foregoing estimates may not materialize, in whole or in part, or may materialize otherwise than expected, even substantially, due to various factors including factors or effects that cannot be estimated in advance and/or are not in the Company's control.

Ofer Grand Mall, Petah Tikva

Portfolio of Income-generating Properties Under Construction

The Company views planning and development of properties as the best potential for growth and 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) is developing its flagship Landmark project, in the Sarona complex in Tel Aviv. Construction of Tower A was completed in April 2024, and handed over to the tenants for modifications, and occupancy is underway as at the reporting date. Beginning from Q2 of this year, the Company recognized income for the portion of the spaces handed over to the tenants.

Tower A - comprises 101,000 sq. m of office space, 2,400 sq. m of retail space, 6,800 sq. m of public buildings, and 2,015 parking spaces. As at reporting date, the occupancy rate is 92%; the occupancy rate increased to 95% after the balance sheet date, and the remainder of areas are under negotiation. Tower B – comprises 42,500 sq. m of office space, 3,800 sq. m of retail space and 11,500 sq. m of residential apartments (8,100 for sale, 116 housing units). Construction of Tower B began in November 2023 and its construction is expected to be completed at the end of 2026 (construction of the residential part is expected to be completed in early 2027). Furthermore, this year the Company began construction of an additional 21,000 sq. m in Ofer Nof Hagalil, which will become the Company's ninth regional mall and will allow the addition of large-scale anchor tenants to the complex. In addition, the Ofer Yavne complex comprising contain 17,000 sq. m of retail space and 7,300 sq. m of office space will be constructed in collaboration with a partner (30%).

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

Name of property	Ownership	Primary use of property	Rental space (sq. m)	% rented space	Development stage	Construction completion date (Form 4) actual/expected	Estimated project cost (100%)	Net project value at December 31, 2024 (100%)	Estimated cost to complete (100%)	NOI at full occupancy (100%)	Actual NOI 1-12.24 (100%)
	Completed projects - occupancy in process:										
Landmark - Tower A *	50%	Office	103,866	95%	In occupancy	Completed	1,733	3,395	227	234	130
Ofer Nof Hagalil - Building F	90.9%	Office	6,000	21%	In occupancy	Completed	36	51	-	4	-
Hutzot Hamifratz**	50%	Retail	14,000	100%	In occupancy	Completed	100	167	9	12	2
	Projects under development:										
Ofer Ramat Aviv	100%	Retail	3,000	100%	Under construction	2025	87	103	28	10	-
Landmark - Tower B***	50%	Office	46,300	-	Under construction	2026	868	586	475	86	-
Ofer Yavne	70%	Retail and office	24,300	-****	Under construction	2027	401	105	304	32	-
Ofer Nof Hagalil	90.9%	Retail	21,000	-*****	Under construction	2026	360	85	341	33	-
Company's share			**126,000**				**2,078**	**2,375**	**906**	**231**	**66**

* Costs and NOI include the construction of a parking facility for Tower B, excluding the specific parking spaces designated for the residential apartments. Beginning in Q2/2024, the Company recognized income for the part of the space handed over to the tenants.

** Construction of buildings covering 11,500 sq. m was completed, construction of additional 2,500 sq. m is expected to be completed in Q1/2025.

*** Not including the residential section of the Landmark project, which is expected to generate income of NIS 523 million and gross profit of NIS 137 million (100%).

*** There are commercial agreements with tenants for most of the retail space (17,000 sq. m).

**** There are commercial agreements tenants for most of the retail space.

As seen from the foregoing table, the Company estimates the expected rate of return from development projects will be 11% on project cost.

Future Development of the Company's Income-generating Properties

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

Name of property	Ownership	Primary use	Rental space (sq. m)	Status	Expected construction start date	Expected construction completion date	Net value as at December 31, 2024	Estimated project cost	Estimate NOI at full occupancy
Ofer Rehovot*	100%	Office	11,000	Urban Building Plan approved, building permit received	2025	2027	15	115-125	12-13
Ofer Adumim	100%	Retail	3,400	Urban Building Plan approved	2025	2026	9	35-40	5-7
Ofer Carmel**	100%	Office	18,000	Urban Building Plan approved	2025	2027	40	270-280	18-20
Ofer Yokne'am	100%	Office	26,500	CBP pending	2026	2029	-	370-380	26-28
Ofer Lincoln, Tel Aviv	100%	Office	25,500	Urban Building Plan approved	2026	2029	328	760-770	56-60
Company's share			84,400				392	1,550-1,595	117-128

Projects whose construction start date and accompanying estimates are to be determined:

Name of property	Ownership	Primary use	Rental space (sq. m)	Status	Net value at December 31, 2024
Ofer Ramat Aviv	100%	Retail, office, hotels and rental housing	90,000	CBP pending	74
Ofer Hasharon	100%	Retail and office	7,000	Urban Building Plan approved, excavation and shoring permit received	43
Ofer Harel	100%	Retail and office	8,700	Urban Building Plan approved	25
Ofer Mall Petah Tikva	100%	Office and hotels	25,000	Urban Building Plan approved	53
Ofer Be'er Sheva	100%	Office and clinics	14,000	Urban Building Plan approved, permit received	11
Ofer Grand Haifa	100%	Hotels	6,000	Urban Building Plan approved	5
Ofer Kiryon	100%	Office	23,000	Urban Building Plan approved	43
Ofer Mall Petah Tikva	100%	Retail	7,000	Urban Building Plan approved	-
Ofer Carmel	100%	Office and employment	23,000	Urban Building Plan approved	22
Nof Hagalil	91%	Office, maintenance and hotels	16,000	Urban Building Plan approved	25
Hutzot Hamifratz	50%	Logistics and office	122,000	Urban Building Plan approved	365
Land in vicinity of Kanot Junction***	100%	Logistics	24,000	CBP pending	49
Ofer Carmel	100%	Office and employment	16,000	Urban Building Plan approved	16
Ofer Carmel	100%	Server farm	18,000	Urban Building Plan approved	17
Company's share			337,260		563
Total Company share (of all properties)****			421,660		955

The Company's estimates regarding the expected construction completion dates for the projects under planning and development described in this section and in the first table above, the estimated cost for each project, the estimated cost to complete construction for each project, the expected rates of return on the projects, and the expected revenue and gross profit for the residential section of the Landmark project, the Company's estimates regarding the future development of the Company's properties, the expected project construction start and completion dates, and the estimated cost for each project and estimated NOI at full occupancy as set out in the second table above, constitute forward-looking information as this term is defined under the Securities Law, 5728-1968. Actual results may differ (or differ substantially) from the estimates set out above and their implications for various reasons, including reasons beyond the control of the Company, including changes in the construction costs of the projects, in the project schedules the projects, their effective scope and marketing, the time required to approve the building plans for execution, to obtain permits from the relevant authorities, and to obtain consents of third parties, and due to the effects of the war, and the materialization of the risk factors described in section 30 of Chapter A of the Company's Periodic Report for the Year 2024.

* Not including the expansion of the existing parking facility whose cost is estimated at NIS 35 million.

** Including cost of land regarding which the Company intends to file an application for additional building rights.

*** In 2024, the Company acquired a further 4,000 sq. m adjacent to the Company's land for a total amount of NIS 7 million.

**** Not including land designated for residential building in Be'er Sheva (294 apartments) and in Netanya (92 units), which are currently classified as investment property.

Residential

As part of the implementation of the Company's strategic plan to engage in new activities in the real estate sector and to diversify its sources of income, in the second half of 2022 the Company acquired 50% of the shares of Aviv Melisron Ltd. (formerly, Aviv Real Estate Development and Management Ltd.) In September 2024, the Company announced the acquisition of the additional 50% of Aviv Melisron's shares for a total amount of NIS 625 million (based on company value of NIS 1.25 billion). The transaction was completed on October 31, 2024, and as of that date, the Company holds 100% of Aviv Melisron's shares, and consolidates Aviv Melisron's reports in its financial statements. Aviv Melisron is a private company specializing in planning, construction, and sale of residential properties, focusing on large-scale projects and urban renewal. Aviv Melisron is a reputed company with years of experience in the real estate and housing sector, it has a C5 registered contractor license and has the execution capacities that allow control of construction quality and high-end finishing. Aviv Melisron appointed Mr. Tzachi Didi as its CEO, effective January 1, 2025, replacing Ms. Dafna Harlev, who terminated her office as CEO of Aviv Melisron.

Aviv Melisron's strategy:

- To focus on urban renewal projects and increase the number of projects.
- To compete in tenders for land and to seek combination transactions, focusing on high-demand areas.
- To extend the geographic area in which the company operates to new areas in the vicinity of high-demand areas.

Inventory of Apartments for Sale, Buildings Under Construction, and Land

		Company's share		
	Carrying amount as at December 31, 2024	Number of apartments for sale (Developer's share)	Number of apartments sold	Expected gross profit (net of recognized profit)
Urban renewal projects	534	1,804	194	820
Land	1,576	885	-	597
Inventory of apartments in Landmark project	112	58	-	69
Total	**2,223**	**2,747**	**194**	**1,486**

<u>Notes</u>:

1. The balance of urban renewal projects and land as at reporting date includes excess costs of NIS 391 million. This is based on the purchase price allocation (PPA) as at October 31, 2024 (date of acquisition of the additional 50% rights in Aviv Melisron) Accordingly, the gross profit in these two categories are presented according to accounting standards in the consolidated statement of profit or loss net of such excess costs. The Company's expected cash flows when releasing the reserves from the projects is NIS 391 million higher and as at December 31, 2024, amounts to NIS 1,888 million (compared with NIS 1,486 million as presented in the foregoing table).
2. Land includes the Aviv Melisron projects: Aviv at Shchakim (Herzliya), Aviv at Shirat Hayam (Netanya), and Aviv at Tabenkin (Tel Aviv).
3. For a complete list of urban renewal projects see section 15 of Chapter A to this report.
4. Furthermore, the Company has two plots that as at reporting date the Company expects to be zoned for residential use, one in Be'er Sheva (293 units) and the second in Netanya (92 units), which are currently classified as income-generating properties as part the entire income-generating asset.

Residential

Features

- The increase in interest rates and the prolongation of planning and building processes has had an adverse effect on real estate developers who assumed loans to purchase land that does not have a building permit, which could create opportunities for purchasing land at reduced prices.
- Sale campaigns under which buyers pay 20% of the price at the time of signing and 80% upon occupancy, have led, on the one hand, to an increase in the Companies' sales and perhaps even to an increase in housing prices, but over time these campaigns will become a burden on development companies and may cause some of them to encounter cash flow difficulties.
- Prolonged planning and licensing procedures make it difficult to start construction and in the long term may lead to price increases adversely affect profitability.
- A shortage of workers and rising prices of building inputs lead to an increase in the cost of inputs, which could result in an increase in prices or adversely affect profitability.
- In urban renewal complexes, interest rates have a limited impact on the developer, since no significant land-related costs are accrued before a building permit is issued.

Trends in the residential sector in 2024:

In 2024, apartment prices in Israel increased by an average of 7.8%, following an average increase in apartment prices of 18% in 2022 and 2023 (an increase of 20% in 2022, and a decrease of 2% in 2023). The increase in prices did not cause a slowdown in the pace of apartment sales in the Israeli market because many developers started to offer sales campaigns where buyers pay 20% of the price upon signing the contract and 80% upon occupancy. Such campaigns are equivalent to granting buyers a discount without lowering prices. Another campaign that has become common practice in the market this year is contractor loans, according to which the buyer takes out a mortgage from the bank and the developer is responsible for paying the interest on part/all of the loan until the apartment is occupied. In addition, in many cases buyers are given the option of canceling the linkage of the price to the construction input index in entirety.

The Company believes that stabilization of prices and Bank of Israel restrictions on such 80%-20% campaigns will allow the Company to benefit from its financial stability and increase its project inventory, and to take advantage of opportunities in tenders for key land in high-demand areas. Furthermore, as at reporting date Aviv Melisron's operations focus mainly on the urban renewal sector, which is typically less exposed to financing costs (and therefore lower the Company's exposure to interest hikes). Moreover, Aviv Melisron's ability to serve as the building contractor in the projects that it develops allows Aviv Melisron to control all the value and quality components.

In 2024, Aviv Melisron continued construction of the Podim Street (Ramat Gan) project and began marketing and preparations for the construction start of Aviv at Makor (Ramat Gan) and Aviv at Hafetz Chaim (Tel Aviv) projects (as at date of publication of the report, construction has already begun on Hafetz Chaim), Aviv at Histadrut G (Givatayim), Aviv at Maoz Aviv (Tel Aviv) and Aviv Reading (Tel Aviv). In 2024, Aviv Melisron sold 182 apartments for total amount of NIS 751 million.

In addition, Aviv Melisron been awarded 5 urban renewal projects this year that include 822 apartments.

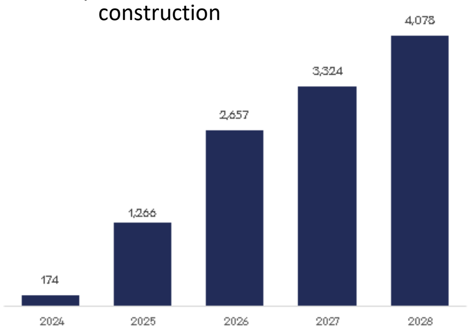
The total number of units in Aviv Melisron projects increased from 1,638 on date of acquisition by Melisron (July 2022) to 2,689 at date of publication of this report, and expected gross profit (100%) increased in that period from NIS 1,151 million to NIS 2,188 million (excluding the units and expected gross profit in projects that have not yet obtained 67% of the required signatures).

Aviv Melisron is preparing to start construction on eight projects in 2025 (in addition to the 2 projects currently under construction). In addition, Aviv Melisron continues to explore market opportunities, whether from new tenders or land offered for sale or in urban renewal projects in high-demand areas.

Aviv Melisron | Residential Apartments

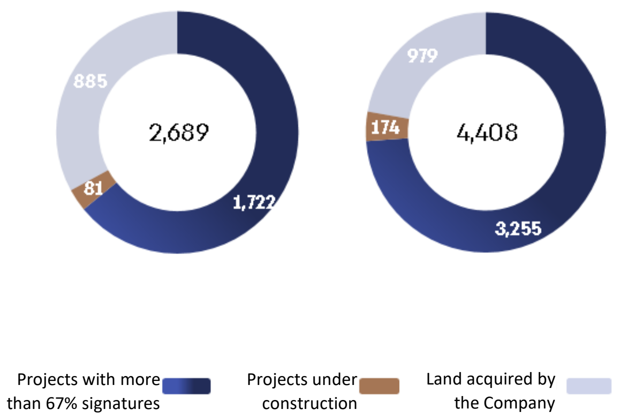
Apartments located in Givatayim, Ramat Gan, Herzliya and Tel Aviv **97%**

Estimated number of apartments under construction



Estimated number of apartments to be sold (Aviv Development's share)

Estimated number of apartments to be constructed 100%



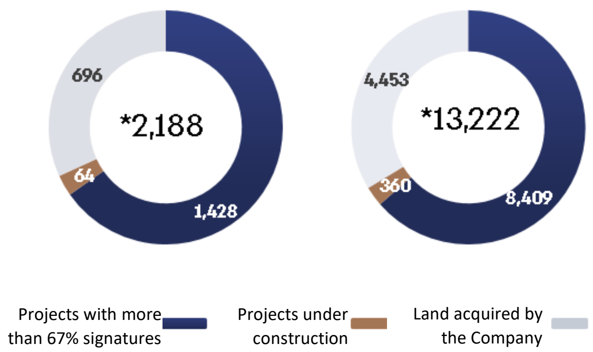
Aviv Melisron | Expected revenue and profit

of gross profit is expected between 2025-2030 **100%**

Estimated average gross profit on cost **20%**

Estimated gross profit (100% NIS million)

Estimated income from projects (100% NIS million)



* Over the life of the projects. The Company's share of income is NIS 11.1 billion and gross profit is NIS 1.85 billion

** This year the Ahimeir, Henkin, Netzach and Haumah residential projects were completed and the gross profit for them was recognized in full

*** In addition, Aviv Melisron is advancing projects that are not mentioned above, which planning and/or minimum percentage of required signatures is currently uncertain. The total estimated number of apartments in these projects (including apartments belonging to the tenants) is 4,000.

The Company's estimates and its plans to develop the residential development properties and urban renewal projects, its estimates concerning expected operations of Aviv Melisron and its plans, the estimated number apartments for construction and sale, estimated commencement of construction, and estimated income and gross profit of Aviv Melisron constitute forward-looking information as this term is defined in the Securities Law, 5728-1968, and are based, among other things, on the information the Company has regarding Aviv Melisron. The Company's foregoing estimates and plans may not materialize, in whole or in part, or may materialize otherwise than 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 a changing economic and geopolitical environment, changes in government policy and authorities acting on its behalf relating to Aviv Melisron's areas of operation, Aviv Melisron's ability to complete the urban renewal projects on the estimated dates and numbers, and to obtain the required consent from the owners of the rights in the foregoing projects and/or factors and risks involved in Aviv Melisron'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.

Financial Debt

Highlights

Financial management

From early 2023 to publication date of this report, the Company raised NIS 5.5 billion in debentures and bank and institutional debt. The Company maintains financial flexibility by raising debt at favorable terms and long maturities, which helps it continue to plan, appreciate, and develop additional projects and take advantage of new business opportunities while maintaining financial stability and robustness even in the most challenging times.

The guiding principles of its financial debt management are:

1. Maintain sufficient liquidity.
2. Extend debt maturity.
3. Maintain strong, stable balance sheet data.
4. Maintain high credit rating.

The Company's debt mix includes: Publicly traded debenture series, private loans from institutional investors, bank loans and credit facilities, and marketable securities. For further information regarding the effects of the war, see page 5 of this Board of Directors' Report.

The Company's financial leverage

The Company is involved in two operating segments with different characteristics - income-generating real estate and residential development and construction - which also have different acceptable leverage rates. The Company believes that as at reporting date, the correct leverage ratio goal (LTV) for the Company, which measures the investment in Aviv Melisron as an investment account, is 50%, and the consolidated leverage ratio goal that is impacted by the higher leverage levels common in the residential development and construction industry, is 52%.

Consequently, the Company presents the LTV ratio in the following two ways:

1. LTV ratio measuring Aviv Melisron as an investment account (assets less liabilities, net) is 42.7%, a decrease of 0.6% compared with December 31, 2023.
2. The consolidated LTV ratio, measuring the ratio of liabilities of the Company and of Aviv Melisron to the assets of the Company and of Aviv Melisron, is 45.1%.

Financial challenges

In 2012-2022, the Company managed to reduce its financing costs by extending the average duration of its debts, exploiting opportunities while lowering interest rates. In the current market environment, the Company focuses primarily on extending maturity dates.

As at reporting date, in the coming year (until December 31, 2025) the Company is required to repay NIS 1.5 billion in debt(principal), of which NIS 0.3 billion in July 2025 for Debentures (Series J), which is secured by a first-degree lien on the Ofer Kiryon Mall, and NIS 0.9 billion, also in July 2025, for unsecured Debentures (Series K).

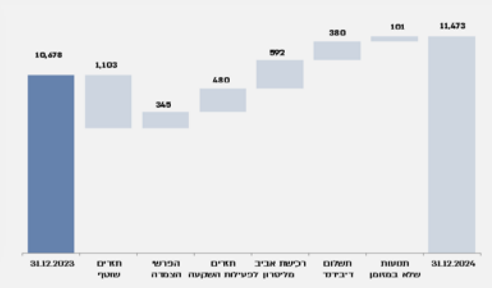
As at December 31, 2024, the Company has a cash balance and a financial asset portfolio that can be liquidated immediately, amounting to NIS 1.25 billion.

In addition, the Company has unutilized binding bank credit facilities of NIS 500 million.

Changes in the net financial debt (consolidated expanded), excluding the net financial debt of Aviv Melisron

As at December 31, 2024, the Company's net debt balance is NIS 11.5 billion.

Net Debt | Shareholders' share, NIS million



The Company's loans, excluding Aviv Melisron's loans

				Debt principal repayment schedule (NIS million)									
Source of financing	Type of loan	Average duration	Weighted effective interest	2025	2026	2027	2028	2029	2030	2031	2032	2033 and thereafter	Total nominal linked balance December 31, 2024
Bank	Bank	1.12	6.35%	-	642	-	-	-	-	-	-	-	642
	Bank	1.27	6.60%	-	147	-	-	-	-	-	-	-	147
Institutional lenders	Batch of loans	5.52	1.92%	32	32	32	32	32	32	32	321	-	547
Public	Series J	0.51	1.91%	319	-	-	-	-	-	-	-	-	319
	Series K	0.51	2.51%	943	-	-	-	-	-	-	-	-	943
	Series N	1.29	1.49%	33	1,350	-	-	-	-	-	-	-	1,383
	Series P	2.13	2.15%	26	26	1,031	-	-	-	-	-	-	1,083
	Series Q	3.69	2.16%	62	312	312	312	312	312	312	156	-	2,090
	Series R	3.30	1.41%	14	14	14	587	-	-	-	-	-	629
	Series S	4.10	2.26%	40	40	40	40	1,692	-	-	-	-	1,852
	Series T	5.09	1.01%	35	35	35	35	35	1,371	-	-	-	1,546
	Series U	5.82	3.38%	9	68	162	204	68	68	204	204	680	1,667
Marketable securities	Series 3*	3.81	4.65%	-	-	-	99	-	-	-	-	-	99
Total repayments		3.40	2.35% **	1,513	2,666	1,626	1,309	2,139	1,783	548	681	680	12,945
Of which a balloon payment is secured by a lien				319[2]	2,139[3]	1,031[4]	587[5]	1,692[6]	1,371[7]	-	321[8]	-	7,460
Value of the pledged property				2,829	5,551	1,578	833	-	2,037	-	1,290	-	-
LTV rate of pledged property				71%[9]	39%	65%	70%	-	67%	-	25%	-	-
Annual payments (principal) less balloon payments secured by a lien and marketable securities				**1,194**	**527**	**595**	**623**	**447**	**412**	**548**	**360**	**680**	**5,386**

Aviv Melisron's loans

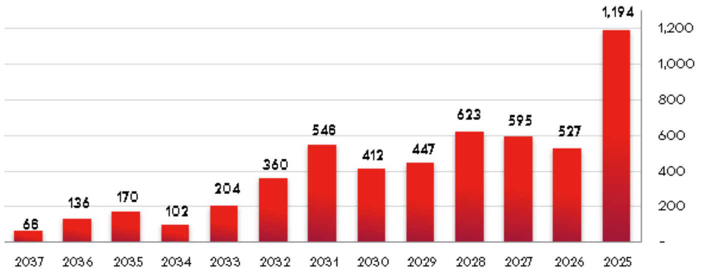
Source of financing	Type	Weighted effective interest	2025	2026	2027	2028	2029	Total balance December 31, 2024
Bank	Corporate loans	6.68%	44	-	-	-	-	44
Bank	credit for projects	6.65%	147	1,076	4	2	8	1,237
	Total	**6.65%**	**191**	**1,076**	**4**	**2**	**8**	**1,281**

*) Marketable securities and/or binding credit facilities are usually 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 2.7%, is 2.19%.

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

Current principal repayment rate, net of balloon components secured by mortgage



The financing component is one of the significant factors contributing to the Company's success. By diversifying its sources of financing and maintaining high liquidity, the Company can continue its development momentum while retaining its financial robustness and stability.

(1)Bank loans not linked to the CPI. Interest decreased by 0.25–0.3% after the balance sheet date.
(2)Balloon components on debts against a lien on Ofer Kiryon.
(3)Balloon components on debts against liens on Ofer Grand Mall Petah Tikva, Ofer Ramat Aviv, and Ofer Lincoln.
(4)Balloon components on debts against a lien on Ofer Grand Mall Be'er Sheva.
(5)Balloon components on debts against a lien on the Company's share in Hutzot Hamifratz outlet center.
(6)Balloon components on debts against a second-degree lien on Ofer Kiryon.
(7)Balloon components on debts against a second-degree lien on Ofer Grand Mall Haifa.
(8)Balloon components on debts against a lien on Ofer Bilu Center and shares in Azo-Rit Bilu Center, the owner of the property.
(9)LTV includes the balloon components that mature in 2029 and are secured by a second-degree lien on Ofer Kiryon.

Total Blended Cost Of Debt

The following is a breakdown of the weighted effective cost of debt (real interest attributed to profit and loss) and the nominal cost of debt (cash flow interest) as at reporting date, for each year, and over the repayment period of Melisron's financial liabilities (excluding Aviv Melisron's loans) for that year.

	Debt principal repayment schedule (NIS million)								
	2025	2026	2027	2028	2029	2030	2031	2032 onwards	Total
Total debt repayments	**1,513**	**2,666**	**1,626**	**1,210**	**2,139**	**1,783**	**548**	**1,361**	**12,846***
Effective interest	**2.28%**	**3.08% ****	**2.24%**	**1.97%**	**2.25%**	**1.32%**	**2.60%**	**2.43%**	**2.35%**
Nominal interest	**2.12%**	**3.43%**	**2.39%**	**1.64%**	**2.36%**	**0.76%**	**2.74%**	**2.45%**	**2.36%**

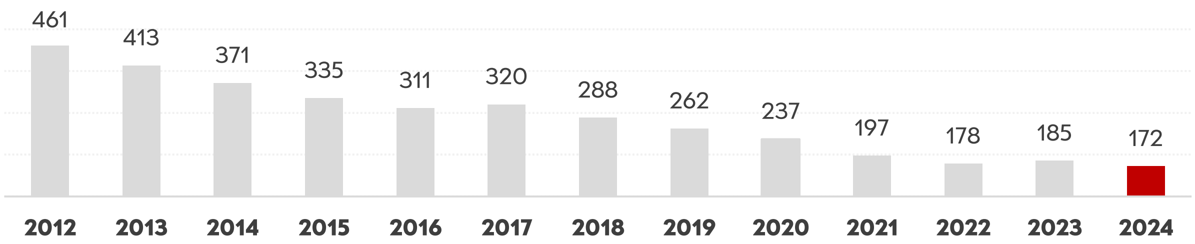
* Excluding marketable securities

** Note that the average effective interest rate includes index-linked debt, debt at shekel-linked interest and debt at prime-linked interest. The real effective interest rate for the debt to be repaid in 2026, assuming a CPI of 2.7%, is 2.63%.

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 2025-2026 (that total NIS 4.2 billion) is 2.5% (net of the CPI on shekel-linked loans), compared to the yield to maturity of secured debentures currently trading at 2.63% (based on Melisron's linked Debentures [Series T - that are secured by a first-degree lien], with duration of 5 years) and unsecured debentures at 2.89% (based on Melisron's linked bonds [Series U], with duration of 5.8 years). Therefore, the Company estimates that if the long-term interest does not increase and bond yields will not increase, no significant change in its financing expenses are expected in these two years.

It should be clarified that the Company's assessments concerning the effects of a rise in interest rates, including its assessment regarding an immaterial increase in financing costs, and the effects of the Company's financing costs in scenarios involving rising interest rates and rising bond yields, including substantial effects on the Company and its financial stability, constitute forward-looking information as this term is defined in the Securities Law, 5728-1968, 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 otherwise (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 (discussion on the risk factors regarding the Company's operations) of the chapter on the Description of the Company's Businesses in its Periodic Report for the Year 2024.

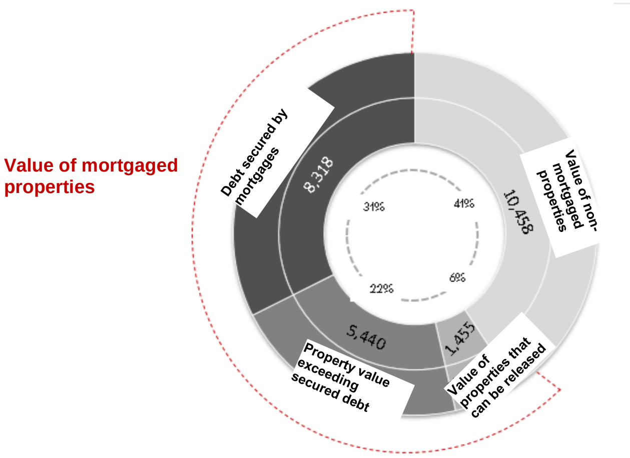
Real interest on the financial debt by year (Melisron's share excluding Aviv Melisron's loans)*



* Net of real non-cash flow financing expenses to reduce excess costs.

** The decrease in financing expenses in 2024 was mainly due to an increase in financing income, which was generated by the Company's high cash balances amount of NIS 70 million in 2024, compared with NIS 35 million in 2023.

Breakdown of the value of the pledged income-generating properties (shareholders' share)



The Company owns properties valued at NIS 10.5 billion that are not pledged at all and pledged properties valued at NIS 1.4 billion against which credit facilities were granted that, as at balance sheet date, are unused and therefore the liens can be released.

Furthermore, most of the mortgaged properties allow additional debt to be assumed, as the average LTV of the secured debt is 60%, and can be increased to 70%-80%.

- In addition, Aviv Melisron has an inventory of land, the balance of which in its financial statements is NIS 2.35 billion, and against which are loans amounting to a total of NIS 1.28 billion.

Loan to Value ratio on the Company's properties: LTV (loan to value):

	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
			NIS millions		
Total financial debt (consolidated)	14,148	11,947	11,198	11,934	10,744
Less Aviv Melisron's share of the debt	(1,281)	-	-	-	-
Less non-controlling share in consolidated debt	(47)	(48)	(49)	(63)	(83)
Less accounting differences	83	7	(38)	(101)	(82)
Total outstanding financial debt (consolidated expanded)	**12,903**	**11,906**	**11,111**	**11,770**	**10,579**
Less balances (from consolidated expanded)					
Cash	(798)	(614)	(554)	(1,065)	(970)
Deposits in trust	(15)	-	-	(1,116)	-
Marketable financial assets	(375)	(358)	(325)	(355)	(326)
Financial assets backing lien	(242)	(256)	(429)	(422)	(391)
Total share of the corporation:					
In net financial debt *)	**11,473**	**10,678**	**9,803**	**8,812**	**8,892**
Investment property, inventory of land under development, and investment in Aviv Melisron					
Investment property and inventory of land under development (consolidated expanded) **)	**25,676**	**24,068**	**22,306**	**20,356**	**18,547**
Investment in Aviv Melisron***)	**1,209**	**594**	**603**	**-**	**-**
Total assets	**26,885**	**24,662**	**22,909**	**20,356**	**18,547**
Loan to value (LTV) (with Aviv Melisron as an investment)	**42.7%**	**43.3%**	**42.8%**	**43.3%**	**47.9%**
The Company's share of the net financial debt (including Aviv Melisron's liabilities)	**12,543**	**11,142**	**9,661**	**-**	**-**
The Company's share in assets (including Aviv Melisron's assets)***	**27,783**	**24,838**	**22,502**		
LTV (with Aviv Melisron assets and liabilities added)	**45.1%**	**44.9%**	**42.9%**	**-**	**-**

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

**) The investment property presented in the table includes the "inventory of land under development for the construction of apartments for sale" in Sarona, Tel Aviv (excluding Aviv Melisron's inventory).

***) As at December 31, 2024 – 100% of Aviv Melisron's assets, as of December 31, 2023 and December 31, 2022 – 50% of Aviv Melisron's assets.

Changes in leverage in 2024

LTV ratio calculated as at December 31, 2023	**43.3%**
Cash flow from current operations for the reporting period	(4.5%)
Investments in investment property, net of valuation	(0.8%)
Increase in value of liabilities due to changes in the CPI	1.5%
Dividend paid	1.5%
Acquisition of Aviv Melisron	1.5%
Exchange offer for Debentures (Series J)	0.2%
LTV ratio as at December 31, 2024	**42.7%**

Explanation for the decrease in LTV (with Aviv measured as an investment account) in the period:

The current cash flow generated by the Company in the reporting period in the amount of NIS 1,103 million and the revaluation of investment properties, net of NIS 1,086 million in investments in investment property, offset by a dividend paid in the amount of NIS 380 million, a 3.4% increase in the CPI that resulted in an increase of NIS 345 million in financial debt, the acquisition of Aviv Melisron and an exchange offer for Debentures (Series J).

Credit rating

In February 2025, Maalot upgraded the Company's issuer rating from (ilAA-) to (ilAA) with stable outlook due to the consistent improvement in the Company's business profile and maintaining stable and appropriate financial ratios over time.

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 its NOI is one of the most important parameters for estimating the value of its income-generating properties. Furthermore, 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 that are designed to maintaining the existing situation. 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. defers to all properties, including properties under joint control that are included in the financial statements as equity-accounted.

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

	Q4 2024	Q4 2023	2024	2023	Changes compared to the previous year
NOI from same property	**386**	**332**	**1,503**	**1,382**	**9%**
NOI from new properties constructed	24	-	65	-	-
Total NOI for the period	**410**	**332**	**1,568**	**1,382**	**13%**
Minority interest in NOI	(14)	(14)	**(58)**	(56)	4%
NOI - owners' share	**396**	**318**	**1,510**	**1,326**	**14%**
Concessions based on the Iron Swords program	-	31	-	31	-
Owners' interest in NOI (not including the Iron Swords concessions)	**396**	**349**	**1,510**	**1,357**	**11%**

Shareholders' share in NOI in 2024 totaled NIS 1,510 million, an increase of 11% (NIS 153 million) compared with the corresponding period last year (net of concessions in accordance with the Iron Swords War program). The increase in NOI is due to the first time generation of income of Tel Aviv Landmark Tower A in the amount of NIS 65 million (Company's share), signing of new contracts with increased rental fees, improvement in operational parameters, increase in CPI, and additional occupancy of existing spaces.

Shareholders' share in NOI in Q4/2024 totaled NIS 396 million, an increase of 13% (NIS 47 million) compared with the corresponding period last year (net of the Iron Swords War concessions). The NOI increase is due to the first time generation of income of Landmark Tel Aviv Tower A totaling NIS 24 million (Company's share), signing of new contracts with increased rentals, increase in the CPI, and additional occupancy of existing spaces.

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

	Q4 2024	Q3 2024	Q2 2024	Quarter 1 2024
NOI from same property	**386**	**375**	**374**	**368**
NOI from new properties constructed	24	23	18	-
Total NOI for the period	**410**	**398**	**392**	**368**
Minority interest in NOI	(14)	(15)	(14)	(15)
NOI - owners' share	**396**	**383**	**378**	**353**

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

	2024	2023
NOI - owners' share	1,510	1,326
Non-controlling interest in NOI	58	56
Aviv's share in gross profit	2	-
Share of equity-accounted companies and others in NOI	(54)	(41)
Gross profit presented in financial statements	**1,516**	**1,341**

(Funds From Operations) FFO

To provide additional information on the operating results, presented below is FFO (Funds From Operations), an index that is commonly used worldwide, and provides an adequate basis for comparing income-generating real estate companies. The index is published by NAREIT (National Association of Real Estate Investment Trusts in the US) and as it is defined, it presents net reported income, 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 omitted from the FFO calculation.

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

The Company deems it appropriate to analyze the elements that comprise the FFO gains (top-down) to increase transparency and understanding of the factors that affect the FFO index. For further information concerning the FFO index pursuant to the Securities Authority guidelines, which totaled NIS 792 million in 2024, see Appendix A to this report.

The FFO according to the management method (AFFO) for 2024 totaled NIS 1,160 million (annual FFO rate) (management method) (AFFO) is NIS 1.2 billion based on Q4/2024, compared with NIS 1,034 million in the corresponding period in 2023, reflecting an increase of 12%, which is mainly due to:

an increase of NIS 153 million in owners' share of NOI (offsetting the Iron Swords concessions in the preceding period), a decrease of NIS 2 million in administrative and general and marketing expenses, and a decrease of NIS 12 million in real interest expenses, offsetting an increase in current tax expenses in the amount of NIS 28 million and changes in Other operations of NIS 16 million.

NIS millions	2024	2023	2022	2021
NOI - owners' share	1,510	1,326	1,224	1,034
Net of the owners' share in the following expenses:				
Administrative and general (net of depreciation and share-based payment)	(70)	(67)	(65)	(51)
Marketing and advertising expenses	(11)	(16)	(18)	(7)
Net of other operating loss	-	16	11	4
Real interest expenses on the financial debt *)	(172)	(184)	(175)	(191)
Net of real non-cash flow financing expenses in respect of reduction of excess costs	-	(1)	(3)	(6)
Current tax expense	(97)	(69)	(60)	(39)
Total representative real FFO according to the management method (AFFO) **	**1,160**	**1,005**	**914**	**744**
Iron Swords concessions	-	29	-	-
Total representative real FFO presented according to the management method (net of the Iron Swords concessions)(AFFO)	**1,160**	**1,034**	**914**	**744**

The FFO based on the management method (AFFO) for Q4/2024 totaled NIS 302 million compared to NIS 268 million in the corresponding period in 2023, reflecting an increase of 13% that is mainly due to:

An increase of NIS 47 million in owners' share of NOI (less Sword of Iron concessions in a preceding period), less a NIS 10 million increase in current tax expenses.

NIS millions	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Representative real FFO according to the management method (AFFO)	**302**	**296**	**294**	**268**	**239**
Representative real FFO according to the management method (net of the Iron Swords concessions) (AFFO)	**302**	**296**	**294**	**268**	**268**

*) Real interest expenses on the financial debt less interest attributed to real estate under construction and investment property in Aviv Melisron (based on the Company's weighted effective interest rate)

**) In previous years the Company presented the management method FFO index (AFFO) net of index effects on current taxes. As of this year, this item is presented without such deduction. The comparison figures were adjusted accordingly.

***) The FFO index does not include the results of Aviv Melisron.

CAPEX (Capital Expenditure)

To provide additional information on the results of operations, the CAPEX index (capital expenditure) is presented below: This index is widely used in the world and provides an adequate basis for comparing income-generating real estate companies. The index, as defined, reflects the capital costs that the Company uses to purchase or upgrade operating equipment and systems and income-generating properties.

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

CAPEX costs include:

- Costs expended that extend and improve the lifespan of the asset and/or operating systems
- New purchases of systems and equipment that are essential for proper operation of the property
- Renovations or extensions to existing income-generating properties
- Leasehold modifications

The CAPEX (Company's share) in 2024 totaled NIS 84 million (0.3% of the asset value), of which NIS 69 million are attributed to retail uses and NIS 15 million are attributed to office use:

	2024 (NIS millions)	Notes
Cash flows used for investments in investment property (consolidated)	**444**	
With addition of real estate investments in an investee	20	
Net of participation of non-controlling interests in investments	(9)	
Cash flows used for investments in investment property (consolidated expanded)	**455**	
Net of:		
Investments in real estate projects under construction	254	Primarily includes: Landmark, Hutzot Hamifratz, Ofer Nof Hagalil and others
Fee for transfer of rights	48	Lincoln
Betterment and development levies that were paid	6	
Expansion and upgrades made in the existing income-generating properties in respect of which additional NOI applies	58	Expansions in income-generating properties include the product mix in Ofer Kiryon Mall, renovation of Petah Tikva Ofer Mall, façade upgrade of Ofer Yokne'am building and others
Participation in modifications for tenants as a lease incentive, pursuant to application of IFRS 16	5	The Company applies IFRS 16 according to which the share of the investments given to tenants is deducted from the Company's income on a straight-line basis over the lease term
CAPEX - Company's share	84	
Attributed to retail uses	69	
Attributed to office uses	15	

EPRA Indices

EPRA is an association of European income-generating and public real estate companies. The purpose of EPRA indices is to increase uniformity, transparency and comparability of 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 assets 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 eliminating deferred taxes deriving from revaluation of investment property.

It should be noted that properties under development and inventory of land under development are included in the index at their current value, i.e., based on the financial statements, including investments made in the properties, and no value is attributed to the future income from these assets at the time they are occupied/sold and generate income.

NIS millions	December 31, 2024	December 31, 2023
Equity (consolidated expanded)	11,707	10,547
With addition of reserve for deferred taxes for investment property (consolidated expanded)	3,905	3,540
EPRA NRV	**15,612**	**14,087**
EPRA NRV per share (NIS)	**328**	**297**
No. of shares at end of period (thousand shares)	**47,530**	**47,498**

EPRA Vacancy Rate Index

The EPRA vacancy rate index reflects the fair value of vacant space of the total value of the rental areas including vacant space, excluding properties under construction and rights.

NIS millions	December 31, 2024	December 31, 2023
The value of the vacant space as at reporting date	680	451
The total value of leased space (including vacant space, excluding properties under construction and rights)	26,237	24,407
EPRA Vacancy Rate	**2.6%**	**1.8%**

*) The vacancy rate is mainly affected by the first-time inclusion of the Tel Aviv Landmark Tower A (an additional two contracts were signed for 4,200 sq. m after the balance sheet date).

Simulation - Ofer Nof Hagalil (Extension)

EPRA LTV Index

The EPRA LTV index reflects the Company's leverage.

	Company's share	
NIS millions	December 31, 2024	December 31, 2023
Loans from banks	2,573	1,856
Marketable securities	99	99
Debentures	11,429	10,490
Trade payables	162	156
Total liabilities	**14,263**	**12,601**
Net of:		
Cash flows	834	639
Available-for-sale financial assets:	375	358
Total cash and cash equivalents	**1,209**	**997**
Total net financial debt	**13,054**	**11,604**
Value of investment property	23,889	20,568
Inventory of apartments for sale	2,434	980
Value of properties under construction and rights	1,673	3,392
Goodwill and other assets	873	780
Trade receivables	88	92
Financial assets	51	10
Total assets	**29,008**	**25,822**
EPRA LTV	**45.0%**	**44.9%**

Weighted Cap Rate

Below is the calculation used to estimate the weighted cap rate based on Melisron's entire portfolio of income-generating properties as at December 31, 2024:

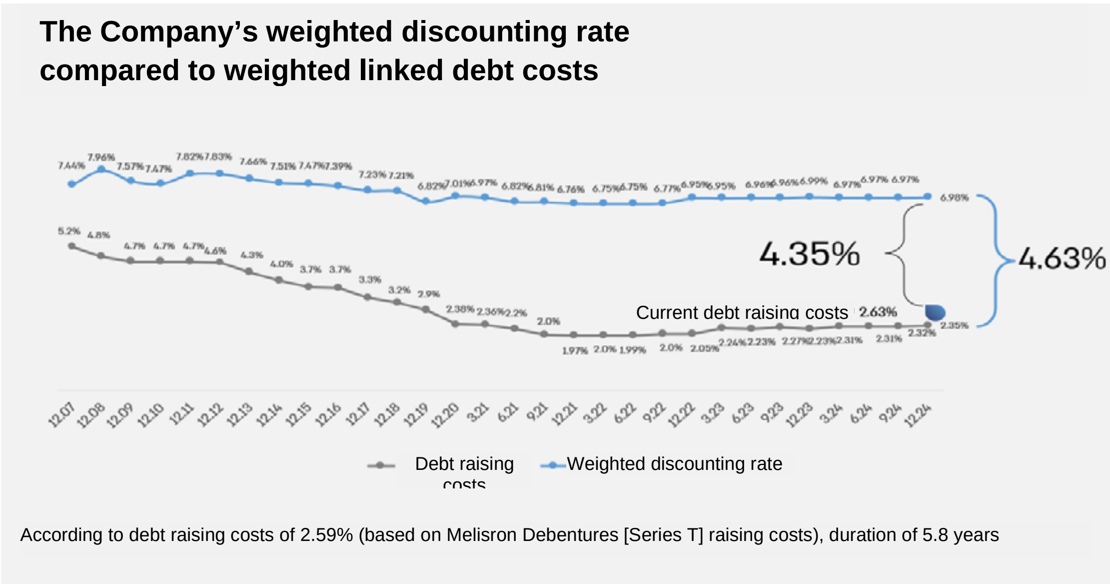
Owners' share (consolidated expanded)	(NIS millions)
Carrying amount for investment property*	25,558
Net of the value attributed to vacant space	(680)
Net of the value attributed to projects under construction and rights	(1,673)
Net value attributed to income-generating properties	23,205
Actual NOI in Q4/2024	396
Annualized actual NOI in Q4/2024	1,584
Expected NOI adjustments**	36
Standardized expected NOI***	1,620
Standardized NOI to net value ratio attributed to investment property	**6.98%**

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

** Additional NOI refers to additional rents based on signed rental contracts and full contribution of extensions and projects under development that were completed in the period. The additional expected NOI excludes the expected NOI from vacant space that has not yet been marketed and expected NOI from completion of projects under construction. Primarily includes: contracts signed for Tower A in the Tel Aviv Landmark project, contracts signed for the significant change in the tenant mix in Ofer Kiryon, and income from the Jumbo building at Hutzot Hamifratz.

*** Expected adjusted NOI cash flow does not constitute the Company's forecast.

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



The above graph indicates that the margin between the weighted rate of return on income-generating properties and the Company's weighted cost of debt has increased over the years. While the Company's weighted financing costs over time have decreased significantly, the weighted rate of return on properties remains stable.

*) It should be noted that 93% of the Company's total financial debt (excluding Aviv Melisron's debt) is linked to the CPI.

**) The yield to maturity of secured debentures currently traded (based on Debentures Series T - 5 years maturity).

Financial Review of the Company's Results

The Company's financial statements are prepared in accordance with IFRS, according to which the after tax profit of jointly controlled companies is presented in the same line 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 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 proportionate share in its jointly controlled companies.

Profit and loss (NIS millions)	Year 2024			Year 2023		
	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	1,515	(18)	1,497	1,341	(20)	1,321
Gross profit from sale of apartments and others	1	2	3	-	9	9
Total gross profit	**1,516**	**(16)**	**1,500**	**1,341**	**(11)**	**1,330**
General and administrative expenses	(83)	(10)	(93)	(77)	(10)	(87)
Advertising, sales and marketing expenses	(11)	(3)	(14)	(16)	(3)	(19)
Operating profit before other income	**1,422**	**(29)**	**1,393**	**1,248**	**(24)**	**1,224**
Company's share in earnings of equity-accounted investees, net	62	(62)	-	34	(34)	-
Increase in fair value of investment property, net	1,086	38	1,124	624	38	662
Other expenses, net	(13)	-	(13)	(74)	-	(74)
Operating profit after other income	**2,557**	**(53)**	**2,504**	**1,832**	**(20)**	**1,812**
Financing expenses, net	(567)	9	(558)	(470)	11	(459)
Profit before deduction of taxes on income	**1,990**	**(44)**	**1,946**	**1,362**	**(9)**	**1,353**
Income tax	(411)	(4)	(415)	(310)	(6)	(316)
Profit for the period	**1,579**	**(48)**	**1,531**	**1,052**	**(15)**	**1,037**
Share of non-controlling interest in profit	(48)	48	-	(15)	15	-
Profit for the period - owners' share	**1,531**	**-**	**1,531**	**1,037**	**-**	**1,037**

Changes in the shareholders' profit compared to last year	NIS millions
Attributed to 2023	1,037
An increase in gross profit from rental property and apartment sales	170
An increase in administrative and general and marketing expenses	(1)
Increase in the growth in the fair value of investment properties	462
Decrease in other expenses	61
Increase in net financing expenses	(99)
Increase in income tax expenses	(99)
Attributed to 2024	1,531

Increase in gross profit from property rentals and apartment sales – The increase in profit of NIS 170 million is mainly due to an increase in rental fees in respect of the increase in real rental fees and the increase in the CPI in the period; first-time recognition of gross profit from the Tel Aviv Landmark Tower A, which contributed NIS 65 million; an increase in gross profit from Ofer Kiryon as a result of progress in tenant mix change and an increase in income from tenant sales in all malls as a result of an increase in tenant sales.

Increase in the rise in value of investment property - An increase in value of investment property in the amount of NIS 1,124 million was recorded in the period, mainly as a result of the effects of the CPI increase in the period that contributed NIS 550 million, real increase in NOI of properties as a result of improved operational measures, renewal of contracts and the improved tenant mix implemented by the Company, and progress in the marketing and construction of properties under constructions and occupancy, net of investments in properties.

Increase in financing expenses, net – The increase in net financing expenses in the amount of NIS 99 million is mainly due to a NIS 57 million increase in linkage differences on the Company's debt, as a result of an increase in the size of the debt, and an increase in the CPI in the period, which was higher than in the corresponding period in 2023 (in 2024, the CPI increased 3.4% compared to 3.3% in the corresponding period in 2023), an increase in real interest expenses in the amount of NIS 41 million, mainly due to an increase in the size of the debt, and an increase in interest and other expenses amounting to NIS 34 million, mainly as a result of an exchange offer for Debentures (Series J), less an increase in profit from securities and deposits in the amount of NIS 33 million.

Increase in income tax expenses – The increase in income tax expenses in the amount of NIS 99 million is mainly due to an increase in current tax expenses in the amount of NIS 23 million resulting from an increase in pretax profit (which stemmed mainly from an increase in NOI, less the increase in financing expenses), an increase in deferred taxes of NIS 63 million as a result of the higher revaluation, and an increase of NIS 14 million in tax expenses for previous years in the amount.

Exposure to inflation - All the Company's lease agreements with tenants as well as 93% of the Company's overall financial debt are linked to the CPI. When the CPI increases, the Company's income is expected to increase at similar rates, while on the other hand, the Company's financing expenses also increase. The increase in income (ignoring other effects) leads to a corresponding increase in the value of the properties, while the CPI-linked financial debt has also increases. Accordingly, the Company believes that as at reporting date, the hedging against inflation inherent in said rental contracts 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 exposure due to the inherent hedging in the rent contracts, constitute forward-looking information as this term is defined in the Securities Law, 5728-1968, based on the Company's subjective assessments at the reporting date and there is no certainty that they will materialize, in whole or in part, or they may materialize otherwise (including materially), among other things, due to factors that are not in the Company's control, including as noted in section 6 (the financial environment and the effects of external factors on the Company's operations) and section 30 (the discussion on the risk factors regarding the Company's operations) of the chapter on the Description of the Company's Businesses in its Periodic Report for the Year 2024.


Building N – Ofer Carmel – Simulation

Financial position (NIS million)	As at December 31, 2024			As at December 31, 2023		
	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	862	(38)	824	625	14	639
Restricted cash	61	(12)	49	-	58	58
Short-term financial assets	375	-	375	358	-	358
Short-term loans and deposits	18	-	18	1	-	1
Trade receivables	87	(7)	80	62	30	92
Other receivables and deferred expenses	71	(1)	70	37	17	54
Inventory of development properties for the construction of apartments for sale	309	(40)	269	112	120	232
Total current assets	**1,783**	**(98)**	**1,685**	**1,195**	**239**	**1,434**
Long-term loans and payables	-	242	242	-	256	256
Investments in equity-accounted companies	702	(699)	3	1,222	(1,220)	2
Intangible assets and goodwill	873	-	873	558	221	779
Long-term inventory	2,159	(205)	1,954	-	749	749
Long-term financial assets and other assets	51	(1)	50	10	-	10
Fixed assets	12	-	12	11	-	11
Investment property	25,687	(126)	25,561	24,124	(164)	23,960
Total non-current assets	**29,484**	**(789)**	**28,695**	**25,925**	**(158)**	**25,767**
Total assets	**31,267**	**(887)**	**30,380**	**27,120**	**81**	**27,201**
Liabilities to banking corporations and others	331	(7)	324	927	20	947
Current maturities of debentures	1,482	-	1,482	1,113	-	1,113
Trade payables and service providers	163	(1)	162	154	2	156
Other payables	389	(57)	332	298	13	311
Advance customer payments from apartments sales	67	(14)	53	-	25	25
Provisions for tax	184	-	184	111	-	111
Total current liabilities	**2,616**	**(79)**	**2,537**	**2,603**	**60**	**2,663**
Debentures	9,947	-	9,947	9,378	-	9,378
Liabilities to banking corporations and others	2,388	(206)	2,182	530	479	1,009
Deferred taxes	3,902	3	3,905	3,499	41	3,540
Liabilities in respect of employee benefits, net	2	-	2	2	-	2
Other liabilities	104	(4)	100	60	2	62
Total non-current liabilities	**16,343**	**(207)**	**16,136**	**13,469**	**522**	**13,991**
Equity attributable to the Company's shareholders	11,707	-	11,707	10,547	-	10,547
Non-controlling interests	601	(601)	-	501	(501)	-
Total equity	**12,308**	**(601)**	**11,707**	**11,048**	**(501)**	**10,547**
Total equity and liabilities	**31,267**	**(887)**	**30,380**	**27,120**	**81**	**27,201**
EPRA NAV			**15,612**			**14,087**
EPRA NAV per share (NIS)			**328**			**297**

Explanations regarding material changes in the financial position (expanded and consolidated) in 2024:

Short-term and long-term inventory of land under development for the construction of apartments for sale – Short-term and long-term inventory of land as at December 31, 2024 totaled NIS 2.2 billion (Melisron's effective share), an increase of NIS 1.2 billion compared to December 31, 2023. The increase is mainly due to the acquisition of an additional 50% of Aviv Melisron and the allocation of excess cost in the acquisition to various projects in accordance with the PPA conducted as at the acquisition date, and due to an investment in Aviv Melisron's inventory.

Intangible assets and goodwill – Intangible assets and goodwill as of December 31, 2024 totaled NIS 873 million (Melisron's effective share), an increase of NIS 94 million compared to December 31, 2023. The increase is mainly due to the acquisition of the additional 50% of Aviv Melisron and the revised allocation of excess acquisition costs (PPA) conducted as at the acquisition date. For further information, see Note 11 to the financial statements (Chapter C of this Report).

Investment property - The value of investment property as at December 31, 2024 totaled NIS 25.6 billion (Melisron's effective share), an increase of NIS 1.6 billion compared to the value as at December 31, 2023. The increase is mainly due to investments in properties and properties under construction in the amount of NIS 477 million, and an increase in value of NIS 1,124 million mainly due to an increase in the representative NOI of the properties as a result of the effect of the rise in CPI and increase in contracts signed in the period, and the progress made in the marketing and construction of projects under construction and in occupancy.

Financial debt, net (debt less cash and short-term financial assets) – Net financial debt as at December 31, 2024 totaled NIS 12.5 billion, an increase of NIS 1.4 billion compared to December 31, 2023. The increase is mainly due to acquisition of 50% of Aviv Melisron and consolidation of 100% of Aviv Melisron loans (in the corresponding period the Company included 50% of Aviv Melisron loans under the investment in subsidiaries), and due to an increase in linked loans as a result of the increase in the CPI, less current cash flows generated by the Company in 2024 of NIS 1,103 million.

Deferred taxes - The deferred tax liability as at December 31, 2024 totaled NIS 3.9 billion (Melisron's effective share), an increase of NIS 365 million compared to December 31, 2023. The increase is mainly due to an increase in value of investment property recorded in the period.

Liquidity and Sources of Finance

Net cash flow from operating activities

Cash flows generated from operating activities totaled NIS 1,103 million, compared with NIS 979 million last year. The increase is due to a rise in operating profit of NIS 199 million, mainly from an increase in rentals due to an increase in real rentals and in the CPI, and a decrease in net tax payments of NIS 26 million, less an increase in working capital of NIS 37 million, an investment in inventory of NIS 36 million, and an increase in net interest payments of NIS 28 million.

Cash flows used for investment activities

Cash flows used in investment activities in the period totaled NIS 1,076 million, compared with cash flows of NIS 978 million used in investment activities last year. The cash flows used in investing activities in the reporting period include mainly the acquisition of a subsidiary that was consolidated for the first time (Aviv Melisron) in the amount of NIS 592 million, an investment in investment property and investment property under construction in the amount of NIS 444 million, payment of taxes on properties in the amount of NIS 25 million, disposal of short-term financial assets, net, in the amount of NIS 16 million, and investment in fixed and intangible assets in the amount of NIS 11 million. In the corresponding period last year, cash flows used in investment activities mainly included the 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, and investment in fixed and intangible assets in an amount of NIS 23 million and investment in short-term financial assets in the amount of NIS 10 million, less repayment of a loan granted in the past to the Harel Shopping Mall buyers in the amount of NIS 178 million.

Cash flows from financing activities

Cash flows generated from financing activities in the period totaled NIS 210 million, compared with cash flows generated from financing activities of NIS 81 million last year. The significant components of the cash flows generated from financing activities in the reporting period include mainly the issue of debentures in an amount of NIS 2,186 million and an increase in short-term credit from banks and others in the amount of NIS 57 million, less repayment of debentures and settlement of loans to banks and others in an amount of NIS 1,653 million and distribution of dividends in the amount of NIS 380 million. The significant components of the cash flows generated from financing activities in the corresponding period last year mainly included receipt of a bank loan and the issue of debentures in an amount of NIS 1,379 million, less repayment 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.

Liquidity risk

As at December 31, 2024, the Company had a working capital deficit for a period of 12 months amounting to NIS 844 million (consolidated), compared with the working capital deficit of NIS 1,408 million as at December 31, 2023. The deficit is mainly due to current maturities of debentures. Below is a breakdown of the unpledged properties as at the reporting date:

Total unpledged investment property	NIS 10.5 billion
Value of unpledged investment property in total value of investment property	40%
Secured debt to total value of investment property	31%
Secured debt to value of pledged investment property (LTV ratio of pledged properties)*	60%

* In addition, the company has property valued at NIS 1.4 billion that is pledged against unused credit facilities (including the above balance, the secured debt rate is 52%).

Due to the foregoing and following the assessment of the Company's Board of Directors, among other things, of the sources for settlement of existing and expected liabilities, with emphasis on repayment of liabilities that the Company is required to settle within two years as of December 31, 2024, the Company's existing sources of credit and unused credit facilities, the Company's high access to the capital market, the cash flows from operating activities that the Company generates, the investments which the Company intends to make, and the value of its unpledged properties, the Company's Board of Directors believes that despite having a working capital deficit for the 12 month period as at December 31, 2024 in the amount of NIS 844 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.

Main Developments in the Operating Sectors in and After the Reporting Period

A. Revised valuation as at December 31, 2024:

As at December 31, 2024, the Company conducts complete appraisals of its properties conducted through external appraisers, as it does every year. The appraisals included adjustment of the representative NOI of the properties based on the data on the current lease contracts and the Company's forecast regarding the estimated cash flow to be generated according to the terms of the lease contracts. The change in NOI arises mainly from revision of the lease contracts signed in the period, an improvement in the Company's operating measures, and a revision based on the CPI effects on rental income. In addition, the fair value of projects under construction was revised, mainly due to the progress in their execution and marketing (signing of lease contracts).

In its financial statements for 2024, the Company recorded an increase of NIS 1,086 million in net value of investment property.

B. Dividend announcements

In March 2024, the Company's Board of Directors announced a dividend distribution in the amount of NIS 120 million, which was paid on April 7, 2024.
In May 2024, the Company's Board of Directors announced a dividend distribution in the amount of NIS 80 million, which was paid on June 20, 2024.
In August 2024, the Company's Board of Directors announced a dividend distribution in the amount of NIS 90 million, which was paid on September 17, 2024.
In November 2024, the Company's Board of Directors announced a dividend distribution in the amount of NIS 90 million, which was paid on December 24, 2024.
In March 2025, the Company's Board of Directors announced a dividend distribution in the amount of NIS 90 million, which will be paid on April 10, 2025.

C. Issuance of debentures by expansion of existing series

1. In February 2024 the Company issued:
   - Debentures (Series 19) of a nominal value of NIS 738 million of the Company at par, which are secured by a second-degree lien on Ofer Kiryon, by way of expansion of an existing debenture series. The debentures were issued at a price of NIS 1.051 per NIS 1 par value, for total gross proceeds of NIS 776 million and at an effective interest rate of 2.83%, linked to the CPI. In April 2024, the Company used NIS 620 million of the proceeds of the issuance to make partial early redemption of Debentures (Series 10) of the Company, which are secured by a first-degree lien on the Ofer Kiryon Mall.
   - Debentures (Series 21) of a nominal value of NIS 625 million by way of expansion of an existing debenture series. The debentures were issued at a price of NIS 1.061 per NIS 1 par value, for total gross proceeds of NIS 664 million and at an effective interest rate of 3.25%, linked to the CPI.
2. In October 2024 the Company issued:
   - Debentures (Series 17) of a nominal value of NIS 614 million par value by way of expansion of an existing debenture series. The issue was at a price of NIS 1.141 per NIS 1 par value, for total gross proceeds of NIS 701 million and at an effective interest rate of 3.23%, linked to the CPI.
   - Debentures (Series 20) of a nominal value of NIS 127 million, which are secured by a first-degree lien on Ofer Grand Mall in Haifa, by way of expansion of an existing debenture series. The debentures were issued at a price of NIS 0.98 per NIS 1 par value, for total gross proceeds of NIS 124 million and at an effective interest rate of 3.19%, linked to the CPI.
3. In October 2024 the Company issued:
   Debentures (Series 21) of the Company of a nominal value of NIS 507 million by way of expansion of an existing debenture series. The debentures were issued was at a price of NIS 1.112 per NIS 1 par value, for total gross proceeds of NIS 564 million and at an effective interest rate of 3.19%, linked to the CPI.

D. Partial early redemption of Debentures (Series 11)

In June 2024, the Company implemented a partial early redemption of Debentures (Series 11) of the Company in the amount of NIS 430 million par value (NIS 495 million par value linked to the CPI).

E. Exchange offer of Debentures (Series 10) and issue of Debentures (Series 18 and 19) by way of extension of existing series.

In December 2024, the Company executed an exchange offer for Debentures (Series 10) under which the Company exchanged NIS 496 million par value Debentures (Series 10), secured by a first-degree lien on Ofer Kiryon, for NIS 54 million par value of Debentures (Series 18), secured by a first-degree lien on the Hutzot Hamifratz Mall and NIS 484 million par value of Debentures (Series 19), secured by a second-degree lien on Ofer Kiryon. The effective interest rate for Debentures (Series 18) is 1.97% linked to the CPI and for Debentures (Series 19) is 1.96% linked to the CPI.

F. Expiry of employee options

In April 2024, the Company allotted 13,619 (non-marketable) options convertible into shares to an officer (who is not a director or the CEO) of the Company, under an employee plan that was published on March 13, 2023, after approval by the Company's Remuneration Committee and Board of Directors in March 2024.

In September 2024, the Company's general meeting of shareholders approved, after the approval by the Company's Remuneration Committee and the Board of Directors, an extension to the term of the options for the Company's CEO. For further information see section 8 of the amendment to the chapter on Description of the Corporation's Business, in this Report.

On March 9, 2025, the Company's Board of Directors approved allotment of 198,471 (non-marketable) options convertible for Company shares to 6 officers of the Company (who are not directors or the CEO) and to 36 other managers and employees of the Company and subsidiaries, under the employee plan published on March 13, 2023, pursuant to the approval of the TASE to list the exercise shares resulting from exercise of the options for trading.

G. Extension of credit facilities from banks

- In January 2024, an amendment to an existing credit facility was signed in the amount of NIS 642 million and the deadline for its utilization was extended to March 1, 2026.
- In February 2024, the Company extended another credit facility agreement in the amount of NIS 147 million to April 30, 2026.

H. Land purchase

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

I. Acquisition of additional 50% of Aviv Melisron

As part of implementation of the Company's strategic plan to expand its operations into new areas, to diversify its risks and sources of income, in September 2024, the Company announced the acquisition of the remaining 50% shares of Aviv Melisron Ltd. (formerly, Aviv Real Estate Development and Management Ltd.) for a total amount of NIS 625 million. The transaction was completed on October 31, 2024. Upon completion, the Company holds 100% of Aviv Melisron. For further information see page 17 of the Directors' Report.

J. Purchase of land in Bat Yam

In February 2025 the Company announced that it is moving forward with the purchase of a land reserve in Bat Yam for planning and development of a new shopping center that may include additional uses. Negotiations are in initial stages and to date there is no certainty whether they will develop into a binding agreement and/or what the terms will be.

Corporate Governance

A. Appointment of directors:

On April 18, 2024, Arthur Leshinsky took up office as a Company director, after his appointment was approved by the general meeting of Company shareholders on that date. For further information, see the Company's immediate reports dated April 10, 2024 and April 18, 2024 (Ref. No. 2024-01-041457, 2024-01-044514 and 2024-01-044523, respectively), the details of which are included here by way of reference.

On November 21, 2024, the Company's Board of Directors approved the appointment of Ms. Smadar Barber-Tzadik, who serves as a director of the Company, to the position of Deputy and Acting Chairperson of the Company's Board of Directors commencing from the date of approval.

B. Termination of office of directors:

On April 18, 2024, Itzhak Nodary Zizov ceased serving as a director of the Company. For further information, see the immediate report issued by the Company on April 18, 2024 (Ref. No.: 2024-01-044520), the details of which are included here by way of reference.

On November 1, 2024, Arthur Leshinsky ceased serving as a director of the Company. For further information see the immediate report issued by the Company on November 3, 2024 (Ref. No.: 2024-01-613271), the details of which are included here by way of reference.

C. Directors with accounting and financial expertise

The Company's Board of Directors decided, pursuant to Section 92(A)(12) of the Companies Law, 5759-1999 ("Companies Law"), that the appropriate minimum number of directors with accounting and financial expertise in the Company is two directors, taking into account, among other things, the type and size of the company, and the scope and complexity of the Company's operations. As at reporting date, the Company has six directors classified as having accounting and financial expertise (Shuki Oren, Rinat Gazit, Shlomo Zohar, Dorit Salinger, Peer Nadir, and Smadar Barber-Tzadik). For further information concerning the education and experience of the foregoing directors, see section 15 of the chapter on Additional Details on the Corporation attached as Chapter D to this periodic report.

The positions and qualifications of the foregoing members of the Board of Directors give them the skills and understanding that enable them to thoroughly understand the Company's financial statements and to place issues and questions related to the Company's financial reporting on the agenda of the Board of Directors.

D. Independent directors

As at the date of publication of this report, the Company's articles of association do not include the provisions of the Companies Law with regard to the required number of independent directors as this term defined in the Companies Law. It should be noted that in practice, there are five directors on the Company's Board of Directors who meet the criteria for independent directors (including the three external directors who serve on the Company's Board of Directors).

E. Selection committee for finding new external directors

Further to the corporate governance review conducted in the Company by Entropy Corporate Governance Consulting Ltd., the Company adopted a policy with respect to the composition of the Board of Directors and the method of selecting external directors for the Company, and adopted a decision to establish a subcommittee of the Board of Directors, the Selections Committee, that is made up of four Board members and a majority of independent directors (two external directors and an additional independent director), which will be responsible for reviewing the suitability of potential candidates for serving as new external directors of the Company.

F. Compensation policy

On April 18, 2024, the general meeting of the Company's shareholders approved (after the approval by the Company's Remuneration Committee and Board of Directors) a revised remuneration policy for the Company's officers, for a three-year period from the date of approval by the general meeting. For further information, see the immediate report issued by the Company on April 10, 2024 regarding convening of the general meeting (Ref. No. 2024-01-041457), as well as the immediate report issued by the Company on April 18, 2024 regarding the results of the general meeting (Ref. No. 2024-01-044514), the details of which are included here by way of reference.

G. Terms and conditions of tenure of the Chair of the Board

On April 18, 2024, the general meeting of the Company's shareholders approved (after approval by the Company's Remuneration Committee and Board of Directors) the revised terms and conditions of service of the Company's Chair of the board, Liora Ofer, for an additional three-year period term from the date of the general meeting's approval. For further information, see the immediate report issued by the Company on April 10, 2024 regarding convening of the general meeting (Ref. No. 2024-01-041457), as well as the immediate report issued by the Company on April 18, 2024 regarding the results of the general meeting (Ref. No. 2024-01-044514), the details of which are presented here by way of reference.

H. Letters of indemnification and exemption

On April 18, 2024, the general meeting of the Company's shareholders approved (after the approval by the Company's Remuneration Committee and Board of Directors) an extension to the letters of indemnification and exemption for the Company's officers and directors who serve from time to time, where the controlling shareholder of the Company may be considered to have a personal interest in approving the extension thereof, for a further eight-year period ending on November 20, 2032. For further information, see the immediate report issued by the Company on April 10, 2024 regarding convening of the general meeting (Ref. No. 2024-01-041457), as well as the immediate report issued by the Company on April 18, 2024 regarding the results of the general meeting (Ref. No. 2024-01-044514), the details of which are included here by way of reference.

I. Directors' and officers' liability insurance

On May 19, 2024 and May 21, 2024, the Company's Remuneration Committee and Board of Directors, respectively, 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 in whom the controlling shareholder has a personal interest in engaging with, as may be from time to time, that ended on May 31, 2024 (the "Previous Insurance Policy"), in accordance with the terms of the Company's terms of remuneration and market terms, and to work to renew the policy for a further 12-month period from June 1, 2024, which at reporting date was renewed and is in effect through May 31, 2025. For further information, see the immediate report issued by the Company on May 22, 2024 (Ref. No.: 2024-01-052662), the details of which are presented here by way of reference.

J. **Procedure for classifying and approving transactions with related parties and procedure for classifying and approving transactions for the purchase of Aviv Melisron apartments**

With regard to the rules on the classification and approval of the Company's transactions (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 non-extraordinary transactions and for the purpose of classifying them as negligible transactions, see section 10.2 of the chapter on Additional Details about the Corporation attached as Chapter D of this periodic report. For the procedure that includes criteria for classifying and approving transactions for the purchase of apartments in Aviv Melisron residential projects by officers and/or interested parties in the company and/or anyone with whom any of them or the controlling shareholder may have a personal interest in a transaction, see section 10.3 of the chapter Additional Details about the Corporation attached as Chapter D to this periodic report.

K. **Donations**

As a large and leading company operating in Israel and as part of its corporate responsibility, the Company maintains a donation policy which was set for an annual amount of up to 0.5% of its net profit[1].
In 2024 Melisron made charitable contributions in the amount of NIS 4 million.
As at the reporting date, the Company's donation policy emphasizes mainly providing support to the education of children and youth at risk and the health of children and youth.

In August 2024, the Company's Board of Directors approved a donation in the amount of NIS 8.2 million to be spread over three years (2024-2026) to the association that manages Zoharim Youth Village, an educational-therapeutic village for youth at risk founded by Israel Prize winner, Rabbi Yitzhak David Grossman (the "Association") for the construction of a residential building for the village staff, counselors, and their families.[2] As at reporting date the construction on the building has started and the Company transferred one third of the donation amount to the Association, as aforesaid, in accordance with the donation agreement signed between the Company and the Association. The Company also intends to continue donating to various other associations according to its donation policy up to the above maximum amount set.

---

[1] Net profit" means net profit attributed to shareholders of the Company in the Company's most recent annual consolidated financial statements.

[2] To complete the picture, it should be noted that Ofer Investments Ltd., the controlling shareholder of the Company, also made charitable donations to associations managed by Rabbi Grossman from time to time (as part of its philanthropic activities for various associations and other activities), including the association that manages Zoharim Village.

L. Internal Auditor

Name of internal auditor: Yisrael Gewirtz, CPA

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

His qualifications for the position: CPA

The internal auditor meets the conditions set out in Sections 3(a) and 8 of the Internal Audit Law, 1992 (hereinafter: the "Internal Audit Law") and Section 146(B) of the Companies Law, 1999.

The internal auditor does not hold securities of the Company or any affiliated entities

The internal auditor does not have any material business ties or other material ties with the Corporation or affiliate

Mr. Gewirtz is not an employee of the Company, he provides the Company with internal auditing services as an external supplier. In addition, through Fahn Kanne Control Management Ltd., Mr. Gerwirtz provides the Corporation consultation services on internal audit procedures relating to the Company's financial reporting ("ISOX").

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

Identity of the person to whom the internal auditor reports within the organization: The internal auditor reports directly to the chairman of the Board of Directors.

Work plan: The internal auditor of the Company operates according to an annual and multi-annual work plan, which was approved by the Company's Audit Committee.

Considerations in determining the Company's current and multi-annual audit plan: The internal auditor recommended an annual and multi-annual audit plan based on an audit risk survey. This plan was approved by the Audit Committee. The multi-annual plan is based on audits conducted for all the Company's departments and properties once every few years according to the priorities defined by the Company's management and the internal auditor, and approved by the Company's Audit Committee. The work plan gives the internal auditor discretion to change the audited topics, subject to the formal approval of the Audit Committee.

The number of hours is determined based on the needs of the approved multi-annual audit, and accordingly, every year the budget is adjusted to the multi-annual work plan.

Scope of employment: The scope of the internal auditor's employment in the reporting year amounted to 1,325 hours.

Professional standards in accordance with which the internal auditor performs the audit: The auditor, as per his notice, reported that the audit in the reporting year was conducted in accordance with generally accepted professional standards as set out in Section 4(B) to the Internal Audit Law.

The internal auditor was given documents and information including financial data, at his request, as set out in Section 9 of the Internal Audit Law, including ongoing and direct access to the Company's information systems.

Dates on which written reports on the internal auditor's findings were submitted to the chairman of the Board of Directors and the chairman of the Audit Committee, and the dates on which deliberations were held in the Audit Committee regarding the findings of the internal auditor: Written reports on the Company's internal auditor's findings were routinely submitted to the Company's management throughout the reporting year.

After the audit reports were submitted to the Company's management and its opinion was received, the reports and conclusions were brought to the Audit Committee for discussion. The internal auditor's reports were submitted in writing to the Audit Committee as follows:

Name and content of Report	Date report was submitted and reviewed
Compliance with donation procedures	March 2024
Management of Ofer Grand Mall Be'er Sheva	March 2024
Establishment of the Landmark project	March 2024
Implementation of audit recommendations	March 2024
Insurance	August 2024
Implementation of recommendations in Aviv Melisron	August 2024
Safety in construction and engineering projects	November 2024
Budget control, cash flows and managed portfolios	November 2024

Scope, nature and continuity of internal audit operations and work plan: In the opinion of the Company Board of Directors, the scope, nature and continuity of the internal auditor's activities and his work plan are reasonable under the circumstances, and are sufficient to achieve the internal audit objectives of the Company.

Scope of remuneration paid to the internal auditor: For the services that the internal auditor provided to the Company in 2024, the Company paid the internal auditor total remuneration of NIS 331 thousand. It should be noted that the internal auditor's fee is derived from his work hours as defined by the Audit Committee and therefore may change according to changes in his work hours. In the opinion of the Company's Board of Directors, the fee paid to the internal auditor is acceptable and does not affect the internal auditor exercising his professional judgment.

M. Disclosure regarding the auditors fees

The Company's auditor is Deloitte Brightman Almagor & Co. accounting firm.
Below is a breakdown of fees of the auditors of Melisron (including the subsidiaries):

	2024	2023
Audit and audit-related services, including audit-related tax services (1) (2) (NIS thousands)	1,787	1,650
Other services (NIS thousands)	61	30
Total (in NIS thousands)	1,848	1,680

(1) The total fees include the Company's share in the fees paid to Deloitte by Aviv Melisron.

(2) In 2023 and 2024, the Company paid other auditors of the subsidiaries an annual amount of NIS 38 thousand (Melisron's share).

The auditors' fees are set as a global amount. The auditors' fees are approved by the Company's Board of Directors after the Financial Statements Review Committee has discussed the scope of the auditors' work and fees and the suitability of their qualifications for conducting the Company's audit.

Financial Reporting

1. **Critical accounting estimates:**

   Preparation of the Company's financial statements in accordance with IFRS requires the management to make assessments and assumptions that affect the amounts presented in the financial statements.

   These assessments sometimes require reasoning in an environment of uncertainty and have a significant effect on the presentation of the data in the financial statements.

   Below is a description of the critical accounting assessments used in preparing the Company's financial statements; When making these assessments, the Company's management is required to make assumptions regarding the circumstances and events involving significant uncertainty. The Company's management determines the estimates on the basis of past experience, various facts, external factors, and reasonable assumptions according to the pertinent circumstances of each estimate. Actual results may differ from the management's estimates.

   Investment property - Once every quarter the Company evaluates most of the investment property. The accepted method for evaluating investment properties 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 risk factors, environmental factors, the type of property (office or retail), the location, competition, demand, expected taxes and levies, construction plans, etc., are taken into account. In addition, management's assessment of expected revenue, property occupancy rates, etc., are used. These estimates are based on approved budgets, which are prepared by the Company's management and which rely, among other things, on contracts signed with tenants and the past experience that the Company has gained in managing and holding investment properties. The Company's management reviews the estimates once every quarter.

   See details of external valuations conducted by the Company for assets that were defined as very material and attached to this report as an appendix.

2. **Details concerning evaluations**

   The following property evaluations are attached to this periodic report: 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 further information about these properties, which are classified as very material under the proposed amendment to the Securities Regulations for implementing the disclosure directive regarding the operations of investment properties, see sections 13.1 and 13.2 in the chapter on the Description of the Company's Businesses, Chapter A of this report, respectively.

   Furthermore, in accordance with, among other things, the Company's obligations under 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, revaluations for Ofer Grand Mall Haifa, Ofer Grand Mall Petah Tikva, Ofer Grand Mall Be'er Sheva and Hutzot Hamifratz Mall complex are attached to this periodic report. With regard to the disclosure regarding revaluation in accordance with Regulation 8B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see sections 11.1 (Landmark TLV), 11.2 (Ofer Bilu Center Outlet), 11.3 (Ofer Mall Rehovot), 12.1 (Ofer Mall Ramat Aviv), 12.2 (Ofer Kiryon), 13.1 (Ofer Grand Mall Haifa), 13.2 (Ofer Grand Mall Petah Tikva), 13.3 (Ofer Grand Mall Be'er Sheva), 13.4 (Hutzot Hamifratz Mall Haifa), in the chapter on Description of the Corporation's Business, Chapter A of this periodic report.

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

   See Note 36 to the financial statements as at December 31, 2024.

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

______________________,	______________________
Liora Ofer	**Ophir Sarid**
Chairman of the Board of Directors	**CEO**

Date: March 9, 2025

Appendixes

Appendix A – Detailed reference tables

Appendix B – Special Disclosure to Melisron's Debenture Holders

Appendix C – Disclosure regarding valuation in accordance with Regulation 8B of the Securities Law (Periodic and Immediate Reports), 5760-1970

Appendix A – Detailed Reference Tables

Expanded consolidated statement of income (in NIS millions)

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Rental and other income	2,026	1,911	1,725
Maintenance and operating costs	526	581	492
Gross profit	**1,500**	**1,330**	**1,233**
Marketing and advertising expenses	(14)	(19)	(24)
General and administrative expenses	(93)	(87)	(81)
Operating profit before other income (expenses)	**1,393**	**1,224**	**1,128**
Increase in value of investment property, net	1,124	662	1,281
Other income (expenses), net	(13)	(74)	(19)
Operating profit after other income (expenses)	**2,504**	**1,812**	**2,390**
Financing expenses	(657)	(525)	(658)
Financing income	99	66	33
Profit before deduction of taxes on income	**1,946**	**1,353**	**1,765**
Taxes on income	(415)	(316)	(374)
Profit for the period	**1,531**	**1,037**	**1,391**

Expanded consolidated gross financial debt schedule

Below are the Company's liabilities (expanded and consolidated) that are due after December 31, 2024 (in NIS millions):

	Debentures	Loans from banks and financial institutions	Aviv Melisron's loans	Less non-controlling interests in consolidated loans	Marketable securities and short-term loans	Loans granted against collateral	Total
First year	1,482	32	188	(3)	-	-	1,699
Second year	1,845	821	919	(3)	-	-	3,582
Third year	1,593	32	3	(3)	-	-	1,625
Fourth year	1,178	32	2	(3)	-	-	1,209
Fifth year and onwards	5,414	418	3	(34)	102	(242)	5,661
Total repayments	**11,512**	**1,335**	**1,115**	**(46)**	**102**	**(242)**	**13,776**
Discount							(83)
Total gross financial debt (consolidated expanded)							**13,693**

FFO (funds from operations) Index Pursuant to Israel Securities Authority Directive

For the purpose of providing further information on the operating results, presented below is the FFO (finds 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 is published by NAREIT (the organization of REIT companies in the US) and as it is defined, it presents net reported income, 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 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	2024	2023	2022
Net profit for the period	**1,579**	**1,052**	**1,442**
Adjustments:			
Loss from secondary operations (1)	16	16	11
Depreciation and amortization	27	11	8
Gains or loss from changes in fair value of investment property	(1,086)	(624)	(1,224)
Gain or loss from changes in fair value of derivative financial instruments	(16)	(19)	35
Adjustments with regard to equity-accounted investees or joint ventures	(31)	(5)	(61)
Non-recurring expenses	31	74	8
Effects of current and deferred taxes due to foregoing adjustments	325	241	301
Total nominal FFO pursuant to the directives of the Israel Securities Authority	**845**	**746**	**520**
Net of share of non-controlling interest share in FFO	(39)	(37)	(34)
Total nominal FFO pursuant to the directives of the Israel Securities Authority attributed to shareholders	**806**	**709**	**486**
Plus recognition of a benefit in respect of employee option plan	9	8	5
Linkage differences on financial assets and liabilities	345	288	423
Total real FFO according to the management method (AFFO)	**1,160**	**1,005**	**914**

1) 2024 is net of the results of Aviv Melisron (including amortization of excess costs); 2022 and 2023 are net of the results of Grouper operations that were discontinued in 2023.

Appendix B - Special Disclosure to Holders of Debentures: Melisron as at December 31, 2024

Series	Rating agency	At issuance	Rating at date of publication of the report	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, 2024 (NIS millions)	Par value CPI-linked, December 31, 2024 (NIS millions)	Carrying amount, December 31, 2024 (NIS millions)	Interest payable, December 31, 2024 (NIS millions)	Market value, December 31, 2024 (NIS millions)	Material
Debentures (Series 10)① 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 semi-annual interest, January 10, July 10, in 2016-2025	273	319	319	3	314	Immaterial
Debentures (Series 11)② March 31, 2015 Expansions: April 19, 2016 January 12, 2017 June 8, 2017	Maalot	A+	AA	1,469,530	Fixed	2.3%	2.19%-2.82%	Yes	Fixed semi-annual interest, January 10, July 10, in 2016-2025	806	943	943	10	929	Material
Debentures (Series 14) April 19, 2016 Exchange: March 5, 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)	1,179	1,383	1,393	5	1,379	Material
Debentures (Series 16) January 12, 2017 Exchange: March 5, 2018 Expansion: September 6, 2018 September 13, 2023	Maalot	AA-	AA	1,054,482	Fixed	2.35%	1.69%–2.66%	Yes	Fixed semi-annual interest, April 1, October 1, in 2017-2027	928	1,082	1,086	6	1,083	Material

① For information regarding partial early redemption of Debentures (Series 10) made on April 1, 2024, see page 35 of this Directors' Report. For further information regarding the exchange offer of Debentures (Series 10) in exchange for the issue of Debentures (Series 18) and Debentures (Series 17) by way of the expansion of existing series, which executed on December 24, 2024, see page 35 of this Directors' Report.

② For information on partial early redemption of Debentures (Series 11) performed on April 14, 2024, see page 35 of this Directors' Report.

Appendix B - Special Disclosure to Holders of Debentures: Melisron as at December 31, 2024 (cont.)

Series	Rating agency	At issuance	Rating at date of publication of the report	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, 2024 (NIS millions)	Par value CPI-linked, December 31, 2024 (NIS millions)	Carrying amount, December 31, 2024 (NIS millions)	Interest payable, December 31, 2024 (NIS millions)	Market value, December 31, 2024 (NIS millions)	Material
Debentures (Series 15) March 6, 2018 Expansions: October 30, 2019 March 1, 2021 April 21, 2021 September 13, 2023 October 13, 2024	Maalot	AA-	AA	2,194,697	Fixed	2.25%	0.75%-3.23%	Yes	See notes to Appendix B below	1,791	2,090	2,095	24	2,016	Material
Debentures (Series 18) March 3, 2020 Expansion: March 27, 2023 Exchange: December 24, 2024	Maalot	AA	AA	586,771	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)	547	628	614	2	583	Immaterial
Debentures (Series 19) August 18, 2020 Expansion: February 20, 2024 Exchange: December 24, 2024	Maalot	AA	AA	1,649,967	Fixed	1.43%	1.57%-2.83%	Yes	Fixed semi-annual interest, January 1 and July 1, in 2021-2029	1,608	1,853	1,794	13	1,739	Material
Debentures (Series 20) August 17, 2021 Expansion: November 1, 2022 October 13, 2024	Maalot	AA	AA	1,524,995	Fixed	0.25%	0.38%–3.19%	Yes	Fixed semi-annual interest, January 1 and July 1, 2022-2030 (2030 payment on January 1 only)	1,368	1,547	1,493	2	1,356	Material
Debentures (Series 21) March 27, 2023 Expansion: February 20, 2024 December 19, 2024	Maalot	AA	AA	1,591,216	Fixed	3.61%	3.19%–3.78%	Yes	See notes to Appendix B below	1,576	1,666	1,691	30	1,715	Material

Notes to Appendix B:

1. On December 30, 2024, Debentures 15 were redeemed in full.
2. The principal of Debentures Series 10 and 11 will be repaid in 20 installments, as follows: 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. Regarding partial early redemption of debentures (Series 10), see section 42 below. Regarding partial early redemption of debentures (Series 11), see section 43 below. Regarding partial early redemption of debentures (Series 10), see section 45 below.
3. Repayment of Debentures (Series 14) - 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.
4. Repayment of Debentures (Series 16) - will be made in 21 installments as follows: 20 equal installments of 1% of the principal each, which will be paid twice a year, on April 1 and October 1, from April 1, 2017 to April 1, 2027 (inclusive). The balance of the principal (80%) will be repaid in a lump sum on April 1, 2027.
5. Repayment of debentures (Series 17) - 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, from July 1, 2018 to January 1, 2032 (inclusive).

6. Repayment of Debentures (Series 18) - 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 1, starting on July 1, 2020 and ending on January 1, 2028 (inclusive). The balance of the principal (84%) will be repaid in a lump sum on July 1, 2028.
7. Repayment of Debentures (Series 19) - will be made in 18 installments as follows: 17 equal installments of 1% of the principal each, which will be paid twice a year, on January 1 and July 1, starting on January 1, 2021 and ending on January 1, 2029 (inclusive). The balance of the principal (83%) will be repaid in a lump sum on July 1, 2029.
8. Repayment of Debentures (Series 20) - will be made in 18 installments as follows: 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.

9. Repayment of debentures (Series 21) - 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)**
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, from July 1, 2023 to January 1, 2037 (inclusive).

10. For further information concerning the right to early redemption of Debentures (Series 10), see section 7 of the deed of trust for the Debentures (Series 10) attached as <u>Appendix A</u> to the shelf offering memorandum dated March 30, 2015 (Ref. No. 2015-01-066691).

11. For further information concerning the right to early redemption of Debentures (Series 11), see section 8 of the deed of trust for the Debentures (Series 11) attached as <u>Appendix B</u> 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.

12. For further information concerning the right to early redemption of Debentures (Series 14), see section 7 of the deed of trust for the Debentures (Series 14) attached as <u>Appendix A</u> to the shelf offering memorandum dated April 18, 2016 (Ref. No. 2016-01-050488).

13. For further information concerning the right to early redemption of Debentures (Series 15), see section 8 of the deed of trust for the Debentures (Series 15) attached as <u>Appendix B</u> 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.

14. For further information concerning the right to early redemption of Debentures (Series 16), see section 7 of the deed of trust for the Debentures (Series 16) attached as <u>Appendix A</u> to the shelf offering memorandum dated January 11, 2017 (Ref. No. 2017-01-005040).

15. For further information concerning the right to early redemption of Debentures (Series 17), see section 9 of the deed of trust for the Debentures (Series 17) attached as <u>Appendix A</u> to the shelf offering memorandum dated March 4, 2018 (Ref. No. 2018-01-017334).

16. For further information concerning the right to early redemption of Debentures (Series 18), see section 7 of the deed of trust for the Debentures (Series 18) attached as <u>Appendix A</u> to the shelf offering memorandum dated March 1, 2020 (as revised on March 1, 2020 and March 3, 2020; Ref. Nos: 2020-01-017572, 2020-01-017623 and 2020-01-01780, respectively).

17. For further information concerning the right to early redemption of Debentures (Series 19), see section 7 of the deed of trust for the Debentures (Series 19) attached as <u>Appendix A</u> to the shelf offering memorandum dated August 16, 2020 (Ref. No. 2020-01-079504).

18. For further information concerning the right to early redemption of Debentures (Series 20), see section 7 of the deed of trust for the Debentures (Series 20) attached as <u>Appendix A</u> to the shelf offering memorandum dated August 15, 2021 (Ref. No. 2021-01-065470).

19. For further information concerning the right to early redemption of Debentures (Series 21), see section 8 of the deed of trust for the Debentures (Series 21) attached as Appendix A to the shelf offering memorandum dated March 26, 2023 (Ref. No. 2023-01-027175).

20. The trustee for debenture series 10, 14, 16, 18, 19, and 20 - 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.

21. The trustee for debentures series 11, 15, 17, and 21 - 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

22. 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.

23. 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.

24. 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 October 9, 2024 (Ref. No. 2024-01-609185), the details of which are included here by way of reference. The Company's debentures (Series 11), (Series 15) and (Series 17) are not secured.

25. To secure debentures (Series 10), a first-degree charge was registered 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 10), see section 6 of the deed of trust for the Debentures (Series 10) attached as Appendix A to the shelf offering memorandum issued by the Company on March 30, 2015 (Ref. No. 2015-01-066961).

26. To secure the Company's debentures (Series 14) 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, Petah 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.

27. To secure debentures (Series 16), a first-degree charge was registered on the ownership rights of MLA in land attributed to the Ofer Grand Mall in Be'er 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 16), see section 6 of the deed of trust for the Debentures (Series 16) attached as Appendix A to the shelf offering memorandum issued by the Company on January 11, 2017 (Ref. No. 2017-01-005040).

28. To secure debentures (Series 18) Hutzot Hamifratz Haifa Ltd. (s 50% held investee of the Company) (the "Mortgagor") pledged non-specific 50% of its rights in Hutzot 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 Hutzot Hamifratz (all from the rental agreements) including proceeds that may be due if any from the exercise of additional existing or future building rights in Hutzot Hamifratz and/or any of the properties permitted to be pledged as collateral that will be added as collateral and/or that will replace Hutzot Hamifratz as may be at such time. For further information concerning the collateral mechanism for Debentures (Series 18), see section 6 of the deed of trust for the Debentures (Series 18) 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).

29. To secure debentures (Series 19), the Company registered a subordinated lien on the Company's rights in Kiryon Mall, including the sub-complexes Kiryon Mall, Bialik City, the Delek gas station, and the Kiryon Towers located in Kiryat Bialik. For further information concerning the collateral mechanism for Debentures (Series 19), see section 6 of the deed of trust for the Debentures (Series 19) attached as Appendix A to the shelf offering memorandum dated August 16, 2020 (Ref. No. 2020-01-079504).

30. To secure debentures (Series 20) a caveat and undertaking to register a mortgage were recorded and the Company registered a first-degree pledge on 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 20), 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).

31. 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.

32. Below is a breakdown of the Company's compliance with its financial covenants based on the provisions of the deeds of trust for the debentures as set out below; 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, 2024	Test date - September 30, 2024
Debentures (Series 10), (Series 11), (Series 14), (Series 16), (Series 17), (Series 18), (Series 19), (Series 20), (Series 21)	The Company's equity pursuant to its latest consolidated financial statements will not drop below 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 non-controlling interests.	Equity - 12.3 NIS billions	Equity - 11.7 NIS billions
Debentures (Series 11), (Series 16), (Series 17), (Series 18), (Series 19), (Series 20), (Series 21)	The Company's equity including non-controlling interest based on the latest consolidated financial statements with addition of net deferred tax liabilities will not drop below 20%-25% (according to the 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 respect to several 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 - 54%	Equity to balance sheet ratio - 57%

33. Debentures (Series 10 and Series 11) are linked (principal and interest) to the published CPI for February 2015.

34. Debentures (Series 14) are linked (principal and interest) to the published CPI for February 2016.

35. Principal and interest of Debentures (Series 15) are unlinked.

36. Debentures (Series 16) are linked (principal and interest) to the published CPI for November 2016.

37. Debentures (Series 17) are linked (principal and interest) to the published CPI for January 2018.

38. Debentures (Series 18) are linked (principal and interest) to the published CPI for January 2020.

39. Debentures (Series 19) are linked (principal and interest) to the published CPI for January 2020.

40. Debentures (Series 20) are linked (principal and interest) to the published CPI for July 2021.

41. Debentures (Series 21) are linked (principal and interest) to the published CPI for February 2023.

42. In February 2024, the Company issued NIS 738,251 thousand par value Debentures (Series 19) of the Company for total (gross) proceeds of NIS 776 million and NIS 624,504 thousand par value Debentures (Series 21) 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 a partial early redemption of NIS 541,344 par value Debentures (Series 10) for an amount of NIS 622 million from the proceeds of the foregoing issue of Debentures (Series 19), which was executed on April 1, 2024. For further information, see the Company's immediate reports dated February 19, 2024 (Reference No. 2013-01-015169), and March 6, 2024 (Ref. No. 2024-01-019945), March 23, 2024 (Ref. No. 2024-01-025150), and April 1, 2024, (Ref. No. 2024-01-036945), the details of which are included here by way of reference.

43. In June 2024, the Company implemented a partial early redemption in the amount of NIS 430 million par value (NIS 495 million CPI-linked) of Debentures (Series 11) of the Company. For information, see the immediate reports issued by the Company on May 28, 2024, May 29, 2024, June 4, 2024 and June 15, 2025 (Ref. Nos. 2024-01-055677, 2024-01-056514, 2024-01-058677, and 2024-01-060825, respectively, the details of which are presented here by way of reference.

44. In October 2024, the Company issued NIS 614,241 thousand par value Debentures (Series 17) of the Company for total (gross) proceeds of NIS 701 million and 126,500 thousand par value Debentures (Series 20) of the Company for total (gross) proceeds of NIS 124 million.

45. In December 2024, the Company executed an exchange offer for Debentures (Series 10) under which the Company exchanged NIS 496 million par value Debentures (Series 10) for NIS 54 million par value Debentures (Series 18) and NIS 484 million par value Debentures (Series S).