

# Discount Investment Corporation Ltd.

## Financial Statements for the Year Ended December 31, 2022

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**Attached documents**

1. An economic paper as at November 30, 2022, regarding the valuation of the HSBC Tower, which is held by Property & Building Corp. Ltd. ("Property & Building"), is included by way of reference to the aforementioned paper, which is attached to the financial statements of Property & Building as at December 31, 2022, which were reported and published on March 26, 2023 (reference number 2023-01-027655).
2. Economic paper as at March 8, 2022, regarding the purchase price allocation (PPA) of Gav-Yam shares, is included by way of reference to the aforementioned paper, which is attached to Property & Building's financial statements as at December 31, 2022, which it reported and published on March 26, 2023 (reference number 2023-01- 027655). Also attached are details regarding this paper in accordance with Regulation 8(B) of the Securities Regulations.
3. Economic paper as at December 31, 2022, in connection with an impairment test with respect to the goodwill attributed to Gav-Yam, is included by way of reference to the aforementioned paper, which is attached to Property & Building's financial statements as at December 31, 2022, which it reported and published on March 26, 2023 (reference number 2023-01- 027655). Also attached are details regarding this paper in accordance with Regulation 8(B) of the Securities Regulations.
4. Data regarding the Company's liabilities are attached to these financial statements, in accordance with Regulation 38E of the Securities Regulations, is included by way of reference to the aforementioned data which are included in the report regarding the corporation's liabilities, which was published on March 26, 2023 (reference number 2023-01-027556).



Auditors' Report  
To the Shareholders of  
**Discount Investment Corporation Ltd.**

We have audited the attached consolidated statements of financial position of Discount Investment Corporation Ltd. (hereinafter: the "Company") as at December 31, 2022 and 2021, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have not audited the financial statements of consolidated companies, including companies whose operations were discontinued, and whose assets as included in the consolidation constituted approximately 6% and approximately 9% of total consolidated assets as at December 31, 2022 and 2021, respectively, and whose income as included in the consolidation constituted approximately 18%, approximately 28% and approximately 28% of total consolidated income for the years ended December 31, 2022, 2021 and 2020, respectively. We have also not audited the financial statements of investee companies accounted by the equity method, including companies whose operations were discontinued, the investment in which amounted to approximately NIS 182 million and approximately NIS 282 million as at December 31, 2022 and 2021, respectively, and where the Company's share in their net losses amounted to approximately NIS 57 million, approximately NIS 32 million and approximately NIS 33 million for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports were presented to us, and our opinion, insofar as it refers to the amounts included in respect of those companies, is based on the reports provided by the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 5733-1973. According to these standards, we are required to plan and conduct the audit in order to obtain a reasonable measure of assurance about whether the financial statements are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and information presented in the financial statements. An audit also includes conducting an evaluation of the accounting principles used and of the significant estimates made by the Company's management, as well as an evaluation of the overall adequacy of presentation in the financial statements. We believe that our audit, and the reports provided by the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports provided by other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and of its consolidated companies as at December 31, 2022 and 2021, and their operating results, changes in equity and cash flows for each of the three years ended on December 31, 2022, in accordance with international financial reporting standards (IFRS) and the provisions of the Securities Regulations (Yearly Financial Statements), 5770-2010.

We have also audited the Company's pro forma consolidated statements of income for each of the three years in the period ended December 31, 2022, in connection with the transaction involving the acquisition of Gav-Yam, which are included in Note 33 to the consolidated reports (hereinafter: the "Pro Forma Reports"). These pro forma reports are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these pro forma reports, based on our audit.

We have not audited the financial statements of consolidated companies, including companies whose operations were discontinued, whose income as included in the consolidation constituted approximately 19%, approximately 21% and approximately 27% of total consolidated pro forma income in each of the years ended December 31, 2022, 2021 and 2020, respectively. We have also not audited the financial statements of equity accounted investees, including companies whose operations were discontinued, where the Company's share in their net losses, as included in the pro forma reports, amounted to approximately NIS 57 million and approximately NIS 30 million for the years ended December 31, 2022 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports were presented to us, and our opinion, insofar as it refers to the amounts included in respect of those companies, is based on the reports provided by the other auditors.



We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 5733-1973. According to these standards, we are required to plan and conduct the audit in order to obtain a reasonable measure of assurance about whether the pro forma reports are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and information presented in the pro forma reports. An audit also includes conducting an evaluation of the accounting principles used and of the significant estimates made by the Company's management, as well as an evaluation of the overall adequacy of presentation in the pro forma reports. We believe that our audit, and the reports provided by the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports provided by other auditors, the pro forma reports referred to above present fairly, in all material respects, the pro forma operating results of the Company and of its consolidated companies in each of the three years during the period ended December 31, 2022, in accordance with the provisions of Regulation 9A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, based on the assumptions specified in Note 33.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Controls over Financial Reporting", internal controls over financial reporting in the Company as at December 31, 2022, and our report dated March 26, 2023 includes an unqualified opinion regarding the effective existence of those controls.

#### **Key audit matters**

The key audit matters specified below are the matters which were communicated, or which were required for communication, to the Company's Board of Directors, and which, in our professional judgment, were most significant in the audit of the consolidated financial statements for the current period. These matters include, inter alia, any matter which: (1) pertains, or may pertain, to significant sections or disclosures in the financial statements, and (2) where our judgment regarding the matter was particularly challenging, subjective or complex. These matters were addressed in our audit and in the formulation of our opinion regarding the consolidated financial statements in their entirety. The communication of the following matters does not change our opinion regarding the consolidated financial statements in their entirety, and we are not providing herein a separate opinion on these matters, or on the sections or disclosures to which they pertain.

#### **Fair value of investment property**

As described in Notes 2F and 6 to the consolidated financial statements, the Company initially measures investment property at cost, and in subsequent periods, at fair value. Investment property under construction is also measured at fair value, beginning from the date when its fair value is reliably measurable. The initial consolidation of Gav-Yam Bayside Land Corporation Ltd. (hereinafter: "Gav-Yam") also included the recognition of Gav-Yam's investment property and investment property under construction, according to their fair values as at that date. Changes in fair value are carried to the statement of income.

The balance of investment property and investment property under construction as at December 31, 2022 amounted to approximately NIS 12,552 million. The increase in the fair value of investment property for the year ended December 31, 2022 amounted to approximately NIS 1,096 million. Additionally, the balance of assets of disposal groups held for sale as at December 31, 2022 included investment property in the amount of approximately NIS 2,534 million, and loss from discontinued operations for the year ended December 31, 2022 included a decrease in fair value of investment property in the amount of approximately NIS 404 million.

The fair value measurement of investment property and investment property under construction (hereinafter: "Investment Property") is determined by independent valuers. The fair value of rental properties was estimated using the income approach, while the fair value of available land lots was estimated using the comparison approach.



### **Main estimates used to calculate the fair value of investment property**

As stated above, the fair value of rental properties under investment property was estimated using the income approach, based on the net annual cash flows, discounted by a discount rate which reflects the specific risks associated therewith. When determining the fair value of investment property, the Company uses observable market inputs and indications of the property's price, as much as possible. However, the determination of fair value is also based on significant estimates involving uncertainty, and on subjective estimates which are not observable on the market (level 3), such as the capitalization rates and market values of rent payments, which are based on professional publications in the relevant markets, if available, and on comparison to similar transactions, with the required adjustments. Additionally, when rental agreements effectively exist where the payments with respect to them are different from appropriate rent, adjustments are implemented in order to reflect the actual rent payments during the period of the agreement. The valuations take into account the types of lessees who are actually occupying the leased property, or who are responsible for fulfilling the rental obligations, or those who may be in the leased property after the rental of an available property, and the remaining economic lifetime of the property, in the cases where those parameters are relevant. The market value of rental figures includes a wide range, in all areas and all uses, and was due, inter alia, to the variability in the quality, age and finishing level of the various leased properties.

Investment property under construction is presented at fair value beginning on the date when the fair value is reliably measurable. The valuation is based on the estimated fair value of the investment property after its construction has been completed, less the present value of the estimated construction costs which are expected to arise for the purpose of completing it, while taking into account the capitalization rate, which is adjusted with respect to the property's relevant risks and characteristics, and the timing of the completion of construction.

Changes in these estimates and assumptions could significantly affect the values of the investment properties which are presented in the Company's financial statements.

We identified the estimates and assumptions of management which are used when measuring the fair value of investment property as a key audit matter.

Auditing the fair value of investment property requires judgment on the part of the auditor, in order to evaluate the way in which management substantiated the adequacy of the assumptions and estimates which were used when measuring the fair value of investment property.

### **Audit procedures conducted in respect of key audit matters**

Presented below are the main procedures we conducted in connection with this key matter as part of our audit:

- Understanding the internal control environment with respect to calculating the fair value of investment property and auditing the effectiveness of internal controls associated with determining its amount
- Evaluating the completeness and accuracy of the information and data which are used in the fair value determination model
- Reviewing the chosen methodology of fair value determination, and verifying whether it corresponds to the property's characteristics
- Evaluating the reasonableness of the estimates which were chosen by management in accordance with common practice and market data, including taking into account current transactions in the market and sectoral surveys
- Evaluating the adequacy of application of the assumptions used in the calculation of fair value, and evaluating the calculations
- Accompaniment of an expert appraiser.



### **Impairment test of goodwill attributed to Gav-Yam**

As described in Notes 2O and 9 to the consolidated financial statements, the balance of goodwill attributed to Gav Yam as at December 31, 2022 amounted to approximately NIS 4,380 million (after deducting impairment loss in the amount of approximately NIS 469 million, which was carried to the statements of income in 2022).

As described in the notes,

an impairment test of the cash generating unit to which goodwill was allocated is conducted once per year, and whenever any signs of the unit's impairment exist, by comparing the unit's book value, including goodwill, to its recoverable amount, which is the higher of either value in use or fair value less costs to sell. The process of testing for impairment the cash generating unit to which the goodwill was allocated is based on significant estimates involving uncertainty, and on subjective estimates. Changes in these estimates or approximations could significantly affect the balance of goodwill which is presented in the Company's financial statements.

### **Main estimates used in the impairment test of goodwill**

When calculating the recoverable amount of the cash generating unit to which goodwill was allocated by the Company, judgment is applied, mostly in the determination of the future cash flows which are projected to arise from the unit, the long-term growth rate, and the real discount rate.

We identified the estimates which serve as the basis for the impairment test of goodwill attributed to Gav-Yam as a key audit matter.

Auditing an impairment test of goodwill requires judgment on the part of the auditor, as well as knowledge and experience in order to evaluate the reasonableness of the assumptions and data which were used by management when determining the estimated recoverable amount of the cash generating unit to which the goodwill was allocated.

### **Audit procedures conducted in respect of key audit matters**

Presented below are the main procedures we conducted in connection with this key matter as part of our audit:

- Understanding the internal control environment pertaining to the impairment test of goodwill and auditing the effectiveness of internal controls associated with the determination of the recoverable amount of the cash generating unit
- Reviewing the methodology used in the determination of the recoverable amount of the cash generating unit, and verifying whether it corresponds to its characteristics
- Evaluating the completeness and accuracy of the information and data which are used to in the calculation of the recoverable amount
- Evaluating the reasonableness of management's assumptions
- Evaluating the adequacy of application of the assumptions used in the calculation of the recoverable amount of the cash generating unit, and evaluating the calculations
- Accompaniment of valuation experts.

Haifa,  
March 26, 2023

Kesselman & Kesselman  
Certified Public Accountants  
A member firm of PricewaterhouseCoopers International Limited

## Consolidated Statements of Financial Position

|  |       | As at December 31   |                     |
|--|-------|---------------------|---------------------|
|  |       | 2022 <sup>(1)</sup> | 2021 <sup>(2)</sup> |
|  | Note  | NIS millions        |                     |
| <b>Non-current assets</b>  |       |                     |                     |
| Investments in investee companies accounted by the equity method | 3     | 406                 | 3,167               |
| Financial assets measured at fair value through profit or loss   |       | 337                 | 194                 |
| Loans, deposits, restricted deposits and debit balances          |       | 205                 | 117                 |
| Right-of-use assets  | 7     | 209                 | 869                 |
| Fixed assets   | 5     | 395                 | 1,729               |
| Investment property  | 6     | 12,552              | 23                  |
| Long term trade receivables                                      | 8     | -                   | 158                 |
| Real estate inventory  |       | 65                  | 24                  |
| Deferred expenses  |       | 85                  | 423                 |
| Deferred tax assets  | 30.B. | 23                  | 6                   |
| Intangible assets  | 9     | 4,402               | 2,640               |
|  |       | <u>18,679</u>       | <u>9,350</u>        |
| <b>Current assets</b>  |       |                     |                     |
| Financial assets measured at fair value through profit or loss   | 4     | 163                 | 399                 |
| Deposits and pledged and restricted deposits                     | 10    | 1,225               | 300                 |
| Other receivables and debit balances                             |       | 379                 | 327                 |
| Current tax assets   |       | 26                  | 20                  |
| Trade receivables and other income receivable                    | 8     | 157                 | 1,082               |
| Inventory  | 11    | 160                 | 272                 |
| Inventory of buildings for sale                                  |       | 41                  | 65                  |
| Assets of disposal groups held for sale                          | 12    | 10,442              | 3,695               |
| Cash and cash equivalents  | 13    | 2,090               | 2,740               |
|  |       | <u>14,683</u>       | <u>8,900</u>        |
| <b>Total assets</b>  |       | <u>33,362</u>       | <u>18,250</u>       |

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.F.1.A. below.

(2) Including the activity of Cellcom, which is presented in 2022 as assets of disposal groups under current assets, see Note 12.B.2. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Financial Position (Cont.)

|  | Note  | As at December 31   |                     |
|--|-------|---------------------|---------------------|
|  |       | 2022 <sup>(1)</sup> | 2021 <sup>(2)</sup> |
|  |       | NIS millions        |                     |
| <b>Capital</b>   |       |                     |                     |
| Share capital  | 14    | 810                 | 810                 |
| Capital reserves   |       | 4,348               | 4,029               |
| Accumulated losses   |       | (2,798)             | (3,321)             |
| Capital attributable to owners of the Company  |       | 2,360               | 1,518               |
| Non-controlling interests  | 3.D.  | 5,900               | 2,856               |
|  |       | 8,260               | 4,374               |
| <b>Non-current liabilities</b>   |       |                     |                     |
| Debentures   | 15    | 10,853              | 7,534               |
| Loans from banks and other financial liabilities                                       | 15    | 415                 | 147                 |
| Lease liabilities  | 7     | 97                  | 589                 |
| Provisions   | 16    | -                   | 40                  |
| Deferred tax liabilities   | 30.B. | 1,850               | 566                 |
| Employee benefits  | 17    | 7                   | 24                  |
| Other non-financial liabilities  |       | 28                  | 13                  |
|  |       | 13,250              | 8,913               |
| <b>Current liabilities</b>   |       |                     |                     |
| Current maturities of debentures   | 15    | 2,762               | 1,422               |
| Credit from banking corporations and current maturities of loans from banks and others | 15    | 1,684               | 268                 |
| Current maturities of lease liabilities  | 7     | 19                  | 208                 |
| Other payables and credit balances   | 18    | 713                 | 686                 |
| Trade payables   | 19    | 143                 | 838                 |
| Derivatives  |       | -                   | 4                   |
| Current tax liabilities  |       | 37                  | 33                  |
| Provisions   | 16    | 10                  | 116                 |
| Liabilities of disposal groups classified as held for sale                             | 12    | 6,484               | 1,388               |
|  |       | 11,852              | 4,963               |
| <b>Total capital and liabilities</b>   |       | 33,362              | 18,250              |

Tzachi Nachmias  
Chairman of the Board

Nataly Mishan-Zakai  
General Manager

Baruch Itzhak  
CFO

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.F.1.A. below.

(2) Including the activity of Cellcom, which is presented in 2022 as liabilities of disposal groups held for sale, under current liabilities, see Note 12.B.2. below.

Approval date of the financial statements: March 26, 2023

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.



## Consolidated Statements of Income

|   | Note  | For the year ended December 31 |                     |                     |
|---|-------|--------------------------------|---------------------|---------------------|
|   |       | 2022 <sup>(1)</sup>            | 2021 <sup>(2)</sup> | 2020 <sup>(2)</sup> |
|   |       | NIS millions                   |                     |                     |
| <b>Income</b>   |       |                                |                     |                     |
| Sales and services  | 23    | 2,176                          | 1,270               | 1,156               |
| The Group's share in the net profit of investee companies accounted by the equity method, net | 24    | -                              | 344                 | -                   |
| Profit from realization and increase in the value of investments and assets, and dividends    | 25.A  | 1,183                          | 175                 | 63                  |
| Increase in fair value of investment property, net  | 6.C.  | 1,096                          | 592                 | 9                   |
| Other income  | 25.C. | 42                             | 190                 | -                   |
| Finance income  | 26.A  | 100                            | 113                 | 23                  |
|   |       | <u>4,597</u>                   | <u>2,684</u>        | <u>1,251</u>        |
| <b>Expenses</b>   |       |                                |                     |                     |
| Cost of sales and services  | 27    | 1,370                          | 1,086               | 992                 |
| Research and development expenses   |       | 4                              | 4                   | 13                  |
| Selling and marketing expenses  | 28    | 38                             | 23                  | 20                  |
| General and administrative expenses   | 29    | 180                            | 161                 | 196                 |
| The Group's share in the loss of investee companies accounted by the equity method, net       | 24    | 31                             | -                   | 1                   |
| Loss from realization, impairment, and write-down of investments and assets                   | 25.B  | 551                            | 41                  | 113                 |
| Other expenses  |       | 8                              | 14                  | -                   |
| Finance expenses  | 26.B  | 694                            | 475                 | 537                 |
|   |       | <u>2,876</u>                   | <u>1,804</u>        | <u>1,872</u>        |
| Profit (loss) before taxes on income  |       | 1,721                          | 880                 | (621)               |
| Income tax expenses   | 30    | (290)                          | (144)               | (19)                |
| <b>Profit (loss) from continuing operations</b>   |       | 1,431                          | 736                 | (640)               |
| <b>Profit (loss) from discontinued operations, after tax</b>                                  | 12    | 19                             | (69)                | (157)               |
| <b>Net profit (loss) for the year</b>   |       | <u>1,450</u>                   | <u>667</u>          | <u>(797)</u>        |
| Net profit (loss) attributable to:  |       |                                |                     |                     |
| The Company's owners  |       | 520                            | 266                 | (555)               |
| Non-controlling interests   |       | 930                            | 401                 | (242)               |
|   |       | <u>1,450</u>                   | <u>667</u>          | <u>(797)</u>        |
|   |       | NIS                            | NIS                 | NIS                 |
| <b>Basic and diluted earnings (loss) per share attributed to the Company's owners</b>         | 14.H. |                                |                     |                     |
| From continuing operations  |       | 3.8                            | 2.2                 | (3.6)               |
| From discontinued operations  |       | (0.1)                          | (0.3)               | (0.3)               |
|   |       | <u>3.7</u>                     | <u>1.9</u>          | <u>(3.9)</u>        |

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.F.1.A. below.

(2) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Other Comprehensive Income

|   | For the year ended December 31 |                     |                      |
|---|--------------------------------|---------------------|----------------------|
|   | 2022                           | 2021                | 2020                 |
|   | NIS millions                   |                     |                      |
| <b>Net income (loss) for the year</b>   | 1,450                          | 667                 | (797)                |
| <b>Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax</b>   |                                |                     |                      |
| Revaluation of right-of-use asset which was transferred to investment property  | 3                              | -                   | -                    |
| Actuarial gains (losses) in defined benefit plan  | 4                              | (2)                 | 2                    |
| <b>Total other comprehensive income (loss) which will not be transferred to profit and loss</b>   | 7                              | (2)                 | 2                    |
| <b>Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax</b> |                                |                     |                      |
| Foreign currency translation differences for foreign operations   | 153                            | (58)                | (104)                |
| Net change in the fair value of cash flow hedging that was charged to profit or loss  | 1                              | 2                   | -                    |
| Net change in the fair value of cash flow hedging which was carried to the cost of the hedged item  | -                              | -                   | (2)                  |
| The Group's share in other comprehensive income (loss) with respect to investee companies accounted by the equity method  | 172                            | 5                   | (17)                 |
| <b>Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss</b>              | 326                            | (51)                | (123)                |
| <b>Total other comprehensive income (loss) for the year, net of tax</b>   | 333                            | (53)                | (121)                |
| <b>Total net income (loss) for the year</b>   | 1,783                          | 614                 | (918)                |
| <b>Attributable to:</b>   |                                |                     |                      |
| The Company's owners  | 724                            | 239                 | (639)                |
| Non-controlling interests   | 1,059                          | 375                 | (279)                |
| <b>Net income (loss) for the year</b>   | 1,783                          | 614                 | (918)                |
| <b>Net income (loss) for the year attributed to owners of the Company, due to:</b>  |                                |                     |                      |
| Continuing operations   | 672                            | 307 <sup>(1)</sup>  | (529) <sup>(1)</sup> |
| Discontinued operations   | 52                             | (68) <sup>(1)</sup> | (110) <sup>(1)</sup> |
|   | 724                            | 239                 | (639)                |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Changes in Equity

|   | Attributable to the Company's owners |                   |  |                                       |   |                      |                                  |                 |                  |  | Non-controlling interests | Total capital |
|---|--------------------------------------|-------------------|--|---------------------------------------|---|----------------------|----------------------------------|-----------------|------------------|--|---------------------------|---------------|
|   | Share capital                        | Premium on shares | Reserves with respect to transactions with non-controlling interests | Reserves from translation differences | Reserves with respect to available-for-sale financial assets through other comprehensive income | Revaluation reserves | Controlling shareholders reserve | Treasury shares | Accumulated loss | Total capital attributable to the Company's owners |                           |               |
|   | NIS millions                         |                   |  |                                       |   |                      |                                  |                 |                  |  |                           |               |
| <b>For the year ended December 31, 2022</b>   |                                      |                   |  |                                       |   |                      |                                  |                 |                  |  |                           |               |
| Balance as at January 1, 2022   | 810                                  | 4,449             | 110  | (417)                                 | (2)   | -                    | 4                                | (115)           | (3,321)          | 1,518  | 2,856                     | 4,374         |
| <b>Net income for the period</b>  | -                                    | -                 | -  | -                                     | -   | -                    | -                                | -               | 520              | 520  | 930                       | 1,450         |
| <b>Other comprehensive income for the period</b>  | -                                    | -                 | -  | 199                                   | -   | 3                    | -                                | -               | 2                | 204  | 129                       | 333           |
| <b>Transactions with owners carried directly to equity, investments of owners and distributions to owners</b> |                                      |                   |  |                                       |   |                      |                                  |                 |                  |  |                           |               |
| Dividend to non-controlling interests   | -                                    | -                 | -  | -                                     | -   | -                    | -                                | -               | -                | -  | (189)                     | (189)         |
| Consolidation of Gav-Yam (see Note 3.F.1.A. below)  | -                                    | -                 | -  | -                                     | -   | -                    | -                                | -               | -                | -  | 4,983                     | 4,983         |
| Changes in interests in consolidated companies <sup>(1)</sup>   | -                                    | -                 | 117  | -                                     | -   | -                    | -                                | -               | -                | 117  | (2,841)                   | (2,724)       |
| Share-based payments given by the Company   | -                                    | -                 | -  | -                                     | -   | -                    | -                                | -               | 1                | 1  | -                         | 1             |
| Share-based payments given by consolidated companies  | -                                    | -                 | -  | -                                     | -   | -                    | -                                | -               | -                | -  | 32                        | 32            |
| Balance as at December 31, 2022   | <u>810</u>                           | <u>4,449</u>      | <u>227</u>   | <u>(218)</u>                          | <u>(2)</u>  | <u>3</u>             | <u>4</u>                         | <u>(115)</u>    | <u>(2,798)</u>   | <u>2,360</u>                                       | <u>5,900</u>              | <u>8,260</u>  |

(1) Including, inter alia, the purchase of approximately 37.22% of Gav Yam's issued share capital, see Note 3.F.1.A.1. below, and the sale of approximately 9.9% of Cellcom's issued and paid-up share capital, see Note 12.B.2.B. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Changes in Equity (Cont.)

|   | Attributable to the Company's owners |                   |  |                                       |                  |   |                      |                                  |                 |                  |  | Non-controlling interests | Total capital |
|---|--------------------------------------|-------------------|--|---------------------------------------|------------------|---|----------------------|----------------------------------|-----------------|------------------|--|---------------------------|---------------|
|   | Share capital                        | Premium on shares | Reserves with respect to transactions with non-controlling interests | Reserves from translation differences | Hedging reserves | Reserves with respect to available-for-sale financial assets through other comprehensive income | Revaluation reserves | Controlling shareholders reserve | Treasury shares | Accumulated loss | Total capital attributable to the Company's owners |                           |               |
|   | NIS millions                         |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| <b>For the year ended December 31, 2021</b>   |                                      |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| Balance as at January 1, 2021   | 810                                  | 4,449             | 69   | (397)                                 | (1)              | (2)   | 68                   | 4                                | (115)           | (3,654)          | 1,231  | 2,079                     | 3,310         |
| <b>Net income for the year</b>  | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | 266              | 266  | 401                       | 667           |
| <b>Other comprehensive loss for the year</b>  | -                                    | -                 | -  | (27)                                  | 1                | -   | -                    | -                                | -               | (1)              | (27)   | (26)                      | (53)          |
| <b>Transactions with owners carried directly to equity, investments of owners and distributions to owners</b> |                                      |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| Dividend to non-controlling interests   | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | (13)                      | (13)          |
| Deconsolidation of Ispro  | -                                    | -                 | -  | -                                     | -                | -   | (68)                 | -                                | -               | 68               | -  | -                         | -             |
| Changes in interests in consolidated companies <sup>(1)</sup>   | -                                    | -                 | 41   | 7                                     | -                | -   | -                    | -                                | -               | -                | 48   | 395                       | 443           |
| Share-based payments given by consolidated companies  | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | 20                        | 20            |
| Balance as at December 31, 2021   | 810                                  | 4,449             | 110  | (417)                                 | -                | (2)   | -                    | 4                                | (115)           | (3,321)          | 1,518  | 2,856                     | 4,374         |

(1) Includes, inter alia, an issuance of shares to non-controlling interests in a consolidated company, and an acquisition as part of an issuance in a consolidated company.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Changes in Equity (Cont.)

|   | Attributable to the Company's owners |                   |  |                                       |                  |   |                      |                                  |                 |                  |  | Non-controlling interests | Total capital |
|---|--------------------------------------|-------------------|--|---------------------------------------|------------------|---|----------------------|----------------------------------|-----------------|------------------|--|---------------------------|---------------|
|   | Share capital                        | Premium on shares | Reserves with respect to transactions with non-controlling interests | Reserves from translation differences | Hedging reserves | Reserves with respect to available-for-sale financial assets through other comprehensive income | Revaluation reserves | Controlling shareholders reserve | Treasury shares | Accumulated loss | Total capital attributable to the Company's owners |                           |               |
|   | NIS millions                         |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| <b>For the year ended December 31, 2020</b>   |                                      |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| Balance as at January 1, 2020   | 810                                  | 4,449             | 15   | (293)                                 | (2)              | (2)   | 63                   | 3                                | (115)           | (3,104)          | 1,824  | 2,067                     | 3,891         |
| <b>Loss for the year</b>  | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | (555)            | (555)  | (242)                     | (797)         |
| <b>Other comprehensive income (loss) for the year</b>   | -                                    | -                 | -  | (86)                                  | 1                | -   | -                    | -                                | -               | 1                | (84)   | (37)                      | (121)         |
| <b>Transactions with owners carried directly to equity, investments of owners and distributions to owners</b> |                                      |                   |  |                                       |                  |   |                      |                                  |                 |                  |  |                           |               |
| Dividend to non-controlling interests   | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | (52)                      | (52)          |
| Deconsolidation of Pocared due to loss of control   | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | (13)                      | (13)          |
| Consolidation of Mehadrin due to rise to control  | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | 387                       | 387           |
| Changes in interests in consolidated companies <sup>(1)</sup>   | -                                    | -                 | 54   | (18)                                  | -                | -   | 5                    | -                                | -               | -                | 41   | (55)                      | (14)          |
| Share-based payments given by the Company   | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | 4                | 4  | -                         | 4             |
| Share-based payments given by consolidated companies  | -                                    | -                 | -  | -                                     | -                | -   | -                    | -                                | -               | -                | -  | 24                        | 24            |
| Reserve from transactions with controlling shareholders   | -                                    | -                 | -  | -                                     | -                | -   | -                    | 1                                | -               | -                | 1  | -                         | 1             |
| <b>Balance as at December 31, 2020</b>  | <b>810</b>                           | <b>4,449</b>      | <b>69</b>  | <b>(397)</b>                          | <b>(1)</b>       | <b>(2)</b>  | <b>68</b>            | <b>4</b>                         | <b>(115)</b>    | <b>(3,654)</b>   | <b>1,231</b>                                       | <b>2,079</b>              | <b>3,310</b>  |

(1) Includes, inter alia, effects due to the exercise of options by the Company and by non-controlling interests in a consolidated company, issuances of options to non-controlling interests in a consolidated company, and effects due to the expiration and exercise of share-based payment instruments in consolidated companies.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Cash Flows

|   | For the year ended December 31 |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | 2022 <sup>(1)</sup>            | 2021 <sup>(2)</sup> | 2020 <sup>(2)</sup> |
|   | NIS millions                   |                     |                     |
| <b>Cash flows from operating activities</b>   |                                |                     |                     |
| Net profit (loss) for the year  | 1,450                          | 667                 | (797)               |
| Profit (loss) from discontinued operations, after tax   | (19)                           | 69                  | 157                 |
| Profit (loss) from continuing operations  | 1,431                          | 736                 | (640)               |
| <b>Adjustments:</b>   |                                |                     |                     |
| The Group's share in the loss (profit) of investee companies accounted by the equity method, net                              | 31                             | (344)               | 1                   |
| Received dividends (including from other investments)   | 187                            | 82                  | 85                  |
| Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends                  | (632)                          | (134)               | 50                  |
| Profit from sale of option and land restoration   | (40)                           | (171)               | -                   |
| Increase in fair value of investment property, net  | (1,096)                        | (592)               | (9)                 |
| Depreciation and amortization   | 65                             | 61                  | 57                  |
| Financing costs, net  | 594                            | 362                 | 514                 |
| Income tax expenses, net  | 290                            | 144                 | 19                  |
| Income tax paid, net  | (142)                          | (1)                 | (24)                |
| Share-based payment expenses  | 9                              | 5                   | 8                   |
|   | (734)                          | (588)               | 701                 |
| <b>Changes in other balance sheet items</b>   |                                |                     |                     |
| Decrease (increase) in other receivables and debit balances (including long-term amounts)                                     | 8                              | 2                   | 1                   |
| Decrease (increase) in trade receivables (including long term amounts)  | 7                              | (43)                | 77                  |
| Decrease (increase) in inventory (including long term amounts)  | 44                             | (1)                 | 20                  |
| Increase (decrease) in trade payables   | 31                             | (4)                 | (64)                |
| Decrease in other payables and credit balances, provisions and other liabilities (including long term amounts)                | (35)                           | (33)                | (45)                |
|   | 55                             | (79)                | (11)                |
| Net cash from continuing operating activities   | 752                            | 69                  | 50                  |
| Net cash from discontinued operating activities   | 1,195                          | 1,205               | 1,175               |
| Net cash from operating activities  | 1,947                          | 1,274               | 1,225               |
| <b>Cash flows for investing activities</b>  |                                |                     |                     |
| Long term deposits loans which were given   | -                              | (29)                | (4)                 |
| Consideration from the realization of loans which were given and long term deposits   | 9                              | 9                   | 10                  |
| Decrease (increase) in pledged and restricted deposits, net   | (7)                            | (94)                | 21                  |
| Current investments, loans and short term deposits, net   | (526)                          | (114)               | 1,055               |
| Investments and loans, net, in investee companies accounted by the equity method  | (270)                          | (1,009)             | (39)                |
| Non-current investments   | (126)                          | (17)                | (12)                |
| Investments in investment property and in fixed assets  | (821)                          | (16)                | (24)                |
| Investments in intangible and other assets  | (11)                           | (20)                | (12)                |
| Change in cash due to the initial consolidation of subsidiaries   | 1,204 <sup>(3)</sup>           | (4)                 | 101                 |
| Consideration from the realization of consolidated companies, net of cash spent within the framework of their deconsolidation | -                              | 658                 | (2)                 |
| Receipts from realization of non-current investments, including dividend from the realization                                 | 552                            | 126                 | 371                 |
| Receipts from realization of investment property, sale of option and land restoration, fixed assets and other assets          | 630                            | 329                 | 173                 |
| Taxes paid, net, with respect to investment property, sale of option and land restoration, fixed assets and other assets      | (18)                           | (50)                | (26)                |
| Interest received   | 41                             | 15                  | 21                  |
| Net cash (used in) from continuing investing activities   | 657                            | (216)               | 1,633               |
| Net cash (used in) from discontinued investing activities   | (774)                          | (225)               | 431                 |
| Net cash (used in) from investing activities  | (117)                          | (441)               | 2,064               |

Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.F.1.A. below.

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. below.

(2) For details regarding the initial consolidation of Gav-Yam, see Note 3.A.1.A. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Consolidated Statements of Cash Flows (Cont.)

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022 <sup>(1)</sup>            | 2021 <sup>(2)</sup> | 2020 <sup>(2)</sup> |
|  | NIS millions                   |                     |                     |
| <b>Cash flows for financing activities</b>   |                                |                     |                     |
| Non-current financial liabilities received   | 3,000                          | 63                  | 78                  |
| Repayment of non-current financial liabilities   | (1,153)                        | (1,113)             | (1,028)             |
| Interest paid  | (351)                          | (345)               | (419)               |
| Repayment of lease liabilities   | (29)                           | (28)                | (24)                |
| Early redemption of debentures   | -                              | -                   | (110)               |
| Issuance of interests in consolidated companies to non-controlling interests                               | -                              | 398                 | -                   |
| Current financial liabilities, net   | 42                             | 45                  | 3                   |
| Receipts, including exercised share options, from non-controlling interests in consolidated companies      | -                              | 27                  | -                   |
| Acquisition of shares in consolidated companies from non-controlling interests                             | (3,035) <sup>(3)</sup>         | (3)                 | (90)                |
| Dividend to non-controlling interests in consolidated companies  | (124)                          | (16)                | (50)                |
| Payments with respect to the settlement of derivatives   | (34)                           | -                   | -                   |
| Net cash used in continuing financing activities   | (1,684)                        | (972)               | (1,640)             |
| Net cash used in discontinued financing activities   | (16)                           | (1,014)             | (416)               |
| Net cash used in financing activities  | (1,700)                        | (1,986)             | (2,056)             |
|  |                                |                     |                     |
| Increase (decrease) in cash and cash equivalents from continuing operations                                | (275)                          | (1,119)             | 43                  |
| Increase (decrease) in cash and cash equivalents from discontinued operations                              | 405                            | (34)                | 1,190               |
| Increase (decrease) in cash and cash equivalents from continuing operations and discontinued operations    | 130                            | (1,153)             | 1,233               |
|  |                                |                     |                     |
| Balance of cash and cash equivalents at beginning of year  | 2,740                          | 3,921               | 2,812               |
| Effects of fluctuations in exchange rates on balances of cash and cash equivalents                         | 37                             | (20)                | (98)                |
| Change in the balance of cash and cash equivalents presented under assets of disposal groups held for sale | (817)                          | (8)                 | (26)                |
| Balance of cash and cash equivalents at end of year  | 2,090                          | 2,740               | 3,921               |

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.F.1.A. below.

(2) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. below.

(3) For details regarding the purchase of approximately 37.22% of Gav Yam's issued share capital, see Note 3.A.1.A. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 1 - General**

- A.** Discount Investment Corporation Ltd. ("DIC") is a company registered in Israel and incorporated in Israel, whose address is the ToHa Building, 114 Yigal Alon St., 27th floor, Tel Aviv. The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various segments of the Israeli economy. The Company generally invests in investee companies at a scope which gives it influence over their direction and management.

The Company's shares and debentures are listed for trading on the Tel Aviv Stock Exchange Ltd. (the "Stock Exchange").

The Company is a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law, 5728-1968), and is not considered a first tier company (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013 (the "Concentration Law")), and accordingly, the companies under its control which are reporting corporations according to the Securities Law are no longer subject to restrictions by virtue of the Concentration Law, in connection with the ability of the aforementioned companies to directly hold control of other tier companies.

Proximate to the publication date of the financial statements, Mega Or Holdings Ltd. holds approximately 29.9% of the Company's issued capital, and Elco Ltd. holds approximately 29.8% of the Company's issued capital.

In March 2022, Property & Building completed a special tender offer which was published, for the acquisition of the control of Gav-Yam (acquisition of approximately 5% of Gav-Yam's issued and paid-up capital). In June 2022, Property & Building completed a transaction for the acquisition of additional shares of Gav-Yam, which constitute approximately 37.22% of Gav-Yam's issued and paid-up capital. Property & Building's holdings increased to approximately 86.7% of Gav-Yam's issued and paid-up capital. For additional details, see Note 3.F.1.A. below.

**B. Impact of the coronavirus pandemic**

The novel coronavirus (COVID-19), which began spreading around the world in the first quarter of 2020, is considered an event with extensive macro-economic consequences, including consequences affecting the business continuity of many businesses, declines in consumption, dismissal of employees, volatility in exchange rates and in stock exchange indices in various countries, and other economic effects. In 2022, the Israeli economy continued recovering from the crisis. As at the publication date of the report, the wave of infections has decreased and the restrictions on business activities in all market sectors in Israel have been lifted. As at the publication date of the report, the scope of economic activity has returned to pre-pandemic levels; however, there is still a certain degree of uncertainty regarding the effects on business activity, insofar as additional variants of the coronavirus emerge. The Company is continuing to closely monitor the effects of the coronavirus crisis on its business activities (including on the activities of the Company's investees), and is continuously evaluating the effects of the crisis on its activities and results.

It is noted that due to the fact that the event is not under the Company's control, and due to the nature of the crisis, which involves uncertainty, the Company is unable to estimate the duration of the effects of the coronavirus pandemic on its activity, since it depends on future developments which cannot be predicted at this time.

- C.** The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

These financial statements were approved by the Company's Board of Directors on March 26, 2023.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 1 - General (Cont.)**

#### **D. Main Definitions**

- (1) Consolidated companies - Entities controlled by the Company. Control exists when the Group is exposed to, or has rights to, the variable returns from its involvement in the investee company, and when it has the ability to affect those returns through its influence over the investee company. The evaluation of control includes taking into account real rights which are held by the Group and by others. See also Note 2.A. below.
- (2) Associate Companies - Companies (including participation units in venture capital funds) which are held by the Company or its consolidated companies, directly or indirectly, and in which it has significant influence over their monetary and operational policy, and which are not consolidated companies. The aforementioned investments are presented according to the equity method.
- (3) Joint Arrangement - An arrangement in which the Group has joint control over another party or parties, which was obtained through an agreement which requires the unanimous consent of all parties regarding the actions which significantly affect the arrangement's returns.
- (4) Joint Venture - A joint arrangement in which the parties have rights to the net assets attributed to the arrangement.
- (5) Investee Companies - Consolidated companies, associate companies and joint ventures.
- (6) Significant Influence - Voting rights of twenty percent or more, or the right to appoint twenty percent or more of the Board members, unless it is clearly apparent that significant influence does not exist. Such rights in lower rates may also be considered as conferring significant influence in cases where the influence is clearly apparent.
- (7) The functional currency and presentation currency in these financial statements is the New Israeli Shekel, which is the Company's functional currency, and the financial data included herein are rounded to the nearest million, except as specified otherwise. The New Israeli Shekel is the currency that represents the Company's main operating economic environment.
- (8) Financial Statements Regulations - the Securities Regulations (Annual Financial Statements), 5770-2010.
- (9) Periodic and Immediate Reports Regulations - the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
- (10) Companies Law - the Companies Law, 5759-1999.
- (11) IFRS - International Financial Reporting Standards.
- (12) In these financial statements (hereinbefore and hereinafter):  
 The Company and/or DIC - Discount Investment Corporation Ltd. and/or its wholly owned headquarter companies, as applicable.  
 The Group - DIC and its consolidated companies;  
 IDB Development - IDB Development Corporation Ltd.;  
 Property & Building - Property & Building Corp. Ltd.;  
 Cellcom - Cellcom Israel Ltd.;  
 Golan - Golan Telecom Ltd.;  
 Shufersal - Shufersal Ltd.;  
 Elron - Elron Ventures Ltd.;  
 Epsilon - Epsilon Investment House Ltd.;  
 Gav-Yam - Gav-Yam Bayside Land Corporation Ltd.;  
 Ispro - Ispro The Israeli Properties Rental Corporation Ltd.;  
 Koor - Koor Industries Ltd. (a wholly owned subsidiary of DIC);  
 Mehadrin - Mehadrin Ltd.;  
 IDBG - IDB Group USA Investments Inc.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 1 - General (Cont.)

#### **E. Basis for preparation of the financial statements**

##### **(1) Measurement basis**

These financial statements were prepared in accordance with the historical cost of assets and liabilities, except with respect to the following derivative financial instruments: financial instruments, derivatives and others which were measured at fair value through profit and loss; financial instruments measured at fair value through other comprehensive income; liabilities with respect to share-based payment to be settled in cash; investment property; inventory; non-current assets and realization groups held for sale; assets and liabilities with respect to employee benefits; deferred tax assets and liabilities; provisions and investments in investee companies accounted by the equity method.

For details regarding the measurement of these assets and liabilities, see Note 2 below regarding significant accounting policies.

Presented below are details regarding the CPI and the USD exchange rate, and the rates of change therein:

|                                | CPI         |               | USD exchange rate |
|--------------------------------|-------------|---------------|-------------------|
|                                | Known index | Index in lieu |                   |
|                                | %           |               | %                 |
| Changes during the year ended: |             |               |                   |
| December 31, 2022              | 5.3%        | 5.3%          | 13.2%             |
| December 31, 2021              | 2.4%        | 2.8%          | (3.3%)            |
| December 31, 2020              | (0.6%)      | (0.7%)        | (7.0%)            |
| Exchange rate as at (in NIS)   |             |               |                   |
| December 31, 2022              |             |               | 3.519             |
| December 31, 2021              |             |               | 3.110             |
| December 31, 2020              |             |               | 3.215             |

##### **(2) The operating cycle period and the expense analysis framework which were recognized in the statement of income**

The Group has two operating cycles. With reference to the activities of Property & Building Group in connection with the construction of buildings for sale, the operating cycle may continue for up to three years. With reference to the Group's other activities, the operating cycle is one year. Due to the foregoing, current assets and current liabilities include items which are designated and expected to be realized within the operating cycle period, as stated above. The analysis framework of expenses which were recognized in the statement of income is in accordance with a classification method which is based on the activity characteristic of the expense. Additional information regarding the characteristics of the expense is included, as relevant, in the notes to the financial statements.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 1 - General (Cont.)**

#### **E. Basis for preparation of the financial statements (Cont.)**

##### **(3) A. Use of estimates and judgment**

In their preparation of the Group's financial statements in accordance with IFRS, the managements of the Company and of the investee companies are required to use judgment in estimates, approximations and assumptions, including actuarial estimates and assumptions, which affect the implementation of the accounting policy and the amounts of assets, liabilities, revenues and expenses, as well as capital components. It is hereby clarified that actual results, which are identified later, may differ from these estimates.

During the formulation of the accounting estimates which are used in the preparation of the Company's financial statements, the Company and the investee companies are required to make assumptions regarding circumstances and events which involve significant uncertainty. In exercising judgment regarding the determination of the estimates, managements rely on past experience, various facts, external factors and reasonable assumptions, in accordance with the appropriate circumstances of each estimate.

The estimates and their underlying assumptions which were used in the preparation of these reports are reviewed on a routine basis. Changes in accounting estimates are recognized in the period when the estimates were corrected, and in any future affected period.

Presented below is a description of the critical accounting estimates and significant judgments which were used in the preparation of these financial statements, regarding which, at the time of their formulation, management of the Company and the investee companies were required to make assumptions regarding circumstances and events involving significant uncertainty.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 1 - General (Cont.)**

**E. Basis for preparation of the financial statements (Cont.)**

**(3) A. Use of estimates and judgment (Cont.)**

| <b>Estimate / judgment</b>  | <b>Main assumptions</b>   | <b>Possible implications</b>   | <b>Main references</b>  |
|---|---|--|---|
| Recoverable amount of cash generating units (including those which include goodwill) of associate companies and of properties.  | <ul style="list-style-type: none"> <li>Discount rate before tax and expected growth rate - with reference to cash generating units.</li> <li>Discount rate after tax and expected growth rate - with reference to associate companies.</li> <li>The determination of cash flows is based on past experience of the asset or similar assets, and no the best estimate of the Group regarding the economic conditions which will prevail.</li> </ul>  | Change in impairment loss.   | Note 9.D. below regarding the impairment test of the goodwill attributed to Gav-Yam, and the method used to determine the recoverable value of its activity.  |
| The fair value measurement of investment property and investment property under construction, as determined by independent valuers with the appropriate professional skills | Expected rate of return on investment property. The capitalization rates which were used to measure fair value, and the expected rent with respect to the investment property.  | Profit or loss with respect to change in the fair value of investment property and investment property under construction. | Note 2.F. below, and Note 6 below.  |
| Existence of control, effective (de facto) control or significant influence.  | Judgment applied regarding the method used to determine the Group's stake in the shares of the investees (in consideration of the existence and influence of potential voting rights which are significant), in the rights to appoint representatives for the entity which manages the companies (generally the Board of Directors) as a result of the bylaws of the investees, and agreements with other shareholders of the investees, in the composition and distribution of the rights of the other shareholders in the investees and voting patterns in general meetings, and the holding company's ability to determine the operational and financial policy of the investees, or to take part in the determination of such policy. | Accounting treatment of an investee company as a subsidiary, or as a company accounted by the equity method.               | <p>Note 2.A.1. and Note 2.A.7. below, regarding the accounting treatment of subsidiaries and investees accounted by the equity method.</p> <p>Comment (1) in Note 3.D. below, regarding the control of Cellcom and Mehadrin.</p> <p>Note 12.B.2.B. below regarding, regarding the control of Cellcom.</p> |

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 1 - General (Cont.)**

**E. Basis for preparation of the financial statements (Cont.)**

**(3) A. Use of estimates and judgment (Cont.)**

| <b>Estimate / judgment</b>  | <b>Main assumptions</b>   | <b>Possible implications</b>   | <b>Main references</b>   |
|---|---|--|--|
| Qualitative considerations for determining whether or not the replacement of the debt instrument involves significantly different terms | The entire set of characteristics of the exchanged debt instruments, and the economic parameters represented therein: <ul style="list-style-type: none"> <li>Average lifetime of the exchanged liabilities;</li> <li>Extent of effects of the debt terms (linkage to index; Foreign currency; variable interest) on the cash flows from the instruments.</li> </ul>   | Classification of a debt instrument in a manner whereby it will not reflect the change in the debt terms, which will affect the method of accounting recording.  | Note 2.C.3. below, regarding financial liabilities.                    |
| Determination of method for fulfillment of performance obligation   | For the purpose of determining whether the control of goods or services is transferred to the customer over time, and as a result, that income should be recognized over time or at a single point in time (upon delivery), the Group relies on legal opinions, the provisions of the contract, and the relevant provisions of the law, in its determination regarding whether the Group has a the right to enforce the fulfillment of contract.  | Change in the timing of recognition of income from apartment sales.  | Note 2.T.5. below.   |
| Valuation and estimated lifetimes of intangible assets.   | <ul style="list-style-type: none"> <li>The estimated useful lifetime of intangible assets and expected market developments.</li> <li>Expected cash flows from customer relations and other intangible assets and replacement value of brands.</li> </ul>  | <ul style="list-style-type: none"> <li>Incorrect allocation of the acquisition cost of investments in investee companies.</li> <li>Recognition of accelerated or slow depreciation with respect to actual data.</li> </ul> | Note 2.E and Note 9 below, regarding intangible assets.                |
| Uncertain tax positions   | <ul style="list-style-type: none"> <li>The degree of uncertainty regarding the acceptance of the Group's tax positions, and the risk that it will bear additional tax and interest expenses. The above is based on an analysis of several factors, including interpretations of tax laws and the Group's past experience, including regarding the classification of transferred tax losses. An estimate of the amount of transferred losses which could be used, the expected taxable income, the timing thereof and the amount of deferred taxes which are to be created.</li> </ul> | <ul style="list-style-type: none"> <li>Recognition of additional expenses with respect to taxes on income.</li> <li>Changes in the amounts of tax assets with respect to transferred losses for tax purposes.</li> </ul>   | Note 30 below regarding taxes on income.                               |
| Estimated chances of contingent liabilities.  | Whether it is more likely than not that economic resources will be spent with respect to legal claims which were filed against the Company and its investee companies, based on the opinion of their legal advisors.  | Cancellation or creation of a provision with respect to a claim.   | Note 22 below regarding outstanding claims and contingent liabilities. |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 1 - General (Cont.)

#### E. Basis for preparation of the financial statements (Cont.)

##### (3) A. Use of estimates and judgment (Cont.)

| Estimate / judgment   | Main assumptions  | Possible implications  | Main references  |
|---|---|--|--|
| Unasserted claims   | Reliance on internal estimates of the handling entities and the managements of companies. Consideration of the estimated chance that a claim will be filed, and the claim's chances of success, if and insofar as it is filed.  | In light of the preliminary stage of the investigation of the legal claims, actual results may differ from the assessment which was prepared during the stage when the claim had not yet been filed.   | Note 22.C below regarding claims against the Company and its investee companies.   |
| Assessment regarding whether cash flows with respect to financial assets include principal and interest only (SPPI) | Whether the business model assumes the collection of cash flows of principal and interest only, which will be paid on the date specified in the contractual terms.  | insofar as the business model is to hold the financial assets in order to collect contractual cash flows, and their contractual terms include entitlement, on predefined dates, to cash flows which constitute only principal and interest with respect to the amount of unpaid principal, then the financial asset will be measured according to its amortized cost, and if not, it will be measured at fair value. | Note 3.F.4.A. below regarding the measurement of the deferred consideration component in the Cartiheal transaction.  |
| Measurement of variable consideration   | For the purpose of determining the transaction price, the Group estimates the amount of variable consideration and recognizes income with respect to the amount regarding which it is highly probable that significant cancellation of the total recognized cumulative income will not occur, when the uncertainty associated with the variable consideration will be found out later on. | Increase or decrease in the amount of revenue which will be recognized throughout the contract period  | Note 3.F.4.A. below regarding the measurement of the financial asset with respect to the contingent consideration in the Cartiheal transaction.                    |
| Estimate of expected credit losses  | As part of the impairment test of financial assets, the Group estimates whether the credit risk attributed to the financial asset has increased significantly since initial recognition, and uses forecasts to measure the expected credit losses.  | Increase or decrease in the amount of the provision for impairment.  | See Note 3.F.4.A. below for details regarding an evaluation of the credit risk with respect to the balance of deferred consideration in the Cartiheal transaction. |
| Determination of the lease period and appropriate rent  | Exercise of extension options, or non-exercise of cancellation options. Extension options, or periods after the deadline for exercise of cancellation options, are included in the lease period only if it is virtually certain that the lease will be extended (or not canceled).  | Increase or decrease in the initial measurement of a right-of-use asset and lease liability, and in depreciation and finance expenses in subsequent periods.   | Notes 2.G and 7 below with respect to lease assets and liabilities.  |
| Determination of the discount rate in leases  | In cases where the interest rate implicit in the lease cannot be easily determined, the Group's incremental interest rate is used.  | Increase or decrease in the initial measurement of a right-of-use asset and lease liability, and in depreciation and finance expenses in subsequent periods.   | Notes 2.G and 7 below with respect to lease assets and liabilities.  |
| Classification of liabilities classified as held for sale   | Assessment that the sale is expected as a transaction completed within one year.  | Insofar as the sale is not expected to be executed as a transaction which was completed within one year, the Company will not classify the property / investment as held for sale and as a discontinued operation, and the property / investment will not be measured in accordance with the provisions of IFRS 5.   | Notes 2.P. and 12 below.   |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 1 - General (Cont.)

#### **E. Basis for preparation of the financial statements (Cont.)**

##### (3) B. Change in estimate

Cellcom evaluates each year the estimated useful lifetimes of customer acquisition assets and installations at customer homes.

In the evaluation, it was found that the average lifetime of trade receivables increased due to the decrease in the customer churn rate.

In light of the foregoing, on April 1, 2022, Cellcom updated the estimated useful lifetime of customer acquisition assets and installation assets for three years and five years, respectively.

The impact of these changes on the financial statements in the current year and in subsequent years is as follows:

|  | For the year ended December 31 |      |      |      |      |
|--|--------------------------------|------|------|------|------|
|  | 2022                           | 2023 | 2024 | 2025 | 2026 |
|  | NIS millions                   |      |      |      |      |
| Decrease (increase) in depreciation expenses | 36                             | 8    | (27) | (12) | (5)  |
| Income (expenses) from taxes on income       | (8)                            | (2)  | 6    | 3    | 1    |
|  | 28                             | 6    | (21) | (9)  | (4)  |
| The Company's share                          | 10                             | 2    | (7)  | (4)  | (1)  |

#### C. Determination of fair value

- For the purpose of preparing the financial statements, the Group is required to determine the fair value of certain assets and liabilities. Additional information regarding the assumptions which were used in the determination of fair value is included in the following notes:
  - Note 4 regarding financial assets measured at fair value through profit or loss;
  - Note 5 regarding fixed assets purchased in a business combination;
  - Note 6 regarding investment property;
  - Note 9 regarding intangible assets;
  - Note 20 regarding financial instruments.
  - Annex B regarding share-based payment arrangements.
- When determining the fair value of assets or liabilities, the Group uses observable market inputs as much as possible. Fair value measurements are divided into three levels in the fair value hierarchy, based on the inputs which were used in the evaluation, as follows:
  - Level 1 – Quoted (non-adjusted) prices in an active market for identical assets or liabilities;
  - Level 2 – Directly or indirectly observable market inputs, which are not included in Level 1 above;
  - Level 3 – Fair value which is not based on observable market inputs.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 1 - General (Cont.)**

#### **E. Basis for preparation of the financial statements (Cont.)**

##### **(4) Evaluation of the materiality of asset valuations for the purpose of their disclosure or attachment**

The Company evaluates the materiality of asset and liability valuations for the purpose of providing disclosure regarding them or attaching them to annual financial statements and interim statements, in accordance with Regulation 8B of the Periodic and Immediate Reports Regulations and Regulation 49 of the Periodic and Immediate Reports Regulations, respectively, and in accordance with legal position no. 105-23: parameters for evaluating the materiality of valuations, which was published by the Israel Securities Authority in July 2014. In general, a valuation is considered highly material if the subject of the valuation constitutes 10% or more of the Company's total assets in the statement of financial position as at the last day of the reporting period, or if the impact of the change in value, as a result of the valuation, on the net or comprehensive income attributed to the owners of the Company, as applicable, constitutes at least 10% of the net or comprehensive income attributed to the owners of the Company, respectively, for the reporting period (the "Resultant Test"), provided that, with respect to the resultant test, the impact of the change in value, as a result of the valuation of net or comprehensive income attributed to the owners of the Company, as applicable, constitutes at least 5% of capital attributed to the owners of the Company. A valuation which is not highly material will be considered material if it meets a quantitative threshold which constitutes half of the quantitative threshold which corresponds to the classification of a valuation as highly material, as stated above (in other words, 5% instead of 10%, and 2.5% instead of 5%).

The application of the resultant test to the materiality of a valuation in an interim period will be performed with respect to the net or comprehensive income attributed to the owners of the Company, which is expected for the current year, in its entirety.

If it is not possible to reasonably estimate the expected net income or comprehensive income for the current year in its entirety, the resultant test will be applied with respect to net or comprehensive income, as applicable, for the period of four quarters prior to the last day of the interim period. In case a valuation meets the resultant test for classification as "highly material" ("very highly material valuation in accordance with the resultant test"), the Company evaluates whether, based on qualitative considerations, it would be appropriate to determine that it is not highly material, and therefore, it will not be attached to the financial statements.

In accordance with the aforementioned legal position, the Company applies, as part of the above, as an additional test, the "normal earnings test", which constitutes an accepted indicator for evaluation of the results of holding companies of the Company's type. The normal earnings test is used by the Company in its evaluation of materiality and insignificance in other contexts as well. According to the aforementioned additional test, in the absence of other special qualitative considerations, a very highly material valuation according to the resultant test will not be considered highly material, and will not be attached to the financial statements, if the impact of the change on the value of the subject of the valuation attributed to the owners of the Company is less than 10% of the "annual normal earnings" attributed to the owners of the Company (which is earnings for the last four quarters), calculated based on an average of the absolute values of quarterly profit / loss attributed to the owners of the Company, in each of the last 12 quarters.

Additionally, in the absence of special qualitative considerations, a very highly material valuation according to the resultant test will not be considered highly material, and will not be attached to the financial statements, if the impact of the subject of the valuation on net or comprehensive income (attributed to the owners of the Company), as applicable, as included in the financial statements for the reporting period (annual or interim) in the current year, is less than 10% of net or comprehensive income (attributed to the owners of the Company) for the previous reporting year, and is not expected to exceed 10% of expected net or comprehensive income (attributed to the owners of the Company) of the next reporting year. In cases where, as a result of the implementation of these tests, a very highly material valuation is not attached according to the resultant test, disclosure is given for the foregoing in the Board of Directors' report, as required in the aforementioned legal position.

Qualitative considerations may lead to the attachment of a valuation, even if, in quantitative terms, it does not meet the tests for definition as "highly material".



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 1 - General (Cont.)**

**E. Basis for preparation of the financial statements (Cont.)**

(5) Attachment of reports of material associate companies and joint ventures

In connection with the adoption of Regulation 44 of the Periodic and Immediate Reports Regulations and Regulation 23 of the Financial Statements Regulations, regarding associate companies and joint ventures whose reports must be attached (1) due to the fact that the Company's investment in the associate company or joint venture, in absolute values, constitutes twenty percent or more of the total assets the Company's consolidated statement of financial position, or (2) due to the fact that the amount which was included in the statement of income with respect to the Company's investment in the associate company or joint venture constitutes, in absolute terms, twenty percent or more of the Company's profit or loss during the reporting period, in absolute terms.

During the interim period, the Company's share total profit or loss, in absolute terms, of the associate company or joint venture, during the four quarters ending on the date of the interim statement of financial position, constitute twenty percent or more of the total profit or loss, in absolute terms, of the corporation, throughout the four quarters ending on the date of the statement of financial position.

According to the Company's position, in the absence of special qualitative considerations, the financial statements of associate companies and joint ventures, in which the following three ratios have been cumulatively met, will be considered as insignificant reports relative to the Company's financial statements, and therefore, will not be attached to their financial statements, and summary information regarding them will not be given:

- (A) The multiple of the total assets of the associate company or joint venture by the holding rate therein, with respect to all assets in the Company's statement of financial position, is lower than 0.5%;
- (B) The multiple of the total income of the associate company or joint venture by the holding rate therein, with respect to all assets in the Company's consolidated statements of income for the reported quarter, is lower than 0.5%;
- (C) The Company's share, net, in the results of the associate company or joint venture for the 4 last quarters, in absolute values, does not exceed 2%, of the Company's normal earnings.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies**

The accounting principles specified below were applied consistently to all periods presented in these consolidated financial statements. The accounting principles specified below refer, in the context of the consolidated financial statements, both to the Group's member companies and to investees accounted by the equity method. **In this note, issues presented in bold are those to which the Company has chosen to apply accounting alternatives which are permitted under accounting standards and/or issues regarding which no explicit provision exists in accounting standards, or in case of the early adoption of new accounting standards.** Such bold text serves for identification purposes only of the aforementioned issues, and does not attribute any additional importance to non-bold text.

#### **A. Consolidated financial statements**

The consolidated financial statements include the statements of companies over which the Company holds control (subsidiaries). Control exists when the Group is exposed, or holds rights, to variable returns from its involvement in the acquired entity, and when it is able to affect those returns through its influence over the acquired entity. The evaluation of control includes taking into account real rights which are held by the Group and by others. The Group assesses whether it does or does not have control of a company in which it holds less than the majority of voting rights, inter alia, according to its share in the voting rights relative to the shares of other parties with voting rights, and the manner of distribution of the other holdings, as well as the voting patterns in previous shareholders' meetings. The consolidation of the financial statements is performed beginning on the date when control is obtained, until the date when control is lost. Balances, material inter-company transactions and profit and loss due to transactions between the Group's member companies were canceled in the consolidated financial statements. Unrealized losses were canceled in the same manner which was used to cancel unrealized profits, so long as there is no evidence of impairment.

#### **Business combinations and transactions with non-controlling interests**

##### **1. Business combinations**

A business combination is a transaction or another event in which the buyer obtains control over one business or several businesses.

A business is an integrated system of operations and assets which can be operated and managed in order to achieve returns in the form of dividends, reduced costs or other economic benefits directly for investors or other owners, members or participants.

A business is comprised of an input and a substantive process which together contribute significantly to the ability to produce outputs.

The acquisition date is the date when the buyer obtained control of the acquired entity. The Company exercises judgment in determining whether it qualifies as a business, in determining the acquisition date, and in determining whether control has been obtained.

##### Subsidiaries

The financial statements of subsidiaries are included in the Company's consolidated financial statements beginning on the date when control is obtained, until the date when control is discontinued. The accounting policy of subsidiaries was changed if needed in order to adjust it to the accounting policy which was adopted by the Group.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### A. Consolidated financial statements (Cont.)

##### 1. Business combinations (Cont.)

- The Group recognizes goodwill on the acquisition date according to the fair value of the consideration which was transferred, including amounts which were recognized with respect to any non-controlling interests in the acquired entity, and in consideration of the fair value as at the acquisition date of any capital interest in the acquired entity which was previously held by the Group, after deducting the net amount attributed in the acquisition to identifiable assets which were acquired and to liabilities which were accepted. The transferred consideration includes the fair value of the assets which were transferred to the previous owner of the acquired entity, liabilities which materialized for the buyer towards the previous owner of the acquired entity, and capital interests which were issued by the Group.

If the Group performs a bargain purchase (a purchase which includes negative goodwill), it recognizes the profit which was created as a result in the statement of income on the acquisition date. Additionally, goodwill is not updated in subsequent periods with respect to the use of transferred losses for tax purposes which existed on the date of the business combination. The update to losses, as stated above, is applied to the statement of income.

- The buyer recognizes, on the acquisition date, the contingent liability which was accepted in a business combination, if there is a commitment in the present which is due to past events, and whose fair value is reliably measurable.
- In a business combination which is realized in stages, **the difference between the fair value as at the acquisition date of the capital interests in the acquired entity which were previously held by the Group and their book value as at that date is applied to the statement of income under the item for “profit from realization and increase in value of investments and assets, and dividends”, unless the previous investment was classified under the category of fair value through other comprehensive income. In this situation, a resultant effect is not recognized.** Fair value, for this purpose, in case of a marketable asset, is its market value, except in cases where there is evidence which clearly indicates that the fair value the aforementioned asset is different from its market value.
- Acquisition-related costs which materialized for the buyer with respect to a business combination, such as agency fees, consulting fees, legal costs, valuations and other costs with respect to professional services or consulting services, excluding those associated with the issuance of debt or equity instruments in connection with the business combination, are recognized as an expense in the period when the services are received.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **A. Consolidated financial statements (Cont.)**

##### **1. Business combinations (Cont.)**

- Update to excess cost:

If the preliminary accounting treatment in a business combination has not been completed by the end of the reporting period when the business combination occurred, the Group reports provisional amounts with respect to the items whose accounting treatment has not been completed. During the measurement period, which will not exceed one year after the acquisition date, the Group retroactively adjusts the provisional amounts which were recognized on the acquisition date, in order to reflect new information which has been obtained regarding the facts and circumstances which applies on the acquisition date, and which, had they been known, would have affected the measurement of the amounts which were recognized on that date.

##### **2. Non-controlling interests**

Non-controlling interests, both in the capital of a subsidiary which is not attributable, directly or indirectly, to the parent company, and which include additional components, such as share-based payment to be settled with capital instruments of subsidiaries, and share options of subsidiaries.

##### Measurement of non-controlling interests on the date of the business combination

Non-controlling interests which are instruments which confer ownership rights in the present, and provide their holders with a share in net assets in case of liquidation (for example: ordinary shares), are measured on the date of the business combination at fair value, or according to their relative share in the recognized assets and liabilities of the acquired entity, based on each transaction separately. This accounting policy is not permitted for other instruments which meet the definition of non-controlling interests (for example, ordinary share options). These instruments are measured at fair value, or in accordance with the provisions of other relevant IFRS.

##### Allocation of profit or loss and other comprehensive income among shareholders

Profit or loss, and any component of other comprehensive income, are attributed to the owners of the Company and to non-controlling interests. The total profit or loss and other comprehensive income is attributed to the owners of the Company and to non-controlling interests, even if, balance of the balance of non-controlling interests is negative.

##### Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are treated as capital transactions. Any difference between the consideration which was paid or received, and the change in non-controlling interests, is applied to the **capital reserve with respect to transactions with non-controlling interests, under the capital attributed to owners of the Company**. The capital reserve with respect to transactions with non-controlling interests is not applied to the statement of income or to comprehensive income (including not upon realization of the subsidiary for which the reserve was created).

In case of changes to the holding rate of a subsidiary, while retaining control, the Company re-attributes the cumulative amounts which were recognized under other comprehensive income between the owners of the Company and non-controlling interests. The amount at which non-controlling interests are calculated is as follows:

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **A. Consolidated financial statements (Cont.)**

In an increase in the holding rate, **according to the relative share of the acquired entity out of the balance of non-controlling interests in the consolidated financial statements before the transaction, including non-controlling interests which were attributed to originally attributed differences and to goodwill, with no changes to their values.**

In a decrease in the holding rate, **according to the relative share which was realized by the owner of the subsidiary in the net assets of the subsidiary, including goodwill and original attributed differences, if any, with no change to their value.** Cash flows from transactions with non-controlling interests while retaining control are classified under financing activities in the statement of cash flows.

**Inter-company transactions which are attributed to the transfer of shares of subsidiaries (regardless of whether such transactions are performed in cash or through a share exchange) in which a change has occurred in the rate of non-controlling interests, are treated as transactions with non-controlling interests.**

3. Transactions resulting in the deconsolidation of financial statements

#### Loss of control

Upon loss of control, the Group writes off the assets and liabilities of the subsidiary, any non-controlling interests, and amounts which were recognized in capital reserves through other comprehensive income, with reference to that subsidiary. If the Group still has any remaining investment in the former subsidiary, the balance of the investment is measured at fair value on the date of loss of control. The difference between the consideration and the fair value of the balance of the investment, and the balances which were written off, is recognized under profit and loss **in the item for “profit from realization and increase in value of investments and assets, and dividends” or in the item for “loss from realization, impairment and write-down of investments and assets”, as applicable.**

From that date onwards, the remaining investment is accounted by the equity method or as a financial asset, in accordance with the text of the Group’s influence on the relevant investee company.

The amounts which were recognized in capital reserves through other comprehensive income with reference to that subsidiary are reclassified to profit or loss or to retained earnings, in the same manner which would have been required had the subsidiary independently realized the applicable assets or liabilities.

4. **Cancellation of inter-company transactions**

**Unrealized profits due to transactions with associate companies and with joint ventures were canceled against the asset involved in the transaction, in accordance with the Group’s rights in those investments.** Unrealized losses were canceled in the same manner which was used to cancel unrealized profits, so long as there is no evidence of impairment.

5. **Investment in associate companies and joint ventures**

In the evaluation regarding the existence of significant influence over an associate company, potential voting rights are taken into account which are exercisable or convertible immediately into its shares. The investment in associate companies and joint ventures is accounted by the equity method and is recognized for the first time at cost. The cost of the investment includes transaction costs.

Transaction costs which are directly attributed to the expected acquisition of an associate company or joint venture are recognized as an asset under the item for deferred expenses in the statement of financial position. These costs are added to the cost of the investment on the acquisition date.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### A. Consolidated financial statements (Cont.)

##### 5. Investment in associate companies and joint ventures (Cont.)

These financial statements include the Group's share in the profit and loss of associate companies and joint ventures **(including recognition of profit or loss with respect to the capital reserve in the capital reserve which was recorded by the associate companies and joint ventures with respect to transactions with non-controlling interests)** and under their other comprehensive income (loss), following the required adjustments in order to adjust their accounting policy to that of the Group, from the date when significant influence or joint control materialized, until the date when significant influence or joint control was discontinued.

In cases where the Group's share in long term loans, which constitutes a part of the investment in the investee, is different from its share in the capital of the investee, the Group recognizes its shares in the losses of the investee, after amortizing to zero the capital investment, in accordance with the rate of its economic entitlement to the investment over the long term, at that time. The Group does not recognize additional losses of the investee company, except insofar as the Group has an obligation to support the investee company, or if the Group has paid amounts for it, or has given loans to it.

The Group applies the provisions of IFRS 9 with respect to long term loans, the settlement of which is not planned, and which is unlikely to occur in the foreseeable future, which essentially constitute a part of the entity's net investment in the associate or joint venture. Accordingly, the provisions regarding classification and measurement (including the recognition of impairment of a loan according to IFRS 9) are applied for those loans before taking into account the share in the losses of that associate or joint venture. Loans which were given to investees, as stated above, are classified as financial assets which are presented at fair value through profit or loss, since they do not meet the definition provided in IFRS 9 for classification at amortized cost. **These foreign currency differences are applied to other comprehensive income.**

Excess cost in associate companies and joint ventures is presented as part of the investment. The excess acquisition cost of the investment in an associate company or joint venture beyond the Group's share in the fair value of the identifiable assets of the investee company (including intangible assets), after deducting the fair value of the identifiable liabilities of the investee company (after attribution of taxes) on the acquisition date is attributed to goodwill.

If the Group performs a bargain purchase (a purchase which includes negative goodwill), it recognizes the profit which was created as a result in the statement of income on the acquisition date. Additionally, goodwill is not updated in subsequent periods with respect to the use of transferred losses for tax purposes which existed on the date of the business combination. The update to losses, as stated above, is applied to the statement of income. The excess cost which was attributed in the associate company or joint venture to identifiable assets and identifiable liabilities with a defined useful lifetime are amortized in accordance with the aforementioned useful lifetime. Goodwill and intangible assets with an undefined useful lifetime are not systematically amortized. For details regarding the impairment test of goodwill and intangible assets, as stated above, see section P. below.

For details regarding the attribution of with respect to investment in associate companies and joint ventures, see section X. below.

For details regarding adjustments due to the translation of financial statements of associate companies and joint ventures, see section B. below.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### A. Consolidated financial statements (Cont.)

##### 5. **Investment in associate companies and joint ventures (Cont.)**

Loans with characteristics of long term investments, which are provided by the Group to associate companies, constitute a part of the investment in investees **and are presented under the item for equity accounted investees.**

**In parallel, the finance income with respect to these loans is presented under the item for the Group's share in the net profit of equity accounted investee companies, net,** instead of presentation under separate items.

##### 6. **Change in holding rates in associate companies and joint ventures accounted by the equity method, while retaining significant influence or joint control**

In case of an increase of the stake in an associate company or joint venture accounted by the equity method, while retaining significant influence, the Group applies the acquisition method only with respect to the additional holding rates, whereas the previous holding remains unchanged.

In case of a decrease in the holding rate of an equity accounted associate company or joint venture, while retaining significant influence or joint control, the Group derecognizes the proportional part of its investment, and recognizes the profit or loss from the sale under the item for "profit from the realization and increase in value of investments and assets, and dividends", or under the item for "loss from realization, impairment and write-down of investments and assets", as applicable.

**The cost of the rights which were sold, with respect to purchases which were executed in stages in the past, for the purpose of calculating profit or loss from the sale is determined according to a weighted average.**

Additionally, the relative share of the amounts which were recognized in capital reserves through other comprehensive income, with reference to that associate company or joint venture accounted by the equity method, or entity under joint control, is applied to the statement of income or to retained earnings.

##### 7. **Loss of significant influence or joint control**

The Group discontinues the application of the equity method beginning on the date when it lost significant influence over the associate company or the joint control over the joint venture, and accounts for the remaining investment as a financial asset, and in case of rise to control - as a subsidiary, as applicable.

On the date of loss of significant influence or joint control, the Group measures the fair value of any remaining investment in the former associate company or joint venture. The Company recognizes in the statement of income in the item for "profit from realization and increase in value of investments and assets, and dividends", or in the item for "loss from realization, impairment and write-down of investments and assets", as applicable, any difference between the fair value of any remaining investment and any consideration from the realization of part of the investment in the associate company or joint venture, and the book value of the investment on that date.

The amounts which were recognized through other comprehensive income, with reference to that associate company or joint venture, are reclassified to profit and loss or to retained earnings in the same manner as would have been required, had the associate company or joint venture independently realized the applicable assets or liabilities.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **B. Foreign currency**

The functional currency is determined separately for each investee company, including an associate company presented in accordance with the equity method, and this currency is used to measure its financial position and operating results. When the functional currency of an investee company is different from that of the Company, the investee company constitutes a foreign operation whose financial statements data are translated for the purpose of including them in the Company's financial statements.

##### **1. Transactions in foreign currency**

Transactions in foreign currency are translated to the relevant functional currencies of the Group's member companies according to the exchange rate transactions as at the dates of the transactions, and for transactions which are distributed equally throughout the period - according to the average exchange rate during the period. Monetary assets and liabilities denominated in foreign currency, which exist as at the reporting date, are translated to the functional currency according to the exchange rate which is in effect as at that date. Non-monetary assets and liabilities which are measured at historical cost in the foreign currency are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities, which are denominated in foreign currencies and measured at fair value, are translated to the functional currency according to the exchange rate which is in effect on the date when the fair value was determined. Foreign currency differences due to the functional currency are generally recognized in profit and loss; however, such foreign currency differences are recognized under other comprehensive income (loss) when they are due to the translation of derivatives which are used in cash flow hedging, with respect to the effective part of the hedge, and with respect to equity financial instruments which were designated to fair value through other comprehensive income.

##### **2. Foreign operations**

Assets and liabilities of foreign operations, including goodwill and adjustments to fair value which were created in the acquisition, were translated to NIS according to the exchange rate which was in effect as at the reporting date. Income and expenses of foreign operations were translated to NIS according to the exchange rates which were in effect on the dates of the transactions.

Foreign currency differences with respect to the translation are recognized under other comprehensive income (loss) and are presented under capital in the translation reserve for foreign operations, ("Translation Reserve").

When a foreign operation is a subsidiary which is not wholly owned by the Group, the proportional part of the foreign currency differences with respect to the foreign operation is allocated to non-controlling interests.

**The financial statements of a foreign operation which is not directly held are translated to NIS in accordance with the consolidation in stages method, according to which the financial statements of the foreign operation are first translated to the functional currency of the direct parent company, and are later translated to the functional currency of the ultimate parent company.**

**Therefore, upon realization of a foreign operation which is not directly held, the Group reclassifies to profit and loss the cumulative amount in the cumulative amount translation reserve in the direct parent company that holds the foreign operation.**



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **B. Foreign currency (Cont.)**

**If the functional currency of the directly held operation and the functional currency of the direct parent company are identical, the Group's policy is not to classify under profit and loss foreign currency differences which accrued in the translation reserve of the ultimate parent company with respect to the realization of the foreign operation which is indirectly held, as stated above.**

Upon realization of a directly held foreign operation, which results in loss of control, or to loss of joint control or loss of significant influence, the cumulative amount in the translation reserve which is due to the foreign operation is reclassified to profit and loss as part of the profit or loss from the realization.

Additionally, in case of changes to the Group's stake in a subsidiary which includes a foreign operation, while retaining control of the subsidiary, a proportional part of the cumulative total of the foreign currency differences which were recognized under other comprehensive income (loss) is re-attributed to non-controlling interests.

When the Group realizes part of an investment which is a associate company or joint venture that includes a foreign operation, while retaining significant influence or joint control, the proportional part of the cumulative amount of foreign currency differences is reclassified under profit and loss.

In general, foreign currency differences with respect to loans which were received or provided to foreign operations, including foreign operations which are subsidiaries, are recognized under profit and loss in the consolidated reports.

When the settlement of loans which the Group received from a foreign operation, or provided to it, is not planned and not expected in the foreseeable future, profit and loss from foreign currency differences which are due to those monetary items are included as part of the investment in the foreign operation, net, and are recognized under other comprehensive income (loss), and are presented in capital, as part of the translation reserve.

**The settlement of these loans is not considered realization of the investment, net, in the foreign operation**, and therefore, upon realization of the loans, as stated above, the foreign currency differences which were recognized with respect to other comprehensive income are not applied to profit and loss.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **C. Financial instruments**

##### **1. Non-derivative financial assets**

##### **A. Initial recognition and measurement of financial assets**

The Group initially recognizes trade receivables and debt instruments which were issued on the date of their creation. Other financial assets are initially recognized on the trade date.

A financial asset is initially measured at fair value plus transaction costs, with respect to all financial assets which are not measured at fair value through profit or loss, excluding trade receivables. Financial assets measured at fair value through profit or loss are initially recognized at fair value, and the transaction expenses are applied to the statement of income. Trade receivables which do not include significant financing components are initially measured according to the transaction price. Receivables originating from contractual assets are initially measured according to the book value of the contractual assets on the date of change of classification from contractual assets to receivables.

##### **B. Write-off of financial assets**

Financial assets are written off when the Group's contractual rights to the cash flows which are due to the financial asset expire, or when the Group transfers the rights to receive the cash flows which are due to the financial asset in a transaction wherein all risks and benefits from the ownership of the financial asset have been effectively transferred.

If the Group essentially remains with all of the risks and benefits due to the ownership of the financial asset, the Group continues recognizing the financial asset.

##### **C. Classification of financial assets into groups**

On the date of initial recognition, financial assets are classified to one of the following measurement categories: amortized cost; fair value through other comprehensive income - investments in debt instruments; fair value through other comprehensive income - investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods, except if, and only if, the Group has changed its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the start of the first reporting period after the change in the business model.

A financial asset is measured at amortized cost if it fulfills the following two cumulative conditions, and if it is not intended for measurement at fair value through profit and loss:

- Held within the framework of a business model whose aim is to hold assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset grant entitlement, on predefined dates, to cash flows which constitute only principal and interest payments with respect to the unpaid principal.

A debt instrument is measured at fair value through other comprehensive income only if it fulfills the following two cumulative conditions, and if it is not designated for measurement at fair value through profit and loss:

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **C. Financial instruments (Cont.)**

##### **1. Non-derivative financial assets (Cont.)**

##### **C. Classification of financial assets into groups (Cont.)**

- Held within the framework of a business model whose purpose is fulfilled both by collecting contractual cash flows and by selling financial assets; and
- The contractual terms of the debt instrument grant entitlement, on predefined dates, to cash flows which constitute only the principal and interest payments with respect to the unpaid principal amount.

In certain cases, on the date of initial recognition of an investment in a non-held for trading equity instrument, the Group chooses, irrevocably, to present subsequent changes in the fair value of the instrument under other comprehensive income. This choice is made based for each investment separately.

All financial assets which are not classified for measurement at amortized cost or at fair value through other comprehensive income, as described above, as well as financial assets designated to fair value through profit and loss, are measured at fair value through profit and loss. On the date of initial recognition, the Group designates financial assets fair value through profit and loss when the aforementioned designation significantly cancels or reduces an accounting mismatch.

The Group has balances of trade receivables and other receivables, and deposits which are held within the framework of a business model which is intended for the collection of contractual cash flows. The contractual cash flows with respect to these financial assets include only principal and interest payments which reflect a consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

##### **Assessment of the business model for debt assets**

The Group assesses the purpose of the business model for which the financial asset is held on the level of the portfolio, since this best reflects the way in which the business is managed and information is provided to management. In the determination of the Group's business model, the following considerations are taken into account:

- The declared policies and goals with respect to the portfolio, and the actual implementation of the policy, including whether the strategy of management focuses on the receipt of contractual interest, on maintaining a certain interest profile, on adjusting the lifetime of the financial assets to the lifetime of any related liabilities or projected cash flows, or the realization of cash flows by selling the assets;
- The way in which the performance of the business model, and of the financial assets which are held according to that model, are assessed and reported to the entity's key management personnel;
- The risks which affect the performance of the business model (and of the financial assets which are held according to that business model), and the method for management of those risks;
- The way in which the business's executives are compensated (for example, whether the compensation is based on the fair value of the managed assets, or on the contractual cash flows which were collected); and
- The frequency, value and timing of sales of financial assets in previous periods, the reasons for the sales, and the expectations regarding future sales activity.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **C. Financial instruments (Cont.)**

##### **1. Non-derivative financial assets (Cont.)**

##### **C. Classification of financial assets into groups (Cont.)**

Transfers of financial assets to third parties in transactions which do not qualify for derecognition are not considered sales for the purpose of the assessment of the business model, consistently throughout the Group's recognition of those financial assets.

Financial assets which are held for trading or are managed, and whose performance is estimated based on fair value, are measured at fair value through profit and loss.

##### Assessment regarding whether cash flows include principal and interest only

For the purpose of evaluating whether the cash flows include principal and interest only, the "principal" means the fair value of the financial asset on the date of initial recognition. "Interest" is comprised of consideration for the time value of money, for the credit risk attributed to the unredeemed principal amount during a certain period of time, and for other basic risks and costs of the loan, as well as a profit margin.

In the evaluation regarding whether contractual cash flows constitute flows of principal and interest only, the Group evaluates the contractual terms of the instrument, and as part of the above, evaluates whether the financial asset includes a contractual condition which may change the timing or amount of the contractual cash flows, such that it does not fulfill the aforementioned condition. The Group takes into account the following considerations in its performance of this evaluation:

- Any conditional events which could change the timing or amount of the cash flows;
- Conditions which may change the stated interest rate, including variable interest;
- Characteristics of extension or prepayment; and
- Terms which restrict the Group's right to cash flows from defined assets (for example, non-recourse financial assets).

A prepayment characteristic is consistent with the principal and interest only criterion if the prepayment amount essentially represents unpaid amounts of principal and interest with respect to the unpaid amount of principal, which may include reasonable compensation, which is received or paid, with respect to the early termination of the contract.

Additionally, with respect to a financial asset which was purchased at a significant premium or discount relative to its contractual par value, a characteristic which permits or requires prepayment, in an amount which essentially represents the contractual par value and the contractual interest which has accrued but has not yet been paid (which may include reasonable compensation which is received or paid with respect to early termination) is consistent with the principal and interest only criterion, if the fair value of the prepayment term is immaterial at the time of initial recognition.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 2 - Significant Accounting Policies (Cont.)**

**C. Financial instruments (Cont.)**

**1. Non-derivative financial assets (Cont.)**

**D. Subsequent measurement and profit and loss**

Financial assets at fair value through profit or loss

In subsequent periods, these assets are measured at fair value. Net profit and loss, including interest or dividend income, are recognized under profit and loss (excluding certain derivative instruments, which are designated as hedging instruments).

Investments in equity instruments at fair value through other comprehensive income

These assets are measured in subsequent periods at fair value. Dividends are recognized as income under profit or loss, unless the dividend clearly represents return of a part of the cost of an investment. Other net profit and loss are recognized in other comprehensive income, and are not reclassified to the statement of income.

Financial assets at amortized cost

These assets are measured in subsequent periods at amortized cost using the effective interest method, and after deducting impairment loss. Interest income, profit or loss from exchange differences and impairment are recognized under profit and loss. Any profit or loss due to derecognition is also recognized under profit and loss.

Investments in debt instruments at fair value through other comprehensive income

These assets are measured in subsequent periods at fair value. Interest income calculated using the effective interest method, profit or loss from foreign currency differences, and impairment, are recognized under profit and loss. Other net profit and loss are recognized under other comprehensive income. On the date of derecognition, profit and loss which have accrued under other comprehensive income are reclassified in the statement of income.

**2. CPI-linked assets and liabilities which are not measured at fair value**

**The value of CPI-linked financial assets and liabilities which are not measured at fair value is revalued in each period in accordance with the actual rate of increase / decrease of the CPI.**

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **C. Financial instruments (Cont.)**

##### **3. Financial liabilities**

The Group has non-derivative financial liabilities, such as overdraft from banks, debentures issued by the Group, loans and credit from banking corporation and other credit providers, liabilities with respect to leases, trade payables and other payables.

##### **A. Initial recognition of financial liabilities**

The Group recognizes for the first time issued debt instruments on the date of their creation, according to their fair value on the trade date.

Financial liabilities are recognized for the first time at fair value plus attributable transaction costs. Following initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs which are directly attributed to an expected issuance of an instrument which will be classified as a financial liability are recognized as an asset in the statement of financial position. These transaction costs are deducted from the financial liabilities upon initial recognition, or are amortized as finance expenses in the issuance when the issuance is no longer expected to occur. **Upon an extension of a debenture series for cash, the debentures are measured for the first time according to their fair value, which is consideration which was received in the issuance (since this is the best market to which the issuer has immediate access), without any recognition of profit or loss with respect to the difference between the issuance consideration and the market value of the marketable debentures proximate to their issuance.**

##### **B. Write-off of financial liabilities:**

Financial liabilities are derecognized when the Group's liabilities, as specified in the agreement, expire, or when they have been settled or canceled.

##### **C. Changes to terms of debt instruments**

An exchange of debt instruments with materially different terms, between an existing borrower and a lender, is treated as settlement of the original financial liability and recognition of a new financial liability at fair value, while the difference is applied to the statement of income in the item for finance income or expenses. Additionally, significant changes in the terms of a current financial liability, or a part thereof, are treated as a settlement of the original financial liability and as recognition of a new financial liability.

The terms are significantly different even if the discounted present value of the cash flows, according to the new terms, including any fees which were paid, after deducting any fees which were received, and is discounted using the original effective interest rate, is different by at least ten percent than the discounted present value of the remaining cash flows of the original financial liability.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **C. Financial instruments (Cont.)**

##### **3. Financial liabilities (Cont.)**

##### **C. Changes to terms of debt instruments (Cont.)**

In addition to the quantitative test, as stated above, the Group also evaluates qualitative considerations in order to determine whether it involves an exchange of conditions with materially different terms, and as part of the above, an evaluation if performed regarding the entire set of characteristics of the exchanged debt instruments and the economic parameters embodied therein, which, if they are indeed significantly different from one another, may create a different economic risk for the holder of the debt instruments upon their exchange. These economic parameters include, inter alia, the average lifetime of the exchanged debt instruments and the extent of impact of the debt terms (such as linkage to the CPI, linkage to foreign currency, variable interest) on the cash flows from the instruments.

##### Immaterial changes to terms of debt instrument

In case of a change in terms (or exchange) of an immaterial debt instrument, the new cash flows are discounted by the original effective interest rate, where the difference between the present value of the financial liability with the new terms, and the present value of the original financial liability, are recognized under profit and loss.

##### **D. Offsetting of financial instruments**

A financial asset and financial liability are offset, and the amounts are presented net in the statement of financial position, when the Group has an immediately legally enforceable right to offset the amounts which were recognized, and an intent to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously.

##### **4. Issuance of securities as a package**

Upon the issuance of securities as a package, the issuance consideration is initially attributed to financial liabilities which are measured periodically in fair value through profit and loss, and subsequently, to financial liabilities which are measured on the date of initial recognition only at fair value, and the value attributed to the equity component is calculated as residual value.

Direct issuance costs are specifically attributed to the securities with which they are identified. The common issuance costs are attributed to the securities on a proportionate basis, based on the method for attribution of the consideration from the issuance of the package, as described above.

##### **5. Derivative financial instruments, including hedge accounting**

The Group holds derivative financial instruments for the purpose of hedging against foreign currency risks and interest rate risks, as well as derivatives which are not used for hedging purposes.

##### *Measurement of derivative financial instruments*

Derivatives are initially recognized at fair value; Attributable transaction costs are carried to the statement of income upon their materialization. After initial recognition, derivatives are measured at fair value. Changes in fair value are accounted for as described below:

##### *Fair value hedge*

Changes in the fair value of a derivative financial instrument which is used in hedge transactions are carried to the statement of income. Additionally, changes in fair value with respect to the hedged item, with reference to the hedged risks, are also carried in parallel to the statement of income, including an adjustment to the book value of the hedged item.

##### *Economic hedge*

Hedge accounting is not applied to derivative instruments which are used for economic hedging of financial assets and liabilities denominated in foreign currency or linked to the consumer price index. Changes in the fair value of those derivatives are carried to the statement of income as finance income or expenses.

##### *Derivatives which are not used for hedging purposes*

Changes in the fair value of derivatives which are not used for hedging purposes are carried to the statement of income as finance income or expenses.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **D. Fixed assets**

##### **1. Recognition and measurement**

Fixed asset items are measured at cost after deducting accumulated depreciation and accumulated impairment losses.

The cost of fixed assets includes costs which are directly attributed to the acquisition of the asset. The cost of independently created assets includes the cost of materials and direct work salary, as well as any additional cost which is directly attributed to the process of introducing bringing the asset to the location and condition which are required in order to for it to operate in the manner intended by management, as well as the estimate of decommissioning costs and removal of the items and restoration of the site where the item is located (when there is an obligation to dismantle and vacate, or to restore the site), as well as discounted borrowing costs. Acquisition costs of software which constitutes an inseparable part of the operation of the associated equipment is recognized as part of the cost of such equipment. Replacement parts, auxiliary equipment and backup equipment are classified as fixed assets when they meet the definition of fixed assets in accordance with IAS 16 otherwise, they are classified as inventory.

When significant parts of fixed assets (including costs of significant periodic tests), such as communication networks, have a different lifetime, they are treated as separate components (significant components) of the fixed assets, and in the foregoing case, each component is amortized according to its useful lifetime.

Changes in the obligation to dismantle and vacate items and to restore the site where they are located, excluding changes which are due to the passage of time, are added or deducted, as applicable from the cost of the asset, in the period when they occur. The amount which is deducted from the cost of the asset will not exceed its book value, and the remainder, if any, is applied immediately to the statement of income.

##### **2. Subsequent costs**

The cost to exchange a part of a fixed asset item and other subsequent costs are recognized as part of the book value of fixed assets if it is expected that the future economic benefit embodied therein will flow to the Group and if its cost is reliably measurable. The book value of a part of the replaced part of the fixed asset item is derecognized. Current maintenance costs of fixed asset items are applied to the statement of income upon their materialization.

##### **3. Depreciation**

Depreciation is the systematic allocation of the recoverable value of an asset throughout its useful lifetime. An asset is depreciated when it is available for use, i.e., when it has reached the location and condition which are required in order for it to operate in the manner intended by management.

Depreciation is applied to the statement of income (unless it is included in the book value of another asset) using the straight line method, throughout the estimated useful lifetime of each part among the items of the fixed asset, since this method best reflects the projected consumption pattern of the future economic benefits embodied in the asset. Assets leased through leases, including lands and leasehold improvements, are depreciated over the shortest period among the lease period and the useful lifetime of the assets, unless it is reasonably expected that the Group will receive ownership of the asset at the end of the lease period. Owned lands are not depreciated.

Costs of general economic renovations (overhaul) are amortized throughout the remaining useful lifetime of the relevant asset, or until the date of the next overhaul, whichever is earlier.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **D. Fixed assets (Cont.)**

The estimated useful lifetime for the current reporting period and for the comparison periods are as follows:

|   | Years |                   |
|---|-------|-------------------|
| Buildings   | 5-50  | (mostly 20 years) |
| Machines, facilities and equipment                                | 5-20  | (mostly 15 years) |
| Computers, office furniture, equipment and other                  | 3-17  | (mostly 15 years) |
| Telecommunication network   | 4-20  | (mostly 12 years) |
| Equipment and telecommunication infrastructure - landline network | 3-6   |                   |
| Packaging plants  | 18-33 | (mostly 25 years) |
| Installations and leasehold improvements                          | 3-17  | (mostly 15 years) |

Estimates with respect to the depreciation method, useful lifetime and residual value are re-evaluated at least at the end of each reporting year, and are adjusted when required.

#### **E. Intangible assets**

##### **1. Goodwill**

Goodwill which was created as a result of the acquisition of subsidiaries and the acquisition of activities as part of business combinations is presented under intangible assets. For details regarding the measurement of goodwill upon initial recognition, see section A.1. above.

##### **Subsequent measurement**

Goodwill is measured at cost, after deducting accumulated impairment losses, if any. Goodwill with respect to investments accounted by the equity method accounted by the equity method in the book value of the investment.

##### **2. Research and development**

Expenses associated with research activities operations in order to acquire scientific or technical knowledge and understanding are applied to the statement of income upon their materialization.

Development activities are activities associated with plans to produce new products or processes, or to implement a significant improvement of existing products or processes. Costs with respect to development activities are recognized as an intangible asset if and only if all of the following are fulfilled: the development costs are reliably measurable; the product or process are applicable in technical and commercial terms; a future economic benefit is expected to arise from the product; and the Group has the intention and sufficient sources to complete the development and to use or sell the asset.

Costs which were recognized as an intangible asset with respect to development activities include the cost of materials, direct labor costs, overhead costs which are directly attributed to preparation of the asset for its intended use, and discounted borrowing costs. Other costs with respect to development activities are applied to the statement of income upon their materialization.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 2 - Significant Accounting Policies (Cont.)**

**E. Intangible assets (Cont.)**

Direct and indirect development costs which are due to the development of information system software for self use, and labor costs to employees who are engaged in the development of software programs during the development stage, and overhead costs which are directly attributable to the preparation of the asset for its intended use, are discounted and recognized as an intangible asset. These costs are amortized using the straight line method, beginning on the date when the asset becomes ready for use. With respect to these assets, impairment is evaluated once per year, until the date when they become available for use. Development costs which were previously recognized as an expense are not recognized as an asset in subsequent periods. Capitalized development costs are amortized from the point in time when the asset became available for use, i.e., when it entered the required location and condition in order for it to operate in the manner intended by management, throughout its useful lifetime.

In subsequent periods, development costs which were recognized as an intangible asset are measured at cost less accumulated amortization and impairment losses.

Development assets which are not yet available for use are tested for impairment once per year, in accordance with the provisions of International Accounting Standard (IAS) 36, Impairment of Assets.

**3. Incremental costs to obtain contract**

The Group capitalizes into assets sale commissions to marketers with respect to sale contracts, which would not have materialized has the sale contracts not been signed. The commissions are recognized in the statement of income over the average customer lifetime period.

**4. Other intangible assets**

- A. Intangible assets which were acquired in a business combination are recognized at fair value on the acquisition date. After initial recognition, intangible assets which were acquired by the Group are measured at cost (including direct costs which are required in order to prepare the assets for operation), after deducting accumulated amortization (except with respect to intangible assets with an undefined lifetime), and after deducting impairment loss.
- B. Subsequent costs are recognized as an intangible asset only when they increase the future economic benefit embodied in the asset with respect to which they were spent. All other costs, including costs associated with goodwill or independently developed brands, are applied to the statement of income upon their materialization.
- C. Customer relations - excess cost attributed in subsidiaries to customer relations. These customer relations have a defined lifetime.
- D. Brand - excess cost attributed in subsidiaries to a brand. Some brands have a defined undefined lifetime, while others have an undefined lifetime.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 2 - Significant Accounting Policies (Cont.)**

**E. Intangible assets (Cont.)**

**4. Other intangible assets (Cont.)**

- E. Except for goodwill, and for some of the brands, which have an undefined lifetime, amortization is calculated in accordance with the economic benefit which is expected to arise from the assets in each period, based on the estimated useful lifetime of each group of assets, from the date when the assets are available for use (i.e., are in the location and condition required for them to operate). If an intangible asset includes several components with different estimated useful lifetimes, the significant components are amortized based on their estimated useful lifetimes. Intangible assets which are created in the Group's member companies are not systematically amortized so long as they are not available for use. Therefore, with respect to intangible assets which are not available for use, such as development costs, impairment is tested at least once per year, until the date when they become available for use.

The estimated useful lifetimes for the current reporting period and for the comparative periods of the main intangible assets are as follows:

|  | Years                       |
|--|-----------------------------|
| - Customer relations                                     | 6-20 (mostly 6 years)       |
| Licenses and frequencies                                 | 14-25 (mostly 25 years)     |
| Information systems and software programs                | 4-6                         |
| Technology, development in process, franchises and other | 0-33 (mostly non-amortized) |
| Contract obtaining costs                                 | 3-5                         |
| Brands and trade names                                   | 0-10 (mostly non-amortized) |

The systematic amortization of development in process, which was acquired in a business combination, begins at the start of sales due to the developed technology. The amortization period reflects the future useful lifetime, in accordance with the estimate of the period when sales will result from the developed technology.

Estimates regarding the amortization method, useful lifetime and residual value are re-evaluated at least at the end of each fiscal year, and are adjusted as required.

Goodwill, brands with undefined lifetimes and development in process with an undefined lifetime are not systematically amortized, but rather are evaluated at least once per year for impairment.

The estimated useful lifetime of intangible assets which are not amortized is evaluated by the Group at least once per year in order to determine whether the events and circumstances continue to support the determination that the intangible asset has an undefined lifetime.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### F. Investment property

Investment property is property (land or building - or part of a building - or both) which is held by the Group, as the owner or as a right-of-use asset, for the purpose of generating rental income, or for capital appreciation, or both, and not for any of the following purposes:

- (1) Use in the production or provision of goods or services, or for administrative purposes; or
- (2) Sale in the ordinary course of business.

Investment property is measured for the first time at cost, including discounted borrowing costs. Cost includes expenses which are directly attributed to the acquisition of investment property. The cost of investment property under self construction includes the cost of materials and direct labor and other costs which are directly attributed to bringing the asset to the location in order for it to operate in the manner intended by management. **In subsequent periods, investment property is measured at fair value, and changes in fair value are applied to the statement of income.**

Until the financial statements for the third quarter of 2022, the Group's policy was not to capitalize borrowing costs for investment property under construction which is measured at fair value, when permitted according to the provisions of IAS 23, Borrowing Costs, with respect to qualifying assets measured at fair value.

Beginning with these financial statements, the Group changed its policy such that borrowing costs are capitalized to investment property under construction measured at fair value (the "New Accounting Policy"). The Company believes that the application of the new accounting policy provides more reliable and relevant information, since the application of the new accounting policy results in a situation whereby the cost basis of investment property under construction includes the relevant costs which were used in the construction thereof, including the capitalization of borrowing costs, and allows a better analysis of the true cost of the properties, and the change in their value, particularly in periods of high interest rates and inflation.

The aforementioned change in policy had no significant impact in the reporting periods.

Investment property under construction is measured by the Group as follows:

- (1) At fair value (without discounting borrowing costs), when the fair value of the investment property under construction is reliably measurable; And -
- (2) When the fair value is not reliably measurable, according to the fair value of the land, plus cost during the construction period until the earlier of either the construction end date and the date when they fair value is reliably measurable.

When a property used by the owner becomes investment property, to be measured at fair value, the property is re-measured at fair value, and is classified as investment property. Any profit created from the remeasurement is applied to other comprehensive income (loss), and is presented under the revaluation reserve, unless the profit cancels a previous impairment loss of the property, in which case the profit is first applied to profit and loss (up to the amount of the previous impairment loss). Any loss is directly attributed to profit and loss. When investment property which was classified in the past as fixed assets is sold, the revaluation reserve which is included in capital with respect to the investment property is transferred directly to retained earnings.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **F. Investment property (Cont.)**

Upon transition from investment property measured at fair value to fixed assets (property used by owner), or to inventory, its cost for the purpose of the subsequent accounting treatment is determined according to the fair value on the date of the aforementioned transition. In case of a transition from inventory to investment property, which will be measured at fair value, any difference between the fair value of the property on the same date and its previous book value is applied directly to profit and loss.

The Group estimates the value of the investment property at least once per year, and when there are indications of changes in its value (whichever is earlier). The liability with respect to the payment of land betterment levies for investment property is recognized on the exercise date of the rights. Accordingly, as part of the measurement of fair value for investment property before the recognition of liabilities to pay land betterment levies, the negative cash flows attributed to the levies are included.

Right-of-use assets which meet the definition of investment property are presented in the statement of financial position as investment property.

The Group applies the fair value model set forth in IAS 40 with respect to its investment property, and accordingly, the Group applies the fair value model also to right-of-use assets which meet the definition of investment property in IAS 40.

#### **G. Leases**

The group leases lands, telecommunication sites, buildings, machines, equipment and vehicles. The lease agreements are in force for various periods, and may include extension options.

The Group's policy with respect to leases in which the Group is the lessee: The Group assesses, when engaging in the contract, whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if the contract transfers the right to control the use of an identifiable asset for a certain period of time, in respect of consideration. The Group re-assesses whether a contract is a lease or includes a lease only if the contract terms have changed.

With respect to lease contracts in the mobile segment, in the group of telecommunication sites which include non-lease components, such as services or maintenance, which are associated with a lease component, the Group chose to treat the contract as a single lease component, without separating the components.

With respect to lease contracts in groups of office buildings, warehouses, service centers and vehicles which include non-lease components, such as services or maintenance, which are associated with a lease component, the Group chose to separate the lease components, and to treat the lease component separately.

On the date of initial recognition, the Group recognizes a lease liability in the amount of the present value of the future lease payments, including, inter alia, the price of exercising the extension options which are reasonably certain to be exercised.

In parallel, the Company recognizes a right-of-use asset in the amount of the lease liability, adjusted for any lease payments which have been paid on or before the commencement date, less any lease incentives which have been received, and plus any initial direct costs which have materialized for the Group.

Variable lease payments which are linked to the consumer price index are initially measured using the index which applies as at the lease commencement date, and are included in the calculation of the lease liability. When changes occur in the cash flows of the lease due to changes to the index, the Group remeasures the lease liability according to the updated contractual cash flows, as an adjustment to the right-of-use asset.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **G. Leases (Cont.)**

Variable lease payments which are not linked to an index or foreign currency are not included in the calculation of the lease liability, and are recognized in the statement of income in the period when the event occurred, or when the condition which activated those payments was fulfilled.

In cases where the interest rate implicit in the lease can be easily determined, the incremental interest rate of the Group's member company which leases the property is used. This interest rate is the rate which the lessee would have been required to pay in order to borrow, for a similar period, and with similar collateral, the amounts which are required in order to obtain an asset with a similar value to that of the right-of-use assets in a similar economic environment.

The lease period is the period during which the lease is non-cancelable, including periods which are covered by an option to extend the lease, if it is reasonably certain that the Group will exercise the option, as well as periods which are covered by an option to cancel the lease, if it is reasonably certain that the Group will not exercise that option.

The Group re-evaluates the lease period upon the occurrence of a significant event or a significant change in circumstances, which is under the Group's control, and which affects the decision regarding whether it is reasonably certain that the Group will exercise an option which was not previously included in the determination of the lease period, or will not exercise an option which was not previously included in the determination of the lease period. In case of changes to the period when the lease is non-cancelable, the Group updates the lease period and remeasures the lease liability by discounting the updated lease payments using an updated discount rate. In general, the difference between the balance of the lease liability before the change in the lease period, and the updated balance of the lease liability, is recognized against adjustment of the right-of-use asset.

After the lease commencement date, the Group measures right-of-use assets which do not meet the definition of investment property at cost, less accumulated depreciation and accumulated impairment loss, adjusted for any remeasurement of the lease liability.

The amortization of right-of-use assets which are not investment property is calculated according to the straight line method, throughout the estimated useful lifetime of the leased asset or of the lease period, whichever is shorter.

|                         | <u>Years</u>            |
|-------------------------|-------------------------|
| Telecommunication sites | 5-15 (mostly 5 years)   |
| Buildings               | 1-24 (mostly 10 years)  |
| Vehicles                | 3                       |
| Land for orchards       | 30-39 (mostly 30 years) |

As stated above, right-of-use assets which meet the definition of investment property are presented in the statement of financial position as investment property.

The interest on lease liabilities is recognized in the statement of income in each period during the lease period, in an amount which generates a fixed periodic interest rate on the remaining balance of the lease liability.

**Payments with respect to short-term leases of equipment and vehicles, and payments with respect to leases in which the underlying asset is of a low value, are recognized according to the straight line method throughout the lease period, as an expense in the statement of income. Short-term leases are leases in which the lease period, on the commencement date, is 12 months or less.**



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **G. Leases (Cont.)**

In leases where the group sub-leases the asset, the Group classifies the sublease with respect to the right-of-use asset which is due to the primary lease, and not with respect to the underlying asset.

The Group's policy with respect to leases in which the group is the lessee: When assets are leased out by the Group to others within the framework of an operating lease, they are included in the statement of financial position in accordance with their characteristics, and are amortized over their expected useful lifetimes, consistently relative to similar assets which are used in the Group. Rental income is recognized throughout the lease period on a straight-line basis.

#### **H. Deferred expenses**

##### Investments in holding orchards

The Group's investments in holding orchards (which also include irrigation systems) are attributed to customer orchards which are transferred, in their entirety, to the Group's possession, as part of a multi-year agreement between the parties. In consideration of the turnover from the fruit, the Group covers the operating expenses of those orchards. Additionally, if the agreement so prescribes - an agreed-upon additional sum is paid to the customer.

Orchard processing agreements - are amortized from the date of their creation throughout the remaining period of the agreement, up to 23 years, at variable rates of approximately 0.7% to 6% per year.

##### Transactions for the acquisition of irrevocable rights of use with respect to the capacity of submarine communication cables

Transactions involving the acquisition of irrevocable rights of use with respect to the capacity of submarine communication cables are treated as service receipt transactions. The amount which was paid with respect to the use of the communication cables is recognized as a deferred expense, and is amortized in a straight line over the period specified in the agreement, which constitutes the estimated useful lifetime of those capacities.

#### **I. Expenses associated with processing orchards in advance**

Orchard processing expenses which are used in order to bring the fruit to its current location and condition, with respect to unharvested fruit until the cutoff date, are recorded as pre-processing expenses, and are carried to the statement of income based on the amount of fruit which was harvested until the cutoff date, which constitutes an approximation of the fruit sale rate. Fixed expenses are carried to the statement of income at the beginning of each season, while direct and variable expenses are carried to the statement of income according to the progress on harvesting the fruit during the season.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 2 - Significant Accounting Policies (Cont.)**

**J. Inventory of cellphones and inventory used for landline communication**

The inventory of cellphones, associated devices and replacement parts is presented at cost or at net realizable value, whichever is lower. **Cost is determined according to the moving average method**, and includes costs to acquire inventory and to bring it to its current location and condition. The net realizable value is the estimated selling price in the ordinary course of business, after deducting the costs required to perform the sale.

The Group periodically evaluates the condition and age of inventory, and records provisions for impairment of inventory as needed.

**K. Sale of inventory of real estate and residential apartments**

Inventory of real estate and residential apartments is measured as the lower of either cost and the net realizable value. Cost of inventory includes costs required to acquire the inventory (including prepaid lease fees) and to bring it to its current location and condition. In case of in-process inventory and inventory of completed buildings, cost includes the attributed part of construction overhead. The net realizable value is the estimated selling price in the ordinary course of business, after deducting the estimated cost to completion and the estimated costs required to perform the sale.

**In subsequent periods, with respect to apartments which have been sold, the inventory of real estate and residential apartments is carried to the cost of sales, in accordance with the rate of progress.**

Real estate inventory which is acquired by the Group in a combination transaction in exchange for the provision of construction services to the seller of the land is recognized according to its fair value on the date when the terms of the agreement allow the Group to receive possession of the land, in parallel with the recognition of the undertaking to provide construction services. In cases where the value of the land is not reliably measurable, the Group estimates the fair value of the construction services which are given to the land owner.

In subsequent periods, the aforementioned liability is adjusted in order to reflect the significant financing component which is represented in the transaction. **The undertaking to provide construction services and real estate inventory are applied to income and cost of sales, respectively, in accordance with the rate of progress on the building in its entirety.**

Real estate inventory which is purchased by the Group in a receipts combination transaction, in which the Group undertakes to transfer cash according to the sale price of the apartments which will be built on the land, is measured according to the value of the financial liability which was created with respect to the expected future payments.

**In subsequent periods, the financial liability is remeasured in accordance with the cash flows which are expected to be paid, discounted periodically by the original effective interest rate of the liability, and the change is recognized in the statement of income.**

Method for allocation of costs to inventory of apartments in the entrepreneurial real estate segment

The Group attributes the costs to each sale agreement separately, as described below:

- Identifiable direct costs are allocated specifically to each apartment.
- **Land costs (including fees, levies and finance with respect to land) are attributed to each contract according to the selling price less construction costs with respect to the price of all apartments in the building, less construction costs.**
- **The other shared construction costs which are not attributable to a specific apartment are allocated according to the apartment area and the construction cost per square meter with respect to the building in its entirety.**

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **L. Inventory of fruit, pest control materials and packaging materials**

The inventory of fruit, packaging materials and pest control materials is measured as the lower of either cost or the net realizable value. The cost of inventory is determined as follows:

- (1) Inventory of fruit - according to the fruit's purchase cost, or the cost which was invested in growing items which were transferred from biological assets, which reflect the fair value net of selling costs on the delivery date, plus other direct expenses.
- (2) Inventory of packaging and pest control materials - according to the first in - first out (FIFO) approach.

The cost of inventory includes costs to acquire inventory and to bring it to its current location and condition. The net realizable value is the estimated selling price in the ordinary course of business, after deducting the estimated cost to completion and the estimated costs required to perform the sale.

#### **M. Discounting of borrowing costs**

A qualifying asset is an asset regarding which a significant period of time is necessary in order to prepare it for its intended use, or for its sale.

Specific and non-specific borrowing costs were discounted for qualifying assets during the period required for completion and construction, until the date they are ready for their intended use or for their sale. Other borrowing costs are charged, upon their materialization, to finance expenses in the statement of income.

In the real estate segment, specific borrowing costs and non-specific borrowing costs were discounted for qualifying assets during the period required for completion and construction, until the date they are ready for their intended use. Non-specific borrowing costs are discounted in the same manner for the same investment in qualifying assets, or for that part thereof which is not financed with specific credit, using a rate which is the weighted average of the cost rates with respect to those credit sources whose costs were not specifically discounted. Exchange differences due to credit in foreign currency are discounted if they are considered adjustments to the interest cost. Other borrowing costs are carried to the statement of income upon their materialization.

In case the development of a qualifying asset is suspended, the discounting of borrowing costs is suspended during that period.

In inventory of buildings for sale, wherein the control of the sold apartments is transferred over time, the Group stops discounting borrowing costs on the date when the construction and sale of the project effectively began, which constitutes the date when the activities required for the sale effectively concluded.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **O. Impairment**

##### **1. Non-derivative financial assets**

The Group recognizes a loss provision with respect to expected credit losses for financial assets which constitute debt instruments measured at amortized cost or at fair value through other comprehensive income, lease receivables and assets with respect to contracts with customers due to transactions which fall under the scope of IFRS 15.

Impairment of a financial asset which constitutes a debt instrument at fair value through other comprehensive income is recognized in the statement of income against other comprehensive income, and does not reduce the financial asset's book value in the statement of financial position.

The Group evaluates, on each date of the statement of financial position, whether a significant increase has occurred in the financial asset's credit risk since its date of initial recognition, on an individual basis or on a collective basis. For this purpose, the Group compares the risk of default in the financial instrument on the reporting date, to the risk of a default in the financial instrument on the date of initial recognition, while taking into account any reasonable information which can be substantiated, including forward looking information.

With respect to financial assets whose credit risk has increased significantly, on their date of initial recognition, the Group measures the loss provision in an amount equal to the expected credit loss throughout the instrument's entire lifetime. Otherwise, the loss provision will be measured in an amount equal to the expected credit losses in a 12 month period. The amount (or cancellation) of projected credit differences is carried to the statement of income.

With respect to financial instruments with a low credit risk, the Group assumes that the credit risk has not increased significantly since the date of initial recognition.

Notwithstanding the foregoing, **the Group always measures the loss provision in an amount equal to the expected credit loss throughout the instrument's entire lifetime, for trade receivables or assets with respect to contracts with customers which are due to transactions covered under IFRS 15, and for lease receivables arising from transactions covered under IFRS 16.**

##### **2. Non-financial assets**

##### **A. Timing of impairment test**

The book value of non-financial assets in the Group in which are not investment property, inventory and deferred tax assets, is evaluated on each reporting date in order to determine whether indicators of impairment exist. The aforementioned indicators which are evaluated by the Group with respect to the value of the investments include a decrease in prices on the stock exchange, ongoing losses in its investments, the branch where it performs its investing activities, the excess cost included in the investments, non-fulfillment of research and development goals or of the business plans of investee companies, and additional parameters.

If indicators of impairment exist, the estimated recoverable value of the asset is calculated. The Group estimates the recoverable value of goodwill and intangible assets with an undefined lifetime or which are not yet available for use, once per year, on a fixed date for each cash generating unit, or more frequently, if indicators of impairment exist.

##### **B. Determination of cash generating units**

For the purpose of implementing the impairment test, assets which cannot be specifically evaluated are joined together into the smallest possible group of assets which generate cash flows from ongoing use, which are primarily independent of other assets and other groups of assets ("Cash Generating Unit").

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **O. Impairment (Cont.)**

##### **2. Non-financial assets (Cont.)**

##### **C. Measurement of recoverable amount**

The recoverable amount of an asset or cash generating unit is the higher of either its value in use or its fair value, after deducting selling expenses. In the determination of value in use, the Group discounts the projected future cash flows which reflect the current condition of the asset, and represent the best estimate with respect to the economic conditions which will prevail during the asset's remaining useful lifetime. The discounting of cash flows with respect to a cash generating unit is performed according to the discount rate before taxes, which reflects the estimate of market participants with respect to the time value of money and the specific risks attributed to the asset or cash generating unit, for which the future cash flows which are expected to arise from the asset or cash generating unit were not adjusted. In the impairment test of associate companies and joint ventures, cash flows are discounted according to the appropriate discount rate after tax.

##### **D. Recognition of impairment loss**

Impairment losses are recognized when the book value of the asset, or of the cash generating unit with which the asset is associated, exceeds the recoverable amount, and are carried to the statement of income. Impairment loss of an asset which was revalued in the past, with the revaluation carried to a capital reserve, are carried to other comprehensive income until the principal has been repaid, while the remainder is carried to the statement of income.

Goodwill purchased within the framework of a business combination is allocated for the impairment test of cash generating units, including those which existed in the Group also before the business combination, which are expected to create benefits from the synergy of the combination.

Each unit or group of units to which the aforementioned goodwill was allocated represents the lowest level in the Group at which goodwill is monitored for the purpose of reporting to internal management, and is no greater than an operating segment (according to the group of similar segments).

In cases where goodwill is not monitored for the purpose of internal reporting, the goodwill is allocated to operating segments (before grouping similar segments), and not to a cash generating unit (or group of cash generating units) which is lower than the operating segments. Impairment loss, if any, is allocated to decrease the book value of the assets of the unit (or group of units) in the following order: first, to decrease the book value of any goodwill which was allocated to the cash generating unit (or group of units), and then to the other assets of the unit (or group of units), proportionately according to the book value of each asset in the unit (or group of units).

For the purpose of applying the impairment test of goodwill attributed to cash generating units which are also held by non-controlling interests, which were measured for the first time according to the proportional part of those interests in the net assets of the acquired entity, the book value of the goodwill and the other excess costs which were allocated to the aforementioned cash generating unit are grossed up in order to include the goodwill and other excess costs which are attributed to the non-controlling interests. Subsequently, a comparison is performed between the aforementioned adjusted book value and the recoverable value of that unit, in order to determine whether its value has been impaired.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **O. Impairment (Cont.)**

##### **2. Non-financial assets (Cont.)**

Goodwill and other excess costs are represented according to the stake in the entity to which they are attributed on January 1, 2010, or on the original date of recognition, whichever is later, and without taking into account control premiums, insofar as any are included in the balances of goodwill.

##### Allocation of impairment loss to non-controlling interests

If impairment loss has been identified in a cash generating unit, as stated above, the impairment loss is allocated between the owners of the Company and non-controlling interests according to their relative shares in the goodwill and the other excess costs to which the impairment loss is attributed, before representation, as stated above. However, if impairment loss attributed to non-controlling interests refers to goodwill or to other excess costs which were not recognized in the consolidated financial statements of the parent company, the aforementioned impairment is not recognized as impairment loss. In such cases, only impairment loss pertaining to goodwill and other excess costs which were recognized in the Company's financial statements are recognized as impairment loss.

##### Reversal of impairment loss

Impairment loss of goodwill is not reversed. With respect to other assets, for which impairment losses were recognized in previous periods, on each financial reporting date, a test is performed regarding whether indicators exist that such losses have decreased, or no longer exist. Impairment loss is reversed if changes have occurred in the estimates which were used in the determination of the recoverable amount, only if the asset's book value, after reversal of the impairment loss, does not exceed its book value, after deducting depreciation or amortization, which would have been determined had impairment loss not been recognized.

##### **3. Investments in associate companies and joint ventures**

An impairment test with respect to an investment in an associate company or joint venture is performed only where there is objective evidence indicating impairment. Such objective evidence includes general information regarding the market, decline in stock exchange prices, ongoing losses in its investments the branch in which its investing activities take place, non-fulfillment of research and development goals of investee companies, significant deviation from the business plan of the investee companies, efforts to raise capital at a lower price than the value of the investment in the financial statements, and additional parameters.

Goodwill which constitutes a part of the account of the investment in the associate company or joint venture is not recognized as a separate asset, and therefore, impairment is not evaluated separately for it.

If objective evidence exists indicating impairment of the value of the investment, the Group estimates the recoverable amount of the investment which is the higher of either its value in use or its net selling price.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **O. Impairment (Cont.)**

In its determination of the investment's value in use, the Group estimates its share in the present value of the estimated future cash flows, which are expected to be generated by the associate company or joint venture, including cash flows from its activities, and the consideration from the ultimate realization of the investment, or estimates the present value of the estimated future cash flows which are expected to result from the dividends which will be received, and from the final realization.

Impairment loss is recognized when the book value of the investment, after application of the equity method, exceeds the recoverable amount, **and is applied to the item for the Group's share in the loss of investee companies accounted by the equity method, net, in the statement of income.**

Impairment loss is not allocated to any asset, including to goodwill which constitutes a part of the account of the investment in the associate company or joint venture.

Impairment loss is canceled only if changes have occurred in the estimates which were used in the determination of the recoverable amount of the investment, from the date when the impairment loss was most recently recognized. The book value of the investment, after cancellation of impairment loss, will not exceed the book value of the investment which would have been determined according to the equity method had impairment loss not been recognized.

If excess costs are attributed to assets in the associate company or to assets in the joint venture, and the aforementioned company performs an amortization for impairment with respect to such assets, the Company amortizes the aforementioned attributed excess costs, and applies the amortization to the statement of income.

#### **P. Non-current assets and realization groups held for sale**

Non-current assets (or realization groups which are comprised of assets and liabilities) are classified as assets held for sale if it is highly probable that the recoupment of their amount will be implemented primarily through a sale transaction or a distribution to owners, and through ongoing use. When a company is committed to a sale plan which involves loss of control of a subsidiary, all of the assets and liabilities which are attributed to the subsidiary are classified as held for sale, will bear the Company will remain with any non-controlling interests in the former subsidiary after the sale.

Immediately before their classification as held for sale, the assets (or the components of the disposal group) are measured according to the Group's accounting policy. Subsequently, the assets, the components of the realization group (or the Group which is intended for realization) are measured according to the lower of either book value or fair value, net of selling costs.

Any impairment loss of a group designated for realization is initially attributed to goodwill, and later, proportionately, to the remaining assets and liabilities, except that loss is not attributed to assets which are not covered under the measurement provisions of IFRS 5, such as: inventory, financial assets, deferred tax assets, employee benefit plan assets, investment property measured at fair value. Impairment losses which are recognized upon initial classification of an asset held for sale, as well as subsequent profit or loss due to the remeasurement, are applied to the statement of income. Profit is recognized up to the cumulative amount of the impairment loss which was recorded in the past.

In subsequent periods, depreciable assets classified as held for sale are not periodically depreciated, and investments in associate companies and joint ventures which are classified as held for sale are not accounted by the equity method.

#### **Discontinued operations**



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **P. Non-current assets and realization groups held for sale (Cont.)**

Discontinued operations are a component of the Group's business operations which constitutes an operation which was realized or which is classified as held for sale, as stated above, and represents a significant separate business line, or a geographical area of an activity which is significant and separate. The classification as a discontinued operation is implemented on the date when the operation was realized, or when it meets the criteria for classification as held for sale, if this occurred previously.

Operating results which refer to discontinued operations are presented separately in the statement of income after deducting the tax impact, and also with respect to comparative figures which were restated for this purpose, as if the operation had been discontinued from the start of the earliest comparison period. Additionally, **the Company presents the cash flows which are attributed to a discontinued operation separately in the statements of cash flows, including reclassification of the comparative figures.** On this matter, see Note 12 below.

#### **Q. Share capital**

##### **Ordinary shares**

Costs which are directly attributed to an issuance of ordinary shares and share warrants are presented as an amortization of capital.

##### **Treasury shares**

When share capital which was recognized under equity is re-purchased by the Company, the amount of consideration which was paid, including direct costs, is deducted from equity. **The repurchased shares are classified as treasury shares.** When treasury shares are sold or re-issued, the difference between the consideration which was received and the cost of the shares is carried to equity, after deducting incremental costs which are directly attributable to the transaction.

#### **R. Employee benefits**

##### **1. Post-employment benefits**

The Group has several post-employment benefit plans for employees. The plans are generally financed by deposits to insurance companies or pension funds, and are classified as defined deposit plans and as defined benefit plans.

##### **A. Defined deposit plans**

A defined deposit plan is a post-employment plan according to which the Group pays fixed payments to a separate entity without having a legal or implicit obligation to pay additional payments. The Group's obligations to deposit in a defined deposit plan are applied as an expense to profit and loss on the date when the obligation to deposit materializes.

##### **B. Defined benefit plan**

A defined benefit plan is a post-employment benefit plan which is not a defined deposit plan. A net obligation of the Group which pertains to a defined benefit plan with respect to post-employment benefits, with respect to each plan separately, according to an estimate of the future amount of the benefit which will be owed to an employee in consideration of their services, in the current period and in previous periods. This benefit is presented according to present value, after deducting the fair value of the plan assets.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **R. Employee benefits (Cont.)**

The Group determines the net interest on the liability (asset), net, with respect to a defined benefit, by multiplying the liability (asset), net, with respect to that defined benefit, by the discount rate which was used in the measurement of the liability with respect to that defined benefit, as both were determined at the start of the annual reporting period.

The discount rate is determined according to the yield, as at the reporting date, of high quality CPI-linked corporate debentures whose currency is the NIS, and whose repayment dates are similar to the terms of the Group's liabilities on the same date. The calculations are conducted each year by a licensed actuary, according to the projected unit credit method.

When the results of the calculation indicate the creation of a net asset for the Group, an asset is recognized up to the net amount of the present value of available economic benefits in the form of reimbursement from the plan or reduction in future deposits to the plan. An economic benefit in the form of reimbursements or reduction of future deposits will be considered available to the Group when it is realizable during the plan's lifetime, or after the liability has been settled.

Remeasurement of the liability (asset), net, with respect to a defined benefit, includes actuarial profit and loss, return on plan assets (excluding interest), and any change in the impact on the asset ceiling (as relevant, excluding interest). **Re-measurements are applied immediately through other comprehensive income directly to retained earnings.**

**Interest costs with respect to a defined benefit liability, interest income with respect to plan assets and interest with respect to the impact of the asset ceiling which were applied to the statement of income are presented under the items for finance income and expenses, respectively.**

If an improvement or decrease has occurred in the benefits provided by the Group to employees, that part of the increased benefits pertaining to the past service of the employees, or profit or loss from the reduction, are immediately recognized in profit or loss when the amendment or reduction of the plan occurs.

The Group recognizes profit or loss from the settlement of a defined benefit plan when the settlement occurs. Profit or loss, as stated above, constitutes the difference between the settled part of the present value of the defined benefit liability on the settlement date, and the settlement price, including plan assets which were transferred. The Group has managers' insurance policies which were issued before 2004, and in accordance with the policy terms, the real balance of profit which accrued on the severance pay component will be paid to the employee on the date of retirement. With respect to such policies, the plan assets include both the balance of the severance pay component and the real balance of profit which accrued (if any) on deposits to severance pay, until the date of the statement of financial position, and they are presented at fair value.

These plan assets are used for a defined benefit plan which includes two liability components: the defined benefit plan component with respect to the severance pay, which is calculated on an actuarial basis, as stated above, and an additional component which is the undertaking to pay the real balance of profit which has accrued (if any) on the date of the employee's retirement. This component is measured in the amount of the real balance of profit which has actually accrued as at the reporting date.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **R. Employee benefits (Cont.)**

##### **2. Other long term employee benefits**

The Group's net liability with respect to long term employee benefits, which are not attributed to post-employment benefit plans, is in the amount of the future benefit owed to the employees with respect to services which were provided in the current period and in previous periods. The amount of these benefits is capitalized to its present value, less the fair value of the assets attributed to that liability.

The discount rate is determined according to the yield, as at the reporting date, of high quality CPI-linked corporate debentures whose currency is the NIS, and whose repayment dates are similar to the terms of the Group's liabilities on the same date. The calculation is performed using the projected unit credit method. Actuarial profit and loss are applied to the statement of income for the period when they were created.

##### **3. Severance benefits**

Severance benefits are recognized as an expense when the Group has clearly committed, with no real possibility of cancellation, to the dismissal of employees, before they have reached the conventional retirement date in accordance with a detailed formal plan, or to provide severance benefits as a result of an offer which was made to encourage voluntary retirement. Benefits which were given to employees with respect to voluntary retirement are applied as an expense when the Group has offered to employees a plan which encourages voluntary retirement, and when it is expected that the offer will be accepted and when the number of employees accepting the offer is reliably measurable.

##### **4. Short term employee benefits**

Liabilities with respect to short term employee benefits are measured on a non-discounted basis, and the expense is applied upon provision of the relevant service, or in case of non-accumulated absences (such as maternity leave) - in case of actual absence.

A provision with respect to short term employee benefits due to a cash bonus or a profit sharing plan is recognized according to the amount which is expected to be paid when the Group has a current legal or implicit liability to pay the aforementioned amount with respect to service which was given by the employee in the past, and when the liability is reliably measurable. The classification of employee benefits for purposes of measurement as short term benefits, or as other long term benefits, is determined according to the Group's forecast regarding the full settlement of the benefits.

##### **5. Share-based payment transactions**

The fair value on the grant date of share-based payments to employees is carried as a payroll expense, **in parallel the increase in retained earnings** during the vesting period, the period in which a requirement applies to fulfill all of the defined conditions for the vesting of the share-based payment arrangement.

The amount which was applied as an expense with respect to share-based payment bonuses, which are conditional upon vesting terms which constitute service terms, was adjusted in order to reflect the number of bonuses which are expected to vest.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### S. Provisions

A provision is recognized when the Group has a current legal or implicit liability, as a result of an event which occurred in the past, and which is reliably measurable, and when it is more likely than not that resources will be required in order to settle the liability. The provisions were determined by discounting future the cash flows **by the interest rate before tax which reflects the current market estimates regarding the time value of money and the specific risks of the liability, without taking into account the credit risk of the debtor company.** The book value of the provision is adjusted in each period in order to reflect the passage of time. The amount of the adjustment is recognized as finance expenses.

The Group recognizes an indemnification asset if and only if it is virtually certain that the indemnification will be received if the Company settles the liability. The amount which is recognized with respect to the indemnification does not exceed the amount of the provision.

##### 1. Warranty

The provision for warranty is recognized when the products or service, with respect to which the warranty was given, are sold. The provision is based on historical data and on the weighing of all possible results, including their probabilities.

##### 2. Onerous contracts

When the unavoidable costs with respect to the contract are expected to exceed the expected benefits from the contract, an onerous contract provision is recognized. The provision is measured according to the lower of either the present value of the projected cost to terminate the agreement, and the present value of the unavoidable costs (net of income) to continue fulfilling the agreement. see also Note Y.1. below for details regarding the amendment to IAS 37 with respect to onerous contracts. **Unavoidable costs are costs which the Company cannot avoid, since it is bound by a contract.**

When the total contract costs are expected to exceed the total contract income, the expected loss should be recognized as an expense immediately.

The amount of such loss is determined without taking into account the following factors:

- (A) Whether work in connection with the agreement has commenced;
- (B) The completion stage of the activities in connection with the agreement;
- (C) The amount of profits which are expected to be created with respect to other contracts which are not treated as a single construction contract.

Expected contract losses are identified with respect to expected contract costs, i.e., the total contract completion costs (including loading indirect costs).

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **S. Provisions (Cont.)**

##### **3. Contingent liabilities and legal claims**

Legal claims with unique characteristics are not joined together, and the need for recognition of provisions with respect to them is evaluated separately.

A claim is recognized when the Group has a legal obligation in the present, or an implicit liability as a result of an event which occurred in the past, when it is more likely than not that the Group will require its economic resources in order to settle the liability, and when it is reliably measurable.

When the impact of the value of time is significant, the provision is measured in accordance with its present value. The amount of the provisions which were performed is based on an estimate of the degree of risk associated with each of the claims, when events which take place during the litigation may require a re-evaluation of such risk.

In estimates regarding the chances of legal claims which were filed against the Company and its investee companies, the companies rely on the opinions of their legal advisors. These opinions of the legal advisors are based on their best professional judgment, in consideration of the stage of the proceedings, and on their accumulated legal experience on the various issues. The results of the claims will be determined in the courts.

The Group is involved in legal proceedings which were recently filed, although at this stage it is not possible to estimate their chances (see also Note 22.C. below).

A provision with respect to unasserted claims is recognized in accordance with the claim's overall chances of success, if filed, against the Group's member companies (which is based on the probability of the filing of the claim and the claim's chances of success).

##### **4. Expenses payable with respect to fruit purchases**

Once the fruit is accepted for packaging, an advance is paid to Migdal with respect to the fruit, depending on the fruit's variety and quality. Additionally, a provision is made to supplement the price according to costing data which was available to the Group as at the cutoff date, in order to set the expense according to the full price of the fruit. The provisions are included under the item for payables with respect to fruit purchasing, under the payables section.

#### **T. Revenue**

##### **1. Identification of contract**

The Group handles a customer contract only upon fulfillment of all of the following conditions:

- (A) The parties to the contract have approved the contract (in writing, verbally or in accordance with other standard business practices), and are obligated to fulfill the undertakings which have been assigned to them;
- (B) The Group is able to identify the rights of each party, with respect to the products or services which will be transferred;
- (C) The Group is able to identify the payment terms with respect to the goods or services which will be transferred;
- (D) The contract is of a commercial nature (in other words, the risk, timing and amount of the entity's future cash flows are expected to be changed as a result of the contract); and
- (E) The Group is expected to collect the consideration which it is entitled to receive with respect to the goods or services which will be transferred to the customer.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

For the purpose of determining the fulfillment of condition (E), the Group evaluates, inter alia, the percentage of advance payments which were received, and the method for distribution of payments in the contract, prior experience with the customer, its situation, and the existence of sufficient collateral.

When a customer contract does not meet the above criteria, any consideration which has been received from the customer is recognized as a liability until the foregoing conditions have been met, or upon the occurrence of one of the following events: there are no commitments left for the Group to transfer goods or services to the customer, and the entire consideration which was guaranteed by the customer has been received, and cannot be returned; or the contract was canceled, and the consideration which was received from the customer cannot be returned.

#### **2. Grouping of contracts**

The Group groups two or more contracts which were entered into on the same date, or on a proximate date, with the same customer (or with related parties of the customer), and handles them as a single contract, upon the fulfillment of one or more of the following criteria:

- (A) Negotiations regarding the contracts are conducted as a single package, with a single commercial purpose;
- (B) The total consideration which will be paid in one contract depends on the price or performance of the other contract; or
- (C) The goods or services which were guaranteed in the contracts (or certain goods or services which were guaranteed in each of the contracts) constitute a single performance obligation.

#### **3. Identification of performance obligations**

The Group estimates, on the date of entry into the agreement, the goods or services which were guaranteed in a contract with the customer, and identifies as a performance obligation any guarantee to transfer to the customer one of the following two things:

- (A) Goods or services (or a package of goods or services) which are separate; or
- (B) A series of separate goods or services which are effectively identical, and which have the same pattern of transfer to the customer.

The Group identifies goods or services which have been guaranteed to the customer as separate, when the customer is able to derive benefit from the goods or services themselves, or along with other resources which are easily obtainable by the customer, and when the Group's guarantee to transfer the goods or services to the customer is identifiable separately from the other guarantees in the contract. In order to evaluate whether a guarantee to transfer goods or services is separately identifiable, the Group evaluates whether a material service is provided involving combining the goods or services with other goods or services which were guaranteed in the contract, into a combined product for which the customer entered into the contract.

#### **Option to purchase additional goods or services**

An option which gives a customer the right to purchase additional goods or services constitutes a separate performance obligation in the contract only if the option gives the customer a significant right which it would not have received had it not entered into the original contract.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### **T. Revenue (Cont.)**

##### **Determination of the transaction price**

The transaction price is the total consideration which the Group expects to be entitled to receive in consideration of the transfer of goods or services which have been guaranteed to the customer, except for amounts which were collected in favor of third parties. When determining the transaction price, the Group takes into account the effects of all of the following: variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to the customer.

#### **4. Variable consideration**

The transaction price includes fixed amounts and amounts which may change as a result of discounts, reimbursements, credits, price concessions, incentives, performance bonuses, claims and disputes, as well as changes to the contract, whose consideration has been agreed upon by the parties.

The Group includes, in the transaction price, all or part of the variable consideration, only when it is highly probable that significant cancellation of the total cumulative income which was recognized will not occur, when the uncertainty associated with the variable consideration will be found out later on. At the end of each reporting period, the Group updates, if necessary, the estimated total of the variable consideration which was included in the consideration for the transaction.

**In the retail segment, variable consideration is primarily due to volume discounts which the group offers to its customers. The Group estimates the amount of variable consideration by using the most likely amount method, since this method best describes the amount of consideration which it will be entitled to receive.**

##### **Existence of a significant financing component**

For the purpose of measuring the transaction price, the Group adjusts the total consideration which was guaranteed with respect to the effect of the time value of money, if the timing of the payments, which was agreed upon between the parties, provides to the customer or the Group a significant benefit in terms of financing, in which cases the contract includes a significant financing component. In the assessment of whether a contract includes a significant financing component, the Group evaluates, inter alia, the forecasted time between the date when the Group transfers the goods or services which were guaranteed to the customer, and the date when the customer pays for those goods or services, as well as the difference, if any, between the total guaranteed consideration, and the selling price in cash of the guaranteed goods or services.

When the contract includes a significant financing component, the Group recognizes the total consideration using the discount rate which would be reflected in a separate financing transaction between it and the customer, on the date of the agreement. The financing component is recognized as interest income or expense during the period according to the effective interest method.

**In cases where the difference between the date of receipt of payment, and the date when the goods or service are transferred to the customer is one year or less, the Group applies the practical expedient set forth in the standard, and does not separate a significant financing component.**

##### **Non-cash consideration**

Non-cash consideration is measured at fair value. When it is not possible to reasonably measure the fair consideration's value, the Group indirectly measures the consideration with respect to the separate selling price of the goods or services which were guaranteed to the customer.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

##### **5. Date of revenue recognition (fulfillment of performance obligation)**

Income is recognized when the Group fulfills a performance obligation by transferring the control of goods or services which were guaranteed to the customer.

##### **Measurement of progress on the fulfillment of a performance obligation**

When measuring the progress of performance using a method which is based on inputs, cost which has materialized and is not proportional to the progress on the fulfillment of the performance obligation is not taken into account in the measurement of the completion rate. In such cases, the Group recognizes revenue in an amount equal to the cost of goods which were used to fulfill the performance obligation (performance obligation, zero margin), upon the fulfillment of the following conditions: the goods are not separate; The customer is expected to gain control of the goods a significant period of time before receiving the relevant services; The cost of the goods is significant relative to the total expected contract costs; And the Group acquires the goods from a third party, and is not significantly involved in the production and manufacturing of the goods.

In the service provision segment, the total consideration in certain contracts includes a variable component and a variable component (such as management fees which are conditional upon income). Fixed amounts are recognized in a straight line over the period when the services are provided. Variable amounts are for the period generally in the period when the relevant services were provided, if they are attributable to the Group's efforts to fulfill the performance obligation in that period, and if the method of recognition, as stated above, reflects the amount which the Group is entitled to receive in consideration of the provision of services to the customer.

Additionally, in cases where the Group is entitled to receive consideration from the customer, in an amount which directly corresponds to the value for the customer of the Group's performance, which was completed until that date, the Group adopts the practical expedient prescribed in the standard, and recognizes income in the amount for which the Group is entitled to submit an invoice.

##### **6. In the Group's real estate segment**

The Group is required to estimate, with respect to each contract with a customer, whether it is fulfilling the over time or at a single point in time (upon delivery), in order to determine the appropriate method for recognition of income.

The Group fulfills the performance obligation and recognizes revenue over time if one of the following criteria is fulfilled:

- A. The customer receives and consumes simultaneously the benefits which are provided by the Group's performance, insofar as the Group is the performing entity.
- B. The Group's performance creates or improves a property (for example, work in progress) which is controlled by the customer, during the creation or improvement thereof.
- C. The Group's performance does not create an asset with alternative use for the Group, and the Group has the right to enforceable payment with respect to performance which was completed until that date.

##### **Income from rent and management fees**

Rent from investment property and management fees for the routine operation of properties are recognized under profit and loss using the straight line method throughout the lease period. Lease incentives which were provided are recognized as an inseparable part of the total income from rent throughout the lease period.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

##### **Services**

Income is recognized over time in the reporting period when the services were provided, since the customer receives and consumes simultaneously the benefits which are provided by the Group's performance, when the Group provides those services.

##### **Sale of inventory of real estate and residential apartments**

The Group has reached the conclusion that its sale contracts with customers in the entrepreneurial real estate segment in Israel, based on regulation the provisions of the law and the relevant regulations in Israel, and based on legal opinions which were received, an asset has not been created with an alternative use for the Group, and it has the right to enforce the fulfillment of the contract. In these circumstances, the Group recognizes revenue over time. When the aforementioned conditions have not been met, the revenue is recognized at a single point in time.

The Company recognizes revenues with respect to each contract separately, provided that the amounts which were received, as at the reporting date, with respect to the contract, represent 15% or more of the total contract amount. The Group determines the amount of revenue from each contract in accordance with the transaction price with each customer separately.

##### **Recognition of revenue from combination transactions**

Real estate inventory which is acquired by the Group in a combination transaction in exchange for the provision of construction services to the seller of the land is recognized according to its fair value on the date when the terms of the agreement allow the Group to receive possession of the land, in parallel with the recognition of the undertaking to provide construction services. In cases where the value of the land is not reliably measurable, the Group estimates the fair value of the construction services which are given to the land owner.

In subsequent periods, the aforementioned liability is adjusted in order to reflect the significant financing component which is represented in the transaction. The undertaking to provide construction services and real estate inventory are carried to income and cost of sales, respectively, in accordance with the rate of progress on the inventory in its entirety.

##### **Measurement of performance progress**

The Group determines the rate of progress according to which revenue is recognized with respect to each sale contract as the rate of progress of the building in its entirety. The rate of progress was determined in accordance with the ratio between the construction costs which actually materialized (excluding payments with respect to land and financing) and the scope of the contract of the developing contractor at base prices (not including land costs and financing costs).

##### **Method of presentation of income receivable and advance payments from customers**

Income receivable constitutes an asset which is recognized when the Group is entitled to receive consideration with respect to a real estate property which the Group has transferred to the customer.

Advance payments from apartment buyers constitute liabilities with respect to contracts, and represent the consideration which the Group received before it transferred the real estate property to the customer.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

##### **7. In the Group's telecommunications segment**

Income due to the provision of telecommunication services, which include mobile services, internet services, international call services, landline telephony services, reciprocal connectivity, roaming services, content and value added services, transmission services and television over internet services, is recorded upon the provision of the services proportionately until the transaction completion stage, when all of the criteria for the recognition of revenue have been fulfilled.

The sale of equipment to the customer is performed without a contractual obligation of the customer to acquire services in a minimum amount for a predefined period. As a result, the Group considers the equipment transaction as a separate transaction, and recognizes the revenues from equipment in accordance with the value of the transaction on the date when the equipment is transferred to the customer. Revenues from services are recognized and recorded upon the provision of the services.

##### **8. Incremental costs to obtain contract**

Incremental costs to obtain contracts with customers are recognized as assets when it is considered likely that the Group will recoup those costs. Costs to obtain contracts which would have materialized regardless of whether or not the contract is obtained are recognized as an expense upon their materialization (see also section E.3. above).

Costs which have materialized to fulfill a contract with a customer, and which do not fall under the scope of another standard, are recognized as an asset when they: are directly attributed to a contract which the Group is able to specifically identify; create or improve the Group's resources which will serve to fulfill a performance obligation in the future; and when the costs are expected to be recouped. In any other case, these costs are recognized as an expense upon their materialization.

Costs which have been discounted as an asset are depreciated to the statement of income on a systematic basis which is consistent with the transfer of the goods or services to which the asset is attributed.

In each reporting period, the Group evaluates whether the asset's book value, which was recognized as stated above, exceeds the balance of the consideration which the entity expects to receive in consideration of the goods or services to which the asset is attributed, less the costs which are directly attributable to the provision of those goods or services, which were not recognized as expenses, and if necessary, impairment loss is recognized in the statement of income.

**In the real estate initiation segment**, the Group determines the cost attributed to each sale contract separately in accordance with the following:

- A. Land costs (including fees, levies and land financing) - these costs will be attributed to each agreement in accordance with the value of the unit which is the subject of that agreement, relative to the value of the project in its entirety. The aforementioned value is primarily affected by the location of the unit in the building, the designation of the unit and the area of the unit.
- B. Construction costs - in accordance with the size of the unit and the construction cost per square meter, as arising from the Group's agreements with its executing contractors.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

Incremental costs to obtain contracts with customers are recognized as assets when it is considered likely that the Company will recoup those costs. Accordingly, commissions which are paid to marketers and agents with respect to the sale of residential apartments are recognized as an asset upon the signing of the sale contract, and are amortized as selling expenses in accordance with the rate of progress, for apartments which were sold over time.

#### **9. Warranty**

For the purpose of assessing whether a warranty provides a separate service to the customer, and therefore constitutes a separate performance obligation, the Group evaluates, inter alia, the following characteristics: whether the customer has the possibility to purchase a warranty separately; Whether the warranty is required by law; the length of the liability coverage period and the nature of the activities which the Group guarantees to perform under the liability contract.

Within the framework of contracts with customers, the Group provides warranty services to customers in accordance with the contract, the provisions of the law or the standard practice in the branch. The warranty services are given in order to guarantee the quality of work and the fulfillment of the specification which was agreed upon between the parties, and do not constitute an additional service which is given to the customer. In such cases, the Group does not identify the warranty as a separate performance obligation, but rather treats it in accordance with the provisions of IAS 37, and recognizes a provision for warranty, according to the estimated cost of the aforementioned services.

#### **10. Sales with right of recourse**

For contracts which allow the customer to return purchased goods, income is recognized in the amount regarding which it is highly probable that a significant cancellation of the amount of accumulated income which were recognized will not occur. Therefore, the amount of recognized income is adjusted with respect to the expected returns, which have been estimated based on historical data and past experience. Returned goods are only replaced for new goods. In such cases, a liability for returns, and an asset with respect to the right to receive back the products, are recognized.

#### **11. Contractual assets and contractual liabilities**

A contractual asset is recognized when the Group has the right to receive consideration with respect to goods or services which the Group has transferred to the customer, while this right is conditional upon a different entity than the passage of time, for example, the Group's future performance. The contractual assets are classified to the item for receivables when the rights with respect thereto become unconditional.

Contractual liabilities are recognized when the Group is obligated to transfer goods or services to the customer, for which it has not received consideration (or when the amount's due date has arrived).

#### *Offsetting of contractual assets and contractual liabilities*

An asset and liability with respect to the same contract are presented net in the statement of financial position. However, a contractual asset and liability arising from different contracts are presented gross in the statement of financial position.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **T. Revenue (Cont.)**

##### **12. Primary supplier or agent**

When the Group is the primary supplier, it recognizes the revenues according to the gross total consideration, if the Group is obligated to arrange for another party to provide those goods or services, then the Group is an agent, and therefore recognizes the revenue according to the net amount of the commission.

The Group is the primary supplier when it controls the guaranteed goods or service before they are transferred to the customer. Indicators showing that the Group controlled the goods or service before the transfer thereof to the customer include, inter alia, the following: the Group is the main party responsible for fulfilling the contractual obligations; The Group bears inventory risk before the goods or services have been transferred to the customer; And the Group has discretion regarding the determination of prices for the goods or services.

**Within the framework of contract projects in which the work is performed through subcontractors, the Group serves as the primary supplier, while its obligation is to provide the contract services itself, and therefore the income is recognized in the gross amount of the consideration.**

**In the property rental and management segment, the Group provides electricity and management services for the lessees. In cases where the Group is unable to direct the transferred service to the customer, and essentially serves as an agent, the revenue is recognized on a net basis. In other cases, the income is recognized on a gross basis.**

##### **13. Recognition of revenue with respect to contracts which were signed following progress on performance**

**In the real estate initiation segment**, in cases where the Group begins performing actions in connection with an expected contract before a binding contract has been signed with the customer, when signing the contract, the Group recognizes the revenue on a cumulative ("catch up") basis which reflects the performance obligations which were partially completed or completed as at the signing date of the agreement.

#### **U. Cost of Sales**

1. Cost of sales in the Group in connection with the provision of communication services primarily includes end user equipment acquisition costs, payroll and associated expenses, value added services expenses, royalties expenses, routine licensing fees, expenses with respect to reciprocal and roaming connections, rental, municipal tax and electricity costs of mobile sites, depreciation and amortization expenses and maintenance expenses, which are directly associated with the provision of the services.
2. Discounts from suppliers - the Group recognizes discounts which are received from its suppliers as a reduction of the purchase cost.

#### **V. Finance income and expenses**

Finance income includes interest income and linkage differentials with respect to financial assets, dividend income and interest with respect to marketable securities (excluding from associate companies and joint ventures, from financial assets presented at fair value through profit and loss which do not constitute a part of the Group's liquid resources, and excluding dividends which clearly constitute recoupment of investment), increase in the fair value of financial assets presented at fair value through profit and loss (**which also include income from dividends and interest**), which constitute a part of the Group's liquid resources, profits from foreign currency differences and hedging instruments which are recognized in profit and loss, profit from early redemption of debentures, decrease in the fair value of financial liabilities measured at fair value through profit and loss, and interest income from sales on credit.

Interest income is recognized upon accrual, using the effective interest method. Income from dividends is recognized on the date when the Group obtains the right to receive payment. If the dividend was received with respect to marketable shares, the Group recognizes the dividend income on the ex date.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 2 - Significant Accounting Policies (Cont.)

#### V. Finance income and expenses (Cont.)

Interest income with respect to loans which have characteristics of long term capital investments to investee companies accounted by the equity method are canceled against the Group's share in the (profit) loss of investee companies accounted by the equity method, net.

Finance expenses include interest expenses and linkage differentials on loans which were received, changes with respect to the value of time in provisions and with respect to deferred consideration, decrease in the fair value of financial assets presented at fair value through profit and loss **which constitute a part of the Group's liquid resources**, impairment losses of financial assets (excluding losses with respect to impairment of trade receivables, which are presented under general and administrative expenses), losses from hedging instruments which are recognized under profit and loss, increase in the fair value of financial liabilities measured at fair value through profit and loss, and losses from foreign currency differences. Borrowing costs which are not capitalized to qualifying assets are applied to the statement of income using the effective interest method.

Changes in the fair value of financial assets presented at fair value through profit and loss also include income from dividends and interest.

**Profit and loss from foreign currency differences with respect to financial assets and liabilities and hedging instruments are reported net as finance income or finance expenses, depending on the fluctuations in the exchange rate, and depending on their position (profit or loss, net).**

**The statements of cash flows include the presentation of interest which was received within the framework of cash flows from investing activities. Interest paid and dividends paid are presented under cash flows from financing activities. Accordingly, borrowing costs capitalized to qualifying assets are presented together with the interest which was paid under cash flows from financing activities.**

#### W. Taxes on income

Taxes on income include current and deferred taxes. Current and deferred taxes are applied to the statement of income, unless the tax is due to a business combination, or are applied directly to capital or to other comprehensive income (loss) if they are due to items which are recognized directly under capital or other comprehensive income (loss).

Current tax is the tax amount which is expected to be paid (or received) on the taxable income for the year, calculated according to the tax rates which apply under the laws which were enacted or effectively enacted as at the date of the statement of financial position. Current taxes also include taxes with respect to previous years.

The group offsets current tax assets and liabilities if a legally enforceable right exists to offset current tax assets and liabilities, and if there is an intention to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled simultaneously.

A provision with respect to uncertain tax positions, including additional tax expenses and interest, is recognized when it is more likely than not that the Group will require economic resources to settle the liability.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **W. Taxes on income (Cont.)**

The recognition of deferred taxes applies with respect to temporary differences between the book value of assets and liabilities for the purpose of financial reporting and their value for tax purposes. The Group does not recognize deferred taxes with respect to the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities in a transaction which does not constitute a business combination, and which does not affect accounting profit and profit for tax purposes, and differences due to investment in subsidiaries, in joint arrangements and in associate companies, if the Group controls the difference reversal date, and if it is expected that they will not reverse in the foreseeable future, whether by way of realization of the investment or by way of a dividend distribution with respect to the investment. The measurement of deferred taxes reflects the tax implications which will result from the way in which the Group expects, upon conclusion the reporting period, to repay or settle the book value of the assets and liabilities. With respect to investment property which is measured using the fair value model, there is a refutable assumption according to which the book value of the investment property will be repaid by a sale. Deferred taxes are measured according to the tax rates which are expected to apply on the date when they are expected to be realized, based on the laws which were enacted, or effectively reporting date, as at the reporting date.

A deferred tax asset is recognized in the books with respect to transferred losses, tax benefits and deductible temporary differences, when it is expected that taxable income will arise in the future, against which it will be possible to use them, in consideration of the current tax losses which are expected materialize during the tax year when the temporary differences will be used, and against which they can be used. Deferred tax assets are evaluated on each reporting date, and if the attributed tax benefits are not expected to materialize, they are amortized.

Deferred tax assets which were not recognized are re-evaluated on each reporting date, and are recognized if the expectation has changed such that taxable income is expected to arise in the future, against which they can be used.

The group offsets deferred tax assets and liabilities if a legally enforceable right exists to offset current tax assets and liabilities, and if they are attributed to the same taxable income by the same tax authority in the same assessee company, or in different companies, which intend to settle current tax assets and liabilities on a net basis, or if the deferred tax assets and liabilities are settled simultaneously.

The Group may be required to pay additional tax in case of dividend distributions by the Group's member companies.

This tax addition is not included under deferred taxes, when the policy of the Group's member companies is not to cause, in the foreseeable future, a dividend distribution which involves a tax addition for the receiving company. In cases where an investee company is expected to distribute dividends from profits due to which the dividend involves a tax addition for the Company, the Company creates a tax reserve with respect to the tax addition which the Company may be required to pay with respect to the aforementioned dividend.

Additional taxes on income which are due to dividend distributions by the Group's member companies are applied to the statement of income on the date when the liability to pay the relevant dividend is recognized. Deferred taxes with respect to inter-company transactions in the consolidated financial statements are tax rate according to tax rate which applies to the buyer entity.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **X. Segmental reporting**

Operating segments are reported according to the same basis which is used for the purpose of the internal reports which are submitted to the Company's Chief Operating Decision Maker, who is responsible for allocating resources to the Company's operating segments, and assessing their performance.

#### **Y. Initial adoption of new standards, amendments to standards and interpretations**

##### **1. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets (the "Amendment to IAS 37")**

IAS 37 defines an "onerous contract" as a contract in which all unavoidable costs required to fulfill the contractual obligations exceed the economic benefits which are expected to be received thereunder. The unavoidable costs under the contract reflect the smallest net cost of leaving it, which is the lower of either the cost to fulfill the contract, and damages and penalties for not fulfilling it.

The amendment to IAS 37 clarifies the significance of the term "cost to fulfill a contract". In accordance with the amendment, the cost of fulfilling a contract is comprised of the costs which are directly attributable to the contract. Costs directly attributable to the contract include the combination of:

- A. Incremental costs to fulfill the contract (such as direct costs with respect to work and materials);
- B. Allocation of other costs directly associated with the fulfillment of the contract (such as the allocation of a proportional part of the depreciation of fixed assets which is used to fulfill the contract).

The amendment also clarifies that, before recognizing a provision with respect to an onerous contract, the entity must test for and recognize impairment in respect of any asset which is used in the fulfillment of the contract, and not only in respect of assets which have been designated to the contract.

The amendment to IAS 37 was applied by the Group beginning on January 1, 2022, retrospectively with respect to contracts where the Group has not yet fulfilled all the applicable executory obligations on the date of the amendment's initial adoption. The initial adoption of the amendment to IAS 37 did not have a significant impact on the Company's financial statements.

##### **2. Amendment to International Financial Reporting Standard (IFRS) 3, Business Combinations (the "Amendment to IFRS 3")**

The amendment updates IFRS 3 such that it refers to the conceptual framework of financial reporting which was published in 2018, for the purpose of determining which acquired assets and assumed liabilities fulfill the definitions of assets and liabilities. Prior to the amendment, reference was made to the conceptual framework of financial reporting which was published in 2001.

The amendment also adds to IFRS 3 a demand stipulating that, with respect to events covered under IAS 37 or IFRIC 21, a buyer will apply the provisions of IAS 37 in order to determine whether, as at the acquisition date, there is a present obligation due to past events, or the provisions of IFRIC 21 in order to determine whether the obligating event which creates an undertaking to pay the fee occurred until the acquisition date (respectively) instead of the provisions of the conceptual framework.

The amendment also clarifies and adds to IFRS 3 an explicit statement that a buyer may not recognize contingent assets, as defined in IAS 37, on the acquisition date.

In accordance with the provisions of the amendment to IFRS 3, the amendment was adopted by the Group with respect to business combinations whose acquisition dates were in annual periods beginning on or after January 1, 2022. The initial adoption of the amendment to IFRS 3 did not have a significant impact on the Company's financial statements.

##### **3. Amendment to International Financial Reporting Standard (IFRS) 9, Financial Instruments (the "Amendment to IFRS 9")**

The amendment to IFRS 9 determines which grounds are included in the 10% test for the purpose of writing off a financial liability, as stated in Note 2.C.3.B. above. In accordance with the provisions of the amendment to IFRS 9, costs and fees which are paid to third parties (and not to the lender) are not included in the 10% test. The amendment to IFRS 9 has been adopted since January 1, 2022. The initial adoption of the amendment to IFRS 9 did not have a significant impact on the Company's financial statements.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **Z. New standards and amendments to existing standards which have not yet entered into effect and which the Group has chosen not to adopt early**

##### **1. Amendment to International Accounting Standard (IAS) 1, Presentation of Financial Statements – “classification of liabilities as current or non-current liabilities” and “non-current liabilities with financial covenants” (hereinafter, in this section: the “Amendments to IAS 1”)**

The amendments to IAS 1 clarify the guidelines regarding the classification of liabilities as current or non-current in the statement of financial position. The amendments include the following clarifications, inter alia:

- (A) A liability will be classified as non-current liability if the entity has a substantive right, at the end of the reporting period, to defer the settlement of the liability for at least 12 months after the end of the reporting period.
- (B) The right to defer the settlement of a liability with respect to a loan agreement for at least 12 months after the end of the reporting period is sometimes dependent on the entity’s fulfillment of the conditions which were determined in the loan agreement (hereinafter: “Financial Covenants”). The classification of a liability with respect to a loan agreement, as stated above, as a current or non-current liability, will be determined based only on the financial covenants which the entity was required to fulfill at the end of the reporting period, or before it. Financial covenants which the entity is required to fulfill after the end of the reporting period will not be taken into account in this determination.
- (C) Insofar as a liability with respect to a loan agreement, for which the entity is required to fulfill financial covenants during the 12 months after the end of the reporting period, was classified as a non-current liability, disclosure will be included in the notes in a manner which allows the users of the financial statements to understand the risk that the repayment of the liability could be demanded during the 12 months after the end of the reporting period. As part of the above, disclosure will be provided regarding the conditions which the entity is required to fulfill, their date of evaluation, the book value of the associated liabilities, and any facts and circumstances indicating that the entity may face difficulty in fulfilling those conditions. This disclosure may include details regarding certain actions which the entity has performed in order to prevent a potential breach of the conditions, and the fact that the entity is not fulfilling the conditions based on the circumstances which existed at the end of the reporting period.
- (D) The entity’s intention regarding whether or not to exercise an available right to defer the settlement of the liability for at least 12 months after the end of the reporting period is irrelevant for the purpose of the classification of the liability.
- (E) A liability may be settled through a transfer of cash, other economic resources or equity instruments of the entity. The classification of a liability as a current or non-current liability will not be affected by any right which is available to the other party to demand the settlement of the liability through the transfer of the entity’s equity instruments, if that right has been classified by the entity under equity.

The amendments to IAS 1 will be adopted retrospectively with respect to annual periods beginning on or after January 1, 2024. In accordance with the provisions of the amendments, early adoption is possible. The initial adoption of the amendments to IAS 1 is not expected to significantly affect the Group’s consolidated financial statements.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 2 - Significant Accounting Policies (Cont.)**

#### **Z. New standards and amendments to existing standards which have not yet entered into effect and which the Group has chosen not to adopt early (Cont.)**

##### **2. Amendment to IAS 1, Presentation of Financial Statements (hereinafter, in this section: the “Amendment to IAS 1”)**

The amendment to IAS 1 requires companies to disclose their material accounting policies, instead of their significant accounting policies. In accordance with the amendment, information regarding accounting policy is material if, when taken into account together with other information given in the financial statements, it can reasonably be expected to affect the decisions made by primary users of the financial statements, based on those financial statements.

The amendment to IAS 1 also clarifies that information regarding the accounting policy could be material if, without it, users of the financial statements would not have the possibility to understand other material information in the financial statements. The amendment also clarifies that the disclosure of information regarding immaterial accounting policies is unnecessary. However, insofar as such information is given, it should not distract attention from material information regarding accounting policies.

The amendment to IAS 1 will be adopted with respect to annual periods beginning on or after January 1, 2023. In accordance with the provisions of the amendment, early adoption is permitted. The Group evaluates the impact of the adoption of the amendment to IAS 1 on the information which was given with respect to its accounting policy in the consolidated financial statements.

##### **3. Amendment to IAS 12, Income Taxes (the “Amendment to IAS 12”)**

The amendment to IAS 12 clarifies that the exemption from the creation of deferred taxes due to the initial recognition of an asset or liability in a transaction which does not constitute a business combination, does not affect accounting gains at the time of the transaction, and also does not affect the taxable income or tax loss at the time of the transaction (exemption from initial recognition), cannot be applied to transactions which, upon their initial recognition, create taxable temporary differences and deductible temporary differences in identical amounts.

Transactions of this kind include, for example, lease transactions where, on the date of their initial recognition by the lessee, the lessee recognizes a right-of-use asset in an amount equal to the balance of the lease liability; and situations involving the recognition of liabilities with respect to liquidation, removal and restoration, which are recognized against fixed assets.

The amendment to IAS 12 will be adopted with respect to annual periods beginning on or after January 1, 2023. In accordance with the provisions of the amendment, early adoption is permitted. The amendment will be applied to all transactions beginning from the start of the earliest reporting period which is presented in the financial statements when the amendment was first applied. Additionally, in the financial statements where the amendment is first applied, the entity is required to recognize, at the beginning of the earliest presented reporting period:

A. A deferred tax asset, to the extent that taxable income is expected to arise against which it will be possible to use the deductible temporary difference, and a deferred tax liability, with respect to all of the deductible and taxable temporary differences in connection with:

- Right-of-use assets and lease liabilities; and -
- Liabilities with respect to liquidation, removal and restoration, and similar liabilities, as well as the corresponding amount which was recognized as part of the cost of the relevant asset.

B. The cumulative impact of the initial adoption, as an adjustment of the opening balance of retained earnings (or another component of equity, if relevant) as at that date.

The initial adoption of the amendment to IAS 12 is not expected to have a significant impact on the Company’s financial statements.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies

For the list of the main companies in the Group, see Annex A to the financial statements.

#### A. Composition of investments in investee companies accounted by the equity method

|  | As at December 31 |                      |
|--|-------------------|----------------------|
|  | 2022              | 2021                 |
|  | NIS millions      |                      |
| Investment in stocks <sup>(1)</sup>  | 282               | 3,051 <sup>(3)</sup> |
| Loans <sup>(2)</sup>   | 124               | 116 <sup>(3)</sup>   |
| Total  | 406               | 3,167                |
| <sup>(1)</sup> The aforementioned value includes the balance of excess cost in the amount of |                   |                      |
|  | 6                 | 1,225                |

<sup>(2)</sup> Loans (including accrued interest):

|                          | As at December 31 |                   |
|--------------------------|-------------------|-------------------|
|                          | 2022              | 2021              |
| Interest rates           | Total             | Total             |
| %                        | NIS millions      |                   |
| In USD or linked thereto | 44                | 56                |
| Unlinked                 | 80                | 60 <sup>(3)</sup> |
|                          | 124               | 116               |

<sup>(3)</sup> Reclassified.

#### B. Movement in investment in investee companies accounted by the equity method (in this section: the “Associate Companies”)

|   | For the year ended<br>December 31 |                    |
|---|-----------------------------------|--------------------|
|   | 2022                              | 2021               |
|   | NIS millions                      |                    |
| Balance at beginning of year  | 3,167                             | 1,918              |
| Investment in Gav-Yam   | 31                                | 1,005              |
| Decrease in investment due to rise to control of Mehadrin in Gav-Yam (see Note 3.F.1.A.2. below)  | (2,688)                           | -                  |
| Investments   | 72                                | 74                 |
| Changes in loans, net   | 10                                | (7)                |
| Recognized dividends  | (186)                             | (78)               |
| The Group's share in the profit (loss) of associates, net   | (32) <sup>(1)</sup>               | 339 <sup>(1)</sup> |
| Increase in investments due to the initial consolidation of Gav-Yam, which holds associate companies  | 149                               | -                  |
| An increase in investment due to change in classification of an investment in a financial asset through profit or loss, to investment in an associate company | -                                 | 5                  |
| Change in investment as a result of sale and issuance to third party  | 4                                 | 6                  |
| Capital reserves from translation differences with respect to associate companies   | 16                                | 6                  |
| Classified under assets held for sale   | (134) <sup>(2)</sup>              | (96)               |
| Other changes   | (3)                               | (5)                |
| Balance at end of year  | 406                               | 3,167              |

(1) Includes loss in the years 2022 and - 2021, in the amount of NIS 1 million and NIS 5 million, respectively, presented under the item for profit from discontinued operations.

(2) Mostly Cellcom's investment in IBC

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### C. Details regarding investments in investee companies directly held by DIC in the consolidated balance sheet as at December 31, 2022

|   | Stake in<br>share capital<br>and in<br>voting rights<br>% | Scope of<br>investment<br>in investee | Reserves<br>(1) | Total        | Market value of shares<br>listed on the Tel Aviv<br>Stock Exchange as at |           | Country of<br>incorporation |
|---|---|---------------------------------------|-----------------|--------------|--|-----------|-----------------------------|
|   |   |                                       |                 |              | 31.12.2022   | 23.3.2023 |                             |
|   |   |                                       |                 | NIS millions |  |           |                             |
| <b>Primary consolidated companies *</b> |   |                                       |                 |              |  |           |                             |
| Property & Building                     | 63.2  | 2,503                                 | 143             | 2,646        | 891  | 815       | Israel                      |
| Cellcom (In voting rights -<br>37.7%)   | 35.7  | 1,010                                 | 2               | 1,012        | 1,086  | 883       | Israel                      |
| Elron                                   | 60.1  | 283                                   | 84              | 367          | 154  | 140       | Israel                      |
| Mehadrin                                | 44.5  | 303                                   | 1               | 304          | 171  | 161       | Israel                      |
| Epsilon <sup>(4)</sup>                  | 67.4  | 54                                    | -               | 54           |  |           | Israel                      |
| <b>Other investee<br/>companies *</b>   |   |                                       | (8)             | 11           |  |           |                             |
|   |   | 19                                    |                 |              |  |           |                             |
| <b>Total</b>                            |   | <b>4,172</b>                          |                 |              |  |           |                             |

\* Investments in consolidated companies do not include headquarter companies wholly owned by DIC. The data presented above include investments through a wholly owned headquarter company of DIC. The scope of the investment in consolidated companies is calculated as the net total of all assets, less total liabilities, including goodwill, based on the consolidated reports, attributed to the owners of the Company.

<sup>(1)</sup> In case of the sale of some of the existing shares in consolidated companies, without discontinuing the Company's consolidation, in its financial statements, of the financial statements of the companies in which the transactions are executed (sales to non-controlling interests), these capital reserves will be carried to the capital reserve with respect to transactions with non-controlling interests. In case of the realization of investments in associates, or in case of the realization of investments in consolidated companies, including through liquidation or abandonment, and in case the Company does not have plans to restart the activity, those capital reserves will be carried to the statement of income, or to retained earnings. For details regarding IDBG, see also Note 12.A.4. below.

<sup>(2)</sup> The Company and some of its investee companies are subject to legal restrictions with respect to the performance of new investments or the increase of new investments in investee companies, in certain cases. Additionally, various legal provisions and some of the terms of the licenses in the telecommunications segment, which were given to Cellcom, include prohibitions against cross ownership, which may restrict the Company's ability to leverage business opportunities for new investments, or to increase existing investments in this segment.

<sup>(3)</sup> The Company's investments in investee companies include, inter alia, companies regarding which the sale of their shares is subject to certain restrictions. Regarding Cellcom - DIC is especially subject to a restriction on its ability to sell some of its shares in Cellcom to non-Israeli entities. See section E.3. below.

<sup>(4)</sup> For details regarding the sale of the Company's entire stake in Epsilon in February 2023, after the date of the statement of financial position, see Note 12.A.6. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### D. Data regarding subsidiaries

##### Details regarding subsidiaries in which the non-controlling interests are material

This section includes details regarding subsidiaries, as at the date of the relevant statement of financial position, whose non-controlling interests constitute at least 10% of the capital attributed to the owners of the Company and/or where the profit (loss) in the relevant year which is attributed to non-controlling interests constitutes at least 10% (in absolute values) of the representative annual profit in the relevant year, as specified in Note 1.E.(4) above.

The data includes adjustments to fair value, goodwill and other adjustments, which are included in the Company's consolidated financial statements.

Data from the financial statements of companies whose functional currency is a foreign currency - assets and liabilities were translated according to the relevant representative exchange rates as at December 31, and resultant and cash flow items were translated according to the average exchange rates for the year.

Data for subsidiaries which are held indirectly by the Company are included in the data for subsidiaries directly held by the Company.

|  | December 31, 2022   |                |                    |                     |                         |                   | For the year ended December 31, 2022    |                                   |               |                                   |                                   |   |   |                                      |                                      |                                      |   |  |
|--|---|----------------|--------------------|---------------------|-------------------------|-------------------|---|-----------------------------------|---------------|-----------------------------------|-----------------------------------|---|---|--------------------------------------|--------------------------------------|--------------------------------------|---|--|
|  | Stake in the share capital and voting rights of non-controlling interests | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Total assets, net | Book value of non-controlling interests | Sales and services <sup>(3)</sup> | Profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) | Income (loss) attributed to non-controlling interests | Other comprehensive income (loss) attributed to non-controlling interests | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Net increase in cash and cash equivalents | Dividends to non-controlling interests |
|  | %   | NIS millions   |                    |                     |                         |                   |   |                                   |               |                                   |                                   |   |   |                                      |                                      |                                      |   |  |
| Property & Building  | 36.8  | 5,333          | 17,527             | 5,421               | 11,202                  | 6,237             | 3,731                                   | 1,010                             | 1,399         | 272                               | 1,671                             | 821   | 100   | 923                                  | 323                                  | (1,294)                              | (48)                                      | 130                                    |
| Cellcom <sup>(1),(2),(4)</sup>                                     | 64.3  | 7,462          | -                  | 4,947               | -                       | 2,515             | 1,505                                   | - <sup>(4)</sup>                  | 157           | 2                                 | 159                               | 92  | 1   | 1,076                                | (704)                                | (243)                                | 129                                       | -                                      |
| Elron  | 39.9  | 294            | 303                | 23                  | 41                      | 533               | 251                                     | -                                 | 207           | 48                                | 255                               | 61  | 25  | (22)                                 | 107                                  | (119)                                | (34)                                      | 47                                     |
| Mehadrin <sup>(1)</sup>  | 55.5  | 623            | 801                | 530                 | 204                     | 690               | 387                                     | 1,021                             | (86)          | 5                                 | (81)                              | (47)  | 3   | (28)                                 | (2)                                  | (28)                                 | (58)                                      | -                                      |
| Other subsidiaries which have immaterial non-controlling interests |   |                |                    |                     |                         |                   | 26                                      |                                   |               |                                   |                                   | 3   | -   |                                      |                                      |                                      |   | 12                                     |
| Total in the Company's consolidated financial statements           |   |                |                    |                     |                         |                   | 5,900                                   |                                   |               |                                   |                                   | 930   | 129   |                                      |                                      |                                      |   | 189                                    |

<sup>(1)</sup> Notwithstanding the fact that DIC holds less than half of the voting rights in Cellcom and in Mehadrin, the Company estimates that it holds effective control of them (inter alia, due to the Group's high holding rate of their voting rights, the distribution of the other voting rights, and in light of the voting patterns in the general shareholder meetings of those companies), and therefore, their financial statements were consolidated in the Company's financial statements.

<sup>(2)</sup> Holding rate of non-controlling interests in Cellcom's voting rights - 62.3%.

<sup>(3)</sup> Sales of the subsidiary, as included under the item for sales and services in the Company's consolidated statement of income.

<sup>(4)</sup> Cellcom's results are presented under discontinued operations, see Note 12.B.4. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### D. Data regarding subsidiaries (Cont.)

#### Details regarding subsidiaries in which the non-controlling interests are material (Cont.)

|  | As at December 31, 2021   |                |                    |                     |                         |                   |   | For the year ended December 31, 2021 |        |                                   |                                   |   |   |                                      |                                      |                                      |   |  |
|--|---|----------------|--------------------|---------------------|-------------------------|-------------------|---|--------------------------------------|--------|-----------------------------------|-----------------------------------|---|---|--------------------------------------|--------------------------------------|--------------------------------------|---|--|
|  | Stake in the share capital and voting rights of non-controlling interests | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Total assets, net | Book value of non-controlling interests | Sales and services <sup>(3)</sup>    | Profit | Other comprehensive income (loss) | Total comprehensive income (loss) | Income (loss) attributed to non-controlling interests | Other comprehensive income (loss) attributed to non-controlling interests | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Net increase in cash and cash equivalents | Dividends to non-controlling interests |
|  | %   | NIS millions   |                    |                     |                         |                   |   |                                      |        |                                   |                                   |   |   |                                      |                                      |                                      |   |  |
| Property & Building  | 36.8  | 5,243          | 2,940              | 2,151               | 3,285                   | 2,747             | 1,067                                   | 76                                   | 642    | (31)                              | 611                               | 262   | (16)  | 244                                  | (217)                                | (441)                                | (414)                                     | 5                                      |
| Cellcom <sup>(1),(2),(4)</sup>                                     | 54.0  | 1,800          | 5,234              | 1,710               | 2,992                   | 2,332             | 1,116                                   | - <sup>(4)</sup>                     | 27     | (1)                               | 26                                | 15  | (1)   | 1,052                                | (192)                                | (933)                                | (73)                                      | -                                      |
| Elron  | 39.9  | 267            | 182                | 23                  | 33                      | 393               | 209                                     | -                                    | 45     | (15)                              | 30                                | 34  | (7)   | (18)                                 | (37)                                 | 136                                  | 81  | -                                      |
| Mehadrin <sup>(1)</sup>  | 55.5  | 646            | 816                | 455                 | 239                     | 768               | 428                                     | 1,041                                | 141    | (6)                               | 135                               | 79  | (3)   | (5)                                  | 101                                  | (3)                                  | 93  | -                                      |
| Other subsidiaries which have immaterial non-controlling interests |   |                |                    |                     |                         |                   | 36                                      |                                      |        |                                   |                                   | 11  | 1   |                                      |                                      |                                      |   | 8                                      |
| Total in the Company's consolidated financial statements           |   |                |                    |                     |                         |                   | 2,856                                   |                                      |        |                                   |                                   | 401   | (26)  |                                      |                                      |                                      |   | 13                                     |

<sup>(1)</sup> Notwithstanding the fact that DIC holds less than half of the voting rights in Cellcom and in Mehadrin, the Company estimates that it holds effective control of them (inter alia, due to the Group's high holding rate of their voting rights, the distribution of the other voting rights, and in light of the voting patterns in the general shareholder meetings of those companies), and therefore, their financial statements were consolidated in the Company's financial statements.

<sup>(2)</sup> Holding rate of non-controlling interests in Cellcom's voting rights - 52.0%.

<sup>(3)</sup> Sales of the subsidiary, as included under the item for sales and services in the Company's consolidated statement of income.

<sup>(4)</sup> Adjusted retrospectively due to the presentation of Cellcom under discontinued operations, see Note 12.B.4. below.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### D. Data regarding subsidiaries (Cont.)

##### Details regarding subsidiaries in which the non-controlling interests are material (Cont.)

|  | As at December 31, 2020   |                |                    |                     |                         |                   |   | For the year ended December 31, 2020 |       |                          |                          |  |  |                                      |                                      |                                     |   |  |
|--|---|----------------|--------------------|---------------------|-------------------------|-------------------|---|--------------------------------------|-------|--------------------------|--------------------------|--|--|--------------------------------------|--------------------------------------|-------------------------------------|---|--|
|  | Stake in the share capital and voting rights of non-controlling interests | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Total assets, net | Book value of non-controlling interests | Sales and services <sup>(3)</sup>    | Loss  | Other comprehensive loss | Total comprehensive loss | Loss attributed to non-controlling interests | Other comprehensive loss attributed to non-controlling interests | Cash flows from operating activities | Cash flows from investing activities | Cash flows for financing activities | Net increase in cash and cash equivalents | Dividends to non-controlling interests |
|  | %   |                |                    |                     |                         |                   |   |                                      |       |                          |                          |  |  |                                      |                                      |                                     |   |  |
|  |   |                |                    |                     |                         |                   |   |                                      |       |                          |                          |  |  |                                      |                                      |                                     |   |  |
| Property & Building  | 25.9  | 3,249          | 4,718              | 1,250               | 4,973                   | 1,744             | 474                                     | 208                                  | (376) | (103)                    | (479)                    | (106)  | (26)   | 271                                  | 1,044                                | (1,060)                             | 255                                       | 47                                     |
| Cellcom <sup>(1),(2),(4)</sup>                                     | 53.9  | 2,299          | 5,322              | 1,929               | 3,401                   | 2,291             | 1,087                                   | -(4)                                 | (170) | -                        | (170)                    | (92)   | -  | 960                                  | (982)                                | (265)                               | (287)                                     | -                                      |
| Elron  | 38.9  | 118            | 154                | 14                  | 5                       | 253               | 136                                     | -                                    | (73)  | (20)                     | (93)                     | (36)   | (11)   | (41)                                 | 40                                   | (2)                                 | (3)                                       | -                                      |
| Mehadrin <sup>(1)</sup>  | 55.5  | 503            | 824                | 426                 | 271                     | 630               | 350                                     | 823                                  | (4)   | -                        | (4)                      | (10)   | -  | (17)                                 | 25                                   | (75)                                | (67)                                      | -                                      |
| Other subsidiaries which have immaterial non-controlling interests |   |                |                    |                     |                         |                   | 32                                      |                                      |       |                          |                          | 2  | -  |                                      |                                      |                                     |   | 5                                      |
| Total in the Company's consolidated financial statements           |   |                |                    |                     |                         |                   | 2,079                                   |                                      |       |                          |                          | (242)  | (37)   |                                      |                                      |                                     |   | 52                                     |

<sup>(1)</sup> Notwithstanding the fact that DIC holds less than half of the voting rights in Cellcom and in Mehadrin, the Company estimates that it holds effective control of them (inter alia, due to the Group's high holding rate of their voting rights, the distribution of the other voting rights, and in light of the voting patterns in the general shareholder meetings of those companies), and therefore, their financial statements were consolidated in the Company's financial statements.

<sup>(2)</sup> Holding rate of non-controlling interests in Cellcom's voting rights - 51.8%.

<sup>(3)</sup> Sales of the subsidiary, as included under the item for sales and services in the Company's consolidated statement of income.

<sup>(4)</sup> Adjusted retrospectively due to the presentation of Cellcom under discontinued operations, see Note 12.B.4. below.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**E. Additional details regarding the investments of the Company and investee companies**

1. In December 2013, The Law to Promote Competition and Reduce Concentration, 5774-2013, was published in the Official Gazette (hereinafter, in this section: the "Law").
  - A. According to the provisions of the law, a pyramid structure for the control of "reporting corporations" (in general, corporations whose securities have been offered to the public, and are held by the public) is restricted to 2 tiers of reporting corporations (where a first tier company may not include a reporting corporation which does not have a controlling shareholder), and so long as a second tier company is considered by law to be a second tier company, it may not control reporting corporations. The law includes provisions in case of control of a reporting corporation in violation of the law, which mostly include a requirement to deposit the said means of control with a trustee in order for them to be sold, in accordance with instructions which the trustee will receive from the court.
  - B. DIC is considered a company without a controlling shareholder, and is not considered a first tier company, and accordingly, its investee companies whose securities are listed on the stock exchange are not subject to restrictions pursuant to the Concentration Law, in connection with the ability of those companies to hold control of other tier companies.
2. Various restrictions by virtue of the law, or in accordance with the directives of various regulatory authorities, as well as various contractual restrictions and legal proceedings which are being conducted against the Company and/or its investee companies, may restrict the ability of the Company and of its investee companies to realize current investments, or to realize holdings in investee companies as a security in favor of the repayment of their liabilities, and may restrict their ability to take advantage of business opportunities for new investments, or to increase current investments. Additionally, the Company and some of its investee companies are subject to restrictions by law or in accordance with the directives of various regulatory authorities with respect to their business activities, and regarding the implementation of new investments or the increase or reduction of current investments in the investee companies, in certain cases, including the need to obtain approvals or permits from various regulatory authorities in connection with passing the threshold of holdings above or below the rates prescribed in law, such as provisions from the telecommunications segment, directives pertaining to antitrust issues, directives pertaining to the oversight of prices of products and services, directives pertaining to consumer issues and restrictions due to benefits or authorizations from the tax authorities.
3. In 2017, Cellcom's mobile license was amended such that it includes an obligation for a reduced Israeli holding of 5% of the issued capital of Cellcom and other means of control, beginning on January 31, 2018.  
 In July 2020, the Ministry of Communication decided to amend Cellcom's license, such that the requirement for a minimum holding of 5% of the license holder's issued capital and each of the means of control by Israeli entities (citizens and residents of Israel) who are among the founding shareholders or their representatives, and for the appointment of one tenth of the Board members by Israeli entities, as stated above, would be canceled, upon the receipt of alternative instructions to the license holder, from the General Security Service. As at proximate to the publication date of the financial statements, Cellcom had not yet received such instructions.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**E. Additional details regarding the investments of the Company and investee companies (Cont.)**

Additionally, various provisions of the law and conditions of some of the licenses in the telecommunications segment, which were given to several investee companies of the Company, include restrictions on cross ownerships (which mean, in general, holdings in the means of control of competing corporations). Some of the Company's investee companies also have activities abroad. These companies are affected by the state of the economy (including changes in exchange rates and in inflation rates), by the political situation and by legislative and regulatory arrangements in these countries.

4. The Company and some of its investee companies are affected by the Proper Banking Management Directives which are issued by the Commissioner of Banks in Israel, including, inter alia, restrictions on the scope of loans which a banking corporation in Israel may provide to a "single borrower", a single "group of borrowers", and to the largest "groups of borrowers" in the banking corporation (as these terms are defined in the aforementioned directives). The Company and some of its investee companies are considered a single "group of borrowers" for this purpose.

These restrictions may impose difficulties on the ability of the Company and some of its investee companies to borrow additional amounts from banks in Israel, on their ability to refinance debt through bank credit, on their ability to perform investments for which bank credit is required, on their ability to invest in companies which have taken out credit in a larger scope than certain banks in Israel, and on their ability to perform certain business activities in collaboration with entities which have taken credit, as stated above.

**F. Development of investments in investee companies - main changes in investments in 2022**

**1. Property & Building**

**A. Gav-Yam -**

1. On December 25, 2021 (the "Agreement Date"), Property & Building engaged in an agreement, in accordance with a resolution of its Board of Directors, with Equity Finance and Investment Ltd (a company wholly owned and controlled by Mr. Aharon Frankel - the "Seller"), which held shares that constituted approximately 37.22% of Gav-Yam's issued and paid-up capital (the "Sold Shares"), for the purchase of the sold shares (the "Agreement"), the main provisions of which are as follows:

In consideration of the sold shares, Property & Building will pay to the seller a total of NIS 3.1 billion (the "Consideration"), subject to the following adjustments:

- Insofar as, after the agreement date and until the date of its closing, Gav-Yam distributes a cash dividend, the total dividend per share, multiplied by the number of sold shares will be subtracted from the consideration. In February 2022, Gav-Yam distributed a dividend in the amount of NIS 400 million. Property & Building's share in the aforementioned dividend was NIS 178 million.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**1. Property & Building (Cont.)**

**A. Gav-Yam (Cont.)**

- The FFO amount which will be recorded in Gav-Yam's reports, from September 9, 2021 until the closing date, times the rate of the sold shares out of Gav-Yam's issued capital on the relevant date (the "Additional FFO"), will be added to the consideration. Insofar as the closing date takes place in the months May-June 2022, the additional FFO with respect to those months will be multiplied by 1.5, and insofar as the closing date is July 1, 2022 or thereafter, the additional FFO with respect to the aforementioned additional period will be multiplied by 2.

Suspensory conditions - The closing of the agreement was made conditional on the fulfillment of the suspensory conditions (the "Suspensory Conditions"), according to the deadlines specified below and specified in the agreement (the "Suspensory Conditions Deadlines"), which include:

- Completion of a special tender offer of Gav-Yam shares - Property & Building will publish a special tender offer, addressed to Gav-Yam shareholders, stating that Property & Building offers to purchase 5% of the voting rights in Gav-Yam, for a consideration in cash which will be determined in its discretion (the "Tender Offer"). The seller irrevocably notified Property & Building that it would not accept the tender offer. In March 2022, a special tender offer which was published by Property & Building for the purchase of 5% of Gav-Yam's issued share capital and voting rights, was accepted, and Property & Building rose to control of Gav-Yam. For additional details, see section 2 below.
- Approval from the Competition Commissioner - Property & Building and Gav-Yam will submit merger notices to the Competition Commissioner, in order to receive her approval for the transaction addressed in the agreement. On January 11, 2022, the Competition Commissioner's approval was received.
- Receipt of a letter of intent from the entity that provided financing to the seller, regarding the removal of the pledge on the sold shares. In January 2022, the aforementioned letter of intent was received.

Shortly after the signing of the agreement, Property & Building deposited with the trustee for the execution of the transaction (the "Trustee") a total of NIS 100 million, and proximate to the publication of the tender offer, Property & Building deposited with the trustee an additional total of NIS 365 million (a total of NIS 465 million; jointly: the "Advance Payment").

On June 6, 2022, the transaction was closed, and the entire consideration, in the amount of NIS 3.026 billion (including release of the advance payment), was transferred to the seller. In August 2022, Property & Building also transferred to the seller an additional amount of NIS 6.6 million, with respect to the addition of FFO differences, for the period from April 2022 until the transaction closing date.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### **F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

##### **2. Property & Building (Cont.)**

##### **B. Gav-Yam (Cont.)**

In accordance with international accounting principles, the transaction was accounted for as a capital transaction with non-controlling interests, while retaining control. The difference between the consideration in the transaction and the change in non-controlling interests (which includes Property & Building's share in the fair value of non-controlling interests in the tender offer as specified in section 2 below), in the positive amount of NIS 120 million (Company's share - NIS 76 million), was carried to the Company's owners' share in capital, and was included under a capital reserve with non-controlling interests.

The foregoing transaction was financed using Property & Building's own sources and using loans taken from institutional entities and financial corporations, see Notes 15.D.1.D. and F. below.

2. A. Further to the above, in March 2022 a special tender offer was accepted which had been published by Property & Building for the purchase of 5% of Gav-Yam's issued and paid-up share capital and voting rights, at a price per share of NIS 41, and for a total consideration of NIS 440 million. Upon the completion of the aforementioned purchase, on March 8, 2022 (the "Date of Rise to Control"), Property & Building's stake in Gav-Yam increased from 44.51% to approximately 49.51%, in capital and voting rights, and from that date onwards, the Company began consolidating Gav-Yam's financial statements in its financial statements. As a result, Property & Building recorded, in 2022, profit in the amount of NIS 851 million (the Company's share in the profit - NIS 538 million), with respect to the difference between the value of the investment in Gav-Yam shares in Property & Building's books before the aforementioned purchase (NIS 2,688 million), and the fair value of the aforementioned investment in Gav-Yam on the date of rise to control, according to the last closing price of Gav Yam shares on the stock exchange on the date of rise to control (NIS 37.07 per share) (NIS 3,539 million). Additionally, Property & Building measured, in the consolidated financial statements, on the date of rise to control, the non-controlling interests, in accordance with their fair value, according to the last closing price of Gav-Yam shares on the stock exchange, on the date of rise to control.

For details regarding a paper regarding the allocation of the proceeds in the aforementioned transaction, in which Property & Building recognized fair value adjustments to tangible and intangible assets and liabilities of Gav-Yam, see Note 9.B and C above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)

##### 1. Property & Building (Cont.)

##### A. Gav-Yam (Cont.)

##### C. Change in cash on the date of initial consolidation:

|  | NIS millions |
|--|--------------|
| Consideration paid in cash   | (440)        |
| Cash and cash equivalents in the acquired company as at the acquisition date | 1,644        |
| Added cash, net  | 1,204        |

##### D. Condensed information regarding Gav-Yam

|                           | From March 8,<br>2022 to<br>December 31,<br>2022<br>NIS millions |
|---------------------------|--|
| Revenue                   | 1,718  |
| Profit for the period     | 1,045  |
| Attributable to:          |  |
| Owners of Gav-Yam         | 529  |
| Non-controlling interests | 516  |

3. Further to that stated in Note 3.G.2.A.1. to the financial statements for 2021, regarding a paper on the allocation of the proceeds in the transaction involving the purchase of Gav-Yam shares (4.73%) in April 2021, and which was measured in previous periods in temporary amounts, Property & Building completed, in 2022, the final assessment regarding the allocation of the independent value with respect to the aforementioned business combination, in which Property & Building recognized adjustments to the fair value of Gav-Yam's tangible and intangible assets and liabilities, with no changes to the amounts in which they were recognized in previous periods, as follows:

##### Excess cost attributed to:

|                            | NIS<br>millions |
|----------------------------|-----------------|
| Goodwill                   | 608             |
| Debentures                 | (57)            |
| Real estate inventory, net | 13              |
| Deferred taxes             | 13              |
|                            | 577             |

4. For details regarding values which were initially recognized in the initial consolidation of Gav-Yam, see Note 9.C. above.
5. For details regarding pro forma reports, as defined in Regulation 38(B) of the Reporting Regulations, which are intended to reflect the Group's operating results, based on the assumption that the abovereferenced Gav Yam transaction was already executed in January 1, 2019, see Note 33 below.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**1. Property & Building (Cont.)**

**A. Gav-Yam (Cont.)**

6. In the months February 2

7. 022; August 2022; and November 2022, Gav-Yam distributed a cash dividend in the amount of NIS 400 million; NIS 130 million and NIS 40 million, respectively. Property & Building's share in the aforementioned dividends was NIS 178 million; NIS 113 million; and NIS 35 million, respectively. For details regarding a pledge on some of the aforementioned dividend receipts towards creditors, see Note 15.D.1. below.

On March 16, 2023, after the date of the statement of financial position, Gav-Yam's Board of Directors announced a dividend distribution in the amount of NIS 80 million, which was paid on April 2, 2023. Property & Building's share in the aforementioned dividend is NIS 69 million, less a total of NIS 30 million, which will be pledged towards the creditors.

**B. Residential construction in Israel**

1. On August 17, 2021, Property & Building's Board of Directors resolved, inter alia, to instruct Property & Building's management to begin the process of evaluating the realization of all or some of Property & Building's holdings in its activity in the residential construction segment in Israel (the "Holdings"), in a single transaction, or in several transactions.

2. For details regarding a transaction for the sale of all of the interests and liabilities of a wholly owned subsidiary of Property & Building in connection with land reserves, including with residential designation, located near Mandarin Hotel in North Tel Aviv-Yafo, for a total consideration of NIS 347 million, which was closed in October 2022, see Note 12.A.5.A. below.

3. For details regarding Property & Building's engagement, in November 2022, in a sale agreement for the sale of all of the interests of Property & Building and of a wholly owned subsidiary of Property & Building, in a project in the urban renewal (demolition-construction) segment in Rishon Letzion, for a total consideration between NIS 160 million and NIS 175 million (the "Consideration"), which includes payments to third parties, instead of Property & Building, in a total amount of NIS 35 million, see Note 12.A.5.B. below.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**2. Cellcom**

- A. On June 28, 2022, the Company's Board of Directors resolved to instruct Company management to evaluate the disposal of all or part of the Company's holdings in Cellcom, in a single transaction, or in several transactions. In August 2022, the Company engaged with an investment bank which will accompany the Company in the process of evaluation and sale of Cellcom shares.
- B. For details regarding the sale of Cellcom shares which constitute 9.9% of Cellcom's issued and paid-up capital, in August 2022, after which the Company's stake in Cellcom's issued capital decreased, as at the reporting date, to approximately 35.7%, see Note 12.B.2.B. below.
- C. For details regarding the receipt of approval from the Ministry of Communication for the sale of up to an additional approximately 9.5% of the Company's holdings, in February 2023, after the date of the statement of financial position, see Note 12.C. below.
- D. As at the publication date of the report, the Company is still evaluating various possibilities for the realization of its holdings in all or some of the Cellcom shares. Subject to the market conditions and the terms of the transaction in question, if any, including the consideration offered therein, and the value which it reflects for the Cellcom shares. It is clarified that there is no certainty that this evaluation will mature into engagement in a binding agreement for the sale of the Company's holdings in Cellcom, and there is no certainty regarding the feasibility, timing, or terms of the aforementioned sale transaction.
- E. For additional details regarding the holding of Cellcom, which is presented in the Company's statement of financial position as at December 31, 2022 as assets and liabilities of a disposal group held for sale, and its operating results for the year ended December 31, 2022, were classified as a discontinued operation in the Company's statements of income, see Note 12.B.2. below.

**3. Mehadrin**

- A. Further to the restoration, in 2019, of 266 dunams in the Ashkelon area, which are included in Preferred Residential Plan 1047, in July 2022 an additional agreement was signed between a subsidiary of Mehadrin and the Israel Land Authority, regarding the restoration of another approximately 600 dunams under the plan, which complete the total areas included in the plan. The total sum of monetary compensation to which the subsidiary is entitled under the agreement amounted to NIS 35 million. In 2022, a total of NIS 23 million out of the total consideration was received.  
In 2022, Mehadrin recognized capital gains, net of tax, in the amount of NIS 26 million. The Company's share was NIS 12 million.  
It is noted that in addition to the monetary compensation, it was determined in the agreement that the subsidiary, or another party on its behalf, reserves the right to purchase, with an exemption from a tender requirement, and with payment of full discounted lease fees, lots which are included in the plan. The value of the right will be determined by the Chief Government Appraiser, or by another party who has been appointed by him for this purpose, will constitute 20% or 25% (in case of a national priority area) of the relative value of the land for restoration, in their condition according to the plan, subject to decisions of the Israel Land Council.
- B. For details regarding the engagement by a subsidiary of Mehadrin, in January 2023, after the date of the statement of financial position, in an agreement regarding the endorsement and sale of an option for rights to the land in Ashkelon, see Note 34.H below.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**4. Elron**

A. Cartiheal (2009) Ltd. (“Cartiheal”) is a company developing an implant to treat cartilage and bone injuries at weight bearing joints, such as the knee. Prior to the foregoing transaction, Cartiheal was held by Elron at a rate of approximately 27% of its issued share capital (approximately 25% fully diluted), and the investment therein was accounted by the equity method.

In July 2020, binding agreements were signed between Cartiheal and its shareholders, including Elron, with Bioventus LLC (“Bioventus”), which is a current shareholder in Cartiheal, regarding investment and a sale option of Cartiheal.

In March 2022, Cartiheal received FDA approval for the Agili-C implant. In April 2022, Bioventus notified Cartiheal’s shareholders that it intends to exercise the call option and to complete the acquisition of 100% of Cartiheal’s share capital. In May 2022, Bioventus contacted Cartiheal’s shareholders with a request to negotiate in connection with changes to the outline of the transaction.

In June 2022, the parties signed a amendment to the original agreement (the “Amended Agreement”), in which the parties reached the following understandings (the “Transaction”):

1. The total consideration will amount to a total of up to USD 500 million, for all Cartiheal shareholders (including Bioventus’ share in Cartiheal, which was approximately 10% of Cartiheal’s share capital, fully diluted) (the “Sellers”), which are comprised of a consideration in the amount of USD 350 million (Elron’s share - USD 92.5 million), to be implemented partly in payments bearing annual interest of 8%, as well as a contingent consideration in the amount of USD 150 million (Elron’s share - USD 37.5 million).
2. The sales target which was defined as the milestone for the receipt of the contingent consideration will be met on the date when the sales of Agili-C, plus other income due to the commercialization of other Cartiheal technologies, generate revenue of at least USD 75 million, during a period of 12 consecutive months.

Details regarding the consideration in the transaction

The consideration in the transaction is in accordance with the timetables specified below (the amounts in terms of principal, whereby annual interest will be added to the payments after the immediate consideration (the “Deferred Consideration”), at a rate of 8%, from the transaction closing date until their payment);

1. immediate consideration - a total of USD 100 million (Elron’s share - USD 33.1 million, net, after transaction costs). This amount was received upon the closing of the transaction in July 2022, as described below.
2. A total of USD 50 million until July 1, 2023 (Elron’s share - USD 13.5 million).
3. A total of USD 50 million until September 1, 2023 (Elron’s share - USD 13.5 million).
4. A total of USD 25 million until January 1, 2025 (Elron’s share - USD 7 million).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**4. Elron (Cont.)**

**A. (Cont.)**

5. A total of USD 25 million until January 1, 2026 (Elron's share - USD 7 million).
6. A total of USD 65 million until January 1, 2027 (Elron's share - USD 18 million).
7. Annual interest will be added to the aforementioned amounts which have not yet been paid, at a rate of 8%, which will be paid once per year, on the unpaid balance of the consideration.

In accordance with the amended agreement, there is an option to accelerate the foregoing payments, subject to Cartiheal's fulfillment of the work plan which was determined for it.

In addition to the aforementioned payments, which are not conditional, the sellers are also entitled to a contingent consideration in the amount of USD 150 million, as stated above (Elron's share in the contingent consideration, as stated above, is USD 37.5 million).

**Collateral**

For the purpose of securing the consideration in the transaction, all shares of Cartiheal, and its intellectual property (IP) rights, were pledged in favor of the sellers and a floating first ranking charge was recorded on all Cartiheal assets, until the payment date of the consideration.

Any delay or failure to pay any payment whatsoever among the payments in the transaction will signify the immediate repayment of the entire unpaid part of the consideration, and will signify the sellers' entitlement to all of their remedies under the agreement, including returning the Cartiheal shares to the sellers (which will not constitute an exclusive remedy with respect to the non-payment of the debt, and payment of the debt, the Cartiheal shares were deposited with a trustee until the consideration has been paid in full) and/or the forfeiture of the aforementioned charges. It is clarified that the Cartiheal shares constitute collateral, but are not a substitute for the sellers' right to demand the payment of the consideration balance from the buyer.

In July 2022 the transaction was closed, and the immediate consideration in the transaction, as stated above, was received. Elron's share was USD 33.1 million, net, after transaction costs. Due to the transaction Elron recognized, in 2022, net profit in the amount of NIS 322 million (the Company's share: NIS 193 million), under the item for profit from disposal and appreciation of investments and assets, and dividends.

In accordance with the above, Elron recognized, on the closing date of the transaction, a financial asset with respect to the deferred consideration component in the amount of USD 48.4 million, and a financial asset with respect to the contingent consideration in the amount of USD 11.5 million. The value of these assets was estimated with the assistance of an independent external valuer.

As at December 31, 2022, the balance of the deferred consideration in the financial statements is USD 52.4 million (profit in the amount of USD 4 million was recognized under the item for finance income in 2022, with respect to the period from the closing of the transaction to December 31, 2022. The Company's share was USD 2 million).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**4. Elron (Cont.)**

**A. (Cont.)**

As at December 31, 2022, Elron performed an update to the valuation of the contingent consideration, with the assistance of an external valuer, according to which the value of the remaining contingent consideration amounted to USD 11.5 million.

On December 31, 2022, Elron evaluated whether it was necessary to recognize a credit loss provision with respect to the deferred consideration, whose results indicated that it was not necessary to recognize a credit loss provision, inter alia, due to the collateral held against the balance of debt. The foregoing collateral include the option to return Cartiheal shares to the sellers. Cartiheal's value was included in the foregoing valuation, and amounted to a total greater than the balance of debt. The evaluation which was conducted as at December 31, 2022 included an evaluation of the macro-economic changes which occurred from the transaction date until the date of the statement of financial position, including the interest rate and inflation, the performance of general capital market stock indices and focused indices, and the change in value of companies with similar characteristics to Cartiheal. The results of the evaluation showed, as stated above, that there had been no significant change in the value of Cartiheal shares, which served as collateral for the deferred consideration, and therefore, there was no need for a credit loss provision with respect thereto.

On February 13, 2023, after the date of the statement of financial position, the milestone for acceleration of the next payment, which was due on July 1, 2023, was fulfilled, in accordance with the Cartiheal sale agreement (as specified above). Further to the fulfillment of the milestone for acceleration of the next payment in the transaction, Bioventus contacted Elron, as the sellers' representative, with a request to negotiate in connection with certain changes to the transaction outline, and as a result, on February 27, 2023, Elron, as the sellers' representative, signed with Bioventus an update to the agreement, as specified below (the "2023 Agreement"):

1. At Bioventus' request, the sellers allowed a period of 30 days, beginning from the signing date of the 2023 agreement (the "Interim Period"), in order to allow Bioventus to raise resources which will allow it to pay the remaining balance of the debt which does not constitute contingent consideration with respect to the transaction (approximately USD 215 million, plus interest which has accrued since the transaction date, Elron's share: approximately USD 59 million, plus interest (the "Entire Debt")), instead of the payment schedule specified in the transaction, according to which the payments would have been paid in installments, until January 2027.
2. Beginning the signing date of the 2023 agreement, Cartiheal's shares were returned to the sellers. Insofar as Bioventus pays the entire debt during the interim period, as stated above, the Cartiheal shares will be returned to it; otherwise, the Cartiheal shares will be kept by the sellers, even after the interim period has passed.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 3 - Investments in Investee Companies (Cont.)**

**F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)**

**4. Elron (Cont.)**

3. The Cartiheal shares were returned to the sellers in a manner whereby Cartiheal's funds should include sufficient resources for its activities until the end of the interim period, and beyond. Bioventus also paid a total of USD 10 million to the sellers. This amount will not be returned to Bioventus in any case. If Bioventus pays the entire amount of debt, as stated above, this amount will be deducted from future contingent consideration (and not from the debt which does not constitute contingent consideration), insofar as it is realized in the future (the milestone for this purpose remains unchanged, as stated above). The total remaining contingent consideration is USD 125 million; Elron's share is approximately USD 34 million. The parties also release one another from any obligations in connection with the transaction, or in general, and neither party will have any claims or demands in connection with the transaction.
4. Bioventus has the option to extend the interim period by two additional periods of 15 days each, for a total consideration of USD 5 million with respect to each extension, and in total, up to USD 10 million. Insofar as they are paid, these amounts will not be returned to Bioventus in any case, and will be offset from the payment of the balance of debt which does not constitute contingent consideration (such that the balance of debt will be reduced from USD 215 million to USD 205 million, plus interest).

Elron's share in the amounts specified above, and in Cartiheal's share capital (fully diluted), is approximately 27.5%.

There is no certainty that Bioventus will be able to raise the resources which are required for the payment of the non-contingent consideration by the end of the interim period, or at all.

In the reports for the first quarter of 2023, Elron will evaluate the effects of the closing of the 2023 agreement on its financial statements.

- B. In November 2022, Elron announced a dividend distribution in the amount of USD 34 million (DIC's share: USD 21 million), which was paid on December 12, 2022.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

#### F. Development of investments in investee companies - main changes in investments in 2022 (Cont.)

##### 5. Dividends received

Dividends which were received by DIC from directly held investee companies:

|                               | For the year ended<br>December 31, 2022 |                           | For the year ended<br>December 31, 2021 |                           |
|-------------------------------|---|---------------------------|---|---------------------------|
|                               | Amount<br>distributed                   | The<br>Company's<br>share | Amount<br>distributed                   | The<br>Company's<br>share |
|                               | NIS millions                            |                           |   |                           |
| <b>Consolidated companies</b> |   |                           |   |                           |
| Elron                         | 118                                     | 71                        | -                                       | -                         |
| Epsilon                       | 12                                      | 8                         | 12                                      | 8                         |
|                               |   | <u>79</u>                 |   | <u>8</u>                  |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

G. Presented below are details regarding the liquid resources, the net financial debt of the Group's member companies, and significant restrictions on the transfer of resources between entities within the Group, which mostly pertain to the restriction on cash transfers as at December 31, 2022 (NIS millions):

| Name of company  | Liquid resources | Gross financial debt <sup>(1)</sup> | Financial debt, net | Total restricted / pledged deposits  | Total liabilities in the statement of financial position which are subject to restrictions <sup>(1)</sup> | Restriction   | Note      |
|--|------------------|-------------------------------------|---------------------|--|---|---|-----------|
| <b>DIC:</b>  |                  |                                     |                     |  |   |   |           |
| Financial debt, net  | 827              | (2,646)                             | (1,819)             |  |   |   |           |
| Restrictions on the transfer of resources  |                  |                                     |                     |  | 1,643   | <u>Financial covenants:</u><br>- Grounds for demanding prepayment in case of a change in control;<br>- Restrictions in connection with the creation of a general pledge (floating pledge);<br>- Restrictions on dividend distributions;<br>- Fulfillment of financial covenants.  | 15.C.1    |
| <b>Property &amp; Building:</b>  |                  |                                     |                     |  |   |   |           |
| Financial debt, net  |                  |                                     |                     |  |   |   |           |
| In Property & Building   | 622              | (6,418)                             | (5,796)             |  |   |   |           |
| In Gav-Yam <sup>(2)</sup> and its wholly owned companies   | 1,611            | (7,566)                             | (5,955)             |  |   |   |           |
|  | 2,233            | (13,984)                            | (11,751)            |  |   |   |           |
| Restrictions on the transfer of resources of Property & Building and its wholly owned property companies |                  |                                     |                     |  | 2,930   | <u>Financial covenants in connection with debentures and loans from financial institutions:</u><br>- Grounds for demanding early repayment, including due to a cross default, discontinuation of rating, reduction of rating and change of control which results in a reduction of rating;<br>- Fulfillment of minimum equity requirements and certain financial ratios;<br>- Restrictions in connection with the creation of pledges;<br>- Negative pledge on some of Gav-Yam's shares;<br>- Restrictions on dividend distributions. | 15.D.1.   |
|  |                  |                                     |                     | Value of approximately 79.8 million Gav-Yam shares as at December 31, 2022: 2,187<br>Bank deposit: 37<br>2,224 | 956   | <u>Financial covenants in connection with loan from banking corporation:</u><br>• Grounds for demanding early repayment;<br>• Pledge on Gav-Yam shares and deposit;<br>• Additional interest in case of default events;<br>• Fulfillment of minimum equity requirements and certain financial ratios;<br>- Restrictions in connection with the creation of pledges;<br>• Restrictions on dividend distributions.  | 15.D.1.F. |
|  |                  |                                     |                     | 2,534  | 1,360   | <u>Financial covenants in connection with loan from a foreign bank:</u><br>• A mortgage on the HSBC building, and pledges on equipment, rental agreements and rent from the building, etc.;<br>- Financial covenants in favor of a guarantee which was given by the Company;<br>- Restrictions on the creation of pledges with respect to the tower, additional financing, and additional restrictions;   | 12.B.1.D. |

(1) Principal, accrued interest and linkage differentials as at December 31, 2022.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

G. Presented below are details regarding the liquid resources, the net financial debt of the Group's member companies, and significant restrictions on the transfer of resources between entities within the Group, which mostly pertain to the restriction on cash transfers as at December 31, 2022 (NIS millions): (Cont.)

| Name of company  | Liquid resources | Gross financial debt <sup>(1)</sup> | Financial debt, net | Total restricted / pledged deposits   | Total liabilities in the statement of financial position which are subject to restrictions <sup>(1)</sup> | Restriction  | Note    |
|--|------------------|-------------------------------------|---------------------|---|---|--|---------|
| Property & Building (Cont.)  |                  |                                     |                     |   |   |  |         |
|  |                  |                                     |                     | Series J was issued after the date of the statement of financial position, see Note 34.D below. | Series J was issued after the date of the statement of financial position, see Note 34.D below.           | In February 2023, after the date of the statement of financial position, Property & Building performed an early redemption of the debentures (Series F and G), and issued a new series of debentures (Series J).<br><u>Financial covenants in connection with the debentures (Series J):</u> <ul style="list-style-type: none"> <li>• Pledge on approximately 68.7 million Gav-Yam shares;</li> <li>• Fulfillment of minimum equity requirements and certain financial ratios;</li> <li>• Restrictions on dividend distributions;</li> <li>• Grounds for demanding early repayment and for raising the interest rate.</li> </ul> | 34.D.   |
| Restrictions on the transfer of resources of Gav-Yam and its owned companies |                  |                                     |                     |   | 5,792   | <u>Financial covenants in connection with debentures:</u> <ul style="list-style-type: none"> <li>• Grounds for demanding immediate repayment, including due to non-fulfillment of financial covenants, reduction of credit rating, insolvency event, delisting from trading, merger;</li> <li>• Fulfillment of financial covenants;</li> <li>• Restrictions on dividend distributions;</li> <li>• Restrictions on the creation of pledges;</li> </ul>  | 15.D.2. |

(2) Principal, accrued interest and linkage differentials as at December 31, 2022.

For additional details regarding guarantees and pledges, see Note 21 below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 3 - Investments in Investee Companies (Cont.)

G. Presented below are details regarding the liquid resources, the net financial debt of the Group's member companies, and significant restrictions on the transfer of resources between entities within the Group, which mostly pertain to the restriction on cash transfers as at December 31, 2022 (NIS millions): (Cont.)

| Name of company  | Liquid resources | Gross financial debt <sup>(1)</sup> | Financial debt, net | Total restricted / pledged deposits | Total liabilities in the statement of financial position which are subject to restrictions <sup>(1)</sup> | Restriction   | Note      |
|--|------------------|-------------------------------------|---------------------|-------------------------------------|---|---|-----------|
| <b>Cellcom:</b><br>Financial debt, net                 | 916              | (2,904)                             | (1,988)             |                                     |   |   |           |
| Restrictions on the transfer of resources              |                  |                                     |                     |                                     | 2,904   | <u>Financial covenants:</u><br>- Grounds for demanding early repayment, including due to a cross default, discontinuation of rating or reduction of rating, certain financial ratios, discontinuation of activity in the mobile telecommunications segment, suspension of trading of the debentures on the stock exchange; Failure to publish financial statements on time, stay of proceedings or filing of a motion for a creditors' settlement, sale of a significant part of Cellcom's assets or merger, a going concern qualification or a real concern regarding failure to fulfill material undertakings with respect to the debentures;<br>- Restrictions on dividend distributions;<br>- Non-creation of pledges;<br>- Fulfillment of the financial covenants as a condition for an issuance of additional debentures; | 12.B.2.E. |
| <b>Mehadrin:</b><br>Financial debt, net                | 112              | (361)                               | (249)               |                                     | 330   | <u>Financial covenants in connection with loans from banks and financial institutions:</u><br>- Grounds for demanding early repayment, including in case of a change in control of Mehadrin, and the right to interest in arrears;<br>- Fulfillment of minimum equity requirements and certain financial ratios;<br>- Restrictions on dividend distributions and on the repayment of shareholder loans;<br>- Restrictions on the provision of loans and factoring guarantees;<br>- Maintaining currency hedges;<br>- Restrictions on transactions with related parties and on changes to structure and control;<br>- Restrictions in connection with the creation of pledges.   | 15.D.3.   |
| <b>Elron:</b><br><u>Liquid resources</u><br>In Elron   | 104              | -                                   | 104                 |                                     |   |   |           |
| RDC Rafael Development Corporation Ltd. <sup>(3)</sup> | 83               | (31)                                | 52                  |                                     |   |   |           |
|  | 187              | (31)                                | 156                 |                                     |   |   |           |

(1) Principal, accrued interest and linkage differentials as at December 31, 2022.

(2) Held by Property & Building at a rate of 86.7%.

(3) Held by Elron at a rate of 50.1%.

For additional details regarding guarantees and pledges, see Note 21 below.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 4 - Financial Assets Measured at Fair Value Through Profit or Loss**

**Current investments**

|  | As at December 31 |            |
|--|-------------------|------------|
|  | 2022              | 2021       |
|  | NIS millions      |            |
| Government debentures and short term bills | -                 | 60         |
| Corporate debentures                       | 22                | 102        |
| Mutual fund participation certificates     | 106               | 196        |
| ETF's                                      | -                 | 9          |
| Stocks                                     | 2                 | 17         |
| Derivatives not used for hedge accounting  | 33                | 15         |
|  | <u>163</u>        | <u>399</u> |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 5 - Fixed Assets

A.

|  | Buildings    | Machines,<br>facilities and<br>equipment | Telecommunication<br>network | Equipment and<br>telecommunication<br>infrastructure -<br>landline network | Packaging<br>plants | Computers,<br>office furniture,<br>equipment and<br>other | Installations and<br>leasehold<br>improvements | Total   |
|--|--------------|--|------------------------------|--|---------------------|---|--|---------|
|  | NIS millions |  |                              |  |                     |   |  |         |
| <b>Cost</b>  |              |  |                              |  |                     |   |  |         |
| Balance as at January 1, 2021                        | 356          | 183                                      | 5,272                        | 479  | 444                 | 236   | 74   | 7,044   |
| Additions  | 7            | -  | 222                          | 114  | 3                   | 16  | 3  | 365     |
| Additions due to business combination                | -            | 2  | -                            | -  | -                   | -   | -  | 2       |
| Write-offs <sup>(1)</sup>                            | -            | -  | (4)                          | -  | -                   | (15)  | (1)  | (20)    |
| Impact of changes in exchange rates                  | (2)          | -  | -                            | -  | -                   | -   | -  | (2)     |
| Classified under assets held for sale                | (30)         | (26)                                     | -                            | -  | -                   | (2)   | -  | (58)    |
| Balance as at January 1, 2022                        | 331          | 159                                      | 5,490                        | 593  | 447                 | 235   | 76   | 7,331   |
| Additions  | 4            | 9  | 310                          | 102  | 5                   | 33  | 2  | 465     |
| Addition due to business combination                 | 97           | 42                                       | -                            | -  | -                   | 32  | -  | 171     |
| Write-offs <sup>(1)</sup>                            | (3)          | (2)                                      | (9)                          | (165)  | -                   | (86)  | (25)   | (290)   |
| Transfer from investment property                    | 1            | 8  | -                            | -  | -                   | -   | -  | 9       |
| Impact of changes in exchange rates                  | 1            | 1  | -                            | -  | -                   | -   | -  | 2       |
| Classified under assets held for sale <sup>(2)</sup> | (108)        | (20)                                     | (5,791)                      | (530)  | -                   | (127)   | (48)   | (6,624) |
| Balance as at December 31, 2022                      | 323          | 197                                      | -                            | -  | 452                 | 87  | 5  | 1,064   |

(1) The Group derecognizes assets which have been fully depreciated and which are not being used by the Group.

(2) For details regarding the classification of the Cellcom activity as assets of a disposal group held for sale, see Note 12.B.2. below.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 5 - Fixed Assets (Cont.)

#### A. (Cont.)

|   | Buildings    | Machines,<br>facilities and<br>equipment | Telecommunication<br>network | Equipment and<br>telecommunication<br>infrastructure -<br>landline network | Packaging<br>plants | Computers,<br>office<br>furniture,<br>equipment<br>and other | Installations<br>and leasehold<br>improvements | Total   |
|---|--------------|--|------------------------------|--|---------------------|--|--|---------|
|   | NIS millions |  |                              |  |                     |  |  |         |
| <b>Accumulated depreciation and<br/>impairment loss</b> |              |  |                              |  |                     |  |  |         |
| Balance as at January 1, 2021                           | 230          | 159                                      | 4,189                        | 238  | 248                 | 166  | 54   | 5,284   |
| Depreciation for the year                               | 10           | 1  | 221                          | 121  | 6                   | 25   | 7  | 391     |
| Write-offs  | -            | -  | (4)                          | -  | -                   | (15)   | (1)  | (20)    |
| Impact of changes in exchange rates                     | (1)          | -  | -                            | -  | -                   | -  | -  | (1)     |
| Classified under assets held for sale                   | (28)         | (22)                                     | -                            | -  | -                   | (2)  | -  | (52)    |
| Balance as at January 1, 2022                           | 211          | 138                                      | 4,406                        | 359  | 254                 | 174  | 60   | 5,602   |
| Depreciation for the year                               | 10           | 3  | 223                          | 98   | 8                   | 21   | 8  | 371     |
| Write-offs  | (3)          | (2)                                      | (9)                          | (165)  | -                   | (85)   | (24)   | (288)   |
| Impact of changes in exchange rates                     | 1            | 1  | -                            | -  | -                   | -  | -  | 2       |
| Addition due to business<br>combination                 | 44           | 17                                       | -                            | -  | -                   | 26   | -  | 87      |
| Classified under assets held for sale<br>(1)            | (72)         | (18)                                     | (4,620)                      | (292)  | -                   | (62)   | (41)   | (5,105) |
| Balance as at December 31, 2022                         | 191          | 139                                      | -                            | -  | 262                 | 74   | 3  | 669     |

(1) For details regarding the classification of the Cellcom activity as assets of a disposal group held for sale, see Note 12.B.2. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 5 - Fixed Assets (Cont.)

#### A. (Cont.)

|                            | Buildings    | Machines,<br>facilities<br>and<br>equipment | Telecommunication<br>network | Television<br>equipment and<br>infrastructure | Packaging<br>plants | Computers,<br>office<br>furniture,<br>equipment<br>and other | Installations<br>and leasehold<br>improvements | Total |
|----------------------------|--------------|---|------------------------------|---|---------------------|--|--|-------|
|                            | NIS millions |   |                              |   |                     |  |  |       |
| Book value:                |              |   |                              |   |                     |  |  |       |
| As at December 31,<br>2021 | 119          | 21  | 1,084                        | 234   | 193                 | 62   | 16   | 1,729 |
| December 31, 2022          | 132          | 58  | -                            | -   | 190                 | 13   | 2  | 395   |

B. For details regarding pledges, see Note 21 below.

# Notes to the Consolidated Financial Statements as at December 31, 2022

## Note 6 - Investment Property

### A. Composition

#### Movement in the book value of investment property

|  | Land         | Revenue-<br>generating<br>properties | Investment<br>property<br>under<br>construction | Total   |
|--|--------------|--------------------------------------|---|---------|
|  | NIS millions |                                      |   |         |
| Balance as at January 1, 2021  | -            | 2,926                                | -   | 2,926   |
| Reclassification of amounts from rental income<br>receivable to investment property                            | -            | 89                                   | -   | 89      |
| Acquisitions and investments in current assets   | -            | 63                                   | -   | 63      |
| Increase in fair value, net  | -            | 547                                  | -   | 547     |
| Net translation differences due to the translation<br>of financial statements of foreign operations            | -            | (89)                                 | -   | (89)    |
| Classification as assets of disposal group held<br>for sale <sup>(1)</sup>                                     | -            | (3,513)                              | -   | (3,513) |
| Balance as at January 1, 2022  | -            | 23                                   | -   | 23      |
| Acquisitions and investments in current assets   | 173          | 195                                  | 533   | 901     |
| Increase in fair value, net  | 35           | 776                                  | 296   | 1,107   |
| Transfer from property under construction  | -            | 322                                  | (322)   | -       |
| Transfer from right-of-use assets  | -            | 28                                   | -   | 28      |
| Transfer to fixed assets   | -            | (1)                                  | (8)   | (9)     |
| Classification with respect to land lots,<br>investment property and investment property<br>under construction | (15)         | (33)                                 | 48  | -       |
| Classification as assets of disposal group held<br>for sale  | -            | (1)                                  | -   | (1)     |
| Additions due to business combination <sup>(2)</sup>   | 481          | 8,531                                | 1,491   | 10,503  |
| Balance as at December 31, 2022  | 674          | 9,840                                | 2,038   | 12,552  |

(1) For details regarding the classification of revenue-generating real estate properties in Israel and the HSBC Tower in New York as assets of a disposal group held for sale, see Notes 12.A and B below.

(2) For details regarding the initial consolidation of Gav-Yam, beginning on March 8, 2022, see Note 3.F.1.A below.

(3) For details regarding capitalized borrowing costs, see Note 23 below.

(4) The above table presents investment properties measured at fair value using the valuation method in accordance with level 3. For the definitions of the various levels in the hierarchy, see Note 1.E.(3).C.2. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 6 - Investment Property (Cont.)

#### B. Determination of fair value

1. Data regarding the measurements of fair value of investment property

| Property type   | Valuation techniques for the determination of fair value  | Significant unobservable inputs                 |          |                  | Reciprocal relationship between significant unobservable inputs and measurement of fair value |
|---|---|---|----------|------------------|---|
|   |   | Cash flow discount rate (% per year)            |          |                  |   |
|   |   |   | 2022     |                  |   |
|   |   |   | Range    | Weighted average |   |
| Rental properties   | Fair value is estimated using the revenue discounting method: the valuation model based on the present value of the estimated NOI from the property. The valuation of real estate is based on the net annual cash flows, discounted by the discount rate which reflects the specific risks embodied therein. When rental agreements effectively exist, where the payments with respect to them are different from appropriate rent, adjustments are implemented in order to reflect the actual rent payments during the period of the agreement. The valuations take into account the types of lessees who are actually occupying the leased property, or who are responsible for fulfilling the rental obligations, or those who may be in the leased property after the rental of an available property, including the division of responsibility between the Group and the lessee regarding the maintenance of the property; and the property's remaining economic lifetime, in places where those parameters are relevant. The market value of rental figures includes a wide range, in all areas and all uses, and was due, inter alia, to the variability in the quality, age and finishing level of the various leased properties. | <u>Revenue-generating properties in Israel:</u> | 5%-8%    | 6.3%             |   |
|   |   | For office purposes<br>Industry and logistics   | 6.75%-5% | 5.8%             |   |
| The estimated fair value will increase if:  |   |   |          |                  |   |
| <ul style="list-style-type: none"><li>• The market value of rent payments increases;</li><li>• The cash flow discount rate decreases.</li></ul> |   |   |          |                  |   |
| There is no internal reciprocal relationship between the material unobservable inputs.  |   |   |          |                  |   |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 6 - Investment Property (Cont.)

#### B. Determination of fair value (Cont.)

1. Data regarding the measurements of fair value of investment property (Cont.)

| Property type             | Valuation techniques for the determination of fair value | Significant unobservable inputs                 |                  |                  | Reciprocal relationship between significant unobservable inputs and measurement of fair value   |
|---------------------------|--|---|------------------|------------------|---|
|                           |  | Value of rent (NIS per square meter per month)  |                  |                  |   |
|                           |  |   | 2022             |                  |   |
|                           |  |   | Range            | Weighted average |   |
| Rental properties (Cont.) |  | <u>Revenue-generating properties in Israel:</u> |                  |                  | The primary unobservable market inputs refer to the following factors: <ul style="list-style-type: none"><li>• The return rate of investment property, based on professional publications in the relevant markets and comparison to similar transactions.</li><li>• Premium (discount) with respect to the building’s quality and the lease terms, based on a comparison to similar transactions.</li><li>• The market value of rent payments (market rent), based on professional publications in the relevant markets and comparison to similar transactions.</li></ul> |
|                           |  | For office purposes                             | NIS 48 to NIS 89 | NIS 74           |   |
|                           |  | For industry and logistics purposes             | NIS 32 to NIS 47 | NIS 38           |   |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 6 - Investment Property (Cont.)

#### B. Determination of fair value (Cont.)

##### 1. Data regarding the measurements of fair value of investment property (Cont.)

| Property type                                    | Valuation techniques for the determination of fair value  | Significant unobservable inputs   | Reciprocal relationship between significant unobservable inputs and measurement of fair value   |
|--|---|---|---|
|  |   | Value of rent (NIS per square meter per month)  |   |
|  |   | 2022  |   |
|  |   | Range   | Weighted average  |
| Investment property under construction in Israel | The valuation is based on the estimated fair value of the investment property after its construction has been completed, less the present value of the estimated construction costs which are expected to arise for the purpose of completing it, while taking into account the capitalization rate, which is adjusted with respect to the property's relevant risks and characteristics, and the timing of the completion of construction. | <ul style="list-style-type: none"><li>Construction costs per square meter - approximately NIS 3,500, up to NIS 9,500 on a core and shell basis.</li><li>Annual cash flow discounting rate - 6.5%.</li></ul> | <p>The estimated fair value will increase if:</p> <ul style="list-style-type: none"><li>The construction costs per square meter will decrease.</li><li>The market value of rent payments increases.</li><li>The cash flow discount rate decreases.</li></ul> <p>There is no internal reciprocal relationship between the material unobservable inputs. The estimated fair value will increase if the value per square meter of comparable properties increases.</p> |
| Available land                                   | The fair value was determined using the comparison approach, with the valuation model based on the price per square meter of comparable properties, based on observable market transactions, including various adjustments, such as size, location, etc.  |   |   |

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 6 - Investment Property (Cont.)**

**B. Determination of fair value (Cont.)**

2. Valuation processes which are applied in the Group

The fair value of investment property is determined at least once per year, or when indications of changes in value exist (whichever is earlier), by a valuer with the appropriate qualifications and experience for the type of property addressed in the valuation, and its location. external valuations are performed in various periods with respect to various properties in the investment property portfolio. In other reporting periods, an internal evaluation is conducted by the Group in order to verify that no significant change has occurred in the value of the investment property portfolio.

3. **Adjustments to book value**

Presented below are details regarding significant adjustments to a valuation which was received for the purpose of presenting investment property in the financial statements.

|   | As at December 31   |      |
|---|---------------------|------|
|   | 2022 <sup>(1)</sup> | 2021 |
|   | NIS millions        |      |
| Fair value as reported by external valuers  | 12,585              | 23   |
| After deducting amounts applied to income receivable with respect to rent according to the straight line method | (33)                | -    |
| Fair value, as presented in the financial statements  | 12,552              | 23   |

(1) For details regarding the initial consolidation of Gav-Yam, beginning on March 8, 2022, see Note 3.F.1.A below.

**C. Amounts recognized in the statement of income**

|   | For the year ended December 31 |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | 2022 <sup>(2)</sup>            | 2021 <sup>(3)</sup> | 2020 <sup>(3)</sup> |
|   | NIS millions                   |                     |                     |
| Rental income from investment property                              | 544                            | 32                  | 93                  |
| Direct operating expenses due to investment property <sup>(1)</sup> | 81                             | 12                  | 27                  |
| Increase in fair value of investment property, net                  | 1,096                          | 592                 | 9                   |

(1) Including expenses in immaterial amounts with respect to investment property which did not generate rental income.

(2) For details regarding the initial consolidation of Gav-Yam, beginning on March 8, 2022, see Note 3.F.1.A below.

(3) Adjusted retrospectively due to the presentation of Cellcom under discontinued operations, see Note 12.B.2. below.



## Notes to the Consolidated Financial Statements as at December 31, 2022

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### **Note 6 - Investment Property (Cont.)**

#### **D. Fair value update**

In 2022, Gav-Yam prepared valuations for all of its revenue-generating properties and land lots, through external, independent valuers with the appropriate professional skills.

The valuations were primarily conducted by discounting the cash flows that are expected to arise from the assets. The valuations take into account the types of lessees who are actually occupying the leased property, or who are responsible for fulfilling the rental obligations, or those who may be in the leased property after the rental of an available property, and the remaining economic lifetime of the property, in the cases where those parameters are relevant. The market value of rental figures includes a wide range, in all areas and all uses, and was due, inter alia, to the variability in the quality, age and finishing level of the various leased properties. The average rent in different areas in office and hi-tech areas is in the range of NIS 48-89 per square meter, per month, while for industry and logistics areas, it is NIS 32-47 per square meter, per month.

When determining the value of office buildings, buildings designated for the hi-tech industry, and commercial buildings (which are mostly located in the center areas and in hi-tech parks, with high quality lessees), discount rates of 5%-8% were mostly used, while workshop, storage and industrial buildings (which are mostly located in the periphery areas) were valued according to capitalization rates of 5%-6.75%.

Due to the update to the valuations, as specified above, Gav-Yam recorded revenue after tax due to the increase in fair value of investment property in 2022 in the amount of NIS 939 million. Property & Building's share in the aforementioned value update was NIS 467 million; the Company's share was NIS 295 million.

The increase in fair value was mostly due to the change in value of assets whose optimal use is land, to the CPI's increase, the real increase in rent collected in its various properties, and the lower discount rates which were used by the external valuers.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 7 - Lease Assets and Liabilities**

**A. Right-of-use assets**

|   | Telecommunication<br>sites <sup>(1)</sup> | Buildings<br><sup>(2)</sup> | Land for<br>orchards<br><sup>(3)</sup> | Vehicles <sup>(4)</sup> | Other     | Total        |
|---|---|-----------------------------|--|-------------------------|-----------|--------------|
|   | NIS millions                              |                             |  |                         |           |              |
| <b>Cost</b>   |   |                             |  |                         |           |              |
| <b>Balance as at January 1, 2021</b>  | 766                                       | 300                         | 200                                    | 83                      | 8         | 1,357        |
| Additions with respect to new agreements, changes to agreements and revaluation | 88  | 208                         | 8                                      | 20                      | 1         | 325          |
| Write-offs with respect to concluded agreements                                 | (100)                                     | (109)                       | (1)                                    | (14)                    | -         | (224)        |
| Impact of changes in exchange rates   | -   | (1)                         | -                                      | -                       | -         | (1)          |
| Transfer to held-for-sale assets  | -   | (4)                         | -                                      | -                       | -         | (4)          |
| <b>Balance as at January 1, 2022</b>  | <u>754</u>                                | <u>394</u>                  | <u>207</u>                             | <u>89</u>               | <u>9</u>  | <u>1,453</u> |
| Additions with respect to new agreements, changes to agreements and revaluation | 291                                       | 25                          | 1                                      | 22                      | 1         | 340          |
| Write-offs with respect to concluded agreements                                 | (101)                                     | (25)                        | (4)                                    | (36)                    | -         | (166)        |
| Addition due to business combination  | -   | -                           | -                                      | 3                       | -         | 3            |
| Impact of changes in exchange rates   | -   | 1                           | -                                      | -                       | -         | 1            |
| Transfer to held-for-sale assets <sup>(*)</sup>                                 | (944)                                     | (325)                       | -                                      | (54)                    | -         | (1,323)      |
| <b>Balance as at December 31, 2022</b>  | <u>-</u>                                  | <u>70</u>                   | <u>204</u>                             | <u>24</u>               | <u>10</u> | <u>308</u>   |
| <b>Depreciation</b>   |   |                             |  |                         |           |              |
| <b>Balance as at January 1, 2021</b>  | 282                                       | 121                         | 40                                     | 31                      | 1         | 475          |
| Depreciation for the year   | 129                                       | 70                          | 9                                      | 29                      | 1         | 238          |
| Write-offs with respect to concluded agreements                                 | (98)                                      | (15)                        | -                                      | (11)                    | -         | (124)        |
| Changes to agreements   | (4)                                       | -                           | -                                      | -                       | -         | (4)          |
| Transfer to held-for-sale assets  | -   | (1)                         | -                                      | -                       | -         | (1)          |
| <b>Balance as at December 31, 2021</b>  | <u>309</u>                                | <u>175</u>                  | <u>49</u>                              | <u>49</u>               | <u>2</u>  | <u>584</u>   |
| Depreciation for the year   | 149                                       | 48                          | 9                                      | 29                      | 2         | 237          |
| Write-offs with respect to concluded agreements                                 | (52)                                      | (26)                        | (2)                                    | (31)                    | -         | (111)        |
| Changes to agreements   | 52  | (5)                         | -                                      | (1)                     | -         | 46           |
| Transfer to held-for-sale assets <sup>(*)</sup>                                 | (458)                                     | (167)                       | -                                      | (32)                    | -         | (657)        |
| <b>Balance as at December 31, 2022</b>  | <u>-</u>                                  | <u>25</u>                   | <u>56</u>                              | <u>14</u>               | <u>4</u>  | <u>99</u>    |
| <b>Book value as at December 31, 2021</b>                                       | <u>452</u>                                | <u>212</u>                  | <u>158</u>                             | <u>40</u>               | <u>7</u>  | <u>869</u>   |
| <b>Book value as at December 31, 2022</b>                                       | <u>-</u>                                  | <u>45</u>                   | <u>148</u>                             | <u>10</u>               | <u>6</u>  | <u>209</u>   |

<sup>(\*)</sup> For details regarding the classification of the Cellcom activity as assets of a disposal group held for sale, see Note 12.B.2. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 7 - Lease Assets and Liabilities (Cont.)

#### **A. Right-of-use assets (Cont.)**

- (1) **Communication sites** - Cellcom's mobile network equipment, including base sites which are distributed throughout the country, which provide telecom coverage for the vast majority of inhabited regions in Israel. Cellcom rents from various entities (including from local authorities, government entities such as the Israel Land Administration, and private entities) sites for the construction, maintenance and operation of base sites which are used for its mobile data network. The lease agreements in this regard are mostly for periods ranging from two to five years, with an option to extend for similar periods, and with options of termination, under certain conditions. In certain agreements, the lessor is entitled to terminate the agreement at any time, and for any reason whatsoever, subject to advance notice.
- (2) **Buildings** - The Group leases buildings which include, inter alia, offices in Israel and abroad, and leases for agricultural activity which is performed in packaging plants and refrigeration facilities.
- (3) **Land for orchards** - Mehadrin leases orchards with a total area of 11,093 dunams, of which 11,897 dunams are leased from the Israel Land Authority, and 196 dunams are privately owned. Out of these agreements, 8,802 dunams (2021 - 9,380 dunams) are leased for 49 year periods, ending in 2002-2022, with an option to extend by an additional 49 year period, and 2,095 dunams (2021 - 2,122 dunams) are leased under 49 year agreements ending in 2009-2056, without an option to extend the lease period.  
Mehadrin also leases holding orchards (holding orchards are customer orchards which are transferred in their entirety to Mehadrin's possession, as part of a multi-year agreement between the parties). In consideration of the turnover from the fruit, Mehadrin covers the operating expenses of those orchards, and if the agreement prescribes it, an agreed-upon additional sum is paid to the customer.
- (4) **Vehicles** - The Group leases vehicles from several different leasing companies, and from time to time changes the number of vehicles, in accordance with its current needs. The leased vehicles are identified, and the leasing companies cannot replace them, except in case of defects.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 7 - Lease Assets and Liabilities (Cont.)**

**B. Lease liabilities**

|   | Telecommunication<br>sites | Buildings  | Land for<br>orchards | Vehicles  | Other    | Total      |
|---|----------------------------|------------|----------------------|-----------|----------|------------|
|   | NIS millions               |            |                      |           |          |            |
| <b>Balance as at January 1, 2021</b>  | 512                        | 195        | 47                   | 55        | 7        | 816        |
| Additions with respect to new agreements, changes to agreements and revaluation | 98                         | 220        | -                    | 17        | 1        | 336        |
| Write-offs  | (1)                        | (92)       | -                    | (3)       | -        | (96)       |
| Finance expenses with respect to lease liabilities                              | 18                         | 9          | 2                    | 1         | -        | 30         |
| Lease payments  | (168)                      | (79)       | (6)                  | (31)      | (2)      | (286)      |
| Impact of changes in exchange rates   | -                          | (3)        | -                    | -         | -        | (3)        |
| <b>Balance as at December 31, 2021</b>  | <u>459</u>                 | <u>250</u> | <u>43</u>            | <u>39</u> | <u>6</u> | <u>797</u> |
| Current maturities of lease liabilities   | 105                        | 69         | 5                    | 27        | 2        | 208        |
| Long term lease liabilities   | 354                        | 181        | 38                   | 12        | 4        | 589        |
| <b>Book value as at December 31, 2021</b>                                       | <u>459</u>                 | <u>250</u> | <u>43</u>            | <u>39</u> | <u>6</u> | <u>797</u> |
| Additions with respect to new agreements, changes to agreements and revaluation | 278                        | 60         | 1                    | 21        | 1        | 361        |
| Write-offs  | (50)                       | (20)       | (1)                  | (1)       | -        | (72)       |
| Finance expenses with respect to lease liabilities                              | 22                         | 11         | 6                    | 1         | -        | 40         |
| Lease payments  | (187)                      | (79)       | (6)                  | (32)      | (2)      | (306)      |
| Addition due to business combination  | -                          | -          | -                    | 4         | -        | 4          |
| Transfer to liabilities as held for sale <sup>(1)</sup>                         | (522)                      | (163)      | -                    | (23)      | -        | (708)      |
| <b>Balance as at December 31, 2022</b>  | <u>-</u>                   | <u>59</u>  | <u>43</u>            | <u>9</u>  | <u>5</u> | <u>116</u> |
| Current maturities of lease liabilities   | -                          | 8          | 6                    | 4         | 1        | 19         |
| Long term lease liabilities   | -                          | 51         | 37                   | 5         | 4        | 97         |
| <b>Book value as at December 31, 2022</b>                                       | <u>-</u>                   | <u>59</u>  | <u>43</u>            | <u>9</u>  | <u>5</u> | <u>116</u> |

(1) For details regarding the classification of the Cellcom activity as assets and liabilities of a disposal group held for sale, see Note 12.B.2. below.

(2) For an analysis of the repayment dates of the Group's lease liabilities, including principal and interest payable, see Note 20.F. below.

**C. Payments with respect to options to extend leases which were not taken into account in the calculation of lease liabilities**

| Range of years | December 31,<br>2022<br>NIS millions |
|----------------|--------------------------------------|
| Up to 5 years  | -                                    |
| 5 to 10 years  | 3                                    |
| 10 to 15 years | 15                                   |
| 15 to 20 years | 20                                   |
| Over 20 years  | 6                                    |
| <b>Total</b>   | <u>44</u>                            |

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 8 - Trade Receivables and Other Income Receivable**

**A. Long term trade receivables**

|   | As at December 31   |            |
|---|---------------------|------------|
|   | 2022 <sup>(1)</sup> | 2021       |
|   | NIS millions        |            |
| Long term trade receivables                     | -                   | 410        |
| After deducting deferred interest income        | -                   | (9)        |
| After deducting the provision for credit losses | -                   | (8)        |
| After deducting current maturities              | -                   | (235)      |
|   | <u>-</u>            | <u>158</u> |

**B. Current trade receivables**

Composition

|   | As at December 31   |              |
|---|---------------------|--------------|
|   | 2022 <sup>(1)</sup> | 2021         |
|   | NIS millions        |              |
| Trade receivables                                 | 159                 | 708          |
| Credit card companies                             | 1                   | 242          |
| Apartment buyers                                  | 2                   | 3            |
| Current maturities of long term trade receivables | -                   | 235          |
| After deducting the provision for credit losses   | (5)                 | (106)        |
|   | <u>157</u>          | <u>1,082</u> |

(1) For details regarding the classification of the Cellcom activity as assets of a disposal group held for sale, see Note 12.B.2. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 9 - Intangible Assets

#### A.

|   | Goodwill     | Brands<br>and trade<br>names | Licenses<br>and<br>frequencies | Customer<br>relations | Information<br>systems and<br>software<br>programs | Technology,<br>development in<br>process,<br>franchises and<br>other | Contract<br>obtaining<br>costs | Total   |
|---|--------------|------------------------------|--------------------------------|-----------------------|--|--|--------------------------------|---------|
|   | NIS millions |                              |                                |                       |  |  |                                |         |
| <b>Cost</b>   |              |                              |                                |                       |  |  |                                |         |
| Balance as at January 1, 2021   | 3,452        | 311                          | 635                            | 402                   | 365  | 13   | 586                            | 5,764   |
| Acquisitions and additions  | -            | -                            | -                              | -                     | 61   | -  | 135                            | 196     |
| Write-offs  | -            | -                            | -                              | -                     | (25)   | -  | -                              | (25)    |
| Purchase in business combination  | 5            | 1                            | -                              | -                     | -  | -  | -                              | 6       |
| Balance as at January 1, 2022   | 3,457        | 312                          | 635                            | 402                   | 401  | 13   | 721                            | 5,941   |
| Acquisitions and additions  | -            | -                            | 6                              | -                     | 77   | -  | 152                            | 235     |
| Write-offs  | -            | -                            | -                              | -                     | (127)  | -  | -                              | (127)   |
| Impact of changes in exchange rates                                     | -            | -                            | -                              | -                     | -  | 1  | -                              | 1       |
| Purchase in business combination <sup>(1)</sup>                         | 4,849        | -                            | -                              | -                     | -  | -  | -                              | 4,849   |
| Classification as assets of disposal group held for sale <sup>(2)</sup> | (3,452)      | (312)                        | (641)                          | (374)                 | (331)  | (3)  | (873)                          | (5,986) |
| Balance as at December 31, 2022   | 4,854        | -                            | -                              | 28                    | 20   | 11   | -                              | 4,913   |

<sup>(1)</sup> For details regarding the rise to control of Gav-Yam, see Note 3.F.1.A. above.

<sup>(2)</sup> For details regarding the classification of the Cellcom activity as assets and liabilities of a disposal group held for sale, see Note 12.B.2. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 9 - Intangible Assets (Cont.)

#### A. (Cont.)

|   | Goodwill           | Brands and trade names | Licenses and frequencies | Customer relations | Information systems and software programs | Technology, development in process, franchises and other | Contract obtaining costs | Total   |
|---|--------------------|------------------------|--------------------------|--------------------|---|--|--------------------------|---------|
|   | NIS millions       |                        |                          |                    |   |  |                          |         |
| <b>Amortization and impairment losses</b>                               |                    |                        |                          |                    |   |  |                          |         |
| Balance as at January 1, 2021   | 1,629              | 46                     | 492                      | 297                | 199                                       | 1  | 407                      | 3,071   |
| Amortization for the year   | -                  | -                      | 17                       | 21                 | 74  | -  | 143                      | 255     |
| Write-offs  | -                  | -                      | -                        | -                  | (25)                                      | -  | -                        | (25)    |
| Balance as at January 1, 2022   | 1,629              | 46                     | 509                      | 318                | 248                                       | 1  | 550                      | 3,301   |
| Amortization for the year   | -                  | -                      | 14                       | 21                 | 65  | -  | 107                      | 207     |
| Impairment  | 469 <sup>(1)</sup> | -                      | -                        | -                  | -   | -  | -                        | 469     |
| Write-offs  | -                  | -                      | -                        | -                  | (127)                                     | -  | -                        | (127)   |
| Classification as assets of disposal group held for sale <sup>(2)</sup> | (1,629)            | (46)                   | (523)                    | (312)              | (171)                                     | (1)  | (657)                    | (3,339) |
| Balance as at December 31, 2022   | 469                | -                      | -                        | 27                 | 15  | -  | -                        | 511     |
| <b>Book value</b>   |                    |                        |                          |                    |   |  |                          |         |
| As at December 31, 2021   | 1,828              | 266                    | 126                      | 84                 | 153                                       | 12   | 171                      | 2,640   |
| December 31, 2022   | 4,385              | -                      | -                        | 1                  | 5   | 11   | -                        | 4,402   |

<sup>(1)</sup> For details regarding the impairment loss of goodwill attributed to Gav-Yam, see Note 3.F.1.A. above.

<sup>(2)</sup> For details regarding the classification of the Cellcom activity as assets and liabilities of a disposal group held for sale, see Note 12.B.2. below.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 9 - Intangible Assets (Cont.)

- B. Further to that stated in Note 3.F.1.A.2. above, in connection with the purchase of Gav-Yam shares, in March 2022, in which Property & Building rose to control of Gav-Yam, Property & Building prepared a paper on the allocation of the proceeds in the aforementioned transaction, with respect to the acquisition of the Gav-Yam shares (5%), in which Property & Building recognized fair value adjustments to tangible and intangible assets and liabilities of Gav-Yam.**

Presented below is the fair value of the identifiable assets and identifiable liabilities of Gav-Yam which were initially consolidated in the books as at the acquisition date;

|  | NIS millions |
|--|--------------|
| <b>Consideration:</b>  |              |
| Additional acquisition cost  | 440          |
| Fair value of current interests prior to the rise to control                                 | 3,539        |
| Fair value of non-controlling interests which were recognized on the date of rise to control | 4,983        |
|  | <u>8,962</u> |

### C. Amounts recognized in the initial consolidation:

|  | Value in<br>Gav-Yam's<br>books<br>before the<br>acquisition | Adjustments<br>to fair value<br>NIS millions | Amounts<br>recognized<br>in the<br>acquisition |
|--|---|--|--|
| Net working capital                      | 776   | -  | 776  |
| Investment property <sup>(1)</sup>       | 10,595  | -  | 10,595   |
| Land                                     | -   | 46   | 46   |
| Long term receivables                    | 36  | -  | 36   |
| Investments in investees                 | 149   | -  | 149  |
| Fixed assets, net                        | 56  | -  | 56   |
| Intangible assets, net                   | 1   | -  | 1  |
| Debentures                               | (5,982)   | (243)  | (6,225)  |
| Deferred tax liabilities                 | (1,335)   | 43   | (1,292)  |
| Other long term liabilities              | (29)  | -  | (29)   |
| Identifiable assets and liabilities, net | <u>4,267</u>  | <u>(154)</u>                                 | <u>4,113</u>                                   |
| Goodwill in the acquisition              |   |  | 4,849 <sup>(2)</sup>                           |
|  |   |  | <u>8,962</u>                                   |

(1) Includes a financial asset at fair value in the amount of NIS 50 million.

(2) NIS 2,422 million attributed to owners of Property & Building.

In the fourth quarter of 2022, Property & Building completed the final assessment of the value allocation. The final paper did not include any changes relative to the temporary paper which was prepared on the acquisition date.

The economic paper regarding the purchase price allocation of Gav-Yam is attached to these financial statements, by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building as at December 31, 2022, which were reported and published on March 26, 2023 (reference number 2023-01-027655).

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 9 - Intangible Assets (Cont.)

#### D. Impairment test of the goodwill attributed to Gav-Yam

Gav-Yam's value in the Company's books as at December 31, 2022 is NIS 7,162 million (NIS 38.5 per share). Gav-Yam's stock is listed on the stock exchange. The market value of Property & Building's holdings as at December 31, 2022, and proximate to the publication date of the report, was NIS 5,097 million and NIS 4,870 million, respectively (NIS 27.4 and NIS 26.18 per share, respectively).

Goodwill attributed to Gav-Yam as at December 31, 2022 amounted to NIS 4,380 million (after the impairment which was recorded, as stated above). The recoverable amount of the Gav-Yam activity as at December 31, 2022 was estimated by an external valuer based on its value in use, as stated below.

Gav-Yam's enterprise value, which is based on Gav-Yam's value on the stock exchange as at December 31, 2022 (with the required adjustments) is less than the value of that activity in the Company's financial statements as at December 31, 2022.

In accordance with the provisions of international standards, upon initial recognition of an intangible asset during the current yearly period, an impairment test of that intangible asset should be conducted before the end of the current yearly period. In light of the above, in the fourth quarter of 2022, Property & Building tested for impairment the goodwill attributed to Gav-Yam.

In accordance with Regulation 8(B) of the Reporting Regulations, the aforementioned economic paper is attached to these financial statements by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building as at December 31, 2022, which were reported and published on March 26, 2023 (reference number 2023-01-027655).

The value of the assets attributed to Gav-Yam's activity, less the liabilities attributed to Gav-Yam's activity in the Company's financial statements as at December 31, 2022, is NIS 14,039 million, greater than the recoverable amount of the Gav-Yam activity, which was estimated, in an economic paper as at December 31, 2022, at a total of NIS 13,570 million as at that date. Property & Building therefore recorded, in its consolidated reports, impairment loss of goodwill in the amount of NIS 469 million (Property & Building's share: NIS 406 million; the Company's share: NIS 257 million).

When calculating the recoverable amount of the aforementioned economic paper, which is estimated according to value in use, the projected cash flows before tax were used, based on financial budgets.

Presented below are data and key assumptions which were used in the preparation of the economic paper to determine the recoverable amount:

|  | December 31, 2022 |
|--|-------------------|
| Value of goodwill before amortization (NIS millions) | 4,849             |
| Real annual discount rate before tax                 | 6.1%              |
| Real annual discount rate after tax                  | 5.15%             |
| Real long term growth rate                           | 1.0%              |

During the period after the date of the statement of financial position, the trend of increasing the Bank of Israel interest rate continued, such that the interest rate currently stands at approximately 4.25%. Additionally, as at proximate to the publication date of the report, the real risk-free interest rate was increased. Insofar as the aforementioned trend of increasing interest rates continues, it could lead, inter alia, to a downturn in economic activity, including an increase in the unemployment rate and a decrease in demand for offices, in a manner which could lead to a decrease in Gav-Yam's NOI, both due to the lower occupancy rate, and due to the erosion of rent, as well as an increase of the weighted capitalization rate.

In subsequent periods, Property & Building will continue monitoring the fair value of the investment, in order to determine whether events and changes in circumstances, such as a deterioration in the sector or in the operating results, an ongoing decline in the share price, changes in management's business strategy, or downward adjustments to cash flow forecasts, justify an impairment test of goodwill in future periods.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 10 - Deposits and Pledged and Restricted Deposits

|                                 | As at December 31 |                    |
|---------------------------------|-------------------|--------------------|
|                                 | 2022              | 2021               |
|                                 | NIS millions      |                    |
| Deposits in banks               | 1,140             | 125                |
| Pledged and restricted deposits | 85                | 175 <sup>(1)</sup> |
|                                 | <u>1,225</u>      | <u>300</u>         |

(1) Including NIS 100 million, which were deposited with the trustee for the execution of the Gav-Yam tender offer transaction, see Note 3.F.1.A.1. above.

### Note 11 - Inventory

|   | As at December 31 |                    |
|---|-------------------|--------------------|
|   | 2022              | 2021               |
|   | NIS millions      |                    |
| Telephones and other communication equipment (mostly with respect to Cellcom's mobile and internet activities) of Cellcom | 1 <sup>(2)</sup>  | 98                 |
| Fruit   | 149               | 164 <sup>(1)</sup> |
| Packaging materials   | 7                 | 7 <sup>(1)</sup>   |
| Pest control materials  | 3                 | 3 <sup>(1)</sup>   |
|   | <u>160</u>        | <u>272</u>         |

(1) Reclassified.

(2) For details regarding the classification of the Cellcom activity as assets of a disposal group held for sale, see Note 12.B.2. below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Discontinued Operations**

Cellcom, the HSBC Tower, some of Property & Building's activities in the residential segment in Israel, and Epsilon, are presented in the statement of financial position as at December 31, 2022 as assets of disposal groups held for sale (as at December 31, 2021, a disposal group also included IDBG, but did not include Cellcom or Epsilon). The results of Cellcom and the HSBC Tower were presented as discontinued operations in the Company's statements of income during the 3 years, the last of which ended December 31, 2022, where the comparative figures with respect to Cellcom's results for the years ended December 31, 2021 and 2020 were adjusted retrospectively, and presented separately from continuing operations. For details regarding the results of discontinued operations, see section B. below.

#### **Assets and liabilities of disposal groups held for sale**

- Cellcom - see section B.2. below;
- Revenue-generating properties of Property & Building in Israel - see section A.1. to section A.3. below;
- IDBG - see section A.4. below;
- Property & Building's activity in the residential segment in Israel - see section A.5. below;
- Epsilon - see section A.6. below;
- HSBC Tower - see section B.1. below;

**Presented below is the composition of assets and liabilities of disposal groups held for sale with respect to the foregoing companies, and others:**

|   | As at December 31 |       |
|---|-------------------|-------|
|   | 2022              | 2021  |
|   | NIS millions      |       |
| <b><u>Assets of disposal groups classified as held for sale</u></b> |                   |       |
| Investment in equity accounted investees                            | 132               | 96    |
| Investment property   | 2,534             | 3,513 |
| Fixed assets  | 1,500             | -     |
| Right-of-use assets   | 668               | -     |
| Deferred expenses   | 407               | -     |
| Other receivables and debit balances                                | 135               | 33    |
| Inventory   | 117               | -     |
| Inventory of real estate and buildings for sale                     | 65                | 44    |
| Financial assets measured at fair value through profit or loss      | 20                | -     |
| Intangible assets   | 2,644             | -     |
| Loans, deposits, restricted deposits and debit balances             | 334               | -     |
| Trade receivables   | 1,055             | -     |
| Other assets  | 14                | 9     |
| Cash and cash equivalents   | 817               | -     |
| Total assets of disposal groups held for sale                       | 10,442            | 3,695 |
| <b><u>Liabilities of disposal groups held for sale</u></b>          |                   |       |
| Trade payables and other payables                                   | 1,224             | 171   |
| Loans from banks and other financial liabilities                    | 1,353             | 1,173 |
| Debentures  | 2,904             | -     |
| Provisions  | 143               | 41    |
| Lease liabilities   | 709               | -     |
| Deferred tax liabilities  | 119               | -     |
| Employee benefits   | 14                | -     |
| Other liabilities   | 18                | 3     |
| Total liabilities of disposal groups held for sale                  | 6,484             | 1,388 |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and liabilities of disposal groups held for sale**

##### **1. Avgad House**

In January 2022, a transaction was closed which involved the sale of Property & Building's holdings in Avgad House in Ramat Gan to a third party (which is unaffiliated with Property & Building), for a total consideration of NIS 95 million. The consideration was paid to Property & Building in two payments - the first payment, in the amount of NIS 29 million (approximately 30% of the consideration) was paid to Property & Building on the signing date of the agreement, in October 2021; and the second payment, in the amount of NIS 66 million (approximately 70% of the consideration) was paid to Property & Building in January 2022, on the date when the property was delivered to the buyer.

Accordingly, Property & Building included, in 2021, profit from the increase in value of investment property in the amount of NIS 6 million; the Company's share in the profit was NIS 4 million.

##### **2. Nechasim House**

On October 19, 2021, Property & Building published a request for offers to purchase all of its rights in Nechasim House, a revenue-generating real estate property, with potential for betterment, on HaMasger St. in Tel Aviv-Yafo, which it held (the "Property"), for the period specified therein. On December 2, 2021, following a competitive process which Property & Building conducted, Property & Building engaged (in accordance with the resolution of Property & Building's Board of Directors) with a third party which is unaffiliated with Property & Building (the "Buyer") in a sale agreement (the "Sale Agreement") for the sale of all Property & Building's ownership rights in the property (including all of the interests and liabilities under the lease agreements and the management agreement which applies to the property), for a total consideration of NIS 390 million (the "Consideration").

In accordance with the provisions of the sale agreement, the consideration was paid to Property & Building in two payments - the first payment in the amount of NIS 117 million (approximately 30% of the consideration) was paid to Property & Building on the signing date of the agreement; and the second payment, in the amount of NIS 273 million (approximately 70% of the consideration) was paid to Property & Building in February 2022, on the date when the property was transferred to the buyer and the transaction was closed.

As a result of the aforementioned sale, Property & Building determined the value of the property, in the statement of financial position as at December 31, 2021, according to the sale price in the transaction, and recorded, in its financial statements for 2021, net profit in the amount of NIS 281 million. The Company's share in the profit was NIS 178 million.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and liabilities of disposal groups held for sale (Cont.)**

##### **3. Romano House**

In February 2022, Property & Building published a request for offers to purchase all of its rights in Romano House, a revenue-generating real estate property with potential for betterment on Yafo St. in Tel Aviv-Yafo (the "Property"), in which Property & Building held approximately 72.2% of the rights (indirectly, through a subsidiary which is owned by other shareholders - the "Subsidiary"), and in accordance with the resolution of Property & Building's Board of Directors, Property & Building engaged, in March 2022, together with the other shareholders in the subsidiary (in consideration of the subsidiary's voluntarily liquidation) (Property & Building and the other shareholders, as stated above - the "Sellers") with a third party which is unaffiliated with Property & Building (the "Buyer"), in a sale agreement (the "Sale Agreement") for a total consideration of NIS 371 million (Property & Building's share - NIS 268 million), plus CPI linkage differentials, and plus VAT (the "Consideration"). In accordance with the provisions of the sale agreement, the sellers will sell to the buyer all of the sellers' interests and liabilities in the property (including all of the interests and liabilities according to the lease agreements) including a protected lease) and other agreements, as well as the management agreement which applies to the property), in their current condition ("as is"), and directly.

The consideration will be paid to the sellers in three payments - the first payment in the amount of NIS 37 million (which constitutes approximately 10% of the consideration, the Company's share - NIS 27 million) was paid to Property & Building on the signing date of the sale agreement; the second payment in the amount of NIS 37 million (which constitutes approximately 10% of the consideration, Property & Building's share - NIS 27 million) was paid to the sellers within 30 days after the signing of the sale agreement; the third payment in the amount of NIS 297 million (NIS 305 million plus CPI linkage differentials) (approximately 80% of the consideration, Property & Building's share plus CPI linkage differentials - NIS 220 million) was paid to the sellers on June 26, 2022, the date when the property was transferred to the buyer, and the transaction addressed in the sale agreement was closed.

As a result of the aforementioned sale, Property & Building determined the property's value in the statement of financial position as at December 31, 2021 according to the sale price in the transaction, and included, in its financial statements for 2021, its share in the net profit with respect to the revaluation of investment property, in the amount of NIS 157 million. The Company's share in net profit was NIS 99 million.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and liabilities of disposal groups held for sale (Cont.)**

##### **4. IDBG**

IDB Group USA Investment Inc. ("IDBG") (a company owned by Property & Building (74.18%) and IDB Development (25.82%)) which held, until the closing date of the sale transaction, as stated below, all of the interests in Great Wash Park LLC ("GW").

##### **Sale agreement**

In March 2021, IDBG's Board of Directors decided that, along with the continued investment in the optimization of IDBG's properties, IDBG will take the required action to prepare for the sale of its properties, depending on (among other considerations) market conditions. As part of a competitive process which was held, IDBG engaged, in December 2021, in a sale agreement (the "Sale Agreement") with an entity unaffiliated with Property & Building (the "Buyer"), for the sale of all of its interests and liabilities (indirectly) in the Tivoli project (a commercial and office project) in Las Vegas, Nevada, and in land reserves adjacent to the Tivoli project (jointly: the "IDBG Properties") in their current condition ("as is"), for a total consideration of USD 216 million (the "consideration" and the "Transaction", respectively). The closing date in connection with some of the land reserves located near the Tivoli project was February 28, 2022, and on March 31, 2022 the entire transaction was closed, and the entire consideration was transferred to IDBG.

In accordance with the terms of the sale agreement, upon the closing of the transaction, Property & Building and IDBG repaid the loan from an institutional entity in the amount of NIS 162 million (the "Institutional Loan"), and a loan which was taken out by IDBG from an American bank, in the amount of USD 72 million (the "Loan from the American Bank"). In light of the repayment of the institutional loan in January 2022 by Property & Building, and in light of the fact that Property & Building is considered as the entity which provided the institutional loan directly to IDBG, and is entitled to the repayment amount on the transaction closing date, IDBG repaid to Property & Building, in April 2022, the amounts which are owed to it in accordance with the institutional loan, and the associated indemnification amounts. For details regarding the institutional loan and the loan from the American bank, see Notes 12.A.5.C. and 12.A.5.B., respectively, to the financial statements for 2021.

Upon the closing of the transaction, IDBG received net cash flows in the amount of USD 91 million. After the repayment of the loan from the American bank, as stated above; the repayment of the institutional loan; and other selling costs.

In consideration of the consideration from the aforementioned transaction, and in light of the costs specified above, Property & Building recorded, in its financial statements for 2021, net loss in the amount of NIS 61 million, the Company's shares in the net loss - NIS 39 million, which pertains to the decrease in value of a loan which Property & Building gave to IDBG, and the fair value adjustment thereof at year-end.

On the transaction closing date Property & Building recorded, in the first quarter of 2022, gain on the sale of IDBG's assets in the amount of NIS 120 million (the Company's share in the expected profit - NIS 76 million), which reflects the difference between the net proceeds which were received from IDBG, and the value, in Property & Building's books, of the investment in IDBG. The carrying of the aforementioned profit is attributed, inter alia, to the accounting method with respect to the investment in IDBG, in accordance with the instructions for implementing the amendment to International Accounting Standard (IAS) 28, as stated in Note 2.A.5. above.

Additionally, on the transaction closing date, in 2022 Property & Building carried loss in the amount of NIS 156 million (the Company's share in the loss - NIS 99 million), with respect to the realization of negative balances of the reserve for translation of foreign operations ("Translation Reserves"). The foregoing loss from the realization of the translation reserves had no effect on capital attributable to the Company's owners.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and liabilities of disposal groups held for sale (Cont.)**

##### **5. Residential construction in Israel**

Further to that stated in Note 3.1.F.B.1. above, regarding the resolution of Property & Building's Board of Directors to instruct Property & Building's management to begin the process of evaluating the disposal of Property & Building's holdings in all or part of its activity in the residential construction segment in Israel, some of the residential construction activities in Israel, which Property & Building intends to realize, are presented in the Company's statement of financial position as at December 31, 2022, as assets and liabilities of disposal groups held for sale.

A. In February 2022, a wholly owned subsidiary of Property & Building (the "Subsidiary") published a request for offers to purchase all of its interests in land reserves, including those with residential designation, located near Mandarin Hotel in North Tel Aviv-Yafo, in which Property & Building holds, through the subsidiary, approximately 46% of the interests in a land division with an area of approximately 27 dunams (the subsidiary's share - approximately 13 dunams; the "Land"). On March 7, 2022, Property & Building's Board of Directors approved its engagement (through the subsidiary) in a sale agreement (the "Sale Agreement") with a third party, which is unaffiliated with Property & Building (the "Buyer"), for the sale of all of its interests and liabilities in connection with the land, in its current condition ("as is"), for a total consideration of NIS 347 million, plus CPI linkage differentials, and plus VAT (the "Consideration").

The consideration was paid in two payments - the first payment in the amount of NIS 69 million (which constitutes approximately 20% of the consideration) was paid on the signing date of the sale agreement, in escrow, to the subsidiary's representative, and transferred to the subsidiary, in August 2022; and the balance of the second payment in the amount of NIS 289 million (including linkage differentials) (which constitutes approximately 80% of the consideration) was paid on the date when the land was transferred to the buyer, in October 2022, and the transaction addressed in the sale agreement was thereby closed.

With respect to the aforementioned transaction, Property & Building recorded, in 2022, profit (after tax) in the amount of NIS 269 million (the Company's share - NIS 170 million).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

**A. Assets and Liabilities of Disposal Groups Held for Sale (Cont.)**

**5. Residential construction in Israel (Cont.)**

- B. In November 2022, Property & Building engaged in a sale agreement with a third party which is unaffiliated with Property & Building (the "Buyer"), for the sale of all of the interests of Property & Building and of a wholly owned subsidiary of Property & Building, in a project in the urban renewal (demolition-construction) segment in Rishon Letzion, for a total consideration between NIS 160 million and NIS 175 million (the "Consideration"), which includes payments to third parties, instead of Property & Building, in a total amount of NIS 35 million.

In accordance with the provisions of the agreement, consideration in the amount of NIS 115 million will be paid to Property & Building, in two payments, depending on the fulfillment of milestones which were established in the agreement between the parties. The remaining consideration, up to a total of NIS 25 million, is conditional upon a profitability mechanism which was determined between the parties with respect to the project; however, in any case, Property & Building will be entitled to a total of no less than NIS 10 million, in addition to the aforementioned consideration. The buyer also undertook to pay, instead of Property & Building, payments to third parties, including to the local authority, in an estimated scope (the buyer's share) of NIS 35 million, on dates when the Company will be required to pay to those third parties. The buyer's payment to some of the aforementioned third parties will be paid at the same time as the payment of an identical amount (half each) by Property & Building to the third party, and in a total amount (Property & Building's share) which is estimated as NIS 12 million. The agreement with the buyer included the determination of suspensory conditions (including standard regulatory approvals and required third party approvals), which, insofar as those conditions are not fulfilled by December 31, 2023, will create the right to terminate the agreement, subject to the conditions specified therein (the "Suspensory Condition Fulfillment Date"). On the other hand, each of the parties will also be entitled to notify the other party of the extension of the suspensory condition fulfillment date by another 3 months. The buyer is also entitled to unilaterally terminate the agreement, in accordance with the provisions which were determined between the parties. In February 2023, after the date of the statement of financial position, approval for the consolidation and division plan with respect to some of the lots in the project was received from the District Planning And Construction Committee, which constitutes a part of the required conditions for closing the agreement.

It is hereby clarified that there is no certainty regarding the closing of the transaction, due to factors which are not under Property & Building's exclusive control.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and Liabilities of Disposal Groups Held for Sale (Cont.)**

##### **5. Residential construction in Israel (Cont.)**

##### **B. (Cont.)**

On January 2, 2023, after the date of the statement of financial position, Property & Building received a statement of claim which had been filed with the Central District Court of Lod (the "Claim"). The claim was filed against a subsidiary of Property & Building, against the buyer and against additional third parties (the "Additional Companies"; jointly: the "Defendants"). In the claim it was asserted, inter alia, that the plaintiff has the right of first refusal in case the additional companies or the subsidiary decide to sell certain projects to a third party, including the project, and the plaintiff requested, inter alia, to order the defendants to furnish it with a copy of the sale agreement, in order to allow it to consider exercising the alleged right of first refusal; To declare that the defendants are not entitled to work on closing the transaction addressed in the sale agreement without giving the plaintiff the right of first refusal, to issue a permanent injunction prohibiting the completion of the transaction, and to order the defendants to give the plaintiff an opportunity to exercise the alleged right of first refusal; Alternatively, the petitioner requested to order the termination of the agreement from 2012, and to return its interests in the project. The subsidiary disputes the plaintiff's claims, and will work to defend its rights in full.

C. On January 15, 2023, after the date of the statement of financial position, Property & Building entered into a sale agreement with a third party which is unaffiliated with Property & Building (the "Buyer"), regarding the purchase of all of its rights to land located at Mordot HaCarmel in Haifa, in its current condition ("as is"), for a total consideration of NIS 110 million, plus CPI linkage differentials and plus VAT (the "Agreement", the "Land" and the "Consideration", respectively). In accordance with the provisions of the agreement, the consideration will be paid to Property & Building in several payments until March 30, 2023. With respect to the last payment, in the amount of NIS 60 million, the buyer will be entitled to receive a loan from Property & Building, which it will repay by November 30, 2023, and will bear annual interest at a rate of 8% (the "Seller's Loan"), against the registration of a first priority pledge or mortgage, with no restriction as to amount. Fees and levies, the basis for which originated on or after the signing date, will apply to the buyer; while those the basis for which originated before the signing date, even if they were effectively demanded after the signing date (the "Fees"), will apply to Property & Building.

With respect to the transaction, Property & Building is expected to record, on the transaction closing date, and subject to the closing thereof, in the first quarter of 2023, profit in the amount of NIS 105 million (the Company's share: NIS 66 million). This amount of profit may differ from the above in accordance with the valuation of fair value in the consideration balance, insofar as Property & Building provides the seller's loan, as well as the payment of the fees, if applicable. As at the publication date of the financial statements, the buyer has transferred to Property & Building a payment in the amount of NIS 15 million on account of the consideration.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and Liabilities of Disposal Groups Held for Sale (Cont.)**

##### **5. Residential construction in Israel (Cont.)**

D. On February 27, 2023, after the date of the statement of financial position, Property & Building received, from a third party which is unaffiliated with Property & Building, an irrevocable offer to acquire all of the rights to the land located in Hadera, which are designated for around 420 residential units (the "Land"), in its current condition ("as is"), for a total consideration of NIS 255 million (the "Consideration" and the "Offer", respectively). Property & Building's share in the land amounts to 65% of the land rights, and accordingly, Property & Building's share in the consideration, according to the offer, amounts to a total of NIS 166 million. It is noted that in accordance with the agreement between Property & Building and its partners in the land (the "Partners"), Property & Building is required to notify the partners of the offer, and the partners have the right to purchase the Company's share in the land according to the terms of the offer (the "Offer Obligation"), or to join the sale, under the same conditions. Insofar as the partners choose not to purchase the land in accordance with the offer obligation, Property & Building will be entitled, in accordance with the provisions of the agreement between it and the partners, as stated above, to obligate the partners to join the sale of the land, under the same conditions at which Property & Building is selling its share. Accordingly, and subject to the non-exercise of the partners' right to acquire the land in accordance with the first offer obligation, Property & Building intends to work towards engaging in a sale agreement based on the wording of the agreement which was attached to the offer. It is clarified that as at the publication date of the financial statements, there is no certainty that a binding sale agreement will be signed with any of the parties. Insofar as a binding sale agreement for consideration is signed, as stated above, Property & Building is expected to record, with respect to the transaction, on the closing date thereof, and subject to the closing thereof, profit in the amount of NIS 50 million (the Company's share in the expected profit: NIS 32 million), and cash flows from the transaction are expected to amount to NIS 100 million.

##### **6. Epsilon**

In November 2022, the Company entered into an agreement for the sale of its entire stake in Epsilon (67.4%).

It was further agreed that Epsilon's holdings in Epsilon Underwriting and Issuing Ltd. ("Epsilon Underwriting") (approximately 80%), will be acquired by Epsilon's current shareholders, in consideration of payment in the amount of Epsilon Underwriting's equity, proximate to the closing date of the transaction, distributed according to their holding rates (the Company's share in Epsilon Underwriting is approximately 54%).

In February 2023, after the date of the statement of financial position, a transaction involving the sale of the Company's holdings in Epsilon was closed, for a total consideration of approximately NIS 53 million (not including a dividend which was received from Epsilon in January 2023, in the amount of NIS 1 million), and another transaction was closed which involved the acquisition of the Company's share in Epsilon Underwriting, in consideration of a total of approximately NIS 4 million. with respect to the transaction, the Company recorded, in 2022, loss in the amount of NIS 2 million.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **A. Assets and Liabilities of Disposal Groups Held for Sale (Cont.)**

##### **7. Mega Or claim**

In April 2020, Mega Or and Big Shopping Centers Ltd. (in this note - the "Plaintiffs") filed a claim against Property & Building, its subsidiary and Messrs. Kidan Dahari and Yaron Adiv ("Adiv and Dahari", the "Defendants" and the "Claim", respectively), along with a motion for a provisional injunction on an ex parte basis, in which it requested, inter alia, to estop Property & Building from executing an alternative transaction to the transaction dated January 26, 2020, regarding the acquisition of Property & Building's shares in Ispro The Israeli Properties Rental Corporation Ltd. by Mega Or (the "Mega Or Agreement"). In the claim, the Court was requested to issue a permanent injunction against the defendant, which will prevent the execution of the agreement dated April 8, 2020, for the purchase of Property & Building's shares in Ispro to Adiv and Dahari, and the signing and execution of any other transaction for the sale of Ispro shares to the defendants, as well as various declaratory orders. The motion for a temporary injunction was dismissed by the Court, further to the Court's order that the plaintiffs announce whether they insist on their request, and regarding the holding of a hearing in the presence of the parties, the plaintiffs notified the Court that they did not insist on their request, but insisted on their claim.

On August 27, 2020, Property & Building and the subsidiary filed a statement of defense in which they rejected the assertions in the claim, and raised preliminary assertions for the summary dismissal of the claim, and filed a statement of counterclaim against Mega Or and Big (the "Counterclaim"), in which they petitioned, inter alia, for payment in the amount of approximately NIS 100 million to Property & Building and to the subsidiary, in respect of damages which they incurred due to fundamental and material breaches of the Mega Or agreement, and due to their actions and omissions.

Following Mega Or's notice to Property & Building, dated October 19, 2020, regarding the termination of the Mega Or agreement and receipt of court approval, Mega Or and Big filed, on January 6, 2021, an amended statement of claim which did not include a remedy of adjusting the agreement and remedy of estopping the counter transaction, and instead claimed monetary relief of reimbursement of expenses and legal fees (in an immaterial amount), as well as declaratory relief affirming that the agreement had been terminated lawfully on their part. On March 17, 2021, Property & Building filed a revised statement of defense in response to the revised statement of claim which was filed by Mega Or and Big.

Additionally, further to Property & Building's demand towards the trustee in the Mega Or agreement (the "Trustee"), to transfer to it (as partial compensation) the first deposit which Mega Or deposited with him, in the amount of NIS 15 million, as part of the Mega Or agreement, and Mega Or's objection to transfer the first deposit to Property & Building as compensation, as stated above, in April 2020 the trustee filed with the Court a motion to issue an order regarding the way to handle the aforementioned deposit, and in the hearing which was held on April 11, 2021, the Court's proposal to unify the two proceedings held before it, for the purpose of rapidly adjudicating them, was accepted.

Further to the Court's orders on April 11, 2021, the respondents initiated mediation proceedings, which concluded in July 2022, without success by the parties in making the legal proceedings unnecessary. In March 2023, the respondents notified the Court that they had resumed mediation.

As a precaution, the required resolutions regarding the management of the proceedings (in court and in mediation) vis-à-vis Mega Or and Big are passed by Property & Building's Audit Committee, accompanied by external legal advisors.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations**

##### **1. HSBC Tower**

On July 1, 2021, Property & Building's Board of Directors instructed Property & Building's management to begin the process of evaluating the disposal of Property & Building's holdings in HSBC Tower in Manhattan, New York (the "Tower"). For this purpose, Property & Building engaged, in September 2021, with real estate investment bankers, which accompanied Property & Building through the process of evaluation and sale of HSBC Tower. On December 2, 2021, Property & Building engaged (through a wholly owned subsidiary) in a sale agreement (the "Sale Agreement") for the sale of all of its interests and liabilities in the tower, in its current condition ("as is"), for a total consideration of USD 855 million (the "Consideration"), subject to the adjustments which were determined in the sale agreement. In accordance with the provisions of the sale agreement, the buyer deposited with a trustee, on account of the consideration, a hard (irrevocable) deposit in the amount of USD 35 million. In accordance with the provisions of the sale agreement, the transaction closing date was expected to be May 16, 2022 (after a postponement of 14 days, with Property & Building's consent, concurrently with the provision of the deposit in the amount of USD 35 million in Property & Building's account). On the transaction closing date, in accordance with the provisions of the sale agreement, the buyer did not close the transaction. In accordance with the provisions of the sale agreement, the deposit which was provided by the buyer, in the amount of USD 35 million, remained with Property & Building. Property & Building's share in the forfeiture of the deposit, as stated above, amounted to net income of NIS 80 million (the Company's share - NIS 51 million), which was included in the financial statements for 2022, under discontinued operations.

In 2022 Property & Building evaluated the possibility of selling the tower, and negotiated with several entities regarding its sale.

On November 23, 2022, Property & Building engaged with a third party, which is unaffiliated with Property & Building, in an agreement under which that third party was given an exclusivity period of 60 days, beginning from the aforementioned date, which was extended on the conclusion date of exclusivity for another 30 days (the "Exclusivity Period"). During the exclusivity period, that third party was entitled, together with other partners, to engage with Property & Building in an agreement to acquire the tower, the terms of which were agreed upon between the parties on a non-binding basis. In February 2023, after the date of the statement of financial position, the exclusivity period concluded without an agreement for the acquisition of the tower being signed between the parties.

Property & Building will continue conducting negotiations with relevant entities who are interested in acquiring the tower, and in parallel will continue the tower's management and operation activities, and will work on optimizing it.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **1. HSBC Tower (Cont.)**

Property & Building's investment in companies which directly and indirectly hold the tower (the "American Companies") includes the balance of the investment of a negative translation reserve of foreign operations (the "Translation Reserve"), the balance of which, as at December 31, 2022 was NIS 147 million, with the Company's share in the principal being 83 million. In accordance with the Company's accounting policy, as stated in Note 3B.(2) above, the balance of the translation reserve, as at the closing date of the transaction, will be carried as loss in the Company's statement of income, with no effect on the balance of the Company's capital attributed to owners.

In light of the foregoing, the activity of the tower is presented in the Company's statement of financial position as at December 31, 2022, as assets and liabilities of disposal groups held for sale, and the operating results were classified as discontinued operations in the Company's statements of income in the 3 years the last of which ended December 31, 2022, in order to also present the activity of the tower separately from continuing operations.

B. In May 2022, a member corporation of HSBC Group which leases around 63% of the tower's areas, announced that it was not extending its lease agreement in the tower, which concludes on April 30, 2025. As at the publication date of the report, the occupancy rate in the tower is 95%, and in accordance with the current lease agreements, including of the foregoing corporation, the occupancy rate is expected to remain high during the next two years as well.

C. In the consolidated statement of financial position as at September 30, 2022, Property & Building updated the tower's value to a total of USD 720 million, inter alia, in accordance with a price indication which was received in negotiations which Property & Building conducted in connection with its sale, and in consideration of a valuation of an independent valuer in the United States, which was prepared in the second quarter of 2022. In the fourth quarter of 2022, an updated valuation was prepared for the tower by the aforementioned valuer, according to which the tower's value amounted to approximately USD 725 million. In consideration of the fact that the tower's value was proximate to the price indication which was received, as stated above, Property & Building kept the tower's value in the statement of financial position as at December 31, 2022 at a total of USD 720 million.

In accordance with Regulation 8B of the Reports Regulations, an economic paper on this subject as at November 30, 2022 is attached to these financial statements, by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building as at December 31, 2022, which were reported and published on March 26, 2023 (reference number 2023-01-027655). The valuation was prepared by discounting the future cash flows which are expected to arise from the property. The capitalization rate which was used by the valuer was 6.5%, and assumed NOI during the realization year was USD 60 million.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### B. Discontinued operations (Cont.)

##### 1. HSBC Tower (Cont.)

Due to the foregoing update to the tower's value, Property & Building recorded in 2022 net loss in the amount of NIS 282 million. DIC's share was NIS 178 million.

- D. Further to that stated in Note 12.B.1.B. to the financial statements for 2021, in connection with a loan which was provided by an American bank for the tower (the "American Bank" and the "Tower", respectively), whose repayment date was July 1, 2022, and the balance of which as at the foregoing date amounted to USD 375 million (the "Current Loan"), on July 1, 2022, Property & Building engaged (through two American corporations wholly owned by it (indirectly) - 452 Fifth Mezz I LP, and an investee corporation directly held by it, 452 Fifth Owners, jointly - the "Property Companies"), with the American bank and with an American financial entity (the "Lenders"), in loan agreements (jointly: the "Agreement"), whose main terms are as follows:

Loan - The lenders provided to the property companies a loan with no recourse towards Property & Building and/or the property companies (except for special cases, according to the standard practice for loans of this kind), in a total amount of USD 385 million, repayable in a single payment at the end of the loan period, on July 9, 2024 (with two options for extension, for a period of one year each, subject to the terms of the agreement). The loan is comprised of a primary loan in the amount of USD 350 million, which was provided to 452 Owners, and which is secured by a first ranking pledge on the tower, and by additional collateral, according to the standard practice (as specified below) (the "Primary Loan"), and by a secondary loan which was provided to the additional property company, in the amount of USD 35 million, which is secured by a first ranking pledge on all of its rights in 452 Owners (the "Secondary Loan". The primary loan and the secondary loan, jointly hereinbefore and hereinafter: the "Loan").

Interest - The loan will bear interest at a monthly rate of SOFR plus 4.5%. In parallel with the acceptance of the loan, 452 performed an economic hedge on the SOFR rate to limit the interest rate to an annual rate of 3%, for a period of two years after the acceptance date of the loan.

Repayment fee - The loan will bear a repayment fee at a rate of 0.25%, which will be paid on the final repayment date. The loan may be prepaid for an additional fee at a rate of the margin of 4.5%, from the repayment date until July 9, 2023.

Use of the loan funds - The loan funds, including an additional injection of funds from Property & Building in the amount of USD 48 million, were used mostly for the repayment of the current loan, including the release of the collateral which was provided with respect thereto (USD 375 million), to provide deposits, which will be used to finance expenses associated with the upgrade works in the tower, tenant change costs, agency fees for the rental of areas in the tower, and other reserves which are required in accordance with the agreement (USD 43 million and for transaction expenses, local taxes and to purchase an interest rate hedge.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

**B. Discontinued operations (Cont.)**

**1. HSBC Tower (Cont.)**

**D. (Cont.)**

Collateral - To secure the repayment of the primary loan (in the amount of USD 350 million, as stated above), 452 Owners recorded a first ranking mortgage on the tower, and on the land on which it is built; and also recorded additional pledges, including a first ranking pledge on the equipment (both fixed and movable equipment) and intellectual property rights associated with the land and the tower; A pledge and assignment of rights of and in all of the lease agreements and rent which will be paid in connection with the tower and the land, or the use thereof, and a pledge on the guarantees with respect thereto; A pledge on agreements associated with the use, management and operation of the tower; A first ranking pledge on the bank accounts which 452 Owners manages and will manage in connection with its interests in the tower, including accounts in which the proceeds from the tower will be deposited, the accounts through which the principal and interest of the loan will be paid, and the accounts in which will be deposited, on the trade date and throughout the loan period, the amounts to finance the investments, improvements and fees; And a pledge on all of the rights to the insurance benefits, tax refund rights, and certain claim rights in connection with the land and the tower. To secure the repayment of the secondary loan (as stated above, in the amount of USD 35 million), a first ranking pledge was recorded on all of the interests in 452 Owners, and on all of the rights which are associated with those interests.

The loan includes provisions pertaining to the depositing of all of the proceeds from the tower's activity (including from rent and other services) in designated accounts, which are pledged, as stated above, towards the American bank (the "Pledged Account"). These funds will serve for the current repayment of the interest with respect to the loan, financing operating activities in accordance with an approved budget, and contributions to reserve deposits in accordance with the agreement. The balance in the pledged account, if any remains, will serve as a cushion to finance upgrade works in the tower (30% of the balance, but no more than USD 15 million), and any remaining funds will serve as a reserve for tenant improvements (TI), agency fees, and for 452 Owners' operating activities, subject to the lenders' approval.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **1. HSBC Tower (Cont.)**

As stated above, the loan is non-recourse, except for the following guarantees: Property & Building and PBC USA Investment Inc. (“PBC USA”), an American corporation wholly owned (indirectly) by Property & Building, which holds the property companies through full ownership (indirectly), provided guarantees with respect to the primary loan and the secondary loan, with no restriction as to amount, for the payment of the entire amount of losses which may be incurred by the lenders due to certain cases only which were defined (carve out guarantees), which include standard cases in agreements of this kind (e.g., fraud, misrepresentation, malicious use of funds and/or insurance benefits, causing loss to the tower’s physical value, commencement of prohibited liquidation or receivership proceedings, or other similar prohibited proceedings, at the initiative of the property companies, or in collaboration with others, receipt of additional financing in any manner which is not in accordance with the terms of the agreement, recording an additional pledge on the tower, any prohibited transfer of rights, dangerous materials and the environment), and signing of an update to the HSBC agreement without the lenders’ approval, which results in cash flow losses, as defined in the agreement. Property & Building also provided a guarantee with respect to the secondary loan with respect to loss, if incurred, due to assertions pertaining to the ownership of the property since 2010, the date when it was acquired by Property & Building.

**Financial covenants** - In favor of the guarantee, financial covenants were established in the agreement for Property & Building, which will be evaluated once per year, on the date of the annual financial statements, in accordance with Property & Building’s consolidated annual financial statements, according to which: (A) “net value” of no less than USD 250 million, which will be calculated as at the given date - (i) the total assets of Property & Building, not including the tower; less - (ii) the total liabilities of Property & Building, not including the loan, the mezzanine loan, accumulated income tax with respect to the property, deferred taxes attributed to the tower, and provisions for unpaid broker fees with respect to the property; (B) Maintaining “liquid balances”, as defined in the agreement, in an amount of no less than USD 25 million. As at December 31, 2022, Property & Building is fulfilling the aforementioned financial covenants.

**Additional restrictions** - The agreement provides additional restrictions on the property companies, which are associated with additional financing, the creation of pledges with respect to and in connection with the tower, transfer of the ownership rights (and the associated rights) in the tower, engagement in material lease agreements, restrictions associated with the property companies’ form of incorporation, field of activity, and more. It is noted that any breach of the primary loan will necessarily constitute a breach of the secondary loan, but not vice versa.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **1. HSBC Tower (Cont.)**

##### **E. Provision with respect to agreement with Rock Real, as follows:**

On November 12, 2009, the Audit Committee and Board of Directors of Property & Building approved the engagement of Property & Building in an agreement with Rock Real Estate Partners Limited ("Rock Real"), under which Rock Real will initiate and offer to Property & Building, from time to time, to acquire rights to real estate properties outside of Israel ("real estate properties"), will assist in negotiations in connection with the acquisition of the real estate properties and in the receipt of financing to acquire them, will accompany and coordinate the acquisition until its completion, will provide strategic consulting services with respect to the management and betterment of real estate properties, and will assist in the identification of transactions for the sale of the real estate, and the implementation thereof, in accordance with the requirements of Property & Building (the "Agreement"). In consideration of each of the transactions for the acquisition of real estate properties in which Property & Building will engage and which have been offered to it by Rock Real, and accompanied by it, as stated above, Property & Building will pay to Rock Real a consideration at a rate of 12% of the profit which will materialize for Property & Building with respect to the real estate property (i.e., total income after deducting all investments and expenses with respect to the property).

Payment will be effected only upon the sale of the real estate property or if, before the sale of the real estate asset, Property & Building recoups its entire investment and expenses with respect to the purchase of the real estate asset and its management in real values, including from current revenues and from refinancing as part of non-recourse loans to Property & Building, all in accordance with the conditions and in the manner of the accounting set out in the aforesaid agreement.

The agreement was approved in Property & Building's general shareholders' meeting on December 21, 2009, for a period of five years; however, upon the entry into effect of Amendment 16 to the Companies Law, and in accordance with transitional provisions therein, the agreement expired on December 21, 2012 (three years after the date of its initial approval).

On January 24, 2017, Property & Building's Board of Directors adopted a legal opinion according to which, inter alia, in light of Amendment 16 to the Companies Law, which requires the ratification of transactions which were approved in accordance with section 270(4) of the Companies Law once every three years, the agreement expired 3 years after its original date of approval, i.e., on December 21, 2012. Therefore, Property & Building contacted Rock Real in order to determine the consideration which Rock Real will be entitled to receive in light of the expiration of the agreement, with respect to the HSBC Tower. Rock Real rejected the assertions of Property & Building and requested the appointment of an arbitrator to resolve the dispute.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **1. HSBC Tower (Cont.)**

On March 1, 2021, after arbitration proceedings were conducted between the parties for the purpose of reaching a determination regarding the disputes between the parties, the arbitration decision was given, which was approved by the Court, which adopted, inter alia, Property & Building's legal position, and determined that the agreement had expired. It was therefore ruled that Rock Real is not entitled to the full fee which was specified in the agreement (12% of profit arising for the Company with respect to the real estate property, but rather to a fee at a rate of 6% of the profit from the real estate property, to be paid in accordance with the provisions of the agreement, and according to the calculation method and payment method defined therein, if and when profit has arisen from the real estate property, until the date of the property's sale.

In accordance with the provisions of IAS 37, Property & Building adopted the arbitration decision, in the calculation of the provision as at December 31, 2020. Property & Building recorded income / expense and a liability with respect to Rock Real's services, in parallel with the recording of an increase / decrease in the asset's fair value, and the current profit arising therefrom.

The balance of the provision as at December 31, 2022 is NIS 36 million (December 31, 2021 - NIS 41 million).

|   | For the year ended December 31 |      |      |
|---|--------------------------------|------|------|
|   | 2022                           | 2021 | 2020 |
|   | NIS millions                   |      |      |
| Income with respect to decrease of the provision for Rock Real services | 10                             | 11   | 96   |
| The Company's share income  | 6                              | 7    | 71   |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom**

- A. On June 28, 2022, the Company's Board of Directors resolved to instruct Company management to evaluate the disposal of all or part of the Company's holdings in Cellcom, in a single transaction, or in several transactions. In August 2022, the Company engaged with an investment bank which will accompany the Company in the process of evaluation and sale of Cellcom shares.
- B. In August 2022, the Company sold, in over the counter transactions, to several entities which are unaffiliated with the Company, Cellcom shares which constitute approximately 9.9% of Cellcom's issued and paid-up share capital, in consideration of (net, after deducting fees) NIS 311 million. After the foregoing sale, the Company's stake in Cellcom's issued capital decreased, as at the date of the financial statements, from approximately 45.7% to approximately 35.7%, and its stake in its voting rights decreased from approximately 47.8% to approximately 37.7%. According to the Company's assessment, although the Company holds less than half of the company's voting rights, it has effective control of Cellcom, inter alia, due to the Company's high stake in voting rights, the distribution of the other voting rights, and in light of the voting patterns in the general meetings of Cellcom shareholders. Cellcom's financial statements are therefore consolidated in the Company's financial statements. Therefore, in accordance with international accounting principles, the aforementioned transaction was accounted for as a capital transaction with non-controlling interests, while retaining control, and the Company recorded, in 2022, an increase in capital attributed to the Company's owners in the amount of NIS 37 million.
- C. In February 2023, after the date of the statement of financial position, approval was received from the Ministry of Communication for the sale of up to an additional 9.5% of the Company's holdings in Cellcom, in a manner whereby DIC's holding in Cellcom, after the foregoing sale, will not fall below 26% each of DIC's means of control in Cellcom.
- D. As at the publication date of the report, the Company is still evaluating various possibilities for the realization of its holdings in all or some of the Cellcom shares. Subject to the market conditions and the terms of the transaction in question, if any, including the consideration offered therein, and the value which it reflects for the Cellcom shares. It is clarified that there is no certainty that this evaluation will mature into engagement in a binding agreement for the sale of the Company's holdings in Cellcom, and there is no certainty regarding the feasibility, timing, or terms of the aforementioned sale transaction.

In light of the Company's intention to sell additional shares of Cellcom which it holds, as stated above, which involves the loss of control of Cellcom, the Cellcom operation is presented, in the Company's statement of financial position as at December 31, 2022, as assets and liabilities of disposal groups held for sale, and the operating results for the year ended December 31, 2022, were classified as a discontinued operation in the Company's statements of income. The comparative figures in the statements of income and in the statement of cash flows were adjusted retrospectively, in order to also present the Cellcom operation separately from continuing operations.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

#### **E. Main changes in 2022 in the long term liabilities and financial covenants of Cellcom**

- The terms and repayment periods of Cellcom's debentures are specified in the following table:

|                                    | Nominal<br>interest<br>rate | Repayment<br>year | December 31, 2022<br>NIS millions |               |
|------------------------------------|-----------------------------|-------------------|-----------------------------------|---------------|
|                                    |                             |                   | Par<br>value                      | Book<br>value |
| Debentures (Series H) - CPI-linked | 1.98%                       | 2018 to 2024      | 304                               | 320           |
| Debentures (Series I) - unlinked   | 4.14%                       | 2018 to 2025      | 338                               | 333           |
| Debentures (Series J) - CPI-linked | 2.45%                       | 2021 to 2026      | 72                                | 78            |
| Debentures (Series K) - unlinked   | 3.55%                       | 2021 to 2026      | 497                               | 496           |
| Debentures (Series L) - unlinked   | 2.50%                       | 2023 to 2028      | 1,330                             | 1,286         |
| Debentures (Series M) - unlinked   | 4.73%                       | 2025 to 2030      | 395                               | 391           |
| Total debentures                   |                             |                   | <u>2,936</u>                      | <u>2,904</u>  |

- In July 2022, Cellcom performed a private issuance of debentures (Series L) to classified investors, by way of an extension of an existing debenture series, in the amount of 105 million par value, and in consideration of a total of approximately NIS 100 million, reflecting an effective annual interest rate of 4.5%. For details regarding the terms of Cellcom's debentures (Series L), see section 1 above and 4 below.
- In September 2022, Cellcom performed an issuance of debentures (Series M) in the amount of 395 million par value, for a net total consideration of NIS 391 million (gross total of NIS 395 million).  
The debentures (Series M) bear fixed annual interest at a rate of 4.73%, which will be paid in two payments each year, on January 5 and July 5 of each of the years 2023 to 2030 (inclusive). The principal of the debentures is repayable in six unequal annual payments, as specified below: 5% of the principal will be paid on January 5, 2025; 10% of the principal will be paid on January 5, 2026; 15% of the principal will be paid on January 5 of each of the years 2027 and 2028; and 27.5% of the principal will be paid on January 5 of each of the years 2029 and 2030.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **E. Main changes in 2022 in the long term liabilities and financial covenants of Cellcom (Cont.)**

4. Cellcom undertook to fulfill financial covenants and other restrictions in connection with the debentures (Series H-M) which are not secured by pledges and include standard conditions, such as the following:
  - An undertaking to avoid a distribution of over 95% of the distributable profits in accordance with the Companies Law (the "Profits"); Provided that (1) if Cellcom's ratio of net debt to EBITDA exceeds a ratio of 3.5:1, Cellcom will not distribute more than 85% of the earnings; (2) If Cellcom's ratio of net debt to EBITDA exceeds a ratio of 4:1, Cellcom will not distribute more than 70% of the earnings; and (3) If Cellcom's ratio of net debt to EBITDA exceeds a 5:1, or 4.5:1 during four consecutive quarters, and/or if Cellcom's equity falls below NIS 700 million in two consecutive quarters (Series M only), Cellcom will not distribute dividends.
  - Undertaking regarding the rating of the debentures by a rating company (insofar as the matter is under Cellcom's control).
  - Undertaking to pay additional interest at a rate of 0.25% with respect to a decrease of two notches in the rating of the debentures (Series H to K), 0.25% with respect to a decrease of one notch in the rating of the debentures (Series M), and 0.5% with respect to a decrease of two notches in the rating of the debentures (Series L), and additional interest of 0.25% with respect to each reduction of one notch in the rating of the debentures, up to a maximum addition of 1% relative to their rating prior to the issuance.
  - An undertaking by Cellcom not to issue additional debentures from any of the series if Cellcom does not fulfill the financial covenants, or if the aforementioned issuance causes a reduction of the debentures' rating.
  - The ratio of net debt to EBITDA is the ratio between Cellcom's net debt to adjusted EBITDA, during a period of 12 consecutive months, after neutralizing one-time events. In this regard, "net debt" is defined as credit and loans from banking corporations and from financial institutions which are engaged in the provision of credit, and liabilities with respect to debentures, after deducting cash and cash equivalents, deposits (excluding restricted deposits against bank guarantees), and current investments in marketable securities.
  - Adjusted EBITDA - Represents the profit before interest (finance expenses, net), taxes, other income (expenses) which are not part of Cellcom's operating activities (including expenses with respect to legal claims, which are included under the item for other expenses), depreciation and amortization, profit (loss) from associate companies and share-based payments. Also including other income (expenses) which are a part of Cellcom's operating activities, such as interest with respect to sale transactions in payments and expenses with respect to voluntary retirement.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **E. Main changes in 2022 in the long term liabilities and financial covenants of Cellcom**

(Cont.)

##### **4. (Cont.)**

Cellcom's debentures also include default events, including:

- A negative pledge undertaking, subject to certain exceptions. Failure to fulfill this undertaking will be considered grounds for demanding immediate repayment.
- A demand for repayment of another debt of Cellcom (cross default) by another lender which is not a provider (with respect to the debentures (Series M) only - by a banking entity and/or financial institution), except with respect to debt in the amount of NIS 150 million or less. The restriction on the aforementioned debt repayment demand will not apply to a cross default which was caused due to another one of Cellcom's debenture series.
- In case Cellcom stops operating in the mobile telecom segment and/or stops holding its mobile license for a period exceeding 60 days.
- Suspension of trading of the debentures on the Tel Aviv Stock Exchange for a period exceeding 45 days.
- Performance of a distribution which does not fulfill Cellcom's undertaking regarding the restrictions on the distribution of profit.
- Non-rating of the debentures for a period exceeding 60 days.
- A motion or court order regarding a stay of proceedings against Cellcom, or the filing of a motion for a creditors' settlement.
- Sale of a significant part of Cellcom's assets, or a merger (excluding certain exceptions).
- Failure to publish financial statements on time.
- A ratio of net debt to Adjusted EBITDA exceeding 1:5, or exceeding 1:4.5 for four consecutive quarters.
- If Cellcom's equity falls below NIS 700 million in two consecutive quarters (Series M only).
- Failure to fulfill Cellcom's negative pledge undertaking.
- A significant change for the worse in Cellcom's business affairs, as compared with its situation on the issuance date of the debentures, and the existence of a real concern that Cellcom will be unable to repay the debentures on time.
- The existence of a real concern that Cellcom will not service its material liabilities towards the debenture holders.
- The inclusion of a remark in Cellcom's financial statements regarding a concern as to Cellcom's ability to continue operating as a going concern, for a period of two consecutive quarters.
- Breach of Cellcom's undertakings with respect to the issuance of additional debentures.

As at December 31, 2022, Cellcom is fulfilling the determined covenants.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **E. Main changes in 2022 in the long term liabilities and financial covenants of DIC (Cont.)**

##### **5. Long-term loans from financial institutions**

In February 2022, Cellcom engaged with an institutional entity group (the “Lender”) in a framework agreement regarding the provision of credit, up to a total of NIS 250 million, for a period of 24 months after the date of provision of the credit facility (the “Credit Facility”), which will allow Cellcom to receive loans, in Cellcom’s discretion, which are not linked to any index, of two types:

- A. Short-term loans which will be repaid from time to time, and in Cellcom’s discretion, until the end of 24 months after the date of provision of the credit facility. The loans will bear variable interest according to the Bank of Israel interest rate, plus a margin which was determined between the parties. The interest will be repaid in quarterly payments;
- B. Long term loans which will be repaid in equal semi-annual payments from the date of provision of the loan until the end of 7 years after the date of provision of the credit facility. The loans will bear variable interest according to the Bank of Israel interest rate, or fixed interest rate according to the yield rate of government bonds, as at the date of provision of the loan, in Cellcom’s discretion, plus a margin which was determined between the parties. The interest will be repaid in quarterly payments.

Cellcom will pay to the lender, on each of the interest payment dates, a facility non-usage fee, at a rate which was determined between the parties, out of the total unused amount of the credit facility. The provision of the loans is conditional upon Cellcom’s fulfillment of its declarations and undertakings in accordance with the agreement, on the non-occurrence of a default event, and on the absence of any legal restriction preventing the lender from providing the loan.

The agreement is not secured by any collateral, and includes standard conditions and undertakings, including a restriction on the creation of pledges, subject to certain exceptions, restrictions on the distribution of profits, financial covenants and default events generally also apply to Cellcom’s debentures (Series H - L of Cellcom), subject to certain immaterial changes, as well as the possibility of early redemption, in certain circumstances.

As at December 31, 2022, the credit facility has not yet been used.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **F. Intangible assets**

1. The fair value of intangible assets which were purchased in various business combinations was estimated on the date of each business combination as follows:

##### **Brands and trade names**

Fair value was estimated using the relief from royalty approach, according to which the fair value of the asset is estimated according to an evaluation of royalties, which theoretically would have been paid to a third party with respect to the use of the asset. The economic value of the brand is due to the fact that the ownership thereof exempts the property owner from the need to pay such royalties to a third party with respect to the use of the property. The rate of royalties used in the determination of the fair value of the brands is 0.2%-2% (mostly 1%-1.5%) of expected income.

2. Goodwill and brand with undefined lifetimes which are attributed to Cellcom amount, as at December 31, 2022, to NIS 1,796 million and NIS 231 million, respectively.
3. **Impairment test in 2022**

Further to that stated in Note 2.P above, assets which are presented in the financial statements as a disposal group held for sale are measured according to the lower of either book value or fair value, net of selling costs. As at December 31, 2022, Cellcom's fair value net of selling costs is higher than its book value, and therefore, amortization of the goodwill and brand attributed to Cellcom, as presented in the Company's books, was not required.

For details regarding the book value and market value of the Company's investment in Cellcom as at December 31, 2022, and proximate to the publication date of the report, see Note 3.C. above.

As at proximate to the date of the financial statements, Cellcom stock has declined sharply. If the market value, as stated above, remains until March 31, 2023, the Company is expected to record impairment loss according to the difference between the market value, as stated above, net of selling costs, and the book value of the investment as at that date.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **G. Engagements**

1. Cellcom has undertakings in connection with a license which was provided to it in 1994, of which the primary ones include:

- A. Not to pledge any of the assets which are used for the implementation of the license without the advance consent of the Ministry of Communication.

- B. The shared equity of all Cellcom shareholders, together with Cellcom's equity, will not fall below USD 200 million. For this purpose, any shareholder who holds less than 10% of Cellcom's capital rights will not be taken into account.

According to Cellcom's assessment, it is fulfilling the aforementioned undertakings.

2. As at December 31, 2022, Cellcom and its investee companies have undertakings to acquire equipment for the telecommunication networks, equipment for mobile telephones and for the maintenance of software programs and systems, content and associated services, in the amount of NIS 293 million.

3. Sharing agreement with WeCom (formerly Marathon 018 Xfone Ltd.):

The agreement regarding sharing of the 4G and 5G networks and hosting services for the 2G and 3G networks with WeCom entered into effect in April 2017. Updates to the agreement entered into effect in March 2022 (the "Closing Date"), as part of the creditors' settlement agreement with respect to WeCom (the "Sharing Agreement" or the "Network Sharing Agreement"). WeCom commenced activity in the mobile market on April 2018.

The sharing agreement with WeCom determines the conditions of operation of the shared 4G and 5G network, the conditions of provision of hosting services with respect to the 2G and 3G networks, and determines, inter alia, the following conditions:

- A. Regulation of the use of the parties' relevant frequencies; Management and operation through a shared corporation (the "Shared Corporation"); Regulation of the parties' holdings in the shared network's active components; Regulation of future investments in the shared network's active components; Regulation of the indefeasible rights of use (IRU), with respect to the active components, of each sharing party, towards the other sharing party; Provision of indefeasible rights of use (IRU) by Cellcom to WeCom and to the shared corporation with respect to the shared network's passive components; Regulation of services which will be given by Cellcom to the shared corporation as a subcontractor; Arrangements regarding the parties' separation; And arrangements regarding the addition of another sharing partner. The sharing agreement includes an undertaking to pay the frequency fees with respect to the frequencies with respect to it by the Ministry of Communication.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

**B. Discontinued operations (Cont.)**

**2. Cellcom (Cont.)**

**G. Engagements (Cont.)**

**3. Sharing agreement with WeCom (formerly Marathon 018 Xfone Ltd.) (Cont.)**

**B. Agreement period** - The agreement will be in effect for a period of 10 years after the completion date. See details below regarding the circumstances in which WeCom will have the possibility to shorten the agreement period to seven years.

**C. Consideration** - The annual consideration which Cellcom will receive during the period of the agreement with WeCom includes: (1) payment for IRU to the shared network's passive components, (2) payment for WeCom's share in the cost of the shared network's active components, and the use thereof on the shared network and on Cellcom's 2G and 3G networks, and (3) payment for participation in the routine operating costs of the shared network and of Cellcom's 2G and 3G networks, depending on the number of WeCom subscribers, and their use of the shared network and of Cellcom's 2G and 3G networks. Cellcom estimates that the total consideration from the sharing agreement, which also includes participation in the purchasing of equipment for the shared network, will amount, during the agreement period (10 years), to a total of NIS 400 to 600 million. Cellcom believes that the discounts specified in section D. below, if given, will not significantly change Cellcom's estimate regarding the total consideration from the sharing agreement, while the shortening of the agreement, if it occurs, will proportionately reduce the total consideration.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

**B. Discontinued operations (Cont.)**

**2. Cellcom (Cont.)**

**G. Engagements (Cont.)**

**3. Sharing agreement with WeCom (formerly Marathon 018 Xfone Ltd.) (Cont.)**

**D. Call option, loan option and put option** - Clear Telecommunication Holdings Limited Partnership ("Clear") - WeCom's controlling shareholder, after the completion of WeCom's creditors' settlement, was given the possibility to obligate Cellcom to acquire WeCom's entire (100%) share capital, during a period of three to five and a half years after the closing date, for a total consideration of approximately NIS 130 million (which may increase in certain circumstances) the "Call Option"). Insofar as the aforementioned call option, which is conditional on the receipt of regulatory approvals from the Ministry of Communication and the Competition Commissioner, is not exercisable, Clear was given the possibility to obligate Cellcom to provide to WeCom an interest-bearing loan of the same amount, against collateral, the amount of which was agreed upon between the parties, and subject to the provisions of any applicable law (the "Loan Option"). Cellcom is unable to estimate whether the call option will be exercised, and if so, whether the required approvals for its exercise will be received, and under what conditions.

In certain circumstances, in case it is not possible to exercise the call option which was given to Cellcom, nor the loan option, WeCom will be entitled to certain discounts with respect to incremental payments which it will be required to pay to Cellcom, and it will be entitled to shorten the agreement period by three years (to seven years). Insofar as WeCom chooses to shorten the sharing agreement, as stated above, Cellcom was given the possibility to obligate WeCom's shareholders to sell to Cellcom WeCom's entire issued and paid-up share capital, for a total consideration of NIS 130 million, subject to the receipt of regulatory approvals, as stated above (the "Put Option"). Cellcom is unable to estimate whether circumstances will be fulfilled which give the right to discounts, to shorten the agreement, or to the put option, whether those rights will be exercised, and insofar as the put option is exercised - whether the regulatory approvals required for it to be exercised will be received, and under what conditions.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **G. Engagements (Cont.)**

##### **4. Agreements regarding investment in IBC:**

In September 2020, Cellcom engaged, together with the IIF, in investment agreements with Hot Cable Telecommunication Systems Ltd. (together with its related entities) ("Hot") in IBC. In addition to standard and customary conditions, the transaction includes an undertaking to significantly increase the distribution of IBC's fiber optic network (approximately 1.7 million households) in the coming years, and the following main points:

- A. Investment agreements - between the IBC Partnership and Hot, under which Hot will become an equal partner in the IBC Partnership (such that each of the partners will indirectly hold 23.3% of IBC's share capital), by making an investment which will be essentially identical to the investment which was made by Cellcom and the IIF, until the transaction completion date. The investment agreements also include additional corporate governance rights, and other mechanisms.
- B. Agreement regarding the purchase of IRU in IBC's fiber optic infrastructure - between IBC and Hot, in which Hot undertook to acquire indefeasible rights of use in IBC's fiber optic network.
- C. Services agreement - between IBC and Hot, in which IBC undertook to purchase certain services from Hot, and was entitled to purchase additional services.
- D. IBC also undertakes to continue purchasing certain services from Cellcom which Cellcom provides to it after the completion date.

In March 2023, after the date of the statement of financial position, following negotiations which were held between the parties, Cellcom's board of directors approved Cellcom's engagement in an additional agreement with IBC (the "Agreement"), in which it was determined, inter alia, that beginning on July 1, 2023, Cellcom's undertaking to acquire indefeasible rights of use (IRU) with respect to IBC's infrastructure lines will amount to a rate of no less than 12.5% of the customer households in buildings connected to IBC's network (instead of 10% as at the date of engagement in the agreement), and will reach 15% (beginning on July 1, 2024), with reference to the remainder of the first service period.

Additionally, in light of IBC's undertaking to work on expanding the scope of distribution of its infrastructure, beyond its obligations under its license terms, Cellcom undertook to acquire IRU services with respect to the infrastructure lines from IBC only, for a set period of no less than 3 years, and subject to certain conditions, as specified in the agreement.

It was further agreed that Cellcom will receive a quarterly discount, at a variable rate, with respect to the maintenance fees which are paid by virtue of its IRU agreement with IBC, from July 1, 2023 to December 31, 2025, in amounts which are immaterial to Cellcom.

The agreement is expected to be signed in March 2023. It is clarified that there is no certainty regarding the signing of the agreement, due to factors which are not under Cellcom's control.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **H. Guarantees**

| Details   | Amount of the guarantee |
|---|-------------------------|
|   | As at December 31, 2022 |
|   | NIS millions            |
| Bank guarantees in favor of government institutions | 26                      |
| Bank guarantees in favor of suppliers and others    | 128                     |

##### **I. Claims against Cellcom**

- The provision which was included in Cellcom's financial statements as at December 31, 2022, with respect to all of the claims against Cellcom, amounted to a total of NIS 61 million.

Presented below is a description of the pending claims against Cellcom, classified by groups with similar characteristics:

| Group of claims | Claim amount with respect to claims whose chances can be estimated | Amount of exposure to claims whose chances cannot yet be estimated | Total |
|-----------------|--|--|-------|
| NIS millions    |  |  |       |
| Consumer claims | 1,156 <sup>(2),(1)</sup>   | -  | 1,156 |
| Other claims    | 6  | -  | 6     |
| Total           | 1,162  | -  | 1,162 |

<sup>(1)</sup> Including class actions against Cellcom and additional defendants together in the total amount of NIS 300 million, in which an amount claimed from Cellcom was not specified separately, and one additional claim against Cellcom and additional defendants together, in which the amount claimed from Cellcom was estimated by the plaintiffs as a total of NIS 3 million.

<sup>(2)</sup> There are additional claims pending against Cellcom, with respect to which the claim amount was not specified, to which Cellcom has additional exposure.

- Presented below are details regarding the amount and quantity of contingent liabilities against Cellcom which are in effect as at December 31, 2022, distributed by claim amount:

| Claim amount   | Number of claims | Claim amounts (NIS millions) |
|--|------------------|------------------------------|
| Up to NIS 100 million <sup>(1)</sup>   | 32               | 454                          |
| NIS 100 million to NIS 500 million   | 1                | 405                          |
| Claims in which the claim amount was not specified   | 14               | -                            |
| Claims against Cellcom and additional defendants together in which the amount claimed separately from Cellcom was not specified  | 1                | 300                          |
| Claims against Cellcom and additional defendants together, in which the amount claimed separately from Cellcom was not specified | 1                | 3                            |
| Claims in which the amount claimed from Cellcom and additional defendants was not specified                                      | 5                | -                            |
| Total  | 54               | 1,162                        |

<sup>(1)</sup> Including 20 claims which were presented against Cellcom by employees, subcontractors, providers, authorities and others, at a scope of NIS 6 million.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **2. Cellcom (Cont.)**

##### **I. Claims against Cellcom (Cont.)**

#### **3. Details regarding claims subsequent to the date of the statement of financial position**

After the date of the statement of financial position, three claims and motions to approve them as class actions were filed against Cellcom, in which the claim amount was not specified. At this preliminary stage, it is not possible to estimate their chances. Additionally, an appeal was filed against the dismissal of a claim and a motion to approve it as a class action against Cellcom and additional defendants, in an amount which was estimated by the plaintiffs at approximately NIS 3 million. Additionally, 4 claims and motions to approve them as class actions, in a total amount which was estimated by the plaintiffs at NIS 48 million, concluded.

In February 2023, after the date of the statement of financial position, a hearing was held regarding the appeal which Cellcom filed with the Supreme Court, against the ruling which was given by the District Court regarding the class action, for which Cellcom created a provision, in the financial statements for 2021, in the amount of approximately NIS 32 million. At the end of the hearing, a ruling was given by the Supreme Court which approved the settlement arrangement that was reached between the parties, according to which Cellcom will repay to its customers a reduced amount, out of the amount which was provided in the financial statements. Accordingly, Cellcom reduced the provision in the financial statements for 2022, in the amount of NIS 10 million, and recorded net profit in the amount of NIS 8 million (DIC's share: NIS 3 million).

#### **3. Shufersal**

On July 26, 2020, DIC sold its entire stake in Shufersal (approximately 26% of its issued capital), for a total net consideration of approximately NIS 1,447 million. Due to the sale, DIC included in 2020 profit in the amount of approximately NIS 39 million. This profit was included under the item for "profit from discontinued operations, after tax".

Following the sale of the Company's entire stake in Shufersal, as stated above, the Shufersal operation is presented as a discontinued operation.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

#### **4. Presented below are details regarding discontinued operations**

|   | For the year ended December 31, 2022 |               |              |
|---|--------------------------------------|---------------|--------------|
|   | Cellcom                              | HSBC<br>Tower | Total        |
|   | NIS millions                         |               |              |
| <b>Income</b>   |                                      |               |              |
| Sales and services  | 4,308                                | 239           | 4,547        |
| Other income  | 50                                   | 130           | 180          |
| Finance income  | 27                                   | 20            | 47           |
|   | <u>4,385</u>                         | <u>389</u>    | <u>4,774</u> |
| <b>Expenses</b>   |                                      |               |              |
| Cost of sales and services  | 3,034                                | 113           | 3,147        |
| Selling and marketing expenses  | 650                                  | -             | 650          |
| General and administrative expenses   | 302                                  | -             | 302          |
| Decrease in fair value of investment property   | 8                                    | 396           | 404          |
| The Group's share in the loss of investee companies accounted by the equity method, net | 1                                    | -             | 1            |
| Other expenses  | 6                                    | -             | 6            |
| Finance expenses  | 182                                  | 90            | 272          |
|   | <u>4,183</u>                         | <u>599</u>    | <u>4,782</u> |
| Profit (loss) before taxes on income  | <u>202</u>                           | <u>(210)</u>  | <u>(8)</u>   |
| Taxes on income   | <u>(45)</u>                          | <u>72</u>     | <u>27</u>    |
| <b>Profit (loss) from discontinued operations for the year</b>                          | <u>157</u>                           | <u>(138)</u>  | <u>19</u>    |
| Profit (loss) from discontinued operations for the year attributable to:                |                                      |               |              |
| The Company's owners  | 65                                   | (87)          | (22)         |
| Non-controlling interests   | 92                                   | (51)          | 41           |
|   | <u>157</u>                           | <u>(138)</u>  | <u>19</u>    |
| Other comprehensive income for the period from discontinued operations attributed to:   |                                      |               |              |
| The Company's owners  | 1                                    | 73            | 74           |
| Non-controlling interests   | 1                                    | 43            | 44           |
|   | <u>2</u>                             | <u>116</u>    | <u>118</u>   |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)

#### **B. Discontinued operations (Cont.)**

#### **4. Presented below are the results of discontinued operations (Cont.)**

|  | For the year ended December 31, 2021 |               |                      |
|--|--------------------------------------|---------------|----------------------|
|  | Cellcom <sup>(1)</sup>               | HSBC<br>Tower | Total <sup>(1)</sup> |
|  | NIS millions                         |               |                      |
| <b>Income</b>  |                                      |               |                      |
| Sales and services   | 4,108                                | 241           | 4,349                |
| Other income   | 51                                   | 11            | 62                   |
| Finance income   | 3                                    | 1             | 4                    |
| Profit from realization and increase in the<br>value of investments and assets, and<br>dividends | 11                                   | -             | 11                   |
|  | <u>4,173</u>                         | <u>253</u>    | <u>4,426</u>         |
| <b>Expenses</b>  |                                      |               |                      |
| Cost of sales and services   | 2,963                                | 114           | 3,077                |
| Selling and marketing expenses   | 666                                  | -             | 666                  |
| General and administrative expenses  | 306                                  | -             | 306                  |
| The Group's share in the loss of investee<br>companies accounted by the equity method,<br>net    | 5                                    | -             | 5                    |
| Decrease in fair value of investment property  | 7                                    | 145           | 152                  |
| Other expenses   | 19                                   | -             | 19                   |
| Finance expenses   | 168                                  | 66            | 234                  |
|  | <u>4,134</u>                         | <u>325</u>    | <u>4,459</u>         |
| Profit (loss) before taxes on income   | 39                                   | (72)          | (33)                 |
| Taxes on income  | (12)                                 | (24)          | (36)                 |
| <b>Profit (loss) from discontinued operations<br/>for the year</b>                               | <u>27</u>                            | <u>(96)</u>   | <u>(69)</u>          |
| Profit (loss) from discontinued operations for<br>the year attributable to:                      |                                      |               |                      |
| The Company's owners   | 12                                   | (57)          | (45)                 |
| Non-controlling interests  | 15                                   | (39)          | (24)                 |
|  | <u>27</u>                            | <u>(96)</u>   | <u>(69)</u>          |
| Other comprehensive loss for the period from<br>discontinued operations attributed to:           |                                      |               |                      |
| The Company's owners   | -                                    | (23)          | (23)                 |
| Non-controlling interests  | -                                    | (17)          | (17)                 |
|  | <u>-</u>                             | <u>(40)</u>   | <u>(40)</u>          |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see section B.2. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

##### **4. Presented below are the results of discontinued operations (Cont.)**

|  | For the year ended December 31, 2020 |             |           |                      |
|--|--------------------------------------|-------------|-----------|----------------------|
|  | Cellcom <sup>(1)</sup>               | HSBC Tower  | Shufersal | Total <sup>(1)</sup> |
|  | NIS millions                         |             |           |                      |
| <b>Income</b>  |                                      |             |           |                      |
| Sales and services   | 3,684                                | 251         | -         | 3,935                |
| The Group's share in the profit of investee companies accounted by the equity method, net    | -                                    | -           | 44        | 44                   |
| Profit from realization and increase in the value of investments and assets, and dividends   | 1                                    | -           | 39        | 40                   |
| Other income   | 41                                   | 96          | -         | 137                  |
| Finance income   | 5                                    | 3           | -         | 8                    |
|  | <u>3,731</u>                         | <u>350</u>  | <u>83</u> | <u>4,164</u>         |
| <b>Expenses</b>  |                                      |             |           |                      |
| Cost of sales and services   | 2,800                                | 111         | -         | 2,911                |
| Selling and marketing expenses   | 580                                  | -           | -         | 580                  |
| General and administrative expenses  | 357                                  | -           | -         | 357                  |
| The Group's share in the loss of investee companies accounted by the equity method, net      | 14                                   | -           | -         | 14                   |
| Decrease in fair value of investment property, net   | 7                                    | 279         | -         | 286                  |
| Other expenses   | 5                                    | -           | -         | 5                    |
| Finance expenses   | 177                                  | 72          | -         | 249                  |
|  | <u>3,940</u>                         | <u>462</u>  | <u>-</u>  | <u>4,402</u>         |
| Profit (loss) before taxes on income   | (209)                                | (112)       | 83        | (238)                |
| Taxes on income  | 39                                   | 42          | -         | 81                   |
| <b>Profit (loss) from discontinued operations for the year</b>                               | <u>(170)</u>                         | <u>(70)</u> | <u>83</u> | <u>(157)</u>         |
| Profit (loss) from discontinued operations for the year attributed to:                       |                                      |             |           |                      |
| The Company's owners   | (78)                                 | (52)        | 83        | (47)                 |
| Non-controlling interests  | (92)                                 | (18)        | -         | (110)                |
|  | <u>(170)</u>                         | <u>(70)</u> | <u>83</u> | <u>(157)</u>         |
| Other comprehensive income (loss) for the year from discontinued operations attributable to: |                                      |             |           |                      |
| The Company's owners   | -                                    | (66)        | 3         | (63)                 |
| Non-controlling interests  | -                                    | (23)        | -         | (23)                 |
|  | <u>-</u>                             | <u>(89)</u> | <u>3</u>  | <u>(86)</u>          |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see section B.2. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 12 - Assets and Liabilities of Disposal Groups Held for Sale and Results of Discontinued Operations (Cont.)**

#### **B. Discontinued operations (Cont.)**

5. Presented below are data regarding net cash are attributed to discontinued operations:

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| Net cash from operating activities   | 1,195                          | 1,205               | 1,175               |
| Net cash (used in) from investing activities                               | (774)                          | (225)               | 431                 |
| Net cash used in financing activities                                      | (16)                           | (1,014)             | (416)               |
| Change in cash and cash equivalents used in (from) discontinued operations | 405                            | (34)                | 1,190               |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see section B.2. above.

### **Note 13 - Cash and Cash Equivalents**

|                   | As at December 31 |       |
|-------------------|-------------------|-------|
|                   | 2022              | 2021  |
|                   | NIS millions      |       |
| Balances in banks | 280               | 727   |
| Deposits          | 1,810             | 2,013 |
|                   | 2,090             | 2,740 |

For details regarding linkage bases of cash and cash equivalents, see Note 20.E. below.

### **Note 14 - Capital**

#### **A. Share capital, in thousands of shares with a par value of NIS 1 each**

|  | Ordinary shares |          |
|--|-----------------|----------|
|  | 2022            | 2021     |
| Issued and paid-up share capital as at January 1   | 153,732         | 153,732  |
| Exercise of share warrants during the year         | -               | -        |
| Issued and paid-up share capital as at December 31 | 153,732         | 153,732  |
| Treasury shares                                    | (12,209)        | (12,209) |
| Listed equity                                      | 141,523         | 141,523  |
| Registered capital as at January 1 and December 31 | 200,000         | 200,000  |

All of the Company's ordinary shares are listed for trading on the Tel Aviv Stock Exchange, and are registered by name.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 14 - Capital (Cont.)**

#### **B. Capital management policy**

The policy of DIC management and of the management of its subsidiaries is to maintain a stable capital base in order to maintain their ability to continue their activities, in order to allow them to generate returns for their shareholders, service their liabilities to other interested parties therein, such as credit providers and their employees, and in order to support their future business development.

The Board of Directors of DIC and the boards of directors of its subsidiaries supervise the amounts of dividend distributions to their shareholders, while evaluating their ability to fulfill their current and expected liabilities when they come due. As part of the above, an evaluation is conducted, inter alia, regarding the cash requirements of the Group's member companies, and their potential to generate cash, as reflected in certain financial ratios and financial covenants, and an evaluation is also performed regarding the fulfillment of financial covenants which the Group's member companies are obligated to fulfill within the framework of financing documents and issued debentures, as specified in Note 15 above.

- C.**
  1. For details regarding the allocation of options to the Company's General Manager, see Note 31.B.3. below.
  2. In June 2022, the Board of Directors of the Company and of Property & Building approved, after approval was received from the compensation committees of the Company and Property & Building, an allocation of options for shares of the Company and of Property & Building, respectively, to the companies' CFO: 237,056 options exercisable into 237,056 ordinary Company shares, at an exercise price per option of NIS 7.34, and 7,406 options exercisable into 7,406 ordinary shares of Property & Building, at an exercise price per option of NIS 275.8, which will vest in three equal tranches, one year, two years and three years after the grant date. The total benefit value of the options for shares of the Company and Property & Building, which were granted to the CFO of the Company and Property & Building, as at the date of their approval, was NIS 469 thousand and NIS 645 thousand, respectively, according to the B&S model.
- D.** In May 2022, the Company published a shelf prospectus based on its financial statements as at December 31, 2021, according to which the Company will be entitled to offer to the public, inter alia, shares, preferred shares, non-convertible debentures, debentures convertible into shares, options exercisable into shares, options exercisable into debentures which are exercisable into shares, marketable securities, and any other security which, by law, may be issued by virtue of a shelf prospectus on the relevant date.
- E.** The Company did not distribute dividends in 2022 and 2020.
- F.** For details regarding subsidiaries in which the non-controlling interests are material, see Note 3.D. above.
- G.** For details regarding the options plans of subsidiaries, see Annex B below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 14 - Capital (Cont.)

#### H. Earnings (loss) per share

##### 1. Basic earnings (loss) per share, based on the following figures:

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| <b>A. Earnings (loss) attributed to holders of ordinary shares</b>   |                                |                     |                     |
| Profit (loss) attributable to holders of ordinary shares from continuing operations                            | 542                            | 311                 | (508)               |
| Profit (loss) attributed to holders of ordinary shares from discontinued operations                            | (22)                           | (45)                | (47)                |
| <b>B. Weighted average of number of ordinary shares, in thousands of shares with a par value of NIS 1 each</b> |                                |                     |                     |
| Balance as at January 1  | 141,523                        | 141,523             | 141,444             |
| Impact of warrants exercised into shares   | -                              | -                   | 73                  |
| Weighted average of number of ordinary shares used to calculate basic earnings per share                       | 141,523                        | 141,523             | 141,517             |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

##### 2. Diluted earnings (loss) per share, based on the following figures:

|   | For the year ended December 31 |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|   | NIS millions                   |                     |                     |
| <b>A. Earnings (loss) attributed to holders of ordinary shares (diluted)</b>                  |                                |                     |                     |
| Profit (loss) attributed to holders of ordinary shares (diluted) from continuing operations   | 542                            | 311                 | (508)               |
| Profit (loss) attributed to holders of ordinary shares (diluted) from discontinued operations | (22)                           | (45)                | (47)                |
| <b>B. Weighted average of number of ordinary shares, in thousands of shares (diluted)</b>     |                                |                     |                     |
| Weighted average of number of ordinary shares used to calculate basic earnings per share      | 141,523                        | 141,523             | 141,517             |
| Impact of warrants  | 540                            | 673                 | -                   |
| Weighted average of number of ordinary shares used to calculate diluted earnings per share    | 142,063                        | 142,196             | 141,517             |

The average market value of the Company's shares, for the purpose of calculating the diluting effect of the warrants for shares, was based on quoted market prices for the period during which the warrants were outstanding.

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 14 - Capital (Cont.)

#### I. Movement in comprehensive income (loss)

|  | For the year ended December 31                   |                           |               |  |                           |               |  |                           |               |
|--|--|---------------------------|---------------|--|---------------------------|---------------|--|---------------------------|---------------|
|  | 2022   |                           |               | 2021   |                           |               | 2020   |                           |               |
|  | Total capital attributed to the Company's owners | Non-controlling interests | Total capital | Total capital attributed to the Company's owners | Non-controlling interests | Total capital | Total capital attributed to the Company's owners | Non-controlling interests | Total capital |
|  | NIS millions                                     |                           |               |  |                           |               |  |                           |               |
| <b>Net income (loss) for the year</b>  | 520  | 930                       | 1,450         | 266  | 401                       | 667           | (555)  | (242)                     | (797)         |
| <b>Other components of comprehensive income (loss)</b>   |  |                           |               |  |                           |               |  |                           |               |
| Foreign currency translation differences for foreign operations, net of tax  | 90   | 63                        | 153           | (30)   | (28)                      | (58)          | (67)   | (37)                      | (104)         |
| The Group's share in other comprehensive income (loss) in respect of investee companies accounted by the equity method | 109  | 63                        | 172           | 3  | 2                         | 5             | (17)   | -                         | (17)          |
| Other items of other comprehensive loss  | 5  | 3                         | 8             | -  | -                         | -             | -  | -                         | -             |
| <b>Other comprehensive loss for the year, net of tax</b>   | 204  | 129                       | 333           | (27)   | (26)                      | (53)          | (84)   | (37)                      | (121)         |
| <b>Total comprehensive income (loss) for the year</b>  | 724  | 1,059                     | 1,783         | 239  | 375                       | 614           | (639)  | (279)                     | (918)         |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost

#### A. Non-current liabilities

##### 1. Debentures

|                                    | As at December 31 |              |
|------------------------------------|-------------------|--------------|
|                                    | 2022              | 2021         |
|                                    | NIS millions      |              |
| Debentures <sup>(a)</sup>          | 13,615            | 8,956        |
| After deducting current maturities | (2,762)           | (1,422)      |
|                                    | <u>10,853</u>     | <u>7,534</u> |

#### (A) Debentures<sup>(1)</sup>:

|  | Series  | Linkage base | Stated interest % | Principal repayment date | As at December 31, 2022 |               |
|--|---|--------------|-------------------|--------------------------|-------------------------|---------------|
|  |   |              |                   |                          | Par value               | Book value    |
|  |   |              |                   |                          | NIS millions            |               |
| <b>1. Company</b><br>(see also section C. below)                   |   |              |                   |                          |                         |               |
|  | Series F  | CPI          | 4.95              | 2025-2017                | 734                     | 951           |
|  | Series J  | Unlinked     | 4.80              | 2026-2021                | 1,134                   | 1,143         |
|  | Series K  | Unlinked     | 3.40              | 2027-2023                | 500                     | 497           |
|  |   |              |                   |                          | 2,368                   | 2,591         |
|  | Current maturities                              |              |                   |                          |                         | (810)         |
|  |   |              |                   |                          |                         | <u>1,781</u>  |
| <b>2. Property &amp; Building</b><br>(See also section D.1. below) |   |              |                   |                          |                         |               |
|  | Series D  | CPI          | 4.95              | 2025-2020                | 878                     | 1,147         |
|  | Series F <sup>(2)</sup>                         | CPI          | 4.95              | 2023-2015                | 247                     | 273           |
|  | Series G <sup>(2)</sup>                         | Unlinked     | 7.05              | 2025-2015                | 264                     | 273           |
|  | Series H  | CPI          | 2.85              | 2029-2018                | 63                      | 69            |
|  | Series I  | Unlinked     | 3.95              | 2029-2018                | 1,617                   | 1,619         |
|  |   |              |                   |                          | 3,069                   | 3,381         |
|  | Current maturities                              |              |                   |                          |                         | (1,037)       |
|  |   |              |                   |                          |                         | <u>2,344</u>  |
| <b>3. Gav-Yam</b><br>(See also section D.2 below)                  |   |              |                   |                          |                         |               |
|  | Series F  | CPI          | 4.75              | 2026-2021                | 1,753                   | 1,790         |
|  | Series H  | Unlinked     | 2.55              | 2034-2019                | 1,413                   | 1,414         |
|  | Series I  | CPI          | 0.50              | 2033-2021                | 2,199                   | 2,199         |
|  | Series J  | CPI          | 0.59              | 2035-2026                | 1,152                   | 1,042         |
|  | Matam Series A                                  | Unlinked     | 3.10              | 2027-2017                | 759                     | 765           |
|  | Gav-Yam Negev Series A                          | Unlinked     | 3.55              | 2024-2019                | 269                     | 268           |
|  | Adjustments of excess cost (see Note 9.C above) |              |                   |                          |                         | 165           |
|  |   |              |                   |                          | 7,544                   | 7,643         |
|  | Current maturities                              |              |                   |                          |                         | (915)         |
|  |   |              |                   |                          |                         | <u>6,728</u>  |
| <b>Total</b>   | Debentures                                      |              |                   |                          |                         | 13,615        |
|  | Current maturities                              |              |                   |                          |                         | (2,762)       |
|  |   |              |                   |                          |                         | <u>10,853</u> |

<sup>(1)</sup> For details regarding the increase of the interest rate with respect to the Company's debentures (Series J) and (Series K), beginning from the publication date of the financial statements for 2022, on March 26, 2023 to a rate of 5.05% and 3.65%, respectively, see section C. below.

<sup>(2)</sup> For details regarding the full early redemption of Property & Building's debentures (Series F and G), in the total amount of NIS 345 million, and the issuance of a new series of debentures (Series J) in the amount of NIS 1,261 million par value, secured by a pledge on Gav-Yam shares, in February 2023, after the date of the statement of financial position, see Note 34.D below.

<sup>(3)</sup> For details regarding Cellcom's debentures, see Note 12.B.2.E. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)

#### A. Non-current liabilities (Cont.)

##### 1. Debentures (Cont.)

|   |                    |              |                 |                          | As at December 31, 2021 |            |
|---|--------------------|--------------|-----------------|--------------------------|-------------------------|------------|
|   |                    | Linkage base | Stated interest | Principal repayment date | Par value               | Book value |
|   |                    | Series       | %               |                          | NIS millions            |            |
| <b>1. Company</b><br>(see also section C. below)                  | Series F           | CPI          | 4.95            | 2025-2017                | 734                     | 901        |
|   | Series J           | Unlinked     | 4.80            | 2026-2021                | 1,417                   | 1,430      |
|   | Series K           | Unlinked     | 3.40            | 2027-2023                | 500                     | 497        |
|   |                    |              |                 |                          | 2,651                   | 2,828      |
|   | Current maturities |              |                 |                          |                         | (511)      |
|   |                    |              |                 |                          |                         | 2,317      |
| <b>2. Property &amp; Building</b><br>(See also section D.2 below) | Series D           | CPI          | 4.95            | 2025-2020                | 878                     | 1,091      |
|   | Series F           | CPI          | 4.95            | 2023-2015                | 247                     | 263        |
|   | Series G           | Unlinked     | 7.05            | 2025-2015                | 264                     | 278        |
|   | Series H           | CPI          | 2.85            | 2029-2018                | 66                      | 68         |
|   | Series I           | Unlinked     | 3.95            | 2029-2018                | 1,669                   | 1,672      |
|   |                    |              |                 |                          | 3,124                   | 3,372      |
|   |                    |              |                 |                          |                         | (528)      |
|   |                    |              |                 |                          |                         | 2,844      |
| <b>3. Cellcom</b><br>(See also Note 12.B.2.E. above)              | Series H           | CPI          | 1.98            | 2024-2018                | 456                     | 450        |
|   | Series I           | Unlinked     | 4.14            | 2025-2018                | 450                     | 442        |
|   | Series J           | CPI          | 2.45            | 2026-2021                | 88                      | 90         |
|   | Series K           | Unlinked     | 3.55            | 2026-2021                | 604                     | 601        |
|   | Series L           | Unlinked     | 2.50            | 2028-2023                | 1,225                   | 1,173      |
|   |                    |              |                 |                          | 2,823                   | 2,756      |
|   |                    |              |                 |                          |                         | (383)      |
|   |                    |              |                 |                          |                         | 2,373      |
| <b>Total</b>  | Debentures         |              |                 |                          |                         | 8,956      |
|   | Current maturities |              |                 |                          |                         | (1,422)    |
|   |                    |              |                 |                          |                         | 7,534      |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)

#### A. Non-current liabilities (Cont.)

##### 2. Loans from banks and other financial liabilities:

|  | As at December 31 |      |
|--|-------------------|------|
|  | 2022              | 2021 |
|  | NIS millions      |      |
| Loans from banks and financial institutions <sup>(1)</sup>         | 1,689             | 202  |
| Loans from others  | 92                | 26   |
| After deducting current maturities                                 | (1,470)           | (82) |
|  | 311               | 146  |
| Liabilities with respect to combination transactions               | 7                 | 9    |
| Liabilities with respect to the acquisition of investment property | 80                | -    |
| Other liabilities  | 24                | 1    |
| After deducting current maturities                                 | (7)               | (9)  |
|  | 104               | 1    |
|  |                   | 147  |
| Total  | 415               | 147  |

##### (1) Loans from banks and financial institutions

|   | Linkage base      | Interest          | As at December 31 |      |
|---|-------------------|-------------------|-------------------|------|
|   |                   | As at December 31 | 2022              | 2021 |
|   |                   | 2022              | NIS millions      |      |
|   |                   | %                 |                   |      |
| <b>Property &amp; Building<sup>(*)</sup></b> (see also section 15.D.1. below) | Unlinked          | 3.0-7.3           | 1,598             | -    |
| <b>Mehadrin</b>   | Unlinked          | 2.5-5.3           | 80                | 152  |
|   | Linked to the CPI | 2.3               | 6                 | -    |
|   | EUR               | 5.4               | 5                 | 40   |
| <b>Others</b>   | Unlinked          |                   | -                 | 10   |
|   |                   |                   | 1,689             | 202  |

<sup>(\*)</sup> For details regarding loans to HSBC Tower which are presented under the liabilities of a disposal group held for sale, see Note 12.B.1.D. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)

#### B. Current liabilities

|  | As at December 31  |              |
|--|--------------------|--------------|
|  | 2022               | 2021         |
|  | NIS millions       |              |
| <b>1. Current maturities of debentures</b>   | <b>2,762</b>       | <b>1,422</b> |
| <b>2. Credit from banking corporations and others, and current maturities of loans from banks and others</b> |                    |              |
| <b>Short term loans from banks, financial institutions and others, and current maturities</b>                |                    |              |
| Current maturities of loans banks, financial institutions and others   | 1,470              | 82           |
| Short-term loans   | 207 <sup>(1)</sup> | 177          |
|  | <b>1,677</b>       | <b>259</b>   |
| <b>Other short term liabilities and current maturities</b>   |                    |              |
| Current maturities of other liabilities  | 7                  | 9            |
|  | <b>1,684</b>       | <b>268</b>   |

(1) Interest rate as at December 31, 2022 - 5.4%-6%.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

#### **C. Main changes in 2022 in the long term liabilities and financial covenants of DIC**

##### **1. Terms of the debentures (Series J) and (Series K) (the “Debentures”)**

Presented below are details regarding the main terms of the debentures (Series J and K) which were issued by DIC - debentures which are not secured by any collateral.

In accordance with the provisions of the deeds of trust, the interest rate which will be paid to the debenture holders (Series J and K) will be adjusted in the following cases: in case of a reduction in the rating given for the debentures by one notch or more below a rating of ilBBB, the stated interest rate will be increased by 0.25% per year, and by a rate of 0.25% per year with respect to each additional reduced rating notch, up to a maximum cumulative interest addition of 1% and 0.75% for the debentures (Series J) and (Series K), respectively, for one year, at the most.

Additionally, the interest rate will be adjusted in case of non-fulfillment by DIC of the financial covenants, if DIC fails to meet any of the financial covenants specified below:

- A. DIC's net asset value falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value increases beyond 75% and 70% of the debentures (Series J) and (Series K), respectively.
- B. The ratio between DIC's net financial debt and its asset value exceeds 85% and 82.5%, with respect to the debentures (Series J) and (Series K), respectively.
- C. The ratio between DIC's capital and DIC's total balance sheet falls below 12.5% and 16% with respect to the debentures (Series J) and (Series K), respectively.

Insofar as DIC deviates from any of the financial covenants, which will be evaluated as at the date of the financial statements (quarterly and/or annual), the stated interest rate will increase at a rate of 0.25% per year with respect to a deviation from any of the financial covenants specified in sections A and C above (if the covenant specified in section C above is canceled, the interest rate with respect to the deviation from the provisions of section A above will be updated to 0.5%), and a rate of 0.5% per year with respect to any deviation from the financial covenant specified in section B above.

The additional interest with respect to a deviation from the financial covenants referenced in sections A-C above will be at a maximum additional interest of 1% per year.

It is hereby clarified that if and insofar as an adjustment of the interest rate is required, in accordance with the mechanism described in sections A-C above, and in accordance with the mechanism described regarding a change in the debentures' rating, as stated above, then in any case, the maximum joint cumulative rate of the additional interest will not exceed 1.75% per year above the original stated interest rate (4.8% and 3.4% with respect to the debentures (Series J) and (Series K), respectively).

Additionally, with respect to the debentures (Series K), DIC undertook to fulfill a financial covenant which stipulated that the ratio between DIC's capital and DIC's total balance sheet, on a standalone basis, will be no less than 15%, for a period of two consecutive quarters. Failure to fulfill the foregoing covenant will constitute grounds for demanding immediate repayment of the debentures (Series K).

DIC also undertook, with respect to the debentures (Series K), that at any time it will have (standalone) sufficient liquid resources to pay the next interest payment with respect to the debentures (Series K).

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

#### **C. Main changes in 2022 in the long term liabilities and financial covenants of DIC (Cont.)**

Additionally, restrictions were established regarding a distribution in which DIC undertakes not to perform a distribution (including by way of buyback of its shares), other than subject to the fulfillment of all of the following conditions:

- After the distribution, capital attributed to DIC shareholders will not fall below NIS 1.1 billion.
- At the time of the announcement, and following the aforementioned distribution, none of the grounds for demanding immediate repayment of the debentures have been met.
- At the time of the declaration regarding the distribution, DIC is fulfilling all of its undertakings regarding principal and/or interest payments.
- With respect to the debentures (Series K), after the distribution the ratio between net financial debt and DIC's asset value will not exceed 70%, in accordance with its last published consolidated financial statements, on the date preceding the resolution regarding the distribution, and after deducting the distribution amount.

Additionally, DIC undertook not to pledge all of its assets under a general floating pledge without receiving advance consent from the meeting of debenture holders for this purpose. Notwithstanding the foregoing, DIC will be entitled to create a general floating pledge on all or some of its assets in favor of a financing entity which will provide financing to DIC itself, with no need to receive consent from the meeting of debenture holders, provided that concurrently with the creation of a floating pledge, as stated above, DIC also creates a pledge of the same type and priority in favor of the debenture holders, *pari-passu*.

Furthermore, in addition to the standard grounds for demanding immediate repayment (including, *inter alia*, various enforcement and receivership actions against DIC, a significant deterioration in DIC's business affairs, and substantial concern of insolvency, delisting, merger subject to exceptions, and other situations), the debentures will be demanded for immediate repayment upon the occurrence of any of the cases specified in the deeds of trust.

As at December 31, 2022, the Company's net asset value, and the ratio between net financial debt and asset value, amounted to NIS 576 million and 76%, respectively. Due to the non-fulfillment of the relevant covenants set forth in the trust deeds of the Company's debentures (Series J and Series K), as at December 31, 2022, the interest rate on the Company's aforementioned debenture series will increase, Beginning from the publication date of the Company's financial statements for 2022, on March 26, 2023, from a rate of 4.80% to 5.05%, and from a rate of 3.40% to 3.65%, respectively.

2. Presented below are the ratings of the Company's debenture series as at December 31, 2022 and December 31, 2021 and as at the approval date of these financial statements:

| Debenture series | Rating company                           | Last rating date | As at the approval date of these financial statements | As at December 31, 2022 | As at December 31, 2021 |
|------------------|--|------------------|---|-------------------------|-------------------------|
| Series F and J   | Standard & Poor's Maalot Ltd. ("Maalot") | May 2022         | BBB (Stable)  | BBB (Stable)            | BBB (Stable)            |
| Series K         | Standard & Poor's Maalot Ltd. ("Maalot") | May 2022         | BBB (Stable)  | BBB (Stable)            | BBB                     |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

#### **C. Main changes in 2022 in the long term liabilities and financial covenants of DIC (Cont.)**

##### 1. Terms of the debentures (Series J and Series K) (the "Debentures") (Cont.)

Furthermore, in addition to the standard grounds for demanding immediate repayment (including, inter alia, various enforcement and receivership actions against DIC, a significant deterioration in DIC's business affairs, and substantial concern of insolvency, delisting, merger subject to exceptions, and other situations), the debentures will be demanded for immediate repayment upon the occurrence of any of the cases specified in the deeds of trust.

As at December 31, 2022, the Company's net asset value, and the ratio between net financial debt and asset value, amounted to NIS 576 million and 76%, respectively. Due to the non-fulfillment of the relevant covenants set forth in the trust deeds of the Company's debentures (Series J and Series K), as at December 31, 2022, the interest rate on the Company's aforementioned debenture series will increase, Beginning from the publication date of the Company's financial statements for 2022, on March 26, 2023, from a rate of 4.80% to 5.05%, and from a rate of 3.40% to 3.65%, respectively.

##### 2. Presented below are the ratings of the Company's debenture series as at December 31, 2022 and December 31, 2021 and as at the approval date of these financial statements:

| Debenture series | Rating company                           | Last rating date | As at the approval date of these financial statements | As at December 31, 2022 | As at December 31, 2021 |
|------------------|--|------------------|---|-------------------------|-------------------------|
| Series F and J   | Standard & Poor's Maalot Ltd. ("Maalot") | May 2022         | BBB (Stable)  | BBB (Stable)            | BBB (Stable)            |
| Series K         | Standard & Poor's Maalot Ltd. ("Maalot") | May 2022         | BBB (Stable)  | BBB (Stable)            | BBB                     |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)

#### D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies

##### 1. Property & Building

A. Presented below are details regarding the main terms in connection with the debentures which were issued by Property & Building (unspecified series are not secured by any pledges, and do not require compliance with financial covenants):

- **Collateral:** With respect to the debentures (Series F and G) of Property & Building, Property & Building undertook not to pledge its assets (excluding certain exceptions which were specified in the deed of trust), beyond the existing pledges on the issuance date of the aforementioned debentures. Property & Building is entitled to cancel its undertaking not to create pledges, subject to the creation of collateral in favor of the trustee for the debentures, as specified in the deed of trust. Additionally, in connection with the debentures (Series H and I), Property & Building undertook not to create a floating pledge on all of its assets unless it creates a collateral in favor of the debenture holders (Series H and I), as specified in the deed of trust.

For details regarding the full early redemption of Property & Building's debentures (Series F and G), for a total consideration of NIS 345 million, and the issuance of a new series of debentures (Series J), in the amount of NIS 1,261 million par value, secured by a pledge on Gav-Yam shares, in February 2023, after the date of the statement of financial position, see Note 34.D. below.

- **Financial covenants:** in connection with the debentures (Series F, G, H and I), Property & Building undertook to fulfill the following financial covenants:

| Description of the covenant  | Threshold specified in the covenant                                  |
|--|--|
| Minimum capital attributed to the shareholders of Property & Building  | NIS 700 million (Series F and G)<br>NIS 900 million (Series H and I) |
| The maximum ratio between the net financial debt and the total assets of Property & Building, in consolidated terms, net | 75%  |
| The maximum ratio between the net financial debt and the EBIDTA of Property & Building, in consolidated terms            | 17   |

The financial covenants are evaluated on a quarterly basis, based on the audited or reviewed consolidated financial statements of Property & Building. As at December 31, 2022, Property & Building is fulfilling the aforementioned financial covenants.

- **Additional restrictions:** Property & Building undertook not to perform a distribution if, as a result, the ratio of its net financial debt to its total net assets, in consolidated terms, exceeds 70%, or if the capital attributed to its shareholders falls below NIS 900 million (with respect to the debentures (Series F and G) or below NIS 1.1 billion with respect to the debentures (Series H and I).

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

#### **D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

##### **1. Property & Building (Cont.)**

##### **A. (Cont.)**

Regarding Series F, G, H and I, if Property & Building's credit rating is reduced by two notches relative to the base rating (A1) which was determined on the date of the aforementioned issuance (meaning a reduction below a rating of A3), the interest rate with respect to the debentures from the aforementioned issuance will increase by 0.5%. With respect to any decrease in rating by an additional notch, the interest rate will increase by an additional 0.25%, but no more than 1% cumulatively.

In 2020 the rating of Series F, G, H and I was reduced to ilA2 (negative).

In January 2022, Maalot announced that it was adding the ratings of Property & Building and of its debentures (Series D) to the credit watch list, with positive effects, due to the possible effects of transactions in process which were executed by Property & Building. In July 2022, Maalot announced that it was removing the rating of Property & Building and of the debentures (Series D) from the credit watch list, and raising the Company's rating to ilA-, stable outlook, due to the improvement in Property & Building's business risk profile. In August 2022, Maalot began rating, for the first time, Property & Building's unsecured debentures (Series F, G, H and I), instead of their rating by Midroog. The rating of the aforementioned debentures (Series F, G, H and I) was ilA, stable outlook.

- **Grounds for demanding the immediate repayment of the debentures:** In addition to standard grounds for immediate repayment (including, inter alia, insolvency events and various enforcement actions against Property & Building, a significant deterioration in its business affairs, and a real concern of non-repayment, delisting from trading, merger subject to exceptions, change to its area of engagement, etc.), a demand will be made for the immediate repayment of the aforementioned debentures in the following cases:

- Non-fulfillment of the aforementioned financial covenants during two consecutive quarters.
- Cross-default - if one series of the debentures of Property & Building, or a bank loan at a scope of over NIS 300 million, is demanded for immediate repayment.
- Reduction of the credit rating of Property & Building below Baa2 (with respect to debenture Series F and G), and below Baa3 (with respect to debenture Series H and I), or discontinuation of the provision of a rating by a rating company.
- Change in control - with respect to the debentures (Series H and I) - if the control of Property & Building has been transferred from DIC, and the transfer of control has caused a reduction of the rating of the aforementioned debentures below their rating prior to the aforementioned transfer of control.

- B. For details regarding a bank loan for the HSBC Tower, see Note 12.B.1.D. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**1. Property & Building (Cont.)**

C. For details regarding the full early redemption of Property & Building's debentures (Series F and G), for a total consideration of NIS 345 million, and the issuance of a new series of debentures (Series J), in the amount of NIS 1,261 million par value, secured by a pledge on Gav-Yam shares, in February 2023, after the date of the statement of financial position, see Note 34.D. below.

D. Further to that stated in Note 3.F.1.A.1. above, regarding the agreement to purchase shares of Gav-Yam, in which Property & Building engaged, in consideration of payment of a total of NIS 3.1 billion (subject to adjustments) (the "Purchase Transaction"), in January 2022 Property & Building engaged with an institutional entity in a loan agreement (the "Financing Entity" and the "Loan Agreement", respectively), regarding the acceptance of a loan in the amount of NIS 450 million (the "First Loan"), which is not secured by any collateral, for a period of 18 months, and bearing annual interest of 3.043% (unlinked) (and a mechanism for increasing the interest rate in case of a reduction of Property & Building's rating). The loan will be repaid in a single payment on the final repayment date (i.e., in July 2023), and interest with respect thereto will be paid by Property & Building in semi-annual payments. The loan agreement also includes undertakings by Property & Building to fulfill financial covenants which are identical to the financial covenants which are included in Property & Building's debentures (Series H and Series I), as stated in section 1.A. above, pertaining to an undertaking to maintain minimum equity of NIS 900 million a maximum ratio of net financial debt to total assets of 75%; and a maximum ratio of net financial debt to EBITDA of 1:17.

The loan agreement also includes, inter alia, an undertaking by Property & Building not to perform a distribution exceeding a total of NIS 100 million in a calendar year, and Property & Building also undertook to refrain from executing a disposition, and that Property & Building will not sell and/or provide an undertaking to sell and/or assign and/or pledge the Gav-Yam shares which it holds, which are worth (according to stock exchange trading data), on the grant date of the loan, NIS 900 million (in other words, 23,316,062 Gav-Yam shares - the "Clean Shares"), where the number of clean shares will be no less than 10% of Gav-Yam's issued and paid-up capital. Property & Building will also be entitled to prepay the balance of the loan, where it was determined, inter alia, that a prepayment penalty will not apply in the following cases: (1) 15 months have passed since the provision date of the loan; (2) 9 months have passed since the provision date of the loan, and the request for prepayment was due to the cancellation and/or non-completion of the purchase transaction, where the cancellation and/or non-completion, as stated above, are done in circumstances not involving a deliberate action or omission of Property & Building.

E. Further to that stated in section D. above, regarding the purchase transaction and the acceptance of the first loan, in April 2022, Property & Building engaged in a loan agreement with another institutional entity (the "Loan Agreement", respectively), regarding the acceptance of a loan in the amount of NIS 200 million (the "Loan"), under similar conditions as the first loan, subject to the following main changes: The loan period is 22 months, and it bears annual variable interest according to the Bank of Israel's interest rate, plus a margin of 3%.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**1. Property & Building (Cont.)**

**E. (Cont.)**

Under the loan agreement, Property & Building undertook not to sell and/or provide an undertaking to sell and/or assign and/or pledge the Gav-Yam shares which it holds, which are worth (according to stock exchange trading data), on the signing date of the loan agreement, NIS 1.3 billion (in other words, 34,519,384 million Gav-Yam shares - the "Clean Shares"), where the number of clean shares will be no less than 10% of Gav-Yam's issued and paid-up capital, and that the total number of clean shares can also include Gav-Yam shares which are held by Property & Building (free and clear) by virtue of an undertaking which it gave to other creditors (and as part of the above, by virtue of Property & Building's undertakings in the first loan facility). It was further determined in the loan agreement that when the first loan is repaid, the number of clean shares for the purpose of the loan will be reduced to a number of shares which is equivalent (according to stock exchange trading data), on the signing date of the loan agreement, to NIS 400 million, or a number which will be no less than 5% of Gav-Yam's issued and paid-up capital.

F. Further to that stated in section D. above regarding the purchase transaction, on June 1, 2022 Property & Building engaged with a commercial bank and with creditors in a loan agreement (the "Creditors" and the "Loan Agreement", respectively), regarding the acceptance of a loan in the amount of NIS 950 million (the "Loan"), for the purpose of closing the Gav-Yam transaction. Presented below are the main terms of the loan agreement:

The loan period is 12 months after the date of its provision (the "Final Repayment Date"), and Property & Building will be given the opportunity to postpone the final repayment date, as specified below, and it bears variable interest at an annual rate which will be calculated as the Prime rate (as it stands from time to time) plus 2.5% (unlinked). Upon the occurrence of a default event (as defined in the loan agreement, and as described below), and so long as there has been no demand for the immediate repayment of the loan amounts, additional interest of 2% will be added to the foregoing interest rate. The loan principal will be repaid in a single payment. However, the final repayment date will be postponed, at Property & Building's request, and subject to the fulfillment of the conditions of the loan agreement, which include, inter alia, the extension of the period of the first loan, as stated in section D. above, such that it will be due after December 31, 2023, until the earlier of either: (1) six months after the final repayment date; or (2) December 31, 2023 (the "Postponed Final Repayment Date"). The loan interest will be repaid in quarterly payments, beginning from the first interest payment date, which will be after the provision date of the loan, until the final repayment date. Under the loan agreement, Property & Building created a pledge and a fixed charge, as well as an assignment by way of charge, single and first ranking, with respect to 79,827,858 shares of Gav-Yam, which constitute 37.22% of Gav-Yam's issued and paid-up capital (fully diluted), and which it purchased in the Gav-Yam transaction, as well as all of the rights and profits associated with, or arising from, the Gav-Yam shares (the "Pledged Gav-Yam Shares"). As at the date of the financial statements, the balance of the pledged deposit towards the creditors, out of dividend receipts which were received from Gav-Yam, as stated in Note 3.F.1.A.6. above is NIS 37 million; and a fixed charge and assignment by way of charge, single and first rank, on the borrower's account (as defined in the loan agreement), and on all rights, monies and assets in connection with the borrower's account.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**1. Property & Building (Cont.)**

**F. (Cont.)**

The loan agreement also includes undertakings by Property & Building to fulfill financial covenants which are identical to the financial covenants which are included in Property & Building's debentures (Series H and Series I), as stated in section 1.A. above, pertaining to an undertaking to maintain minimum equity of NIS 900 million a maximum ratio of net financial debt to total assets of 75%; and a maximum ratio of net financial debt to EBITDA of 1:17. Additionally, in accordance with the loan agreement, Property & Building will be entitled to perform a distribution and to provide shareholder loans at a scope of up to NIS 100 million during a calendar year, and to pay management fees (as these terms are defined in the loan agreement), provided that a default event has not occurred (as defined in the loan agreement), including due to the performance of the action and/or distribution, and in accordance with terms specified in the loan agreement. The loan agreement also includes additional arrangements, including declarations and undertakings on the part of Property & Building, according to the standard practice for agreements of this kind, as well as an undertaking of Property & Building to hold, at all times, at least 45.01% of Gav-Yam's issued and paid-up share capital (and other means of control), fully diluted. Property & Building also undertook to hold at all times shares of Gav-Yam, other than the pledged shares of Gav-Yam, in a scope which constitutes at least 8% of Gav-Yam's issued and paid-up share capital (fully diluted), free and clear. Property & Building will also be entitled to repay the balance of the loan through prepayment, subject to a prepayment penalty, in accordance with the repayment date, as determined in the loan agreement, and it was established, inter alia, that Property & Building will not be required to pay the prepayment penalty with respect to prepayment beginning from 30 days before the final repayment date, or beginning from 60 days before the postponed final repayment date.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**1. Property & Building (Cont.)**

**F. (Cont.)**

Property & Building will also be entitled to perform a mandatory prepayment: (1) cash sweep: proceeds which will be received from Gav-Yam with respect to the pledged Gav-Yam shares will be deposited in the borrower's account (as defined in the loan agreement), and will be used: firstly, to pay the next interest payment; secondly, in the borrower's discretion: (i) to prepay on account of the loan principal, or (ii) to deposit in the borrower's pledged account, whereby Property & Building will not be entitled to withdraw the aforementioned amounts, which may be used for the current interest payments; (2) LTV: If the LTV ratio (as defined in the loan agreement) is higher than 60%, or if the daily LTV ratio (as defined in the loan agreement) is higher than 70%, then Property & Building will repay the loan, in whole or in part, subject to a prepayment penalty, in a manner which will restore the LTV ratio to a ratio of 50% or less; or Property & Building will deposit a monetary deposit in the amount required to set the LTV ratio at 50% - all plus a prepayment penalty. The loan agreement also includes default events according to the standard practice for agreements of this kind, including (1) in case of a change in the control of Property & Building (if: (A) DIC is no longer Property & Building's direct and exclusive controlling shareholder, or no longer directly and exclusively holds at least 50.01% of Property & Building's issued and paid-up share capital (fully diluted, or no longer has the ability to independently and exclusively appoint a majority of the members of Property & Building's Board of Directors; or (B) if another person or another entity which is not Mega Or or Elco has become the controlling shareholder of DIC, or holds, independently or together with another party, 50% or more of DIC's issued and paid-up share capital, and the creditors believe that the above could cause any of them to enter into an illegal situation, or to fail to comply with any directives, rules, policies or procedures involving compliance and goodwill), without the creditors' advance written consent; (2) In case a structural change (as defined in the agreement) has been made in Property & Building or in Gav-Yam; (3) In case of a breach of any of the financial covenants, or any of the Company's undertakings, as stated above; (4) If the borrower's debt rating falls below a rating of BBB (in S&P Maalot's rating scale), or a rating of Baa2.IL (in Midroog's rating scale); (5) If Property & Building makes a significant change to its main field of activity, or if Gav-Yam's main field of activity is no longer the field of revenue-generating real estate; (6) In case of a material change for the worse in the collateral (provided that the decrease in value of the pledged Gav-Yam shares will not constitute a material change for the worse for this purpose), or in the rights which they provide to the creditors, relative to their condition on the date they were created, including in case of prejudice to the rights provided by the collateral to the creditors, as compared with their situation on the date they were created, as stated above; (7) In case of an event which signifies that a creditor of Property & Building is entitled to demand the immediate repayment of a debt of Property & Building in a (cumulative) total of NIS 50 million, or in case a financial creditor of Gav-Yam has demanded the immediate repayment of its debt towards it, in an amount exceeding NIS 100 million.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

#### **D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

##### **2. Gav-Yam**

##### **A. Main changes in 2022**

1. In March 2022, Gav-Yam issued to the public NIS 400 million of debentures, by way of issuance of a new series of debentures (Series J) in accordance with the shelf offering report dated March 6, 2022. The debentures were issued in consideration of a gross total of NIS 400 million, a price which reflects a linked yield of 0.59%. The principal of the debentures (Series J) is repayable in 10 unequal annual payments, at a rate of 15% of the par value, on September 30 of each of the years 2026 and 2027, at a rate of 10% of the par value on September 30 of each of the years 2028 to 2033 (inclusive), and at a rate of 5% of the par value on September 30 of each of the years 2034 and 2035. The debentures are linked and bear fixed annual interest at a rate of 0.59%, which will be paid on June 30 and December 31 of each of the years 2022 to 2035 (inclusive). The debentures (Series J) are not secured by any collateral; however, Gav-Yam undertook not to create any floating charge on all of its assets without the advance consent of the debenture holders, or upon the creation of collateral in favor of the debenture holders, as specified in the deed of trust.
2. In March 2022, Gav-Yam issued to the public NIS 749 million par value of debentures, by way of an extension of the debenture (Series I), in accordance with a shelf offering report which was published on March 6, 2022. The debentures were issued in consideration of a gross total of NIS 800 million, a price which reflects a negative yield linked to the consumer price index at a rate of 0.3%.
3. In August 2022, Gav-Yam issued to the public NIS 587 million par value of debentures, by way of an extension of the debentures (Series I), in accordance with a shelf offering report which was published on August 8, 2022. The debentures were issued in consideration of a gross total of NIS 603 million, a price which reflects a yield linked to the consumer price index at a rate of 1.2%.
4. In December 2022, Gav-Yam issued to the public NIS 781 million par value of debentures, by way of an extension of the debentures (Series F and Series J), in accordance with a shelf offering report which was published on December 19, 2022. The debentures (Series J) were issued in consideration of a gross total of NIS 634 million, a price which reflects a yield linked to the consumer price index at a rate of 2.7%, and debentures (Series F) were issued in consideration of a gross total of NIS 113 million, a price which reflects a yield linked to the consumer price index at a rate of 2.1%

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)

#### D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)

##### 2. Gav-Yam (Cont.)

##### B. Financial covenants

In connection with the debentures (Series H, I and J) which were issued by Gav-Yam, Gav-Yam undertook to fulfill the following financial covenants, which will be evaluated each quarter in accordance with Gav-Yam's consolidated financial statements.

| Description of the covenant   | Threshold specified in the covenant  |
|---|--|
| Minimum capital attributed to owners of Gav-Yam ("Capital")                                     | NIS 900 million (Series H)<br>NIS 1,150 million (Series I)<br>NIS 1,400 million (Series J)   |
| Limit on dividend distribution - if equity is no less than-                                     | NIS 1,100 million (Series H)<br>NIS 1,350 million (Series I)<br>NIS 1,600 million (Series J) |
| The max ratio of net financial debt to net cap, in consolidated terms (the "Debt to Cap Ratio") | 71%  |
| Limit on dividend distribution - debt to cap ratio no higher than                               | 68%  |
| The maximum ratio between net financial debt and Gav-Yam's annual EBIDTA, in consolidated terms | 17   |

The financial covenants are evaluated on a quarterly basis, based on Gav-Yam's audited or reviewed consolidated financial statements.

Gav-Yam is fulfilling the aforementioned financial covenants as at December 31, 2022.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**2. Gav-Yam (Cont.)**

**C. Grounds for demanding the immediate repayment of the debentures**

In addition to standard grounds for demanding immediate repayment (including, inter alia, insolvency events and various enforcement actions against Gav-Yam, a significant deterioration in its business position, a real concern of insolvency, delisting from trading, merger subject to exceptions, change in its field of activity, and others), Gav-Yam's debentures (Series I) may be demanded for immediate repayment in the following cases:

- Non-fulfillment of the aforementioned financial covenants during two consecutive quarters.
- Cross default - If another debenture series of Gav-Yam, or one or more bank loans the balance of which (independently or together) exceeds 5% of Gav-Yam's total consolidated assets according to the last consolidated financial statements which it published before the relevant event.
- Reduction of Gav-Yam's credit rating below BBB minus, or discontinuation of the rating of its debentures by a rating company.

**D. Gav-Yam Negev**

In connection with the debentures (Series A) of Gav-Yam Negev Ltd. ("Gav-Yam Negev"), Gav-Yam Negev undertook to fulfill the following financial covenants:

- The capital of Gav-Yam Negev will be no less than NIS 100 million.
- The ratio between Gav-Yam Negev's equity to the total balance sheet will be no less than 25%.
- Gav-Yam's ratio of net financial debt to net cap will not exceed 70%.

The financial covenants are evaluated on a quarterly basis, based on the audited or reviewed consolidated financial statements of Gav-Yam Negev. Gav-Yam is fulfilling the aforementioned financial covenants as at December 31, 2022.

**E. Matam**

In connection with the debentures (Series A) which were issued by Matam, Matam undertook to fulfill the following financial covenants:

- Matam's consolidated equity will not fall below NIS 700 million.
- The ratio between Matam's equity and total assets will not fall below 30%.
- Matam's ratio of net financial debt to NOI will not exceed 8.

The financial covenants are evaluated in each calendar quarter, based on the audited or reviewed financial statements of Scientific Industries Center. Scientific Industries Center is fulfilling the foregoing financial covenants as at December 31, 2022.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 15 - Debentures, Loans from Banks and Other Financial Liabilities at Amortized Cost (Cont.)**

**D. Main changes in 2022 in the long term liabilities and financial covenants of DIC's investee companies (Cont.)**

**3. Mehadrin**

Presented below are details regarding financial covenants in connection with Mehadrin's loans and credit:

- Mehadrin's tangible equity will be no less than a total of NIS 300 million.
- The ratio of tangible equity to the total balance sheet will be no less than 25%.
- The ratio between Mehadrin's net financial debt to EBITDA in the 4 preceding quarters will not exceed 5.
- The lender has the right to demand the immediate repayment of the loan upon the fulfillment of the grounds specified in the agreement, including in case of a change in control of Mehadrin, and is also entitled to interest in arrears.
- A dividend distribution and the repayment of shareholder loans will only be permitted subject to Mehadrin's fulfillment of the financial covenants.
- Mehadrin accepted additional main undertakings, including certain restrictions on the provision of loans and guarantees, factoring, maintaining currency hedges, restrictions on transactions with related parties, and restrictions on changes to structure and control, in accordance with conditions which were agreed upon.

As at December 31, 2022, Mehadrin is fulfilling the aforementioned financial covenants.

4. For details regarding Cellcom's long term liabilities and financial covenants, see Note 12.B.2.E. below.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 16 - Provisions**  
**Composition**

|   | Site<br>dismantling<br>and restoration<br>(a) | Legal claims<br>(b) | Contractual<br>liabilities<br>and onerous<br>contracts <sup>(c)</sup><br>(d) | Other<br>provisions | Total |
|---|---|---------------------|--|---------------------|-------|
|   | NIS millions                                  |                     |  |                     |       |
| Balance as at January 1, 2022                                 | 29  | 86                  | 27   | 14                  | 156   |
| Provisions which were created during the period               | -   | 10                  | 4  | 1                   | 15    |
| Provisions which were realized during the period              | -   | (1)                 | -  | -                   | (1)   |
| Provisions which were canceled during the period              | (5)   | (31)                | (9)  | -                   | (45)  |
| Additions due to business combination                         | -   | 3                   | -  | -                   | 3     |
| Classification as liabilities as held for sale <sup>(1)</sup> | (24)  | (61)                | (22)   | (11)                | (118) |
| Balances as at December 31, 2022                              | -   | 6                   | -  | 4                   | 10    |
| Current   | -   | 6                   | -  | 4                   | 10    |
| Non-current   | -   | -                   | -  | -                   | -     |
| Balances as at December 31, 2022                              | -   | 6                   | -  | 4                   | 10    |
| Balances as at December 31, 2021                              | 29  | 86                  | 27   | 14                  | 156   |
| Current   | -   | 86                  | 27   | 3                   | 116   |
| Non-current   | 29  | -                   | -  | 11                  | 40    |
| Balances as at December 31, 2021                              | 29  | 86                  | 27   | 14                  | 156   |

(1) See Note 12.B.2. above for details regarding the classification of liabilities of the Cellcom activity under held for sale liabilities.

- (A) **Site dismantling and restoration** - the Group's member companies are required to recognize certain costs with respect to the settlement of assets and restoration of sites where the assets were located. The aforementioned expenses are calculated based on the value of the dismantling in the current year, while taking into account the best estimate of possible changes in price, inflation, etc., and are discounted by the risk free interest rate. The forecast with respect to the scope of settled or created assets is updated in accordance with regulatory changes and expected technological requirements.
- (B) **Legal claims** - In the ordinary course of business, legal claims are filed against the Group's member companies, including motions to approve claims as class actions with respect to some of them. In cases where provisions are required to cover the exposure as a result of such claims, provisions were included which are adequate in the opinion of the Group's member companies, based on, inter alia, legal opinions with respect to the chances of the claims. For details regarding claims and contingent liabilities - see Note 22 below.
- (C) **Contractual liabilities** - Provisions with respect to contractual obligations and other exposures include a number of liabilities which are due to a contractual obligation or legislation, which include a component of significant uncertainty regarding the timing and amounts which are required to settle the liability.
- Onerous contracts** - Rental agreements with respect to the rental of commercial and storage areas which are non-cancellable. See also Note 2.S.2. above.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 17 - Employee Benefits

Employee benefits include post-employment benefits, other long term benefits, severance benefits, short term benefits and share-based payments. The Group's liabilities regarding the termination of employer - employee relationship, with respect to its employees in Israel, are calculated in accordance with Israeli law regarding severance pay.

With respect to post-employment benefits to employees, the Group's member companies have defined benefit plans with respect to which they deposit amounts in appropriate insurance policies. Additionally, the Group has defined deposit plans with respect to some of its employees, who are subject to section 14 of the Severance Pay Law, 5723-1963.

For details regarding share-based payments, see Annex B below.

For details regarding DIC's engagement, in January 2022, with Property & Building, in a cost distribution agreement (services agreement), beginning on July 1, 2021, see Note 31.B.1.(B). below.

|   | As at December 31   |      |
|---|---------------------|------|
|   | 2022 <sup>(1)</sup> | 2021 |
|   | NIS millions        |      |
| <b>A. Employee benefits which are presented under non-current liabilities</b>   |                     |      |
| Present value of defined benefit liabilities (post-retirement)  | 34                  | 50   |
| Fair value of plan assets   | (27)                | (35) |
| Liability which was recognized with respect to defined benefit plan   | 7                   | 15   |
| Liability with respect to other long term other benefits  | -                   | 9    |
| Total   | 7                   | 24   |
| <b>B. Short term employee benefits presented under current liabilities</b>  |                     |      |
| Under the item for other payables and credit balances - liabilities to employees (see Note 18 below)  | 28                  | 155  |
| (1) See Note 12.B.2. above for details regarding the classification of liabilities of the Cellcom activity under held for sale liabilities. |                     |      |

### Note 18 - Other Payables and Credit Balances

|   | As at December 31   |                   |
|---|---------------------|-------------------|
|   | 2022 <sup>(1)</sup> | 2021              |
|   | NIS millions        |                   |
| <b>Other payables and credit balances</b>   |                     |                   |
| Advance payments and accrued income from customers                                    | 30                  | 68                |
| Citrus growers  | 46                  | 45 <sup>(2)</sup> |
| Lessee deposits   | 14                  | -                 |
| Payables with respect to fruit purchases  | 14                  | 5                 |
| Advance payments from real estate buyers  | -                   | 146               |
| Advance payments from apartment buyers  | 17                  | 16                |
| Provision for the completion of construction works                                    | 90                  | 10                |
| Liabilities with respect to construction and combination services                     | 176                 | 6                 |
| Expenses payable  | 60                  | 87                |
| Interest payable  | 171                 | 57                |
| Liabilities to employees (mostly with respect to salary)                              | 28                  | 155               |
| Institutions  | 13                  | 42                |
| Related parties and interested parties, including equity accounted investee companies | 23                  | 18                |
| Various payables and credit balances  | 31                  | 31                |
|   | 713                 | 686               |

(1) See Note 12.B.2. above for details regarding the classification of liabilities of the Cellcom activity under held for sale liabilities.

(2) Reclassified.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 19 - Trade Payables

|  | As at December 31   |            |
|--|---------------------|------------|
|  | 2022 <sup>(1)</sup> | 2021       |
|  | NIS millions        |            |
| Open accounts                              | 123                 | 471        |
| Expenses payable with respect to suppliers | 17                  | 366        |
| Checks payable                             | 3                   | 1          |
|  | <u>143</u>          | <u>838</u> |

(1) See Note 12.B.2. above for details regarding the classification of liabilities of the Cellcom activity under held for sale liabilities.

### Note 20 - Financial Instruments

#### **A. Management of financial risks**

The Group is exposed to the following risks which are due to the use of financial instruments:

- Credit risk.
- Market risk (which includes currency risk, interest rate risk and other price risk).
- Liquidity risk.

DIC does not determine the risk management policy of its investee companies.

The individual responsible for managing market risks in DIC is Mr. Baruch Itzhak, the Company's CFO.

The treatment of the issue of financial exposures, formulation of strategies and protection, supervision over their implementation and provision of an immediate response to extraordinary developments in the various markets is available to the supervisor of risk management in DIC, who acts in consultation with the members of the Company's Board of Directors and its committees.

In accordance with the resolution of the Board of Directors, the Company's management, at its discretion, may use derivative financial instruments for the purpose of reducing, as necessary, exposures which arise from time to time as a result of DIC's financial structure.

The analysis of exposures and risks in this note does not include an analysis of the assets and liabilities of disposal groups held for sale, unless stated otherwise.

#### **1. Risk management policy of DIC**

**Market risks** - DIC is directly exposed to market risks as a result of changes in the exchange rate and in the inflation rate in Israel, and as a result of market variables which affect the markets where its holdings are traded, and as a result, on the value thereof. DIC is also indirectly exposed to various market risks different the performance of its investee companies.

Approximately 38% of DIC's total debt as at December 31, 2022 is in CPI-linked debentures in NIS, and approximately 62% of the balance of debt is in unlinked debentures. The debentures bear fixed interest, and their fair value is affected from time to time by interest rate changes in the market.

Direct exposure to increases in the index - As at December 31, 2022, DIC has debt with respect to CPI-linked debentures at a scope of NIS 1,003 million, with an average lifetime of approximately 2.0 years.

As at December 31, 2022, and proximate to the approval date of these financial statements, DIC has no hedging transactions through the acquisition of CPI forward contracts. However, DIC evaluates, from time to time, the implementation of hedges, as stated above, in accordance with market conditions.

Exposure to fluctuations in the market values of DIC properties and in the effect of market variables on such values - DIC does not perform hedging activities against these exposures.

Exposure to changes in interest rates - Debentures issued by DIC, principal and linkage (without a premium / discount), which amount as at December 31, 2022 to NIS 2,590 million, and bear fixed interest, and therefore are not exposed to fluctuations in cash flows with respect to interest rate changes. DIC did not implement hedges against the exposure of the value which is due to the fixed interest rates on its debentures.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 20 - Financial Instruments (Cont.)**

#### **A. Management of financial risks (Cont.)**

##### **1. Risk management policy of DIC (Cont.)**

**Credit risks** - In accordance with the policy of the Board of Directors, DIC management invests its liquid surpluses in an effort to achieve adequate returns thereupon, through an appropriate application of the return to risk ratios. DIC holds cash balances in short term deposits in several of the most reputable financial institutions in Israel, at a scope which is no less than DIC's liquidity needs for a range of half a year. Additionally, in accordance with DIC's policy, it is entitled to invest its liquid surpluses in mutual funds, ETF's, stocks, government debentures and corporate debentures in Israel and abroad, which have an Israeli rating of Investment Grade or higher, and in other financial instruments with high rates of return. The maximum scope of the exposure to stocks, stock ETF's, and other high-return financial instruments, will not exceed 30% of the Company's liquid surplus, beyond its liquidity needs in a range of half a year, as stated above.

The maximum rate of securities of one corporate issuer which DIC holds in the portfolio does not exceed 10% of the investment portfolio value. Inter alia, DIC's investment in debentures of member companies of its groups which are affiliated with it is restricted a total of up to NIS 100 million, in debentures with high yield to maturity.

DIC performs transactions with derivative financial instruments only through banking corporations and entities which are committed to maintaining a certain level of securities, according to scenarios. Beyond the above, DIC has no other material financial assets which are exposed to credit risks.

**Liquidity risk** - DIC's policy is to act to ensure that it will have sufficient liquid resources to service its liabilities in a timely manner. As part of the above, DIC strives to maintain an adequate cash balance, as stated above, with respect to credit risks. It is noted that as at December 31, 2022, DIC has a balance of liquid resources in the amount of NIS 827 million. The total repayments of principal and interest with respect to DIC's debt in 2023 and 2024 amount to NIS 980 million and NIS 658 million, respectively. DIC routinely reviews its future cash flow forecast and the sources which are available to it, including, inter alia, the following sources:

- Expected dividends from investee companies - in connection with the above, DIC monitors the profitability of investee companies, their available cash flow and their ability to distribute dividends.
- Debt restructuring - the Company evaluates, from time to time, the possibility of receiving loans or loans secured by pledges on assets from financial institutions or institutional entities, for an extension of an existing debenture series, or for an issuance of a new debenture series.
- Realization of holdings in investee companies - DIC is able to realize a few percent or more of the share capital of investee companies, while retaining control or significant influence over them, and also its ability to realize all or most of its holdings in the shares of one of the investee companies. It is noted that DIC holds control, or is a material shareholder, of large public companies which are leaders in their fields, whose shares have a high degree of marketability, and DIC's holdings in them are not pledged subject to any specific pledge.

It is also noted that the net asset value of DIC as at proximate to the approval date of these financial statements (which is based on the market value of its primary investments according to their average market value during the five trading days which preceded the above date) amounts to of NIS 131 million.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### A. Management of financial risks (Cont.)

##### 2. Risk management policy of DIC's primary subsidiaries

###### A. Cellcom

**Credit risk** - Cellcom management has a credit policy and continuously monitors Cellcom's exposure to credit risk. Cellcom's credit risk is primarily due to customer debts towards Cellcom.

Cellcom conducts a credit risk assessment with respect to its customers, and adjusts credit limits, or demands collateral against credit, in accordance with the risk level of each individual customer. Cellcom management routinely monitors trade receivables, other receivables and debit balances, and contract assets. Cellcom is exposed to credit risks, primarily due to its activities in Israel.

Most of Cellcom's cash and cash equivalents are deposited in the major banking institutions in Israel.

The credit risk with respect to balances of trade receivables is limited due to the composition of the customer base, which includes a broad distribution and large number of individual customers and businesses. Cellcom evaluates the customer's credit risk before engaging in sales based on various parameters regarding the customer's financial position, credit scoring, the purchase amount, and the customer's segment. Customer ratings are determined using quantitative and qualitative data which may predict the risk of default.

Assessment of expected credit losses for corporate and private customers - Cellcom records credit losses with respect to existing balances based on historical statistics which predict the loss from credit risk and the expected collection, and exercises discretion based on past experience. Cellcom makes use of a data matrix which is based, inter alia, on the aging of customer debts, in order to measure the expected credit loss, which is comprised of a large number of small debt accounts.

The calculation of default rates is done by weighing the debtor's probabilities regarding various default events, from the full collection of the debt, until it is eliminated.

**Liquidity risk** - The surplus cash which is held by Cellcom, and which is not required to finance its operating activities, was invested in interest bearing investment channels, such as short term deposits. These investment channels are chosen in accordance with the future forecasts with respect to Cellcom's cash requirements for the purpose of servicing its liabilities.

Cellcom evaluates routine forecasts regarding its liquidity requirements in order to verify that it has sufficient cash for its operational requirements. These forecasts take into account factors such as Cellcom's plans to use the debt to finance its activities, the fulfillment of binding financial covenants, and the fulfillment of external requirements, such as laws or regulations.

**Market risk** - Cellcom buys and sells derivatives in the ordinary course of business, and accepts financial liabilities for the purpose of managing market risks. These transactions are executed in accordance with the policy which was determined by Cellcom's Board of Directors.

**Interest rate and index risk** - Cellcom is exposed to fluctuations in the interest rate, including changes in the consumer price index (the "CPI"), due to the fact that some of its debentures are CPI-linked. As part of the risk management policy, Cellcom executes, from time to time, forward transactions which partially hedge its exposure to changes in the CPI. These transactions are executed in accordance with the policy which was determined by Cellcom's Board of Directors.

**Currency risk** - Cellcom's operating profit and cash flows are exposed to currency risk (mostly the USD), primarily due to payments for acquisitions from mobile devices, network equipment, purchasing of television content, purchasing of telecommunication bandwidth, and international roaming service activity. Cellcom also maintains accounts in currencies other than Cellcom's functional currency, mostly in USD. Within the framework of the policy regarding hedging of financial exposures, Cellcom performs forward transactions and options in order to partially hedge its exposure to fluctuations in exchange rates.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 20 - Financial Instruments (Cont.)**

#### **A. Management of financial risks (Cont.)**

##### **2. Risk management policy of DIC's primary subsidiaries (Cont.)**

##### **B. Property & Building**

The activity of Property & Building in Israel is mostly financed through long term loans at fixed interest, in NIS or CPI-linked. In 2022, in light of the acquisition of Gav-Yam shares, and in light of the non-completion of the realization of the HSBC Tower, Property & Building accepted short term bridging loans. Property & Building is working to repay these loans through the realization of assets, the issuance of long term debentures, and the acceptance of alternative long term loans (see also Note 15.D.1. below).

In 2022, Property & Building's revenues in Israel were mostly linked to the consumer price index or to the construction input price index. The liquid resources are invested for short periods, mostly in NIS and USD deposits, and in marketable securities. Property & Building's activities in the United States are financed, when possible, on USD credit.

For details regarding the sale of revenue-generating real estate properties in Israel and abroad, see Note 12 above.

**Market risks** - In accordance with its method of operation, Property & Building is exposed to market risks due to changes in external factors, such as activity in the real estate branch of the economy, changes in the index, changes in the cost of building index, and changes on the level of the market interest rate. Property & Building is also exposed to changes in foreign currency exchange rates, mostly the USD, within the framework of its foreign investments, an exposure which is due both to the operating activities of its investee companies abroad, holdings in foreign currency, and the financing methods of the investments.

Property & Building diversifies the financing sources and credit types, and routinely evaluates the credit terms in the various alternatives, and the estimates regarding changes in the projected inflation rates and the market interest rate.

Property & Building's policy on this matter, as at the reporting date, is to protect against the economic exposure; however, Property & Building's Board of Directors may, from time to time, in case of a change in circumstances, or in its discretion, change this policy.

In accordance with the extent of the current exposure, Property & Building estimated that there is no need to use derivative instruments for the purpose of hedging against market risks, except for a swap transaction which Property & Building executed to hedge against its exposure to the CPI, see Note 20.C.3. below.

With respect to liquid resources, foreign currency exchange rates within the framework of foreign investments (mostly in the United States), Property & Building worked to reduce the exposure by investing in companies whose functional currency is the foreign currency in the target countries, and by matching the linkage basis of the investments to those of the income and, as much as possible, also of the financing sources. Due to the signing of agreements for the sale of HSBC Tower and IDBG, as stated in Notes 12.B.1.A. and 12.A.4. above, responsibility, the consideration for which is denominated in USD, Property & Building executed, in December 2021 and in January and February 2022, hedging (forward) transactions on the USD exchange rate.

**Credit risks** - Regarding liquid resources, the investment of Property & Building is to invest its liquid resources in NIS and USD bank deposits for short periods in defined channels, at a scope of up to 50% of its balances of liquid resources. Property & Building's policy also allows the investment of up to approximately 35% of the cash surplus in government and corporate debentures, stocks, ETF's and mutual funds, in accordance with the covenants specified in Property & Building's investment policy.

The policy of Property & Building also allows other investments, to a flexible degree, at a scope of up to 15% of its liquid resources, in accordance with resolutions of Property & Building's Board of Directors, of which up to a total of NIS 100 million (and in any case, no more than 15% of the balances of liquid resources) will be invested flexibly in various investments, in accordance with joint decisions of Property & Building's Chairman of the Board and General Manager.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 20 - Financial Instruments (Cont.)**

#### **A. Management of financial risks (Cont.)**

##### **2. Risk management policy of DIC's primary subsidiaries (Cont.)**

##### **C. Elron**

**Credit risks** - Elron invests its liquid resources in stable channels. Elron's policy is to diversify its investments among various institutions. The majority of its cash balances and deposits are held in different financial institutions with high credit ratings. Additionally, as at December 31, 2022, Elron invested USD 6 million in corporate debentures with an international rating of "Investment Grade" or higher, most of which have a rating of A- or higher.

**Currency risk** - The functional currency of Elron and of most its investee companies is the USD. Accordingly, Elron and its investee companies work to ensure, as much as possible, that most of their assets and liabilities, and most of their income and expenses, are in USD or linked to the USD.

**Interest rate risk** - as part of risk management, Elron invests some of the balance of its liquid resources in USD debentures linked to changes in the LIBOR interest rate or with fixed interest rates, and in short term deposits with fixed interest rates.

##### **D. Mehadrin**

**Credit risks** - Mehadrin monitors the credit risk of customers in accordance with their credit characteristics. Customers who are rated "high risk" are classified under a separate list, and beginning from the date of that rating, sales are made on a prepaid basis.

Mehadrin generally does not require collateral for negative balances of trade receivables and other receivables.

**Liquidity risk** - Mehadrin uses activity-based to price its products and services, which helps it to monitor the cash flow requirements, and to maximize the cash returns on its investments.

Mehadrin verifies the existence of sufficient levels of on demand cash for the payment of expected operating expenses, including the amounts which are required to fulfill the liabilities and financial covenants, and for this purpose, has arranged unsecured credit facilities with banks and other credit providers.

**Market risks** - The purpose of market risk management is to manage and oversee the exposure to market risks within the framework of generally accepted parameters, while maximizing returns.

Mehadrin buys and sells derivatives in the ordinary course of business, and accepts financial liabilities for the purpose of managing market risks.

**Currency risk** - Mehadrin is exposed to currency risk with respect to sales, purchases and loans denominated in currencies other than the appropriate functional currencies of Mehadrin and its investee companies, mostly including the NIS, but also the USD. The currencies which are used to denominate most of the transactions are the NIS, EUR, USD and GBP. To reduce Mehadrin's exposure to changes in the aforementioned currency rates relative to the NIS, Mehadrin takes action on several levels: paying suppliers in the export currencies, taking out loans in the currencies, using financial derivatives which mostly involve pegging to a minimum exchange rate vs. the NIS, in order to hedge against extreme increases of the NIS vs. the export currencies.

Mehadrin also hedges, from time to time, some of its exposure to foreign currency, and uses various instruments to hedge the exchange rates for the purpose of hedging against its currency risk, with repayment dates of less than one year after the reporting date. These transactions constitute economic hedge transactions only.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### B. Credit risks

As at December 31, 2022, cash and cash equivalents in the consolidated report amounted to a total of NIS 2,090 million; current investments, not including derivatives, amounted to NIS 130 million; and short term deposits, not including restricted and pledged deposits, amounted to NIS 1,140 million. The deposits are deposited in highly reputable financial corporations.

Income from sales and services of consolidated companies are primarily due to customers in Israel. The consolidated companies monitor, on an ongoing basis, the customer debts, and the financial statements of the aforementioned companies include provisions for doubtful debts which adequately reflect, in accordance with the assessment of the consolidated companies, the loss embodied in doubtful debts.

The consolidated companies have no significant concentrations of credit risk, due to the policy of the consolidated companies, which ensures that sales are performed, for the most part, in cash or through credit cards, and in the real estate sector, are guaranteed by the sold units themselves until their delivery, which is performed only once payment for them has been completed.

#### Maximum exposure to credit risk

|                           |   | As at December 31 |       |
|---------------------------|---|-------------------|-------|
|                           |   | 2022              | 2021  |
|                           |   | NIS millions      |       |
| <b>Non-current assets</b> | Other investments   | 41                | 3     |
|                           | Loans, deposits, restricted deposits and debit balances       | 142               | 42    |
|                           | Long term trade receivables                                   | -                 | 158   |
| <b>Current assets</b>     | Current investments, not including derivatives <sup>(1)</sup> | 22                | 162   |
|                           | Deposits and pledged and restricted deposits                  | 1,225             | 300   |
|                           | Financial receivables   | 209               | 86    |
|                           | Trade receivables   | 157               | 1,082 |
|                           | Cash and cash equivalents                                     | 2,090             | 2,740 |
| <b>Derivatives</b>        | Options and forward contracts on exchange rates and the index | 83                | 59    |
|                           |   | 3,969             | 4,632 |

<sup>(1)</sup> Not including shares, participation certificates in mutual funds, investment funds and ETF's.

#### Maximum exposure to credit risk with respect to customers, receivables, loans and other investments, by geographical region

|                     | As at December 31          |       |
|---------------------|----------------------------|-------|
|                     | 2022                       | 2021  |
|                     | Book value<br>NIS millions |       |
| Israel              | 3,608                      | 4,217 |
| United States       | 278                        | 361   |
| Euro bloc countries | 24                         | 11    |
| Great Britain       | 8                          | 18    |
| Other areas         | 51                         | 25    |
|                     | 3,969                      | 4,632 |



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### B. Credit risks (Cont.)

Maximum exposure to credit risk with respect to customers, receivables, loans and other investments, by counterparty

|   | As at December 31 |              |
|---|-------------------|--------------|
|   | 2022              | 2021         |
|   | Book value        |              |
|   | NIS millions      |              |
| Financial corporations  | 3,398             | 3,040        |
| Wholesale customers   | 21                | 21           |
| Retail customers  | 116               | 116          |
| End customers   | 13                | 699          |
| Debentures which were issued by corporations <sup>(1)</sup>               | 22                | 102          |
| Short term bills and debentures which were issued by Government of Israel | -                 | 60           |
| Loans, investments and other receivables                                  | 392               | 194          |
| Lessees   | 7                 | 3            |
| Communication operators   | -                 | 155          |
| Credit card companies   | -                 | 242          |
|   | <u>3,969</u>      | <u>4,632</u> |
| (1) Of which, debentures rated A- or higher                               | 17                | 92           |

#### Aging of the maximum exposure to credit risk

|                          | As at December 31 |                             |              |              |                             |              |
|--------------------------|-------------------|-----------------------------|--------------|--------------|-----------------------------|--------------|
|                          | 2022              |                             |              | 2021         |                             |              |
|                          | Gross             | Provision for credit losses | Total        | Gross        | Provision for credit losses | Total        |
|                          | NIS millions      |                             |              |              |                             |              |
| Not in arrears           | 3,891             | -                           | 3,891        | 4,647        | (109)                       | 4,538        |
| Arrears of 0-30 days     | 33                | -                           | 33           | 34           | -                           | 34           |
| Arrears of 31-120 days   | 32                | -                           | 32           | 53           | (2)                         | 51           |
| Arrears of over 120 days | 25                | (12)                        | 13           | 19           | (10)                        | 9            |
|                          | <u>3,981</u>      | <u>(12)</u>                 | <u>3,969</u> | <u>4,753</u> | <u>(121)</u>                | <u>4,632</u> |

#### Movement in the provision for credit losses with respect to balances of trade receivables, other receivables and loans which were given during the year

|                                       | As at December 31 |            |
|---------------------------------------|-------------------|------------|
|                                       | 2022              | 2021       |
|                                       | NIS millions      |            |
| Balance as at January 1               | 121               | 187        |
| increase in credit loss expenses      | 3                 | 3          |
| Write-off of lost debts               | (14)              | (69)       |
| Addition due to business combination  | 2                 | -          |
| Classified under assets held for sale | (100)             | -          |
| Balance as at December 31             | <u>12</u>         | <u>121</u> |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### C. Market risks

##### 1. Interest rate risks

Value risk due to changes in the interest rate is primarily due to long term liabilities (debentures and loans), mostly at fixed interest.

Some of the long term loans bear variable interest. In this case, the Group is exposed to cash flow risk with respect to changes in the interest rate, as specified below:

Presented below are details regarding the interest type of the Group's interest-bearing financial instruments:

|  | As at December 31 |         |
|--|-------------------|---------|
|  | 2022              | 2021    |
|  | Book value        |         |
|  | NIS millions      |         |
| <b>Instruments bearing fixed interest</b>    |                   |         |
| Financial assets <sup>(1)</sup>              | 3,350             | 1,992   |
| Financial liabilities                        | (14,306)          | (9,185) |
|  | (10,956)          | (7,193) |
| <b>Instruments bearing variable interest</b> |                   |         |
| Financial assets                             | 48                | 569     |
| Financial liabilities                        | (1,410)           | (180)   |
|  | (1,362)           | 389     |

<sup>(1)</sup> Primarily deposits which are included under cash and cash equivalents

#### Fair value sensitivity analysis with respect to instruments with fixed interest rates measured at fair value

Changes in interest rates would have increased or decreased capital and net profit as follows:

|                         | As at December 31 |         |                |         |
|-------------------------|-------------------|---------|----------------|---------|
|                         | 2022              |         | 2021           |         |
|                         | Profit or loss    | Capital | Profit or loss | Capital |
|                         | NIS millions      |         |                |         |
| Absolute increase of 1% | (1)               | (1)     | (4)            | (4)     |
| Absolute decrease of 1% | 1                 | 1       | 4              | 4       |

#### Sensitivity analysis of the annual cash flow forecast with respect to variable interest instruments

Changes in interest rates would have increased or decreased capital and net profit as follows:

|                         | December 31, 2022 |         |
|-------------------------|-------------------|---------|
|                         | Profit or loss    | Capital |
|                         | NIS millions      |         |
| Absolute increase of 1% | (12)              | (12)    |
| Absolute decrease of 1% | 12                | 12      |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### C. Market risks (Cont.)

##### 2. Price risk - sensitivity analysis

Changes in the fair value of securities measured at fair value through profit and loss would have affected profit and loss in the following amounts, after tax:

|                 | Increase (decrease) in profit and loss |      |      |
|-----------------|--|------|------|
|                 | 2022                                   | 2021 | 2020 |
|                 | NIS millions                           |      |      |
| Increase of 5%  | 7                                      | 20   | 14   |
| Increase of 10% | 15                                     | 43   | 28   |
| Decrease of 5%  | (7)                                    | (20) | (14) |
| Decrease of 10% | (15)                                   | (43) | (28) |

##### 3. Index and foreign currency risk - sensitivity analysis

Changes in the exchange rate of the following currencies, and changes in the index as at December 31, would have increased (decreased) capital and profit or loss in the amounts presented below. This analysis was performed assuming that all other variables, and particularly the interest rates, remained fixed. The analysis includes effects with respect to assets and liabilities of disposal groups held for sale, see Note 12 above.

|       | Change in<br>currency<br>exchange rate<br>/<br>Change in<br>index | As at December 31 |               |                      |               |
|-------|---|-------------------|---------------|----------------------|---------------|
|       |   | 2022              |               | 2021                 |               |
|       |   | Capital           | Profit (loss) | Capital              | Profit (loss) |
|       |   | NIS millions      |               |                      |               |
| Index | 1%  | (81)              | (81)          | (35)                 | (35)          |
| USD   | 5%  | 79                | 3             | 86 <sup>(1)</sup>    | 22            |
| Index | 2%  | (164)             | (164)         | (70)                 | (70)          |
| USD   | 10%   | 157               | 7             | 173 <sup>(1)</sup>   | 45            |
| Index | (1%)  | 81                | 81            | 35                   | 35            |
| USD   | (5%)  | (79)              | (3)           | (86) <sup>(1)</sup>  | (22)          |
| Index | (2%)  | 164               | 164           | 70                   | 70            |
| USD   | (10%)   | (157)             | (7)           | (173) <sup>(1)</sup> | (45)          |

The analysis was performed with respect to monetary financial instruments only. Shares, participation certificates in mutual funds, investment funds and ETF's were not taken into account in this sensitivity analysis.

Changes in the exchange rates of other currencies had no significant impact on capital or on profit or loss.

(1) Reclassified.

The Group finances a significant part of its activities using CPI-linked loans and foreign currency. As a result, the Group is exposed to changes in the index and in exchange rates. In order to partially hedge against these liabilities, the Group acquired contracts to hedge against increases in the index and changes in exchange rates. Details provided below:

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**C. Market risks (Cont.)**

Positions in derivatives as at December 31 (including assets and liabilities of disposal groups held for sale)

|   | 2022         |            | 2021      |            |
|---|--------------|------------|-----------|------------|
|   | CPI / NIS    |            |           |            |
|   | Par value    | Fair value | Par value | Fair value |
|   | NIS millions |            |           |            |
| Futures contracts for hedging purposes, non-hedge accounting <sup>(1)</sup> | 963          | 83         | 1,104     | 59         |

These contracts are intended to protect the CPI-linked liabilities such that in case the actual CPI increases at a higher rate than the index which was determined in the agreement, the Group will receive the difference; In the opposite case, the Group pays the difference.

(1) Mostly with respect to swap transactions which were performed by Property & Building. During the months April and May 2020, Property & Building performed swap transactions to exchange CPI-linked NIS cash flows with fixed NIS cash flows with respect to debentures (Series D) of Property & Building. The total sum of the transactions amounted to a total of NIS 1.3 billion. As at December 31, 2022, the sum of the transactions amounted to NIS 0.65 billion. The transactions are accounted for as an economic hedge transaction, to which hedge accounting is not applied. Against these transactions, Property & Building pledged deposits in the amount of NIS 60 million, which Property & Building undertook to increase if their value decreases relative to the price of the each transaction (mark to market). The balance of pledged deposits as at December 31, 2022 was NIS 16 million.

The fair value of the swap transactions as at December 31, 2022 is an asset in the amount of NIS 83 million; NIS 33 million is presented under current assets, and a total of NIS 50 million is presented under non-current assets (2021 - liability in the amount of NIS 5 million).

|   | 2022         |            | 2021      |            |
|---|--------------|------------|-----------|------------|
|   | USD / NIS    |            |           |            |
|   | Par value    | Fair value | Par value | Fair value |
|   | NIS millions |            |           |            |
| Derivatives for hedging purposes:   |              |            |           |            |
| Forward contracts on exchange rates - non-hedge accounting <sup>(1)</sup> | 85           | 3          | 81        | (4)        |
| Put options on foreign currency - non-hedge accounting                    | 77           | -          | 70        | -          |

(1) Hedging transactions of Property & Building on the USD exchange rate and impact of the exchange rate - From December 2021 to February 2022 Property & Building executed USD hedging transactions, to hedge the proceeds which were expected to be received from the sale of Property & Building's holdings in HSBC Tower, in the total amount of approximately USD 340 million, according to an average USD exchange rate of NIS 3.2, which were repaid, in their entirety, in 2022. Property & Building recorded, in its financial statements for 2022, finance expenses in the amount of NIS 34 million (the Company's share: NIS 21 million) with respect to the difference between the average exchange rate of the aforementioned transactions, and the USD exchange rate at the end of the payment date of the transactions.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**D. 1. Fair value of financial instruments for disclosure purposes only**

| December 31, 2022   |                           |               |              |          |               | Discount rate<br>used in the<br>calculation of<br>fair value |
|---|---------------------------|---------------|--------------|----------|---------------|--|
| Book value  | Fair value <sup>(c)</sup> |               |              |          |               |  |
|   | Level 1                   | Level 2       | Level 3      | Total    |               |  |
|   | NIS millions              |               |              |          |               |  |
| <b>Financial liabilities</b>  |                           |               |              |          |               |  |
| Debentures <sup>(a),(b)</sup>   | 13,769                    | 12,780        | -            | -        | 12,780        | 1.1%-8.4%  |
| Long term loans from banks, financial<br>institutions and others <sup>(b),(c)</sup> | 1,819                     | -             | 1,818        | -        | 1,818         | 2.3%-7.3%  |
|   | <u>15,588</u>             | <u>12,780</u> | <u>1,818</u> | <u>-</u> | <u>14,598</u> |  |
|   |                           |               |              |          |               |  |
| As at December 31, 2021   |                           |               |              |          |               | Discount rate<br>used in the<br>calculation of<br>fair value |
| Book value  | Fair value <sup>(c)</sup> |               |              |          |               |  |
|   | Level 1                   | Level 2       | Level 3      | Total    |               |  |
|   | NIS millions              |               |              |          |               |  |
| <b>Financial liabilities</b>  |                           |               |              |          |               |  |
| Debentures <sup>(a),(b)</sup>   | 9,011                     | 9,817         | -            | -        | 9,817         | (1.2%)-2.9%  |
| Long term loans from banks, financial<br>institutions and others <sup>(b),(c)</sup> | 230                       | -             | 230          | -        | 230           | 0.9%-5.3%  |
|   | <u>9,241</u>              | <u>9,817</u>  | <u>230</u>   | <u>-</u> | <u>10,047</u> |  |

- (a) Book value including current maturities and accrued interest. Fair value as at the cutoff date includes principal and interest which were paid after the cutoff date, and whose ex date occurred before.
- (b) The fair value of debentures traded on the stock exchange was estimated based on their quoted price, and the interest rate with respect to them reflects the yield to maturity embodied in the aforementioned quoted price. The fair value of long term loans from banks is estimated using the future cash flow discounting method, with respect to the principal and interest components, which are discounted according to the market interest rate as at the measuring date.
- (c) For details regarding the various levels of the fair value hierarchy, see Note 1.E.(3).C. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 20 - Financial Instruments (Cont.)**

**D. (Cont.)**

**2. Fair value hierarchy of financial instruments measured at fair value**

For details regarding the various levels of the fair value hierarchy, see Note 1.E.3.(C) above.

The fair value of financial assets measured at fair value is determined with reference to their quoted closing bid price as at the date of the statement of financial position, and in the absence of such a quoted price - using other conventionally accepted valuation methods, in consideration of the majority of observable market inputs (such as use of the interest curve).

**Financial instruments measured at level 2 (including assets and liabilities of disposal groups held for sale)**

|                       | As at December 31 |      |
|-----------------------|-------------------|------|
|                       | 2022              | 2021 |
|                       | NIS millions      |      |
| Financial assets      | 289               | 88   |
| Financial liabilities | -                 | (4)  |

Financial instruments measured at fair value level 2 include, inter alia:

- Investment in USD debentures bearing fixed interest. The debentures' fair value is measured using fair value quotes which are received from several different information sources.
- Forward contracts whose fair value is estimated based on quotes by banks / brokers or by discounting the difference between the forward price specified in the contract and the current forward price in respect of the remainder to maturity of the contract period, while using appropriate market interest rates for similar instruments, includes the required adjustments in respect of the parties' credit risks, when appropriate.
- Options on foreign currency whose fair was determined according to the Black-Scholes model.
- Economic hedging transactions on the SOFR interest rate (cap rate), whose fair value was estimated based on a quote from a banking corporation. See Note 12.B.1.D. below.

The Group's remaining financial instruments are measured at fair value level 1, except as specified in the following tables:

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**D. (Cont.)**

**2. Fair value hierarchy of financial instruments measured at fair value (Cont.)**

**Financial instruments measured at fair value level 3 (including assets and liabilities of disposal groups held for sale)**

|  | For the year ended December 31, 2022                           |                              |             |  |
|--|--|------------------------------|-------------|--|
|  | Financial assets measured at fair value through profit or loss |                              |             | Financial liabilities measured at fair value through profit and loss |
|  | Investments and derivatives                                    | Loans to associate companies | Total       |  |
|  | NIS millions   |                              |             |  |
| Balance as at January 1, 2022  | 126  | 267                          | 393         | -  |
| Total income (loss) recognized:  |  |                              |             |  |
| Under profit and loss <sup>(a)</sup>   | (23)   | 2                            | (21)        | 4  |
| Under other comprehensive income (in the item for the reserves from translation differences)                             | 10   | 10                           | 20          | -  |
| Investments  | 8  | -                            | 8           | (12)   |
| Redemptions  | -  | (18)                         | (18)        | -  |
| Fair value adjustments   | (40)   | -                            | (40)        | -  |
| Contingent consideration due to the realization of investments, which are initially measured at fair value level 3       | 41 <sup>(d)</sup>  | -                            | 41          | -  |
| Transfer from level 3  | -  | (217) <sup>(c)</sup>         | (217)       | -  |
| Balance as at December 31, 2022  | <u>122</u>   | <u>44</u>                    | <u>166</u>  | <u>(8)</u>   |
| (A) Total profit for the period included under the income statement with respect to held assets as at December 31, 2022: |  |                              |             |  |
| Net loss from realization and increase (decrease) in the value of investments and assets                                 | <u>(20)</u>  | <u>-</u>                     | <u>(20)</u> | <u>-</u>   |
| The Group's share in the loss of investee companies accounted by the equity method, net                                  | <u>-</u>   | <u>2</u>                     | <u>2</u>    | <u>-</u>   |
| Profit from discontinued operations  | <u>-</u>   | <u>-</u>                     | <u>-</u>    | <u>4</u>   |

(B) Not including income from dividends in the amount of NIS 1 million.

(C) For details regarding the loan to IDBG, see Note 12.A.4. above.

(D) Regarding the sale of Cartiheal, see Note 3.G.4. above.

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## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 20 - Financial Instruments (Cont.)

#### D. (Cont.)

#### 2. Fair value hierarchy of financial instruments measured at fair value (Cont.) Financial instruments measured at fair value level 3 (including assets and liabilities of disposal groups held for sale) (Cont.)

|  | For the year ended<br>December 31, 2021                           |                                    |       |
|--|---|------------------------------------|-------|
|  | Financial assets measured at fair value<br>through profit or loss |                                    |       |
|  | Investments<br>and<br>derivatives                                 | Loans to<br>associate<br>companies | Total |
|  | NIS millions  |                                    |       |
| Balance as at January 1, 2021  | 121   | 367                                | 488   |
| Total income (loss) recognized:  |   |                                    |       |
| Under profit and loss <sup>(a)</sup>   | 5   | (61)                               | (56)  |
| Under other comprehensive income (in the item for the reserves from translation differences)                             | (3)   | (11)                               | (14)  |
| Investments  | 17  | -                                  | 17    |
| Redemptions  | (25)  | (13)                               | (38)  |
| Conversion to capital  | -   | (15)                               | (15)  |
| Transfer from level 3  | (7) <sup>(c)</sup>  | -                                  | (7)   |
| Transition to initial measurement at fair value level 3  | 18  | -                                  | 18    |
| Balance as at December 31, 2021  | 126   | 267 <sup>(d)</sup>                 | 393   |
| (A) Total profit for the period included under the income statement with respect to held assets as at December 31, 2021: |   |                                    |       |
| Finance income   | 2   | -                                  | 2     |
| Net loss from realization and increase (decrease) in the value of investments and assets                                 | 4   | -                                  | 4     |
| The Group's share in the loss of investee companies accounted by the equity method, net                                  | -   | (61)                               | (61)  |

(B) Not including income from dividends in the amount of NIS 2 million.

(C) On June 20, 2021, the shares of Libra Insurance Company Ltd. ("Libra") were listed on the Tel Aviv Stock Exchange. DIC held 4.7% of Libra's share capital as at December 31, 2021, and the investment is accounted for as a financial asset at fair value. In 2021, DIC included profit in the amount of NIS 18 million under the item for profit from disposal and appreciation of investments and assets, and dividends, due to the revaluation of the investment, in accordance with its market value as at December 31, 2021. As a result, the investment measurement hierarchy was classified to fair value at level 1.

(D) Including a loan to IDBG in the amount of NIS 211 million, which is presented under the item for assets of disposal groups held for sale. For additional details, see Note 12.A.4. above.

<sup>1)</sup> The Group holds several private companies, where the fair value of the investment in them was estimated using the following valuation methods:

- The cash flow discounting method was applied with respect to the ability of the companies under valuation to estimate their future cash flows.
- Transactions method - according to this method, the value of the Group's investments in the companies which form the subject of the valuation was estimated based on a price that was determined in recent transactions with their securities, while performing relevant adjustments.
- Option pricing model - an option pricing model which is based on the Black-Scholes model or on the binomial model. This method is based on the assumption that the securities of an entity may be regarded as call options for the value of the entire entity.
- The value of investments in venture capital funds which are not registered for trading is determined based on the Group's share in the capital funds based on their financial statements, which are based on fair value or valuations of their investments.

#### Fair value sensitivity analysis with respect to financial instruments measured at fair value level 3

Although in the Company's opinion, the fair value amounts determined for measurement and/or disclosure purposes are appropriate, the use of different assumptions or different measurement methods may change the fair value amounts.

With respect to financial instruments classified at level 3 of the fair value hierarchy, the possible effect as a result of a reasonable change in the non-observed data is immaterial.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**E. Linkage bases of assets and liabilities on a consolidated basis**

|  | December 31, 2022 |                          |                   |          |                                   |        |
|--|-------------------|--------------------------|-------------------|----------|-----------------------------------|--------|
|  | CPI-linked        | In USD or linked thereto | In other currency | Unlinked | Non-monetary items <sup>(a)</sup> | Total  |
|  | NIS millions      |                          |                   |          |                                   |        |
| <b>Assets <sup>(b)</sup></b>   |                   |                          |                   |          |                                   |        |
| Investments in investee companies accounted by the equity method                                 | -                 | -                        | -                 | -        | 406                               | 406    |
| Other investments, including derivatives   | 50                | 41                       | -                 | -        | 246                               | 337    |
| Loans, deposits, pledged and restricted deposits and debit balances and long term debit balances | -                 | 88                       | -                 | 54       | 70                                | 212    |
| Fixed assets and investment property   | -                 | -                        | -                 | -        | 12,947                            | 12,947 |
| Right-of-use assets  | -                 | -                        | -                 | -        | 209                               | 209    |
| Real estate inventory  | -                 | -                        | -                 | -        | 65                                | 65     |
| Deferred expenses  | -                 | -                        | -                 | -        | 85                                | 85     |
| Deferred tax assets  | -                 | -                        | -                 | -        | 23                                | 23     |
| Intangible assets  | -                 | -                        | -                 | -        | 4,402                             | 4,402  |
| Other short term investments   | 33                | 22                       | -                 | -        | 108                               | 163    |
| Short term deposits and pledged and restricted deposits  | -                 | 46                       | -                 | 1,172    | -                                 | 1,218  |
| Other receivables and debit balances   | -                 | 107                      | 13                | 89       | 170                               | 379    |
| Current tax assets   | 26                | -                        | -                 | -        | -                                 | 26     |
| Trade receivables  | -                 | 39                       | 66                | 52       | -                                 | 157    |
| Inventory and inventory of buildings for sale  | -                 | -                        | -                 | -        | 201                               | 201    |
| Cash and cash equivalents  | -                 | 136                      | 75                | 1,879    | -                                 | 2,090  |
| Assets of disposal groups held for sale  | -                 | -                        | -                 | -        | 10,442                            | 10,442 |
| Total  | 109               | 530                      | 168               | 3,404    | 29,151                            | 33,362 |
| <b>Liabilities <sup>(b)</sup></b>  |                   |                          |                   |          |                                   |        |
| Debentures   | 7,639             | -                        | -                 | 5,976    | -                                 | 13,615 |
| Loans from banks and financial institutions and other long term financial liabilities            | 88                | 31                       | 15                | 1,758    | -                                 | 1,892  |
| Lease liabilities  | 80                | 28                       | 6                 | 2        | -                                 | 116    |
| Other non-financial liabilities  | -                 | -                        | -                 | -        | 205                               | 205    |
| Deferred tax liabilities   | -                 | -                        | -                 | -        | 1,850                             | 1,850  |
| Employee benefits  | -                 | -                        | -                 | 7        | -                                 | 7      |
| Short term loans and credit  | 6                 | -                        | -                 | 201      | -                                 | 207    |
| Other payables and credit balances   | 130               | 4                        | 10                | 237      | 155                               | 536    |
| Trade payables   | -                 | 19                       | 15                | 109      | -                                 | 143    |
| Current tax liabilities  | 37                | -                        | -                 | -        | -                                 | 37     |
| Short term provisions  | 3                 | -                        | -                 | 7        | -                                 | 10     |
| Liabilities of disposal groups classified as held for sale                                       | -                 | -                        | -                 | -        | 6,484                             | 6,484  |
| Total  | 7,973             | 81                       | 117               | 8,196    | 8,735                             | 25,102 |
| Difference   | (7,864)           | 449                      | 51                | (4,792)  | 20,416                            | 8,260  |

<sup>(a)</sup> Including shares, participation certificates in mutual funds, investment funds, ETF's and monetary items which were removed from the application of IFRS 7. Total assets of disposal groups held for sale, and total liabilities of disposal groups held for sale, are presented under non-monetary items.

<sup>(b)</sup> Non-current assets and liabilities in this table include current maturities with respect to them.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**E. Linkage bases of assets and liabilities on a consolidated basis (Cont.)**

|  | As at December 31, 2021 |                          |                   |                    |                                   |               |
|--|-------------------------|--------------------------|-------------------|--------------------|-----------------------------------|---------------|
|  | CPI-linked              | In USD or linked thereto | In other currency | Unlinked           | Non-monetary items <sup>(a)</sup> | Total         |
|  | NIS millions            |                          |                   |                    |                                   |               |
| <b>Assets <sup>(b)</sup></b>   |                         |                          |                   |                    |                                   |               |
| Investments in investee companies accounted by the equity method                                 | -                       | -                        | -                 | -                  | 3,167 <sup>(c)</sup>              | 3,167         |
| Other investments, including derivatives   | 44                      | 3                        | -                 | 3                  | 144                               | 194           |
| Loans, deposits, pledged and restricted deposits and debit balances and long term debit balances | 2                       | 12                       | -                 | 47                 | 75                                | 136           |
| Fixed assets and investment property   | -                       | -                        | -                 | -                  | 1,752                             | 1,752         |
| Long term trade receivables  | -                       | -                        | -                 | 393                | -                                 | 393           |
| Right-of-use assets  | -                       | -                        | -                 | -                  | 869                               | 869           |
| Real estate inventory  | -                       | -                        | -                 | -                  | 24                                | 24            |
| Deferred expenses  | -                       | -                        | -                 | -                  | 423                               | 423           |
| Deferred tax assets  | -                       | -                        | -                 | -                  | 6                                 | 6             |
| Intangible assets  | -                       | -                        | -                 | -                  | 2,640                             | 2,640         |
| Other short term investments   | 64                      | 33                       | -                 | 80                 | 222                               | 399           |
| Short term deposits and pledged and restricted deposits  | -                       | 129                      | -                 | 165                | -                                 | 294           |
| Other receivables and debit balances   | -                       | 2                        | 4                 | 67                 | 241                               | 314           |
| Current tax assets   | 20                      | -                        | -                 | -                  | -                                 | 20            |
| Trade receivables  | 3                       | 72                       | 53                | 719                | -                                 | 847           |
| Inventory and inventory of buildings for sale  | -                       | -                        | -                 | -                  | 337 <sup>(d)</sup>                | 337           |
| Cash and cash equivalents  | -                       | 522                      | 86                | 2,132              | -                                 | 2,740         |
| Assets of disposal groups held for sale  | -                       | -                        | -                 | -                  | 3,695                             | 3,695         |
| <b>Total</b>   | <b>133</b>              | <b>773</b>               | <b>143</b>        | <b>3,606</b>       | <b>13,585</b>                     | <b>18,250</b> |
| <b>Liabilities <sup>(b)</sup></b>  |                         |                          |                   |                    |                                   |               |
| Debentures   | 2,864                   | -                        | -                 | 6,092              | -                                 | 8,956         |
| Loans from banks and financial institutions and other long term financial liabilities            | 12                      | 26                       | 40                | 160                | -                                 | 238           |
| Lease liabilities  | 739                     | 36                       | 6                 | 16                 | -                                 | 797           |
| Other non-financial liabilities  | -                       | -                        | -                 | -                  | 19                                | 19            |
| Long term provisions   | -                       | -                        | -                 | 29                 | 11                                | 40            |
| Deferred tax liabilities   | -                       | -                        | -                 | -                  | 566                               | 566           |
| Employee benefits  | -                       | -                        | -                 | 24                 | -                                 | 24            |
| Short term loans and credit  | -                       | -                        | 4                 | 173                | -                                 | 177           |
| Other payables and credit balances   | 13                      | 2                        | 2                 | 426 <sup>(d)</sup> | 237                               | 680           |
| Trade payables   | -                       | 206                      | 10                | 622                | -                                 | 838           |
| Short term derivatives   | -                       | 4                        | -                 | -                  | -                                 | 4             |
| Current tax liabilities  | 33                      | -                        | -                 | -                  | -                                 | 33            |
| Short term provisions  | 32                      | -                        | -                 | 84                 | -                                 | 116           |
| Liabilities of disposal groups classified as held for sale                                       | -                       | -                        | -                 | -                  | 1,388                             | 1,388         |
| <b>Total</b>   | <b>3,693</b>            | <b>274</b>               | <b>62</b>         | <b>7,626</b>       | <b>2,221</b>                      | <b>13,876</b> |
| <b>Difference</b>  | <b>(3,560)</b>          | <b>499</b>               | <b>81</b>         | <b>(4,020)</b>     | <b>11,374</b>                     | <b>4,374</b>  |

<sup>(a)</sup> Including shares, participation certificates in mutual funds, investment funds, ETF's and monetary items which were removed from the application of IFRS 7. Total assets of disposal groups held for sale, and total liabilities of disposal groups held for sale, are presented under non-monetary items.

<sup>(b)</sup> Non-current assets and liabilities in this table include current maturities with respect to them.

<sup>(c)</sup> Includes loans in the amount of NIS 56 million, linked to the USD exchange rate.

<sup>(d)</sup> Reclassified.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**F. Liquidity risk**

|   | December 31, 2022            |   |               |                |               |                |               |                 |
|---|------------------------------|---|---------------|----------------|---------------|----------------|---------------|-----------------|
|   | Book<br>value <sup>(1)</sup> | Total<br>cash<br>flow<br>forecast<br><sup>(2)</sup> | First<br>year | Second<br>year | Third<br>year | Fourth<br>year | Fifth<br>year | Over 5<br>years |
|   | NIS millions                 |   |               |                |               |                |               |                 |
| <b>Non-derivative financial liabilities</b>   |                              |   |               |                |               |                |               |                 |
| Debentures  | 13,769                       | (14,849)  | (3,204)       | (2,372)        | (2,335)       | (1,933)        | (1,409)       | (3,596)         |
| Loans from banks and financial institutions and other long term financial liabilities | 1,907                        | (1,966)   | (1,546)       | (320)          | (72)          | (35)           | -             | -               |
| Lease liabilities   | 116                          | (142)   | (23)          | (20)           | (16)          | (12)           | (11)          | (60)            |
| Short term loans and credit   | 207                          | (207)   | (207)         | -              | -             | -              | -             | -               |
| Other financial payables and credit balances  | 171                          | (171)   | (171)         | -              | -             | -              | -             | -               |
| Trade payables  | 143                          | (143)   | (143)         | -              | -             | -              | -             | -               |
|   | 16,313                       | (17,479)  | (5,295)       | (2,712)        | (2,423)       | (1,980)        | (1,420)       | (3,656)         |

<sup>(1)</sup> The book value includes current maturities and accrued interest as at December 31, 2022, while the cash flow forecast includes all future interest payments.

<sup>(2)</sup> The cash flow forecast was calculated based on the index, the interest rates and the known exchange rates as at December 31, 2022.

|   | As at December 31, 2021   |   |            |             |            |             |            |              |
|---|---------------------------|---|------------|-------------|------------|-------------|------------|--------------|
|   | Book value <sup>(1)</sup> | Total cash flow forecast <sup>(2)</sup> | First year | Second year | Third year | Fourth year | Fifth year | Over 5 years |
|   | NIS millions              |   |            |             |            |             |            |              |
| <b>Non-derivative financial liabilities</b>   |                           |   |            |             |            |             |            |              |
| Debentures  | 9,011                     | (10,267)                                | (1,754)    | (1,957)     | (1,759)    | (1,581)     | (1,169)    | (2,047)      |
| Loans from banks and financial institutions and other long term financial liabilities | 240                       | (257)                                   | (96)       | (93)        | (30)       | (6)         | (32)       | -            |
| Lease liabilities   | 797                       | (906)                                   | (226)      | (177)       | (173)      | (86)        | (68)       | (176)        |
| Short term loans and credit   | 177                       | (177)                                   | (177)      | -           | -          | -           | -          | -            |
| Other financial payables and credit balances <sup>(3)</sup>                           | 386                       | (386)                                   | (386)      | -           | -          | -           | -          | -            |
| Trade payables  | 838                       | (838)                                   | (838)      | -           | -          | -           | -          | -            |
| <b>Financial liabilities - derivative instruments</b>                                 |                           |   |            |             |            |             |            |              |
| Other derivatives   | 4                         | (4)                                     | (4)        | -           | -          | -           | -          | -            |
|   | 11,453                    | (12,835)                                | (3,481)    | (2,227)     | (1,962)    | (1,673)     | (1,269)    | (2,223)      |

<sup>(1)</sup> The book value includes current maturities and accrued interest as at December 31, 2021, while the cash flow forecast includes all future interest payments.

<sup>(2)</sup> The cash flow forecast was calculated based on the index, the interest rates and the known exchange rates as at December 31, 2021.

<sup>(3)</sup> Reclassified.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

**G. Changes in financial liabilities whose cash flows are classified as cash flows from financing activities:**

|   | Short term<br>loans from<br>banks,<br>financial<br>institutions<br>and others | Loans<br>from<br>banks,<br>financial<br>institutions<br>and others | Debentures      | Lease<br>liabilities | Liabilities<br>with<br>respect to<br>investment<br>property | Financial<br>liabilities -<br>derivative<br>instruments | Total           |
|---|---|--|-----------------|----------------------|---|---|-----------------|
|   | NIS millions  |  |                 |                      |   |   |                 |
| <b>Balance as at January 1, 2022</b>  | (177)   | (231)  | (9,011)         | (797)                | -   | (4)   | (10,220)        |
| Cash flows which were received  | (45)  | (1,660)  | (1,831)         | -                    | -   | -   | (3,536)         |
| Cash flows which were paid  | 13  | 147  | 1,823           | 306                  | -   | (11)  | 2,278           |
| Additions with respect to new agreements, changes to agreements and revaluation | -   | -  | -               | (361)                | -   | -   | (341)           |
| Write-offs with respect to leases   | -   | -  | -               | 72                   | -   | -   | 52              |
| Amounts applied to the statement of income                                      | 2   | (75)   | (737)           | (40)                 | -   | 15  | (838)           |
| Amounts applied to other comprehensive income                                   | -   | (4)  | -               | -                    | -   | -   | (4)             |
| Liabilities of disposal groups classified as held for sale <sup>(1)</sup>       | -   | 4  | 2,962           | 708                  | -   | -   | 3,677           |
| additions with respect to undertaking to purchase land                          | -   | -  | -               | -                    | (80)  | -   | -               |
| Additions due to business combination <sup>(2)</sup>                            | -   | -  | (6,975)         | (4)                  | -   | -   | (6,979)         |
| <b>Balance as at December 31, 2022</b>  | <b>207</b>  | <b>(1,819)</b>   | <b>(13,769)</b> | <b>(116)</b>         | <b>(80)</b>   | <b>-</b>  | <b>(15,991)</b> |

(1) For details regarding the classification of the Cellcom activity as assets and liabilities of a disposal group held for sale, see 12.B.2. above.

(2) For details regarding the initial consolidation of Gav-Yam, beginning on March 8, 2022, see Note 3.F.1.A below.

|   | Short term<br>loans from<br>banks,<br>financial<br>institutions<br>and others | Loans<br>from<br>banks,<br>financial<br>institutions<br>and others | Debentures     | Lease<br>liabilities | Financial<br>liabilities -<br>derivative<br>instruments | Total           |
|---|---|--|----------------|----------------------|---|-----------------|
|   | NIS millions  |  |                |                      |   |                 |
| <b>Balance as at January 1, 2021</b>  | (135)   | (1,641)  | (10,291)       | (816)                | (13)  | (12,896)        |
| Cash flows which were received  | (50)  | (90)   | -              | -                    | (2)   | (142)           |
| Cash flows which were paid  | 14  | 351  | 1,856          | 286                  | 4   | 2,511           |
| Additions with respect to new agreements, changes to agreements and revaluation | -   | -  | -              | (336)                | -   | (336)           |
| Write-offs with respect to leases   | -   | -  | -              | 96                   | -   | 96              |
| Amounts applied to the statement of income                                      | (6)   | (67)   | (576)          | (30)                 | (2)   | (681)           |
| Amounts applied to other comprehensive income                                   | -   | 43   | -              | -                    | -   | 43              |
| liabilities of disposal groups classified as held for sale                      | -   | 1,173  | -              | 3                    | -   | 1,176           |
| Others  | -   | 2  | -              | -                    | 9   | 11              |
| Additions due to business combination   | -   | (2)  | -              | -                    | -   | (2)             |
| <b>Balance as at December 31, 2021</b>  | <b>(177)</b>  | <b>(231)</b>   | <b>(9,011)</b> | <b>(797)</b>         | <b>(4)</b>  | <b>(10,220)</b> |

## Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 20 - Financial Instruments (Cont.)**

## H. Offsetting of financial assets and financial liabilities

Presented below are details regarding the book value of recognized financial instruments which were offset in the statement of financial position (including assets and liabilities of disposal groups held for sale):

|                                     | December 31, 2022   |   |     | As at December 31, 2021   |   |      |
|-------------------------------------|---|---|-----|---|---|------|
|                                     | Gross amounts of financial assets (liabilities) which were recognized and offset in the statement of financial position | Net amounts of financial assets (liabilities) which were presented in the statement of financial position |     | Gross amounts of financial assets (liabilities) which were recognized and offset in the statement of financial position | Net amounts of financial assets (liabilities) which were presented in the statement of financial position |      |
|                                     | Gross amounts of assets (liabilities) which were recognized   |   |     | Gross amounts of assets (liabilities) which were recognized   |   |      |
|                                     | NIS millions  |   |     |   |   |      |
| <b>Financial assets</b>             |   |   |     |   |   |      |
| Trade receivables                   | 116   | (97)  | 19  | 241   | (123)   | 118  |
| <b>Financial liabilities</b>        |   |   |     |   |   |      |
| Trade payables and expenses payable | (104)   | 97  | (7) | (158)   | 123   | (35) |

## Note 21 - Guarantees and Pledges

**A. Guarantees with respect to loans which were received from banking corporations**

| Guarantor  | Details   | Amount of the guarantee<br>As at December 31,<br>2022 |
|--|---|---|
|  |   | NIS millions  |
| 1. Property & Building and its material consolidated companies | Carve out guarantee with respect to a loan from a banking corporation and a financial entity. see also Note 12.B.1.D. above | 1,360 <sup>(1)</sup>                                  |
| 2. Property & Building and its material consolidated companies | Guarantees to associates and joint ventures   | 34  |
| 3. Mehadrin and its consolidated companies                     | Guarantee to banks for loans which were given to joint ventures   | 25  |

(1) The balance of principal interest which accrued with respect to the loans as at December 31, 2022, for which the guarantee was given.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 21 - Guarantees and Pledges (Cont.)**

**Other guarantees**

| <b>Guarantor</b>   | <b>Details</b>  | <b>Amount of the guarantee<br/>As at December 31,<br/>2022<br/>NIS millions</b> |
|--|---|---|
| 1. Consolidated companies of Property & Building               | Guarantees and insurance policies provided by banks and insurance companies at the request of consolidated companies of Property & Building to secure the funds of apartment buyers, in accordance with the Sales Law, 5735-1974. | 61  |
| 2. Property & Building and its material consolidated companies | Bank guarantees to institutions, service providers, land owners and others in their ordinary course of business   | 234   |
| 3. Cellcom and its consolidated companies                      | Bank guarantees in favor of institutions, suppliers and others  | 154   |
| 4. Mehadrin and its consolidated companies                     | Bank guarantees in favor of third parties   | 2   |

**B. Pledges**

- Presented below are details regarding the pledges which were given in favor of creditors, in which Property & Building accepted loans as stated in Note 15.D.1. above:

| <b>pledged asset</b>          | <b>As at December 31, 2022</b> |                                 |
|-------------------------------|--------------------------------|---------------------------------|
|                               | <b>Amount</b>                  | <b>Rate of pledged holdings</b> |
| Gav-Yam shares <sup>(1)</sup> | 79.8 million shares            | 37.22%                          |
| Cash                          | NIS 37 million                 | -                               |

- For additional details, see Note 15.D. above.
  - For details regarding an issuance of Property & Building debentures (Series J), a new series, which is secured by Gav-Yam shares, in February 2023, after the date of the statement of financial position, see Note 34.D. below.
- To secure loans which were received by subsidiaries of Property & Building, the balance of which, as at December 31, 2022 - NIS 1,407 million (2021 - NIS 1,224 million), and to secure guarantees which were given, as specified in section A.1. above, the subsidiaries pledged real estate properties whose book value amounted to NIS 2,534 million (2021 - NIS 2,659 million).
  - For details regarding pledged deposits, see Note 10 above.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 22 – Contingent Liabilities, Engagements and Claims**

**A. Contingent liabilities**

- The Group issued, to certain corporate officers and employees, and to certain corporate officers and employees in a number of the Company's investee companies, advance letters of indemnification to indemnify those corporate officers with respect to their liability for actions taken by virtue of their aforementioned positions, subject to certain conditions, and with respect to certain monetary liabilities which will apply to them within the framework of their aforementioned liability, and for which, by law, indemnification can be given. See also Note 31.B.2.(B) below.
- Within the framework of economic papers, and economic opinions which were prepared for the Company by external experts, the Company gave those experts an undertaking to indemnify them for damages which they may incur as a result of third party claims against them, with respect to those economic papers and economic opinions.

**B. Engagements**

**Property & Building**

1. Property & Building and consolidated companies in Israel have engagements, mostly in connection with residential construction, the development and construction of buildings, and purchases of land and investment property, which are estimated, as at December 31, 2022, at approximately NIS 1,384 million (December 31, 2021 - NIS 51 million).
2. A consolidated company of Property & Building engaged, in the ordinary course of business, in combination transactions with land owners (including "vacation-construction" projects) according to which, Property & Building the acquisition of the land, the sellers receive some of proceeds from the project and/or some of the units which will be built. The transactions are partially conditional upon the approval of a zoning plan for residence on the land.
3. Property & Building has an agreement which is in effect in connection with the purchase of land for residential construction, in a partnership (Property & Building's share: 65%), which is estimated, as at December 31, 2022, at NIS 85 million.

Upon the fulfillment of certain conditions in the 2021 agreement, Property & Building exercised its right to close the transaction. Property & Building will work, in accordance with the agreement, to convert the seller's bank loan to Property & Building, in the amount of NIS 55.5 million, to finance the land and release the seller from its liabilities towards the bank with respect to the sold property. The remaining sum, in the amount of NIS 9 million, will be paid using Property & Building's own sources, in accordance with the terms of the agreement.

For details regarding an irrevocable offer which Property & Building received from a third party which is unaffiliated with Property & Building, for the acquisition of all of the rights to the land, in its current condition ("as is"), in February 2023, after the date of the statement of financial position, in consideration of the Company's share in the amount of NIS 166 million, see Note 12.A.5.D. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 22 – Contingent Liabilities, Engagements and Claims (Cont.)**

**B. Engagements (Cont.)**

4. The Nahalat Yehuda project in Rishon Letzion includes 800 residential units, of which approximately 237 units are for the apartment owners in the complex, and approximately 563 units are for sale. The project also includes, as part of the plan, 6,500 square meters of office space, and 2,600 square meters of commercial space. The zoning plan has entered into effect, and a consolidated company of Property & Building is working on promoting a stages annex and an architectural design plan. A profit distribution mechanism with a third party is in place, where according to a preliminary estimate of the subsidiary, its weighted share in the profit is approximately 30%. On March 25, 2021, Property & Building signed an agreement to acquire the third party's contractual rights, which included the profit distribution mechanism, for a total consideration of NIS 35 million, which will be paid in accordance with the dates and conditions specified in the agreement (the "Contractual Rights Purchase Agreement"). The contractual rights purchase agreement is subject to a suspensory condition which was extended until March 25, 2023, and which took place instead of that date. By December 31, 2022, an advance payment in the amount of NIS 11.7 million had been transferred. On March 19, 2022, the third party notified to Property & Building that according to its position, the rights purchase agreement had been invalidated, and would not enter into effect. Property & Building believes that the third party's notice is unfounded, and that it intends to insist on the fulfillment of all of the provisions of the contractual rights purchase agreement. For details regarding the engagement in an agreement for the sale of all of the rights in the project in November 2022, see Note 12.A.5.B. above.

**C. Claims**

The Company and the Group's member companies are involved in legal claims, or various legal proceedings are pending against them ("Legal Claims"). The costs which may arise from legal claims are provided in the financial statements of the Company or of the relevant member companies in the Group, as applicable, only if "it is more likely that not" (i.e., likelihood greater than 50%) that liability will arise due to past events, and the liability amount is quantifiable or estimable within a reasonable range. The amounts of the provisions which were performed are based on an estimate of the Group's relevant member companies, regarding the extent of risk of each of the claims (excluding some of the claims, regarding which, due to the preliminary stage of the handling thereof, it is not possible to estimate their chances of success). On this matter, it should be noted that events which occur during litigation may require re-evaluation of this risk. The estimates of the Group's relevant member companies regarding the risk are based both on the opinions of their legal advisors and on the estimate of the relevant member companies in the Group, regarding the amounts of the reasonable settlement arrangements which those companies are expected to bear, if the aforementioned settlement arrangements are agreed to by both parties. The following claims are presented at amounts that are correct as at the date of their filing, unless noted otherwise.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 22 – Contingent Liabilities, Engagements and Claims (Cont.)

#### C. Claims (Cont.)

##### 1. DIC

The financial statements of DIC as at December 31, 2022 do not include provisions with respect to legal claims against DIC.

Presented below is a description of the pending claims against DIC, classified in accordance with groups with similar characteristics:

| Group of claims                                  | Description of claims  | Original claim amount<br>NIS millions |
|--|--|---------------------------------------|
| Claim and motion to approve it as a class action | A claim against the Company, the Company's former controlling shareholder, and directors and corporate officers of the Company, which includes assertions, inter alia, against the respondents' conduct, regarding the non-performance of proactive steps in order to keep DIC stock on the wherein it was traded, once the public holdings therein did not meet the threshold which was determined and entered into effect on February 1, 2018. | 18                                    |
| Employee claims                                  | Employee claims against the Company  | 1                                     |
| <b>Total</b>                                     |  | <b>19</b>                             |

##### 2. Claims against investee companies

##### A. Claims against Property & Building and its wholly owned subsidiaries

- Presented below is a description of pending claims against Property & Building and its wholly owned subsidiaries, classified by groups with similar ownership characteristics:

| Group of claims                | Balance of the provision | Amount of exposure to claims whose chances cannot yet be estimated | Total     |
|--------------------------------|--------------------------|--|-----------|
| NIS millions                   |                          |  |           |
| Claims of executing contractor | -                        | 23   | 23        |
| Claims of apartment buyers     | 1                        | 6  | 7         |
| General claims                 | 1                        | -  | 1         |
| <b>Total</b>                   | <b>2</b>                 | <b>29</b>  | <b>31</b> |

- Presented below are details regarding the quantity and amount of the contingent liabilities of Property & Building and its wholly owned subsidiaries, effective as at December 31, 2022, distributed by claim amount:

| Claim amount          | Number of claims | Claim amounts<br>(NIS millions) |
|-----------------------|------------------|---------------------------------|
| Up to NIS 100 million | 26               | 31                              |

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 22 – Contingent Liabilities, Engagements and Claims (Cont.)**

**C. Claims (Cont.)**

**2. Claims against investee companies (Cont.)**

**A. Claims against Property & Building and its wholly owned subsidiaries (Cont.)**

3. Further to that stated in Note 3.F.1.A.1. above, regarding a transaction involving the purchase of Gav-Yam shares by Property & Building from a company wholly owned and controlled by Mr. Aharon Frankel (the “Purchase Transaction” and “Frankel”, respectively), and further to the results of the special tender offer to purchase Gav-Yam shares, as specified in Note 3.1.F.A.2.A. above, on March 13, 2022 Property & Building received a motion to approve a claim as a class action, which had been filed with the District Court of Tel Aviv-Yafo, against Property & Building and against Frankel (the “Motion”). In the motion it was asserted, inter alia, in summary, that the special tender offer which was published after Property & Building’s engagement in the purchase transaction, was executed after Property & Building had effectively already crossed the threshold of a 45% stake in Gav-Yam’s share capital, and had acquired the control thereof (notwithstanding the fact that the tender offer constituted a suspensory condition for the purchase transaction), unlawfully, in bad faith, and while discriminating against Gav-Yam’s shareholders. In light of the foregoing, it was alleged that an order should be issued declaring that all of Gav-Yam shares which were purchased by Property & Building (allegedly) in the purchase transaction, and Gav-Yam shares which were purchased as part of the special tender offer, are dormant shares (which will not give Property & Building any rights). Along with the request to declare the shares as dormant, an additional remedy was also requested, that Property & Building be ordered to purchase all of the shares which are held by public shareholders in Gav-Yam (based on the estimated fair value of the shares, or by way of a full tender offer, and including the supplementation of the consideration for those who accepted the special tender offer); or alternatively, to order monetary compensation for the minority shareholders in Gav-Yam (who held its shares on December 25, 2021). According to the assessment of Property & Building, based on the assessment of its attorneys, in light of the preliminary stage of the hearing regarding the motion to approve, at this stage it is not possible to fully estimate the claim’s chances. However, according to the assessment of Property & Building’s attorneys, at this preliminary stage, the motion is more likely than not to be dismissed.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 22 – Contingent Liabilities, Engagements and Claims (Cont.)**

**C. Claims (Cont.)**

**2. Claims against investee companies (Cont.)**

**B. Claims against Gav-Yam**

1. Presented below is a description of the pending claims against Gav-Yam and its consolidated companies, classified in accordance with groups with similar characteristics:

| <b>Group of claims</b>     | <b>Balance of the provision</b> | <b>Amount of exposure to claims whose chances cannot yet be estimated</b> | <b>Total</b> |
|----------------------------|---------------------------------|---|--------------|
|                            | <b>NIS millions</b>             |   |              |
| Claims of apartment buyers | 2                               | 7   | 9            |
| Lessee claims              | -                               | 1   | 1            |
| Total                      | 2                               | 8   | 10           |

2. Presented below are details regarding the quantity and amount of the contingent liabilities of Gav-Yam and its consolidated companies which are in effect as at December 31, 2022, distributed by claim amount:

| <b>Claim amount</b>   | <b>Number of claims</b> | <b>Claim amounts (NIS millions)</b> |
|-----------------------|-------------------------|-------------------------------------|
| Up to NIS 100 million | 18                      | 10                                  |

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 23 - Sales and Services**

|   | For the year ended December 31 |                   |                   |
|---|--------------------------------|-------------------|-------------------|
|   | 2022                           | 2021              | 2020              |
|   | NIS millions                   |                   |                   |
| Telecommunication services  | 16                             | 19 <sup>(5)</sup> | 21 <sup>(5)</sup> |
| Sale of communication equipment                                   | 33                             | 26 <sup>(5)</sup> | 32 <sup>(5)</sup> |
| Income from the agriculture segment                               | 1,019                          | 1,041             | 823               |
| Building rental and management fees <sup>(2)</sup>                | 544 <sup>(1)</sup>             | 32 <sup>(5)</sup> | 93 <sup>(5)</sup> |
| Sold apartments, construction services and land <sup>(4)</sup>    | 473                            | 44                | 109               |
| Income from management and consulting fees of an investment house | 61                             | 75                | 55                |
| Others  | 30                             | 33                | 23                |
|   | <u>2,176</u>                   | <u>1,270</u>      | <u>1,156</u>      |

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

(2) Presented below is the minimum future rent which is expected to be received due to rental agreements which are in effect as at December 31:

|                 | For the year ended December 31 |                     |                   |
|-----------------|--------------------------------|---------------------|-------------------|
|                 | 2022                           | 2021 <sup>(3)</sup> | 2020              |
|                 | NIS millions                   |                     |                   |
| First year      | 676                            | 1                   | 41 <sup>(5)</sup> |
| Second year     | 569                            | -                   | 35 <sup>(5)</sup> |
| Third year      | 482                            | -                   | 28                |
| Fourth year     | 444                            | -                   | 18                |
| Fifth year      | 382                            | -                   | 15                |
| Over five years | 2,093                          | -                   | 30                |
|                 | <u>4,646</u>                   | <u>1</u>            | <u>167</u>        |

(3) For details regarding transactions to realize investment property of Property & Building, see Notes 12.A.1-3 above.

(4) Presented below are the revenues which are expected to be recognized in the coming years, which are associated with performance obligations which have not yet been completed, with respect to apartments which were sold as at that date:

|                           | For the year ended December 31 |           |          |
|---------------------------|--------------------------------|-----------|----------|
|                           | 2022                           | 2021      | 2020     |
|                           | NIS millions                   |           |          |
| First year                | 6                              | 22        | 8        |
| Second year               | 37                             | 22        | -        |
| Third year and thereafter | -                              | 4         | -        |
|                           | <u>43</u>                      | <u>48</u> | <u>8</u> |

(5) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 24 - The Group's Share in the Profit (Loss) of investee companies Accounted by the Equity Method, Net**

**Profit (loss) based on the equity method**

|  | For the year ended December 31 |                    |                    |
|--|--------------------------------|--------------------|--------------------|
|  | 2022                           | 2021               | 2020               |
|  | NIS millions                   |                    |                    |
| The Group's share in the profit (loss) of investee companies accounted by the equity method, net | (13)                           | 328 <sup>(1)</sup> | (1) <sup>(1)</sup> |
| Amortization of excess cost with respect to associate companies                                  | (2)                            | 16                 | -                  |
| Provision for impairment   | (16)                           | -                  | -                  |
| Total profit (loss) based on the equity method, net  | (31)                           | 344                | (1)                |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

**Note 25 - Profit (Loss) from Increase in Value (Impairment), Realization and Write-down of Investments and Assets, and Dividends**

**A. Profit from realization and increase in the value of investments and assets, and dividends**

|  | For the year ended December 31 |                    |                  |
|--|--------------------------------|--------------------|------------------|
|  | 2022                           | 2021               | 2020             |
|  | NIS millions                   |                    |                  |
| Profit from realization of investments in investee companies   | 5                              | 127 <sup>(2)</sup> | 16               |
| profit from loss of significant influence of associates  | -                              | 18                 | -                |
| Profit from increase in value of investments are measured at fair value through profit or loss             | -                              | 28                 | 7                |
| Profit from rise to control of Gav-Yam (see Note 3.F.1.A.2.A. above)                                       | 851                            | -                  | -                |
| profit from sale of Cartiheel (See Note 3.F.4.A. above)  | 322                            | -                  | -                |
| Profit from rise to control of Mehadrin  | -                              | -                  | 7                |
| Profit due to loss of control of Pocared   | -                              | -                  | 10               |
| Dividend income and cash distributions from financial assets measured at fair value through profit or loss | 1                              | 2                  | 16               |
| Profit from realization of assets  | 4                              | -                  | 7 <sup>(2)</sup> |
|  | <u>1,183</u>                   | <u>175</u>         | <u>63</u>        |

**B. Loss from realization, impairment, and write-down of investments and assets**

|  | For the year ended December 31 |           |            |
|--|--------------------------------|-----------|------------|
|  | 2022                           | 2021      | 2020       |
|  | NIS millions                   |           |            |
| Impairment loss of goodwill attributed to Gav-Yam (see Note 9.D. above)          | 469                            | -         | -          |
| Loss from realization of investments in investee companies                       | -                              | 11        | 34         |
| Impairment loss of investments are measured at fair value through profit or loss | 27                             | 22        | 40         |
| Loss from impairment of assets and investments                                   | 9                              | 2         | 1          |
| loss from sale of IDBG assets (See Note 12.A.4. above)                           | 36                             | -         | -          |
| Loss from the measurement assets and liabilities held for sale at fair value     | 10                             | 6         | 38         |
|  | <u>551</u>                     | <u>41</u> | <u>113</u> |

**C. Other income**

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(2)</sup> | 2020 <sup>(2)</sup> |
|  | NIS millions                   |                     |                     |
| Sale of land option and land restoration | 40 <sup>(1)</sup>              | 173                 | -                   |
| Other                                    | 2                              | 17                  | -                   |
|  | <u>42</u>                      | <u>190</u>          | <u>-</u>            |

(2) For details regarding the restoration of land in Ashkelon, see Note 3.F.3.A. above.

(3) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.



Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 26 - Finance Income and Expenses**

**A. Finance income**

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| <b>Financial assets and financial liabilities at fair value through profit or loss</b>   |                                |                     |                     |
| Change, net, in the fair value of financial assets   | -                              | 31                  | -                   |
| Net positive change in the fair value of financial assets, including instruments for cash flow hedging which were transferred from capital | -                              | 60                  | -                   |
| <b>Loans and receivables and financial instruments at amortized cost</b>   |                                |                     |                     |
| Interest income from deposits in banks   | 30                             | 11                  | 9                   |
| Interest income from loans and debit balances receivable   | 29                             | 11                  | 6                   |
| Profit from early redemption of debentures   | -                              | -                   | 7                   |
| <b>Other</b>   |                                |                     |                     |
| Net profit from change in foreign currency exchange rates  | 41                             | -                   | -                   |
| Interest income from associate companies   | -                              | -                   | 1                   |
| <b>Total finance income</b>  | <b>100</b>                     | <b>113</b>          | <b>23</b>           |

**B. Finance expenses**

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| <b>Financial liabilities measured at amortized cost</b>  |                                |                     |                     |
| Interest expenses and linkage differentials on financial liabilities, including amortization of deferred expenses                          | 709                            | 413                 | 368                 |
| Interest expenses and linkage differentials with respect to finance leases   | 12                             | 5                   | 1                   |
| Loss with respect to exchange of debenture series  | -                              | 38                  | -                   |
| After deducting discounted borrowing costs <sup>(2)</sup>  | (65)                           | -                   | -                   |
| <b>Financial assets and financial liabilities at fair value through profit or loss</b>   |                                |                     |                     |
| Net negative change in the fair value of financial assets, including instruments for cash flow hedging which were transferred from capital | 6                              | -                   | 13                  |
| Change, net, in the fair value of financial assets   | 31                             | -                   | 36                  |
| <b>Other</b>   |                                |                     |                     |
| Net loss from change in foreign currency exchange rates  | -                              | 15                  | 109                 |
| Commissions  | 1                              | 1                   | -                   |
| Other finance expenses   | -                              | 3                   | 10                  |
| <b>Total finance expenses</b>  | <b>694</b>                     | <b>475</b>          | <b>537</b>          |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(2) Interest rate which was used to obtain the appropriate amount of borrowing costs for capitalization in 2022: 2.3%-3.1%.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 27 - Cost of Sales and Services**

|  | For the year ended December 31 |                    |                    |
|--|--------------------------------|--------------------|--------------------|
|  | 2022                           | 2021               | 2020               |
|  | NIS millions                   |                    |                    |
| <u>Property maintenance costs</u> <sup>(1)</sup>                             |                                |                    |                    |
| Property management and other maintenance expenses                           | 55                             | 9                  | 18                 |
| Payroll and associated expenses  | 14                             | 1                  | 4                  |
| Depreciation   | 2                              | 1                  | 1                  |
| Municipal taxes and lease fees   | 10                             | 1                  | 4                  |
|  | <u>81</u>                      | <u>12</u>          | <u>27</u>          |
| <u>Cost of sold apartments, construction services and land</u>               |                                |                    |                    |
| Construction costs   | 89                             | 18                 | 48                 |
| Land   | 26                             | 13                 | 26                 |
| Others   | 18                             | -                  | 14                 |
|  | <u>133</u>                     | <u>31</u>          | <u>88</u>          |
| <u>Agricultural produce</u>  |                                |                    |                    |
| Purchase cost of agricultural produce  | 544                            | 480                | 387                |
| Materials  | 37                             | 34 <sup>(3)</sup>  | 10 <sup>(3)</sup>  |
| Payroll and associated expenses  | 133                            | 128 <sup>(3)</sup> | 89 <sup>(3)</sup>  |
| Exterior works   | 41                             | 38                 | 27                 |
| Export expenses  | 288                            | 266 <sup>(3)</sup> | 263 <sup>(3)</sup> |
| Credit losses  | 1                              | 1                  | 2                  |
| Depreciation and amortization  | 47                             | 49 <sup>(3)</sup>  | 40 <sup>(3)</sup>  |
| Changes in inventory   | 14                             | (6)                | 1                  |
|  | <u>1,105</u>                   | <u>990</u>         | <u>819</u>         |
| <u>Costs of end user equipment and communication services</u> <sup>(2)</sup> | <u>30</u>                      | <u>31</u>          | <u>31</u>          |
| <u>Other costs</u>   | <u>21</u>                      | <u>22</u>          | <u>27</u>          |
|  |                                |                    | 3899               |
| Total  | <u>1,370</u>                   | <u>1,086</u>       | <u>992</u>         |

(1) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

(2) The data for the years 2020 and 2021 were adjusted retrospectively, due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(3) Reclassified.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 28 - Selling and Marketing Expenses

|   | For the year ended December 31 |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | 2022 <sup>(2)</sup>            | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|   | NIS millions                   |                     |                     |
| Payroll, salary and associated expenses | 17                             | 12                  | 10                  |
| Advertising                             | 7                              | 2                   | 4                   |
| Commissions and royalties to marketers  | 12                             | 8                   | 5                   |
| Others                                  | 2                              | 1                   | 1                   |
|   | <u>38</u>                      | <u>23</u>           | <u>20</u>           |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(2) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

### Note 29 - General and Administrative Expenses

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022 <sup>(3)</sup>            | 2021 <sup>(2)</sup> | 2020 <sup>(2)</sup> |
|  | NIS millions                   |                     |                     |
| Payroll and salaries <sup>(1)</sup>      | 105                            | 92                  | 100                 |
| Consulting and legal                     | 13                             | 16                  | 25                  |
| Directors' compensation                  | 10                             | 6                   | 8                   |
| Depreciation and amortization            | 9                              | 7                   | 9                   |
| Related expenses with respect to rentals | 10                             | 7                   | 8                   |
| Credit losses                            | -                              | 1                   | 7                   |
| Donations                                | 3                              | -                   | 5                   |
| Insurance policies                       | 12                             | 6                   | 2                   |
| Others                                   | 18                             | 26                  | 32                  |
|  | <u>180</u>                     | <u>161</u>          | <u>196</u>          |
|  | 8                              | 4                   | 8                   |

(1) Including salary with respect to share-based payment

(2) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(3) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 30 - Taxes on Income**

**A. Composition**

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022 <sup>(2)</sup>            | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| <b>Current tax expenses (income)</b>                           |                                |                     |                     |
| Taxes with respect to current period                           | 136                            | 77                  | 35                  |
| Adjustments with respect to previous years, net                | 21                             | (5)                 | 2                   |
| Total current tax expenses                                     | 157                            | 72                  | 37                  |
| <b>Deferred tax expenses (income)</b>                          |                                |                     |                     |
| Change to deferred taxes with respect to temporary differences | 131                            | 72                  | (16)                |
| Deferred taxes with respect to previous years                  | 2                              | -                   | (2)                 |
| Total deferred tax expenses (income)                           | 133                            | 72                  | (18)                |
| Total income tax expenses                                      | 290                            | 144                 | 19                  |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(2) Includes data regarding Gav-Yam, which was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 30 - Taxes on Income (Cont.)

#### B. Deferred tax assets and liabilities

##### (1) Deferred tax assets and liabilities which were recognized

|  | Fixed assets | Intangible assets | Employee benefits | Financial instruments | Deductions and carryforward losses for tax purposes | Investment property | Others      | Total                        |
|--|--------------|-------------------|-------------------|-----------------------|---|---------------------|-------------|------------------------------|
|  | NIS millions |                   |                   |                       |   |                     |             |                              |
| <b>Movement in deferred tax asset (liability)</b>                    |              |                   |                   |                       |   |                     |             |                              |
| Balance as at January 1, 2021  | (213)        | (91)              | 11                | -                     | 360   | (581)               | 42          | (472)                        |
| Changes applied to the statement of income                           | 10           | (4)               | -                 | (4)                   | 86  | (156)               | (31)        | (99)                         |
| Changes applied to other comprehensive income                        | -            | -                 | -                 | -                     | (10)  | 18                  | 1           | 9                            |
| Other changes  | -            | -                 | -                 | -                     | -   | -                   | 2           | 2                            |
| Balance as at December 31, 2021                                      | <u>(203)</u> | <u>(95)</u>       | <u>11</u>         | <u>(4)</u>            | <u>436</u>  | <u>(719)</u>        | <u>14</u>   | <u>(560)<sup>(2)</sup></u>   |
| Changes applied to the statement of income                           | 17           | -                 | -                 | 1                     | (148)   | 81                  | 6           | (43)                         |
| Changes applied to other comprehensive income                        | -            | -                 | -                 | (1)                   | 27  | (71)                | -           | (45)                         |
| Additions due to business combination                                | -            | -                 | -                 | 43                    | 12  | (1,347)             | -           | (1,292)                      |
| Classified under assets and liabilities held for sale <sup>(1)</sup> | <u>121</u>   | <u>95</u>         | <u>(8)</u>        | <u>-</u>              | <u>(45)</u>   | <u>-</u>            | <u>(50)</u> | <u>113</u>                   |
| Balance as at December 31, 2022                                      | <u>(65)</u>  | <u>-</u>          | <u>3</u>          | <u>39</u>             | <u>282</u>  | <u>(2,056)</u>      | <u>(30)</u> | <u>(1,827)<sup>(2)</sup></u> |

##### (2) Deferred taxes are presented in the statement of financial position as follows:

|                                | As at December 31   |              |
|--------------------------------|---------------------|--------------|
|                                | 2022 <sup>(1)</sup> | 2021         |
|                                | NIS millions        |              |
| Under deferred tax assets      | 23                  | 6            |
| Under deferred tax liabilities | <u>(1,850)</u>      | <u>(566)</u> |
|                                | <u>(1,827)</u>      | <u>(560)</u> |

(1) See Note 12.B.2. above for details regarding the classification of assets and liabilities of the Cellcom activity under assets and liabilities held for sale.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 30 - Taxes on Income (Cont.)**

**B. Deferred tax assets and liabilities (Cont.)**

**(2) Temporary differences for which deferred taxes were not recognized**

Deferred tax assets were not recognized with respect to the following temporary differences:

|                                  | As at December 31 |        |
|----------------------------------|-------------------|--------|
|                                  | 2022              | 2021   |
|                                  | NIS millions      |        |
| Deductible temporary differences | 5,373             | 5,542  |
| Losses for tax purposes          | 11,548            | 11,505 |
|                                  | 16,921            | 17,047 |

Deferred tax assets were not recognized with respect to these temporary differences, since it is not expected that the temporary difference will reverse in the foreseeable future, and that there will be taxable income in the foreseeable future against which it will be possible to use the tax benefits.

As at December 31, 2022 and 2021 the Group has no temporary differences which are attributed to investments in investee companies, which would have required the recognition of deferred tax liabilities, in consideration of transferred losses for tax purposes.

The aforementioned temporary differences do not include temporary differences which are attributed to subsidiaries of the Company, when the Group has the ability to control their reversal method.

**C. Tax rates which apply to the income of the Group's member companies**

The relevant corporate tax rate in Israel in the years 2020-2022 is 23.0%.

Current taxes for the reporting periods are calculated in accordance with the tax rate presented above.

**D. As at December 31, 2022, after applying the restrictions of section 382 of the Internal Revenue Code (the "IRC"), Property & Building estimated that PBC USA had federal carryforward losses in the amount of USD 100 million, and carryforward losses in New York State and New York City in the amount of USD 40 million, subject to the terms of use prescribed in law, which include, inter alia, time limits on the use of some of the balances, which will be used to offset the tax liability with respect to future income.**

If these losses are restricted, or are unavailable for the Group's use in future periods, this could affect the results of PBC USA.

In light of the change in control of the Company in 2020, and acquisitions of DIC shares by Mega Or and Elco during the years 2020 and 2021, the management of Property & Building evaluated "change in ownership" events as set forth in section 382 of the Internal Revenue Code (the "IRC"). These changes in ownership re-quantify the ability to use the carryforward tax losses of PBC USA, and restrict the ability of PBC USA to use them in order to offset the taxable income during the period of approximately 7 years after the change in ownership. The foregoing restriction has a cash flow effect only, since it pertains to the amount of loss which can be deducted from taxable income each year separately, in the aforementioned 7 year period, and does not restrict the total amount of loss carried forward to future years. Furthermore, if the real estate property is sold, the aforementioned deduction limit does not apply. After that period, the limit will be effectively removed.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 30 - Taxes on Income (Cont.)**

**E. Adjustment between the theoretical tax amount on income before taxes on income and tax expenses**

|  | For the year ended December 31 |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2022                           | 2021 <sup>(1)</sup> | 2020 <sup>(1)</sup> |
|  | NIS millions                   |                     |                     |
| Profit (loss) before tax, as reported in the statement of income   | 1,721                          | 880                 | (621)               |
| The Group's principal tax rate   | 23%                            | 23%                 | 23%                 |
| Tax calculated according to the Group's principal tax rate   | 396                            | 203                 | (142)               |
| Tax (tax savings) with respect to:   |                                |                     |                     |
| Adjustments with respect to different tax rates in subsidiaries operating abroad   | -                              | 5                   | 1                   |
| Adjustments with respect to different tax rates in Israel  | (2)                            | -                   | -                   |
| Taxes with respect to investee companies, the investment in which was sold or is for sale  | -                              | 7                   | -                   |
| Changes in temporary difference for which deferred tax are not recognized  | (23)                           | (92) <sup>(2)</sup> | 90 <sup>(2)</sup>   |
| Losses, tax benefits and temporary differences from previous years with respect to which deferred taxes were not recorded  | (93)                           | (1)                 | (7)                 |
| Losses and current benefits for tax purposes with respect to which a deferred tax asset was not recognized, and credits for which a tax benefit was not recognized | (14)                           | 21                  | 62                  |
| Deferred taxes with respect to losses and benefits from previous periods, for which deferred taxes were not recorded in the past                                   | (2)                            | -                   | -                   |
| Unrecognized expenses  | 4                              | 2                   | 8                   |
| Taxes with respect to previous years   | 21                             | (5)                 | 10                  |
| Other differences  | 3                              | 4                   | (3)                 |
| Expenses (income) from taxes on income   | 290                            | 144                 | 19                  |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

(2) Reclassified.

**F. Final tax assessments**

- The Company has tax assessments which are final, or are considered final, up to and including the tax year 2017.
- Most of the Group's member companies have tax assessments which are final or considered final up to and including 2016-2019.
- Tax reports which were filed until the end of 2018, are considered a final assessment in accordance with section 145 of the Income Tax Ordinance.

**G. Losses and deductions for tax purposes carried forward to future years**

- The Company has losses for tax purposes which are transferable to subsequent years, which amount, as at the date of the statement of financial position, to NIS 6,373 million (in 2021 - NIS 6,369 million).
- The Group has losses for tax purposes which are transferable to subsequent years, which amount, as at the date of the statement of financial position, to NIS 12,289 million (in 2021 - NIS 12,261 million).



## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 31 - Related Parties and Interested Parties**

Further to that stated in Note 1.A. to the Company's annual financial statements for 2020, regarding the issuance of a ruling by the District Court of Tel Aviv-Yafo (the "Court"), on September 25, 2020, according to which an order was given to initiate proceedings against IDB Development, as well as an order to liquidate it, and regarding the receivership process with respect to the Company's shares, in which the Court gave a decision to sell the Company's shares to Mega Or and a group of investors led by it (the "Sale Transaction"), from the completion date of the first stage of the sale transaction, on March 25, 2021, in which approximately 24.9% of the Company's issued capital was transferred to Mega Or and to additional buyers, and from that date onwards, the Company is a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law). As at the reporting date, the Company is held, inter alia, by Mega Or (which holds approximately 29.9% of the Company's issued capital), and Elco Ltd. (which holds approximately 29.8% of the Company's issued share capital, and has been an interested party in the Company since June 3, 2021). It is noted that, in light of the fact that Mega Or and Elco are considered as the Company's controlling shareholders for the purpose of section 268 of the Companies Law, as that term is defined in the foregoing section, and in light of their holding of over 25% of the Company's issued capital (Mega Or since April 20, 2021, and Elco since June 3, 2021), with respect to the manner of approval of transactions between a public company and its controlling shareholder, exclusively, transactions of the Company with Mega Or and/or Elco and/or corporations under their control and/or other transactions in which Mega Or and/or Elco (including corporations under their control, as stated above) have a personal interest, are classified and approved in accordance with the provisions of the Fifth Chapter of the Companies Law.

The Company and companies under its control engage, from time to time, with Elco and/or Mega Or and/or corporations under their control, in transactions, in their ordinary course of business, including, inter alia: (1) services which the Group's member companies provide: mobile and landline communication services, and securities underwriting, coordination and distribution services; (2) services which are given to the Company and/or to companies under its control: property management and maintenance services, sale and operation (including, inter alia, electricity, elevators, and air conditioning systems), rentals of equipment and spaces, mobile package distribution services, and purchases of food and clothing products.

The above transactions were classified by the Company and/or public companies under its control as insignificant non-extraordinary transactions, in accordance with the policy which is in effect in each of the above companies in accordance with Regulation 41(A3)(1) of the Securities Regulations (Annual Financial Statements), 5770-2010, and/or in accordance with the criteria set forth in the policy, as stated above. For additional details regarding the Company's insignificant transactions policy, see below.

It is noted that, in 2017, Epsilon Underwriting invested approximately USD 1 million in private equity funds in multifamily projects of Electra Real Estate (to the best of Epsilon's knowledge, the total investment in the aforementioned funds (by all of the investors) amounted to approximately USD 215 million). In accordance with the foregoing investment agreement, the fund's period will conclude in February 2023 (from that date onwards, there may be two extension periods of one year each, subject to the general partner's discretion).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

It is further noted that in November 2006, Property & Building engaged with Electech Real Estate B.V., a member company of Electra Real Estate Group Ltd. (“Electra Real Estate”), and with a third party, in a collaboration agreement in connection with the initiation and construction of projects in the real estate segment in India (the “Collaboration Agreement”). In accordance with the collaboration agreement, the company PBEL Real Estate Limited (“PBEL RE”) was formed in Mauritius, which is held by Property & Building and by Electra Real Estate at a rate of 45% (each), while the remaining 10% is held by the third party. PBEL RE is an associate of Property & Building, and holds, through subsidiaries, interests in projects / land lots in India.

The aforementioned engagement is immaterial on the level of Property & Building, and was approved, on the date of the engagement, as a transaction with third parties, since it was created before Elco became an interested party in the Company. Future decisions regarding the exercise of rights in projects and/or land in India, and additional decisions in accordance with the collaboration agreement, will be evaluated by Property & Building on an ad hoc basis, and will be presented for approval to Property & Building’s competent organs, insofar as may be required in accordance with the provisions of the law.

**A. Non-extraordinary insignificant transactions**

- (1) The Company’s Audit Committee established guidelines and rules for classifying a transaction of the Company or of its consolidated company with an interested party as an insignificant transaction as prescribed in Regulation 41(a3)(1) of the Financial Statements Regulations. These rules and guidelines are also used to evaluate the scope of the disclosure which is required in a periodic report and in a prospectus (including in shelf offering reports) with respect to a transaction of the Company, entities under its control and related companies to its controlling shareholder or regarding which the controlling shareholder has a personal interest in the approval of the aforementioned transaction, as specified in Regulation 22 of the Periodic and Immediate Reports Regulations, and in Regulation 54 of the Securities Regulations (Details of Prospectus and Draft of Prospectus – Structure and Form), 5729 - 1969 (hereinafter: the “Prospectus Details Regulations”) (the types of transactions specified in the aforementioned financial statement regulations, periodic reports regulations and prospectus details regulations are hereinafter referred to as “Interested Party Transactions”). The guidelines are also used to determine the method for approval of interested party transactions.

These rules are applied in connection with transactions between the Company and related parties and between related parties themselves. The aforementioned rules and guidelines were last updated in March 2023.

- (2) To the best of the Company’s knowledge, the Company and its consolidated companies engage or have engaged in non-extraordinary insignificant transactions with interested parties of the Company, transactions of this kind between the Company and related parties of the Company, including among themselves (including joint ventures between companies which have interests in the Company and/or in IDB Development), in their ordinary course of business, and they have, or may have, commitments to engage in transactions of this kind, including transactions of the following kinds and with the following characteristics:

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 31 - Related Parties and Interested Parties (Cont.)**

#### **A. Non-extraordinary insignificant transactions (Cont.)**

##### **(2) (Cont.)**

(A) Transactions involving the purchase or sale of products, services, and raw materials (such as telecommunication products and services, data storage services and alternative backup site services, refrigeration and rental services, pest control and packaging materials, fruits, vegetables and food products, and other shelf products, including commissions with respect to such transactions and services); (B) Transactions to purchase leisure services; (C) Transactions involving the rental of real estate properties (including subleases) and property management services; (D) Distribution of fiber optic infrastructure.

It is noted that during the reporting period, and until the approval date of the rules and guidelines in March 2023, the aforementioned rules and guidelines included additional types of transactions (as specified in Note 31.A.(2) to the Company's annual financial statements for 2021), in which the Company and its consolidated companies approved insignificant transactions in 2022 with interested parties of DIC group, including the Company, during the periods which are relevant to this note.

- (3) According to the criteria and guidelines which were in effect during the reporting period, if no special qualitative considerations arise from the overall circumstances of the matter, an interested party transaction that is not an extraordinary transaction (i.e. – it is executed in the ordinary course of business, at market terms and is not supposed to have a material effect on the profitability, assets or liabilities of the Company) is considered insignificant if the relevant ratio calculated for the transaction is less than 0.5%, or if the amount of the transaction does not exceed NIS 8 million (with this amount being adjusted according to the rate of increase, from time to time, of the known consumer price index, relative to the start of 2010). As at December 31, 2022, this sum amounts to NIS 9.4 million (the "Insignificance Threshold Amount").

For every interested party transaction that is being examined for insignificance, one or more of the ratios relevant to the specific transaction will be calculated on the basis of the most recent audited or reviewed consolidated financial statements of the Company: (a) for purchases of fixed assets ("non-current asset") – the amount of the transaction compared to total assets in the statement of financial position that is included in the most recent consolidated financial statements of the Company; (b) for sales of fixed assets ("non-current asset") – The profit/loss from the transaction compared to the average annual profit (i.e., over four quarters) during the last 12 quarters for which audited or reviewed consolidated financial statements of the Company were published.

For this purpose, the profit/loss from the transaction, and the profit/loss in each quarter, will be taken into account according to their absolute value; (c) for the acceptance of financial liabilities – the scope of the transaction compared to total liabilities in the statement of financial position included in the most recent consolidated financial statements; (D) When buying / selling products (excluding fixed assets) or services - The scope of the transaction vs. total operating expenses or income (including from discontinued operations) from sales of products or services, as applicable, during the last four quarters for which the Company's audited or reviewed consolidated financial statements have been published.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**A. Non-extraordinary insignificant transactions (Cont.)**

**(3) (Cont.)**

With respect to multi-year transactions, the scope of the transaction will be calculated for the purpose of evaluating the insignificance on an annual basis. For example, in a multi-year rental transaction, the scope of the transaction will amount to the rent paid annually. In cases where the Company believes that all the aforementioned quantitative ratios are irrelevant to the insignificance examination of the interested party transaction, the transaction will be considered insignificant on the basis of some other relevant ratio to be determined by the Company, providing that the relevant ratio calculated for the transaction is less than 0.5%, or if the amount of the transaction does not exceed the insignificance threshold. The qualitative examination of an interested party transaction may lead to classification of the transaction as a transaction that is not insignificant, notwithstanding the foregoing. Thus, for example, an interested party transaction is not considered insignificant if it is perceived by management of the Company as being a significant event and is a basis for making management decisions, or if interested parties are expected to receive from the interested party transaction benefits that it is important they be reported to the public.

Separate transactions that are inter-dependent, so that they are in fact a part of the same engagement (such as concentrated negotiations regarding all the transactions) shall be examined as one transaction. An interested party transaction that was classified as insignificant by an investee company of the Company will also be considered insignificant at the level of the Company. A transaction which was classified, as stated above, by the investee company as not insignificant, or which was not classified by the investee company at all, shall be examined according to the relevant criteria at the level of the Company.

The Company's Audit Committee shall each year review the implementation of the instructions of these criteria and guidelines by the Company, and shall conduct a sample examination of transactions in which the Company is a direct party and which were classified as insignificant transactions according to the instructions of the procedure. As part of the sample assessment of such transactions, the Audit Committee shall review, among other things, the manner in which the prices and other terms of the transactions were determined, under the circumstances of the matter, and shall assess the impact of the transaction on the financial position and operating results of the Company. The actions of the Audit Committee as set out in this paragraph, including the aforementioned sample assessment, the manner in which the assessment was made and a summary of the results and conclusions of such assessment shall be disclosed in the Company's periodic report.

Accordingly, in March 2023, the sample assessment was presented before the Company's Audit Committee, along with the method by which it was performed and a summary of its results and conclusions, as follows: a list was presented of transactions that were executed by the Company and the wholly owned headquarter companies of the Company with interested parties and related companies in 2022, during the relevant period, including the name of the related party, the nature of the engagement and the amount of the transaction or transactions in the aforesaid year. A sample of such transactions was also analyzed and compared with price proposals, as required, or approvals which were received from the related party at the time of examining the transactions in question, or as part of annual approval. The Company's Audit Committee will evaluate the need to update the provisions of the aforementioned policy once per year, in consideration of interested party transactions in which the Company engages, and changes in the relevant provisions of the law, which will require approval from the Audit Committee at least once per year.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 31 - Related Parties and Interested Parties (Cont.)**

#### **A. Non-extraordinary insignificant transactions (Cont.)**

- (4) The classification of a transaction as insignificant was made on the basis of the aforementioned criteria and guidelines that were valid on the date of the transaction, as relevant.

In this note, the identification of interested parties and the identification of transactions with related parties or transactions in which interested parties have a personal interest, did not include, in general, taking into account transactions with third parties due to the fact that the securities of those third parties are held by institutional entities which are held by the Group within the framework of non-nostro holdings (such as provident funds and mutual funds), and therefore, this note also does not include details regarding transactions and balances with the aforementioned third parties.

Furthermore, this note does not provide disclosure of transactions with consolidated companies which are not reflected in these consolidated financial statements (excluding extraordinary transactions which took place in 2022, or which are ongoing).

#### **B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date**

##### **1. (A) Agreement for the distribution of uses and office expenses**

On August 29, 2019 (and as updated on November 26, 2019), the Company's Audit Committee<sup>1</sup> approved (as a non-extraordinary transaction in which the Company's controlling shareholder and officers have a personal interest) the Company's engagement with IDB Development, Property & Building, Gav-Yam and Elron, in an agreement for the distribution of uses and office expenses in the shared offices to which the Company moved its offices in the ToHa project on 114 Yigal Alon St. in Tel Aviv, in accordance with a lease agreement in which the Company engaged with Gav-Yam and Amot Investments Ltd., for the rental of offices and parking spaces (hereinafter: the "Leased Property") for the period beginning on July 1, 2019, and ending after 15 years, with the possibility of two option periods (of approximately 5 years each) (the "Lease Agreement"). The agreement formalizes the method for distribution of the costs associated with the leased property, the associated costs and the adjustment costs, in a manner which reflects the proportional part of each of the parties to this agreement to the leased areas (the "Expense Distribution Agreement").

<sup>1</sup> This approval was also received from the other participating companies, in accordance with the decisions of their competent organs, as applicable.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date**

**1. (A) Agreement for the distribution of uses and office expenses (Cont.)**

DIC and IDB Development were considered a single party for the purpose of dividing the payment of the shared expenses between the parties to the agreement, and bore the shared expenses in accordance with the service cost allocation ratio, as defined in the cost distribution agreement (services agreement) in which they engaged, and which was in effect until September 25, 2020, as specified above and below (as at the date of engagement and during the period of the agreement: 60% DIC and 40% IDB Development). For additional details, see Note 31.B.1.(B). below. In November 2019, the Board of Directors of IDB Development approved its engaged in the expense distribution agreement. Further to the approval which was given by the Audit Committee and Board of Directors in August 2021, for the Company's engagement in a cost distribution agreement (services agreement) with Property & Building (the "Services Agreement"), as specified in Note 31.B.1.(B) below, the expense distribution agreement was updated such that the Company and Property & Building will be considered a single party for the purpose of the division of the payment of the shared expenses between the parties to the agreement, and will bear the shared expenses according to the service cost allocation ratio, as defined in the services agreement (as at the date of the engagement, 50% DIC and 50% Property & Building), with no change to the expense distribution agreement relative to the current expense distribution agreement. It is noted that the above also applies, inter alia, to the settling of accounts between DIC and Property & Building in connection with the sublease agreement in which DIC engaged with a sublessee which is unaffiliated with the Company, with respect to half of the leased area (which is the maximum possible area in accordance with the lease agreement, for engagement in a sublease agreement), beginning on January 1, 2022.

Each of the parties to the expense distribution agreement will bear the costs of the leased property, with respect to their share in the office areas and parking spaces which have been assigned to them according to a diagram, in accordance with the terms of the lease agreement. The leasehold costs with respect to the shared areas, which will be used by all of the parties to the expense distribution agreement, and associated expenses (e.g., cleaning, insurance, logistical services, kitchen services and routine maintenance) will be paid by the parties according to the ratio between the number of employees who are employed by each party in the office areas, and all of the employees who are employed by all of the parties to the agreement regarding the distribution of expenses in the office areas, without taking into account the staff of employees who serve all of the parties in the office areas (e.g., logistical services cleaning staff, and routine maintenance). An arrangement was also reached regarding the division of leasehold costs with respect to corporate officers and employees who hold office / work, as applicable, in several companies which are the parties to the expense distribution agreement. The parties to the expense distribution agreement will also bear, each according to its proportional part, as specified above, the costs of the adjustment works with respect to the office areas, including payments to executing contractors, purchases of furniture, electrical products and other equipment, as well as consulting, management and supervision services. With respect to 2020, the Company share (60%) in the rent and associated payments, as stated above, amounted to NIS 2.4 million. With respect to the period from January 1, 2021 to June 30, 2021, with respect to the period from July 1, 2021 to December 31, 2021, and in 2022, Company's share (50%) in the rent and associated payments, as stated above, amounted to NIS 1.7 million, NIS 0.8 million, and NIS 1.4 million, respectively.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date**

**1. (A) Agreement for the distribution of uses and office expenses (Cont.)**

On November 26, 2019 and November 28, 2019, as part of the expense distribution agreement, the Company's Audit Committee and Board of Directors, respectively, approved the Company's engagement with Elron (a subsidiary of the Company) in connection with indemnification for rent associated with Elron's offices in Azrieli Towers, insofar as they are not leased to a third party, beginning in January 2020, in an immaterial sum, without addressing the question of whether the engagement constitutes an extraordinary engagement in which the Company's controlling shareholder and officers have a personal interest. The aforementioned engagement was also approved by Elron's competent organs.

In January 2023, after the date of the statement of financial position, the Company's Audit Committee and Board of Directors approved (without addressing the question of whether or not the aforementioned engagement constitutes an extraordinary transaction in which the Company's officers have a personal interest) an update to the uses agreement in a manner which reflects, inter alia, Gav-Yam's request to again use the leased property beginning from December 2022, and accordingly, to pay management fees (effective as from December 2022) and all costs associated with the leased property, in accordance with the provisions of the uses agreement (effective as from February 2023), while Elron expressed its willingness to transfer its offices from the leased property, and to discontinue its use thereof (effective as from December 2022).

**(B) Cost distribution agreement (services agreement)**

Further to a previous agreement with IDB Development (for details, see Note 31.B.1.(B) to the Company's financial statements for 2019), on June 25 and 29, 2020, the Company's Audit Committee and Board of Directors approved, respectively, approved updates to the terms of the Company's engagement with IDB Development in the cost distribution agreement (services agreement), for a three year period beginning on July 1, 2020 (the "Updated Services Agreement with IDB Development"), and which concluded on September 25, 2020, as specified above and below. The services agreement with IDB Development included, inter alia, a stipulation that, instead of the allocation ratio with respect to the cost of the shared services, as specified in the services agreement, according to which the Company bore 60% of the compensation cost of the service providers (as defined in the above note), and IDB Development bore 40% of said cost, in consideration of the performance of the shared work, IDB Development would pay to the Company a fixed annual payment in the amount of NIS 3.3 million with respect to the first year (i.e., July 1, 2020 to June 30, 2021), and a total of NIS 2.5 million beginning from the end of the first year (plus VAT). Accordingly, further to the mechanism which was specified in the agreement regarding the distribution of uses and office expenses, as specified in Note 31.B.1.(A) to the annual financial statements for 2019, the cost ratio between the Company and IDB Development was updated such that, with respect to the costs addressed in the aforementioned agreement, IDB Development paid an annual cost of NIS 700 thousand (plus VAT) with respect to the first year (beginning on July 1, 2020) and NIS 500 thousand with respect to the second year and thereafter. The engagement in accordance with the updated services agreement with IDB Development, as stated above, was approved in August 2020 by the Company's general meeting (by a majority among the shareholders who had no personal interest in the decision), and was approved by the competent organs of IDB Development.

In October 2020, the trustee of IDB Development notified DIC of the termination of the updated services agreement and the annexes thereto, beginning on September 25, 2020. In light of the above, in the financial statements for 2020, the Company included a provision for doubtful debts in the amount of NIS 7 million, with respect to IDB Development's unsecured debt towards the Company. On November 5, 2020, the Company submitted a debt claim in connection with IDB Development's debt to the Company.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**1. (Cont.)**

**(B) Cost distribution agreement (services agreement) (Cont.)**

On August 19, 2021, the Company's general meeting approved (after receiving approval from the Audit Committee on August 16, 2021) the Company's engagement in a cost distribution agreement (services agreement) (the "Agreement") with Property & Building, for a period of three years from July 1, 2021 to June 30, 2024 (the "**Agreement Period**"). The agreement entered into effect on the date of receipt of the Tax Authority's approval, as specified below, and applies retroactively beginning on July 1, 2021. In July 2022 the Company received approval from the Israel Tax Authority for the transfer of the employees (including the ownership of the external funds, provident funds, pension funds, and managers' insurance policies in connection with those employees), who will become employees of the Company, while maintaining continuity of rights. Under the agreement, DIC will provide to the Company and Property & Building, through service providers which will be appointed by the Company, in its exclusive discretion (except regarding the position of Property & Building's General Manager), shared services of various officers, including, inter alia, the General Manager, CFO, VP Accounting, VP Legal and Company Secretariat, as well as assistance and consulting services on various subjects, including accounting, finance, treasury, economic and accounting services, legal department and Company Secretariat, compliance services, business and management consulting, reporting to Israeli authorities, management, planning, budget, strategy and business development services, bookkeeping, payroll, secretarial and administration, as well as IT services (the "Shared Services"). DIC will provide the shared services to Property & Building during the period of the agreement, in the scope which will be reasonably required for their execution, as will be determined from time to time by Property & Building's competent organs, in accordance with its needs. The shared services will be provided to Property & Building through office holders who will be appointed by DIC, and replaced by it if necessary, in its exclusive discretion, provided that they have the ability, know-how and experience required to provide the shared services (the "Service Providers").

Under the agreement, Property & Building transferred all of its employees to DIC (including the ownership of the existing external funds, provident funds, pension funds, managers' insurance policies and study funds in connection with those employees), and they will become employees of DIC, while maintaining their continuity of rights (subject to the receipt of approval from the Tax Authority for this purpose), and DIC will bear all of the costs and/or liabilities with respect to them which are due to the employer - employee relationship in accordance with the law, or in accordance with their employment terms, or in accordance with standard practice, if any, with respect to the period after the date of their transfer to the Company.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**1. (Cont.)**

**(B) Cost distribution agreement (services agreement) (Cont.)**

The agreement formalizes the distribution of the scope of employment and the total compensation cost of the service providers (employer's cost with respect to payroll expenses, including social benefits, fringe benefits and bonuses, paid. Officer bonuses will be paid by each company separately, according to parameters which will be determined by the relevant company, as well as equity compensation), which DIC will effectively pay in each calendar quarter (the "Compensation Cost Of The Service Providers") between the parties, in a manner whereby Property & Building will bear 50% of the compensation cost of the service providers, and DIC will bear 50% of that cost (the "Service Allocation Ratio"). Accordingly, in exchange for the receipt of the services, Property & Building pays to DIC a quarterly payment in an amount equal to the service allocation ratio times the total compensation cost of the service providers. It was further determined that once per calendar year (beginning one year after the date when the general meeting of Property & Building approved the agreement), the Audit Committees of Property & Building and of DIC will hold a discussion, in which each of them will evaluate the scope of the shared services which DIC provided, in practice, to Property & Building, including that the scope of the shared services (weighted annually, and with respect to all of the providers of the shared services), has not deviated from the service allocation ratio, in consideration of, inter alia, the scope and characteristics of the activities of Property & Building and DIC (as applicable) during the aforementioned period. This annual evaluation will include an evaluation, in both companies, on the department level, of the scope of the work which was invested in practice for each of the engaging companies, the costs of the services, and the distribution of the costs between Property & Building and DIC, as derived from the scopes of work and the costs of the aforementioned service providers. In case of a deviation from the amount which was agreed upon in that agreement (50% for Property & Building and 50% for DIC), the parties will work to update the services agreement, insofar as may be required, in accordance with the provisions of the agreement. It is hereby clarified that insofar as any changes occur in the scope of the shared services which DIC provided, in practice, to Property & Building, in a manner which constitutes a deviation of no more than 20% from the service allocation ratio, the approval of the updated service allocation ratio will be presented for approval to Property & Building's Audit Committee and DIC's Audit Committee only. It is noted that in March 2023, the Company's Audit Committee evaluated the scope of the shared services which the Company provided in practice to Property & Building, and decided to keep the service allocation ratio between the Company and Property & Building at 50%, for each of the companies.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**1. (Cont.)**

**(B) Cost distribution agreement (services agreement) (Cont.)**

Additionally, in accordance with the agreement, the determination and approval of the terms of tenure and employment of those service providers who are officers (including amendments and updates thereof, if any, from time to time), will be implemented, in general, in DIC's exclusive discretion, provided that the determination and/or amendment and/or update will be at a rate of no more than 10% of the total cost of the terms of tenure and employment of the service providers in question, on the date of the engagement in the agreement, and that the updated terms are consistent with the Company's compensation policy. Any determination and/or amendment and/or update at a rate exceeding 10% on the date of engagement in the aforementioned agreement will be presented for approval to the competent organs of DIC and Property & Building. It was further determined in the agreement that prior to the foregoing determination and/or approval and/or amendment and/or update and/or new engagement in connection with the terms of tenure and employment of any of the service providers who serve as officers, from time to time (this condition will not apply to the determination of targets for officer bonuses, which will be performed by each of the companies independently, and will be paid separately, as stated above), DIC's Compensation Committee will conduct a non-binding consultation with Property & Building's Compensation Committee, and will also take into account its opinion (with no obligation to receive Property & Building's opinion), as part of the evaluations which it considers in connection with the above, and provided that the foregoing corresponds to the officer compensation policies of DIC and of Property & Building (as they stand from time to time), and does not deviate from the restrictions specified in the compensation policy (excluding the possibility to deviate from it in accordance with the legally required approvals).

The engagement in the agreement was approved by Property & Building's general meeting in January 2022.

The Company's compensation cost for service providers with respect to the period from July 1, 2021 to December 31, 2021, and in 2022, amounted to a total of approximately NIS 1 million and approximately NIS 3.3 million, respectively.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation**

**(A) Insurance of officers' liability**

Policies for 2019-2020 - In accordance with a framework resolution which was approved by the Company's general meeting in May 2017 (for details, see Note 31.B.2.(A) to the Company's financial statements for 2019, the "2017 Framework Decision"), on March 19, 2019, the Company's Board of Directors approved, following the approval of the Company's Audit Committee and Compensation Committee (from March 2019), in accordance with the provisions of the Expedients Regarding Transactions with Interested Parties Regulations, 5760-2000 (the "Expedient Regulations"), the Company's engagement in liability insurance policies for the Company's officers, including for officers who are and/or whose relatives are among the Company's controlling shareholders, with Clal Insurance Company Ltd. ("Clal Insurance") (which was, as at the date of the agreement, (indirectly) controlled by IDB Development) (a company which was, as at the date of the agreement, (indirectly) controlled by the Company's controlling shareholder), for the periods from April 1, 2019 up to and including March 31, 2020, under the following liability limits: (1) A basic policy for the Company's division (including the Company and its wholly owned companies (the "Company's Division"), with an insurance limit of USD 50 million, which was obtained in parallel with basic insurance policies that were obtained by the IDB Development division (IDB Development and its wholly owned companies, the "IDB Development Division") and by the other divisions, as specified in subsection (2) below; (2) A collective policy (the "Collective Policy") which is shared by the Company's Division, the IDB Development division, and the other divisions (which included the Property & Building division (Property & Building and certain of its investee companies) and the Shufersal division (Shufersal, which was an interested party in the Company on the date of the transaction, and certain of its investee companies)), with a liability limit of USD 90 million; and (3) Additional insurance coverage up to a total amount of USD 90 million to supplement the insurance limit of the aforementioned collective insurance policy, insofar as the insurance limit thereunder will be used partially or in full. The approved insurance premiums (including fronting fees of Clal Insurance, at a rate of 10%), and the other terms, as specified above, are in accordance with the terms which were determined in the 2017 framework decision.

On April 24, 2019, the Company's Board of Directors approved (after approval for this purpose was received from the Company's Compensation Committee and Audit Committee), in accordance with the provisions of the Expedient Regulations, the extension of the framework transaction by four additional months, until July 31, 2020, in order to allow the Company to obtain an insurance policy in accordance with the 2017 framework decision, for a period of 16 months, beginning on April 1, 2019, instead of the insurance period (of 12 months only). The premiums which the Company paid with respect to the aforementioned policies for 2019-2020 amounted to approximately USD 790 thousand (including 10% fronting fees for Clal Insurance).

The coverage under the policy for 2019-2020 was prepared through Clal Insurance, with the support of reinsurers at a rate of 100%.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(A) Insurance of officers' liability (Cont.)**

Policies for 2020-2021 - On August 13, 2020, the Company's Board of Directors approved (after approval for this purpose was received from the Company's Compensation Committee and Audit Committee), in accordance with the Regulations 1(4) and 1.B.1. of the Expedient Regulations, the following: (1) To approve (and ratify) the extension of the policies for 2019-2020 by 14 additional days, until August 14, 2020 (instead of July 31, 2020), with no change to the policy terms, and for an additional proportional premium (according to the premium specified in the policies for 2019-2020), in the amount of USD 23 thousand; (2) To approve exercising the right which was available to the Company under the policies for 2019-2020, and in accordance with the Company's compensation policy, and to approve the acquisition of insurance coverage according to which, beginning from the end of the insurance period of the Company's policies for 2019-2020 (i.e., beginning on August 15, 2020), the aforementioned insurance policies will be expanded such that they will include a discovery period, and will provide insurance coverage for an additional seven year discovery period in connection with claims which were initially filed during the foregoing discovery period, with respect to actions which were performed prior to the effective date. In other words, converting the current insurance policies into run-off policies of sorts, with a period seven years after the initial date of the discovery period, with respect to events which occurred from December 1, 2013 up to and including August 14, 2020, under the same liability limits as those which applied to the policies for 2019-2020 which concluded on August 14, 2020, as stated above (including the seven year discovery period) (the "Extended Discovery Period"). The premium which will be paid with respect to the aforementioned extended discovery period is approximately USD 1.3 million (non-recurring). With respect to the foregoing, the Company recorded, in 2020, an expense in the amount of NIS 5 million. With respect to the share of Shufersal Ltd. (which is not participating in the activation of the extended discovery period), DIC, IDB Development and Property & Building paid a proportional premium (pro-rata); (3) To approve the Company's engagement in an officers' liability insurance policy, including for officers who are controlling shareholders of the Company and/or relatives of theirs (from time to time) with Clal Insurance and a group of insurers in the international insurance market, for the period from August 15, 2020 up to and including August 14, 2021 (the "Insurance Period"). The engagement involved an officers' liability insurance policy which will be shared by the Company and its wholly owned companies, with a liability limit in the amount of USD 20 million per claim and cumulatively (the "Policy for 2020-2021"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(A) Insurance of officers' liability (Cont.)**

The policy for 2020-2021 was prepared in parallel with separate insurance policies which were prepared by IDB Development division and its wholly owned companies, and by Property & Building and some of its investee companies, under similar conditions. The policy for 2020-2021 (as well as each of the policies of IDB Development and Property & Building) establishes a term stipulating that the insurer's liability with respect to claims shared by two or more than the aforementioned policies will not exceed the liability limit of the policy for 2020-2021 (which was increased to USD 30 million, as specified below).

The deductible with respect to any claim under the policy for 2020-2021 is USD 150 thousand (except with respect to claims filed in the United States or in Canada on all matters associated with securities laws, in which case the deductible amount will be USD 500 thousand; or USD 350 thousand, insofar as the case involves another claim filed in the United States or in Canada). In accordance with the authorization for Company management to work towards increasing the liability limit with respect to the policy for 2020-2021, the Company approved the extension of the liability limit in the policy for 2020-2021 in the additional sum of USD 10 million, to a total of USD 30 million. The premiums which were paid by the Company with respect to the policy for 2020-2021, for the insurance period, with a liability limit of USD 30 million, amounted to a total of approximately USD 1.6 million (including fronting fees).

The Company also engaged in a directors and officers liability insurance policy of the "Side A" type, with a liability limit of USD 10 million per claim and cumulatively, for the insurance period, covering claims against the Company's officers, including officers who are controlling shareholders of the Company and/or relatives of theirs (who hold office from time to time), in case the liability limits for 2020-2021 have been exhausted, and the Company is unable to indemnify the directors and officers. The premiums which were paid by the Company with respect to this policy amount to a total of USD 400 thousand (including fronting fees). The premium and deductible amounts specified in policy for 2020-2021 are higher than the maximum premium and deductible amounts which were specified, at that time, in the Company's compensation policy.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(A) Insurance of officers' liability (Cont.)**

**Policies for 2020-2021 (Cont.)**

Therefore, the Company engaged in the aforementioned insurance policy for 2020-2021, in accordance with the approval of the Company's Compensation Committee, Audit Committee and Board of Directors, and worked in parallel to convene a general meeting of the Company's shareholders, whose agenda will include an update to the Company's compensation policy such that the limits which were determined with respect to the insurance premiums and the deductible will be erased, the Company's Compensation Committee will be authorized to determine the premium and deductible amounts according to the market conditions as at the purchase date of the insurance policies in accordance with the update to Legal Staff Resolution No. 101-21: Compensation policy (best practice), dated July 1, 2020, in order to for the approval of the engagement in the policy for 2020-2021 to meet the terms of expedient 1B.1 of the Expedient Regulations. On September 24, 2020, the general meeting of the Company's shareholders approved the aforementioned update to the Company's compensation policy.

In accordance with the terms of the policy for 2020-2021, a change in control of the Company constitutes a "transaction" event, which activates a section stating that the policy will be restricted, beginning from the date of the transaction event, to claims which have been filed during the remainder of the insurance period, due to unlawful actions which were performed prior to the date of the aforementioned transaction event. With respect to the foregoing, the Company recorded, in the fourth quarter of 2020, an expense in the amount of NIS 6 million. On November 20, 2020, the Court gave a decision regarding the approval of the sale of the Company's control shares to Mega Or, which constituted a "transaction" event, as stated above. The Company received from the insurers an offer to prepare a liability insurance policy for the Company's officers, including officers who are and/or whose relatives are controlling shareholders of the Company (who hold office from time to time), for the period from the date of the occurrence of the transaction event (the date when the directors on behalf of the controlling shareholder were replaced), until 12 months later (the "New Insurance Period"). The engagement will pertain to an officers' liability insurance policy which will be shared by the Company and its wholly owned companies, with a liability limit in the amount of USD 15 million per claim and cumulatively (the "New Policy for 2020-2021"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit. The new policy for 2020-2021 includes an exception stipulating that the transfer of control (50% of the shares or of the right to appoint directors) in DIC, with the approval of the Court, will not constitute a transaction event for the purpose of the policy. Provided that the policy does not apply to any claim which has been filed by or initiated by the controlling shareholder, or any other party on its behalf, with respect to unlawful actions which were performed prior to the acquisition of ownership or voting rights, as stated above.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(A) Insurance of officers' liability (Cont.)**

**Policies for 2020-2021 (Cont.)**

The deductible with respect to any claim under the new policy for 2020-2021 is USD 150 thousand (except with respect to claims filed in the United States or in Canada on all matters associated with securities laws, in which case the deductible amount will be USD 500 thousand; or USD 350 thousand, insofar as the case involves another claim filed in the United States or in Canada). The premiums which the Company paid with respect to the new policy for 2020-2021 for the new insurance period, with a liability limit of USD 15 million, amount to a total of approximately USD 900 thousand (including fronting fees).

The Company's engagement in the policy for 2020-2021 was approved by the Company's Compensation Committee in accordance with Regulation 1B.1 of the Expedient Regulations in December 2020.

**Policies for 2021-2022**

On November 18, 2021, the Company's Compensation Committee approved, in accordance with the Company's compensation policy and Regulation 1.B.1. of the Expedient Regulations, the Company's engagement in a directors and officers liability insurance policy, including for officers who are controlling shareholders of the Company and/or relatives of theirs (from time to time), with respect to the period from November 20, 2021 up to and including November 30, 2022 (the "Insurance Period"). The engagement involved an officers' liability insurance policy which will be shared by the Company and its wholly owned companies, with a liability limit in the amount of USD 15 million per claim and cumulatively (the "Policy for 2021-2022"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit. The deductible with respect to any claim under the policy is USD 150 thousand (except with respect to claims filed in the United States or in Canada on all matters associated with securities laws, in which case the deductible amount will be USD 500 thousand; or USD 350 thousand, insofar as the matters involves another claim filed in the United States or in Canada). The premiums which the Company paid with respect to the policy for 2021-2022, for the insurance period, with a liability limit of USD 15 million, amounted to a total of USD 956 thousand (including fronting fees) (the amount of the aforementioned premium which the Company paid last year, with respect to the insurance period).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(A) Insurance of officers' liability (Cont.)**

**Policies for 2021-2022 (Cont.)**

Further to the approval of the Company's Compensation Committee on December 6, 2021, in accordance with the Company's compensation policy and Regulation 1B1 of the Expedient Regulations, on December 23, 2021, the Company expanded the liability limit of the insurance policy in the additional amount of USD 5 million, beyond the sum of USD 15 million in the additional annual premium, in the amount of approximately USD 275 thousand.

**Policies for 2022-2024**

On November 24, 2022, the Company's Compensation Committee approved, in accordance with the Company's compensation policy and Regulation 1.B.1. of the Companies Regulations (Expedients Regarding Interested Party Transactions), 5760-2000, the Company's engagement in a directors and officers liability insurance policy, including for officers who are controlling shareholders of the Company and/or relatives of theirs (from time to time), with respect to a period of 15 months to 17 months, beginning on December 1, 2022 (the "Insurance Period"). The engagement involves an officers' liability insurance policy which will be shared by the Company and its wholly owned companies, with a liability limit in the amount of USD 20 million per claim and cumulatively (the "Policy"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit. The deductible with respect to any claim under the policy is USD 150 thousand (except with respect to claims filed in the United States or in Canada on all matters associated with securities laws, in which case the deductible amount will be USD 500 thousand; or USD 350 thousand, insofar as the matters involves another claim filed in the United States or in Canada). On November 24, 2022, the Company engaged in the foregoing policy, with respect to the period from December 1, 2022 to April 30, 2024. The annual premiums which the Company paid with respect to the policy amounted to a total of USD 325 thousand (including fronting fees) (the amount of the aforementioned premium which the Company paid last year, with respect to the insurance period, with a liability limit of USD 20 million, was USD 1,195 thousand).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(B) Indemnity of officers**

Following changes in legislation in connection with the indemnification of corporate officers in the corporation, and in accordance with the approval of the Company's general meeting on November 24, 2011 (after approval for this purpose was received from the Company's Audit Committee and Board of Directors), the Company provided new letters of indemnity to directors in the Company, to corporate officers in the Company who are, or whose relatives are, at that time, controlling shareholders therein, and to other corporate officers in the Company regarding whom the controlling shareholders at the time may be considered as being interested parties in the provision of letters of indemnity to them, who hold office and/or who will hold office from time to time. Additionally, in accordance with the approval of the Company's Board of Directors' from November 2011, the Company provided new letters of indemnity to additional corporate officers.

The maximum indemnification amount, in accordance with the new letters of indemnity, is a total amount equal to 25% of the capital attributed to the Company's shareholders in accordance with its last financial statements (annual or quarterly) which are known before the actual payment of indemnification.

It is noted that the provisions of the new letters of indemnity take precedence over any previous undertaking or agreement (before the signing of the new letters of indemnity), whether in writing or verbally, between the Company and the aforementioned directors / corporate officers regarding the matters specified in the new letters of indemnity, including with respect to events which occurred prior to the signing of the new letters of indemnity, and before indemnification has been requested from the Company with respect to them. The foregoing is subject to the stipulation that the previous indemnification letter which was provided to the aforementioned directors / officers, if provided, will remain in effect, subject to any law, with respect to any event that occurred before the signing of the new indemnification letter (even if the indemnification with respect to which was requested from the Company after the signing of the new indemnification letter) if the terms of new indemnification letter impair the terms of indemnification of the said director / officer with respect to such an event.

The total insurance benefits which the Company will receive from time to time, if any, within the framework of the corporate officers' liability insurance with respect to one or more of the events specified in the addendum to the new letters of indemnity, are not included under the aforementioned maximum indemnification amount limit. Accordingly, in cases where insurance benefits are paid to the Company within the framework of the corporate officers liability insurance policy, and are transferred by the Company to its corporate officers, those transferred payments will not reduce the aforementioned maximum indemnification amount (for details regarding the Company's corporate officers' liability insurance, see section B.2.(A) above).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(B) Indemnity of officers (Cont.)**

In May 2016, the general meeting of the Company's shareholders approved (after approval for this purpose was received from the Company's Compensation Committee and the Board of Directors), the provision of letters of indemnity to corporate officers in the Company among the Company's controlling shareholders, and/or to their relatives, who hold office and/or who will hold office in the Company from time to time, and to corporate officers in the Company regarding whom the Company's controlling shareholders may be considered as having a personal interest in the provision of letters of indemnity to them, who hold office and/or who will hold office in the Company from time to time, with respect to their actions (including before the provision of the letter of indemnity) by virtue of their service in the Company, and with respect to their actions by virtue of their service at the request of the Company as corporate officers in another company whose shares are held by the Company, or in which the Company has any interest, under identical conditions to the wording of the current letter of indemnity which was approved by the Company's general meeting on November 24, 2011. The Company's Audit Committee, in its meeting on November 2011, established, in accordance with its authority by virtue of section 275 (a1)(2) of the Companies Law, the period during which events occurring therein will be subject to the letters of indemnity which were given and which will be given, from time to time, to corporate officers regarding whom the Company's controlling shareholders may be considered as having a personal interest in the provision of letters of indemnity to them, and determined that period will conclude on November 30, 2020, and noted that this period of time is appropriate and reasonable, in light of the circumstances.

Accordingly, after the date of the meeting, the Company issued the aforementioned letters of indemnity to its corporate officers, including to corporate officers who were controlling shareholders in the Company or their relatives during the relevant period, and to corporate officers in the Company regarding which the controlling shareholders in the Company may have been considered as parties interested in the approval of the provision of letters of indemnity to them.

Former controlling shareholders in the Company and/or their relatives, who are not employed therein, who served in the past as directors or other corporate officers in subsidiaries and/or related companies of the Company, received from certain companies among them letters of indemnity, according to the conventional practice in those companies. Subsidiaries of the Company provided letters of indemnity to their corporate officers. These letters of indemnity were restricted to certain events, and the maximum indemnification amount was also restricted. Additionally, general meetings of additional member companies in the Group also approved, in light of the aforementioned changes in legislation, the provision of new letters of indemnity to their directors and corporate officers, including those who are their controlling shareholders or relatives thereof, or regarding whom their controlling shareholders may be considered as having a personal interest in the provision of the letters of indemnity to them.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(B) Indemnity of officers (Cont.)**

On April 30, 2019, the general meeting of DIC's shareholders re-approved the provision of letters of indemnity to corporate officers of the Company who are among the Company's controlling shareholders, as they stand from time to time, and/or their relatives, who currently hold office and/or who may hold office in the Company from time to time, and to corporate officers in the Company regarding whom the Company's corporate officers may be considered as having a personal interest in the provision of letters of indemnity to them, who hold office and/or who may hold office in the Company from time to time, for an additional period of three additional years, of an identical wording as that of the Company's current letter of indemnity, beginning on May 23, 2019.

On August 26, 2021, the general shareholders' meeting of DIC approved and ratified the provision of letters of indemnity, in the same wording as the Company's current letter of indemnity, to Mr. Tzachi Nachmias, the Company's Chairman of the Board and Mega Or's controlling shareholder, and to Mr. Michael (Mikey) Zelkind, a director in the Company and Elco's (joint) controlling shareholder, who are the Company's primary shareholders, and who are the Company's controlling shareholders, as this term is defined in section 268 of the Companies Law, and for the purpose of the chapter regarding transactions with interested parties only (due to their status as shareholders who hold 25% of the Company's shares (and in the absence of another holding exceeding 50% of its shares), beginning on April 1, 2021 and June 16, 2021 (the commencement dates of Mr. Nachmias and Mr. Zelkind's tenure as directors in the Company), respectively.

**(C) Release for officers**

The Company provided in the past, in accordance with a decision of the general meeting from 2001, letters of release to its corporate officers, including corporate officers who are controlling shareholders in the Company, or their relatives, as well as corporate officers regarding whom the Company's controlling shareholders may be considered as having a personal interest in the provision of the letters of release to them, with respect to an exemption from any liability towards the Company for any damage which may be caused due to a breach of their duty of care towards it, in actions performed in good faith. The aforementioned letters of release to the controlling shareholders and their relatives expired in November 2011, in accordance with the provisions of the Companies Law on the matter. In November 2011, the Company's Audit Committee decided to set a period until November 2020, during which events occurring therein will be subject to the aforementioned letters of release, with respect to directors and other corporate officers in the Company regarding whom the controlling shareholders may be considered as having a personal interest in the provision of the aforementioned letters of release to them.

In the Company's compensation policy (which was last approved by the Company's general meeting on February 1, 2022), it was determined that letters of release which are given thereunder will not apply to any decision or transaction in which the controlling shareholder or any officer of the Company (including any officer to whom the letter of release was not granted) have a personal interest.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(C) Release for officers (Cont.)**

On August 26, 2021, DIC's general meeting approved the provision of letters of release, in the same wording as the letters of release for all of the Company's officers, to Mr. Tzachi Nachmias, the Company's Chairman of the Board and Mega Or's controlling shareholder, and to Mr. Michael (Mikey) Zelkind, a director in the Company and Elco's (joint) controlling shareholder, who are the Company's primary controlling shareholders, and who are also the Company's controlling shareholders as this term is defined in section 268 of the Companies Law, and for the purpose of the chapter regarding transactions with interested parties only (due to their status as shareholders who hold 25% of the Company's shares (and in the absence of another holding exceeding 50% of its shares), beginning on April 1, 2021 and June 16, 2021 (the commencement dates of Mr. Nachmias and Mr. Zelkind's tenure as directors in the Company), respectively.

**(D) Directors' compensation**

(1) On March 19, 2019, the Company's Board of Directors approved (after approval for this purpose was received from the Company's Compensation Committee in March 2019), in accordance with Expedient Regulations, the payment of compensation to all of the Company's directors who currently hold office and/or who may hold office from time to time in the Company, including outside directors, and including directors who currently hold office and/or who may hold office in the future who are controlling shareholders in the Company, from time to time, and/or their relatives (as this term is defined in the Companies Law), or regarding whom the controlling shareholder has a personal interest in the provision of compensation to them, for a period of three (3) additional years, beginning on April 18, 2019. The directors' compensation which will be paid to each aforementioned director with respect to their service constitutes annual compensation and compensation for participation in meetings of the Board of Directors and its committees, according to the "maximum amount", as defined in the Companies Regulations (Rules Regarding Compensation and Expenses of External Director), 5760-2000 (the "Compensation Regulations"), in accordance with the classification of each aforementioned director as an expert director or non-expert director, and according to level at which the Company will be classified (i.e., in accordance with its equity in the previous financial year), which applies at that time in accordance with the Compensation Regulations.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**2. Insurance of officers' liability, letters of indemnity, letters of release from liability to officers and payment of directors' compensation (Cont.)**

**(D) Directors' compensation (Cont.)**

Directors' compensation for directors who are employed or who provide services for a salary to the Company's controlling shareholder or to a company controlled by the Company's controlling shareholder, which is not the Company or a company controlled by the Company, will be paid to the entity as instructed by the employer or the company receiving the aforementioned services, unless the director in question has instructed otherwise. The Company will not pay directors' compensation to directors who are employed for a salary (which does not constitute directors' compensation) in the Company or in a company under its control, or who will be entitled to receive separate compensation (which does not constitute directors' compensation or expenses for the fulfillment of their position as director) from the Company or from a company under its control with respect to the fulfillment of their position therein, so long as they are employed for a salary, or are entitled to receive the aforementioned separate compensation.

- (2) On March 22, 2022 the Board of Directors approved, after receiving the Compensation Committee's approval on March 21, 2022, in accordance with Regulations 1B(3) and 1A(2) of the Expedient Regulations, the granting of compensation to all of the Company's directors who hold office and/or who will hold office from time to time in the Company, including a director who currently holds office and/or who may hold office from time to time who is one of and/or a representative of the Company's controlling shareholders, from time to time, and/or any relative of theirs (as this term is defined in the Companies Law), or regarding whom the controlling shareholders have a personal interest in providing the compensation to them, according to the "maximum amount" pursuant to the Compensation Regulations, for an additional period of three (3) years, beginning on April 17, 2022, under the same conditions as those which were determined in its resolution dated March 19, 2019, as specified above. As at the present date, the foregoing decision pertains to the following directors: Messrs. Tzachi Nachmias (Chairman of the Board) and Michael Zelkind.
- (3) In the years 2022, 2021 and 2020, the Company received from its investee companies directors' compensation with respect to the tenure of its interested parties as directors in those companies, in the total amount of NIS 435 thousand, NIS 656 thousand and NIS 523 thousand, respectively.
- (4) Various investee companies of the Company pay compensation to their directors in accordance with the Compensation Regulations, and the directors serving therein also include directors in the Company.
- (5) Directors on behalf of Mega Or and/or Elco serve as directors in the Company and in companies under its control. For details regarding the compensation which was received by Mr. Tzachi Nachmias, the Company's Chairman of the Board and Mega Or's controlling shareholder, and Mr. Michael (Mikey) Zelkind, a director in the Company and Elco's (joint) controlling shareholder, companies which are the Company's primary controlling shareholders, and which are also the Company's controlling shareholders, as this term is defined in section 268 of the Companies Law, and for the purpose of the chapter regarding transactions with interested parties only (due to their status as shareholders who hold 25% of the Company's shares (in the absence of another holding exceeding 50% of its shares), with respect to their tenure in the Company and in its investee companies during the reporting period, see section E.3.D. below.
- (6) For details regarding compensation which was received by the Company's former controlling shareholder and his relatives, with respect to their tenure in the Company and in its investee companies during the reporting period, see section E.3.D. below.



**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**3. Appointment of General Manager for the Company, and approval of her terms of tenure and employment**

On March 20, 2022, the Company's Board of Directors resolved to appoint Mr. Doron Cohen, the Company's General Manager, to the position of Chairman of the Board, and the appointment of Ms. Nataly Mishan-Zakai as DIC's General Manager, beginning on July 1, 2022. concurrently, the Board of Directors of DIC resolved to work towards the appointment of Messrs. Cohen and Mishan-Zakai to those positions in Property & Building, in parallel with their tenure in those positions in the Company (these appointments were approved on March 20, 2022 by Property & Building's Board of Directors). On June 30, 2022, Mr. Doron Cohen notified the Company's Chairman of the Board that in light of the resolution of the Company's Board of Directors to evaluate the disposal of the Company's holdings in Cellcom, Mr. Cohen is considering to lead a group, to participate, or to be involved, in one way or another, in the purchase process. Accordingly, Mr. Cohen announced, before the conclusion of his position as the Company's General Manager, which was planned to take place concurrently with his appointment as the Company's Chairman of the Board, on July 1, 2022, that he requested not to be as the Company's Chairman of the Board, and requested also to resign from his position as a director in the Company. On March 21, 2022 and March 22, 2022, the Compensation Committee and Board of Directors of DIC, respectively, approved the terms of tenure and employment of Ms. Nataly Mishan-Zakai. On March 22, 2022, Property & Building's Compensation Committee and Board of Directors approved her terms of tenure and employment, including the payment, by the Company and Property & Building, of the proportional part of the compensation cost with respect to Ms. Mishan-Zakai's employment (as at the present date - 50%), in accordance with the aforementioned services agreement.

The terms of tenure and employment of the Company's General Manager, which were approved in April 2022 by the general meetings of the Company and of Property & Building: (1) In accordance with the service allocation ratio specified in the services agreement (currently - 50%), as determined in the services agreement, and the Company will bear half of the employment costs in accordance with the aforementioned services agreement (except with respect to the equity compensation and annual bonus), as specified in section B.1.(B) above; (2) Employment period - The General Manager will be employed by DIC for an indefinite period, beginning on July 1, 2021, or an earlier date, insofar as the parties have reached an agreement on the matter in advance, and concurrently with the commencement of tenure of the Company's Chairman of the Board (and the conclusion of his tenure as the Company's General Manager); (3) Fixed salary: The monthly base salary will amount to NIS 120 thousand. The salary will be linked to increases in the CPI (with the base index being the known index on the actual tenure commencement date).

**Notes to the Consolidated Financial Statements as at December 31, 2022**

**Note 31 - Related Parties and Interested Parties (Cont.)**

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**3. Appointment of General Manager for the Company, and approval of her terms of tenure and employment (Cont.)**

(4) Fringe benefits: The General Manager will be entitled to social and fringe benefits according to DIC's standard practice, as well as loss of working capacity insurance. The General Manager will also be entitled to a vehicle of the grade practiced in the Company from time to time for the General Manager, grossing-up of tax with respect to the vehicle's value, and the Company will bear all expenses with respect to the maintenance and use of the vehicle (insurance, gas, etc.), and for a cellphone and the grossing-up of tax with respect to the use of the cellphone, and for other fringe benefits according to the Company's standard practice; (5) Variable component - annual bonus: The General Manager will be entitled to an annual bonus beginning in 2022 (proportionately according to the tenure period during that year), which will not exceed 9 monthly salaries (gross), where except for a total of up to 3 salaries (gross), which may be discretionary, the annual bonus will be based on measurable targets which will be approved each year in accordance with the provisions of DIC's compensation policy, and in accordance with the Company's work plan and strategy. The General Manager's entitlement to the variable bonus will be subject to the minimum conditions specified in the Company's compensation policy, as it stands from time to time. It is clarified that insofar as Property & Building's general meeting approves the General Manager's terms of tenure and employment, Property & Building will pay its proportional part, which will be calculated by multiplying the service allocation ratio attributed to Property & Building in the services agreement, by the annual bonus cap specified in the General Manager's employment agreement, in accordance with measurable targets which will be approved by Property & Building's competent organs; (6) The equity compensation which was approved by the general meeting in August 2022 includes 711,169 options, which are exercisable into 711,169 ordinary Company shares, which constitute (based on the theoretical assumption of full exercise) approximately 0.5% of the Company's issued and paid-up share capital (after deducting dormant shares) (approximately 0.49%, fully diluted), according to an exercise price per option of NIS 7.34, and 22,217 options, which are exercisable into 22,217 ordinary shares of Property & Building, which constitute (based on the theoretical assumption of full exercise) approximately 0.3% of Property & Building's issued and paid-up share capital (approximately 0.3%, fully diluted), according to an exercise price per option which currently stands at NIS 275.8, which will be granted in 5 series, as specified below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 31 - Related Parties and Interested Parties (Cont.)

**B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) of the Companies Law, that were entered into in 2022 or between the end of the reporting period and the date of submission of the report or that are in effect on the reporting date (Cont.)**

**3. Appointment of General Manager for the Company, and approval of her terms of tenure and employment (Cont.)**

All of the option series will be exercisable until the end of 6 years after the tenure commencement date. The options will be granted in 5 series, as specified below:

|               | Percent of total options | Vesting date                                   |
|---------------|--------------------------|--|
| First series  | 20%                      | One year after the tenure commencement date    |
| Second series | 20%                      | Two years after the tenure commencement date   |
| Third series  | 20%                      | Three years after the tenure commencement date |
| Fourth series | 20%                      | Four years after the tenure commencement date  |
| Fifth series  | 20%                      | Five years after the tenure commencement date  |

<sup>(1)</sup> The exercise prices will be subject to adjustments with respect to dividend distributions, bonus shares, rights issues, and stock splits and consolidations.

<sup>(2)</sup> The options will be exercisable allocation of shares an allocation of shares in an amount which reflects the amount of the financial benefit represented in the options on the exercise announcement date ("cashless exercise").

The total benefit value of the options for the Company's shares and for the shares of Property & Building, as at the approval date of Property & Building's general meeting, was NIS 2.1 and 3.5 million, respectively, according to the B&S model. The Company and Property & Building will each bear its own share in the aforementioned equity compensation. (7) Termination of the agreement and advance notice: each party will be entitled, at any time, and unilaterally, to notify the other party of the termination of the employment agreement, by giving written notice six months in advance; (8) The employment agreement includes provisions regarding confidentiality, and regarding non-competition and intellectual property rights. Furthermore, by virtue of the status of the Company's General Manager as an officer of the Company, the General Manager will be included in the Company's standard arrangements regarding insurance, indemnification and release, in accordance with previous resolutions of the Company.

**C. Transactions with investee companies and others**

In connection with the Israeli holding requirement which is included in Cellcom's general license for the provision of cellular telephone services, and following the approval of the Ministry of Communication, on January 9, 2018, the Company's Board of Directors approved, after approval for this purpose was received from the Company's Audit Committee, the Company's engagement in a memorandum of understanding, in which the Company transferred (through Koor (a company wholly owned by the Company)) Cellcom shares which represent 5% of its issued share capital, by way of a loan transaction, to two private companies which were incorporated in Israel, whose purpose is the holding of Cellcom shares, and which constitute the "Israeli entities", as defined in Cellcom's mobile license (2.5% of Cellcom's issued share capital each), in accordance with the principles of the agreement which was signed between the parties. The shareholder of one of the foregoing companies served, on the date of the engagement, as an alternate director in the Company and in IDB Development, and as a director (Vice Chairman) in Cellcom; and the shareholder in the second company served, on the date of the engagement, as a director in the Company and in IDB Development. Upon the completion of the transfer of the Company's shares to Mega Or (approximately 29.9% of the Company's issued capital in April 2021, as specified above, and in consideration of the fact that, upon the completion of the transfer of the aforementioned shares, Mega Or is considered a "founding shareholder or replacement thereof", along with Koor), and as an "Israeli entity", the Company gave notice (through Koor) of the termination of the engagement in a loan transaction in accordance with the memorandum of understanding which was signed with the aforementioned "Israeli entities".

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 31 - Related Parties and Interested Parties (Cont.)

#### D. Transactions which are not listed in section 270(4a) of the Companies Law, and which are not insignificant, in amounts exceeding NIS 9.4 million per single transaction

1. Mehadrin recorded revenues from the sale of fruits to an investee and a joint venture which is accounted for at equity, in 2022, 2021 and during the period from March 9, 2020 (the date of Mehadrin's initial consolidation in the Company's financial statements (the "Initial Consolidation Date of Mehadrin") to December 31, 2020, in the amount of NIS 70 million, NIS 69 million and NIS 28 million, respectively.
2. A joint venture accounted by the equity method sold fruit to Mehadrin in 2022 and 2021, and during the period from March 9, 2020, the date of Mehadrin's initial consolidation, to December 31, 2020, in the amount of NIS 31 million, NIS 30 million and NIS 37 million, respectively.

#### E. Additional details regarding transactions with related parties and interested parties

1. **Balances which, as at the date of the statement of financial position, constitute related parties or interested parties**

|  | As at<br>December 31 |      |
|--|----------------------|------|
|  | 2022                 | 2021 |
|  | NIS millions         |      |
| Loans to as equity accounted investee companies <sup>(1),(2)</sup> : |                      |      |
| Linked to the USD  | -                    | 267  |
| Trade receivables, other receivables and debit balances:             |                      |      |
| Related parties  | 12                   | 25   |
| Other payables and credit balances:                                  |                      |      |
| Related parties (Note 18 above)                                      | 23                   | 18   |
| Other payables and credit balances:                                  |                      |      |
| Interested parties   | -                    | 1    |

<sup>(1)</sup> Including an investee which is presented as an asset of a disposal group held for sale.

<sup>(2)</sup> See also Note 3.A above.

#### 2. **Expenses**

|  | Consolidated report for the year ended December 31 |      |      |              |      |      |
|--|--|------|------|--------------|------|------|
|  | 2022   | 2021 | 2020 | 2022         | 2021 | 2020 |
|  | Number of recipients                               |      |      | NIS millions |      |      |
| A. Benefits with respect to the employment of key management personnel <sup>(1)</sup> :                                  |  |      |      |              |      |      |
| Short term benefits  | 2  | 1    | 2    | 5.5          | 4    | 4    |
| Share-based payment  | 1  | -    | 1    | 0.5          | -    | 4    |
| B. Benefits with respect to directors who are not employed (director's fees from the Company and consolidated companies) | 8  | 13   | 15   | 2            | 4    | 4    |

<sup>(1)</sup> In 2020, with respect to the Company's General Manager whose tenure concluded on March 15, 2020 (including payments with respect to advance notice and termination of employment), and with respect to the Company's General Manager whose tenure commenced on March 16, 2020. In 2022, with respect to the former General Manager, for the entire year (including payments with respect to advance notice and conclusion of employment), and with respect to the current General Manager, for the period beginning from July 1, 2022.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 31 - Related Parties and Interested Parties (Cont.)

#### E. Additional details regarding transactions with related parties and interested parties (Cont.)

#### 3. Transactions between related parties and interested parties, which were described in the chapter regarding related parties and interested parties in the Company's financial statements for 2020

| Nature of the transaction  | Related party / interested party **                                   | For the year ended<br>December 31, 2020*                                    |
|--|---|---|
|  |   | Amounts of transactions for<br>which disclosure was given<br>in the reports |
|  |   | NIS millions  |
| A. The Company's share (60%) in the cost distribution agreement  | DIC / IDB Development   | 8   |
| B. <u>Directors' compensation and reimbursement of paid expenses</u>   |   |   |
| - Eduardo Elsztain   | Former controlling shareholder  | 0.496   |
| - Alejandro Elsztain   | Brother of the former controlling shareholder                         | 1.456   |
| - Diana Dan Elsztain   | Sister of the former controlling shareholder                          | 0.320   |
| C. Imports of beef by Shufersal  | Foreign company controlled by the controlling shareholder / Shufersal | 13  |
| D. payment for IT services   | Elron / DIC   | 0.012   |
| E. Donation to IDB Community Foundation (R.A.)   | DIC / IDB Development   | 0.15  |
| F. Rental income with respect to rental areas between Shufersal and investee companies   | Shufersal and investee companies                                      | 9.5   |
| G. Interest income with respect to loans to IDBG   | Property & Building / IDB Development                                 | 2   |
| H. Transactions in connection with real estate projects in Las Vegas, USA - see Notes 3.G.2.A.2;3 and 4 to the financial statements for 2020 | Property & Building / IDB Development                                 |   |

\* The figures are with respect to amounts which were received in 2020, until the conclusion date of the agreements / the date when they were no longer related parties or interested parties, as applicable.

\*\* Related party / interested party - refers to the relevant periods which are presented in this table.

#### 4. For details regarding the Company's subsidiaries and associates, see Note 3.D above and Annex A below.

## Notes to the Consolidated Financial Statements as at December 31, 2022

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### **Note 32 - Segments**

#### **A. General**

In these financial statements, the Company applied IFRS 8, Operating Segments. In accordance with that standard, segmental information is presented with respect to the Company's operating segments which are based on the Company's internal and managerial reports (Management Reports").

In these reports, the segmentation of the Company's operations into reportable operating segments, in accordance with IFRS 8, is derived from management's reports, which are based on DIC's investment in some of the companies which it owns, including associate companies (hereinafter: the "Segment Companies").

The segmental results specified below include both the Company's share in the net profit (loss) of the segment company, and DIC's profit (loss) from the realization, amortization or impairment of the segment company, if any.

Information regarding the assets and liabilities of the segment companies, as specified below, includes the total assets or liabilities of the segment companies in accordance with their financial statements, as applicable.

Beginning in the financial statements for 2022, the Company has included Elron as a reportable operating segment, which fulfills the quantitative tests specified in IFRS 8. The comparative figures were restated in order to present the Elron segment as a separate segment from the others segment.

#### **B. Method of presentation of segmental results**

- The segmental results specified below include the various items of profit and loss of the segment companies (in consideration of the fair value adjustments of DIC), and after deducting the shares of other shareholders - constitute DIC's share in the net profit (loss) of the segment companies, if any.
- The item for the Group's share in the net profit (loss) of investee companies accounted by the equity method, net, the item for profit from realization of investments and assets, dividends and profit due to change in control, and the item for loss from realization and write-down of investments and assets also included the profit or loss, as applicable, which arose for DIC from the realization, write-down or impairment of its investment in the segment companies.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 32 - Segments (Cont.)

#### B. Method of presentation of segmental results (Cont.) Segmental results in 2022

|   | Property &<br>Building | Cellcom      | Mehadrin     | Elron              | Others    | Adjustments<br>for the<br>consolidation | Consolidated |
|---|------------------------|--------------|--------------|--------------------|-----------|---|--------------|
|   | NIS millions           |              |              |                    |           |   |              |
| <b>Income</b>   |                        |              |              |                    |           |   |              |
| Sales and services  | 1,006                  | 4,308        | 1,021        | -                  | 61        | (4,220)                                 | 2,176        |
| The Group's share in the net profit of investee companies accounted by the equity method, net | 58                     | -            | -            | -                  | -         | (58)                                    | -            |
| Profit from realization and increase in the value of investments and assets, and dividends    | 851 <sup>(1)</sup>     | -            | -            | 327 <sup>(2)</sup> | 4         | 1                                       | 1,183        |
| Increase in fair value of investment property, net  | 1,115                  | -            | 1            | -                  | -         | (20)                                    | 1,096        |
| Other income  | -                      | 50           | 41           | -                  | -         | (49)                                    | 42           |
| Finance income  | 88                     | 27           | 9            | 22                 | -         | (46)                                    | 100          |
|   | <u>3,118</u>           | <u>4,385</u> | <u>1,072</u> | <u>349</u>         | <u>65</u> | <u>(4,392)</u>                          | <u>4,597</u> |
| <b>Expenses</b>   |                        |              |              |                    |           |   |              |
| Cost of sales and services  | 211                    | 3,034        | 1,105        | -                  | -         | (2,980)                                 | 1,370        |
| Research and development expenses   | -                      | -            | -            | -                  | -         | 4                                       | 4            |
| Selling and marketing expenses  | 14                     | 650          | -            | -                  | 13        | (639)                                   | 38           |
| General and administrative expenses   | 57                     | 302          | 30           | 26                 | 34        | (269)                                   | 180          |
| The Group's share in the loss of investee companies accounted by the equity method, net       | -                      | 1            | 5            | 90                 | 1         | (66)                                    | 31           |
| Loss from realization, impairment, and write-down of investments and assets                   | 469 <sup>(3)</sup>     | -            | -            | 19                 | 2         | 61                                      | 551          |
| Decrease in fair value of investment property, net  | -                      | 8            | -            | -                  | -         | (8)                                     | -            |
| Other expenses  | -                      | 6            | 4            | -                  | 1         | (3)                                     | 8            |
| Finance expenses  | 485                    | 182          | 21           | 4                  | 7         | (5)                                     | 694          |
|   | <u>1,236</u>           | <u>4,183</u> | <u>1,165</u> | <u>139</u>         | <u>58</u> | <u>(3,905)</u>                          | <u>2,876</u> |
| Profit (loss) before taxes on income  | 1,882                  | 202          | (93)         | 210                | 7         | (487)                                   | 1,721        |
| Income (expenses) from taxes on income  | (374)                  | (45)         | 7            | (3)                | (4)       | 129                                     | (290)        |
| Profit from continuing operations   | 1,508                  | 157          | (86)         | 207                | 3         | (358)                                   | 1,431        |
| Profit (loss) from discontinued operations, after tax   | (109)                  | -            | -            | -                  | -         | 128                                     | 19           |
| Net profit (loss) for the year  | <u>1,399</u>           | <u>157</u>   | <u>(86)</u>  | <u>207</u>         | <u>3</u>  | <u>(230)</u>                            | <u>1,450</u> |
| Share of the other shareholders in (profit) loss  | 822                    | 92           | (47)         | 61                 | 3         | (1)                                     | 930          |
| <b>Segmental results in 2022 - attributed to the owners of the Company</b>                    | <u>577</u>             | <u>65</u>    | <u>(39)</u>  | <u>146</u>         | <u>-</u>  | <u>(229)</u>                            | <u>520</u>   |
| Depreciation and amortization   | <u>6</u>               | <u>830</u>   | <u>50</u>    | <u>2</u>           | <u>2</u>  |   |              |
| Interest income   | <u>25</u>              | <u>9</u>     | <u>7</u>     | <u>18</u>          | <u>-</u>  |   |              |
| Interest expenses   | <u>514</u>             | <u>139</u>   | <u>13</u>    | <u>2</u>           | <u>-</u>  |   |              |

- (1) Including profit from the rise to control of Gav-Yam shares in the amount of NIS 851 million. The Company's share amounted to NIS 538 million. See Note 3.F.1.A.2.A. above.
- (2) Includes, inter alia, profit from the sale of Cartiheat in the amount of NIS 322 million, see Note 3.F.4.A. above.
- (3) Includes impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 469 million. The Company's share in the loss amounted to NIS 257 million, see Note 9.D above.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 32 - Segments (Cont.)

#### B. Method of presentation of segmental results (Cont.) Segmental results in 2021

|   | Property &<br>Building | Cellcom   | Mehadrin  | Elron <sup>(1)</sup> | Other <sup>(1)</sup> | Adjustments<br>for the<br>consolidation<br><sup>(2)</sup> | Consolidated<br><sup>(2)</sup> |
|---|------------------------|-----------|-----------|----------------------|----------------------|---|--------------------------------|
|   | NIS millions           |           |           |                      |                      |   |                                |
| <b>Income</b>   |                        |           |           |                      |                      |   |                                |
| Sales and services  | 44                     | 4,108     | 1,041     | -                    | 75                   | (3,998)   | 1,270                          |
| The Group's share in the net profit of investee companies accounted by the equity method, net | 446                    | -         | -         | -                    | -                    | (102)   | 344                            |
| Profit from realization and increase in the value of investments and assets, and dividends    | -                      | 11        | -         | 154                  | -                    | 10  | 175                            |
| Increase in fair value of investment property, net  | -                      | -         | 4         | -                    | -                    | 588   | 592                            |
| Other income  | -                      | 51        | 173       | -                    | -                    | (34)  | 190                            |
| Finance income  | 81                     | 3         | 11        | 1                    | 10                   | 7   | 113                            |
|   | 571                    | 4,173     | 1,229     | 155                  | 85                   | (3,529)   | 2,684                          |
| <b>Expenses</b>   |                        |           |           |                      |                      |   |                                |
| Cost of sales and services  | 31                     | 2,963     | 990       | -                    | -                    | (2,898)   | 1,086                          |
| Research and development expenses   | -                      | -         | -         | -                    | -                    | 4   | 4                              |
| Selling and marketing expenses  | 2                      | 666       | -         | -                    | 12                   | (657)   | 23                             |
| General and administrative expenses   | 26                     | 306       | 27        | 23                   | 44                   | (265)   | 161                            |
| The Group's share in the loss of investee companies accounted by the equity method, net       | -                      | 5         | 2         | 40                   | -                    | (47)  | -                              |
| Loss from realization, impairment, and write-down of investments and assets                   | -                      | -         | -         | 32                   | -                    | 9   | 41                             |
| Decrease in fair value of investment property, net  | -                      | 7         | -         | -                    | -                    | (7)   | -                              |
| Other expenses  | -                      | 19        | 13        | -                    | -                    | (18)  | 14                             |
| Finance expenses  | 227                    | 168       | 18        | 2                    | -                    | 60  | 475                            |
|   | 286                    | 4,134     | 1,050     | 97                   | 56                   | (3,819)   | 1,804                          |
| Profit before taxes on income   | 285                    | 39        | 179       | 58                   | 29                   | 290   | 880                            |
| Income tax expenses   | (19)                   | (12)      | (38)      | (13)                 | (7)                  | (55)  | (144)                          |
| Profit from continuing operations   | 266                    | 27        | 141       | 45                   | 22                   | 235   | 736                            |
| Profit (loss) from discontinued operations, after tax   | 376                    | -         | -         | -                    | -                    | (445)   | (69)                           |
| Net profit (loss) for the year  | 642                    | 27        | 141       | 45                   | 22                   | (210)   | 667                            |
| Share of other shareholders in profit   | 262                    | 15        | 79        | 34                   | 11                   | -   | 401                            |
|   |                        |           |           | 11                   |                      |   |                                |
| <b>Segmental results in 2021 - attributed to the owners of the Company</b>                    | <b>380</b>             | <b>12</b> | <b>62</b> | <b>11</b>            | <b>11</b>            | <b>(210)</b>  | <b>266</b>                     |
| Depreciation and amortization   | 2                      | 896       | 52        | 1                    | 1                    |   |                                |
| Interest income   | 9                      | -         | 11        | 1                    | -                    |   |                                |
| Interest expenses   | 210                    | 140       | 13        | 1                    | -                    |   |                                |

(1) Reclassified due to the presentation of Elron as a reportable segment.

(2) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 32 - Segments (Cont.)**

**B. Method of presentation of segmental results (Cont.)**

**Segmental results in 2020**

|   | Property &<br>Building | Cellcom      | Mehadrin          | Elron <sup>(4)</sup> | Shufersal<br><sup>(1)</sup> | Other <sup>(4)</sup> | Adjustments<br>for the<br>consolidation<br><sup>(4),(5)</sup> | Consolidated<br><sup>(5)</sup> |
|---|------------------------|--------------|-------------------|----------------------|-----------------------------|----------------------|---|--------------------------------|
|   | NIS millions           |              |                   |                      |                             |                      |   |                                |
| <b>Income</b>   |                        |              |                   |                      |                             |                      |   |                                |
| Sales and services  | 377                    | 3,676        | 1,175             | -                    | 7,420                       | 55                   | (11,547)  | 1,156                          |
| The Group's share in the net profit of<br>investee companies accounted by<br>the equity method, net | 40                     | -            | 11                | -                    | -                           | -                    | (51)  | -                              |
| Profit from realization and increase in<br>the value of investments and assets,<br>and dividends    | -                      | -            | 15                | 30                   | 39 <sup>(2)</sup>           | -                    | (21)  | 63                             |
| Increase in fair value of investment<br>property, net   | -                      | -            | -                 | -                    | 4                           | -                    | 5   | 9                              |
| Other income  | 96                     | 38           | -                 | -                    | -                           | -                    | (134)   | -                              |
| Finance income  | 10                     | 10           | 6                 | 2                    | 12                          | 2                    | (19)  | 23                             |
|   | <u>523</u>             | <u>3,724</u> | <u>1,207</u>      | <u>32</u>            | <u>7,475</u>                | <u>57</u>            | <u>(11,767)</u>   | <u>1,251</u>                   |
| <b>Expenses</b>   |                        |              |                   |                      |                             |                      |   |                                |
| Cost of sales and services  | 206                    | 2,800        | 1,134             | -                    | 5,453                       | -                    | (8,601)   | 992                            |
| Research and development expenses   | -                      | -            | -                 | 8                    | -                           | -                    | 5   | 13                             |
| Selling and marketing expenses  | 3                      | 580          | -                 | -                    | 1,506                       | 5                    | (2,074)   | 20                             |
| General and administrative expenses   | 33                     | 357          | 25                | 30                   | 125                         | 35                   | (409)   | 196                            |
| The Group's share in the loss of<br>investee companies accounted by<br>the equity method, net       | -                      | 14           | -                 | 50                   | 14                          | -                    | (77)  | 1                              |
| Loss from realization, impairment,<br>and write-down of investments and<br>assets                   | 34                     | -            | -                 | 16                   | -                           | -                    | 63  | 113                            |
| Decrease in fair value of investment<br>property, net   | 273                    | -            | -                 | -                    | -                           | -                    | (273)   | -                              |
| Other expenses  | -                      | -            | 4                 | 1                    | 1                           | -                    | (6)   | -                              |
| Finance expenses  | 367                    | 182          | 25                | 4                    | 122                         | -                    | (163)   | 537                            |
|   | <u>916</u>             | <u>3,933</u> | <u>1,188</u>      | <u>109</u>           | <u>7,221</u>                | <u>40</u>            | <u>(11,535)</u>   | <u>1,872</u>                   |
| Profit (loss) before taxes on income  | (393)                  | (209)        | 19                | (77)                 | 254                         | 17                   | (232)   | (621)                          |
| Income (expenses) from taxes on<br>income   | 30                     | 39           | (1)               | 4                    | (53)                        | (5)                  | (33)  | (19)                           |
| Profit (loss) from continuing<br>operations   | (363)                  | (170)        | 18                | (73)                 | 201                         | 12                   | (265)   | (640)                          |
| Profit (loss) from discontinued<br>operations, after tax  | (13)                   | -            | -                 | -                    | -                           | -                    | (144)   | (157)                          |
| Net profit (loss) for the year  | <u>(376)</u>           | <u>(170)</u> | <u>18</u>         | <u>(73)</u>          | <u>201</u>                  | <u>12</u>            | <u>(409)</u>  | <u>(797)</u>                   |
| Share of the other shareholders in<br>(profit) loss   | (106)                  | (92)         | 12 <sup>(3)</sup> | (36)                 | 118                         | 7                    | (145)   | (242)                          |
| <b>Segmental results in 2020 -<br/>attributed to the owners of the<br/>Company</b>                  | <u>(270)</u>           | <u>(78)</u>  | <u>6</u>          | <u>(37)</u>          | <u>83</u>                   | <u>5</u>             | <u>(264)</u>  | <u>(555)</u>                   |
| Depreciation and amortization   | 2                      | 924          | 54                | 3                    | 388                         | 1                    |   |                                |
| Interest income   | 10                     | 5            | 6                 | 2                    | 2                           | -                    |   |                                |
| Interest expenses   | 245                    | 125          | 27                | -                    | 105                         | -                    |   |                                |

(1) Discontinued segment. The data for Shufersal is in accordance with Shufersal's financial statements as at June 30, 2020. Shufersal's operating results are presented in the statements of income under discontinued operations, see Note 12.B.3. above.

(2) Profit from realization of investment in Shufersal in the amount of NIS 39 million.

(3) Includes, inter alia, Mehadrin's profit until the date of the rise to control in March 2020.

(4) Reclassified due to the presentation of Elron as a reportable segment.

(5) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 32 - Segments (Cont.)

#### C. Composition of the adjustments to the sales and services item in the consolidated report

|   | For the year ended December 31 |                        |                        |
|---|--------------------------------|------------------------|------------------------|
|   | 2022                           | 2021                   | 2020                   |
|   | NIS millions                   |                        |                        |
| Reversal of amounts with respect to the Shufersal operation <sup>(1)</sup>  | -                              | -                      | (7,420)                |
| Reversal of amounts with respect to the Mehadrin operation before the rise to control <sup>(2)</sup>                    | -                              | -                      | (352)                  |
| Adjustments with respect to activities which are presented in Property & Building's reports as discontinued operations. | 4                              | 32                     | 82                     |
| Adjustments with respect to the presentation of the Cellcom operation as a discontinued operation                       | (4,308)                        | (4,108) <sup>(3)</sup> | (3,684) <sup>(3)</sup> |
| Adjustments with respect to the presentation of the HSBC operation as a discontinued operation                          | -                              | -                      | (251)                  |
| Other adjustments   | 84                             | 78                     | 78                     |
|   | <u>(4,220)</u>                 | <u>(3,998)</u>         | <u>(11,547)</u>        |

(1) The Shufersal operation is presented under discontinued operations, see Note 12.B.3. above.

(2) The Mehadrin activity was consolidated beginning on March 9, 2020.

(3) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

#### D. Composition of adjustments to the segmental results attributed to the owners of the Company in the consolidated report:

|  | For the year ended December 31 |              |              |
|--|--------------------------------|--------------|--------------|
|  | 2022                           | 2021         | 2020         |
|  | NIS millions                   |              |              |
| Inclusion of the results of DIC headquarters (general and administrative, financing and taxes) | (218)                          | (243)        | (254)        |
| Other adjustments  | (11)                           | 33           | (10)         |
|  | <u>(229)</u>                   | <u>(210)</u> | <u>(264)</u> |

#### E. Segmental balance sheet data As at December 31, 2022

|   | Property & Building | Cellcom      | Mehadrin     | Elron      | Other     | Adjustments  | Consolidated  |
|---|---------------------|--------------|--------------|------------|-----------|--------------|---------------|
|   | NIS millions        |              |              |            |           |              |               |
| 1. Segmental assets <sup>(a)</sup>  | <u>22,861</u>       | <u>6,998</u> | <u>1,319</u> | <u>597</u> | <u>73</u> | <u>1,514</u> | <u>33,362</u> |
| 2. Segmental liabilities  | <u>16,623</u>       | <u>4,894</u> | <u>702</u>   | <u>64</u>  | <u>22</u> | <u>2,797</u> | <u>25,102</u> |
| 3. Adjustments to fair value, goodwill and excess cost attributed to the segment          | <u>-</u>            | <u>411</u>   | <u>73</u>    | <u>-</u>   | <u>23</u> |              |               |
| <sup>(a)</sup> Including investments in investee companies accounted by the equity method | 199                 | 131          | 102          | 93         | -         |              |               |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 32 - Segments (Cont.)

As at December 31, 2021

|   | Property &<br>Building | Cellcom | Mehadrin             | Elron <sup>(1)</sup> | Other <sup>(1)</sup> | Adjustments | Consolidated          |
|---|------------------------|---------|----------------------|----------------------|----------------------|-------------|-----------------------|
|   | NIS millions           |         |                      |                      |                      |             |                       |
| 1. Segmental assets <sup>(a)</sup>  | 8,183                  | 6,570   | 1,389 <sup>(2)</sup> | 449                  | 105                  | 1,554       | 18,250 <sup>(2)</sup> |
| 2. Segmental liabilities  | 5,436                  | 4,649   | 694 <sup>(2)</sup>   | 56                   | 39                   | 3,002       | 13,876 <sup>(2)</sup> |
| 3. Adjustments to fair value, goodwill and excess cost attributed to the segment          | -                      | 410     | 73                   | -                    | 26                   |             |                       |
| <sup>(a)</sup> Including investments in investee companies accounted by the equity method | 2,837                  | 134     | 99                   | 96                   | -                    |             |                       |

(1) Reclassified due to the presentation of the Elron segment as a reportable segment.

(2) Reclassified.

### F. Composition of the adjustments to the segmental assets in the consolidated report:

|  | As at December 31 |       |
|--|-------------------|-------|
|  | 2022              | 2021  |
|  | NIS millions      |       |
| Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC                      | 592               | 595   |
| Inclusion of other assets of DIC headquarters  | 893               | 873   |
| Inclusion of the investment amount in associate companies based on their book value, as included in these financial statements | 12                | 9     |
| Other adjustments  | 17                | 77    |
|  | 1,514             | 1,554 |

### G. Composition of adjustments to segmental liabilities in the consolidated report

|  | As at December 31 |       |
|--|-------------------|-------|
|  | 2022              | 2021  |
|  | NIS millions      |       |
| Inclusion of the liabilities of DIC headquarters                                 | 2,706             | 2,862 |
| Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC | 86                | 86    |
| Other adjustments  | 5                 | 54    |
|  | 2,797             | 3,002 |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Note 32 - Segments (Cont.)

#### H. Capital investments

|          | Property & Building | Cellcom | Mehadrin | Elron <sup>(2)</sup> | Shufersal          | Other <sup>(2)</sup> |
|----------|---------------------|---------|----------|----------------------|--------------------|----------------------|
|          | NIS millions        |         |          |                      |                    |                      |
| For 2022 | 810                 | 592     | 20       | -                    | -                  | -                    |
| 2021     | 4                   | 560     | 27       | 1 <sup>(2)</sup>     | -                  | _(2)                 |
| 2020     | 17                  | 499     | 23       | -                    | 256 <sup>(1)</sup> | 1                    |

(1) The data for Shufersal are in accordance with Shufersal's financial statements for the six month period ended June 30, 2020.

(2) Reclassified due to the presentation of the Elron segment as a reportable segment.

#### I. Types of products and services from which the reportable segments derive their income:

Cellcom - Mobile telephone call services, content and value added services, other services and income from the sale of end user equipment in the mobile segment, as well as internet services, landline telephony services, international calls and television over internet services, transmission services, landline end user equipment and associated services.

Property & Building - Rental and building management fees from revenue-generating properties and residential construction.

Mehadrin - Agriculture, revenue-generating properties, refrigeration facilities (refrigeration holding services) and water supply for agricultural irrigation and freshwater pumping.

Shufersal - Retail and rental of revenue-generating properties

#### J. Additional information regarding products and services of the Group's member companies

|   |   | For the year ended December 31 |                   |                    |
|---|---|--------------------------------|-------------------|--------------------|
|   |   | 2022                           | 2021              | 2020               |
|   |   | NIS millions                   |                   |                    |
| <u>Income from sales and services to external customers</u> |   |                                |                   |                    |
| Communication <sup>(1)</sup> -                              | Mobile communication services and other services          | 16                             | 19                | 21                 |
|   | Sale of communication equipment                           | 33                             | 26                | 32                 |
| Real estate -   | Rent in respect of buildings                              | 490                            | 32 <sup>(1)</sup> | 93 <sup>(1)</sup>  |
|   | Management fees in respect of buildings                   | 54                             | _(1)              | _(1)               |
|   | Revenue from apartment sale contracts with customers      | 54                             | 43 <sup>(1)</sup> | 109 <sup>(1)</sup> |
|   | Construction services as part of combination transactions | 60                             | 1 <sup>(1)</sup>  | _(1)               |
|   | Sale of land  | 359                            | _(1)              | _(1)               |
| Agriculture -   | Sale of agricultural produce                              | 974                            | 991               | 782                |
|   | Refrigeration services                                    | 32                             | 38                | 31                 |
|   | Sale of water   | 13                             | 12                | 10                 |
| Finance -   | Management and consulting fees of an investment house     | 61                             | 75                | 55                 |
| Other products  |   | 30                             | 33                | 23                 |
|   |   | 2,176                          | 1,270             | 1,156              |

(1) Reclassified.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### K. Additional information by geographical regions geographical the Group's member companies

1. The revenues which are reported in the financial statements were produced in the country where the Company is domiciled - Israel, as well as the following foreign countries:

|                     | For the year ended December 31 |                    |                    |
|---------------------|--------------------------------|--------------------|--------------------|
|                     | 2022                           | 2021               | 2020               |
|                     | NIS millions                   |                    |                    |
| Israel              | 1,368                          | 449 <sup>(1)</sup> | 488 <sup>(1)</sup> |
| United States       | 106                            | 107                | 76                 |
| Euro bloc countries | 487                            | 479                | 370                |
| Great Britain       | 134                            | 152                | 98                 |
| Others              | 81                             | 83                 | 124                |
|                     | <u>2,176</u>                   | <u>1,270</u>       | <u>1,156</u>       |

(1) Adjusted retrospectively due to the presentation of the Cellcom operation under discontinued operations, see Note 12.B.2. above.

### 2. Non-current assets

|                     | As at December 31 |              |
|---------------------|-------------------|--------------|
|                     | 2022              | 2021         |
|                     | NIS millions      |              |
| Israel              | 17,698            | 5,697        |
| United States       | 2                 | 2            |
| Euro bloc countries | 8                 | 9            |
|                     | <u>17,708</u>     | <u>5,708</u> |

Non-current assets include investment property, fixed assets, right-of-use assets, real estate inventory, deferred expenses and intangible assets. Not including non-current assets which are presented under the item for assets of disposal groups held for sale.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 33 - Pro Forma Data Regarding Gav-Yam**

#### **A. General**

These pro forma reports were prepared in accordance with Regulation 9A of the Reporting Regulations, and pertain to Property & Building's acquisition of control of Gav-Yam, as stated in Note 3.F.1.A.2. above. The purchase transaction constitutes a material business combination requiring the presentation of pro forma reports, as defined in the Reporting Regulations.

#### **B. Assumptions used in the preparation of the pro forma reports**

The pro forma financial statements were prepared in order to reflect the Company's operating results in the years 2022, 2021 and 2020, based on the assumption that the Gav-Yam transaction, as stated above, was already executed on January 1, 2019 (the "Pro Forma Commencement Date"). The pro forma data include purchasing 5% of the voting rights in Gav-Yam as part of the tender offer, which was completed in March 2022, as stated in Note 3.F.1.A.2.A. above, and the additional purchase of 37.22% of Gav-Yam shares from a company owned and controlled by Mr. Frankel (the "Additional Purchase"), which was performed on June 6, 2022, as stated in Note 3.F.1.A.1. above, such that Property & Building holds, for the purpose of this pro forma report, approximately 86.7% of Gav-Yam's issued capital, beginning from the pro forma commencement date.

Pro forma data, by nature, are based on assumptions, estimates and approximations, as specified below, and therefore, the pro forma data should not be considered as necessarily reflecting the Company's representative and/or future operating results in subsequent periods.

- (1) The pro forma financial statements are based on the Company's consolidated financial statements and Gav-Yam's consolidated financial statements for the years 2022 and 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS).
- (2) The pro forma statements of income were prepared based on the assumption that the purchase transaction took place on January 1, 2019.

#### **C. Pro forma adjustments:**

##### **General -**

Accounting treatment applied by the Company to the investment in Gav-Yam during the reporting periods in its consolidated financial statements:

In the Company's statements of income for 2021, and for the period from January 1 to March 8, 2022 (the date of rise to control), the Gav-Yam activity is presented according to the equity method, and equity gains were included in the consolidated statements of income with respect to this investment.

In 2022 the activity of Gav-Yam was consolidated in the Company's financial statements, beginning on March 8, 2022. The share of non-controlling interests, from the date of rise to control, as stated above, until the date of the additional purchase, was a rate of 50.49%, and from the date of the additional purchase until December 31, 2022, the rate was around 13.27%.

##### **Adjustments which were made for the purpose of the pro forma report:**

In the pro forma statements of income, equity gains were canceled which were recorded in 2021 and in 2022, with respect to the period from January 1, 2022 to March 8, 2022, the date of rise to control. Beginning on March 8, 2022, the results of Gav-Yam were consolidated in the Company's financial statements.

The share of non-controlling interests in the entire pro forma period was set as 13.27%.

It is noted that in the pro forma statements of income for 2022, the profit from the rise to control of Gav-Yam was canceled, due to the closing of the tender offer in the amount of NIS 851 million (the Company's share in the profit: NIS 538 million).



## Notes to the Consolidated Financial Statements as at December 31, 2022

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### **Note 33 - Pro Forma Data Regarding Gav-Yam (Cont.)**

(1) Excess cost:

The amortization of the excess acquisition cost, for the period from January 1, 2019 to December 31, 2022, was calculated based on the estimated useful lifetime of the excess cost as at the acquisition date, in accordance with a valuation paper which was prepared regarding the allocation of the consideration, as stated in Note 9.C. above.

(2) Investment property:

The investment property of Gav-Yam which is used by the Group's member companies (NIS 27 million) was presented in the statement of financial position as at December 31, 2022 under fixed assets. Revaluations of investment property which were recorded in Gav-Yam's financial statements, and which are used by the Group's member companies, were canceled in the pro forma statements of income.

(3) Finance expenses:

The pro forma statements of income included theoretical finance expenses according to the effective interest rate on the credit which was taken out for the purpose of the pro forma report, with respect to the entire amount of the purchase cost, in order to reflect, in the reports, the effect as if the purchase cost had been raised on January 1, 2019.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 33 - Pro Forma Data Regarding Gav-Yam (Cont.)**

**D. Consolidated Statements of Income**

**Statements of Income for the Year Ended December 31, 2022**

|  | Before the<br>pro forma<br>event | Gav-<br>Yam<br>data <sup>1)</sup> | Adjustments<br>with respect<br>to pro forma<br>data | Pro forma<br>data |
|--|----------------------------------|-----------------------------------|---|-------------------|
|  | NIS millions                     |                                   |   |                   |
| <b>Income</b>  |                                  |                                   |   |                   |
| Sales and services   | 2,176                            | 125                               | -   | 2,301             |
| The Group's share in the net profit (loss) of<br>investee companies accounted by the equity<br>method, net | -                                | 2                                 | (2)   | -                 |
| Profit (loss) from realization and increase in the<br>value of investments and assets,<br>and dividends    | 1,183                            | -                                 | (851)   | 332               |
| Increase in fair value of investment property, net   | 1,096                            | 105                               | -   | 1,201             |
| Other income   | 42                               | -                                 | -   | 42                |
| Finance income   | 100                              | 1                                 | -   | 101               |
|  | <u>4,597</u>                     | <u>233</u>                        | <u>(853)</u>  | <u>3,977</u>      |
| <b>Expenses</b>  |                                  |                                   |   |                   |
| Cost of sales and services   | 1,370                            | 27                                | -   | 1,397             |
| Research and development expenses  | 4                                | -                                 | -   | 4                 |
| Selling and marketing expenses   | 38                               | 3                                 | -   | 41                |
| General and administrative expenses  | 180                              | 7                                 | -   | 187               |
| The Group's share in the loss of investee<br>companies accounted by<br>the equity method, net              | 31                               | -                                 | 44  | 75                |
| Loss from realization, impairment, and write-down<br>of investments and assets                             | 551                              | -                                 | -   | 551               |
| Other expenses   | 8                                | -                                 | -   | 8                 |
| Finance expenses   | 694                              | 41                                | 108   | 843               |
|  | <u>2,876</u>                     | <u>78</u>                         | <u>152</u>  | <u>3,106</u>      |
| Profit (loss) before taxes on income   | 1,721                            | 155                               | (1,005)   | 871               |
| Income (expenses) from taxes on income   | (290)                            | (32)                              | 7   | (315)             |
| <b>Profit (loss) from continuing operations</b>  | <u>1,431</u>                     | <u>123</u>                        | <u>(998)</u>  | <u>556</u>        |
| <b>Profit from discontinued operations, after tax</b>  | <u>19</u>                        | <u>-</u>                          | <u>-</u>  | <u>19</u>         |
| <b>Net profit (loss) for the year</b>  | <u>1,450</u>                     | <u>123</u>                        | <u>(998)</u>  | <u>575</u>        |
| Net profit (loss) attributable to:   |                                  |                                   |   |                   |
| The Company's owners   | 520                              | 41                                | (495)   | 66                |
| Non-controlling interests  | 930                              | 82                                | (503)   | 509               |
|  | <u>1,450</u>                     | <u>123</u>                        | <u>(998)</u>  | <u>575</u>        |

<sup>(1)</sup> The data are for the period from January 1, 2022 to March 8, 2022, the date of rise to control.

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 33 - Pro Forma Data Regarding Gav-Yam (Cont.)**

**D. Consolidated Statements of Income (Cont.)**

**Statements of Income for the Year Ended December 31, 2021**

|  | Before the<br>pro forma<br>event | Gav-<br>Yam<br>data | Adjustments<br>with respect<br>to pro forma<br>data | Pro forma<br>data |
|--|----------------------------------|---------------------|---|-------------------|
|  | NIS millions                     |                     |   |                   |
| <b>Income</b>  |                                  |                     |   |                   |
| Sales and services   | 1,270                            | 649                 | -   | 1,919             |
| The Group's share in the net profit (loss) of<br>investee companies accounted by the equity<br>method, net | 344                              | 23                  | (367)   | -                 |
| Profit (loss) from realization and increase in the<br>value of investments and assets,<br>and dividends    | 175                              | 71                  | (71)  | 175               |
| Increase in fair value of investment property, net   | 592                              | 1,266               | (5)   | 1,853             |
| Other income   | 190                              | -                   | -   | 190               |
| Finance income   | 113                              | 7                   | -   | 120               |
|  | <u>2,684</u>                     | <u>2,016</u>        | <u>(443)</u>  | <u>4,257</u>      |
| <b>Expenses</b>  |                                  |                     |   |                   |
| Cost of sales and services   | 1,086                            | 132                 | -   | 1,218             |
| Research and development expenses  | 4                                | -                   | -   | 4                 |
| Selling and marketing expenses   | 23                               | 12                  | -   | 35                |
| General and administrative expenses  | 161                              | 37                  | -   | 198               |
| The Group's share in the loss of investee<br>companies accounted by<br>the equity method, net              | -                                | -                   | 77  | 77                |
| Loss from realization, impairment, and write-down<br>of investments and assets                             | 41                               | -                   | -   | 41                |
| Other expenses   | 14                               | -                   | -   | 14                |
| Finance expenses   | 475                              | 219                 | 58  | 752               |
|  | <u>1,804</u>                     | <u>400</u>          | <u>135</u>  | <u>2,339</u>      |
| Profit (loss) before taxes on income   | 880                              | 1,616               | (578)   | 1,918             |
| Income (expenses) from taxes on income   | (144)                            | (356)               | 7   | (493)             |
| <b>Profit (loss) from continuing operations</b>  | 736                              | 1,260               | (571)   | 1,425             |
| <b>Loss from discontinued operations, after tax</b>  | (69)                             | -                   | -   | (69)              |
| <b>Net profit (loss) for the year</b>  | <u>667</u>                       | <u>1,260</u>        | <u>(571)</u>  | <u>1,356</u>      |
| Net profit (loss) attributable to:   |                                  |                     |   |                   |
| The Company's owners   | 266                              | 1,092               | (842)   | 516               |
| Non-controlling interests  | 401                              | 168                 | 271   | 840               |
|  | <u>667</u>                       | <u>1,260</u>        | <u>(571)</u>  | <u>1,356</u>      |

Notes to the Consolidated Financial Statements as at December 31, 2022

**Note 33 - Pro Forma Data Regarding Gav-Yam (Cont.)**

**D. Consolidated Statements of Income (Cont.)**

**Statements of Income for the Year Ended December 31, 2020**

|  | Before the<br>pro forma<br>event | Gav-Yam<br>data | Adjustments<br>with respect<br>to pro forma<br>data | Pro forma<br>data |
|--|----------------------------------|-----------------|---|-------------------|
|  | NIS millions                     |                 |   |                   |
| <b>Income</b>  |                                  |                 |   |                   |
| Sales and services   | 1,156                            | 579             | -   | 1,735             |
| The Group's share in the profit of investee companies accounted by the equity method, net  | -                                | 15              | (15)  | -                 |
| Profit from realization and increase in the value of investments and assets, and dividends | 63                               | -               | -   | 63                |
| Increase in fair value of investment property, net   | 9                                | 109             | 3   | 121               |
| Finance income   | 23                               | -               | -   | 23                |
|  | <u>1,251</u>                     | <u>703</u>      | <u>(12)</u>   | <u>1,942</u>      |
| <b>Expenses</b>  |                                  |                 |   |                   |
| Cost of sales and services   | 992                              | 71              | -   | 1,063             |
| Research and development expenses  | 13                               | -               | -   | 13                |
| Selling and marketing expenses   | 20                               | 8               | -   | 28                |
| General and administrative expenses  | 196                              | 33              | -   | 229               |
| The Group's share in the loss of investee companies accounted by the equity method, net    | 1                                | -               | 92  | 93                |
| Loss from realization, impairment, and write-down of investments and assets                | 113                              | -               | (34)  | 79                |
| Finance expenses   | 537                              | 156             | 64  | 757               |
|  | <u>1,872</u>                     | <u>268</u>      | <u>122</u>  | <u>2,262</u>      |
| Profit (loss) before taxes on income   | (621)                            | 435             | (134)   | (320)             |
| Income (expenses) from taxes on income   | (19)                             | (104)           | (11)  | (134)             |
| <b>Profit (loss) from continuing operations</b>  | (640)                            | 331             | (145)   | (454)             |
| <b>Loss from discontinued operations, after tax</b>  | (157)                            | -               | -   | (157)             |
| <b>Net profit (loss) for the year</b>  | <u>(797)</u>                     | <u>331</u>      | <u>(145)</u>  | <u>(611)</u>      |
| Net profit (loss) attributable to:   |                                  |                 |   |                   |
| The Company's owners   | (555)                            | 260             | (208)   | (503)             |
| Non-controlling interests  | (242)                            | 71              | 63  | (108)             |
|  | <u>(797)</u>                     | <u>331</u>      | <u>(145)</u>  | <u>(611)</u>      |

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 34 - Events After the Date of the Statement of Financial Position**

- A. For details regarding the approval of the Ministry of Communication, in February 2023, for the sale of up to an additional approximately 9.5% of the Company's holdings in Cellcom, see Note 12.B.2.C. above.
- B. For details regarding the sale of the Company's entire stake in Epsilon in February 2023, after the date of the statement of financial position, see Note 12.A.6. above.
- C. For details regarding Property & Building's engagement in a sale agreement with a third party which is unaffiliated with Property & Building, for the sale of all of its rights to the land at Mordot HaCarmel in Haifa, in its current condition ("as is"), in January 2023, for a total consideration of NIS 110 million, plus CPI linkage differentials, see Note 12.A.5.C. above.
- D. In January 2023, Property & Building's Board of Directors resolved to perform, at Property & Building's initiative, a conditional early redemption of the entire par value balance of Property & Building's outstanding debentures (Series F and G) (the "Debentures (Series F and G)"), which amounted to NIS 124 million par value and NIS 198 million par value, respectively, for a total consideration of NIS 345 million, which was performed on February 27, 2023. The foregoing early redemption was made conditional on debt raising by Property & Building, which was performed in February 2023, by way of the issuance of NIS 1,261 million par value of debentures (Series J), a new series which was listed on the stock exchange, which is secured by a pledge on Gav-Yam shares, for a net consideration (after deducting issuance costs) in the amount of NIS 1,249 million (the "Debentures (Series J)").  
 The debentures (Series J) are CPI-linked and bear fixed annual interest at a rate of 3.62% (effective interest rate of 3.73%). The interest will be paid in semi-annual payments, on June 30 each of the years 2023 to 2029 (inclusive), and on December 31 of each of the years 2023 to 2028 (inclusive). The principal of the debentures (Series J) will be repaid in thirteen unequal semi-annual payments, as follows: twelve semi-annual payments at a rate of 1.5% of the principal's par value, each, which will be paid on June 30 and December 31 of each of the years 2023 to 2028 (inclusive); and the thirteenth and last payment, at a rate of 82% of the principal's par value, which will be paid on June 30, 2029.  
 To guarantee the secured amounts, Property & Building created a single, fixed, first priority pledge, with no restriction as to amount, on 68,653,036 Gav-Yam shares, which constitute 31.99% of Gav-Yam's issued and paid-up capital, and on all of the rights and benefits arising from or associated with Gav-Yam shares (the "Pledged Shares"), and on the trust account in which they are deposited.  
 In case of redemption of the principal of the debentures (Series J), Property & Building will be entitled to receive, or to order the trustee to transfer to a third party, a certain number of the pledged shares, whereby a calculation of the LTV ratio as at the relevant date will be performed (as defined in the trust deed), and insofar as the LTV ratio, as stated above, is lower than 62.5%, the trustee will release from the pledge, and transfer to Property & Building, a certain number of pledged shares, in a manner which will bring the LTV ratio, as at the relevant date, to 62.5%. Property & Building will also be entitled to receive the amounts of a non-extraordinary dividend distribution (as defined in the trust deed), and in case of an extraordinary distribution - the amounts, below an LTV of 70%.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### **Note 34 - Events After the Date of the Statement of Financial Position (Cont.)**

Additionally, so long as the debentures (Series J) remain outstanding, Property & Building undertook, within the framework of the trust deed, that: (1) Property & Building's shareholders' equity (the "Equity") will not fall below NIS 1,400 million during two consecutive quarters; The ratio between net financial debt and total assets, in accordance with Property & Building's (last published) consolidated financial statements, quarterly or annual, audited or reviewed, as applicable (the "Ratio of Net Financial Debt to Total Assets"), does not exceed 72%, during two consecutive quarters.

Property & Building also undertook that until the full repayment, in practice, of all of the principal and interest payments with respect to the debentures (Series J), not to perform a distribution as defined in the Companies Law (including by way of a share buyback) (the "Distribution"), except subject to, inter alia, the following conditions: (1) after the distribution, the equity will not fall below NIS 1,600 million; (2) After the distribution, the ratio of net financial debt to total assets will not exceed 68%.

Additionally, in accordance with the trust deed, provisions are in place which stipulate the correspondence of the interest rate applicable to the debentures (Series J) in case of deviation from one of the following financial covenants: equity will not fall below NIS 1,500 million, and the ratio of net financial debt to total assets will not exceed 71%, such that, with respect to each covenant for which a deviation has occurred, the interest rate will increase at a rate of 0.25% per year, up to a maximum addition with respect to deviation from the financial covenants, at a rate of 0.5% per year, at the most, above the interest rate before the deviation.

Provisions are also in place regarding the adjustment of the interest rate applicable to the debentures with respect to a reduction of rating, such that the rating which will be determined for the debentures (Series J) will be one or more notch lower than the base rating (il A (stable)), the annual interest rate applicable to the unpaid principal balance will be increased at a rate of 0.25% per year, with respect to any reduction of one notch relative to the base rating, up to a cumulative interest addition, with respect to reduction of rating, of no more than 1%. In any case, the cumulative interest rate increase with respect to any deviations from the financial covenants and reduction of rating, as stated above, will not exceed 1.25% per year, at the most. The trust deed includes grounds which give the holders of the debentures (Series J) the right to demand the immediate repayment of Property & Building's debt towards them, including, inter alia, various enforcement and receivership actions against Property & Building, imposition of a foreclosure and the sale of material assets (as defined in the trust deed), a significant change for the worse in Property & Building's business affairs, or changes to Property & Building's primary field of activity, real concern of insolvency, delisting, reduction of rating to a rating less than (BBB-) or discontinuation of rating, merger subject to exceptions, and others.

- E. For details regarding an irrevocable offer which Property & Building received from a third party which is unaffiliated with Property & Building, for the acquisition of all of the rights to land in Hadera, which is designated for 420 residential units, in its current condition ("as is"), in February 2023, in consideration of Property & Building's share in the amount of NIS 166 million, see Note 12.A.5.D. above.
- F. For details regarding the announcement of Gav-Yam's board of directors, on March 16, 2023, regarding a dividend distribution in the amount of NIS 80 million, which was paid on April 2, 2023 (Property & Building's share in the dividend was NIS 69 million), see Note 3.F.1.A.6. above.
- G. For details regarding the signing of an update to the Cartiheal sale agreement in February 2023, see Note 3.F.4.A. above.

**Notes to the Consolidated Financial Statements as at December 31, 2022**

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**Note 34 - Events After the Date of the Statement of Financial Position (Cont.)**

- H. Further to the land restoration agreement which was signed in May 2017, between a subsidiary of Mehadrin and the ILA (the “Authority”), in which bidding provisions were established regarding the signing of a land restoration agreement with the Israel Land Authority with respect to an area of approximately 533 dunam in the Ashkelon area, and regarding the right of the subsidiary, or another party on its behalf, to purchase from the Authority the capitalized lease rights to several lots under the plan, with an exemption from a tender requirement, and with the payment of full discounted lease fees and development expenses in accordance with resolutions of the Israel Land Council (the “Option”), in January 2023, the subsidiary signed an agreement with an unrelated third party regarding the endorsement and sale of the option in its entirety, for a total consideration of approximately NIS 30 million, plus duly calculated VAT. The consideration was deposited in trust, and will be transferred to the subsidiary upon the issuance of monetary specifications under the entrepreneur’s name in connection with the option lots. Mehadrin’s net profit (after taxes and associated expenses) with respect to the aforementioned engagement, which will be recognized in the first quarter of 2023, is approximately NIS 23 million (the Company’s share: NIS 10 million).
- I. In January 2023, Mehadrin vacated most of the area of a leased real estate property in Tzrifin, which is presented in these financial statements under fixed assets, from its activity, and designated the foregoing areas to rental. Mehadrin is conducting negotiations with a potential lessee with respect to the aforementioned areas. In the first quarter of 2023, Mehadrin is expected to recognize other comprehensive income, net of tax, in the amount of NIS 114 million to NIS 194 million (the Company’s share amounts to NIS 43 million to NIS 66 million), which will be carried to the revaluation reserve, under capital attributed to owners, depending on the part of the foregoing areas which will be attributed to investment property and measured at fair value from that date onwards. The fair value is based on a valuation which was prepared by an independent external valuer, with appropriate qualifications and experience for the type of assets addressed in the valuation, and its location.
- J. For details regarding the approval given by Cellcom’s Board of Directors for Cellcom’s engagement in an additional agreement with IBC, in March 2023, which is expected to be signed in March 2023, see Note 12.B.2.G.4. above.



## Notes to the Consolidated Financial Statements as at December 31, 2022

### Annex A - List of Primary Companies as at December 31, 2022

#### 1. Subsidiaries directly consolidated by DIC

|   | Stake in share capital and in voting rights<br>December 31 |      |
|---|--|------|
|   | 2022   | 2021 |
|   | %  |      |
| Property & Building                                 | 63.2   | 63.2 |
| Cellcom <sup>(1),(2),(3)</sup>                      | 35.7   | 46.0 |
| Elron   | 60.1   | 60.1 |
| Mehadrin <sup>(2)</sup>                             | 44.5   | 44.5 |
| Epsilon <sup>(4)</sup>                              | 67.4   | 68.8 |
| Bartan Holdings and Investments Ltd. <sup>(5)</sup> | 55.7   | 55.7 |
| Microwave Networks Inc. (MNI) <sup>(3)</sup>        | 99.8   | 99.8 |

(1) Stake in voting rights - 37.7% (as at December 31, 2021 - 48.0%).

(2) Notwithstanding the fact that DIC holds less than half of the voting rights in Cellcom and in Mehadrin, the Company estimates that it holds effective control of them (inter alia, due to the Group's high holding rate of their voting rights, the distribution of the other voting rights, and in light of the voting patterns in the general meetings of their shareholders), and therefore, their financial statements were consolidated in the Company's financial statements.

(3) Held through Koor.

(4) For details regarding the closing of the sale of the Company's entire stake in Epsilon in February 2023, after the date of the statement of financial position, see Note 12.A.6. above.

(5) Including holding through Property & Building Ltd.

#### 2. Companies which were consolidated by the Company's consolidated companies

This section specifies subsidiaries which were consolidated by the Company's consolidated companies ("Second Tier Subsidiaries"), insofar as they are material only, and fulfilled in 2022 one or more of the tests specified below:

- A. The Company's share (through concatenation) in the investment amount in the second tier subsidiary exceeds 10% of the capital attributed to the owners of the Company in the relevant consolidated statement of financial position.
- B. The Company's share (through concatenation) in the results of the second tier subsidiary, as reflected in the financial statements of the consolidated company, exceeds 10% (in absolute values) of the representative annual profit during the relevant year, as specified in Note 1.E.4. above.

|  | Stake in share capital and voting rights<br>December 31 |       |       |
|--|---|-------|-------|
|  | 2022  | 2021  | 2020  |
|  | %   |       |       |
| <b>By Property &amp; Building</b>                              |   |       |       |
| Gav-Yam Bayside Land Corporation Ltd. <sup>(1)</sup>           | 86.69   | -     | -     |
| Matam - Scientific Industries Center Haifa Ltd. <sup>(2)</sup> | 50.1  | -     | -     |
| Hadarim Properties Ltd.  | 100.0   | 100.0 | 100.0 |
| PBC USA Investment Inc.  | 100.0   | 100.0 | 100.0 |
| Neveh-Gad Construction and Development Ltd.                    | 100.0   | 100.0 | 100.0 |
| <b>By Cellcom</b>  |   |       |       |
| Cellcom Landline Telecommunication (Limited Partnership)       | 100.0   | 100.0 | 100.0 |
| Golan  | 100.0   | 100.0 | 100.0 |
| <b>By Mehadrin</b>   |   |       |       |
| Pri Or Ltd.  | 99.9  | 99.9  | 99.9  |

(1) Gav-Yam was initially consolidated on March 8, 2022, see Note 3.A.1.A. above.

(2) A subsidiary of Gav-Yam Bayside Land Corporation Ltd.

## Notes to the Consolidated Financial Statements as at December 31, 2022

### Annex B - Share-Based Payments -

The fair value of the warrants which were provided to employees is measured using the Black-Scholes model. The assumptions of the model include the share price on the measuring date, the exercise price of the instrument, expected volatility (based on the weighted average of the historical volatility of the Company's shares over the projected period of the warrants, and adjusted to expected changes due to publicly available information), the weighted average of the expected lifetime of the instruments (based on past experience and the general conduct of the warrant holders), and the risk-free interest rate (based on government debentures). The service terms are not taken into account upon the determination of fair value.

Presented below are details regarding the Group's options plans for employees as at December 31, 2022:

| <b>Capital as at December 31, 2022</b>  | DIC              | Property & Building | Cellcom <sup>(1)</sup> | Mehadrin  | Elron      |
|---|------------------|---------------------|------------------------|-----------|------------|
| Total number of issued and paid-up shares, less treasury shares                                     | 141,522,567      | 7,383,332           | 164,905,255            | 3,324,824 | 51,920,867 |
| Total capital attributed to owners  | 2,360            | 3,968               | 2,104                  | 614       | 479        |
| <b>General plan details</b>   |                  |                     |                        |           |            |
| Plan approval year  | 2020-2022        | 2022                | 2016-2022              | 2021      | 2018       |
| Maximum contractual lifetime of the warrants from the date of their allocation (in years)           | 3-7              | 3-6                 | 4-8                    | 5         | 5          |
| <b>Vesting</b>  |                  |                     |                        |           |            |
| Number of vesting years after the allocation date   | 1-5              | 1-5                 | 2-5                    | 3         | 3          |
| Vesting date of the first tranche - end of year after the allocation date                           | 1                | 1                   | 1                      | 1         | 1          |
| Vesting date of the last tranche - end of year after the allocation date                            | 3-5              | 3-5                 | 2-5                    | 3         | 3          |
| Number of options vesting at the end of each year   | 33%-20%          | 33%-20%             | 33%-20%                | 33%       | 33%        |
| <b>Exercise price (with respect to the current options as at December 31, 2022)</b>                 |                  |                     |                        |           |            |
| Basic exercise price per share on the allocation date of the options (in NIS)                       | 6.2-8.3          | 275.8               | 11.4-21.9              | 149       | 11.3-6.8   |
| Adjustment of the exercise price to dividend distributions  | Yes              | Yes                 | Yes                    | Yes       | Yes        |
| Adjustment of the exercise price to changes in the index  | No               | No                  | No                     | No        | No         |
| <b>Share price on the stock exchange (with respect to current options as at December 31, 2022)</b>  |                  |                     |                        |           |            |
| On the allocation date (date of approval by the Board of Directors) (in NIS)                        | 5.4-7.1          | 280.1               | 10.8-18.3              | 150.6     | 6.2-12.2   |
| <b>Movement in the number of outstanding options in 2022</b>  |                  |                     |                        |           |            |
| Balance as at January 1, 2022   | 2,500,000        | -                   | 14,445,000             | 165,886   | 5,108,563  |
| Allocated during the year   | 948,225          | 29,623              | 8,853,000              | 23,841    | 2,374,772  |
| Exercised during the year   | -                | -                   | (5,750,000)            | -         | -          |
| Expired or forfeited during the year  | -                | -                   | (5,050,000)            | -         | (60,000)   |
| Balance as at December 31, 2022   | 3,448,225        | 29,623              | 12,498,000             | 189,727   | 7,423,335  |
| <b>Additional data as at December 31, 2022</b>  |                  |                     |                        |           |            |
| Exercise price of the outstanding options (in NIS)  | 6.2-8.3          | 275.8               | 11.4-20.1              | 149       | 4.6-11.0   |
| Weighted average of exercise price of the outstanding options                                       | NIS 7.3          | 275.8               | NIS 17.5               | NIS 149   | NIS 7.7    |
| Number of exercisable options   | 2,500,000        | -                   | 2,115,000              | -         | 5,051,909  |
| Weighted average of exercise price of the exercisable options                                       | NIS 7.2          | -                   | NIS 14.7               | -         | 6.8        |
| Weighted average of remaining lifetime of the outstanding options (in years)                        | 3.2              | 3.5                 | 2.7                    | 3.5       | 2.5        |
| <b>Benefit embodied in options which were allocated (including with respect to concluded plans)</b> |                  |                     |                        |           |            |
| Expense recorded in 2022 (NIS millions)   | 1                | 1                   | 24                     | 3         | 3          |
| Expense recorded in 2021 (NIS millions)   | -                | -                   | 15                     | 3         | -          |
| Expense recorded in 2020 (NIS millions)   | 4 <sup>(2)</sup> | -                   | 20                     | -         | 4          |

(1) Including plans with respect to restricted shares.

(2) Including an expense in the amount of NIS 3 million with respect to the accelerated vesting of options to the Company's outgoing General Manager, due to the change in control of the Company.