21 Ha'Arba'a St. | Platinum Tower
Tel Aviv, 6473921 Israel
Tel. +972-3-6844700 | Fax. +972-3-6855002
www.midroog.co.il

Alony Hetz Properties and Investments Ltd.[1]

Monitoring Report | April 2023

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.

The binding version is the one in the original language.

Contacts:

Tamir Sherman
Analyst, Lead Rating Analyst
Tamir.s@midroog.co.il

Shiran Fhima, CPA
Team Leader, Secondary Rating Analyst
Shiranfh@midroog.co.il

Sigal Issachar, Vice President
Head of Real Estate
i.sigal@midroog.co.il

[1] Mr. Shlomi Shuv is a public director at Alony Hetz Properties and Investments Ltd. as well as a public director at Midroog Ltd. Mr. Shuv is not involved in any way in the assignment of ratings by Midroog Ltd.

Alony Hetz Properties and Investments Ltd.

Series Rating	Aa3.il	Outlook: Stable

Midroog affirms the Aa3.il rating of bonds (Series 9, 10, 12, 13 and 15) issued by Alony Hetz Properties and Investments Ltd. (the "Company" or "Alony Hetz"). The rating outlook is stable.

Outstanding bonds rated by Midroog:

Bond series	ISIN	Rating	Outlook	Final Maturity
9	3900354	Aa3.il	Stable	28/02/2027
10	3900362	Aa3.il	Stable	28/02/2027
12	3900495	Aa3.il	Stable	28/02/2031
13	1189406	Aa3.il	Stable	28/02/2037
15	1189414	Aa3.il	Stable	28/02/2037

** The Company's outstanding bonds (Series 11) are not rated by Midroog.*

Summary of Rating Rationale

- High quality of the Company's investees and a strong weighted credit risk profile of the holding portfolio, both being appropriate for the rating category and supporting the investees' ability to grow and distribute dividends to the Company based on a consistent distribution policy and a highly stable track record – primarily Amot Investments Ltd. ("**Amot**"; Aa2.il), which is responsible on average for 55% of the dividends in the last three years, and Carr Properties Holdings LP ("**Carr**"), which is responsible on average for an additional 18% of the dividends in those years.

- Rather poor diversification of investees of the Company for the rating category, with the two largest investees (Amot and BE) accounting for 32% and 22%, respectively, of the adjusted value of the holding portfolio[2], and the four major investees (Amot, Energix, Carr and BE) accounting together for 93% of the portfolio. Moreover, the portfolio mainly comprises holdings in the income-producing real estate sector, although the spread of real estate operations over different economies (Israel, US, UK) contributes to diversification within the sector. The holding in the renewable energy sector through the investment in Energix also contributes to the diversification of the portfolio.

- A robust financial profile based on the value of the investees and the consistent cash flows generated by them, in spite of a deterioration in the level of leverage in the last year. The Company's leverage, measured as the ratio of net financial debt (expanded standalone) to total value

[2] The adjusted value of the holding profile is the market value of the quoted holdings based on an average of the last 30 trading days before the date of this report, and the book value of the unquoted holdings based on the financial statements as of December 31, 2022.

of investments adjusted to market value (LTV), is trending upward, standing at 33%[3] compared with 24% a year ago, with the higher leverage attributable to a decrease in the market value of the quoted investees as well as an increase in the net financial debt of the Company, due, among other things, to continued investments in the investee companies. Midroog performed a sensitivity test for a 15%-20% decrease in the value of the quoted investees and a decrease in the value of the assets of the private companies, which yielded a leverage ratio in the range of 35%-40% in 2023-2024, based also on our assessment of stability in the amount of the financial debt in the near term. Midroog does not foresee any impairment of the flow of dividends from the investees, which we estimate at NIS 550-660 million in each of the years 2023 and 2024, with one half of the amount expected to derive from Amot. The interest coverage ratio (ICR) is expected to stand at three years, alongside a net debt to FFO coverage ratio in the range of 12-15 years, which is slow for the rating.

- Financial flexibility is good for the rating, given that none of the Company's assets is encumbered, and that more than one half of the adjusted value of the investment portfolio is quoted. The Company enjoys adequate liquidity, including undrawn confirmed credit facilities of NIS 550 million. In addition, Midroog estimates that the Company and its investees have good access to capital and debt funding sources.

- The rating is positively affected by a conservative and consistent financial policy. The Company maintains over time high liquidity reserves in the form of undrawn confirmed credit facilities, and it acts to maintain a relatively moderate level of leverage. At the same time, the Company distributes dividends to the shareholders in substantial amounts.

- The Company's final rating of Aa3.il is one notch above the A1.il rating derived from the rating scorecard. This is a result of the rating uplift assigned by Midroog to the Company due to its conservative financial policy, reflected in consistently moderate leverage ratios, coupled with an investment strategy that contributes to growth of the Company's investees and the cash flows generated by them over time, and enables them to maintain a moderate level of leverage that supports long-term financial stability. As against this, moderate negative weight is given to the Company's capital exposure to fluctuations in the investees' functional currencies, which Midroog believes is mitigated by a systematic policy of partial hedging.

Midroog's base-case scenario assumes, among other things, the raising and repayment of bonds as part of the Company's current operations, dividend receipts from the investees, dividend distributions in accordance with the Company's distribution policy, and investments in the investees. The base-case

[3] The ratio of net financial debt (expanded standalone) to adjusted value of investments assumes a net debt balance and value of unquoted holdings as of December 31, 2022 and market value of quoted holdings based on an average of the last 30 trading days before the report publication date.

scenario takes into account that the net financial debt will not increase significantly in the coming year, given the slower pace of investments planned in comparison with recent years, and factors in, as well, a sensitivity test on the value of the Company's quoted and unquoted investments.

Rating Outlook

The stable rating outlook reflects Midroog's forecast of stable performance of the investee companies, including stability in the mix of activities, occupancy rates and leverage, and also takes into account Amot's stable rating. In addition, the stable outlook reflects Midroog's assessment that the Company's moderate leverage ratio provides it with a safety margin against a possible decline in the value of its investments, allowing the ratio to remain within the appropriate range for the rating.

Factors that Could Lead to a Rating Upgrade

- A significant improvement over time in the financial strength ratios.
- An improvement in the debt to FFO coverage ratio.
- Greater diversification of the portfolio of holdings.

Factors that Could Lead to a Rating Downgrade

- A downgrade in the rating of the Company's main investee, Amot.
- A continuing increase in the leverage ratios.
- Weakening of dividend visibility and stability and deterioration in the coverage ratios.

Alony Hetz Properties and Investments Ltd. – Key Financial Indicators (Expanded Standalone), NIS in Millions

	31.12.22	31.12.21	31.12.20	31.12.19	31.12.89
Investments in investees and quoted securities at book value	12,776	11,810	10,015	10,812	9,408
Liquidity reserves	409	113	603	518	563
Equity attributable to the Company's shareholders	7,710	7,638	6,402	6,337	5,852
Gross financial debt	5,202	4,102	3,810	4,550	3,689
Dividend received	621	466	484	514	512
Dividend paid	298	246	200	269	253

Detailed Rating Considerations

High quality of the investees, which operate primarily in the income-producing real estate sector, in a stable economic environment, and are characterized by a strong financial profile over time

Alony Hetz is a holding company focusing primarily on long-term investments in the office segment of the income-producing real estate sector in Israel, the US and the UK.

The Company's activities in Israel include the holding of a stake in Amot (53.8%, Aa2.il), which is traded in Israel and operates locally in the field of income-producing office properties, as well as a stake in Energix Renewable Energies Ltd. (50.4%, A2.il), which is traded in Israel and engages in the development, construction, management and operation of photovoltaic and wind energy systems for generating electricity, in Israel, Poland and the US.

The Company has joint control, together with an investment fund managed by JP Morgan, of Carr (47.1% stake immediately prior to publication of the financial statements as of December 31, 2022), which operates on a significant scale in the office property market mostly in Washington DC and also in Boston, with investment properties valued at $2.8 billion and annual NOI of $149 million. In 2021, Carr also began operating in the field of income-producing office properties in Austin, Texas. As of December 31, 2022, Carr owns 16 income-producing office properties plus another residential rental property, and it is continuing to enlarge its property portfolio through the acquisition and development of additional properties. The properties have an average occupancy rate of 88%, with diverse tenants including well known international companies and an average contract duration of 6.7 years. Carr's same-property NOI declined by 2% in the last quarter of 2022 compared with the last quarter of 2021. In addition, as of December 31, 2022, Carr has two properties under development, one in Boston (75% owned by Carr), which is in advanced stages of construction, with over 75% of total projected costs of the project already invested as of December 31, 2022, and which has been fully leased in advance to two major tenants. Regarding the other property, which is located in Austin, Texas, and has a construction budget of $550 million, the Company recently reported that it had been decided to postpone its construction. Carr is characterized by a strong financial profile, reflected, among other things, in a low LTV on its properties at a rate of 51% as of December 31, 2022.

The Company also operates in the field of income-producing office properties in the US, through a joint holding in AH Boston (55% stake prior to publication of the financial statements as of December 31, 2022, under a joint control agreement with Oxford Properties). AH Boston owns three property companies, two in Central Boston and one in East Cambridge.

The Company operates as well in the office and life science real estate market in the UK, in the London Metropolitan Area, Cambridge and Oxford, through Brockton Everlast Inc. ("**BE**"), which owns 13 income-producing office properties including investment properties valued at ₤1.1 billion, with a weighted occupancy rate of 96.6%. NOI for 2022 amounted to ₤42 million, and the LTV ratio on the properties as of December 31, 2022 was 31%. BE's same-property NOI increased by 6% in the last quarter of 2022 compared with the last quarter of 2021. In addition, BE operates in the life science real estate sector in Cambridge, within the boundaries of the Cambridge Science Park, and it is implementing a strategy to expand its operations in that area.

In 2022, the Company's share of the negative revaluation of income-producing properties recorded by Carr, AH Boston and BE amounted to NIS 1,344 million, due, among other things, to the increase in the discount rate of the properties' forecast cash flow. As against this, the Company's share of the positive revaluation of income-producing properties recorded by Amot amounted to NIS 538 million.

The US, which has a Moody's rating of Aaa/Stable, is the world's strongest and largest economy. The unemployment rate in the US is continuing to fall, reaching 3.5% as of the date of this report, and inflation is currently at 5%. According to data published by the Fed, the US GDP increased in 2022 by 2.1% compared with an increase of 5.9% in 2021. Furthermore, as of March 2023, the monetary interest rate in the US rose to a level of 5.5%, further to which, according to the Fed forecasts for 2023, interest rates are expected to rise to 5.5%, while the GDP is expected to continue on a moderate upward trajectory. Owing to the sharp, rapid rise in the interest rate and slowing of the growth rate, the US economy is in a state of uncertainty and general concern over a possible slowdown in 2023-2024 and even a slight recession.

Boston is the capital of Massachusetts and the largest city in the state, as well as the economic and cultural center of the entire region. The city's numerous universities and colleges have a great impact on its economy, as the city's main employer, and due to the contribution of the many students living in the city to the development of its economy. In addition, Boston is home to biotechnology and pharmaceutical plants. The unemployment rate in Boston is 2.8%, reflecting the city's economic robustness. The vacancy rate in Boston's Class A office market stood at 18% as of the first quarter of 2023, lower than the US national average (19.6%), but still above the low level of 10% prior to the outbreak of the COVID-19 pandemic. In addition, rental prices for Class A offices in the Boston area are an average of $53.2 per square foot, slightly below 2021 prices but still very high compared with the US national average ($38.8 per square foot)[4].

[4] Boston Office Insight – Q1 2023.

Washington DC is the capital of the US, and the major employer in the city is the US government and related bodies. Most of the residents are employed by the federal administration or by other governmental or nongovernmental agencies. For this reason, demand is less sensitive to upheavals such as recession and inflation. The city's unemployment rate as of the date of the report stands at 4.6%, which is higher than the national average. As of 2022, the vacancy rate in Class A offices is 19.1%[5].

The office market in the US, including in Washington DC, has experienced turmoil in recent years, reflected in a decline in the market growth rate and an economic slowdown. The negative pressures exerted on the market, beginning with the outbreak of the pandemic and continuing presently, have led to a drop in demand for office space stemming from corporate efficiency measures as well as reduced use of office space resulting from the continuing work-from-home trend and rise in popularity of shared working spaces, added to the sharp rise in the interest rate and substantial cutbacks in the provision of new credit by banks and other lenders due to fears of an impending recession. On the demand side, there have been increases in construction costs and interest rates, slowing the rate of construction of new offices in the US.

The UK, which has a Moody's rating of Aa3 with a negative outlook[6], is a strong and stable economy relative to the world, and Europe in particular. However, in October 2022, Moody's decided to change the rating outlook from stable to negative, in light of the increased risk to the credit profile, arising, among other things, from increasing inflation and deficit levels. As of the date of the report, the unemployment rate in the UK stands at 3.8%, and the inflation rate remains at a high 10.1%. In March 2023, the Bank of England raised the interest rate to 4.25%, presenting a forecast for a decrease in the interest rates in the medium term.

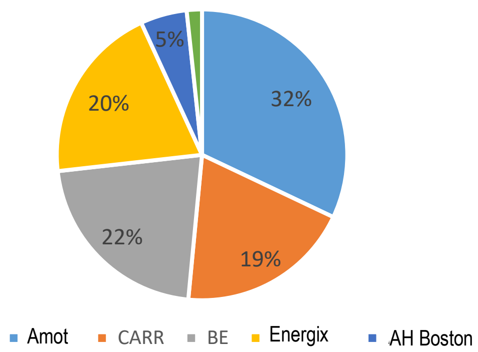
London is the capital of England and the country's largest metropolis, serving as a global financial center. Unemployment in London decreased from 5.1% in 2021 to 4.5% in 2022, while the GDP rose by 4.1% compared with an increase of 7.6% in 2021[7]. In the UK office market, as of December 31, 2022, the vacancy rate stands at 8.5%, evidence of the city's strength and resilience. During 2022, demand prices for prime office space in Central London rose to £130 per square foot[8].

Alongside the high quality of the investees, we note the concentrated nature of the Company's portfolio of holdings, with the four main companies (Amot, Carr, BE and Energix) accounting together for 93% of the adjusted value of the Company's holdings as of December 31, 2022, while Amot and BE account

[5] Washington DC Office Insight – Q1 2023.
[6] Moody's – Government of the United Kingdom – Aa3 negative.
[7] Bank of England – Monetary Policy Report, February 2023.
[8] JLL Central London Office Market Report – Q4 2022..

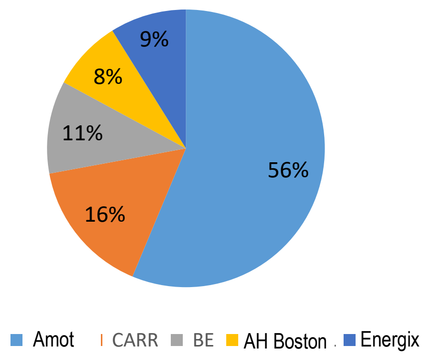
for 32% and 22%, respectively, of the adjusted value of holdings. In addition, 72% of the dividend receipts in 2022 derive from Amot and Carr.

Chart 1: Segmentation of Adjusted Value of the Company's Holdings, December 31, 2022



Source: Company reports Processing: Midroog

Chart 2: Segmentation of Dividend Contribution by the Company's Holdings, December 31, 2022



Source: Company reports Processing: Midroog

High dividend visibility of the investees contributes to stability of the Company's cash flows and to the coverage ratios

The flow of dividends received from the investees is stable and continuous over recent years, amounting in the last three years to an average of NIS 523 million per year and trending upward. Amot is responsible on average for 55% of the dividends received by the Company – a higher percentage than its share in the value of the investees. Due to the significant holding percentages in the investees, the Company is well able to estimate the expected scope of dividends and over time has met its forecasts in this regard.

The Amot board of directors adopted a distribution policy in 2007, according to which Amot announces in the first quarter of each year the amount of the distribution, thus there is a very well established distribution track record. In 2022, the Company's dividend receipts from Amot totaled NIS 350 million, compared with NIS 237 million in 2021. The ultimate corporate owner of Carr is defined as a REIT fund, and it therefore is obligated to distribute a dividend amounting to at least 90% of the adjusted income for tax purposes. The Company's dividend receipts from Carr totaled NIS 98 million in 2022 and NIS 91 million in 2021. Energix has a distribution policy whereby shortly before the publication of its annual reports each year, it announces the amount of the distributable dividend in that year, which is paid in four quarterly installments. The Company's dividend receipts from Energix totaled NIS 55 million in 2022 and NIS 47 million in 2021. Beginning in 2021, dividends are also received from BE, which is defined as a REIT fund for tax purposes and accordingly is obligated to distribute at least 90% of its taxable current income from real estate activities. The Company had dividend receipts from BE amounting to NIS 67 million in 2022 and NIS 52 million in 2021 (Company's share, translated into shekels at the exchange rate in effect on the distribution date).

The level of leverage is trending upward due to a decline in the investees' market value, but remains moderate and appropriate for the rating category

Under Midroog's base-case scenario, the Company's current income from dividends and management fees will be in the range of NIS 570-680 in 2023-2024, compared with current income of NIS 640 million in 2022 and NIS 480 million in 2021. The expected growth in 2023 is mainly attributable to an additional dividend from Energix, of which the Company's share amounts to NIS 50 million. As against this, the Company's current expenses comprise mainly financial expenses, which amounted to NIS 128 million in 2022 and are expected to grow, in light of the growth in the Company's debt, to NIS 190-200 million in 2023-2024, along with headquarter and tax expenses. The ICR coverage ratio (ratio of interest expenses to income from dividends and management fees less headquarter expenses and before dividends to the shareholders) is expected to average out to three years.

As of December 31, 2022, the Company's net financial debt (expanded standalone) is NIS 4.8 billion, due entirely in respect of bonds, compared with NIS 4 billion as of December 31, 2021. The increase in net financial debt over the last year stems mainly from investments made by the Company in the investees. Midroog estimates that the financial debt may grow at an insignificant rate in the coming one to two years, in light of slower investments at least in the coming year, while the Company will continue to distribute dividends to its shareholders, at the same time continuing to receive dividends from the investees. Should the Company make more extensive investments than foreseen, Midroog believes it will act to regulate the leverage by selling shares and/or holding capital issues so that the leverage ratio does not exceed 40%. The debt to FFO coverage ratio is expected to be 12-15 years on average, which is slow for the rating category.

The adjusted value of the Company's holding portfolio is NIS 14.6 billion, based on the average market value of the quoted investments over the last 30 days before the date of this report and the equity of the unquoted investments as of December 31, 2022. Accordingly, the leverage ratio based on the balance of debt as of December 31, 2022 is 33%. Midroog has taken into account in the base-case scenario for the rating a 15%-20% decrease in the value of the quoted investees as well as a decrease in the overall value of the investees, such that the leverage ratio may be in the range of 35%-40%, based also on our assessment of relative stability in the amount of the financial debt, as discussed above.

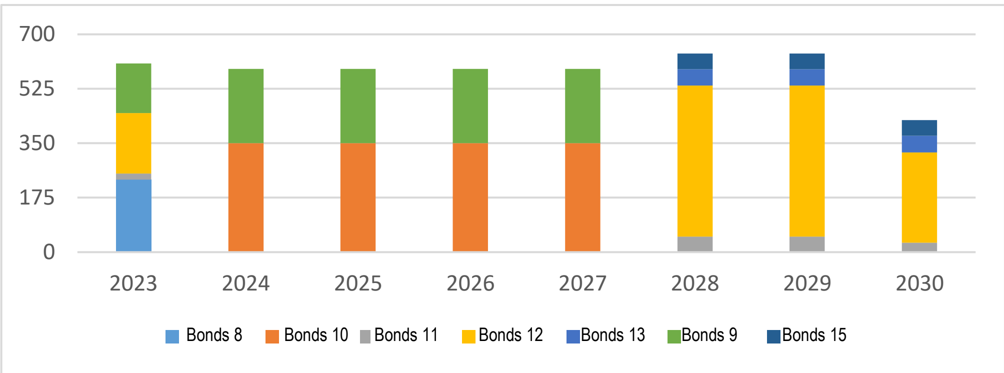
Good financial flexibility given the absence of encumbrances on shares and a significant component of quoted holdings

In Midroog's estimation, the Company has good financial flexibility, stemming primarily from substantial control of its holdings, all of which are unencumbered. Furthermore, more than one half of the value of the Company's holdings derives from quoted shares whose average price in the last 30 days before the date of this report stood at NIS 7.6 billion, plus another NIS 7 billion in unquoted investments (mainly BE, Carr and the investments of AH Boston). Midroog likewise assesses the Company's access to the capital market as high, in light of capital and debt issues held in recent years.

The Company's liquidity is adequate, relying mainly on stability of the cash flows from the investees as well as on undrawn confirmed credit facilities amounting to NIS 550 million. The Company has bond principal repayments of NIS 607 million and NIS 589 million due in each of the years 2023 and 2024, respectively. Under Midroog's base-case scenario, the debt service ratio (DSCR+cash) is expected be an average of 1.7 in 2023-2024.

Midroog views positively the Company's conservative and stable financial policy over time, with exposure to an event of risk that could result in a rating downgrade being, in our estimation, very low. Moreover, liquidity and market risk management is carried out in an informed and highly conservative manner, with the Company, among other things, maintaining undrawn confirmed credit facilities and a relatively restrained distribution policy.

Alony Hetz (expanded standalone): Bond principal amortization schedule, pro forma as of December 31, 2019* (NIS in millions)



** Including an issue of bonds (Series 13 and 15) for NIS 491 million par value, which was completed on January 22, 2023.*

Additional Rating Considerations

The Company's final rating of Aa3.il is one notch above the A1.il rating derived from the rating scorecard. This is a result of the rating uplift assigned by Midroog to the Company due to its conservative financial policy, reflected in consistently moderate leverage ratios, coupled with an investment strategy that contributes to growth of the Company's investees and the cash flows generated by them over time, and enables them to maintain a moderate level of leverage that supports long-term financial stability. As against this, moderate negative weight is given to the Company's capital exposure to fluctuations in the investees' functional currencies, which Midroog believes is mitigated by a systematic policy of partial hedging.

Environmental, Social and Governance (ESG) Considerations

ESG considerations do not materially affect the Company's rating. In Midroog's opinion, the Company has minimal exposure to environmental and social risks and likewise insignificant exposure to governance risks.

Rating Scorecard

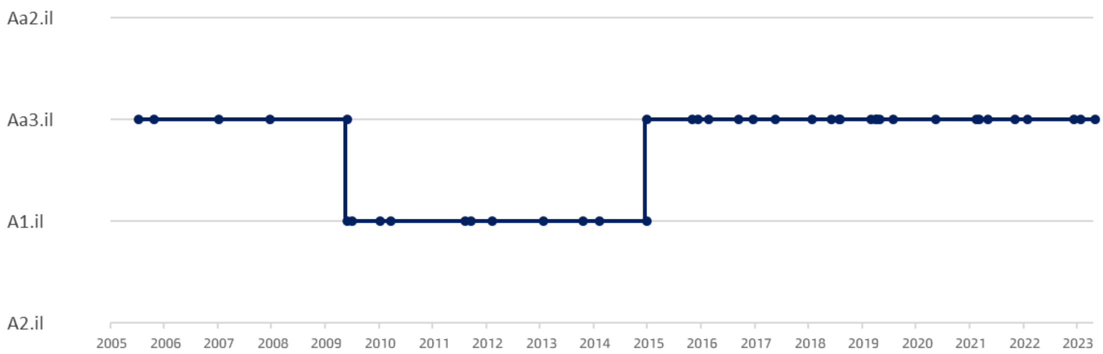
		As of 31.12.2022		Midroog Forecast[1]	
Category	**Parameters**	**Measurement[1]**	**Score**	**Measurement**	**Score**
Holding portfolio profile	Investees' credit risk profile	-	Aa.il	-	Aa.il
	Visibility of cash flows from investees and restrictions on dividend distributions as a percent of retail revenues	-	Aa.il	-	Aa.il
	Portfolio concentration attributes	-	A.il	-	A.il
Financial profile	Adjusted financial debt/adjusted asset value[2]	33%	A.il	35%-40%	A.il
	ICR	4.5	Aa.il	3-3.5	A.il
	Financial debt/FFO	11	Baa.il	12-15	Baa.il
	Financial flexibility	-	Aa.il	-	Aa.il
	DSCR+cash	2.2	Aa.il	1.5-2	A.il-Aa.il
	Financial policy	-	Aa.il	-	Aa.il
Implied score					**A1.il**
Final score					**Aa3.il**

[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its baseline scenario and forecast, and not the issuer's assessments. [2] The ratio of net financial debt (expanded standalone) to total value of investments adjusted to market value assumes a net debt balance and value of unquoted holdings as of December 31, 2022 and market value of quoted holdings based on an average of the last 30 trading days before the report publication date.

Company Profile

Alony Hetz Properties and Investments Ltd. focuses primarily on long-term investments in the income-producing real estate sector in and outside Israel, including value-add real estate development. The Company's holdings are diverse and include investments in several countries, among them Israel, the US and the UK. In addition, the Company invests in the renewable energy sector through Energix Renewable Energy Ltd., which operates in Israel, Poland and the US. Alony Hetz is a public company whose shares are traded on the Tel Aviv Stock Exchange. The Company has no controlling core and is held by institutional bodies and the public.

Rating History



Related Reports

Alony Hetz Properties and Investments Ltd. – Related Reports

Rating of Holding Companies – Methodology Report, January 2021

Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – May 2020

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – February 2022

Effects of the Increase in Interest Rate s and Inflation on Israel's Income-Producing Real Estate Sector – Sector Comment, June 2022

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	April 24, 2023
Date of last revision of the rating:	January 19, 2023
Date of first publication of the rating:	June 27, 2005
Rating commissioned by:	Alony Hetz Properties and Investments Ltd.
Rating paid for by:	Alony Hetz Properties and Investments Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Midroog

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

Caveat regarding the limitations of a rating and the risks of relying on a rating, and caveats and reservations in respect to the activity of Midroog Ltd. and the information appearing on its website

Ratings and/or publications issued by Midroog are or contain Midroog's subjective opinions about the relative future credit risk of entities, credit obligations, debts and/or debt-like financial instruments, that apply on the date of their publication, and as long as Midroog has not changed the rating or withdrawn it. Midroog's publications may contain assessments based on quantitative models of credit risks, as well as related opinions. Ratings and publications by Midroog do not constitute a statement about the accuracy of the facts at the time of the publication or in general. Midroog makes use of rating scales to issue its opinions, according to definitions detailed in the scale itself. The choice of a symbol to reflect Midroog's opinion with respect to credit risk reflects solely a relative assessment of that risk. Midroog's ratings are issued on a national scale and, as such, are opinions of the relative creditworthiness of issuers and financial obligations within Israel. National scale ratings are not designed to be compared between countries; rather, they address relative credit risk within a given country.

Midroog defines credit risk as the risk that an entity may fail to meet its contractual financial obligations on schedule and the estimated financial loss in the event of default. Midroog's ratings do not address any other risk, such as risks relating to liquidity, market value, change in interest rates, and fluctuation in prices or any other element that influences the capital market.

The ratings and/or publications issued by Midroog do not constitute a recommendation to buy, hold, and/or sell bonds and/or other financial instruments and/or make any other investment and/or forgo any of these actions.

Nor do the ratings and/or publications issued by Midroog constitute investment advice or financial advice, nor do they address the appropriateness of any given investment for any specific investor. Midroog issues ratings on the assumption that anybody making use of the information therein and of the ratings will exercise due caution and make his own assessment (himself and/or through authorized professionals) of the merit of any investment in a financial asset that he is thinking of buying, holding or selling. Every investor should obtain professional advice in respect to his investments, to the applicable law, and/or to any other professional issue.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MIDROOG IN ANY FORM OR MANNER WHATSOEVER.

Midroog's credit ratings and publications are not intended for use by retail investors and it would be reckless and inappropriate for retail investors to use Midroog's credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

All the information contained in Midroog ratings and/or publications, and on which it relied (hereinafter: "the Information") was delivered to Midroog by sources (including the rated entity) that it considers credible. Midroog is not responsible for the accuracy of the Information and presents it as provided by the sources. Midroog exercises reasonable means, to the best of its understanding, so that the Information is of sufficient quality and that it originates from sources Midroog considers to be credible, including information received from independent third parties, if and when appropriate. However, Midroog does not carry out audits and cannot therefore verify or validate the Information.

The provisions of any Midroog publication other than one expressly stated as a methodology do not constitute part of any Midroog methodology. Midroog may change its position regarding the content of such publications at any time.

Subject to applicable law, Midroog, its directors, its officers, its employees and/or anybody on its behalf involved in the rating shall not be held responsible under law, for any damage and/or loss, financial or other, direct, indirect, special, consequential, associated or related, incurred in any way or in connection with the Information or a rating or a rating process, including not issuing a rating, including if they were advised in advance of the possibility of damage or a loss as said above, including but not confined to (a) any loss of profit in present or future, including the loss of other investment opportunities; (b) any loss or damage caused consequential to holding, acquisition and/or selling of a financial instrument, whether it is a subject of a rating issued by Midroog or not; (c) any loss or damage caused consequential to the relevant financial asset, that was caused, *inter alia* and not exclusively, as a result of or in respect to negligence (except for fraud, a malicious action or any other action for which the law does not permit exemption from responsibility) by directors, officers, employees and/or anybody acting on Midroog's behalf, whether by action or omission.

Midroog maintains policies and procedures in respect to the independence of the rating and the rating processes.

A rating issued by Midroog may change as a result of changes in the information on which it was based and/or as a result of new information and/or for any other reason. Updates and/or changes in ratings are presented on Midroog's website at http://www.midroog.co.il.