

**Part of the Financial
Statements
translated from the
Hebrew original**

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

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Dear Sirs,

We have audited, in accordance with International Financial Reporting Standards, the condensed consolidated statements of financial position of **ADGAR INVESTMENTS AND DEVELOPMENT LIMITED** as at March 31, 2019 and the related consolidated statements of profit or loss, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended we expressed an unqualified opinion on those financial statements.

The accompanying financial statements are condensed consolidated financial statements and do not include the disclosures required by International Financial Reporting Standards. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the financial position, results of operations, and cash flows of the Company.

Tel-Aviv, Israel
May 16, 2019

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	166,851	357,624	322,950
Short-term investments	-	10,913	-
Customers	18,027	21,005	16,881
Deposits	23,336	19,440	31,350
Debtors and receivables	23,281	30,431	26,876
Loans	5,678	5,192	6,810
Taxes receivable	2,905	1,457	4,520
Derivatives	17,561	4,590	5,567
	<u>257,639</u>	<u>450,652</u>	<u>414,954</u>
NON CURRENT ASSETS			
Deposit	72,149	83,054	74,664
Debtors	413	2,846	3,075
Derivatives	9,895	640	1,283
Fixed assets, net	15,424	12,933	13,050
Investment property	3,752,657	3,664,132	3,826,790
Investment property under construction	258,962	157,018	234,442
Intangible assets	732	591	679
Deferred taxes	717	1,076	865
	<u>4,110,949</u>	<u>3,922,290</u>	<u>4,154,848</u>
	<u><u>4,368,588</u></u>	<u><u>4,372,942</u></u>	<u><u>4,569,802</u></u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	NIS in thousands		
CURRENT LIABILITIES			
Credit from banking institutions and current maturities of long-term loans	117,403	146,307	168,337
Current maturities of debentures	167,870	168,044	185,252
Liabilities to suppliers and service providers	19,585	17,333	26,641
Taxes payable	1,197	8,422	557
Creditors and payables	92,452	87,707	97,475
Derivatives	6,613	15,080	11,907
	<u>405,120</u>	<u>442,893</u>	<u>490,169</u>
NON-CURRENT LIABILITIES			
Loans from banking institutions and other financial entities	1,502,324	1,399,558	1,471,148
Debentures	1,208,582	1,320,703	1,363,679
Derivatives	26,387	17,567	21,082
Employee benefit liabilities, net	250	210	250
Other liabilities	15,127	-	-
Deferred taxes	146,565	141,828	150,856
	<u>2,899,235</u>	<u>2,879,866</u>	<u>3,007,015</u>
EQUITY			
Share capital	175,511	175,411	175,511
Share premium	367,331	366,706	367,331
Other reserves	(8,150)	(3,251)	(4,848)
Adjustments due to the translation of financial statements of activities abroad	(303,871)	(275,556)	(280,105)
Retained earnings	796,346	739,342	775,910
Total capital attributed to the Company's shareholders	<u>1,027,167</u>	<u>1,002,652</u>	<u>1,033,799</u>
Non-controlling interests	37,066	47,531	38,819
Total equity	<u>1,064,233</u>	<u>1,050,183</u>	<u>1,072,618</u>
	<u>4,368,588</u>	<u>4,372,942</u>	<u>4,569,802</u>

May 16, 2019

Date of approval of the
financial statementsDoron Schneidman
Chairman of the BoardRoy Gadish
CEOLiat Manor
Finance Manager

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	NIS in thousands (except for basic and diluted earnings per share)		
INCOME			
Income from rental of properties	60,316	59,451	243,282
Increase in value of investment property and investment property under construction, net	442	848	24,594
	<u>60,758</u>	<u>60,299</u>	<u>267,876</u>
EXPENSES			
Maintenance of assets, net	6,066	5,468	23,645
Administrative and general	10,043	10,026	42,479
Other expenses (income)	(6,143)	-	61
	<u>9,966</u>	<u>15,494</u>	<u>66,185</u>
Income before financing	<u>50,792</u>	<u>44,805</u>	<u>201,691</u>
Finance income	8,512	(4,256)	(3,672)
Finance expenses	(22,195)	(24,733)	(116,225)
Finance expenses, net	<u>(13,683)</u>	<u>(28,989)</u>	<u>(119,897)</u>
Income before taxes on income	37,109	15,816	81,794
Capital loss			
Taxes on income	<u>4,665</u>	<u>4,889</u>	<u>16,716</u>
Net income	<u>32,444</u>	<u>10,927</u>	<u>65,078</u>
Attributed to:			
Equity holders of the Company	31,336	9,865	71,358
Non-controlling interests	1,108	1,062	(6,280)
	<u>32,444</u>	<u>10,927</u>	<u>65,078</u>
Net earning (loss) per share attributed to equity holders of the Company (in NIS)			
Basic and diluted net earnings	<u>0.24</u>	<u>0.07</u>	<u>0.54</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OR LOSS

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	NIS in thousands		
Net income	32,444	10,927	65,078
Other comprehensive income (loss) (after the tax effect):			
Amounts that will be reclassified or are reclassified profit or loss when specific conditions are met:			
Other comprehensive income (loss) (after the tax effect):			
Income in respect of cash flow hedge transactions, net	(4,937)	740	(3,649)
Transfer to statement of profit or loss in respect of cash flows hedge transactions, net	-	1,951	1,951
Adjustment resulting from the translation of financial statements of activities abroad	(25,724)	8,879	3,678
Total amounts that will be reclassified or are reclassified to profit or loss	(30,661)	11,570	1,980
Total other comprehensive income (loss)	(30,661)	11,570	1,980
Total comprehensive income	1,783	22,497	67,058
Total comprehensive income (loss) attributable to:			
Company shareholders	3,551	19,336	72,655
Non-controlling interests	(1,768)	3,161	(5,597)
	1,783	22,497	67,058

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in thousands							
Balance as at January 1, 2019 (Audited)	175,511	367,331	(4,848)	(280,105)	775,910	1,033,799	38,819	1,072,618
Net income	-	-	-	-	31,336	31,336	1,108	32,444
Total other comprehensive income (loss)	-	-	(4,019)	(23,766)	-	(27,785)	(2,876)	(30,661)
Total comprehensive income (loss)	-	-	(4,019)	(23,766)	31,336	3,551	(1,768)	1,783
Share-based payment	-	-	717	-	-	717	15	732
Dividend to Company's shareholders	-	-	-	-	(10,900)	(10,900)	-	(10,900)
Balance as at March 31, 2019	175,511	367,331	(8,150)	(303,871)	796,346	1,027,167	37,066	1,064,233

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in thousands							
Balance as at January 1, 2018 (Audited)	175,411	366,706	(5,951)	(282,576)	745,177	998,767	44,365	1,043,132
Net income	-	-	-	-	9,865	9,865	1,062	10,927
Other comprehensive income	-	-	2,451	7,020	-	9,471	2,099	11,570
Total comprehensive income			2,451	7,020	9,865	19,336	3,161	22,497
Share-based payment	-	-	249	-	-	249	5	254
Dividend to Company's shareholders	-	-	-	-	(15,700)	(15,700)	-	(15,700)
Balance as at March 31, 2018	175,411	366,706	(3,251)	(275,556)	739,342	1,002,652	47,531	1,050,183

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in thousands							
Balance as at January 1, 2018 (Audited)	175,411	366,706	(5,951)	(282,576)	745,177	998,767	44,365	1,043,132
Net income	-	-	-	-	71,358	71,358	(6,280)	65,078
Other comprehensive income (loss)	-	-	(1,174)	2,471	-	1,297	683	1,980
Total comprehensive income (loss)	-	-	(1,174)	2,471	71,358	72,655	(5,597)	67,058
Share-based payment cost	-	-	2,403	-	-	2,403	51	2,454
Realization of options to Company shares	100	625	(126)	-	-	599	-	599
Dividend to Company shareholders	-	-	-	-	(40,625)	(40,625)	-	(40,625)
Balance as at December 31, 2018 (Audited)	<u>175,511</u>	<u>367,331</u>	<u>(4,848)</u>	<u>(280,105)</u>	<u>775,910</u>	<u>1,033,799</u>	<u>38,819</u>	<u>1,072,618</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	Unaudited		Audited
NIS in thousands			
CASH FLOWS FROM CURRENT ACTIVITIES			
Net income	32,444	10,927	65,078
Adjustments needed to present cash flows from current activities:			
Adjustments to the profit and loss items:			
Change in liabilities for employee benefits, net	-	-	40
Increase in value of investment property and investment property under construction, net	(442)	(848)	(24,594)
Finance expenses, net	13,683	28,989	119,897
Other expenses, net	-	-	61
Depreciation and amortization	2,239	1,688	6,880
Taxes on income	4,665	4,889	16,716
Share-based payment cost	732	254	2,454
	<u>20,877</u>	<u>34,972</u>	<u>121,454</u>
Changes in asset and liability items:			
Decrease (increase) in customers	(1,776)	(293)	3,753
Decrease (increase) in debtors and receivables	7,087	(6,015)	(7,012)
Increase (decrease) in liabilities to suppliers and service providers	(5,978)	(2,632)	1,043
Increase (decrease) in creditors and payables	3,583	(3,165)	(7,307)
	<u>2,916</u>	<u>(12,105)</u>	<u>(9,523)</u>
Cash paid and received during the year for:			
Interest paid	(43,638)	(40,604)	(106,015)
Interest received	716	618	3,030
Dividend received	-	5	34
Taxes paid	(1,361)	(486)	(5,677)
Taxes received	4	-	53
	<u>(44,279)</u>	<u>(40,467)</u>	<u>(108,575)</u>
Net cash provided by (used in) current activities	<u>11,958</u>	<u>(6,673)</u>	<u>68,434</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	NIS in thousands		
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment (realization) in deposits, net	7,108	2,372	(3,296)
Acquisition of short term investments	-	(3,538)	(14,086)
Sale of short term investments	-	5,294	26,632
Payment in respect of hedge transactions	(3,656)	(1,468)	(14,950)
Proceeds from transactions of hedge transactions	270	467	1,378
Acquisition and investment of investment property	(29,691)	(28,560)	(156,415)
Acquisition and investment in investment property under construction	(18,351)	(14,486)	(82,897)
Acquisition of fixed assets	(5)	(70)	(1,750)
Proceeds from sale of fixed assets	-	-	599
Capitalization of interest paid for investment property under construction	(1,640)	(1,206)	(6,822)
Acquisition of intangible assets	(98)	-	(136)
Settlement (grant) of loan to partners in assets in Canada and others, net	2,972	272	(1,702)
Net cash used in investment activities	(43,091)	(40,923)	(253,445)
CASH FLOWS FROM FINANCE ACTIVITIES			
Receipt of long-term loan	41,480	71,334	208,111
Settlement of long-term loans	(13,072)	(12,454)	(56,148)
Settlement of liability in respect of leasing	(115)	-	-
Dividend paid to Company shareholders	-	(15,700)	(40,625)
Realization of options into shares	-	-	599
Settlement of CPI hedging transactions and interest determination	134	(2,601)	(2,331)
Settlement of debentures	(151,238)	(66,447)	(66,447)
Issue of bonds net of issue expenses	-	180,813	216,943
Net cash provided by (used in) finance activities	(122,811)	154,945	260,102
Translation differences in respect of cash balances in foreign entities	(2,155)	673	(1,743)
Increase in cash and cash equivalents	(156,099)	108,022	73,348
Balance of cash and cash equivalents as at the beginning of the period	322,950	249,602	249,602
Balance of cash and cash equivalents as at the end of the period	166,851	357,624	322,950
SIGNIFICANT ACTIVITIES NOT INVOLVING CASH FLOWS			
Dividend to Company shareholders	10,900	-	-
Recognition of a right to use asset against a lease liability	2,995	-	-
Acquisition of investment property and investment property under construction against creditors, suppliers and service providers	21,666	41,280	36,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4:- SEGMENTS OF ACTIVITY**a. General

1. The Group operates in the income generating real estate market. Its main activity is holding income-producing properties, mainly for use as office premises. The Group has income-producing properties abroad (Belgium, Canada and Poland) that are held through companies registered abroad, as well as income-producing properties in Israel.
2. All the income and expenses are attributed directly to segments of activity since the Company's management examines its activities based on these segments.

b. Report regarding segments of activity

**For the period of three months ended as at
March 31, 2019**

<u>Israel</u>	<u>Belgium</u>	<u>Poland</u>	<u>Canada</u>	<u>Total</u>
Unaudited				
NIS in thousands				

Income

Income from rental of properties before depreciation	18,751	3,518	17,094	22,803	62,166
Deduction of deferred incentives to lessees	(20)	-	(104)	(1,726)	(1,850)
Increase in value of investment property	-	-	442	-	442
Total income	18,731	3,518	17,432	21,077	60,758
Segment results	12,549	2,962	12,874	22,407	50,792
Finance income					8,512
Finance expenses					(22,195)
Net finance expenses					(13,683)
Income before taxes on income					37,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity (Cont.)

	For the period of three months ended as at				
	March 31, 2018				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income					
Income from rental of properties before depreciation	18,308	3,676	18,081	20,705	60,770
Deduction of deferred incentives to lessees	(34)	-	(149)	(1,136)	(1,319)
Increase in value of investment property	-	-	848	-	848
Total income	<u>18,274</u>	<u>3,676</u>	<u>18,780</u>	<u>19,569</u>	<u>60,299</u>
Segment results	<u>12,276</u>	<u>3,274</u>	<u>13,978</u>	<u>15,277</u>	<u>44,805</u>
Finance income					(4,256)
Finance expenses					<u>(24,733)</u>
Net finance expenses					<u>(28,989)</u>
Income before taxes on income					<u>15,816</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity (Cont.)

	Year ended as at December 31, 2018				
	Israel	Belgium	Poland	Canada	Total
	Audited				
NIS in thousands					
Income					
Income from rental of properties before depreciation	73,678	14,715	73,335	87,198	248,926
Deduction of deferred incentives to lessees	(122)	-	(594)	(4,928)	(5,644)
Increase (decrease) in value of investment property and investment property under construction, net	16,351	(140)	(55,311)	63,694	24,594
Total income	89,907	14,575	17,430	145,964	267,876
Segment results	67,617	13,188	(3,649)	124,535	201,691
Finance income					(3,672)
Finance expenses					(116,225)
Net finance expenses					(119,897)
Income before taxes on income					81,794
