

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

**ADGAR INVESTMENTS AND DEVELOPMENT LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2020**

**UNAUDITED**

**ADGAR INVESTMENTS AND DEVELOPMENT LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2020**

**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, 2020 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 27, 2020

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

**ADGAR INVESTMENTS AND DEVELOPMENT LTD.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	NIS in thousands		
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	465,036	166,851	256,961
Customers	16,615	18,027	14,705
Deposits	45,090	23,336	62,001
Debtors and receivables	28,161	23,281	27,981
Loans	5,770	5,678	6,108
Taxes receivable	3,022	2,905	4,256
Derivatives	42,812	17,561	14,111
	606,506	257,639	386,123
<b><u>NON CURRENT ASSETS</u></b>			
Deposit	37,560	72,149	36,813
Debtors	301	413	313
Derivatives	15,159	9,895	17,387
Fixed assets, net	15,170	15,424	15,253
Investment property	4,111,924	3,752,657	4,078,661
Investment property under construction	118,086	258,962	107,095
Intangible assets	826	732	706
Deferred taxes	1,213	717	471
	4,300,239	4,110,949	4,256,699
	4,906,745	4,368,588	4,642,822

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>March 31</b>		<b>December 31</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<b><u>CURRENT LIABILITIES</u></b>			
Credit from banking institutions and current maturities of long-term loans	360,601	117,403	165,515
Current maturities of debentures	17,426	167,870	100,110
Liabilities to suppliers and service providers	15,642	19,585	21,239
Taxes payable	236	1,197	799
Creditors and payables	82,237	92,452	70,765
Derivatives	10,496	6,613	8,017
	<u>486,638</u>	<u>405,120</u>	<u>366,445</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Loans from banking institutions and other financial entities	1,469,058	1,502,324	1,296,404
Debentures	1,431,140	1,208,582	1,440,032
Derivatives	45,784	26,387	34,893
Employee benefit liabilities, net	300	250	300
Other liabilities	14,197	15,127	13,778
Deferred taxes	188,494	146,565	188,409
	<u>3,148,973</u>	<u>2,899,235</u>	<u>2,973,816</u>
<b><u>EQUITY</u></b>			
Share capital	195,835	175,511	195,835
Share premium	507,404	367,331	507,404
Other reserves	(14,045)	(8,150)	(12,885)
Adjustments due to the translation of financial statements of activities abroad	(358,608)	(303,871)	(330,910)
Retained earnings	912,194	796,346	911,635
	<u>1,242,780</u>	<u>1,027,167</u>	<u>1,271,079</u>
Total capital attributed to the Company's shareholders			
Non-controlling interests	<u>28,354</u>	<u>37,066</u>	<u>31,482</u>
Total equity	<u>1,271,134</u>	<u>1,064,233</u>	<u>1,302,561</u>
	<u>4,906,745</u>	<u>4,368,588</u>	<u>4,642,822</u>

May 27, 2020

Date of approval of the financial statements

Doron Schneidman  
Chairman of the BoardRoy Gadish  
CEOLiat Manor  
Finance Manager

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	NIS in thousands (except for basic and diluted earnings per share)		
<b>INCOME</b>			
Income from rental of properties	60,449	60,316	241,182
Increase (decrease) in value of investment property and investment property under construction, net	(13,803)	442	159,102
	<u>46,646</u>	<u>60,758</u>	<u>400,284</u>
<b>EXPENSES</b>			
Maintenance of assets, net	6,758	6,066	22,970
Administrative and general	10,693	10,043	44,266
Other income	-	(6,143)	(6,143)
	<u>17,451</u>	<u>9,966</u>	<u>61,093</u>
Income before financing	<u>29,195</u>	<u>50,792</u>	<u>339,191</u>
Finance income	9,832	8,512	20,482
Finance expenses	(27,179)	(22,195)	(133,923)
Finance expenses, net	<u>(17,347)</u>	<u>(13,683)</u>	<u>(113,441)</u>
Income before taxes on income	11,848	37,109	225,750
Taxes on income	3,355	4,665	53,590
Net income	<u>8,493</u>	<u>32,444</u>	<u>172,160</u>
Attributed to:			
Equity holders of the Company	10,959	31,336	175,125
Non-controlling interests	(2,466)	1,108	(2,965)
	<u>8,493</u>	<u>32,444</u>	<u>172,160</u>
<b>Net earning per share attributed to equity holders of the Company (in NIS)</b>			
Basic and diluted net earnings	<u>0.07</u>	<u>0.24</u>	<u>1.30</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OR LOSS**

	<b>For the three months ended</b>		<b>For the year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
Net income	8,493	32,444	172,160
Other comprehensive income (loss) (after the tax effect):			
<b>Amounts that will not subsequently be reclassified to profit or loss</b>			
Revaluation in respect of revaluation of fixed assets	-	-	436
<b>Amounts that will be classified or reclassified to profit or loss under specific conditions</b>			
Other comprehensive loss (after the tax effect):			
Income in respect of cash flow hedge transactions, net	(2,233)	(4,937)	(5,376)
Adjustment resulting from the translation of financial statements of activities abroad	(27,904)	(25,724)	(54,271)
Total amounts that will be reclassified or are reclassified to profit or loss	(30,137)	(30,661)	(59,647)
Total other comprehensive loss	(30,137)	(30,661)	(59,211)
Total comprehensive income (loss)	(21,644)	1,783	112,949
Total comprehensive income (loss) attributable to:			
<b>Total comprehensive income (loss) attributed to:</b>			
Company shareholders	(18,504)	3,551	120,344
Non-controlling interests	(3,140)	(1,768)	(7,395)
	(21,644)	1,783	112,949

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders				Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad				
	Unaudited							
	NIS in thousands							
<b>Balance as at January 1, 2020 (Audited)</b>	195,835	507,404	(12,885)	(330,910)	911,635	1,271,079	31,482	1,302,561
Net income (loss)	-	-	-	-	10,959	10,959	(2,466)	8,493
Total other comprehensive loss	-	-	(1,765)	(27,698)	-	(29,463)	(674)	(30,137)
Total comprehensive income (loss)	-	-	(1,765)	(27,698)	10,959	(18,504)	(3,140)	(21,644)
Share-based payment	-	-	605	-	-	605	12	617
Dividend to Company's shareholders	-	-	-	-	(10,400)	(10,400)	-	(10,400)
<b>Balance as at March 31, 2020</b>	195,835	507,404	(14,045)	(358,608)	912,194	1,242,780	28,354	1,271,134



## 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							
<b>Balance as at January 1, 2019 (Audited)</b>	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
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)
<b>Balance as at March 31, 2019</b>	<u>175,511</u>	<u>367,331</u>	<u>(8,150)</u>	<u>(303,871)</u>	<u>796,346</u>	<u>1,027,167</u>	<u>37,066</u>	<u>1,064,233</u>

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders				Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad				
	NIS in thousands							
<b>Balance as at January 1, 2019 (Audited)</b>	175,511	367,331	(4,848)	(280,105)	775,910	1,033,799	38,819	1,072,618
Net income	-	-	-	-	175,125	175,125	(2,965)	172,160
Other comprehensive income (loss)	-	-	(3,976)	(50,805)	-	(54,781)	(4,430)	(59,211)
Total comprehensive income (loss)	-	-	(3,976)	(50,805)	175,125	120,344	(7,395)	112,949
Issue of share capital	18,792	133,153	-	-	-	151,945	-	151,945
Share-based payment cost	-	-	2,859	-	-	2,859	58	2,917
Realization of options to Company shares	1,532	6,920	(6,920)	-	-	1,532	-	1,532
Dividend to Company shareholders	-	-	-	-	(39,400)	(39,400)	-	(39,400)
<b>Balance as at December 31, 2019 (Audited)</b>	<u>195,835</u>	<u>507,404</u>	<u>(12,885)</u>	<u>(330,910)</u>	<u>911,635</u>	<u>1,271,079</u>	<u>31,482</u>	<u>1,302,561</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	NIS in thousands		
<b><u>CASH FLOWS FROM CURRENT ACTIVITIES</u></b>			
Net income	8,493	32,444	172,160
Adjustments needed to present cash flows from current activities:			
Adjustments to the profit and loss items:			
Change in liabilities for employee benefits, net	-	-	50
Decrease (increase) in value of investment property and investment property under construction, net	13,803	(442)	(159,102)
Finance expenses, net	17,347	13,683	113,441
Other expenses, net	(11)	-	(40)
Depreciation and amortization	2,517	2,239	9,461
Taxes on income	3,355	4,665	53,590
Share-based payment cost	617	732	2,917
	<u>37,628</u>	<u>20,877</u>	<u>20,317</u>
Changes in asset and liability items:			
Decrease (increase) in customers	(2,029)	(1,776)	947
Decrease (increase) in debtors and receivables	(514)	7,087	750
Decrease in liabilities to suppliers and service providers	(2,953)	(5,978)	(751)
Increase (decrease) in creditors and payables	5,295	3,583	2,688
	<u>(201)</u>	<u>2,916</u>	<u>3,634</u>
Cash paid and received during the year for:			
Interest paid	(40,286)	(43,638)	(112,027)
Interest received	759	716	2,558
Taxes received	(1,983)	(1,361)	(5,943)
	<u>(41,510)</u>	<u>(44,279)</u>	<u>(115,399)</u>
Net cash provided by current activities	<u>4,410</u>	<u>11,958</u>	<u>80,712</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the three months ended March 31</b>		<b>For the year ended December 31</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<b><u>CASH FLOWS FROM INVESTMENT ACTIVITIES</u></b>			
Settlement in deposits, net	15,568	7,108	11,854
Payment in respect of hedge transactions	(1,527)	(3,656)	(8,174)
Proceeds from transactions of hedge transactions	6,355	270	22,135
Acquisition and investment of investment property	(132,881)	(29,691)	(90,369)
Acquisition and investment in investment property under construction	(16,568)	(18,351)	(73,471)
Acquisition of fixed assets	(448)	(5)	(166)
Proceeds from sale of fixed assets	115	-	76
Capitalization of interest paid for investment property under construction	(645)	(1,640)	(9,498)
Acquisition of intangible assets	(199)	(98)	(132)
Settlement of loan to partners in assets in Canada and others, net	3	2,972	3,718
Net cash used in investment activities	<u>(130,227)</u>	<u>(43,091)</u>	<u>(144,027)</u>
<b><u>CASH FLOWS FROM FINANCE ACTIVITIES</u></b>			
Receipt of short-term loan from banking institution	150,332	-	-
Receipt of long-term loans	269,649	41,480	49,524
Settlement of long-term loans	(14,088)	(13,072)	(147,444)
Settlement of liability in respect of leasing	(116)	(115)	(464)
Dividend paid to Company shareholders	-	-	(39,400)
Issue of capital share	-	-	151,945
Realization of options into shares	-	-	1,532
Proceeds from CPI hedging transactions and interest determination	-	134	134
Settlement of debentures	(67,446)	(151,238)	(502,654)
Issue of bonds net of issue expenses	-	-	488,637
Net cash provided by (used in) finance activities	<u>338,331</u>	<u>(122,811)</u>	<u>1,810</u>
Translation differences in respect of cash balances in foreign entities	(4,439)	(2,155)	(4,484)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>208,075</b>	<b>(156,099)</b>	<b>(65,989)</b>
<b>Balance of cash and cash equivalents as at the beginning of the period</b>	<b>256,961</b>	<b>322,950</b>	<b>322,950</b>
<b>Balance of cash and cash equivalents as at the end of the period</b>	<b><u>465,036</u></b>	<b><u>166,851</u></b>	<b><u>256,961</u></b>
<b>SIGNIFICANT ACTIVITIES NOT INVOLVING CASH FLOWS</b>			
Dividend to Company shareholders	<u>10,400</u>	<u>-</u>	<u>-</u>
Acquisition of investment property and investment property under construction against creditors, suppliers and service providers	<u>10,167</u>	<u>21,666</u>	<u>24,634</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**


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**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, 2020**

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

**Income (expenses):**

Income from rental of properties before depreciation	20,962	3,028	14,833	23,694	62,517
Deduction of deferred incentives to lessees	(20)	-	(212)	(1,836)	(2,068)
Increase (decrease) in value of investment property	6,290	-	(17,746)	(2,347)	(13,803)
Total income (expenses)	27,232	3,028	(3,125)	19,511	46,646
Segment results	20,741	2,622	(9,899)	15,731	29,195
Finance income					9,832
Finance expenses					(27,179)
Net finance expenses					(17,347)
Income before taxes on income					11,848

## 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, 2019				
	<u>Israel</u>	<u>Belgium</u>	<u>Poland</u>	<u>Canada</u>	<u>Total</u>
	Unaudited				
	NIS in thousands				
<b>Income</b>					
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 and investment property under construction, net	-	-	442	-	442
Total income	<u>18,731</u>	<u>3,518</u>	<u>17,432</u>	<u>21,077</u>	<u>60,758</u>
Segment results	<u>12,549</u>	<u>2,962</u>	<u>12,874</u>	<u>22,407</u>	<u>50,792</u>
Finance income					8,512
Finance expenses					<u>(22,195)</u>
Net finance expenses					<u>(13,683)</u>
Income before taxes on income					<u>37,109</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, 2019				
	Israel	Belgium	Poland	Canada	Total
	Audited				
NIS in thousands					
<b>Income</b>					
Income from rental of properties before depreciation	75,119	13,275	67,591	93,079	249,064
Deduction of deferred incentives to lessees	(77)	-	(706)	(7,099)	(7,882)
Increase (decrease) in value of investment property and investment property under construction, net	99,694	(3,658)	(22,735)	85,801	159,102
Total income	174,736	9,617	44,150	171,781	400,284
Segment results	150,091	7,085	24,358	157,657	339,191
Finance income					20,482
Finance expenses					(133,923)
Net finance expenses					(113,441)
Income before taxes on income					225,750

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