

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

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019**

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

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**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
Fax: +972-3-5622555  
ey.com

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 December 31, 2019 and 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for each of the years ended as at December 31, 2019, 2018 and 2017, and in our report dated March 11, 2020 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  
March 11, 2020

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

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	256,961	322,950
Customers	14,705	16,881
Deposits	62,001	31,350
Debtors and receivables	27,981	26,876
Loans	6,108	6,810
Taxes receivable	4,256	4,520
Derivatives	14,111	5,567
	<u>386,123</u>	<u>414,954</u>
<b>NON-CURRENT ASSETS</b>		
Deposits	36,813	74,664
Debtors	313	3,075
Derivatives	17,387	1,283
Fixed assets, net	15,253	13,050
Investment property	4,078,661	3,826,790
Investment property under construction	107,095	234,442
Intangible assets	706	679
Deferred taxes	471	865
	<u>4,256,699</u>	<u>4,154,848</u>
	<u>4,642,822</u>	<u>4,569,802</u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2019	2018
	NIS in thousands	
<b>CURRENT LIABILITIES</b>		
Credit from banking institutions and current maturities of long-term loans	165,515	168,337
Current maturities of debentures	100,110	185,252
Liabilities to suppliers and service providers	21,239	26,641
Taxes payable	799	557
Creditors and payables	70,765	97,475
Derivatives	8,017	11,907
	<u>366,445</u>	<u>490,169</u>
<b>NON CURRENT LIABILITIES</b>		
Loans from banking institutions and other financial institutions	1,296,404	1,471,148
Debentures	1,440,032	1,363,679
Derivatives	34,893	21,082
Employee benefit liabilities, net	300	250
Other liabilities	13,778	-
Deferred taxes	188,409	150,856
	<u>2,973,816</u>	<u>3,007,015</u>
<b>EQUITY</b>		
Share capital	195,835	175,511
Share premium	507,404	367,331
Other reserves	(12,885)	(4,848)
Foreign currency translation adjustments of foreign activities	(330,910)	(280,105)
Retained earnings	911,635	775,910
	<u>1,271,079</u>	<u>1,033,799</u>
Total equity attributable to the Company's shareholders		
Non-controlling interest	<u>31,482</u>	<u>38,819</u>
Total equity	<u>1,302,561</u>	<u>1,072,618</u>
	<u>4,642,822</u>	<u>4,569,802</u>

March 11, 2020

Date of approval of the  
financial statementsDoron Schneidman  
Chairman of the BoardRoy Gadish  
CEOLiat Manor  
Deputy CFO

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands (Except for basic and diluted earnings per share)		
<b>INCOME</b>			
Revenues from rental of properties	241,182	243,282	225,051
Increase in value of investment property and investment property under construction, net	159,102	24,594	17,286
	<u>400,284</u>	<u>267,876</u>	<u>242,337</u>
<b>EXPENSES</b>			
Maintenance of properties, net	22,970	23,645	22,395
General and administrative	44,266	42,479	38,862
Other expenses (income)	(6,143)	61	76
	<u>61,093</u>	<u>66,185</u>	<u>61,333</u>
Income before finance	<u>339,191</u>	<u>201,691</u>	<u>181,004</u>
Finance income	20,482	(3,672)	2,080
Finance expenses	(133,923)	(116,225)	(110,452)
Finance expenses, net	<u>(113,441)</u>	<u>(119,897)</u>	<u>(108,372)</u>
Income before taxes on income	225,750	81,794	72,632
Taxes on income (tax benefit)	53,590	16,716	(30,400)
Net income	<u>172,160</u>	<u>65,078</u>	<u>103,032</u>
Attributable to:			
Company's shareholders	175,125	71,358	105,876
Non-controlling interests	(2,965)	(6,280)	(2,844)
	<u>172,160</u>	<u>65,078</u>	<u>103,032</u>
Earnings per share:			
Net earnings per share attributable to Company's shareholders (in NIS):			
Basic and diluted net earnings	<u>1.30</u>	<u>0.54</u>	<u>0.92</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Net income	172,160	65,078	103,032
Other comprehensive income (loss) (after the tax effect):			
<b>Amounts that will not be reclassified subsequently to profit or loss</b>			
Reevaluation in respect of revaluation of fixed assets	436	-	1,381
<b>Amounts that will be reclassified or are reclassified profit or loss when specific conditions are met:</b>			
Income (loss) in respect of cash flow hedge transactions, net	(5,376)	(3,649)	7,288
Transfer to statement of profit or loss in respect of cash flows hedge transactions, net	-	1,951	-
Adjustments resulting from translation of financial statements of foreign activities	(54,271)	3,678	(3,282)
Total amounts that will be reclassified or are reclassified to profit or loss	(59,647)	1,980	4,006
Total other comprehensive income (loss)	(59,211)	1,980	5,387
Total comprehensive income	112,949	67,058	108,419
Total comprehensive income (loss) attributable to:			
Company shareholders	120,344	72,655	108,258
Non-controlling interests	(7,395)	(5,597)	161
	112,949	67,058	108,419

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Foreign currency translation adjustments of foreign activities	Retained earnings	Total		
	NIS In thousands							
<b>Balance as of January 1, 2017</b>	158,495	275,450	(14,353)	(277,959)	654,301	795,934	44,175	840,109
Net income (loss)	-	-	-	-	105,876	105,876	(2,844)	103,032
Total other comprehensive income (loss)	-	-	6,999	(4,617)	-	2,382	3,005	5,387
Total comprehensive income (loss)	-	-	6,999	(4,617)	105,876	108,258	161	108,419
Issue of share capital	16,916	91,256	-	-	-	108,172	-	108,172
Cost of share-based payment	-	-	1,403	-	-	1,403	29	1,432
Dividend to Company shareholders	-	-	-	-	(15,000)	(15,000)	-	(15,000)
<b>Balance as of December 31, 2017</b>	175,411	366,706	(5,951)	(282,576)	745,177	998,767	44,365	1,043,132
Net income (loss)	-	-	-	-	71,358	71,358	(6,280)	65,078
Total 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	-	-	2,403	-	-	2,403	51	2,454
Realization of options into Company shares	100	625	(126)	-	-	599	-	599
Dividend to Company shareholders	-	-	-	-	(40,625)	(40,625)	-	(40,625)
<b>Balance as of December 31, 2018</b>	175,511	367,331	(4,848)	(280,105)	775,910	1,033,799	38,819	1,072,618
Net income (loss)	-	-	-	-	175,125	175,125	(2,965)	172,160
Total other comprehensive 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	-	-	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 of December 31, 2019</b>	195,835	507,404	(12,885)	(330,910)	911,635	1,271,079	31,482	1,302,561



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
<b>CASH FLOWS FROM CURRENT ACTIVITIES</b>			
Net income	172,160	65,078	103,032
Adjustments required to present cash flows from current activities:			
Adjustments to the profit or loss items:			
Change in employee benefit liabilities, net	50	40	-
Increase in value of investment property and investment property under construction, net	(159,102)	(24,594)	(17,286)
Finance expenses, net	113,441	119,897	108,372
Other expenses (income), net	(40)	61	76
Depreciation and amortization	9,461	6,880	6,200
Taxes on income (tax benefit)	53,590	16,716	(30,400)
Share-based payment cost	2,917	2,454	1,432
	<u>20,317</u>	<u>121,454</u>	<u>68,394</u>
Changes in asset and liability items:			
Decrease (increase) in customers	947	3,753	(2,025)
Decrease (increase) in debtors and receivables	750	(7,012)	(7,722)
Increase (decrease) in liabilities to suppliers and service providers	(751)	1,043	(5,227)
Increase (decrease) in creditors and payables	2,688	(7,307)	10,289
	<u>3,634</u>	<u>(9,523)</u>	<u>(4,685)</u>
Cash paid and received during the year for:			
Interest paid	(112,027)	(106,015)	(104,264)
Interest received	2,558	3,030	2,372
Dividend received	-	34	198
Taxes paid	(5,943)	(5,677)	(5,585)
Taxes received	13	53	-
	<u>(115,399)</u>	<u>(108,575)</u>	<u>(107,279)</u>
Net cash provided by current activities	<u>80,712</u>	<u>68,434</u>	<u>59,462</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Settlement (investment) in deposits, net	11,854	(3,296)	(42,592)
Acquisition of short-term investments	-	(14,086)	(9,100)
Realization of short term investments	-	26,632	23,649
Payment in respect of hedging transaction	(8,174)	(14,950)	(4,346)
Proceeds from hedging transactions	22,135	1,378	4,330
Acquisition and investment of investment property	(90,369)	(156,415)	(201,739)
Acquisition of investment property under construction	(73,471)	(82,897)	(40,963)
Acquisition of fixed assets	(166)	(1,750)	(1,084)
Proceeds from sale of fixed assets	76	599	260
Capitalization of interest paid to investment property under construction	(9,498)	(6,822)	(4,062)
Acquisition of intangible assets	(132)	(136)	(152)
Settlement (grant) of loan to partners in assets in Canada, net	3,718	(1,702)	37,385
Net cash used in investment activities	<u>(144,027)</u>	<u>(253,445)</u>	<u>(238,414)</u>
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>			
Settlement of short-term credit from banking institution, net	-	-	(764)
Receipt of long-term loans	49,524	208,111	168,631
Settlement of long-term loans	(147,444)	(56,148)	(273,998)
Settlement of liability in respect of leasing	(464)	-	-
Dividend paid to shareholders of the Company	(39,400)	(40,625)	(30,000)
Issue of share capital	151,945	-	108,172
Realization of options to shares	1,532	599	-
Proceed (settlement) of CPI hedging transactions and fixing interest	134	(2,331)	(8,358)
Settlement of debentures	(502,654)	(66,447)	(120,280)
Issue of debentures net of issue expenses	488,637	216,943	346,874
Net cash provided by finance activities	<u>1,810</u>	<u>260,102</u>	<u>190,277</u>
Translation differences for cash and cash equivalents	<u>(4,484)</u>	<u>(1,743)</u>	<u>4,204</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(65,989)</u>	<u>73,348</u>	<u>15,529</u>
<b>Balance of cash and cash equivalents as at the beginning of the year</b>	<u>322,950</u>	<u>249,602</u>	<u>234,073</u>
<b>Balance of cash and cash equivalents as at the end of the year</b>	<u>256,961</u>	<u>322,950</u>	<u>249,602</u>
<b>Significant transactions that do not involve cash flows</b>			
Acquisition of investment property and investment property under construction against creditors and suppliers and service providers	<u>24,634</u>	<u>36,055</u>	<u>38,118</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1:- SEGMENTS OF ACTIVITY

a. General

1. The Group operates in the field of real estate. Its main activity is holding income-producing properties, mainly for use as office premises in Israel and abroad. 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, including administration and general, are allocated directly to operational segments of activity since the Company's management examines its activities based on these segments.
3. The segment assets include all the operational assets which are used by the segment and are mainly composed of investment property and investment property under construction, cash and cash equivalents, customers and debtors and receivables. The liabilities of the segment include all the operational liabilities that result from operational transactions of the segment and are mainly composed of liabilities to banking institutions and others and creditors and payables. The assets and liabilities of the segment do not include assets and liabilities attributed to income on taxes.

b. Segment of activity informationOperating results

	<b>Year ended December 31, 2019</b>				<b>Total</b>
	<b>Israel</b>	<b>Belgium</b>	<b>Poland</b>	<b>Canada</b>	
	<b>NIS in thousands</b>				
<b>Income</b>					
Income from rental of properties before depreciation	75,119	13,275	67,591	93,079	249,064
Amortization of tenant incentives	(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	<u>174,736</u>	<u>9,617</u>	<u>44,150</u>	<u>171,781</u>	<u>400,284</u>
Segment results	<u>150,091</u>	<u>7,085</u>	<u>24,358</u>	<u>157,657</u>	<u>339,191</u>
Finance income					20,482
Finance expenses					(133,923)
Finance expenses, net					<u>(113,441)</u>
Income before taxes on income					<u>225,750</u>
Depreciation and amortization	1,249	-	1,091	7,121	9,461
Capital investments	<u>83,474</u>	<u>9,435</u>	<u>28,745</u>	<u>30,172</u>	<u>151,826</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1:- SEGMENTS OF ACTIVITY (Cont.)

b. Segment of activity information (Cont.)Operating results (Cont.)

	Year ended December 31, 2018				
	<u>Israel</u>	<u>Belgium</u>	<u>Poland</u>	<u>Canada</u>	<u>Total</u>
	NIS in thousands				
<b>Income</b>					
Income from rental of properties before depreciation	73,678	14,715	73,335	87,198	248,926
Amortization of tenant incentives	(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	<u>89,907</u>	<u>14,575</u>	<u>17,430</u>	<u>145,964</u>	<u>267,876</u>
Segment results	<u>67,678</u>	<u>13,188</u>	<u>(3,649)</u>	<u>124,535</u>	<u>201,752</u>
Finance income					(3,672)
Finance expenses					<u>(116,225)</u>
Finance expenses, net					<u>(119,897)</u>
Income before taxes on income					<u>81,794</u>
Depreciation and amortization	<u>906</u>	<u>-</u>	<u>1,023</u>	<u>4,951</u>	<u>6,880</u>
Capital investments	<u>69,720</u>	<u>3,060</u>	<u>91,818</u>	<u>99,348</u>	<u>263,946</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1:- SEGMENTS OF ACTIVITY (Cont.)

b. Segment of activity information (Cont.)Operating results (Cont.)

	Year ended December 31, 2017				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
<b>Income</b>					
Income from rental of properties before depreciation	69,923	13,315	68,277	78,591	230,106
Amortization of deferred tenant incentives	(161)	-	(650)	(4,244)	(5,055)
Increase (decrease) in value of investment property and investment property under construction, net	12,138	(3,561)	(36,779)	45,488	17,286
Total income	81,900	9,754	30,848	119,835	242,337
Segment results	60,390	7,379	12,758	100,477	181,004
Finance income					2,080
Finance expenses					(110,452)
Finance expenses, net					(108,372)
Income before taxes on income					72,632
Depreciation and amortization	858	-	1,077	4,265	6,200
Capital investments	69,418	6,520	28,439	146,311	250,688

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1:- SEGMENTS OF ACTIVITY (Cont.)

b. Segment of activity information (Cont.)Assets used by the segments

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>	
Israel	1,773,924	1,635,085
Belgium	194,421	212,331
Poland	1,076,502	1,185,395
Canada	1,593,248	1,531,606
Unallocated assets	4,727	5,385
	<u>4,642,822</u>	<u>4,569,802</u>

Liabilities used by the segments

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>	
Israel	1,747,712	1,821,581
Belgium	105,976	123,016
Poland	585,620	653,219
Canada	701,745	747,955
Unallocated liabilities	189,208	151,413
	<u>3,340,261</u>	<u>3,497,184</u>

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