

May 31, 2020

## **ADGAR PUBLISHES FIRST QUARTER RESULTS FOR 2020**

**The Company's revenues amounted to about NIS 60 million, similar to the corresponding quarter last year**

**NOI amounted to about NIS 56.5 million in the quarter, similar to last year**

**FFO for Shareholders amounted to about NIS 21.2 million, an increase of 7.7% compared with last year**

**The cash balances available to the Company at the end of the reporting period amount to about NIS 465 million**

**The Company announced that it will distribute a dividend to Shareholders in the amount of about NIS 10.6 million in accordance with the dividend policy**

**Following the Corona crisis, the Company is updating the NOI and FFO forecasts for 2020 and 2021 based on the Company's assumptions regarding the occupancy rates of existing properties and properties under construction based on the exchange rates on March 31, 2020**

### **NOI and FFO forecast for the years 2020-2021\***

	2021	2020
	NIS millions	
<b>NOI forecast</b>	<b>255-260</b>	<b>225-230</b>
<b>FFO forecast*</b>	<b>90-95</b>	<b>75-80</b>

**FFO Forecast\*:** The forecast is based on the assumption of a return to full routine operations in the coming months and does not take into account another outbreak of the virus.

**Roy Gadish, Company CEO, commented:** "We summarize the results of operations in the first quarter with stability in revenue and NOI and an increase in FFO, along with an increase in the Company's financial strength. The results of operations were mainly affected by the weakening of the Canadian dollar exchange rate against the shekel and an impairment in value as a result of the change in discount rates in Poland. Also, the consequences of the spread of the Corona virus, for now, have moderately affected the Company's operations, thanks to a strong and diverse mix of tenants that led to high rates of collection during and after the report, and in view of a number of actions the Company has taken to reduce costs and specific solutions for tenants.

Looking ahead, we estimate that the Brain Embassy (Open Spaces) brand, which we launched earlier this year, is expected to gain momentum from the market due to changing behavior patterns and needs of companies that may enter into flexible contracts in some areas they lease, and at the same time a dynamic need for the size of the offices in accordance with the activities of the Company. In addition, during the reporting period, the Company decided to increase its liquidity by withdrawing the credit facilities available to it in order to enable it

to better cope with the economic consequences of the Corona virus, if necessary. We believe that the geographical distribution of the Group's properties has an advantage during this period, as each area was affected differently by the consequences of the spread of the virus. We will continue to closely monitor the implications of the spread of the virus on the local economy and the geographical areas in which we operate, and at the same time we will continue to maintain ongoing contact with the tenants and be updated in accordance with any developments".

### Highlights of the Results

- **Revenue from renting properties amounted in the first quarter** to about NIS 60.4 million, compared with NIS 60.3 million in the corresponding quarter last year, and were affected by the decline in the average exchange rates of the euro and the Canadian dollar, which caused a decline in revenue of about NIS 2.8 million. After excluding the effect of exchange rates, revenues increased by about NIS 2.9 million. The increase in revenues derives from an increase in revenues in Canada due to an increase in occupancy rates and a new property acquired in February 2020, and an increase in the Adgar 360C occupancy rate in Israel. The increase was offset as a result of a decrease in the occupancy rate in Poland.
- **NOI for the quarter** amounted to about NIS 56.5 million, compared with NIS 56.2 million in the corresponding quarter last year. During the quarter, the effect of foreign currency was reflected in the depreciation of the exchange rate of the euro / Canadian dollar against the shekel, which affected NOI in the amount of about NIS 2.6 million in the quarter.
- **FFO for the quarter** increased by approximately 7.6% and amounted to approximately NIS 21.2 million, compared with approximately NIS 19.7 million in the corresponding quarter last year.
- **Profit attributed to Shareholders in the quarter** amounted to approximately NIS 11 million, compared with approximately NIS 31.3 million last year. The decrease is mainly due to the negative revaluation recorded by the Company in the first quarter of 2020 in the amount of about NIS 13.8 million and to non-recurring income in the amount of about NIS 6.2 million in the corresponding period last year.
- **The comprehensive loss attributed to Shareholders in the quarter amounted** to about NIS 18.5 million, compared with a profit of about NIS 3.6 million last year, and is mainly due to the decrease in profit attributed to Shareholders.
- **Equity attributed to the Shareholders** amounted to about NIS 1,243 million as of March 31, 2020, approximately NIS 8.17 per share, compared with approximately NIS 1,271 million (approximately NIS 8.35 per share) as of December 31, 2019.
- **Cash flow** from operating activities in the first quarter of 2020 amounted to approximately NIS 4.4 million, compared with approximately NIS 11.9 million in the corresponding period last year, and was mainly affected by the payment of semi-annual interest on bonds in the quarter in the amount of about NIS 26.5 million.
- The cash and cash equivalents position as of March 31, 2020 amounted to approximately NIS 465 million.
- **Investment real estate** (including real estate under construction) - in the quarter there was a decrease in the value of properties in the amount of about NIS 13.8 million. Most of the decrease is due to the increase in the discount rate in Poland in properties in the Mokotów area and amortization due to the purchase of a property in Canada, which was offset by an increase in the value of properties in Israel. During the quarter, the Company invested about NIS 148 million in investment real estate (including real estate under construction), of which about NIS 124 million in respect of the purchase of a new property

in the subsidiary in Canada. Also, during the reporting period, there was an increase in the exchange rate of the euro against the shekel by about 0.6% and the Canadian dollar, and a depreciation of the Canadian dollar against the shekel by about 5.8%, respectively.

#### About the Company

Adgar Investments and Development Ltd. is the real estate investment arm of the Tzur Shamir Holdings Group Ltd. Adgar operates in the field of income-producing real estate and specializes in the acquisition, development and improvement of real estate properties. The Company has extensive international operations spread over 4 countries: Canada (mainly Toronto), Israel, Belgium and Poland (Warsaw). The Company owns properties with a total value of about NIS 4 billion, and it operates from time to time in entrepreneurial activities, by way of improving existing properties and constructing new office buildings for rent.

\*) The information is forward-looking information whose realization is uncertain and may differ materially, inter alia, due to factors that are not dependent of the Company. **The forecast does not take into account possible effects of the Corona virus outbreak on Group operations.**

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