

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

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2020**

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2020**

**INDEX**

	<u>Page</u>
<b>Accompanying Letter to the Financial Statements</b>	<b>2</b>
<b>Condensed Consolidated Statements of Financial Position</b>	<b>3-4</b>
<b>Condensed Consolidated Statements of Profit or Loss</b>	<b>5</b>
<b>Condensed Consolidated Statements of Comprehensive Income</b>	<b>6</b>
<b>Condensed Consolidated Statements of Changes in Equity</b>	<b>7</b>
<b>Condensed Consolidated Statements of Cash Flows</b>	<b>8-9</b>
<b>Notes 1 - Segments of Activity</b>	<b>10-13</b>

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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 December 31, 2020 and 2019 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, 2020, 2019 and 2018, and in our report dated March 11, 2021 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, 2021

**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>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	424,446	256,961
Customers	13,246	14,705
Deposits	15,726	62,001
Debtors and receivables	19,267	27,981
Loans	4,625	6,108
Taxes receivable	8,014	4,256
Derivatives	11,863	14,111
	<b>497,187</b>	<b>386,123</b>
<b>NON-CURRENT ASSETS</b>		
Deposits	36,376	36,813
Debtors	308	313
Derivatives	10,079	17,387
Fixed assets, net	14,596	15,253
Investment property	4,114,556	4,078,661
Investment property under construction	136,126	107,095
Intangible assets	743	706
Deferred taxes	2,090	471
	<b>4,314,874</b>	<b>4,256,699</b>
	<b>4,812,061</b>	<b>4,642,822</b>

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
<b>CURRENT LIABILITIES</b>		
Credit from banking institutions and current maturities of long-term loans	227,130	165,515
Current maturities of debentures	174,210	100,110
Liabilities to suppliers and service providers	18,268	21,239
Taxes payable	158	799
Creditors and payables	67,784	70,765
Derivatives	30,596	8,017
	518,146	366,445
<b>NON CURRENT LIABILITIES</b>		
Loans from banking institutions and other financial institutions	1,374,637	1,296,404
Debentures	1,429,121	1,440,032
Derivatives	27,625	34,893
Employee benefit liabilities, net	106	300
Other liabilities	14,268	13,778
Deferred taxes	193,608	188,409
	3,039,365	2,973,816
<b>EQUITY</b>		
Share capital	207,203	195,835
Share premium	585,564	507,404
Other reserves	(10,553)	(12,885)
Foreign currency translation adjustments of foreign activities	(363,744)	(330,910)
Retained earnings	836,080	911,635
Total equity attributable to the Company's shareholders	1,254,550	1,271,079
Non-controlling interest	-	31,482
Total equity	1,254,550	1,302,561
	4,812,061	4,642,822

March 11, 2021

Date of approval of the financial statements

Doron Schneidman  
Chairman of the Board

Roy Gadish  
CEO

Liat Manor  
Deputy CFO

**ADGAR INVESTMENTS AND DEVELOPMENT LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands (Except for net earnings (loss) data per share)		
<b>INCOME</b>			
Revenues from rental of properties	240,662	241,182	243,282
Increase (decrease) in value of investment property and investment property under construction, net	(115,154)	159,102	24,594
	<u>125,508</u>	<u>400,284</u>	<u>267,876</u>
<b>EXPENSES</b>			
Maintenance of properties, net	24,225	22,970	23,645
General and administrative	39,032	44,266	42,479
Other expenses (income)	-	(6,143)	61
	<u>63,257</u>	<u>61,093</u>	<u>66,185</u>
Income before finance	<u>62,251</u>	<u>339,191</u>	<u>201,691</u>
Finance income	3,260	20,482	(3,672)
Finance expenses	(105,995)	(133,923)	(116,225)
Finance expenses, net	<u>(102,735)</u>	<u>(113,441)</u>	<u>(119,897)</u>
Income (loss) before taxes on income	(40,484)	225,750	81,794
Taxes on income	5,546	53,590	16,716
Net income (loss)	<u>(46,030)</u>	<u>172,160</u>	<u>65,078</u>
Attributable to:			
Company's shareholders	(34,255)	175,125	71,358
Non-controlling interests	(11,775)	(2,965)	(6,280)
	<u>(46,030)</u>	<u>172,160</u>	<u>65,078</u>
Earnings per share:			
Net earnings (loss) per share attributable to Company's shareholders (in NIS):			
Basic and diluted net earnings (loss)	<u>(0.22)</u>	<u>1.30</u>	<u>0.54</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Net income (loss)	(46,030)	172,160	65,078
Other comprehensive income (loss) (after the tax effect):			
<b>Amounts that will not be reclassified subsequently to profit or loss</b>			
Re-evaluation in respect of revaluation of fixed assets	-	436	-
<b>Amounts that will be reclassified or are reclassified profit or loss when specific conditions are met:</b>			
Loss in respect of cash flow hedge transactions, net	(478)	(5,376)	(3,649)
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	(24,005)	(54,271)	3,678
Total amounts that will be reclassified or are reclassified to profit or loss	(24,483)	(59,647)	1,980
Total other comprehensive income (loss)	(24,483)	(59,211)	1,980
Total comprehensive income (loss)	(70,513)	112,949	67,058
Total comprehensive income (loss) attributable to:			
Company shareholders	(58,459)	120,344	72,655
Non-controlling interests	(12,054)	(7,395)	(5,597)
	(70,513)	112,949	67,058

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							Total equity
	Share capital	Share premium	Other reserves	Foreign currency translation adjustments of foreign activities	Retained earnings	Total	Non-controlling interests	
NIS In thousands								
<b>Balance as of January 1, 2018</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 to 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 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	-	-	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
Loss	-	-	-	-	(34,255)	(34,255)	(11,775)	(46,030)
Total other comprehensive loss	-	-	(289)	(23,915)	-	(24,204)	(279)	(24,483)
Total comprehensive loss	-	-	(289)	(23,915)	(34,255)	(58,459)	(12,054)	(70,513)
Issue of share capital	11,368	78,160	1,610	(8,919)	-	82,219	(19,405)	62,814
Share-based payment	-	-	1,011	-	-	1,011	(23)	988
Dividend to Company shareholders	-	-	-	-	(41,300)	(41,300)	-	(41,300)
<b>Balance as of December 31, 2020</b>	207,203	585,564	(10,553)	(363,744)	836,080	1,254,550	-	1,254,550



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
<b>CASH FLOWS FROM CURRENT ACTIVITIES</b>			
Net income (loss)	(46,030)	172,160	65,078
Adjustments required to present cash flows from current activities:			
Adjustments to the profit or loss items:			
Change in employee benefit liabilities, net	(194)	50	40
Decrease (increase) in value of investment property and investment property under construction, net	115,154	(159,102)	(24,594)
Finance expenses, net	102,735	113,441	119,897
Other expenses (income), net	(11)	(40)	61
Depreciation and amortization	10,384	9,461	6,880
Taxes on income	5,546	53,590	16,716
Share-based payment cost	988	2,917	2,454
	<u>234,602</u>	<u>20,317</u>	<u>121,454</u>
Changes in asset and liability items:			
Decrease in customers	1,452	947	3,753
Decrease (increase) in debtors and receivables	8,526	750	(7,012)
Increase (decrease) in liabilities to suppliers and service providers	(3,230)	(751)	1,043
Increase (decrease) in creditors and payables	1,940	2,688	(7,307)
	<u>8,688</u>	<u>3,634</u>	<u>(9,523)</u>
Cash paid and received during the year for:			
Interest paid	(107,956)	(112,027)	(106,015)
Interest received	3,138	2,558	3,030
Dividend received	-	-	34
Taxes paid	(4,945)	(5,943)	(5,677)
Taxes received	93	13	53
	<u>(109,670)</u>	<u>(115,399)</u>	<u>(108,575)</u>
Net cash provided by current activities	<u>87,590</u>	<u>80,712</u>	<u>68,434</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Settlement (investment) in deposits, net	48,354	11,854	(3,296)
Acquisition of short-term investments	-	-	(14,086)
Realization of short-term investments	-	-	26,632
Payment in respect of hedging transaction	(4,325)	(8,174)	(14,950)
Proceeds from hedging transactions	27,777	22,135	1,378
Acquisition and investment of investment property	(211,569)	(90,369)	(156,415)
Acquisition of investment property under construction	(37,444)	(73,471)	(82,897)
Acquisition of fixed assets	(885)	(166)	(1,750)
Proceeds from sale of fixed assets	115	76	599
Capitalization of interest paid to investment property under construction	(3,049)	(9,498)	(6,822)
Acquisition of intangible assets	(242)	(132)	(136)
Settlement (grant) of loan to partners in assets in Canada and to others, net	1,286	3,718	(1,702)
Net cash used in investment activities	<u>(179,982)</u>	<u>(144,027)</u>	<u>(253,445)</u>
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>			
Acquisition of the share of the non-controlling interest	(1,590)	-	-
Receipt of short-term credit	150,332	-	-
Settlement of short-term credit	(150,332)	-	-
Receipt of long-term loans	294,331	49,524	208,111
Settlement of long-term loans	(63,390)	(147,444)	(56,148)
Settlement of liability in respect of leasing	(462)	(464)	-
Dividend paid to shareholders of the Company	(41,300)	(39,400)	(40,625)
Issue of share capital	-	151,945	-
Realization of options to shares	-	1,532	599
Proceed (settlement) of CPI hedging transactions and fixing interest	(2,862)	134	(2,331)
Settlement of debentures	(67,446)	(502,654)	(66,447)
Issue of debentures net of issue expenses	148,268	488,637	216,943
Net cash provided by finance activities	<u>265,549</u>	<u>1,810</u>	<u>260,102</u>
Translation differences for cash and cash equivalents	<u>(5,672)</u>	<u>(4,484)</u>	<u>(1,743)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>167,485</u>	<u>(65,989)</u>	<u>73,348</u>
<b>Balance of cash and cash equivalents as at the beginning of the year</b>	<u>256,961</u>	<u>322,950</u>	<u>249,602</u>
<b>Balance of cash and cash equivalents as at the end of the year</b>	<u>424,446</u>	<u>256,961</u>	<u>322,950</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>18,814</u>	<u>24,634</u>	<u>36,055</u>
Issuance of shares against debt conversion and acquisition of non-controlling interests	<u>82,219</u>	<u>-</u>	<u>-</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

	Year ended December 31, 2020				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
<b>Income</b>					
Income from rental of properties before depreciation	83,771	12,838	55,366	97,403	249,378
Amortization of tenant incentives	(82)	-	(682)	(7,952)	(8,716)
Decrease in value of investment property and investment property under construction, net	(9,748)	624	(69,907)	(36,123)	(115,154)
Total income	73,941	13,462	(15,223)	53,328	125,508
Segment results	49,022	10,761	(34,854)	37,322	62,251
Finance income					3,260
Finance expenses					(105,995)
Finance expenses, net					(102,735)
Loss before taxes on income					(40,484)
Depreciation and amortization	1,254	-	1,157	7,973	10,384
Capital investments	60,482	26,822	23,295	141,434	252,033

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Year ended December 31, 2019				
	<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	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					(113,441)
Income before taxes on income					<u>225,750</u>
Depreciation and amortization	<u>1,249</u>	<u>-</u>	<u>1,091</u>	<u>7,121</u>	<u>9,461</u>
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				
	Israel	Belgium	Poland	Canada	Total
	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 deferred 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	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)
Finance expenses, net					(119,897)
Income before taxes on income					81,794
Depreciation and amortization	906	-	1,023	4,951	6,880
Capital investments	69,720	3,060	91,818	99,348	263,946

## 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>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
Israel	1,924,402	1,773,924
Belgium	241,641	194,421
Poland	1,022,452	1,076,502
Canada	1,613,462	1,593,248
Unallocated assets	10,104	4,727
	<u>4,812,061</u>	<u>4,642,822</u>

Liabilities used by the segments

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
Israel	2,024,386	1,757,712
Belgium	104,698	105,976
Poland	502,653	585,620
Canada	732,008	701,745
Unallocated liabilities	193,766	189,208
	<u>3,557,511</u>	<u>3,340,261</u>

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