

Gav-Yam Land Corporation Ltd.

**Condensed Consolidated Interim
Financial Statements
September 30, 2021**

**(Unaudited)
(Translated from Hebrew)**



Review Report to the Shareholders of Gav-Yam Land Corporation Ltd.

Introduction

We have reviewed the accompanying financial information of Gav-Yam Land Corporation Ltd. and subsidiaries (hereinafter – “the Company”) which comprising the condensed consolidated statement of financial position as of September 30, 2021, and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for this interim period in accordance with IAS 34, “Interim Financial Reporting”. In addition, they are responsible for the preparation of this interim financial information for this interim period in accordance with chapter 4 of the provisions of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not reviewed the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 6% of total consolidated assets as of September 30, 2021, and whose revenues included in consolidation constitutes approximately 2% of total consolidated revenues for the nine and three months period then ended. In addition, we did not review the condensed interim financial information of certain investee companies accounted for using the equity method, the company’s interest in which is NIS 38,732 thousands as of September 30, 2021, and the company’s share in its profits of NIS 3,617 and NIS 2,855, respectively, for the nine and three months period then ended. The condensed interim financial information for this interim period of the above subsidiaries and associated companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

In addition to the previous paragraph, based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present, in all material respects, in accordance with chapter 4 of the provisions of the Securities Regulations Periodic and immediate reports (1970).

Haifa, Israel
October 26, 2021

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Condensed Consolidated Interim Statement of Financial Position

	<u>September 30</u> <u>2021</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>September 30</u> <u>2020</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>December 31</u> <u>2020</u> <u>(Audited)</u> <u>NIS thousands</u>
Assets			
Cash and cash equivalents	304,641	1,968,386	1,715,381
Short-term investments and deposits	864,454	594,826	823,674
Trade receivables	6,199	5,330	4,480
Other receivables	234,469	91,670	104,631
Current tax assets	14,847	215	427
Total current assets	1,424,610	2,660,427	2,648,593
Long term receivables	57,782	57,537	48,371
Investments and loans in equity-accounted investees	239,388	151,382	194,442
Fixed assets, net	54,372	49,547	48,852
Assets in respect of usage right	2,165	738	972
Intangible assets, net	964	4,207	4,149
Inventory of real estate	-	134,857	134,807
Investment property under construction	818,753	310,370	549,401
Investment property	8,673,025	7,748,677	7,670,094
Total non-current assets	9,846,449	8,457,315	8,651,088
Total assets	11,271,059	11,117,742	11,299,681

Eldad Fresher
Chairman of the Board of Directors

Avi Jacobovitz
CEO

Mark Zack
CFO

Date of approval of the financial statements: October 26, 2021

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

	<u>September 30</u> <u>2021</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>September 30</u> <u>2020</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>December 31</u> <u>2020</u> <u>(Audited)</u> <u>NIS thousands</u>
Liabilities			
Loans and borrowings	610,128	722,557	722,557
Other payables	146,026	158,324	157,431
Current tax liabilities	11,906	10,094	15,977
Liabilities for construction services	109,994	61,655	146,566
Total current liabilities	878,054	952,630	1,042,531
Debentures	4,885,790	5,460,024	5,440,699
Liabilities for construction services	144,004	216,720	127,689
Employee benefits, net	982	754	982
Lease obligation	53,388	155	53,206
Deferred taxes	1,179,327	1,000,987	1,018,589
Total non-current liabilities	6,263,491	6,678,640	6,641,165
Total liabilities	7,141,545	7,631,270	7,683,696
Capital			
Share capital	169,585	169,578	169,578
Capital reserves	307,686	304,123	304,868
Retained earnings	2,735,435	2,212,189	2,300,008
Total capital attributed to owners of the Company	3,212,706	2,685,890	2,774,454
Non-controlling interests	916,808	800,582	841,531
Total capital	4,129,514	3,486,472	3,615,985
Total liabilities and capital	11,271,059	11,117,742	11,299,681

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2021 (Unaudited) NIS thousands	2020 (Unaudited) NIS thousands	2021 (Unaudited) NIS thousands	2020 (Unaudited) NIS thousands	2020 (Audited) NIS thousands
Revenue					
Rental income	408,358	401,031	138,908	134,061	533,924
Increase in fair value of investment property	756,277	23,357	183,246	-	109,020
Management fees	7,587	8,575	2,718	3,016	11,793
Other	94,518	28,402	80,148	1,786	32,686
	1,266,740	461,365	405,020	138,863	687,423
Expenses					
Property maintenance	27,307	23,874	9,882	8,569	32,789
Selling and marketing	7,068	6,356	2,723	2,026	7,929
General and administrative	26,403	25,493	8,345	8,409	33,027
Other	24,452	30,657	8,107	4,844	38,276
	85,230	86,380	29,057	23,848	112,021
Operating profit	1,181,510	374,985	375,963	115,015	575,402
Financing expenses, net					
Financing income (expenses)	6,298	(16,075)	1,696	634	(13,071)
Financing expenses	(180,135)	(97,614)	(60,588)	(41,060)	(142,569)
Financing expenses, net	(173,837)	(113,689)	(58,892)	(40,426)	(155,640)
Share in profits of equity accounted investees	22,491	7,283	4,029	2,796	14,609
Profit before taxes	1,030,164	268,579	321,100	77,385	434,371
Taxes on income	219,540	66,935	68,841	17,123	103,752
Net profit for the period	810,624	201,644	252,259	60,262	330,619
Attributable to:					
Owners of the Company	695,427	172,129	235,226	47,356	260,141
Non-controlling interests	115,197	29,515	17,033	12,906	70,478
Net profit for the period	810,624	201,644	252,259	60,262	330,619
Earnings per share attributable to owners of the Company					
Basic earnings per share (in NIS)	324.98	80.55	109.67	22.16	1.22
Diluted earnings per share (in NIS)	315.37	80.37	106.44	22.11	1.21

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

	<u>Nine months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>September 30</u>		<u>September 30</u>		<u>December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>		<u>NIS thousands</u>		<u>NIS thousands</u>
Net profit for the period	<u>810,624</u>	<u>201,644</u>	<u>252,259</u>	<u>60,262</u>	<u>330,619</u>
Items of other comprehensive income not to be transferred to profit or loss					
Actuarial losses from a defined benefit plan	-	-	-	-	(269)
Tax benefits for items of other comprehensive income	-	-	-	-	62
Other comprehensive loss for the period, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(207)</u>
Total comprehensive income for the period	<u>810,624</u>	<u>201,644</u>	<u>252,259</u>	<u>60,262</u>	<u>330,412</u>
Attributable to:					
Owners of the Company	<u>695,427</u>	<u>172,129</u>	<u>235,226</u>	<u>47,356</u>	<u>259,948</u>
Non-controlling interests	<u>115,197</u>	<u>29,515</u>	<u>17,033</u>	<u>12,906</u>	<u>70,464</u>
Total comprehensive income for the period	<u>810,624</u>	<u>201,644</u>	<u>252,259</u>	<u>60,262</u>	<u>330,412</u>

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Reserve from transaction with non-controlling interests and with the controlling shareholder	Revaluation reserve	Share based payment reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousands								
Nine months ended September 30, 2021 (unaudited)									
Balance as at January 1, 2021	169,578	259,136	9,730	29,462	6,540	2,300,008	2,774,454	841,531	3,615,985
Net profit for the period	-	--	-	-	-	695,427	695,427	115,197	810,624
Dividends to non-controlling interests conferring control in a subsidiary	-	-	-	-	-	-	-	(39,920)	(39,920)
Exercise of convertible securities into shares	7	5,533	-	-	(5,450)	-	-	-	-
Share-based payment - imputation of the benefit component	-	-	-	-	2,825	-	2,825	-	2,825
Dividend to Company shareholders	-	-	-	-	-	(260,000)	(260,000)	-	(260,000)
Balance as at September 30, 2021	169,585	264,669	9,730	29,462	3,825	2,735,435	3,212,706	916,808	4,129,514
Nine months ended September 30, 2020 (unaudited)									
Balance as at January 1, 2020	169,577	257,994	9,730	29,462	3,328	2,240,060	2,710,151	885,837	3,595,988
Net profit for the period	-	-	-	-	-	172,129	172,129	29,515	201,644
Dividends to non-controlling interests conferring control in a subsidiary	-	-	-	-	-	-	-	(114,770)	(114,770)
Exercise of convertible securities into shares	1	1,142	-	-	(1,143)	-	-	-	-
Share-based payment - imputation of the benefit component	-	-	-	-	3,610	-	3,610	-	3,610
Dividend to Company shareholders	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at September 30, 2020	169,578	259,136	9,730	29,462	5,795	2,212,189	2,685,890	800,582	3,486,472

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Reserve from transaction with non-controlling interests and with the controlling shareholder	Revaluation reserve	Share based payment reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousands								
Three months ended September 30, 2021 (unaudited)									
Balance as at July 1, 2021	169,578	259,136	9,730	29,462	8,795	2,500,209	2,976,910	889,775	3,876,685
Net profit for the period	-	-	-	-	-	235,226	235,226	17,033	252,259
Exercise of convertible securities into shares	7	5,533	-	-	(5,540)	-	-	-	-
Share-based payment - imputation of the benefit component	-	-	-	-	570	-	570	-	570
Balance as at September 30, 2021	169,585	264,669	9,730	29,462	3,825	2,735,435	3,212,706	916,808	4,129,514
Three months ended September 30, 2020 (unaudited)									
Balance as at July 1, 2020	169,577	257,994	9,730	29,462	6,656	2,164,833	2,638,252	887,476	3,525,728
Net profit for the period	-	-	-	-	-	47,356	47,356	12,906	60,262
Dividends to non-controlling interests conferring control in a subsidiary	-	-	-	-	-	-	-	(99,800)	(99,800)
Exercise of convertible securities into shares	1	1,142	-	-	(1,143)	-	-	-	-
Share-based payment - imputation of the benefit component	-	-	-	-	282	-	282	-	282
Balance as at September 30, 2020	169,578	259,136	9,730	29,462	5,795	2,212,189	2,685,890	800,582	3,486,472
Year ended December 31, 2020									
Balance as at January 1, 2020	169,577	257,994	9,730	29,462	3,328	2,240,060	2,710,151	885,837	3,595,988
Net profit for the period	-	-	-	-	-	260,141	260,141	70,478	330,619
Other comprehensive income for the period, net of tax	-	-	-	-	-	(193)	(193)	(14)	(207)
Exercise of convertible securities into shares	1	1,142	-	-	(1,143)	-	-	-	-
Share-based payment - imputation of the benefit component	-	-	-	-	4,355	-	4,355	-	4,355
Dividends to non-controlling interests conferring control in a subsidiary	-	-	-	-	-	-	-	(114,770)	(114,770)
Dividend to Company shareholders	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at December 31, 2020	169,578	259,136	9,730	29,462	6,540	2,300,008	2,774,454	841,531	3,615,985

The attached notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands		NIS thousands		NIS thousands
Cash flows from operating activities					
Net profit for the period	810,624	201,644	252,259	60,262	330,619
<u>Adjustments:</u>					
Depreciation and amortization	3,453	3,445	1,277	1,079	4,550
Net change in fair value of investment property	(756,277)	(23,357)	(183,246)	-	(109,020)
Financing expenses, net	167,507	113,499	55,634	40,258	154,778
Share in profits of equity accounted investees	(22,491)	(7,283)	(4,029)	(2,796)	(14,609)
Income tax expenses	219,540	66,935	68,841	17,123	103,752
Change in trade and other receivables	(136,137)	(29,823)	(166,071)	(775)	(32,867)
Change in other payables	5,998	5,417	11,456	17,228	3,328
Change in real estate inventory	134,807	10,158	136,858	-	10,208
Share based payment	2,625	3,155	570	13	3,755
Change in employee benefits	-	-	-	-	(41)
	<u>429,649</u>	<u>343,790</u>	<u>173,549</u>	<u>132,392</u>	<u>454,453</u>
Dividends received	4,000	7,650	-	1,750	7,650
Income tax paid, net	69,455	(31,088)	(41,523)	(11,776)	(40,462)
Net cash from operating activities	<u>364,194</u>	<u>320,352</u>	<u>132,026</u>	<u>122,366</u>	<u>421,641</u>
Cash flows from investing activities					
Overpayment of betterment levies advance payment	-	-	-	-	(13,399)
Interest received	5,790	7,382	1,646	2,879	9,469
Proceeds from sale of investment property	44,000	51,595	11,625	-	65,124
Taxes paid for sale of investment property	(10,285)	(20,595)	(10,285)	-	(20,595)
Receipt to institutions for sale Investment property	(7,426)	(10,336)	(7,426)	-	(10,336)
Acquisition and construction of investment property	(581,205)	(330,018)	(406,297)	(118,496)	(412,570)
Purchase of property, plant and equipment and intangible assets	(3,467)	(1,546)	(904)	(176)	(1,634)
Purchase of marketable securities	(60,873)	(122,459)	-	(18,791)	(133,312)
Sale of marketable securities	320,261	295,373	33,779	17,976	305,980
Investments and loans to investees, net	(26,462)	4,489	(26,462)	-	4,489
Change in investments in short term deposits, net	(287,377)	(190,560)	209,529	(239,699)	(431,604)
Repayment of a pledged deposit, net	(12,800)	(12,800)	-	-	227
Net cash from (used for) investing activities	<u>(619,844)</u>	<u>(329,475)</u>	<u>(194,795)</u>	<u>(356,307)</u>	<u>(638,161)</u>
Cash flow from financing activities					
Proceeds from issuance of debentures, net	-	1,911,811	-	1,142,502	1,911,811
Repayment of debentures	(712,809)	(365,043)	-	-	(377,843)
Interest paid	(141,357)	(143,291)	(50,162)	(57,518)	(175,864)
Repayment of lease obligations	(1,004)	(858)	(469)	(264)	(1,093)
Dividend paid to non-controlling interests in a subsidiary	(39,920)	(114,770)	-	(99,800)	(114,770)
Dividend paid to Company shareholders	(260,000)	(200,000)	-	-	(200,000)
Net cash from (used for) financing activities	<u>(1,155,090)</u>	<u>1,087,849</u>	<u>(50,631)</u>	<u>984,920</u>	<u>1,042,241</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,410,740)</u>	<u>1,078,726</u>	<u>(113,400)</u>	<u>750,979</u>	<u>825,721</u>
Cash and cash equivalents at the beginning of the period	<u>1,715,381</u>	<u>889,660</u>	<u>418,041</u>	<u>1,217,407</u>	<u>889,660</u>
Balance of cash and cash equivalents at the end of the period	<u>304,641</u>	<u>1,968,386</u>	<u>304,641</u>	<u>1,968,386</u>	<u>1,715,381</u>
Appendix - Non-cash transactions					
Acquisition of investment property on credit	-	26,271	-	7,489	19,986
Sale of investment property on credit	-	50,496	-	-	36,113
Sale of inventory of real estate on credit	161,250	-	161,250	-	-
Reclassification from fixed assets to investment property	-	88,986	-	-	88,986

The attached notes are an integral part of the condensed consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021

NOTE 1 – REPORTING ENTITY

Gav-Yam Land Corporation Ltd. ("the Company") is an Israeli resident company. The consolidated financial statements of the Group as at September 30, 2020 include those of the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and jointly controlled companies. The Company is a directly held subsidiary of Property and Building Corporation Ltd. The Group is involved in income-producing property, initiating, planning, developing, constructing (through subcontractors), leasing, maintaining and managing industrial parks, high-tech parks, office buildings, retail areas, logistics and parking lots. In addition, the Group is involved in residential construction, initiating, planning, developing, constructing (through subcontractors), marketing and selling of housing units in upscale residential neighborhoods. The Company is a public company and its securities are traded on the Tel Aviv Stock Exchange.

NOTE 2 – CORONA EPODEMIC

The first nine months of 2021 were marked by the corona crisis and the recovery from it. The fourth wave of Corona virus outbreaks, starting in July this year, brought with it an increase in the number of patients, the number of hospitalized patients and the number of critically ill patients, despite the high percentage of immunizations in the population. In recent weeks, there has been a slowdown and even a decrease in the number of patients in general and of critically ill patients in particular. During the fourth wave, the government avoided from imposing a lockdown, and imposing significant restrictions on the economy, and it is evident that the economy continues the process of recovery and growth. However, it is not known whether the fourth wave will indeed be halted definitively, and it is not known when, if at all, another wave of disease will arrive, and whether new restrictions will be imposed on the economy by the government.

As of the date of this report, the Company's management estimates that in light of its financial strength, which is reflected, among other things, in its cash and high cash equivalents, low leverage rate, the debt's and its spread, the fact that all its assets are unencumbered, Of the company's assets, their location, location, occupancy levels and the fact that the vast majority of them are assets used for high-tech, offices, industry and logistics (and not for trade or retail), as well as the quality of tenants, reduced exposure of the company's business The Company estimates that all of the above will enable it to continue to finance its activities and meet its obligations.

As stated in Note 3 to the Financial Report for 2020, the fair value of the Company's income-producing real estate is affected by two critical estimates - the appropriate rent and the discount rate. As of the date of the report and based on the available information, in light of the distribution of tenants and the fact that most properties are leased to high-tech, offices, industry and logistics' the company estimates that the damage to the rent, insofar as it is such, will be relatively low, in the short term. During the Nine months ended September 30, 2020, the Company conducted, through independent external appraisers, valuations of all of the Company's income-producing assets. See also Note 7 below.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021

NOTE 3 - BASIS OF PREPARATION

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements. They should be read together with the financial statements for the year ended December 31, 2020 ("the Annual Statements"). Additionally, these statements have been prepared in accordance with the provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved by the Company's board of directors on October 26, 2021.

B. Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgments made by management, when applying the Group's accounting policies and the key assumptions used in assessments that involve uncertainty, are consistent with those applied the preparation of the Annual Financial Statements.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

- A. The accounting policies applied by the Group in these condensed consolidated interim statements are the same as those applied by the Group in its annual financial statement.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021**NOTE 5 – OPERATING SEGMENTS**

The Group has two main business segments:

- Income producing properties
- Residential construction

	Income producing properties *		Other operations		Consolidated	
	Nine months ended September 30 (unaudited)					
	2021	2020	2021	2020	2021	2020
	NIS thousands		NIS thousands		NIS thousands	
Total segment revenues	<u>1,175,549</u>	<u>433,739</u>	<u>91,191</u>	<u>27,626</u>	<u>1,266,740</u>	<u>461,365</u>
Segment profit	<u>1,142,576</u>	<u>409,359</u>	<u>72,405</u>	<u>(2,525)</u>	<u>1,214,981</u>	<u>406,834</u>

Financing expenses, net

Consolidated profit before taxes on income

1,030,164 268,579

	Income producing properties *		Other operations		Consolidated	
	Three months ended September 30 (unaudited)					
	2021	2020	2021	2020	2021	2020
	NIS thousands		NIS thousands		NIS thousands	
Total segment revenues	<u>326,415</u>	<u>137,395</u>	<u>78,605</u>	<u>1,468</u>	<u>405,020</u>	<u>138,863</u>
Segment profit	<u>315,645</u>	<u>128,670</u>	<u>71,386</u>	<u>(3,220)</u>	<u>387,031</u>	<u>125,450</u>
Selling and marketing expenses					<u>(2,723)</u>	<u>(2,026)</u>
General and Administrative expenses					<u>(8,345)</u>	<u>(8,409)</u>
Financing expenses, net					<u>(58,892)</u>	<u>(40,426)</u>
Share in profits of equity-accounted investees					<u>4,029</u>	<u>2,796</u>
Consolidated profit before taxes on income					<u>321,100</u>	<u>77,385</u>

* Includes income from appreciation of investment property.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021**NOTE 5 – OPERATING SEGMENTS (CONTD.)**

	<u>Income producing properties *</u>	<u>Other operations</u>	<u>Consolidated</u>
	<u>Year ended December 31, 2020 (unaudited)</u>		
Total segment revenues	<u>655,677</u>	<u>31,746</u>	<u>687,423</u>
Segment profit	<u>619,049</u>	<u>(2,691)</u>	616,358
Selling and marketing expenses			(7,929)
General and Administrative expenses			(33,027)
Financing expenses, net			(155,640)
Share in profits of equity			<u>14,609</u>
Consolidated profit before taxes on income			<u>434,371</u>

* Includes income from appreciation of investment property.

NOTE 6 – EQUITY

- A. On January 31, 2021, the Company's Board of Directors announced on distribution of a dividend in the amount of NIS 260 million (NIS 1.2 per ordinary share). The dividend was paid on February 21, 2021.
- B. On January 21, 2021, the Company's Board of Directors declared the distribution of a dividend in the amount of 80 NIS million. The dividend was paid on February 4, 2021.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021**NOTE 7 - INVESTMENT PROPERTY**

- A. During the first half of 2021, the Company conducted valuations of all its income-producing properties used for offices, high-tech, logistics and industry purposes.

For the 3-month period ended September 30, 2021, the Company has updated the valuations for assets used for logistics and industrial purposes only. The valuations and their updates were conducted by external evaluators and determined using the expected future discounted cash flow method from the properties. The discount rates used by the evaluators are mainly in the range of 5.5%-9%, determined taking into consideration the type and purpose of the property, its location, its age, the rent against the market price and the quality of the tenants. In determining the value of office buildings, buildings zoned for the high-tech industry and commercial buildings (located mainly in central areas and high-tech industrial parks with high quality tenants), mainly discount rates of 6.3%-9% were used, whereas workshops, warehouses and industrial buildings (mostly located in outlying areas) were estimated mainly based on discount rates of 5.5%-7.0%. The increase in fair value is mainly due to a reduction in the discount rates used by the external evaluator in the valuations for most of the Company's properties and a real increase in rent collected in the Company's different properties and an increase in CPI, since the previous valuation. In properties zoned for logistics and industry, the discount rate used by the evaluator in the period of 6 months ended June, 2021, was decreased by 0.75%-1% in most properties and in the designation of offices and high-tech, the discount rate, the discount rate used by the appraiser was reduced by an average of about 0.35%.

During the period of 3 months ending on September 30, 2021, the Company updated the valuations of the said assets and made a further reduction in the discount rate in the properties designated for logistics and industry by a rate of approximately 0.5% in most assets

As a result of the updated valuations as specified above, the Company recognized revenues for an increase in fair value of investment property as follows:

	Nine months ended September 30 2021¹ (Unaudited) NIS thousands	Three months ended September 30 2021¹ (Unaudited) NIS thousands
Income before tax	756,277	183,246
Income after tax	582,333	141,100

- ¹ Including impairment of approximately NIS 19 million and 6 million (loss after tax of approximately NIS 15 million and NIS 5 million) for nine months and for the three months ended June 30, 2021, respectively, due to the valuation of real estate for investment in construction.

- B. During the first quarter of 2021, Gav-Yam and Rav Briach entered into a joint transaction for the construction of a factory in Ashkelon, with a total area of approximately 41,000 square meters, on a land division of Rav Briach in an area of approximately 55 dunams in the Ashkelon industrial zone. Gav-Yam will manage and finance the construction of the project the adjustment work in the factory will be carried out by Rav Briach and at its expense, and it will lease the property for a period of about 25 years. Upon completion of the establishment of the factory, Gav-Yam's share in the property will be - 70% and Rav Briach's share - 30%.
The transfer of the rights to Gav-Yam is subject to the fulfilment of a number of conditions and the receipt of permits.
The financing of the establishment of the said plant will be carried out by Gav-Yam against receipt of collateral from Rav Briach until the date of transfer of the rights in the land
- C. In the second quarter of 2021, the Company signed an agreement with an independent third party for the sale of all of its interests in a commercial center in Haifa with a GLA of 3,500 square meters (the Company's share 1,750 sq.m), which is fully leased. In return, the buyer will pay the Company an amount of NIS 35 million plus VAT. Due to the sale of the property, the Company recorded a net profit (after tax) of NIS 6 million. The buildings have been handed over to the buyer.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021

NOTE 7 - INVESTMENT PROPERTY (CONTD.)

- D. During the first quarter of 2021, the company purchased a building in Hamada street 14 in the In the Herzliya Pituach industrial zone, privately owned, located next to Gev-Yam Park Herzliya North. The building, with an area of approximately 3,600 square meters, was built on a plot of approximately 1.1 dunams, and includes the potential for additional building rights amounting to approximately 3,000 square meters for employment purposes. In return for the property, Gev-Yam paid a total of NIS 60.5 million, plus VAT as required by law.

NOTE 8- LONG-TERM CREDITFinancial covenants

In respect of the debentures (Series I) that were issued by the Company, the Company undertook to comply with the following financial covenants:

- The capital attributable to the owners of the Company will not fall below NIS 1,150 million.
- The ratio of the consolidated net financial debt to total net assets will not exceed 71%.
- The ratio between the annual net financial debt and EBITDA of the Company will not exceed 17.

The Company complies with the above covenants as of September 30, 2021 and to the best of its knowledge the same is true as of the date of publication of this report.

Below are the results of calculating the financial covenants as at September 30, 2021:

- Capital attributable to owners of the Company - NIS 3,213 million
- Ratio between the consolidated net financial debt and net CAP - 50%
- The ratio between the annual net financial debt and EBITDA - 8

Grounds for placing the bonds for immediate repayment.

In addition to standard immediate repayment grounds (including, inter alia, insolvency and various R&D actions against the Company, attributable to the Company's business, real fear of insolvency, deletion of trading, merger subject to exceptions. Changes in the Company's activities and more) The debentures (Series IX) will be repaid immediately in the following cases:

- Failure to comply with the above financial benchmarks in two consecutive quarters.
- CROSSDEFAULT - If any other series of debentures of the company or one or more bank loans whose balance or balance exceeds 5% of the total consolidated assets of the company according to the consolidated financial statements of the company that the company issued before a relevant case.
- Lowering the company's credit rating below BBB minus or terminating the debentures rating by a rating company.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021

NOTE 8- LONG-TERM CREDIT (CONTD.)

In respect of the debentures (Series H) Issued by the Company, the Company undertook to comply with the following financial covenants:

- The capital attributable to the owners of the Company will not fall below NIS 900 million.
- The ratio of the consolidated net financial debt to total net assets will not exceed 71%.
- The ratio between the annual net financial debt and EBITDA of the Company will not exceed 17.

Below are the results of calculating the financial covenants as of September 30, 2021:

- Capital attributable to owners of the Company - NIS 3,213 million.
- Ratio between the consolidated net financial debt and net CAP - 50%
- Ratio between the annual net financial debt and EBITDA - 8

In respect of the Series A debentures issued by MATAM, the subsidiary undertook to comply with the following financial covenants:

- The subsidiary's equity will not decrease below NIS 700 million.
- The ratio of the subsidiary's equity to total assets will not decrease below 30%.
- The ratio between the net financial debt to the NOI of the subsidiary shall not exceed 8.

Below are the results of calculating the financial covenants as of September 30, 2021:

- The subsidiary's equity - NIS 1,720 million.
- The ratio of the subsidiary's equity to total assets - 58%.
- The ratio between the net financial debt to the NOI of the subsidiary – 3.7

In respect of the Series A bonds issued by the subsidiary Negev, the subsidiary undertook to comply with the following financial covenants:

- The capital of the subsidiary shall not be less than NIS 100 million.
- The ratio between the equity of the subsidiary and the balance sheet shall not be less than 25%.
- The ratio between the net financial debt and net CAP of the subsidiary shall not exceed 70%.

The following are the results of calculating the financial covenants as of September 30, 2020:

- The shareholders' equity of the subsidiary - NIS 207 million.
- The ratio of the shareholders' equity to total assets of the subsidiary - 38%
- The ratio between the net financial debt and the net CAP of the subsidiary - 52%

The financial covenants are reviewed on a quarterly basis, based on the audited or reviewed financial statements of the subsidiary. The subsidiary complies with the aforementioned financial covenants as of September 30, 2021.

Notes to the Consolidated Interim Financial Statements as at September 30, 2021**NOTE 9 – FINANCIAL INSTRUMENTS****Financial instruments at fair value for disclosure purposes only**

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, short-term investments and deposits, borrowings and short-term loans and borrowings, trade payables and other payables are the same or proximate to their fair value.

The fair values of financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	September 30, 2021		September 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Total liabilities:				
Listed debentures	4,380,988	4,774,776	4,998,955	5,219,583
None listed debentures	1,114,930	1,169,991	1,183,626	1,231,970
	<u>5,495,918</u>	<u>5,917,767</u>	<u>6,182,581</u>	<u>6,451,553</u>

For information about the valuation technique, see Note 27 to the Annual Statements.

Fair value hierarchy of instruments measured at fair value

The Company measures its marketable securities portfolio at fair value based on quoted prices in an active market. Accordingly, the fair value measurement is classified on Level 1 of the fair value hierarchy.

NOTE 10 - ADDITIONAL EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT EVENTS

- A. In June 2020, the Matam subsidiary (hereinafter - "Matam") received a demand for the payment of property taxes from the Haifa Municipality for the years 2014-2020 in the amount of NIS 28 million in respect of the land occupied by Matam Park.
Of the amount of the demand, approximately NIS 26 million constitutes a charge in respect of previous years and a total of approximately NIS 2 million constitutes a charge in respect of the current year. The Company filed an administrative petition against the retroactive charge as well as an action against the current charge. During the month of February, the court approved a compromise between the parties for the settlement of the property tax assessment debts for the period up to December 31, 2020, according to which Matam paid an amount of NIS 4.6 million.
- B. Remuneration of the Chairman of the Board of Directors - On February 28, 2021, a special meeting of the Company's shareholders approved, after approval by the Remuneration Committee and the Company's Board of Directors, the Company's contract with the Chairman of the Board in a 65% position. In return, the company will pay the chairman, a monthly salary (gross) in the amount of NIS 100,000 and related conditions; Annual grant (target grant) of up to 8 monthly salaries, subject to meeting the objectives specified in the Company's amended remuneration policy (the target grant can reach 150% upon presentation of overperformance) and a capital reward worth NIS 1.2 million per year, including up to 55,773 Blocked stock units and 460,185 options. The options and blocked shares will mature in three equal installments over 3 years, the exercise price of the options will be NIS 26.27, all in accordance with the company's approved capital compensation plan.
- C. Subsequent to the date of the financial statements, Ramat Hanasi Gav Yam Ltd. (a wholly-owned subsidiary of the Company) signed an agreement with an independent third party for the sale of all remaining land reserves and building rights in the Ramat Hanasi residential project in Haifa ("Object of the Sale"). The Object of the Sale, which includes 350 residential units approved for construction under the existing master plan as well as the potential for the construction of hundreds of additional residential units, and future master plans, is being sold for NIS 215 million plus VAT and another future consideration, subject to approval of additional housing

Notes to the Consolidated Interim Financial Statements as at September 30, 2021

NOTE 10 - ADDITIONAL EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT EVENTS (CONTD.)

units and in respect of the utilization of building rights in excess of the amount agreed between the parties and in respect of the approval of future building rights, insofar as to be approved, in different rates, according to steps agreed between the parties. Following the sale, the Company recognized a net profit of NIS 55 million in the third quarter.

