

**Gav-Yam Land Corporation Ltd.**

**Condensed Consolidated Interim  
Financial Statements**

**March 31, 2021**

**(Unaudited)**



## **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 its subsidiaries (hereinafter – “the Company”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “Interim Financial Reporting”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D 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 review the condensed interim financial statements of subsidiaries, whose assets included in consolidation constitute approximately 6% of total consolidated assets as of March 31, 2020, and whose revenue included in consolidation constitutes approximately 4% of total consolidated revenue for the three-month 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 33,245 thousands as of March 31, 2020, and the company’s share in its profits of NIS 540 thousands for three-month periods then ended. The financial statements of the above subsidiaries and associated companies were reviewed by other independent 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 independent auditors.

### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. 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 generally accepted auditing standards 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 on the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa, Israel  
April 27, 2021

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

**Condensed Consolidated Interim Statement of Financial Position**

	<u>March 31</u> <u>2021</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>March 31</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>
<b>Assets</b>			
Cash and cash equivalents	<b>1,398,157</b>	1,373,468	1,715,381
Short-term investments and deposits	<b>396,937</b>	597,413	823,674
Trade receivables	<b>5,764</b>	8,357	4,480
Other receivables	<b>103,684</b>	80,781	104,631
Current tax assets	<b>449</b>	152	427
Inventory of real estate	<b>-</b>	2,696	-
<b>Total current assets</b>	<b>1,904,991</b>	2,062,867	2,648,593
Other long term receivables	<b>55,130</b>	49,888	48,371
Investments and loans in equity-accounted investees	<b>198,013</b>	150,844	194,442
Property, plant and equipment, net	<b>48,653</b>	47,975	48,852
Intangible assets, net	<b>4,275</b>	4,312	4,149
Assets in respect of usage rights	<b>753</b>	1,287	972
Available lands inventory	<b>136,957</b>	134,807	134,807
Investment property under construction	<b>601,293</b>	318,645	549,401
Investment property	<b>7,885,237</b>	7,447,352	7,670,094
<b>Total non-current assets</b>	<b>8,930,311</b>	8,155,110	8,651,088
<b>Total assets</b>	<b>10,835,302</b>	10,217,977	11,299,681

\_\_\_\_\_  
Eldad Fresher  
Chairman of the Board of Directors

\_\_\_\_\_  
Avi Jacobovitz  
CEO

\_\_\_\_\_  
Mark Zack  
CFO

Date of approval of the financial statements: April 27, 2021

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

## Condensed Consolidated Interim Statement of Financial Position

	<u>March 31</u>	<u>March 31</u>	<u>December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Liabilities</b>			
Loans and borrowings	<b>722,939</b>	759,893	722,557
Other payables	<b>119,382</b>	145,887	157,431
Current tax liabilities	<b>15,519</b>	10,629	15,977
Short term liabilities for construction services	<b>121,314</b>	56,454	146,566
<b>Total current liabilities</b>	<b>979,154</b>	972,863	1,042,531
Debentures	<b>5,053,687</b>	4,660,655	5,440,699
Liabilities for construction services	<b>148,121</b>	143,506	127,689
Employee benefits, net	<b>982</b>	754	982
Liabilities for leases	<b>52,703</b>	418	53,206
Deferred taxes	<b>1,072,434</b>	983,946	1,018,589
<b>Total non-current liabilities</b>	<b>6,327,927</b>	5,789,279	6,641,165
<b>Total liabilities</b>	<b>7,307,081</b>	6,762,142	7,683,696
<b>Capital</b>			
Share capital	<b>169,578</b>	169,577	169,578
Capital reserves	<b>305,793</b>	302,178	304,868
Retained earnings	<b>2,236,729</b>	2,101,282	2,300,008
<b>Total capital attributed to shareholders of the Company</b>	<b>2,712,100</b>	2,573,037	2,774,454
<b>Non-controlling interests</b>	<b>816,121</b>	882,798	841,531
<b>Total capital</b>	<b>3,528,221</b>	3,455,835	3,615,985
<b>Total liabilities and capital</b>	<b>10,835,302</b>	10,217,977	11,299,681

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

**Condensed Consolidated Interim Statement of Income**

	Three months ended		Year ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Revenue</b>			
Rental income	134,117	134,261	533,924
Increase in fair value of investment property	198,264	25,477	109,020
Management fees	2,426	2,902	11,793
Other	4,989	6,039	32,686
	<b>339,796</b>	168,679	687,423
<b>Expenses</b>			
Property maintenance	8,189	8,851	32,789
Selling and marketing	2,164	2,389	7,929
General and administrative	8,483	7,967	33,027
Other	8,165	5,497	38,276
	<b>27,001</b>	24,704	112,021
<b>Operating profit</b>	<b>312,795</b>	143,975	575,402
Financing (expenses) income	1,737	(21,137)	(13,071)
Financing expenses	(42,911)	(24,488)	(142,569)
<b>Financing expenses, net</b>	<b>(41,174)</b>	(45,625)	(155,640)
Share in profits of equity accounted investees	2,756	2,157	14,609
<b>Profit before taxes</b>	<b>274,377</b>	100,507	434,371
Taxes on income	63,146	27,354	103,752
<b>Net profit for the period</b>	<b>211,231</b>	73,153	330,619
<b>Attributable to:</b>			
Owners of the Company	196,721	61,222	260,141
Non-controlling interests	14,510	11,931	70,478
<b>Net profit for the period</b>	<b>211,231</b>	73,153	330,619
<b>Earnings per share attributable to owners of the Company</b>			
Basic earnings per share (in NIS)	0.92	0.29	1.22
Diluted earnings per share (in NIS)	0.91	0.29	1.21

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

**Condensed Consolidated Interim Statement of Comprehensive Income**

	Three months ended		Year ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Net profit for the period</b>	<b>211,231</b>	73,153	330,619
<b>Items of other comprehensive income not to be transferred to profit or loss</b>			
Actuarial losses from a defined benefit plan	-	-	(269)
Tax benefits for items of other comprehensive income	-	-	62
<b>Other comprehensive losses for the period, net of tax</b>	<b>-</b>	-	<b>(207)</b>
<b>Total comprehensive income for the period</b>	<b>211,231</b>	73,153	330,412
<b>Attributable to:</b>			
Owners of the Company	<b>196,721</b>	61,222	259,948
Non-controlling interests	<b>14,510</b>	11,931	70,464
<b>Total comprehensive income for the period</b>	<b>211,231</b>	73,153	330,412

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									
<b>Three months ended March 31, 2021 (unaudited)</b>									
<b>Balance as at January 1, 2021</b>	<b>169,578</b>	<b>259,136</b>	<b>9,730</b>	<b>29,462</b>	<b>6,540</b>	<b>2,300,008</b>	<b>2,774,454</b>	<b>841,531</b>	<b>3,615,985</b>
Net profit for the period	-	-	-	-	-	196,721	196,721	14,510	211,231
Dividend to non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(39,920)	(39,920)
Share based payment	-	-	-	-	925	-	925	-	925
Dividend to Company shareholders	-	-	-	-	-	(260,000)	(260,000)	-	(260,000)
<b>Balance as at March 31, 2021</b>	<b>169,578</b>	<b>259,136</b>	<b>9,730</b>	<b>29,462</b>	<b>7,465</b>	<b>2,236,729</b>	<b>2,712,100</b>	<b>816,121</b>	<b>3,528,221</b>
<b>Three months ended March 31, 2020 (unaudited)</b>									
<b>Balance as at January 1, 2020</b>	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	-	-	-	-	-	61,222	61,222	11,931	73,153
Dividend to non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(14,970)	(14,970)
Share based payment	-	-	-	-	1,664	-	1,664	-	1,664
Dividend to Company shareholders	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
<b>Balance as at March 31, 2020</b>	<b>169,577</b>	<b>257,994</b>	<b>9,730</b>	<b>29,462</b>	<b>4,992</b>	<b>2,101,282</b>	<b>2,573,037</b>	<b>882,798</b>	<b>3,455,835</b>
<b>For the year ended December 31, 2020</b>									
<b>Balance as at January 1, 2020</b>	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)
Share based payment	1	1,142	-	-	(1,143)	-	-	-	-
Maturity of share based payment	-	-	-	-	4,355	-	4,355	-	4,355
Dividend to Company shareholders	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
<b>Balance as at December 31, 2020</b>	<b>169,578</b>	<b>259,136</b>	<b>9,730</b>	<b>29,462</b>	<b>6,540</b>	<b>2,300,008</b>	<b>2,774,454</b>	<b>841,531</b>	<b>3,615,985</b>

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

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021****Condensed Consolidated Interim Statement of Cash Flows**

	Three months ended		Year ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
NIS thousands	NIS thousands	NIS thousands	
<b>Cash flows from operating activities</b>			
Net profit for the period	211,231	73,153	330,619
Adjustments:			
Depreciation and amortization	998	1,209	4,550
Net change in fair value of investment property	(198,264)	(25,477)	(109,020)
Financing expenses, net	39,608	45,854	154,778
Share in profits of equity accounted investees	(2,756)	(2,157)	(14,609)
Income tax expenses	63,146	27,354	103,752
Change in trade and other receivables	(9,095)	(14,621)	(32,867)
Change in other payables	(14,175)	(6,890)	3,328
Change in inventory	(550)	1,032	10,208
Share based payment	825	1,479	3,755
Change in benefits for employees	-	-	(41)
	<b>90,968</b>	100,936	454,453
Dividends received	-	3,100	7,650
Income tax paid, net	(9,407)	(8,081)	(40,462)
<b>Net cash from operating activities</b>	<b>81,561</b>	95,955	421,641
<b>Cash flows from investment activities</b>			
overpayment of betterment levies advance payment	-	-	(13,399)
Interest received	2,243	4,138	9,469
Proceeds from sale of investment property	2,000	51,595	65,124
Taxes paid for sale of investment property	-	(20,595)	(20,595)
Payment to institutions for sale Investment Property	-	(10,336)	(10,336)
Acquisition and construction of investment property	(86,641)	(102,339)	(412,570)
Acquisition fix assets and intangible assets	(707)	(599)	(1,634)
Purchase of marketable securities	(16,834)	(50,040)	(133,312)
Sale of marketable securities, net	19,142	56,787	305,980
Investments and loans to investees, net	(341)	4,489	4,489
Change in short-term deposits, net	423,540	(40,796)	(431,604)
Repayment of a designated deposit, net	-	-	227
<b>Net cash used in investing activities</b>	<b>342,402</b>	(107,696)	(638,161)
<b>Cash flow from financing activities</b>			
Proceeds from issuance of debentures, net	-	769,309	1,911,811
Repayment of debentures	(382,049)	-	(377,843)
Interest paid	(58,989)	(58,492)	(175,864)
Dividend paid to non-controlling interests in a subsidiary	(39,920)	(14,970)	(114,770)
Dividend paid to Company shareholders	(260,000)	(200,000)	(200,000)
Repayment of liability in respect of leases	(229)	(298)	(1,093)
<b>Net cash (used in) from financing activities</b>	<b>(741,187)</b>	495,549	1,042,241
<b>Net (Decrease) increase in cash and cash equivalents</b>	<b>317,224</b>	483,808	825,721
Cash and cash equivalents at the beginning of the period:	1,715,381	889,660	889,660
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>1,398,157</b>	1,373,468	1,715,381
<b>Appendix - Non-cash transactions</b>			
Acquisition of investment property on credit	2,872	-	19,986
Sale of investment property on credit	-	50,496	36,113
Real estate additional against a liability for construction services	-	-	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 March 31, 2021**

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**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 March 31, 2021 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. The Company is a public company and its securities are traded on the Tel Aviv Stock Exchange.

**NOTE 2 - CORONA EPIDEMIC**

The corona crisis which began in 2020 also continued into the first quarter of 2021. In February 2021, the third closure, which lasted about a month, ended, and the economy opened gradually, although still under various restrictions, as set by the Israeli government.

In December 2020, an operation to vaccinate the population against the virus began in Israel, when, according to data from the Ministry of Health, as of the date of publication of the report, more than 5.2 million citizens were vaccinated with the first vaccine and more than 4.8 million citizens with the second vaccine. Due to the extensive scope of vaccines, there has been a trend of declining morbidity in Israel in recent weeks.

The Company continues its day-to-day operations, subject to all government restrictions and guidelines, including continued initiation, planning, construction, marketing and maintenance. This, while balancing the company's commitment to maintaining the health of all its employees and tenants in its properties with the need for business continuity.

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. Logistics, the company estimates that the damage to the rent, insofar as it is such, will be relatively low, in the short term. The Company believes, based on the opinion of the external appraisers with whom it operates, that the discount rates at which its assets were valued are adequate discount rates, as of the date of the report.

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021**

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**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 April 27, 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 in the preparation of the Annual Financial Statements.

**NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES**

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 March 31, 2021**


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**NOTE 5 – OPERATING SEGMENTS**

The Group has one main business segments:

- Income producing properties

	Income producing properties *		Other operations		Consolidated	
	Three months ended March 31, (unaudited)					
	2021	2020	2021	2020	2021	2020
	NIS thousands		NIS thousands		NIS thousands	
Total segment revenues	<b>334,975</b>	162,949	<b>4,821</b>	5,730	<b>339,796</b>	168,679
Segment profit	<b>322,734</b>	153,923	<b>708</b>	408	<b>323,442</b>	154,331
Selling and marketing expenses					<b>(2,164)</b>	(2,389)
General and Administrative expenses					<b>(8,483)</b>	(7,967)
Financing expenses, net					<b>(41,174)</b>	(45,625)
Share in profits of equity-accounted investees					<b>2,756</b>	2,157
Consolidated profit before taxes on income					<b>274,377</b>	100,507

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021****NOTE 5 – OPERATING SEGMENTS (CONTD.)**

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

\* Includes income from increase in fair value of investment property.

**NOTE 6 – EQUITY**

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.

On January 21, 2021, the subsidiary Matam Board of Directors (hereinafter - "Matam") announced on distribution of a dividend in the amount of NIS 80 million. The dividend was paid on February 4, 2021.

**NOTE 7 - INVESTMENT PROPERTY**

A. During the first quarter of 2021 the Company performed a valuation of all of the income-producing assets of the Company designated for logistics and industry.

The increase in the fair value was mainly due to a reduction in the discount rates used by the external appraiser in the valuations, at a rate of 0.75%- 1% in most assets. The valuation update for March 31, 2020 was performed by an external appraiser. The valuations were determined using the method of discounting the future cash flows that are expected to result from the assets and assuming the best use. The discount rates used by the appraiser are mainly in the range of 6%-7.5%. The discount rates were determined taking into account the type of property and its purpose, the location of the property, the amount of the rent versus the market price and the quality of the tenants. As a result of the update of the valuations as detailed above, the Company recorded income in respect of an increase in the fair value of investment real estate as follows:

	Three months ended March 30 2021 <sup>1</sup> (Unaudited) NIS thousands
Income before tax	198,264
Income after tax	152,663

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021****NOTE 7 - INVESTMENT PROPERTY (CONTD.)**

- 1 Including income in the amount of approximately NIS 6 million (income after tax approximately NIS 5 million) in respect of 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 fulfillment 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.

**NOTE 8 – 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:

	March 31, 2021		March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Total liabilities:				
Debtentures	<b>4,606,590</b>	<b>4,958,284</b>	4,445,939	4,553,087
Non-tradable debtentures	<b>1,170,036</b>	<b>1,228,077</b>	974,609	988,382
	<b>5,776,626</b>	<b>6,186,361</b>	5,420,548	5,541,469

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.

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021**

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**NOTE 9- LONG-TERM CREDIT**Covenants

In connection with the debentures (Series IX), the Company undertook to meet the following covenants:

- Capital attributed to the Company's shareholders not be less than NIS 1,150 million.
- The ratio of net financial debt to CAP should not exceed 71%.
- The ratio of net financial debt to the Company's annual EBITDA shall not exceed 17.

The Company complies with the above covenants as of March 31, 2021 and to the best of its knowledge the same is true as of the date of publication of this report.

Here are the results of the financial covenants calculation as of March 31, 2021:

- Capital attributed to the company's owners - NIS 2,712 million
- Consolidated net financial debt to CAP ratio - 51%
- Ratio of net financial debt to annual 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 bond rating by a rating company.

In connection with the Series H bonds issued by the Company, the Company undertook to meet the following 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 March 31, 2021:

- Capital attributable to owners of the Company- NIS 2,712 million.
- Ratio between the consolidated net financial debt and net CAP- 51%
- Ratio between the annual net financial debt and EBITDA- 8

In connection with the Series A debentures issued by a subsidiary, 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.

**Notes to the Consolidated Interim Financial Statements as at March 31, 2021**

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**NOTE 9- LONG-TERM CREDIT (CONTD.)**

Below are the results of calculating the financial covenants as of March 31, 2021:

- The subsidiary's equity - NIS 1,522 million.
- The ratio of the subsidiary's equity to total assets - 54%.
- The ratio between the net financial debt to the NOI of the subsidiary - 4.

In connection with the Series A bonds issued by the Negev subsidiary, 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 March 31, 2021:

- The shareholders' equity of the subsidiary - NIS 197 million.
- The ratio of the shareholders' equity to total assets of the subsidiary - 36%
- The ratio between the net financial debt and the net CAP of the subsidiary - 53%

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 March 31, 2021.

**NOTE 10- ADDITIONAL EVENTS DURING THE REPORTING PERIOD**

- 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.

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