The Israel Land Development Company Ltd.

Highlights from the Annual Report for 2020

Disclaimer: The following is a **non-binding translation** of **Board of Directors' discussion** and analysis and the **Consolidated Financial Statements which are chapters of the original Hebrew version of the Annual Report for the year 2020 as filed on March 25 2021** (the "**Annual Report**"). It is hereby clarified that this ref. does not in any way diminish the need of an investor to read the Annual Report. **In the event of any contradiction between the information brought in this ref., and the information in the Annual Report, the information in the Annual Report shall prevail.**

Board of Directors’ Report as on December 31, 2020

The Board of Directors of The Israel Land Development Company Ltd. (“**the Company**” or “**the Group**” or “**ILDC**” – as the case may be) is hereby honored to submit the Board of Directors’ Report of the Company and its consolidated subsidiaries for the year ended December 31, 2020 (“**the Report Period**”).

The Company, its business environment and its operating segments:

The Company operates in three principal operating segments, directly and through investee companies, as follows:

(a) Property leasing segment:

1. Income-generating real estate in Israel: development, leasing and management of income-generating properties in Israel, mainly commercial properties and office buildings.
2. Income-generating real estate in Europe: development, leasing and management of logistics parks, mainly in Poland.

(b) Residential development and construction in Israel: development, execution and sale of projects in Israel by way of urban renewal.

(c) Residential development and construction abroad: development, execution and sale of projects in Poland and one project in Romania.

The Board of Directors’ explanations for the corporation’s business position, its results of operations, its equity and its cash flows

Following are key data from the Company’s consolidated results of operations (in NIS millions)

	2020	2019
NOI	175	184
Total profit from real estate businesses	161	189
Appreciation of investment real estate	118	316
Financing expenses, net	(137)	(136)
Net profit	**117**	**177**

For details about the operating results during the Report Period and about the parameters that affected them, including compared to the corresponding period last year, see clause 2 hereunder.

1. Highlights of the Company’s operations during the Report Period and subsequent to the date of the statement of financial position

The coronavirus crisis and its impact on the Group’s business operations

1.1 **General** – At the beginning of 2020, an epidemic began spreading throughout the world caused by the coronavirus (COVID-19), which was declared a pandemic by the World Health Organization. The outbreak of the pandemic led to a global health and economic crisis that is effecting diverse business spheres in many countries.

Indications of exiting the crisis – cautious optimism

Exercising all due caution and without underestimating the impacts of the grave global crisis this past year, as specified hereunder, the Company assesses that indications of an exit from the crisis and a return to routine life have been emerging in recent weeks.

After a large number of entities were recruited to create a vaccine against the coronavirus, such vaccines were developed with unprecedented speed and, on December 20, 2020, the State of Israel began a vaccine campaign "to lend a hand." Within the framework of this campaign, the population who received the two required doses of the vaccine (as well as those who recovered from the coronavirus), is entitled to receive a "green pass" that affords various reliefs, such as an exemption from quarantine for those returning from abroad and those exposed to a confirmed infected person, entry into multi-participant attractions (culture, sport, conferences and the like) and entry into restaurants and hotels ("**green pass**"). Concurrently, thanks to the high inoculation ratio and the steep drop in the morbidity rate, most of the restrictions on movement that had been imposed on citizens and those involved in the operation of places of business have been removed, and it appears that the local economy is gradually returning to full operation.

According to the Company's assessment, the continuation of the said trend can be expected to be expressed by a moderation of the adverse impact caused to the Company's revenues, to its operating results and to the value of the Seven Stars Mall in Herzliya and, later on, depending upon the pace of the exit from the crisis, by a recovery of its operating results and a return to their level as existed prior to the crisis.

As specified hereunder, the Company took all possible actions throughout the period of the crisis to mitigate its impacts on the Company's operations and to prepare for a rapid exit from it to the extent possible.

The Company Management's assessments and the Company's plans stated above pertaining to an exit from the crisis constitute forward-looking information, which depend on the continuing pace of inoculation and the efficacy of the vaccines (which could be adversely affected by new, vaccine-resistant variants of the virus entering Israel) and which are subject, inter alia, to the government orders and guidelines pertaining to the economy's activities at the present time, including the emergency regulations being updated from time to time that have a material impact on the volume of activity of the economy as a whole and particularly on the Company's activities with its assets, especially the mall in Herzliya and, as a derivative of this, on its ability to implement its exit strategy referred to above and hereunder.

The impacts of the coronavirus crisis on the Israeli economy

The assessments published by the Bank of Israel on January 4, 2021 about the impacts of the coronavirus crisis[1] present two main scenarios based on the continuing inoculation process in Israel – a rapid inoculation scenario that includes rapid inoculation of the population until May 2021, and a slow inoculation scenario

[1] The Research Division's macroeconomic forecast, January 2021.

that includes a more prolonged inoculation process continuing until June 2022. Already at the time of publication of the said assessments in January 2021, the Bank of Israel's forecast stated that, in view of the rapid pace of inoculations during the two weeks since they began and until the publication date of its forecast, it appears that the rapid scenario is significantly more likely than the slow scenario. Since this trend has continued and accelerated since the publication of the forecast and until the publication date of this report, one can conclude that the likelihood of this scenario has also risen.

In the rapid inoculation scenario, the GDP is expected to expand by 6.3% in 2021 and by 5.8% in 2022. The inflation rate is expected to be 0.6% in 2021 and 0.9% in 2022. The unemployment rate is expected to drop to 7.7% of the labor force by the fourth quarter of 2021 and to continue declining gradually to 5.4% by the end of 2022. The government deficit is expected to be 8% of the GDP in 2021 and 3.6% of the GDP in 2022, such that the debt-to-GDP ratio will be 77% and 75%, respectively. This optimistic scenario is based on the assumption that the government will carry out policy measures (cutbacks in expenditures and tax increases) on a scale consistent with the restraint deriving from the legally mandated expenditure ceiling. Without such adjustments, the expected expenditures based on existing decisions will lead to a deficit of about 4% of the GDP in 2022.

In the slow inoculation scenario, the GDP is expected to expand by 3.5% in 2021 and by 6% in 2022. The inflation rate is expected to be 0.1% in 2021 and 0.8% in 2022. The unemployment rate is expected to drop to 11% and 7%, respectively.

The Research Division's forecast presents two scenarios that reflect boundaries between the materialization of an optimistic scenario and a pessimistic scenario. These scenarios reflect the Bank of Israel's assessment of a reasonable, but not absolute, range of the severity of the economic impact resulting from the coronavirus. The Bank of Israel states that more optimistic scenarios (such as a more rapid recovery from the pandemic) and more pessimistic scenarios (such as a return to harsh lockdowns like in the past, financial instability and more) are certainly possible, as well as health risks (such as a scenario of mutations of the virus that are resilient to the vaccines that have been developed). As a result, uncertainty still exists with regard to the economy's response during the recovery period, including the depth of the "scars" that the crisis will leave on the economy. Furthermore, another risk deriving from the political uncertainty, insofar as the elections in March 2021, the fourth within two years, do not lead to the formation of a government that is capable of deciding fiscal policy, launching reforms and especially, of passing the budgets for 2021 and 2022.

As part of the national efforts to contend with the pandemic, the Israeli government enacted emergency regulations in March 2020 that imposed restrictions on movement and on gatherings of people, limited the access to public spaces and, inter alia, imposed lockdowns on commercial centers and cultural, entertainment and recreational venues and restrictions on activities in the business, public and private sectors ("**the First Lockdown**" and "**the Restrictions**," respectively).

Although the Restrictions were gradually eliminated as of May 2020 as part of the measures to restore routine life, during August 2020, as a result of the outbreak of a second wave of coronavirus infections, particular restrictions were imposed on movement and on gatherings, which adversely affected the volume and nature of the activities in the business, public and private sectors.

As a result of a spike in the coronavirus infection rate, these Restrictions were intensified to the point of a full lockdown and, in mid-September 2020, new regulations came into effect that severely limited and restricted going out, loitering and activities in the public space, gatherings were prohibited except in compliance with the Restrictions, the decision was reached to once again shuttered street stores, commercial centers, cultural, entertainment and recreational venues and the activities in workplaces in the private and public sectors were severely restricted, apart from vital workplaces (“**the Second Lockdown**”). The exit from the Second Lockdown was gradual.

At the end of November 2020, the coronavirus cabinet approved a pilot for the reopening of 15 malls throughout Israel, nine of which were selected by lottery, including the Seven Stars Mall in Herzliya (“**the Mall Pilot**”) and, on December 9, 2020, all remaining malls resumed operations according to the stringent “purple badge” guidelines prescribed in the Mall Pilot.

Towards the end of December 2020, as a result of another spike in morbidity, government guidelines and emergency regulations were published that once again ordered the shuttering of places of business in Israel, including the Seven Stars Mall (apart from the continuing operation of vital operations), as of December 28, 2020 until February 20, 2021 (“**the Third Lockdown**”).

The successful inoculation campaign led to the exit from the Third Lockdown, the gradual lifting of many restrictions and relief in the severity of the remaining restrictions, such that, correct to the publication date of this report, movement in the public space, including entry into malls and places of business, is no longer restricted, subject to the occupancy restriction that is based on the size of the business premises, and except for closed venues engaging in activities with an audience, and entry into restaurants and food courts is permitted solely to people bearing a “green pass.”

Following is a description of the material impacts on the Company’s operations deriving from the said crisis and its projected repercussions:

The Company’s activities since the outbreak of the crisis

Employees and managers in the Company’s headquarters worked continuously throughout the periods of the First Lockdown, the Second Lockdown and the Third Lockdown, while adjusting the number of people working in the Company’s facilities to comply with the guidelines as updated from time to time, and while maintaining maximum compliance with the regulations and providing maximum safety for the Company’s employees, including according to the “purple badge” guidelines in Israel and the directives issued by the competent authorities abroad.

In Israel – the Company has maintained overall functional continuity since the outbreak of the coronavirus pandemic, while complying with all of the government restrictions and guidelines and while strictly safeguarding the health of all those employed by the Company and those entering its offices, including consultants and service-providers.

Income-generating properties – pursuant to the emergency regulations published by the government, most places of business in Israel were closed from March 15 until

May 6, 2020, including businesses operating in properties leased by the Company – the Seven Stars Mall in Herzliya ("**Herzliya Mall**") and, towards the end of March 2020, also the commercial center in Reut and the Seven Stars Center in Rishon LeZion. Vital places of business were allowed to continue operating pursuant to the regulations, such as: supermarkets, pharmacies, banks and clinics ("**the Vital Activities**").

Even when the malls reopened at the end of the First Lockdown, restrictions and guidelines regarding the mode of operation of the mall as a whole and of every store within the bounds of the mall remained in effect, including a restriction on the number of people inside the mall and in each of the businesses operating in it, and restrictions applying to the operation of restaurants, coffee shops and gyms. The Second Lockdown once again caused the closure of the Herzliya Mall and a ban on operating the businesses in it, apart from the Vital Activities, until November 2020, when the Herzliya Mall reopened for business within the framework of the Mall Pilot as stated above, which ended when the Third Lockdown came into effect.

There was no material adverse impact on the Company's income from lessees operating Vital Activities or from the rest of the income-generating properties in Israel throughout the three lockdown periods.

<u>Residential development and construction</u> – the residential development activities in Israel continued throughout the entire period of the crisis, albeit at a slower pace, as a result of the closure of government offices and local authorities during the three lockdown periods, which caused a slowdown in the local authorities' work, due to work meetings being held solely using digital means and the sporadic presence of the relevant functionaries. Furthermore, the "purple badge" rules for operating businesses included restrictions on gatherings and, although some leniency was later introduced, these restrictions still hamper the Company's ability to hold conferences or meetings to obtain tenants' signatures.

<u>Abroad (mainly in Poland)</u> – in Poland, like in Israel, the government imposed restrictions, but only towards the end of March 2020, and already began a gradual easing of the restrictions on April 19, 2020 towards the resumption of routine life. However, a sharp spike in the number of coronavirus cases occurred in early November 2020, which caused the reimposition of the restrictions, inter alia, on the number of employees in offices, the commercial activity in the Polish economy, etc. As a consequence, the advancement of planning processes at the authorities has slowed down since March 2020, due to the restrictions imposed on their routine activities.

<u>MLP's logistics parks</u> continued operating normally, and the collection of rent money in respect of all of the agreements continued in full force and on time, without having to give any discounts or concessions to lessees. According to the assessment of the Company's Management, there is no significant concern about any future adverse impact on MLP's income and/or on the pace of the business development of the new parks in Poland and in Germany.

<u>Residential development activities in Poland</u> were exposed to some slowdown during the period of the lockdown, which was reflected by a slowdown in the pace of sales, which the Company's Management assesses derived from the restrictions on residents' movement, and from the fact that the banks were closed in a way that made it difficult for potential buyers to check out the possibility of obtaining

mortgages for the purchase. Simultaneously with the easing of the restrictions, signs of recovery and a return to routine life were evident, until the renewed spike in morbidity in November 2020, as stated above, such that, correct to date, there is a slowdown in the number of apartment buyers compared to the periods prior to the outbreak of the crisis. Furthermore, since revenues from apartment sales are not recognized at the time of the sale, but rather, when the final notarial act is signed and after the construction has been completed, the Company's Management assesses that the said slowdown is not expected to have an impact on the operating results.

Operational measures to contend with the crisis

As stated above, the Company's activities abroad continued throughout the period of the crisis, apart from specific adjustments made mainly to comply with local guidelines regarding the employment of employees.

In Israel, the Company initiated measures to contend with the crisis even prior to the publication of the emergency regulations that shuttered places of business, including the malls. Once the regulations were published, the Company took a number of actions to safeguard the health of its employees, customers and the general public, coupled with actions to cut back on its expenses during the period of the crisis to the minimum essential in order to maintain business continuity, while remaining in contact with lessees and continuing the Company's business development and project promotion activities that were not restricted by the emergency regulations.

Financial measures

Directly in line with the strategy employed by the Company in recent years, companies in the Group with high cash balances made preparations, even prior to the crisis, which the Company assesses will enable it to contend with the repercussions of the crisis in an optimal manner. Thus, in addition to the capital recruitments executed by the Company in December 2019 and in January 2020 at the cumulative volume of about NIS 250 million, the Company also recruited debentures at the volume of about NIS 750 million by way of expansions of the existing Series 20, 21 and 22, which were executed through shelf offering memoranda published by the Company in January 2020, and private issues executed in March, July and August 2020, and the issue of a new series (Series 23) in December 2020, as well as a recruitment of debentures in February 2020 by the parks company, MLP, and a capital recruitment via private issue in October 2020, as specified hereunder in clause 1.14.

In addition to the capital market's confidence in the Company, demonstrated by investors that participated in the debenture issues executed by the Company throughout the period of the crisis, each of which was supported by S&P Maalot's rating affirmation as uprated in January 2020 and which also maintained stability in its annual update in January 2021,[2] the Company's financial robustness also won the confidence and support of the banking system when, at the height of the crisis, on April 5, 2020, a financing agreement was signed with a banking corporation for the construction of a project on the ILDC campus in Bnei Brak, at a volume that will range between NIS 311 million and NIS 361 million.[3] Furthermore, the Company

[2] As specified hereunder in clause 1.10.

[3] For details about the agreement, see the Immediate Report of April 5, 2020 (reference no. 2020-01-031519), which is included in this report by way of referral.

successfully completed actions to refinance bank debt, including additional credit against a pledge of assets, and increased credit availability through unutilized signed credit frameworks.

The ILDC Group began 2021 with cash balances totalling NIS 362 million, and signed unutilized credit frameworks are available to it at the volume of NIS 150 million. Considering this and the tools available to the Company that the Company's Management assesses augment its financial flexibility, including unencumbered assets, the Company assesses at this time that its financial robustness, which is reflected, inter alia, by the Company's high cash balances and liquidity, by the volume and quality of its assets and by the average duration of most of its loans, will enable it to minimize the degree of impact of its exposure to the crisis, even if, heaven forbid, it continues or intensifies, to pay its existing and expected liabilities and to continue carrying out its work plans to develop its existing and planned assets and businesses. If the pace of recovery from the crisis in Israel and abroad accelerates, the trend towards restoration of routine operations in all of the Company's operating segments will also accelerate, as indications of this have been emerging in recent weeks, which will open additional channels to the Company for realizing its plans.

The strategy for exiting the crisis

Throughout the entire period of the crisis and correct to the publication date of this report, the Company's Management assesses that its mix of income-generating properties balances between various uses, and their geographic dispersion, helped it to contend well with the repercussions of the crisis on its operating results, and helped it to resume routine operations upon its end, including a return to the favorable trend in all of the Company's activities as existed prior to the crisis.

Very early on, the Company worked diligently on the details of its crisis exit strategy, with the goal of enabling a swift, safe and efficient resumption of its business routines, while assisting lessees and safeguarding the health of the public visiting the Herzliya Mall and all of the rest of the commercial centers upon their reopening and resumption of operations. The Company's advance preparations and its successful contending with the fluctuations in the morbidity rate, with the lockdowns imposed and with their accompanying guidelines, enabled it to open all of the commercial centers being operated by it immediately upon the government guidelines coming into effect at the end of each of the lockdowns.

Throughout the periods of lockdown, the Company took strict action to perform all actions required to safeguard the health of the public of visitors and employees, particularly at the Herzliya Mall, which is subject to more stringent regulations because it is a closed mall, including: ensuring that masks are being worn, taking people's temperatures at the mall entrance, monitoring the number of people entering and exiting in order to prevent crowding and to adhere to the permitted maximum number of visitors, strict compliance with the required rules of social distancing and instructing lessees to comply with these required rules inside their businesses, diligently ensuring a heightened level of cleaning and disinfection, and communicating and marketing the rules and adjustments to the lessees and the public of visitors at the Herzliya Mall. Concurrently, individual meetings were held with each of the lessees in the properties and consents were reached with them about differential reliefs considering their branches of activity and the government restrictions applying to them during the period of the lockdown and subsequently, about the changes that occurred in the volume of receipts and other individual characteristics. The reliefs granted were made contingent upon the fulfillment of conditions, including – resumption of routine operations, reinstatement of standing bank orders insofar as they were cancelled and the fulfillment of all conditions of the lease agreements until the end of the lease period. The Company is maintaining close contact with its lessees and is assisting, to the extent possible, according to the concrete needs of each lessee, while ensuring appropriate balance in order to protect the economic interests of the Company itself.

Data about the impact of the crisis on the Herzliya Mall's operations

Unlike the preliminary assessments, the reopening of the malls to the general public at the end of the lockdown periods was characterized by consumers actually returning to the mall.

As stated above, correct to the publication date of the report, the mall has been open for business since mid-February 2021. The Company Management's forecasts regarding the revenue loss until operations were resumed received expression in the accounting treatment of the relief given to lessees and in the updating of the mall's value, as specified hereunder.

Accounting treatment of the reliefs given to lessees during the Report Period and the updated valuations as on December 31, 2020

Rent reliefs during the Report Period – as part of contending with the economic repercussions of the crisis, the Company formulated a lessee relief plan[4] which, in the Herzliya Mall, included a freeze on or a reduction of the rent and management fees during particular periods, which became a peremptory discount, subject to the lessees' compliance with all conditions of the lease agreements until the end of the lease period.

The said reliefs, which totaled the inclusive volume of about NIS 25.6 million during the Report Period, were recognized in their entirety as a reduction in rent income, in conformity with the Israel Security Authority Staff's accounting position published on August 9, 2020 regarding the recognition of rent waivers attributed to the period of the coronavirus crisis.[5]

Updating of valuations – the uncertainty resulting from the spread of the coronavirus and the restrictions on business and commercial activities in the economy in general and on the Company's properties in particular according to the government guidelines, including, inter alia, the Company Management's assessments regarding additional reliefs that it might be required to give to lessees engaging in particular branches, regarding a possible decline in rent income in properties whose contract renewals are expected during the upcoming period, and regarding a possible decline in the demand for commercial and office spaces, were taken into account during the asset valuations as on December 31, 2020.

Since most of the valuations were performed using the income capitalization approach, the principal parameters affecting the value of the properties were examined according to that known on the record date for the valuation:

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4 Apart from lessees engaging in Vital Activities.

5 For the published accounting position, see this link. For specific details about the accounting treatment applied by the Company, see note 1.C. to the attached consolidated financial statements.

The capitalization rate – in the absence of major transactions since the outbreak of the crisis, and in light of the facts that the government bond yields for long average durations remained nearly without change and that the central banks are implementing a policy of lowering interest rates, the main risk is nonreceipt of the full rent in the short term. According to the Company's assessment, the impact of such event on the capitalization rate is highly unlikely.

Representative NOI – the assumption is that, in the medium and long range, the representative NOI from existing properties will remain unchanged. In the short term, it was assumed, taking a conservative approach, that a rent reduction will be necessary in some of the contracts that are expected to be renewed during the upcoming period, compared to the rent payable for those same properties today.

Nonrecurring write-downs – the assumption is that the commercial operations will gradually return to the volumes that existed prior to the crisis. However, a specific decline in the Company's income is expected as a result of reliefs given or that shall be given to lessees in the Herzliya Mall, mainly on the basis of their branch of business and assessments about the continuation of the restrictions on their operations until routine operations are fully restored.

Based on all that stated above, a write-down of the Herzliya Mall totalling NIS 71 million was executed during the Report Period.

Emphases pertaining to possible medium- and long-range repercussions

MLP's logistics park operations – as stated above, according to the assessment of the Company's Management, the operations suffered no exposure during the period of the coronavirus crisis and, subject to that stated hereunder about forward-looking information, no adverse impact is expected in the future either. The period of the crisis highlighted the advantages of logistics parks in the era of online trade and global crises. According to the assessment of the Company's Management, the coronavirus crisis contributed to an acceleration of the processes that began in recent years upon the increase in online trading activities, which support the Company's strategy of intensifying its activities in the field of logistics parks and also expanding them beyond the borders of Poland, which receives expression in decisions to also begin operating in Germany, Austria and Romania, which were reached even prior to the outbreak of the coronavirus.

Activities developing income-generating office properties – the continuation of the government restrictions and the reduced use of public transport systems may, on the one hand, have an impact on the continuation of employees working from home and cause a change in employment habits, which could lead to a reduction in the use of offices in the short and medium term. On the other hand, the coronavirus pandemic may cause a trend of change in the direction of expanding personal spaces, mainly in high-quality office towers, out of the desire to mitigate the risks of infection, which may lead to an expansion of the use of offices. Furthermore, the slowdown in growth and the desire to save on office rent costs and operating expenses may lead to a heightened demand for offices in regions outside of central Tel-Aviv.

These opposing trends may lead to change in the volume of demand for offices and/or to engineering and architectural modifications for their use.

Residential development activities in Israel – correct to the date of this report, the Company has begun carrying out an initial project – the Fichman project in Holon, for which the demolition work began in November 2020, and it is expected to begin construction soon of the 23 Lessin Street, Tel-Aviv project according to the permit received in February 2021. At the moment, it appears that the level of demand for apartments has not been adversely affected and, correct to date, a hike in prices is evident due to the decline in the supply of apartments and the rise in demands. Nevertheless, according to the assessment of the Company's Management, it is too early to assess the degree of impact that the spread of the coronavirus will have on the projected selling prices of housing units in planned projects that the Company is taking action to construct or on the pace of sales. However, the persisting uncertainty in the economy and in the financial markets may have an impact on both the pace of project marketing and on the apartment purchasing volumes, as well as on the availability of credit from financing entities to finance apartment purchases and to finance project construction loans.

The Company's activities in general – as stated above, thanks to the fast pace of inoculation in Israel, which has been facilitating a gradual return to routine life in recent weeks and to a relatively low level of exposure to repercussions of the crisis on the activities abroad, the Company prudently assesses that its operations will begin recovering during 2021 and that the adverse impact on its operating results will be eliminated. However, due to the uncertainty that still surrounds the crisis, which is characterized by waves of morbidity and the emergence of different mutations of the coronavirus that might be resistant to the vaccine, at this stage, the Company is unable to assess the timeframe that it will require in order to completely exit the crisis or the scope of the said changes and their possible impact on its businesses in the aforesaid operating segments or on its activities in the residential development segment, both in Israel and abroad, which depend on numerous currently unknown variables, including, inter alia, the risk of another outbreak of the pandemic, and the future developments in the operating countries, which may receive expression in regulatory amendments as various governments respond to the outcomes of the crisis, in the repercussions deriving from the ability or willingness of financial entities to provide financing for the purposes of constructing new projects or refinancing for existing projects, in changes in demands for purchasing residential apartments or spaces for rent, etc.

It is emphasized that the Company has the flexibility to make changes and adjustments to the pace of promoting development projects whose completion is planned in the medium term. The Company intends to continue monitoring the relevant developments in the trends described above, including with regard to the extent of the need to make any adjustments in the Company's business strategies insofar as medium- and long-term changes arise, as specified above. Naturally, due to the current uncertainty, these matters are characterized by trend lines that must be monitored over a long period. Accordingly, the Company's Management will concurrently examine the need to make changes in the pace of progress in projects under development and construction.

The Company's plans relating to exiting the crisis are subject, inter alia, to the government orders and guidelines relating to the economy's activity during the current period, including the emergency regulations that are being updated from time to time, which have a material impact on the volume of activity in the economy in general and particularly, on the Company's activities

with its properties, especially the Herzliya Mall and, as a derivative of this, on its ability to implement the above exit strategy.

Furthermore, with reference to the residential development activities, since the magnitude of the coronavirus damage to the global growth and economy in general and in Israel in particular derives from the timeframe required to eradicate the virus worldwide, which cannot be estimated since the crisis is still underway, the Company is unable, at this stage, to assess the full impacts of the coronavirus on its activities and results in this segment.

The Company's assessments regarding the format and volume of activities of its income-generating properties, the income expected from their activities in light of the impacts of the coronavirus crisis and their implications on the value of its properties, as well as the Company's assessments regarding the outcomes of its financial measures and the strategy that it formulated for exiting the crisis, constitute forward-looking information, as this term is defined in the Securities Law of 1968. The Company's assessments and plans are based on the data currently in the Company's possession and on the current publications regarding the plans being formulated by the government for exiting the crisis. Consequently, the Company's assessments and plans might not materialize, in whole or in part, or might materialize in a way that differs from that expected and they may be affected by unforeseeable factors not under the Company's control, including a change in the pace of the spread of the coronavirus, the government's directives regarding the economy's activity during the period of the crisis, including the imposition of an additional lockdown and, particularly, regarding the operation of malls and commercial centers, the pace at which the economy exits the coronavirus crisis, the volume of government support and assistance to businesses as a result of the crisis and the need to exit from it, the financial robustness of the lessees and their compliance with the Company's lease agreements, and the materialization of risk factors described in Section A of the Annual Report, under the "description of the corporation's businesses."

Events and engagements

1.2 **Merger of the private real-estate companies into the Company** – on December 23, 2019, the Company's Board of Directors passed a resolution whereby the Company shall merge and absorb its wholly owned and controlled companies operating in the operating segment of income-generating real estate in Israel ("**the Target Companies**" and "**the Merger**," respectively), this subsequent to the receipt of the Israel Tax Authority's tax ruling on the Merger on December 4, 2019 ("**the Tax Ruling**"), in such manner that the Company shall absorb all of the operations, rights, liabilities and assets of any of the Target Companies, and the Target Companies shall be dissolved without liquidation and shall cease to exist as legal entities. The validity of the merger agreements, their execution and the completion of the Mergers were made contingent upon the receipt of all of the approvals specified in the merger agreements ("**the Suspending Conditions to the Merger**"). It is clarified that the Merger shall have retroactive validity as of December 31, 2019.

All of the Suspending Conditions to the Merger have been fulfilled, and the Merger of the 11 merging companies was completed by November 30, 2020.[6]

The completion of the Merger contributes to the simplification of the Company's structure and presentation to the financing entities in a way that augments the Company's ability to obtaining financing at more favorable terms, to savings in expenses involved in the management and holding of companies and enables the Company to offset profits generated by the assets transferred from the merging companies (which, up until year-end 2019, had entailed payments of corporate tax in the merging companies), against accumulated losses in the Company, all in conformity with the conditions stipulated in the Tax Ruling. As a result, the Company recorded a tax asset totalling about NIS 98 million in respect of a portion of the losses for tax purposes that the Company assesses shall be utilizable in the future, against a tax benefit which was allocated to profit and loss. **The Company's aforesaid assessments constitute forward-looking information, as defined in the Securities Law of 1968, which are based on information in the Company's possession correct to date.**

The Merger proceedings were carried out according and subject to the provisions of Chapter One of Part VIII of the Companies Law of 1999 and without tax liability pursuant to the provisions of section 103B and subject to section 103C of the Income Tax Ordinance (New Version) of 1961. For additional details about the Tax Ruling and the Merger, see the Immediate Report of December 5, 2019 and the Immediate Report of December 23, 2019 (reference nos.: 2019-01-106575 and 2019-01-112611, respectively), which are included in this report by way of referral, and note 30.E to the attached consolidated financial statements.

1.3 **Developments in the logistics parks of MLP Group SA** ("**MLP**") – during the Report Period, one new park began operating in Poland, and correct to the report date, MLP operated 12 parks,[7] with leased spaces at the inclusive volume of about 716 thousand m^2. In addition to the active parks, MLP acquired five additional plots of land during the Report Period for the purpose of constructing new parks – two in Poland, two in Germany and one in Austria – so that, correct to the signing date of the report, MLP's list of parks totals 17 parks with potential income-generating spaces at the inclusive total of about 1,286 thousand m^2.

On February 2, 2021, MLP reported that its board of directors resolved to take action in the field of renewable energy by way of installing solar energy facilities – photovoltaic panels – on the roofs of its logistic parks in Poland. For additional details, see the Immediate Report of February 2, 2021 (reference no.: 2021-01-014028), which is included in this report by way of referral.

1.4 **Asset improvements and progress in the planning status**

1.4.1 **<u>Jackob Nimrodi Tower</u> – tower that the Company is planning to construct at the Maariv Junction in Tel-Aviv. According to the original plan deposited with the district committee, the tower was scheduled to rise to the height of 60 floors** (256 meters) ("**the 60-Floor Plan**").

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6 As specified in the Immediate Reports of June 30, 2020, August 2, 2020, August 31, 2020, September 29, 2020, November 15, 2020 and November 30, 2020 (reference nos.: 2020-01-060616, 2020-01-081945, 2020-01-086989, 2020-01-096481, 2020-01-113698 and 2020-01-121654, respectively), which are included in this report by way of referral.

7 Ten parks in Poland, one in Germany and one in Romania.

In July 2018, notwithstanding the district committee's earlier decision to deposit the 60-Floor Plan, it issued a decision to validate the plan for the construction of the Jackob Nimrodi Tower while reducing the number of Floors from 60 to 42, due to categorical opposition from the Civil Aviation Authority ("**CAA**"), and this, despite the fact that the Company had presented a comprehensive professional aviation study to the planning institutions and to the CAA, which was prepared by a leading international company in this field, which determined that a 60-Floor tower would not adversely impact aviation safety at Ben-Gurion Airport and that there is no obstacle to approving the 60-Floor Plan ("**the Aviation Study**").

Despite the findings of the Aviation Study, the Aircraft Noise Abatement Subcommittee ("**ANA Subcommittee**") refused to approve the full height of the planned tower, but appealed to the CAA: "*to perform a comprehensive examination of the possibilities for amending the restrictions on high-rise construction in the National Outline Plan's provisions and land use scheme, while referring to the customary criteria in Israel and internationally.*"

In January 2020, the Company filed an administrative appeal with the district court in Tel-Aviv – Jaffa, in its capacity as a court for administrative affairs ("**the District Court**") against the CAA, the National Planning and Building Council, the ANA Subcommittee et al., in which the Company attacked the CAA's position and the decisions of the various planning institutions to not allow the height of the Jackob Nimrodi Tower according to the 60-Floor Plan. In its appeal, the Company also presented allegations concerning conflicts of interest and *ultra vires* of the ANA Subcommittee ("**the Company's Appeal**").

In February 2020, after the demolition of Maariv House was completed, a plan was published for validation in the official gazette, which includes leasable areas at the volume of 43.5 thousand m^2 under employment zoning in a 42-Floor tower ("**the Approved Plan**").

In August 2020, the District Court issued its ruling that partially allowed the principal relief sought in the Company's Appeal (but disallowed the rest of the reliefs) and issued an order to reinstate the hearing of the Company's application to the ANA Subcommittee and to instruct the CAA to examine the application and ascertain whether it is possible to rule out the safety risks involved in deviating from the requested height restriction by lowering the height of the requested building.

The Company's position, which is supported by the Aviation Study and additional opinions of professional advisors from Israel and abroad, is that the construction of the Jackob Nimrodi Tower at the height of 60 Floors in the location at issue, in conformity with the 60-Floor Plan, does not pose safety risks that could prevent its approval. For additional details about that stated above, see the amending Immediate Report of August 20, 2020 (reference no.: 2020-01-081787), which is included in this report by way of referral.

In November 2020, the Company and the State Attorney-General's office (on behalf of the ANA Subcommittee, the CAA, the District Committee and the Appeals Subcommittee of the National Council) appealed to the Supreme Court, and the State Attorney-General's office also filed a motion for a stay of proceedings for which a decision has not yet been handed down. The hearing of the Company's Appeal is scheduled for November 2021. Since, correct to the date of this report, it is not possible to foresee the outcomes of the Supreme Court hearing, there is no certainty that the Company's application for approval of the 60-Floor Plan shall be accepted in whole or in part, which reflects the addition of 18 Floors to the height of the tower pursuant to the Approved Plan, thereby enabling the construction of the Jackob Nimrodi Tower at the height of 60 Floors, with primary spaces at the size of about 64 thousand m^2.

In January 2021, a permit was received for demolition of the basements in the complex and the demolition works are expected to begin in April 2021.

In March 2021, the preparations were completed for submitting an application for an excavation and foundation permit and, immediately upon receiving the permit, the Company plans for these works to continue consecutively after the work demolishing the basements is completed.

Concurrently, the Company is continuing to promote the planning of the Jackob Nimrodi Tower with the planning institutions according to the Approved Plan and, upon the completion of the legal and planning proceedings described above, and depending upon their outcomes, the Company will proceed with its plan to file an application for the granting of additional uses, including the zoning of areas for residential use.

1.4.2 **"Peat-Yam" in Herzliya Pituach** – on August 19, 2020, final and conclusive validity was issued to an urban building plan that was approved in February 2020 by the District Committee for a real estate asset at the size of about 11,000 m^2 on a strip of beach in Herzliya Pituach, in which the Company owns 67% of the rights. This was subsequent to the District Court in Tel-Aviv rejecting an administrative appeal of the Committee's ruling to reject an approved opposition.

The approved urban building plan includes rights to construct a 144-room hotel on an area of about 19.2 thousand m^2 (including primary and service spaces). For additional details about that stated above, see the Immediate Report of August 20, 2020 (reference no.: 2020-01-081652), which is included in this report by way of referral.

Events relating to the Company's shares

1.5 **Share Self-Purchase plans – on March 15, 2020**, the Company's Board of Directors approved a self-purchase plan of its shares at the volume of up to NIS 20 million and, **on March 22, 2020**, the Company's Board of Directors resolved to revise the plan so that it shall also apply to all series of the Company's debentures in circulation, to increase the plan's volume to up to NIS 50 million, and to limit the cost of the shares to be purchased in the plan to NIS 20 million. The plan was in effect for six months as of the date of its approval. For details about the revised plan, see the Immediate Report of March 22, 2020 (reference no.: 2020-01-024100), which is included in this report by way of referral ("**the 2020 Self-Purchase Plan**").

Up until the expiration of the plan in September 2020, the Company purchased 725,314 ordinary shares within the framework of the 2020 Self-Purchase Plan in consideration of the inclusive sum of about NIS 19.96 million, and these shares became dormant shares.

Correct to the publication date of this report, the Company holds a total par value of 1,189,836 dormant shares.

1.6 **Distribution of dividends to the Company's shareholders** – on March 31, 2020, the Company's Board of Directors resolved to distribute a dividend to the Company's shareholders at the inclusive total of NIS 30 million, which was paid to eligible shareholders on April 22, 2020.

On March 25, 2020, the Company's Board of Directors resolved to distribute a dividend to the Company's shareholders at the inclusive total of NIS 46 million, which shall be paid to eligible shareholders on April 13, 2021.

1.7 **Capital raising from the public by way of an issue of shares** – on January 8, 2020, the Company raised a total of about NIS 90 million, gross, against a private allotment of NIS 2,068,966 par value of ordinary shares of NIS 1 par value each of the Company, at the price of NIS 43.5 per share, pursuant to a private allotment memorandum dated January 2, 2020 (reference no.: 2020-01-001395), which is included in this report by way of referral.

1.8 **The Company's shelf prospectus** – on May 19, 2020, the Israel Securities Authority approved an extension of the validity of the Company's shelf prospectus that was published on May 30, 2018 by another year – i.e., until May 30, 2021. See also the Immediate Report of that date (reference number: 2020-01-049944), which is included in this report by way of referral.

In February 2021, the Company notified the Israel Securities Authority of its intention to file an application to receive permission to publish a new shelf prospectus on the basis of the financial statements as on December 31, 2020, and is preparing to file a draft shelf prospectus shortly after the publication of this periodic report.

1.9 **Nontradable options for shares of the Company** – for details, see clause 1.17 hereunder.

Events relating to debentures issued by the Company

1.10 **Rating of the Company's debentures** – on January 14, 2020, S&P Maalot Ltd. ("**Maalot**") published a report assigning an ilA-/Stable rating to the Company's Series 15 and 16, Series 18 through 20 and Series 22 debentures and an ilA/Stable rating to the Series 21 debentures. For additional details, see the Immediate Report published on that date – the rating report (reference no.: 2020-01-005763), which is included in this report by way of referral, and the amending report of changes in the interest rates on the Series 20 and 22 debentures as a result of the rating revision, whereby the interest rate was restored to the interest rate defined for the said series at the time of their initial issue, which was published on January 20, 2020 (reference no.: 2020-01-008082), which is included in this report by way of referral.

On March 30, 2020 and on July 26, 2020, Maalot reaffirmed the ilA/Stable rating for expansions of the Series 21 debentures, on August 11, 2020 and on December 3, 2020, the ilA-/Stable rating for the expansion of the Series 20 debentures and for a new series of debentures (Series 23), all as specified hereunder in the table in clause 1.12. For Maalot's reports, see the Immediate Reports published on the aforesaid dates (reference nos.: 2020-01-028399, 2020-01-078855, 2020-01-077245 and 2020-01-123652, respectively), which are included in this report by way of referral.

On January 25, 2021, Maalot published a report affirming the ilA-Stable rating assigned to the Company's Series 20, 22 and 23 debentures and the ilA/Stable rating assigned to the Series 21 debentures. For additional details, see the Immediate Report published on that date – the rating report (reference no.: 2021-01-009928), which is included in this report by way of referral.

1.11 **Debenture Self-Purchase plan** – for details about the 2020 Self-Purchase Plan, which includes self-purchase of debentures, see clause 1.5 above.

Within the framework of the 2020 Self-Purchase Plan, the subsidiary (100%), Israel Land Development Financing and Investments Ltd. ("**Financing and Investments**") purchased debentures at the inclusive total of about NIS 4 million from Series 15 and 16, which were fully repaid in June 2020.

Correct to the publication date of this report, the balance of the debentures held by Financing and Investments, which were purchased within the framework of buyback plans and not yet repaid, is about NIS 5,514 thousand, par value of Series 22 debentures, which constitute about 0.93% of the volume of that series.

1.12 **Recruitments and repayments of debentures**

Series	Date	Details
15	June 2020	Payment totalling about NIS 29.5 million in respect of final repayment (principal and interest) of the balance of the Series 15 debentures.
16	March 2020	The Company repurchased about NIS 8.02 million par value from a third party unrelated to the Company or to any of its controlling shareholders, in consideration of their liability value on the purchase date, in an off-the-floor transaction, and they were removed from circulation.
	June 2020	Payment totalling about NIS 49 million in respect of final repayment (principal and interest) of the balance of the Series 16 debentures.
18	September 2020	Payment totalling about NIS 56 million in respect of an interest payment and a third repayment of principal (out of 4) of the Series 18 debentures.
	December 2020	Final early repayment of about NIS 54,716 thousand par value, constituting the entire outstanding balance of the Series 18 debentures on December 31, 2020. For details, see the Immediate Report of December 14, 2020 (reference no.: 2020-01-127876), which is included in this report by way of referral.
19	March 2020	Final early repayment of about NIS 160,721 thousand par value, constituting the entire outstanding balance of the Series 19 debentures on March 31, 2020. For details, see the amending Immediate Report of March 24, 2020 (reference no.: 2020-01-029301), which is included in this report by way of referral.

Series	Date	Details
20	June 2020	Payment totalling about NIS 65 million in respect of an interest payment and a first repayment of principal (out of 5) of the Series 20 debentures.
	August 2020	Recruitment of about NIS 61 million (gross) in respect of the issue of NIS 60,295 thousand par value, pursuant to the private offering memorandum of August 10, 2020 (reference no.: 2020-01-076981), which is included in this report by way of referral.
21	January 2020	Recruitment of about NIS 200 million (gross) in respect of the issue of NIS 180,180 thousand par value, pursuant to the shelf offering memorandum of January 22, 2020 (reference no.: 2020-01-007999), which is included in this report by way of referral.
	March 2020	Recruitment of about NIS 50 million (gross) in respect of the issue of NIS 53,000 thousand par value, pursuant to the private offering memorandum of March 30, 2020 (reference no.: 2020-01-028156), which is included in this report by way of referral.
	July 2020	Recruitment of about NIS 40.4 million (gross) in respect of the issue of NIS 40,000 thousand par value, pursuant to the private offering memorandum of July 26, 2020, which was amended on July 27, 2020 (reference nos.: 2020-01-078792 and 2020-01-079359, respectively), which are included in this report by way of referral.
	December 2020	Payment totalling about NIS 36 million in respect of an interest payment and a first repayment of principal (out of 8) of the Series 21 debentures.
22	January 2020	Recruitment of about NIS 200 million (gross) in respect of the issue of NIS 189,574 thousand par value, pursuant to the shelf offering memorandum of January 22, 2020 (reference no.: 2020-01-008002), which is included in this report by way of referral.
23	December 2020	Recruitment of about NIS 200 million (gross) in respect of the issue of NIS 200,000 thousand par value, pursuant to the shelf offering memorandum of December 15, 2020 (reference no.: 2020-01-135732), which is included in this report by way of referral.

See also the clause 5 hereunder –"specific disclosure to debenture-holders."

1.13 **Extension of the validity of the Company's shelf prospectus** – see clause 1.8 above.

Additional events relating to debt and capital recruitment activities in the Group

1.14 **Recruitments executed by the consolidated company MLP**:

In February 2020, the consolidated company, MLP, raised EUR 30 million par value of debentures (about NIS 112 million) in a private issue. The said debentures bear Euribor interest plus a customary interest margin on deposits in Poland for six months and shall be repaid in a bullet payment in February 2025.

In October 2020, MLP raised a total of about NIS 96.5 million[8] by way of a private issue of about 1.607 million shares. Out of the said total, a total of about NIS 39.14 million was invested by the Company in order to maintain its holding ratio of MLP as it was prior to the issue (38.3% in concatenation). For additional details, including changes that occurred in the Company's diagram of holdings of MLP shares, see the Immediate Report of October 25, 2020 (reference no.: 2020-01-106513), which is included in this report by way of referral.

1.15 **Signing of a loan agreement for the construction of Tower C in the ILDC Campus in Bnei Brak** – on April 6, 2020, the subsidiary, H.H. Real Estate Investors Ltd.,[9] signed a framework agreement with a bank for the provision of a loan at an inclusive volume ranging between NIS 311 million and about NIS 361 million. For details about the credit terms, the collateral provided and additional details, see the Immediate Report of that date (reference no.: 2020-01-031519), which is included in this report by way of referral.

Controlling Shareholders, Directors and Officers

1.16 **General meetings – on January 6, 2020**, after having been approved by the Remuneration Committee and the Board of Directors, the General Meeting of the Company's Shareholders passed resolutions relating to insurance, release and indemnity to directors and officers. For details about the said topics, see the report summoning the meeting, which was published on November 27, 2019 (reference no.: 2019-01-103488) ("**January 2020 Meeting Summons Report**"), which is included in this report by way of referral. Also approved during that same meeting was the appointment of Mr. David Babay as an outside director of the Company for a three-year term as of January 10, 2020. Discussions and the passing of resolutions relative to the other items on the agenda of that meeting regarding amendments to the Company's Articles of Association and the adoption of a new remuneration policy were deferred to an adjourned meeting.

During the said adjourned meeting, which was held **on January 16, 2020**, the General Meeting resolved to remove from the agenda the discussion and the passing of resolutions regarding amendments to the Articles of Association, and voted against the adoption of the new remuneration policy. As stated hereunder in clause 1.16, the Company's Board of Directors and the Remuneration Committee approved the remuneration policy notwithstanding the General Meeting's opposition.

On December 10, 2020, the General Meeting of the Company's Shareholders discussed the financial statements for the year 2019, approved the renewal of the incumbencies of board members Mr. Shlomo Maoz and Ms. Ravit Nimrodi for an

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[8] The recruitment was executed in Polish zloty. The values are stated in NIS according to the exchange rate on the date of the recruitment: zloty 1 = NIS 0.87.

[9] The agreement was signed by H.H. Real Estate Investors Ltd., which was merged into the Company in a statutory merger and was dissolved, as specified above in clause 1.2.

additional three-year term, and approved the reappointment of the accounting firm Kost Forer Gabbay & Kasierer as the Company's accountant. Also approved during that meeting was the Company's engagement in a directors' and officers' insurance policy for a one-year period commencing November 1, 2020. For details about the said topics, see the meeting summons report published on November 5, 2020 (reference no.: 2020-01-110620), which is included in this report by way of referral. The discussion and passing of resolutions on the topic of approving the employment agreement of Ms. Smadar Nimrodi-Rinot, VP Projects, Enforcement and Human Resources, who is a relative of the Company's controlling shareholders ("**Smadar**") was deferred to an adjourned meeting, as specified hereunder in clause 1.17.

On February 9, 2021, after having been approved by the Audit Committee and the Board of Directors, the General Meeting of the Company's Shareholders approved the granting of option warrants to directors and officers, including those who are among the Company's controlling shareholders or their relatives. For details about the offerees and the allotments, see the meeting summons report published on January 4, 2021 (reference no.: 2021-01-001059) ("**the February 2021 Meeting Summons Report**"), which is included in this report by way of referral, and clause 1.17 hereunder.

1.17 **Remuneration policy, directors' remuneration and officers' remuneration** – **on February 10, 2020**, after receiving the Remuneration Committee's approval on February 3, 2020, the Company's Board of Directors approved the Company's new remuneration policy. The Board of Directors and the Remuneration Committee passed these resolutions after they rediscussed the remuneration policy and the resolution of the General Meeting of January 16, 2020 to not approve the policy. For additional details about the said resolutions and the discussions that were held, see the Immediate Report of February 10, 2020 (reference no.: 2020-01-014865), which is included in this report by way of referral.

On December 17, 2020, after having been approved by the Remuneration Committee and the Board of Directors, the General Meeting of the Company's Shareholders, which was held as an adjourned meeting, approved the engagement in an employment agreement with Ms. Smadar Nimrodi-Rinot, the Company's VP Projects, Human Resources and Enforcement and a relative of the controlling shareholders, for an additional three-year period. For additional details about the engagement, see the report summoning the adjourned meeting, which was published on December 10, 2020 (reference no.: 2020-01-126904), which is included in this report by way of referral.

On February 10, 2021, after having received all requisite approvals, including the approval of the Tel-Aviv Stock Exchange Ltd., the approvals of the Board of Directors and the Remuneration Committee and the General Meeting's approval in relation to a portion of the offerees, the Company allotted to a trustee 491,000 nontradable option warrants exercisable for ordinary shares of the Company, which were granted to officers and employees, including directors, controlling shareholders of the Company and their relatives, pursuant to a stock option plan for employees, consultants and officers of the Company, which was approved by the Board of Directors in June 2020. For details about the terms of the options, including the exercise and vesting periods and the exercise price, see the February 2021 Meeting Summons Report and the employee memorandum, which was published on January

4, 2021 (reference no.: 2021-01-001038, which is included in this report by way of referral.

On March 11, 2021, after having received the approval of the Remuneration Committee, the Company's Board of Directors approved the engagement in a management agreement with a private company wholly owned and controlled by Mr. Ofer Nimrodi, the Company's CEO and one of its controlling shareholders ("**Ofer**"), for the provision of CEO services to the Company for a three-year period, subject to the approval of the General Meeting of the Company's Shareholders, which was summoned for April 20, 2021. For details about the engagement and the meeting, see the meeting summons report published on March 11, 2021 (reference no.: 2021-01-032631), which is included in this report by way of referral. For details about the resolutions passed in relation to the provision of a company car to Ofer until the meeting approves the agreement, which were approved in conformity with the Companies Regulations (Reliefs in Transactions with Interested Parties) of 2020, see the Immediate Report of that date (reference no.: 2021-01-032634), which is included in this report by way of referral.

1.18 **Appointments and cessations of office** – in January 2020, Mr. David Babay began serving as an outside director of the Company and the incumbency of Mr. Menashe Arnon as an outside director of the Company ended after nine years of service.

2. Explanations of the financial statements

2.1 Following is an analysis of the net asset value as on December 31, 2020 (in NIS millions):

	Income-generating real estate	Income-generating real estate under construction	Inventory of buildings for sale and lands for construction	Land reserves	Total
Israel					
Value of assets	1,827	529	-	42	2,398
Attributed loans[10]	(1,081)	(111)	-	-	(1,192)
Net asset value in Israel	**746**	**418**	**-**	**42**	**1,206**
Leverage ratio	59%	21%	-	-	50%
Outside of Israel (mainly MLP)					
Value of assets	1,931	86	232	147	2,396
Attributed loans	(684)	-	(24)	(53)	(761)
Net asset value outside of Israel	**1,247**	**86**	**208**	**94**	**1,635**
Leverage ratio	35%	-	10%	36%	32%
Total net asset value	**1,993**	**504**	**208**	**136**	**2,841**

10 Including Series 21 debentures.

	Income-generating real estate	Income-generating real estate under construction	Inventory of buildings for sale and lands for construction	Land reserves	Total
Company's corporate debt – unattributed debentures					(1,391)
Company's corporate debt – unattributed loans					(110)
Cash, cash equivalents and short-term investments					521
Total, before other liabilities and assets					1,861
Other liabilities and assets, net					(292)
Noncontrolling interests					(642)
Equity attributed to the Company's shareholders					**927**

2.2 Following are the principal changes that occurred in the Company's consolidated financial position as on December 31, 2020 and 2019 (in NIS millions):

	As on December 31		Notes and explanations
	2020	2019	
Total assets	5,793	5,367	The immaterial changes during the Report Period reflect the offsetting effects of an increase in noncurrent assets and a decrease in current assets. See details in the clauses hereunder.
Cash and cash equivalents	362	319	The increase derives mainly from the recruitment of Series 23 debentures in December 2020, which was offset by repayments of principal and an interest payment to debenture-holders, which were executed at the end of December 2020, as specified above in clause 1.12.
Short-term investments	144	12	The increase derives mainly from short-term bank deposits – a total of about NIS 73 million relating to a construction loan in the Fichman project in Holon, and a total of about NIS 38 million, which was reclassified from long-term deposits and used as collateral for a loan from financial institutions.
Other receivables and debit balances	126	181	The decrease derives mainly from proceeds received during the Report Period in respect of offices sold in Tower A in the ILDC Campus in Bnei Brak.

	As on December 31		Notes and explanations
	2020	2019	
Assets held for sale	-	88	At the end of 2019, assets held for sale were included in the statement of financial position relating to engagements whose suspending conditions were fulfilled during the Report Period: an investment real estate asset held for sale in Netanya at the sum of NIS 33 million, whose sale had been contingent upon suspending conditions, and assets at the inclusive total of about NIS 55 million, in respect of the discontinuation of the hotel operating segment.
Investments in affiliated companies	157	184	The decrease since the beginning of the year derives from changes that occurred in the Company's investment in Skyline Investments, a company held by the Company at the ratio of 20.25% and whose shares are traded on the Tel-Aviv Stock Exchange, which derives mainly from a depreciation of Skyline's assets in the United States and in Canada, which was updated according to valuations performed by external appraisers abroad, and from the recording of a loss totaling about NIS 11 million in respect of the creation of a deferred tax reserve in the affiliated company, Kolbo Building – Jerusalem, after which it ceased being deemed a "house property" for tax purposes.
Investment real estate	4,486	4,096	Following are details about the composition of this item and the changes that occurred since the beginning of the year: Real estate in Israel totaled NIS 2,322 million on the date of the statement of financial position, an increase of NIS 18 million since the beginning of the year, which derives mainly from appreciation of the ILDC Campus in Bnei Brak by a total of NIS 81 million, net,[11] and from depreciation of the Seven Stars Mall by a total of NIS 71 million as a result of write-downs deriving from the repercussions of the coronavirus crisis, as specified above in clause 1.1; Real estate abroad totaled NIS 2,164 million on the date of the statement of financial position, an increase of NIS 372 million since the beginning of the year, which derives from appreciation of the logistics parks of the consolidated company, MLP, which is comprised of acquisitions and additions totaling about

[11] Reflects acquisitions and additions totalling NIS 92 million, appreciation totalling NIS 8 million and a disposal due to a sale totalling NIS 19 million.

	As on December 31		Notes and explanations
	2020	2019	
			NIS 264 million and a revaluation totaling about NIS 189 million, which were influenced, inter alia, by the strengthening of the EUR relative to the zloty, and were offset by changes in capital reserves resulting from currency translations totalling about NIS 81 million, deriving from the strengthening of the NIS relative to the zloty; For details about income-generating real estate by uses, see the table hereunder in clause 2.3.
Current liabilities	548	847	The decrease derives mainly from a decrease in credit from banking corporations totalling about NIS 217 million, mainly as a result of debt refinancing according to the Company's policy of taking action to extend the average duration, from a decrease in current maturities of debentures totalling about NIS 52 million, and from a decrease in trade payables totalling about NIS 53 million, mainly in MLP, relating to payments paid in relation to the continuing park expansions, as stated above. The decrease in the above items was offset by an increase in advances received from apartment purchasers in projects totalling about NIS 70 million.
Noncurrent liabilities	3,675	3,104	The increase derives mainly from an increase in the debentures item of about NIS 526 million, as a result of recruitments executed in the Company during the Report Period by way of the expansion of existing or new series, after deducting repaid debentures, as specified above in clause 1.12, and in MLP – as specified above in clause 1.14, and from an increase in liabilities to banking corporations and to other credit-providers totalling about NIS 151 million. These increases were offset mainly by a decrease in deferred taxes totalling about NIS 87 million, which derived mainly from an offset against the tax benefit deriving from the statutory merger of the private real estate companies into the Company, as specified above in clause 1.2 and from a decrease in other noncurrent liabilities totalling about NIS 17 million, mainly as a result of the sum of NIS 21 million being attributed to the adjustment of the value of the liability in respect of nontradable options that were issued to a controlling shareholder in 2019.[12]

[12] For additional details, see note 23.A to the attached consolidated financial statements.

	As on December 31		Notes and explanations
	2020	**2019**	
Total equity attributed to the Company's shareholders	**927**	**898**	The increase derives mainly from the allocation of the profit for the period totalling about NIS 24 million and from a net issue of share capital totalling NIS 89 million, after deducting: the adjustments deriving from translating financial statements totalling about NIS 29 million, as a result of the strengthening of the NIS relative to the zloty; a buyback of shares of the Company at the sum of about NIS 20 million; and a dividend totalling NIS 30 million that was distributed in April 2020.

2.3 Following are details about income-generating real estate and the NOI as on December 31, 2020 and operating data during the Report Period:

	Size (in m^2)	For the period ended December 31, 2020 (in NIS millions)		Occupancy ratio (%)	Fair value (in NIS millions)
		Rent and management fee income	NOI		
Israel					
Seven Stars Mall	25,256	67	45	93	1,061
Commercial	28,212	18	14	96	281
Offices	50,876	24	18	92	366
Industrial	32,098	7	6	81	60
Other income-generating properties	1,365	-	-	95	59
Total income-generating properties in Israel	**137,807**	**116**	**83**	**93**	**1,827**
Investment real estate being promoted in Israel					529
Investment real estate – additional lands					42
Total investment real estate in Israel[13]					**2,398**
Abroad (mainly Poland)					
Logistics parks	**715,713**	**153**	**94**	**92**	**1,931**
Investment real estate being promoted abroad					86
Investment real estate – additional lands					147
Total investment real estate abroad					**2,164**

[13] Including a total of NIS 76 million in respect of the Company's share of the Kolbo Building – Jerusalem, which is included in the balance of investments in affiliated companies.

	Size (in m²)	For the period ended December 31, 2020 (in NIS millions)		Occupancy ratio (%)	Fair value (in NIS millions)
		Rent and management fee income	NOI		
Total investment real estate[13]					**4,562**

2.4 Following are the condensed business results for the periods ended December 31, 2020 and 2019 (in NIS millions):

	For the period ended December 31		Notes and explanations
	2020	**2019**	
Income from property leasing	267	275	Income from income-generating real estate in Israel – totaled NIS 114 million during the Report Period, compared to a total of about NIS 146 million last year – a decrease reflecting the granting of reliefs totalling about NIS 26 million on account of rent during 2020, which were made contingent upon material conditions and, in conformity with the Israel Securities Authority's accounting position as specified above in clause 1.1, it was treated as "negative variable lease fees." Were it not for the said reduction, the Company's income from income-generating properties in Israel would have totaled about NIS 140 million during the Report Period. Income from income-generating real estate abroad – totaled about NIS 153 million compared to a total of about NIS 129 million – growth deriving from the logistics parks abroad, and as a result of an increase in the income-generating spaces, and as a result of the strengthening of the EUR relative to the zloty, the impact of which was offset as a result of the strengthening of the NIS relative to the zloty.
Profit from the property leasing	170	174	Profit from income-generating real estate in Israel – totaled about NIS 79 million during the Report Period – a decrease of about NIS 20 million compared to the profit last year, which derives from the impact of the coronavirus crisis during the Report Period and from the reliefs that were given, as specified above. Profit from income-generating real estate abroad – totaled about NIS 92 million – growth of about NIS 18 million compared to the profit last year, which derives from the growth in income, as specified above.

	For the period ended December 31		Notes and explanations
	2020	**2019**	
Profit (loss) from promoting residential construction abroad	(3)	27	The differences in the results derive from the timing differences for recognizing profit in projects and differences in the number of apartments for which profit was recognized after the full consideration was received, delivering possession of the apartments and signing final notarial acts and from the mix of apartments being sold depending upon the project being sold, since the profitability is not uniform in all projects. For additional details about the Company's projects, their construction stages and additional explanations about the factors affecting their profitability, see clause 4 in Section A above – "description of the corporation's businesses."
Changes in the value of investment real estate, net	118	316	Depreciation of properties in Israel – totaled about NIS 69 million during the Report Period, compared to appreciation totalling about NIS 211 million last year. The depreciation during the Report Period derives mainly from an update of the value of the Herzliya Mall by the sum of NIS 71 million, as a result of the repercussions of the coronavirus crisis, as stated above, and from a write-down totalling about NIS 3 million to adjust the consideration in respect of an asset sold during the Report Period to its carrying amount, which were offset by the appreciation of the ILDC Campus in Bnei Brak by the sum of about NIS 8 million. Appreciation of properties abroad – totaled about NIS 187 million during the Report Period, compared to a total of about NIS 105 million last year. The revaluation was performed during the Report Period due to the engagement in a lease agreement and the receipt of approvals and building permits in new parks (mainly in Germany) and in respect of the completion of construction and occupancy of new spaces in existing parks, and also reflects the favorable impact of the strengthening of the EUR relative to the zloty during the Report Period, which was offset by the impact of the weakening of the zloty relative to the NIS.
Financing expenses, net	(137)	(136)	Are comprised: of financing income totalling about NIS 21 million during the Report Period, mainly due to the adjustment of the value of the options to controlling shareholders, as specified above, compared to financing income totalling about NIS 7 million in 2019, which derived mainly from exchange-rate differentials;

	For the period ended December 31		Notes and explanations
	2020	2019	
			and of financing expenses totalling about NIS 160 million during the Report Period, compared to about NIS 143 million last year – an increase reflecting the offsetting impacts of an increase in financing expenses in MLP totalling about NIS 47 million, which derived from the erosion of the zloty relative to the EUR at the rate of about 8.4% during the Report Period, and one-time financing expenses totalling about NIS 13 million, resulting from a final early repayment of debentures, and of a decrease totalling about NIS 28 million in financing expenses attributed to debentures and long-term liabilities, thanks to the debt refinancing actions taken by the Company, and an interest rate reduction on the Series 20 and 22 debentures back to the base interest rate as a result of an uprating of the Company's debentures in January 2020, as specified above in clause 1.10.
Tax benefit (taxes on income)	69	(98)	The tax benefit during the Report Period derives from the recording of a tax asset at the sum of NIS 98 million in respect of the Merger of the real estate companies, as specified above in clause 1.2, which was offset mainly by the creation of deferred taxes in respect of investment real estate revaluations during the Report Period, and by current tax expenses.
Net profit	**117**	**177**	

Liquidity and sources of financing (in NIS millions)

2.5 Following is the condensed cash flow for the periods ended December 31, 2020 and 2019 (in NIS millions)

	For the period ended December 31		Notes and explanations
	2020	2019	
Operating activities	(70)	13	Includes a decrease of about NIS 50 million in trade payables, mainly due to payments paid during the Report Period relating to the expansion of the logistics parks in MLP, and a decrease totalling about NIS 11 million in the inventory of buildings for sale, after deducting net advances from purchasers, from the continuing progress in the residential construction projects in Poland, and advances received in respect of the Fichman project in Holon.
Investing activities	(342)	(27)	The principal investing activities during the Report Period were investments in property, plant and

	For the period ended December 31 2020	2019	Notes and explanations
			equipment, real estate and investment real estate totalling about NIS 365 million: mainly NIS 264 million in the logistics parks and NIS 92 million in the ILDC Campus in Bnei Brak and, on the other hand, proceeds from sales of investment real estate totalling about NIS 111 million, mainly for offices sold in the ILDC Campus, and a total of NIS 30 million in respect of the sale of a property in Netanya.
Financing activities	446	194	The principal financing activities during the Report Period were: debentures – net consideration from the recruitment at the inclusive total of about NIS 910 million, and repayments at the inclusive total of about NIS 452 million, including the Series 18 and 19 debentures, which were repaid by early redemption, as stated above; loans from banking corporations and other long-term credit-providers – receipt of loans at the inclusive volume of NIS 488 [million] and repayments at the inclusive total of about NIS 492 million; short-term credit, net – reduction totalling about NIS 90 million since the beginning of the year; share capital – recruitment totalling about NIS 90 million in a private issue; and dividend distribution at the sum of NIS 30 million.

Results of the fourth quarter of 2020

2.6 The fourth quarter of 2020 resulted in a loss at the sum of about NIS 15 million in the consolidated financial statements. Following are details about the material items that led to the results of this quarter:

The profit from property leasing totaled about NIS 71 million and reflects an increase compared to the previous quarters, mainly thanks to an increase in leased spaces in the logistics parks in Poland by MLP, and from income from spaces in the new parks in Germany and in Romania.

Appreciation of investment real estate totaled about NIS 36 million.

These profits were offset mainly by administrative and general expenses totalling about NIS 26 million, income taxes totalling about NIS 23 million and net financing expenses totalling about NIS 45 million.

The explanations for the movements in the profit and loss items in the fourth quarter do not materially differ from the explanations above relating to 2020 as a whole.

3. Disclosures relating to the corporation's financial reporting

Legal proceedings

3.1 For legal proceedings in the Group, see note 28.C to the attached consolidated financial statements.

Quality reporting regarding exposure to market risks and risk management methodologies

3.2 **Market risk management officer** – market risks are jointly managed in the Company by the CEO, Mr. Ofer Nimrodi, and by the Executive Vice President, Mr. Shimshon Marfogel.

3.3 **Exposure to risks deriving from the repercussions of the coronavirus crisis** – at the time this report is being written, notwithstanding the success of the inoculation campaign and halt in the spread of morbidity, the coronavirus crisis has not yet passed. As specified above in clause 1.1 of this report, a renewed outbreak of the pandemic might lead to the materialization of some or all of the market risks described hereunder. The intensity of the materialization of risks and the magnitude of their impact on the Company and on its operating results in the future cannot be estimated at this time and depend upon the timeframe that will elapse until the crisis passes and upon events that might transpire during the crisis, including decisions that might be made by governments in Israel and internationally, which could cause the Company heightened exposure to the market risks relevant to its operations.

In addition to the actions taken by the Company's Board of Directors and Management within the framework of risk management processes on an ongoing basis during routine times, as described hereunder in clause 3.5, the Company's Board of Directors has held several meetings since the outbreak of the crisis in order to receive updates about the actions taken by the Company's Management to revise the budget and the work plans for 2020 and to adapt them to the new reality and the accompanying uncertainties, during which several ad hoc decisions were also reached, such as approval of a buyback plan for the Company's securities, as described above in clause 1.5, and which of course received expression when formulating the budget and work plan for 2021, which were approved by the Board of Directors.

According to the assessment of the Company's Board of Directors and Management, the actions taken by the Company during 2020 to improve the capital structure and financial robustness, to cut financing costs and to extend the average duration of the Company's liabilities, coupled with flexibility and the ability to make the adjustments needed in the work plan, will enable the Company to reduce the adverse impact of the crisis on the Company's operations and to fulfill all of its obligations on time and in their entirety.

The market risks are described hereunder according to their potential impact on the Company during routine times. As stated above, the Company's exposure to these risks may intensify as a result of the coronavirus crisis.

3.4 **Description of the market risks**:

3.4.1 **Income-generating real estate**

The average occupancy ratio of the Company's properties is about 92%. The properties are leased for medium- to long-term periods. According to the Company's assessment, correct to the publication date of the financial statements, no significant adverse change has occurred in the values of the

Company's investment real estate compared to their carrying amounts as on December 31, 2020.

3.4.2 **Construction projects**

During construction projects, the Company is exposed to market risks relating to obtaining suitable financing and the level of demands for apartments, which affect the selling prices, the number of units sold and the project's financing expenses. In relation to construction projects abroad, the Company is also exposed to fluctuations in the currency exchange rates in the countries where projects are underway.

3.4.3 **Currency risks**

The Company may have accounting exposure to fluctuations in the currency exchange rates in countries where it is active, as a result of the currency translation differentials of financial statements of the subsidiaries operating abroad.

In these companies, fluctuations in exchange rates have no material economic impact on the financial position, since the assets and the liabilities in all projects of the subsidiaries abroad are in the functional currency, thereby posing no currency exposure at the operating level.

Nevertheless, the Company may have cash-flow exposure when transferring money from abroad to Israel depending upon the currency exchange rates.

3.4.4 **Changes in the Consumer Price Index**

In Israel, all of the Company's leasing income is linked to the Consumer Price Index, as are some of its financing expenses deriving from liabilities to banking corporations and liabilities in respect of debentures issued by the Company. Due to this fact, a rise in the inflation rates in the Israeli economy (expressed by a rise in the CPI), is the factor having an impact on the Company's financial position in terms of the leasing income and in terms of the financing expenses.

3.5 **The Company's risk management policy and supervision of the risk management policy**

The Company has no policy regarding the volume of protection against market risks, and it is determined according to the directives of the Company's Board of Directors and/or the Company's Investment Committee, as the case may be. The Company's Board of Directors receives quarterly reports from the Management about the Company's exposure and the risks, or ad hoc, as necessary, and makes decisions in this regard accordingly. Explanations of the Company's financing expenses are provided quarterly, when the Board of Directors convenes to approve the financial statements.

3.6 **Report of linkage bases**

For the Company's consolidated statements of financial position presenting linkage terms, see note 32.C to the financial statements hereunder.

3.7 **Policy regarding transactions with derivatives**

The Company has no policy regarding transactions with derivatives. The Company had no activity with derivatives during the Report Period.

Events subsequent to the date of the statement of financial position

3.8 See clause 1 above.

Report of the status of liabilities by repayment dates

3.9 For details about the status of the Company's liabilities by repayment dates, see the Immediate Report published by the Company concurrent with the publication of this report, which is included here by way of referral.

4. Corporate governance aspects

The corporation's donation policy

4.1 The Company has no fixed donation policy, but customarily donates various sums to a variety of causes in the fields of education, culture and community and to medical causes according to the Management's decisions from time to time. During the Report Period, the Company and its private subsidiaries donated the inclusive total of about NIS 693 thousand to various bodies according to that stated above, including a donation of NIS 200 thousand in March 2020 towards equipment purchases to help contend with the coronavirus.

Corporate governance review – Entropy

4.2 Out of the Company's desire to continue enhancing its transparency to the capital market and the quality of the corporate governance in the Company, the Company engaged with Entropy Corporate Governance Consulting Ltd. ("**Entropy**"), which reviewed the existing components of corporate governance in the Company and compared them to the customary principles in public companies having similar characteristics in Israel, for the purposes of performing a detailed professional review for the Company of the level of corporate governance in the Company and submitting recommendations for implementation in an orderly work plan for enhancing the corporate governance in the Company, on the basis of Entropy's corporate governance model.

Within the framework of the review process that it implemented, Entropy held meetings with most of the Company's officers, directors and advisors and perused relevant materials. Upon completing the examination process as stated, Entropy submitted a corporate governance risk assessment review to the Company's Board of Directors, as well as a number of recommendations to further strengthen and improve the corporate governance. Within this framework, the Company has actually implemented most of Entropy's recommendations in relation to several topics, including: (1) establishing communications processes with the capital market and strengthening transparency; (2) forming a committee to find and assess the qualifications of candidates for office as outside directors;[14] (3) anchoring the existing strategy in a formal process under the Board of Directors' guidance; (4) subordinating the Company's internal auditor to the Chairman of the Board of Directors; (5) increasing the volume of audits; and (6) adopting a training program

[14] For details about the proceeding held by the Company, see the January 2020 Meeting Summons Report.

for directors. Out of the Company's desire to continuing ensuring a high level of corporate governance, the Company continued to assimilate and deepen its actions during the Report Period and subsequently, including the implementation of additional recommendations of Entropy.

Some of the additional actions taken included the implementation and assimilation of processes relating to Entropy's following recommendations: (1) strengthening the risk-management processes in the Company – the Company's Board of Directors appointed an officer to be responsible for monitoring and managing risks in the Company and defined the framework of his role, including reporting to the Board of Directors; (2) strengthening the infrastructures and resources that are available to the Company's gatekeepers – as stated above, it was resolved to increase the scope of the annual audit, and for 2020 and 2021, the Audit Committee approved audit plans at the volume of 360 hours[15] and 365 hours, respectively, which constitutes a 33% increase compared to the scope of the audit in 2019 and more than a 50% increase compared to the scope of the audit in 2018. The Company also resolved that the examinations of the effectiveness of the control over the financial reporting process, which were performed in previous years by the Company's internal auditor, shall be performed by an external party in 2020; and (3) formal anchoring of information-flow processes in the Company – the Company's Management created an intraorganizational reporting infrastructure and instituted a platform for periodic reporting as a basis for the Company Management's discussions and monitoring, both continuously and on an ad hoc basis.

In addition to that stated above, a specific process was performed with Entropy's assistance during the Report Period for the purpose of anchoring a formal policy for the mix on the Board of Directors, which shall also include the topic of the process of appointing outside directors and independent directors, which the Company intends to adopt once it is finalized and begin implementing, in addition to the currently existing processes and those actually implemented, such as the formation of a committee to find and assess the qualifications of candidates for office as outside directors, as stated above.

Details about the corporation's internal auditor

4.3 See hereunder – Appendix A to the Board of Directors' Report.

Disclosure of the independent auditor's fee

4.4 See hereunder – Appendix B to the Board of Directors' Report.

5. Specific disclosure to debenture-holders

Material changes that occurred in the Company's debentures since year-end 2020 and until the signing date of this report:

5.1 See above clauses 1.11 and 1.12.

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[15] For an explanation about the actual performance of the audit plan for 2020, see the disclosure about the internal auditor, Appendix A hereunder.

Details about the debentures correct to December 31, 2020

5.2 For details about the debentures correct to December 31, 2020, see hereunder – Appendix C to the Board of Directors' Report.

Financial covenants

5.3 For details about the financial covenants stipulated in the deeds of trust of the debentures issued by the Company, see hereunder – Appendix C to the Board of Directors' Report.

Projected cash flows to finance the Company's activities

5.4 As on December 31, 2020, the financial statements contain one warning sign out of the four warning signs specified in Regulation 10(B)(14)(a) of the Securities Regulations (Periodic and Immediate Reports) of 1970: <u>persisting negative cash flow from operating activities (**nonconsolidated**)</u>.

5.5 During the Board of Directors' meeting held on March 25, 2021 to approve the December 2020 financial statements, the Company's Board of Directors discussed the Company's liquidity position in light of the said warning sign and was satisfied that it does not indicate a liquidity problem in the Company and that the Company has sufficient resources to carry out its business and financial plans and to fulfill all of its obligations, inter alia, considering that the Company has a positive projected cash flow for the next 24 months, that there are binding credit frameworks from banks and financial entities that have not yet been utilized totalling about NIS 150 million, that is has a balance of unencumbered real estate assets in Israel totalling about NIS 137 million, that the Company's holdings of debt-free shares of MLP and ILDC Urban Renewal at the inclusive tradable value (the Company's share), just prior to the report date, of about NIS 612 million, and considering expected proceeds from sales of income-generating properties that the Company is striving to sell.

Furthermore, the completion of the Company's capital flattening enabled the recruitment of share capital in December 2019, for the first time in decades, and the recruitment of additional capital in January 2020. The Company's Management is continuing to take action continuously to examine and implement capital recruitment opportunities.

Warning about forward-looking information

The Company Management's assessments regarding the projected cash flow assessed in this report and its underlying assumptions constitute forward-looking information, as this term is defined in the Securities Law of 1968. The said information is based, inter alia, on assessments, work plans and various estimates that are not under the Company's sole control, including the coronavirus crisis that is affecting the entire world and while its potential repercussions on the global economy, including all parameters that impact the Company's operations, have not yet been entirely ascertained and cannot be estimated. The Company's forecasts may not materialize if material adverse changes occur in its operating income and/or if adverse changes occur in the structure of its expenses, or if the subsidiaries become incapable of repaying their debts to banking corporations, some of which are guaranteed by the Company. The Company's forecasts are also affected by the state of the economy. The aforesaid information may not materialize in whole or in part, or may materialize in a way that

differs significantly from the Company's expectations, inter alia, as a result of exogenous factors that are not under the Company's control such as: the state of the real estate market, the Company's ability to recruit additional bank financing and as a result of the materialization of any of the risk factors characterizing the Company's operations or those of its subsidiaries, as specified in Section A of the Annual Report "description of the corporation's businesses" and in this Board of Directors' report.

Shlomo Maoz	Ofer Nimrodi	Shimshon Marfogel
Chairman of the Board	Director and CEO	Executive VP

March 25, 2021

Appendix A to the Board of Directors' Report as on December 31, 2020 – Disclosure of details about the corporation's internal auditor

1. **See Appendix A to the Board of Directors' Report**

   Name: Batia Kotzubay

   Employment start date: 1/2/2011.

   Qualifications and experience: Certified Public Accountant since 1993 and a member of the Institute of Certified Public Accountants in Israel. Owns an independent firm engaging mainly in the provision of internal auditing services. Serves as internal auditor of a number of public companies and non-profit organizations. Holds a B.A. in economics and accounting, and also completed supplementary professional training in risk management, advanced financial management, pricing and control.

   CPA Batia Kotzubay fulfills all of the suitability requirements prescribed in sections 3(a) and 8 of the Internal Auditing Law and in the provisions of section 146(b) of the Companies Law.

2. **Mode of appointment** – CPA Batia Kotzubay was appointed by the Company's Board of Directors at the recommendation of the Audit Committee after having examined and interviewed a number of candidates for the position, and was selected, considering her training and professional experience, mainly in the field of internal auditing.

3. **The internal auditor's organizational supervisor** – the Chairman of the Board of Directors.

4. **The work plan** – the work plan is determined using a multi-year perspective, thereby enabling the auditing of topics relevant to the Company's operations on a cyclical basis. The audit plan is approved annually by the Company's Audit Committee. The plan was determined based on a review of the business environment and also based on audit reports prepared in the Company in recent years.

   The audit plan is determined in coordination with the Company's Management and the Company's Audit Committee.

5. **Auditing of investee corporations** – the audit plan relates to the Company and to the corporation's investee companies in Israel and abroad, with the exception of the subsidiary ILDC Urban Renewal in Israel Ltd. (a public company in which the Company's internal auditor also serves as its internal auditor; however, its audit plan is determined independently by its own audit committee) and the second-tier subsidiary MLP Group SA, a public company with its own internal auditor. According to the Company's auditing plan, the internal auditor supervises the auditing activities in these companies.

6. **Volume of employment** – the internal auditing budget for 2020, as approved by the Company's Audit Committee, was at the volume of 360 hours, which was defined while considering the scope of the auditing required, and while taking into account, inter alia, the internal auditing also being performed in the public subsidiaries, which was at the inclusive volume of about 90 hours in 2020. It should be noted that, due to the coronavirus crisis that affected the entire world as of the first quarter of 2020 and is continuing up to the date of this report, it was not possible to complete the entire approved audit plan, mainly due to the repetitive lockdowns that were imposed, which prevented the internal auditor from flying to the Company's facilities abroad and, in some instances, due to the changes in the timetables for particular activities, so that only 170 hours were utilized out of the said

budget. The work plan approved by the Audit Committee for 2021 is expected to include audits at the volume of 365 hours.

7. **Generally accepted professional standards applied by the internal auditor during the audit** – the internal auditing work and the preparatory stages of the audit plan were carried out in conformity with generally accepted professional internal auditing standards, professional guidelines and briefings approved and published by the Institute of Internal Auditors in Israel and by the Institute of Certified Public Accountants in Israel.
8. **Access to information** – the internal auditor has free, constant and direct access to the corporation's information systems, including financial data.
9. **The internal auditor's reports** – the audit reports are submitted in writing. Seven audit reports were submitted and discussed in respect of 2020:

	Submission date	Discussion date
Reports 1 and 2	August 2020	September 2020
Reports 3, 4, 5, 6 and 7	March 2021	March 2021

10. **The Board of Directors' assessment of the internal auditor's activities** – the Company's Board of Directors believes that the volume, character and continuity of the internal auditor's activities and work plan are reasonable under the circumstances and suffice to achieve the purposes of internal auditing in the corporation. The audit plan is usually part of a multi-year auditing process of the Company, and subjects audited in the past are taken into account when formulating the plan, while emphasizing potential risks.
11. **Remuneration** – the internal auditor provides internal auditing services to the corporation, and the actual remuneration is according to the volume of hours actually devoted to the performance of the audit. In consideration of the auditing work in respect of 2020, the internal auditor was paid NIS 34 thousand.

    In light of the nature of the engagement and the volume of auditing, the Company does not believe that the remuneration could have any influence on the internal auditor's exercise of professional judgment

Appendix B to the Board of Directors' Report as on December 31, 2020 – Disclosure of the independent auditor's fee

1. **Principles for determining the fee and the approving authority**

   The fee is defined separately in each company.

   In companies of the Group in Israel, the fee is defined as an hourly rate during negotiations between the auditors and the CEO or the CFO in each of the companies, according to the nature of the work, past experience and market conditions. The final fee for each year is obtained by multiplying the hours worked by the defined hourly rate as stated above.

   In companies of the Group abroad, the fee is defined as a fixed sum for the year during negotiations between the auditors and the CEO or the CFO in each of the companies, based on the forecasted volume of work and the nature of the work.

   The authority approving the fee is the Company's Management.

2. **Name of the independent auditors**:

   In Israel: Kost, Forer, Gabbay & Kasierer
   Ezra Kaduri and Co., CPA
   In Poland: KPMG
   In Romania: KPMG and Menirav Berkowitz, CPA
   In Cyprus: PEK Limited

3. **Payments to the independent auditors (in NIS thousands, excluding VAT)**

	2020		2019	
	In respect of auditing and related services and tax services	Other services	In respect of auditing and related services and tax services	Other services
The Company[16]	881	-	1,171	932[17]
Israel Land Development – Urban Renewal Ltd.	40	-	48	-
Total companies in Israel	**921**	**-**	**1,219**	**932**
Companies abroad	577	141	543	158

4. **Hours of work by the independent auditors**

	2020		2019	
	In respect of auditing and related services and tax services	Other services	In respect of auditing and related services and tax services	Other services
The Company	4,963	-	6,208	1,630
Israel Land Development – Urban Renewal Ltd.	296	-	304	-
Total companies in Israel	**5,259**	**-**	**6,512**	**1,630**

16 Including private wholly controlled subsidiaries.
17 Including exceptional assignments performed in relation to the Merger of the real estate companies and the Tax Ruling, as specified in clause 1.2, and discussions of tax assessments that are billed other than according to an hourly rate.

Appendix C to the Board of Directors' Report as on December 31, 2020 – Details about the debentures, correct to December 31, 2020

Details/series	Series 20	Series 21	Series 22	Series 23
Issue dates	1/2017, 4/2017, 6/2017 and 8/2020	11/2017, 1/2018, 2/2019, 1/2020, 3/2020 and 7/2020	12/2017, 8/2018, 8/2019, 9/2019 and 1/2020	12/2020
Data as on December 31, 2020[18] in NIS thousands:				
On the issue date	358,969[19]	656,492[20]	401,355[21]	200,000
Linked to the end of the reporting period (to the CPI of 11/2020)	302,831	629,256	588,941	200,000
Accrued interest	-	-	-	226
Stock exchange value of the series	310,844	668,322	584,712	202,320
Material series	Yes	Yes	Yes	Yes
Linkage terms, interest type and rate	Linked to the CPI of 12/2016, 3.25% interest	Linked to the CPI of 9/2017, 1.8% interest	Linked to the CPI of 10/2017, 2.25% interest	Linked to the CPI of 10/2020, 3.3% interest
Principal repayment dates	June 30, 2020-2024	December 31, 2020-2027	June 30, 2021-2027	December 31, 2023-2026 and 2028

18 Stated after deducting debentures repurchased within the framework of buyback plans.

19 NIS 204,655 thousand par value were issued pursuant to the shelf offering memorandum of January 2017, NIS 76,019 thousand par value were issued pursuant to the shelf offering memorandum of April 2017, NIS 18,000 thousand par value were issued in a private allotment in June 2017 and NIS 60,295 thousand par value were issued in a private allotment in August 2020.

20 NIS 286,425 thousand par value were issued pursuant to the shelf offering memorandum of November 2017, NIS 6,887 thousand par value were issued as a result of exercises of Series 3 option warrants in January 2018, NIS 90,000 thousand par value were issued in a private allotment in February 2019, NIS 180,180 thousand par value were issued pursuant to the shelf offering memorandum of January 2020, NIS 53,000 thousand par value were issued pursuant to the private offering memorandum of March 2020 and NIS 40,000 thousand par value were issued in a private allotment in July 2020.

21 NIS 121,405 thousand par value were issued pursuant to the shelf offering memorandum of December 2017, NIS 50,000 thousand par value were issued in a private allotment in August 2018, NIS 172,450 thousand par value were issued pursuant to the shelf offering memorandum of August 2019, NIS 57,500 thousand par value were issued in a private allotment in September 2019 and NIS 189,574 thousand were issued pursuant to the shelf offering memorandum of January 2020.

Details/series	Series 20	Series 21	Series 22	Series 23
Interest payment dates	June 30 and December 31	March 31, June 30, September 30 and December 31	March 31, June 30, September 30 and December 31	June 30 and December 31
Corporation has a right to execute an early redemption	Yes	Yes	Yes	Yes
Assets pledged to secure the liabilities	None	Second-ranking mortgage on all of the Company's rights in the Seven Stars Mall in Herzliya	None	None
Current rating of the debentures by S&P Maalot	ilA-/Stable	ilA/Stable	ilA-/Stable	ilA-/Stable
Rating when the series was issued	ilA-/Stable	ilA-/Stable	ilA-/Stable	ilA-/Stable

Financial covenants

In conformity with the Israel Securities Authority's Legal Position 104-15 "Reportable Credit Event," following is a disclosure about the calculation of the financial covenants stipulated in the deeds of trust of the debentures issued by the Company that are still in circulation, correct to the date of this report:

Series	The financial covenant	Required threshold	Calculation on the date of the statement of financial position
20	CAP ratio	Must not exceed 77%	60.4%
21	LTV	Must not exceed 85%	76.1%
20 – 22	Total nonconsolidated equity	Must not fall below NIS 565 million	NIS 927 million
	Ratio of equity to total nonconsolidated statement of financial position	Must not fall below 20%	24.6%
23	Total nonconsolidated adjusted equity[22]	Must not fall below NIS 610 million	NIS 971 million
	Ratio of adjusted equity to total nonconsolidated statement of financial position	Must not fall below 20%	25.7%

As disclosed in the above table, correct to December 31, 2020, the Company complied with all of the said financial covenants.

Compliance with the terms of the deeds of trust, details about the trustees for the debentures and the trustees' demands during the report year:

There were no demands from the trustees in any of the series. The corporation complied with all of the conditions and obligations pursuant to the deeds of trust for all series of the debentures, including, as stated above, all of the financial covenants stipulated in the deeds of trust.

Following are the trustees' details:

1. **Mishmeret Trust Company Ltd.**, 46-48 Menahem Begin St., Tel-Aviv; contact person: CPA Rami Sabati; tel: 03-6374354; fax: 03-6374333; email: ramis@bdo.co.il – **Trustee for Series 20 and 21.**
2. **Reznik Paz Nevo Trusts Ltd.**, 14 Yad Harutzim, Tel-Aviv; contact person: CPA Yossi Reznik; tel.: 03-6389200; fax: 03-6393316; email: trust@rpn.co.il – **Trustee for Series 22**.
3. **Hermetic Trust (1975) Ltd.**, 30 Sheshet Hayamim, Bnei Brak; contact person: Adv. Dan Avnon; tel.: 03-5274867; fax: 03-5271451; email: hermetic@hermetic.co.il – **Trustee for Series 23**.

[22] In the deed of trust, "adjusted equity" – equity (nonconsolidated plus the sum recorded as a liability in respect of the option warrants granted to a controlling shareholder).

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

to the Shareholders of

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of the Israel Land Development Company Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2020. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard (Israel) 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over investment property processes; and (3) controls over sale and income processes (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively fulfilled, in all material aspects, the audited control components as of December 31, 2020.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and our report dated March 25, 2021 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 25, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

We have audited the accompanying consolidated statements of financial position of the Israel Land Development Company Ltd. ("the Company") as of December 31, 2020 and 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020. The Company's board of directors and management are responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 46% and approximately 42% of total consolidated assets as of December 31, 2020 and 2019, respectively, and whose revenues included in consolidation constitute approximately 58%, approximately 57% and approximately 51% of total consolidated revenues for the years ended December 31, 2020, 2019 and 2018, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity, the investment in which amounted to NIS 105,164 thousand and NIS 123,074 thousand as of December 31, 2020 and 2019, respectively, and the Company's share of their earnings (losses) amounted to NIS (3,599) thousand, NIS (177) thousand and NIS 2,141 thousand for the years ended December 31, 2020, 2019 and 2018, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, pursuant to Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2020, and our report dated March 25, 2021 includes an unqualified opinion as to the effective maintenance of those components.

Tel-Aviv, Israel
March 25, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2020	December 31, 2019
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	362,058	318,702
Short-term investments	6	143,952	11,895
Short-term loans	7	4,017	5,928
Trade receivables	8	39,622	36,171
Current taxes receivable		7,719	5,382
Other receivables	9	126,186	180,916
Inventory of buildings for sale	10	248,840	210,227
		932,394	769,221
Real estate properties and investment property held for sale	14	-	33,150
Assets attributable to disposal group held for sale	18	-	54,847
		932,394	857,218
NON-CURRENT ASSETS:			
Real estate for construction	11	72,885	53,937
Long-term loans, deposits and receivables	12	52,267	73,410
Investments in associates	13	157,392	184,006
Investment property	14	4,485,724	4,095,761
Property, plant and equipment, net	15	20,109	20,079
Right-of-use assets	16	32,680	44,713
Goodwill and intangible assets	17	33,463	35,213
Deferred taxes	30f	5,625	2,676
		4,860,145	4,509,795
		5,792,539	5,367,013

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2020	December 31, 2019
		NIS in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and other credit providers	20	90,446	306,989
Current maturities of debentures	24	192,304	244,373
Current maturity of lease liability	16	21,744	18,987
Advances from buyers	10	108,467	38,379
Trade payables	21	88,705	141,331
Other payables	22	46,485	76,004
		548,151	826,063
Liabilities attributable to disposal group held for sale	18	-	21,419
		548,151	847,482
NON-CURRENT LIABILITIES:			
Liabilities to banks and other credit providers	25	1,342,924	1,192,324
Debentures	24	1,829,109	1,303,030
Lease liability	16	49,645	51,424
Employee benefit liabilities	26	4,380	3,660
Other non-current liabilities	23	81,060	98,524
Deferred taxes	30f	368,367	455,468
		3,675,485	3,104,430
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	27		
Share capital and capital reserves		448,922	446,853
Share premium		462,047	375,023
Treasury shares		(34,439)	(14,496)
Other capital reserves		(221,536)	(186,380)
Retained earnings		272,018	276,756
		927,012	897,756
Non-controlling interests		641,891	517,345
Total equity		1,568,903	1,415,101
		5,792,539	5,367,013

The accompanying notes are an integral part of the consolidated financial statements.

March 25, 2021			
Date of approval of the financial statements	Shlomo Maoz Chairman of the Board	Ofer Nimrodi Member of the Board and CEO	Shimshon Marfogel Executive Vice President and Senior Officer in Charge of Finance

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31, 2020	2019	2018
		NIS in thousands (except per share data)		
REVENUES:				
Revenues from rental of properties		* 266,741	275,282	282,049
Revenues from sale of real estate		-	-	63,688
Revenues from residential construction development overseas		53,923	114,276	152,704
Revenues from billboard business		33,877	37,441	50,690
Total revenues		354,541	426,999	549,131
COSTS:				
Cost of maintenance of rental properties	29a	96,280	101,593	101,115
Cost of real estate sold		-	-	32,213
Cost of residential construction development in Israel	29b	6,752	12,033	6,732
Cost of residential construction development overseas	29c	56,827	87,250	131,285
Cost of billboard business	29d	36,242	43,149	51,192
Total costs		196,101	244,025	322,537
Revenues less costs		158,440	182,974	226,594
Increase in value of investment property, net	14	118,411	315,877	166,575
General and administrative expenses	29e	(70,865)	(71,258)	(66,165)
Other income (expenses), net	29h	(10,542)	(5,921)	8,045
Group's share of earnings (losses) of companies accounted for at equity, net		(6,178)	710	(1,392)
Operating income		189,266	422,382	333,657
Finance income	29f	22,002	7,031	11,196
Finance expenses	29g	(159,519)	(143,040)	(139,933)
Group's share of earnings (losses) of companies accounted for at equity, net		(3,609)	28	(2,706)
Income before taxes on income		48,140	286,401	202,214
Taxes on income (tax benefit)	30	(69,354)	98,136	82,530
Net income from continuing operations		117,494	188,265	119,684
Loss from discontinued operations, net	18	(891)	(11,647)	(20,679)
Net income		116,603	176,618	99,005
Net income attributable to:				
Equity holders of the Company		23,853	104,918	45,944
Non-controlling interests		92,750	71,700	53,061
		116,603	176,618	99,005
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):	33			
Basic net earnings from continuing operations		0.72	4.10	2.35
Basic net loss from discontinued operation		(0.03)	(0.41)	(0.73)
Basic net earnings per share		0.69	3.69	1.62
Diluted net earnings from continuing operations		0.68	4.10	2.35
Diluted net loss from discontinued operation		(0.02)	(0.41)	(0.73)
Diluted net earnings per share		0.66	3.69	1.62

*) In the year ended December 31, 2020, property rental income, without rent concessions, amounted to NIS 292,307 thousand. In the reporting period, the Company granted rent concessions to Israeli tenants (mainly the Seven Stars Mall) totaling NIS 25,566 thousand. The rent concessions were accounted for as derecognition of an asset – receivables from operating lease – due to the rent concessions attributed to the Coronavirus crisis. The income for said periods is presented net of said rent concessions. See more information of the effects of the Coronavirus crisis in Note 1c below.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Net income	116,603	176,618	99,005
Other comprehensive income (loss) (after tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment in subsidiary	-	2,479	13,380
Revaluation of property, plant and equipment in associate	(4,277)	-	3,350
Loss from remeasurement of defined benefit plan	(502)	(575)	(316)
	(4,779)	1,904	16,414
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operations	(51,705)	(105,587)	(13,182)
Total other comprehensive income (loss)	(56,484)	(103,683)	3,232
Total comprehensive income	60,119	72,935	102,237
Comprehensive income from continuing operations	60,119	82,103	109,574
Comprehensive loss from discontinued operations	-	(9,168)	(7,337)
Total comprehensive income	60,119	72,935	102,237
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(6,431)	50,173	50,091
Non-controlling interests	66,550	22,762	52,146
	60,119	72,935	102,237

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and capital reserves	Share premium	Treasury shares	Other capital reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	NIS in thousands							
Balance as of January 1, 2018	442,590	219,404	(2,497)	(5,198)	79,036	733,335	461,413	1,194,748
Net income	-	-	-	-	45,944	45,944	53,061	99,005
Foreign currency translation reserve	-	-	-	(10,079)	-	(10,079)	(3,103)	(13,182)
Revaluation of property, plant and equipment	-	-	-	14,524	-	14,524	2,206	16,730
Loss from remeasurement of defined benefit plan	-	-	-	(298)	-	(298)	(18)	(316)
Total comprehensive income	-	-	-	4,147	45,944	50,091	52,146	102,237
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(2,472)	2,472	-	-	-
Share of non-controlling interests in fair value of guarantee and financing of surplus for subsidiary	-	-	-	(3,058)	-	(3,058)	3,058	-
Balance as of December 31, 2018	442,590	219,404	(2,497)	(6,581)	127,452	780,368	516,617	1,296,985
Net income	-	-	-	-	104,918	104,918	71,700	176,618
Foreign currency translation reserve	-	-	-	(56,242)	-	(56,242)	(49,345)	(105,587)
Revaluation of property, plant and equipment	-	-	-	2,072	-	2,072	407	2,479
Loss from remeasurement of defined benefit plan	-	-	-	(575)	-	(575)	-	(575)
Total comprehensive income (loss)	-	-	-	(54,745)	104,918	50,173	22,762	72,935
Issuance of shares *)	4,263	155,619	-	(61,700)	-	98,182	-	98,182
Dividend	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Repurchase of Company shares by the Company	-	-	(11,999)	-	-	(11,999)	-	(11,999)
Purchase of non-controlling interests	-	-	-	1,032	-	1,032	(22,034)	(21,002)
Amounts reclassified from revaluation reserve for sale of property, plant and equipment	-	-	-	(62,813)	62,813	-	-	-
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(1,573)	1,573	-	-	-
Balance as of December 31, 2019	446,853	375,023	(14,496)	(186,380)	276,756	897,756	517,345	1,415,101

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and capital reserves	Share premium	Treasury shares	Other capital reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	NIS in thousands							
Balance as of December 31, 2019	446,853	375,023	(14,496)	(186,380)	276,756	897,756	517,345	1,415,101
Net income	-	-	-	-	23,853	23,853	92,750	116,603
Foreign currency translation reserve	-	-	-	(25,505)	-	(25,505)	(26,200)	(51,705)
Revaluation of property, plant and equipment	-	-	-	(4,277)	-	(4,277)	-	(4,277)
Loss from remeasurement of defined benefit plan	-	-	-	(502)	-	(502)	-	(502)
Total comprehensive income (loss)	-	-	-	(30,284)	23,853	(6,431)	66,550	60,119
Issuance of shares *)	2,069	87,024	-	-	-	89,093	-	89,093
Issuance of capital to non-controlling interests **)	-	-	-	(3,463)	-	(3,463)	59,480	56,017
Dividend	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividend to non-controlling interests	-	-	-	-	-	-	(1,484)	(1,484)
Repurchase of Company shares by the Company	-	-	(19,943)	-	-	(19,943)	-	(19,943)
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(1,409)	1,409	-	-	-
Balance as of December 31, 2020	448,922	462,047	(34,439)	(221,536)	272,018	927,012	641,891	1,568,903

*) See Note 27f.
**) See Note 13c(6).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Cash flow from operating activities:			
Net income	116,603	176,618	99,005
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Adjustments to profit and loss items:			
Increase in fair value of investment property, net	(118,411)	(315,877)	(166,955)
Finance expenses, net	133,968	132,959	127,075
Capital gain from sale of property, plant and equipment, net	(695)	(7,663)	(14,404)
Gain from remeasurement of investment in associate	-	-	(3,200)
Group's share of losses (earnings) of companies accounted for at equity	9,787	(738)	4,098
Depreciation and amortization including impairment of property, plant and equipment, net	18,139	49,204	35,029
Taxes on income (tax benefit)	(69,354)	98,136	82,530
Changes in employee benefit liabilities, net	(88)	(4,220)	1,646
Decrease (increase) in value of securities measured at fair value through profit or loss, net	186	(715)	77
	(26,468)	(48,914)	65,896
Changes in asset and liability items:			
Decrease (increase) in trade and other receivables	8,563	23,766	(24,424)
Decrease in inventory	-	960	477
Decrease in inventory of buildings for sale less advances from buyers, net	10,759	10,629	7,935
Decrease in trade and other payables	(50,272)	(1,809)	(23,629)
	(30,950)	33,546	(39,641)
Cash paid and received during the year for:			
Interest paid	(102,863)	(105,359)	(114,706)
Interest received	470	1,613	627
Taxes paid	(35,250)	(50,951)	(47,752)
Taxes received	8,881	6,744	6,238
	(128,762)	(147,953)	(155,593)
Net cash provided by (used in) operating activities	(69,577)	13,297	(30,333)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Cash flows from investing activities:			
Investment in securities measured at fair value through profit or loss	(15,722)	-	-
Repayment (grant) of loans to associates, net	5,765	395	(7,836)
Proceeds from withdrawal of (investment in) bank deposits, net	(82,223)	11,839	(13,029)
Acquisition of initially consolidated company (a)	-	-	(3,802)
Investment in fixed and other assets, real estate and investment property	(365,612)	(348,732)	(272,922)
Proceeds from sale of property, plant and equipment, real estate and investment property	111,324	318,553	113,957
Repayment (grant) of long-term loans, net	4,454	(9,338)	712
Collection of short-term loans, net	-	-	20
Net cash used in investing activities	(342,014)	(27,283)	(182,900)
Cash flows from financing activities:			
Repurchase of Company shares	(19,943)	(11,999)	-
Purchase of non-controlling interests	-	(21,002)	-
Issuance of capital	89,093	159,882	-
Issuance of capital in subsidiary	59,480	-	-
Issuance of debentures, net	909,920	352,151	98,237
Repayment of debentures	(451,841)	(326,906)	(260,282)
Receipt of long-term loans from banks and other credit providers	488,232	569,144	377,121
Repayment of long-term loans from banks and other credit providers	(491,525)	(535,459)	(165,424)
Repayment of lease liability	(15,248)	(18,815)	(344)
Short-term credit from banks and other credit providers, net	(90,429)	47,018	18,564
Dividend paid to equity holders of the Company	(30,000)	(20,000)	-
Dividend paid to non-controlling interests	(1,484)	-	-
Net cash provided by financing activities	446,255	194,014	67,872
Exchange rate differences on balances of cash and cash equivalents	(2,661)	(5,162)	528
Increase (decrease) in cash and cash equivalents	32,003	174,866	(144,833)
Cash and cash equivalent balance at beginning of year	318,702	133,757	300,021
	350,705	308,623	155,188
Add (less) changes in cash presented in disposal group held for sale	11,353	10,079	(21,431)
Cash and cash equivalent balance at end of year	362,058	318,702	133,757

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2020	2019	2018
		NIS in thousands		
(a)	Acquisition of initially consolidated company:			
	The subsidiary's assets and liabilities at date of acquisition:			
	Working capital (excluding cash and cash equivalents)	-	-	(33,328)
	Investment in associates	-	-	13,336
	Property, plant and equipment	-	-	(53)
	Long-term liabilities	-	-	13,043
	Gain from remeasurement of investment in associate	-	-	3,200
		-	-	(3,802)
(b)	Significant non-cash activities:			
	Receivables for sale of real estate and investment properties	5,375	75,552	59,347
	Receivables for sale of property, plant and equipment	-	9,650	40,500
	Investment in right-of-use assets and investment property against liability	17,863	29,114	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: - GENERAL

a. The Israel Land Development Company Ltd. ("the Company") is a company resident in Israel an incorporated in Israel, whose official address is 30 Sheshet Hayamim Street, Bnei-Brak, Israel. The Company's securities are listed for trade on the Tel Aviv Stock Exchange ("TASE").

b. The Company operates, directly and through investees, in three major business sectors (see also Note 35 regarding operating segments) as follows:

1. Rental of properties - rental and management of investment properties in Israel and overseas.

2. Residential construction development in Israel - development and performance of residential construction projects in Israel, including urban renewal and National Outline Plan 38 projects.

3. Residential construction development overseas - development, construction, performance and sale of residential construction projects overseas.

c. The effects of the Coronavirus crisis:

At the beginning of 2020, the epidemic caused by the Coronavirus, which was declared a global epidemic by the World Health Organization, began to spread around the world. The outbreak of the epidemic has led to a global health and economic crisis and is affecting various business areas in many countries.

As part of the national response to the epidemic, emergency regulations were enacted by the Israeli government during March 2020, which imposed restrictions on the movement and gathering of people while reducing access to public space, when, among other things, it was decided to close shopping centers and places of culture, recreation and leisure, activities of the public and private business sector ("the first lockdown").

Although the restrictions were gradually lifted from May 2020 as part of a return to routine measures, however, during August 2020, following the outbreak of a second wave of virus infection, certain restrictions were imposed on social gatherings and civilian transportation, affecting the scope and nature of business, public and private sector activities.

These restrictions were tightened to the point of complete closure due to a significant increase in the rate of infection with the virus and in mid-September 2020 new regulations came into force in which exit, stay and activity in the public space were severely restricted. Moreover, street stores, commercial centers and places of culture, entertainment and leisure were again forced to close down. Any activity in workplaces in the private and public sectors was strictly restricted, except in essential workplaces ("the second lockdown").

NOTE 1: - GENERAL (Cont.)

c. The effects of the Coronavirus crisis (Cont.):

Owing to past experience, the lifting of the second lockdown was done gradually and as of mid-October 2020 only some of the restrictions were lifted. As of the date of publication of this report, the economy has not yet returned to full activity. The shopping malls and places of culture, entertainment and leisure are still closed and inactive except for the essential activities, as defined below.

In late November 2020, the Israeli government approved a pilot for reopening 15 shopping malls around the country, 9 of which were decided by raffle, including the Herzliya Seven Stars Mall ("the shopping mall pilot"). On December 9, 2020, the other shopping malls resumed operation under the strict purple badge outline requirements determined in the shopping mall pilot.

Towards the end of December 2020, following another surge of Coronavirus cases in Israel, new government emergency guidelines and regulations were issued which ordered the closing down of businesses, including the Seven Stars Mall, excluding essential activities, effective from December 28, 2020 to February 20, 2021 ("the third lockdown").

The following is a description of the material effects on the Company's operations resulting from the said crisis and its projected consequences:

The Company's operations abroad continued throughout the crisis period, except for a certain slowdown during the lockdown period in the real estate development activity in Poland and with the exception of spot adjustments that were made mainly according to local guidelines regarding the employment of workers.

In Israel, the Company began preparing to deal with the crisis even before the publication of emergency regulations for closing businesses, including malls .With the publication of the regulations, the Company took a number of actions designed to maintain the health of its employees, customers and the general public, along with actions designed to reduce its expenses during the crisis to the minimum necessary in order to maintain business continuity, while maintaining contact with tenants and pursuing the Company's business development and project promotion activities not limited by emergency regulations.

Rent concessions during the reporting period - as part of dealing with the economic consequences of the crisis, the Company formulated a tenant concession plan, which at the Herzliya Mall included suspension of rent and management fees during the period when the mall was closed in April and the first week of May which will become a conclusive concession subject to the tenants' compliance with all the terms of the lease agreement until the end of the lease period. In addition, tenants in the Herzliya Mall and in a number of other properties were given the option of deferring some of the payments that apply during the reporting period, including spreading the rent over a number of payments.

NOTE 1: - GENERAL (Cont.)

c. The effects of the Coronavirus crisis (Cont.):

In order to qualify for said reliefs in the Herzliya Mall, the Company stipulated that the tenants must settle their debts in respect of the period before March 31, 2020 and renew their bank standing orders, insofar as they were cancelled. In addition, eligibility for the said relief depends on the scope of the tenants' proceeds as well as compliance with all the terms of the agreement with them until the end of the rental period.

As of the date of publication of the financial statements, the Herzliya Mall has been open for business since mid-February 2021. The Company's management's forecast regarding the loss of revenue in the reporting period was reflected in the accounting treatment as detailed below.

In accordance with the Israel Securities Authority ("ISA") Staff Accounting Bulletin 19-3 –Covid-19 related rent concessions attributable to the Coronavirus crisis period ("SAB 19-3") published on August 9, 2020, the Company has elected to account for the rent concessions attributable to past-due operating lease receivables as a derecognition of a financial asset, in accordance with IFRS 9. Accordingly, the Company derecognizes the operating lease receivable and records a corresponding expense in profit or loss when the Company's contractual rights to the cash flows expire. In the year ended December 31, 2020, the Company recognized rent concessions as above in the amount of approximately NIS 25,566 thousand which were recognized in full as a decrease in rental income.

In light of the uncertainty of a renewed outbreak of the Coronavirus, and in light of the rent concessions that the Company has granted its tenants as set forth above, the Company examined the carrying amount of its assets as of December 31, 2020, compared with their carrying amount in the valuations prepared by external appraisers as of December 31, 2019.

Since most of the valuations were performed using the income capitalization approach, the main parameters that affect the value of the assets were examined in accordance with the information available on the date of the valuation:

Capitalization rate - in the absence of significant transactions since the outbreak of the crisis and in light of the fact that yields on long-term government bonds have remained virtually unchanged and central banks have a policy of lowering interest rates, the main risk is not receiving full short-term rents. The Company estimates that the effect of the crisis on the cap rate is very low.

Representative Net Operating Income (NOI) - the assumption is that in the medium and long term, the representative NOI in existing assets will remain unchanged .In the short term, it was assumed for reasons of conservatism that there would be a decrease in rents in some of the contracts that are expected to be renewed in the near future, compared to the rents paid for those properties today.

One-time reductions - it is assumed that commercial activity will gradually return to its pre-crisis levels.

Based on all of the above, a reduction of approximately NIS 71 million in the value of the Seven Stars Mall was made during the reporting period.

NOTE 1: - GENERAL (Cont.)

d. The Company's management is acting together with the subsidiaries' managements and monitors their activities on an ongoing basis. The Company also provides loans to subsidiaries and guarantees some of the obligations of subsidiaries to banks.

e. Definitions

In these financial statements:

The Company	-	The Israel Land Development Company Ltd.
The Group	-	The Company and its investees, as indicated in the appendix to the financial statements.
Subsidiaries	-	Companies in which the Company has control (as defined in IFRS 10), and whose financial statements are consolidated with those of the Company.
Joint arrangements	-	Companies in which the Company has joint control.
Associates	-	Companies over which the Company has significant influence and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company at equity.
Investees	-	Subsidiaries, associates and joint arrangements.
Related parties	-	As defined in IAS 24.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements are prepared on a cost basis, with the exception of investment property, financial instruments measured at fair value through profit or loss, non-current assets held for sale, deferred taxes, employee benefit assets and liabilities, investments accounted for at equity and provisions.

The Company has elected to present the items of profit or loss based on the function of expense method.

b. The operating cycle:

The Group has two operating cycles. The operating cycle of the inventory of buildings for sale exceeds one year and may continue up to five years. The operating cycle of the remaining activities is one year. Accordingly, in respect of construction projects, when the operating cycle exceeds one year, the assets and liabilities directly attributable to this activity are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements (Cont.):

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests.

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the date of acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets. Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

e. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

1. Joint ventures:

   In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

2. Joint operations:

   In joint operations the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes in relation to its interest its share of the assets, liabilities, revenues and expenses of the joint operation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Investments in associates:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

g. Investments accounted for using the equity method:

The investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Gains and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Goodwill relating to the acquisition of an associate or a joint venture is presented as part of the investment in the associate or the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate or in the joint venture as a whole.

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as held-for-sale.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the NIS. The Group determines the functional currency of each Group entity, including companies accounted for at equity.

Assets and liabilities of an investee which is a foreign operation, including excess cost created, are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and, accordingly, the exchange rate differences from these loans (net of the tax effect) are recorded in other comprehensive income (loss). Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized to qualifying assets or recorded in equity in hedge transactions, are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months.

j. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition. The deposits are presented according to their terms of deposit.

k. Inventory of buildings for sale:

The cost of inventory includes identified direct construction costs. Inventories of buildings for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

l. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from rendering of services (including management fees, hotel operation and management and billboard operations):

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenue is recognized in the reporting periods in which the services are rendered. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

For certain management and maintenance services contracts, the Company is an agent. Accordingly, revenue is recognized for the net amount of the consideration, after deducting the amount due to the principal.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Revenue recognition (Cont.):

Revenue from real estate development and construction contracts overseas:

The Company is engaged in the development, construction and sale of residential apartments, offices and retail spaces overseas. At contract inception, the Company identifies the residential apartments, offices and commercial spaces as performance obligations.

In respect of the Company's foreign real estate development activities, the Company has determined, based on the laws, regulations and commercial practices applicable in the countries in which it operates outside of Israel, that the control of the asset is transferred to the customer when the asset is delivered. This determination is based on the assessment of the Company and its legal advisers that the Company does not have an enforceable right to payment until the date the apartment/office/retail space is delivered. Therefore, revenue from the sale of apartments/offices/retail spaces overseas is recognized at a point in time (on the date of delivery).

If a loss is anticipated from a contract, the loss is recognized in full regardless of the percentage of completion.

Costs incurred in fulfilling contracts or anticipated contracts with customers are recognized as an asset when the costs create or enhance the Company's resources that will be used to meet or continue to meet the performance obligations in the future and are expected to be recovered. Costs to fulfill a contract comprise direct identifiable costs and indirect recognized costs that can be directly attributed to a contract based on a reasonable allocation method.

m. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes in respect of investment property that is held with the objective of recovering substantially all of the economic benefits embedded in the investment property through sale and not through use are measured in accordance with the expected manner of recovery of the base asset, on the basis of sale rather than use.

When the Company owns an investment in a single property company and the manner in which the Company expects to dispose of the investment is by selling the shares of the property company rather than by selling the property itself, the Company recognizes deferred taxes for both inside temporary differences arising from the difference between the carrying amount of the property and its tax basis, and for outside temporary differences arising from the difference between the tax basis of the investment and the Company's carrying amount of the net assets of the investment in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Taxes on income (Cont.):

2. Deferred taxes (Cont.):

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

o. Non-current assets or disposal group held for sale and discontinued operations:

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation are presented separately in profit or loss, net of the tax effect. See more information of a discontinued operation in Note 18 below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Leases:

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"), using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred.

The right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life or the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Leases (Cont.):

2. The Group as a lessor:

The classification of a lease as a finance lease or operating lease is determined based on the substance of the lease agreement, and the assessment is made at the inception date of the lease pursuant to the provisions of the Standard.

a) Operating lease:

A lease in which substantially all the risks and rewards incidental to ownership of the leased asset have not been transferred to the lessee is classified as an operating lease. Lease payments are recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.

b) Lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

c) Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee, and are recognized as income as earned when the Company is the lessor.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Leases (Cont.):

2. The Group as lessor (Cont.):

d) Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

The accounting policy for leases applied until December 31, 2018, is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

1. The Group as a lessee:

a) Finance leases:

A lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the Group is classified as a finance lease. At the commencement of the lease term, the leased asset is measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is depreciated over the shorter of its useful life and the lease term.

b) Operating leases:

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Group are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Leases (Cont.):

2. The Group as a lessor:

a) Finance leases:

In finance leases, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. The leased asset is derecognized and recognized as a financial asset, "receivables for finance lease", at the present value of the lease payments. After initial recognition, the lease payments are apportioned between finance income and collection of the receivable for the lease. The financial asset, "receivables for finance lease", is tested for impairment and derecognized as prescribed in IAS 39.

b) Operating leases:

Leases in which the Group does not transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Rental income is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the rental income. Contingent rent is recognized as income in the statement of profit or loss when the Company is entitled to receive such income.

q. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

An item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

Real estate	(mainly 2%)
Billboards	(mainly 33%)
Office equipment and furniture	(mainly 10%)
Motor vehicles	(mainly 15%)
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Property, plant and equipment (Cont.):

The residual value, depreciation method and useful life of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant and equipment, see paragraph v below. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The revaluation of property, plant and equipment in hotels is recognized in a revaluation reserve presented in equity, net of income taxes. The revaluation reserve is transferred directly to retained earnings when the asset is derecognized or as the asset is used based on the depreciation of the asset.

Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A revaluation resulting in a reduction in the carrying amount of a revalued asset is recognized directly in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any additional reduction in excess of the credit balance is recognized in profit or loss. If an asset's carrying amount is increased as a result of the revaluation, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. Any subsequent increase is carried to a revaluation reserve.

r. Real estate held for construction:

Real estate held for construction is measured at cost. Cost of real estate includes directly attributable costs such as taxes, fees and levies and borrowing costs relating to the financing of the construction of the assets until their completion, planning and design costs, indirect costs attributable to construction and other related costs.

s. Borrowing costs:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale.

The capitalization of borrowing costs commences when expenditures for the asset are incurred, the activities to prepare the asset are in progress and borrowing costs are incurred and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Investment property:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss when they arise. Investment property is not systematically amortized.

Investment property under construction for future use as investment property is also measured at fair value, as above, if fair value can be reliably measured. If fair value cannot be reliably measured, due to the nature and risks of the project, then it is measured at cost less impairment losses, if any, until the earlier of the date when the fair value can be reliably measured and the date when construction is complete. The cost basis of investment property under construction includes cost of land, costs of borrowings that are used to finance construction, directly attributable planning and development costs and brokerage fees relating to agreements to lease the property.

In determining the fair value of investment property, the Group relies on valuations performed by external independent valuation specialists who are experts in real estate valuations and who have the necessary knowledge and experience and by the Group management which has extensive professional experience and by internal valuation specialists.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Intangible assets:

Intangible assets acquired separately are measured upon initial recognition at cost plus direct acquisition costs. After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

According to management's assessment, intangible assets have a finite useful life. The assets are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property, plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

Software is amortized over a period of three to four years.

v. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and its recoverable amount.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Impairment of non-financial assets (Cont.):

The following criteria are applied in assessing impairment of these specific assets:

1. Goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated on the acquisition date to each of the Group's cash-generating units that are expected to benefit from the business combination. The Group reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. Under certain circumstances, in testing the impairment of goodwill, the recoverable amount is reconciled for the difference between the carrying amount and the fair value of the deferred tax reserves. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. See more information in Note 17 below.

2. Investment in associate or joint venture:

After application of the equity method, the Company examines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company examines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

a) The Company's business model for managing financial assets; and
b) The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

On the date of initial recognition, the Company may irrevocably designate a debt instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency, such as when a related financial liability is also measured at fair value through profit or loss.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition , or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Financial instruments (Cont.):

2. Impairment of financial assets (Cont.):

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset. The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss such as derivatives.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

y. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

z. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a legal present or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

z. Provisions (Cont.):

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty and completion of construction:

The Group recognizes a provision for completion in respect of the sale of apartments. The warranty in respect of sale of apartments lies with the performing contractor. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Levies:

Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

Onerous contracts:

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Employee benefit liabilities (Cont.):

2. Post-employment benefits (Cont.):

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

3. Other long-term employee benefits:

Certain of the Group's employees are entitled to adaptation grants. These benefits are accounted for as other long-term benefits since the Company estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and more than twelve months after the end of the annual reporting period in which the employees render the related service.

The Group's net obligation for other long-term employee benefits, which is computed based on actuarial assumptions, is for the future benefit due to the employees for service rendered in the current period and in prior periods and taking into account expected salary increases The amount of these benefits is discounted to its present value. The discount rate is determined by reference at the reporting date to market yields on high quality corporate bonds that are linked to the Consumer Price Index and whose term is consistent with the term of the Group's obligation.

Remeasurements of the net liability are recognized in profit or loss in the period in which they occur.

bb. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

cc. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendment to IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

The Amendment is to be applied to business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

2. Amendments to IFRS 9, IFRS 7 and IAS 39:

In September 2019, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement" (collectively - "the Amendment").

The Amendment permits certain temporary reliefs for entities applying hedge accounting for IBOR-based instruments which are affected by the uncertainty involving the expected interest rate benchmark reform. This reform has caused uncertainty relating to the timing and amounts of future cash flows from both hedging instruments and hedged items.

The adoption of the Amendment did not have an effect on the Company's financial statements since the Company does not have any material IBOR-based hedge transactions which could be affected by the timing of the above reform.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

cc. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

3. Amendment to IFRS 16, "Leases":

In view of the global Covid-19 crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which Covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies solely to lessees.

The Amendment applies only to Covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.

4. Israel Securities Authority ("ISA") Staff Accounting Bulletin 19-3 –Covid-19 related rent concessions attributable to the Coronavirus crisis period ("SAB 19-3"):

SAB 19-3 was issued by the ISA in August 2020 for settling the accounting treatment of rent concessions attributable to the Coronavirus crisis period. SAB 19-3 addresses the various types of reliefs granted to lessees by the lessors and the alternative accounting treatments. According to SAB 19-3, the following disclosures must be included:

a) Types of rent concessions/discounts/deferrals that apply to the lessor.
b) Judgments exercised by the lessor regarding whether the rent concessions represent lease modification or not and regarding the accounting treatment chosen by the lessor.
c) The assumptions underlying the lessor's judgments.
d) The quantitative and qualitative effects of the rent concessions, including their amount.

As permitted by SAB 19-3 regarding the accounting treatment for Covid-19 related rent concessions, the Company has elected to account for the rent concessions attributable to past-due operating lease receivables as a lease modification, in accordance with IFRS 16. Accordingly, the Company recognizes these rent concessions as a reduction of rental income on a straight-line basis over the remaining period of the lease. In the year ended December 31, 2020, the Company recorded a decrease in rental income resulting from the lease modification in the amount of approximately NIS 25,566 thousand.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. Data of the Israeli CPI, interest rates and exchange rates of foreign currencies:

	Israeli CPI *)	Exchange rate of US$	Exchange rate of Polish Zloty	Exchange rate of Euro
	In points	NIS		
At the end of:				
December 31, 2019	223.1	3.215	0.8654	3.9441
December 31, 2019	224.7	3.456	0.9090	3.8780
December 31, 2018	223.3	3.748	0.9985	4.2916
	%			
Rate of change during the year:				
2020	(0.70)	(6.97)	(4.80)	1.70
2019	0.60	(7.79)	(8.96)	(9.64)
2018	0.80	8.10	0.40	3.30
Interest rates as of December 31, 2020:				
Prime	0.10			
EURIBOR-Euro (1 month)	(0.554)			
EURIBOR-Euro (3 months)	(0.545)			
WIBOR-Zloty (3 months)	0.21			

*) The index for the month ending on each balance sheet date on an average basis of 1993 = 100.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Classification of leases:

  In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, the Company evaluates such criteria as the existence of a "bargain" purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions (Cont.):

- Investment property:

  Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in its fair value are recognized in profit or loss. Fair value is determined generally by independent valuation experts using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Investment property under development also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

  The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments to be made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

- Inventories of real estate properties under construction:

  The net realizable value is assessed based on management's evaluation including forecasts and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition.

- Legal claims:

  In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions (Cont.):

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. Management performs an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is attributed and also estimates a suitable discount rate for those cash flows.

- Employee benefit liabilities:

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, the discount rate, rate of salary increase and employee turnover rate. The carrying amount of the liability may be significantly affected by changes in these estimates.

- Lease extension and termination options:

  In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease or not exercise an option to terminate a lease, the Company considers all relevant facts and circumstances such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendment to IAS 16, "Property, Plant and Equipment":

In May 2020, the IASB issued an amendment to IAS 16, "Property, Plant and Equipment" ("the Amendment"). The Amendment prohibits a company from deducting from the cost of property, plant and equipment ("PP&E") consideration received from the sales of items produced while the company is preparing the asset for its intended use. Instead, the company should recognize such consideration and related costs in profit or loss.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Amendment is to be applied retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the Amendment. The company should recognize the cumulative effect of initially applying the Amendment as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

b. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment").

According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

c. Annual improvements to IFRSs 2018-2020:

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9 when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

d. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

NOTE 5: - CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
	NIS in thousands	
In Israeli currency	200,451	38,641
In foreign currency *)	153,725	137,426
Cash equivalents in Israeli currency	76	142,635
Cash equivalents in foreign currency *)	7,806	-
	362,058	318,702

*) As for linkage terms, see Note 32f.

NOTE 6: - SHORT-TERM INVESTMENTS

a. Composition:

	Interest rate on reporting date	December 31, 2020	December 31, 2019
	%	NIS in thousands	
Shares (b)		66	1,837
Monetary funds (c)		17,308	-
Restricted deposits (d)	0.01	126,578	10,058
		143,952	11,895

b. Financial assets held for trading and changes therein carried to profit or loss.

c. Monetary funds invested in Euro in foreign subsidiaries.

d. The deposits were invested in corporations to secure loans received, of which approximately NIS 112,245 thousand in NIS, and the remaining amount to secure loans received by foreign subsidiaries in foreign currency, mainly Zloty.

e. As for linkage terms, see Note 32f.

NOTE 7: - SHORT-TERM LOANS

	December 31, 2020	December 31, 2019
	NIS in thousands	
Current maturities of long-term loans (see Note 12)	4,017	5,928

NOTE 8: - TRADE RECEIVABLES

a. Composition:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Open debts	32,216	26,406
Checks collectible *)	15,440	18,256
	47,656	44,662
Less - allowance for doubtful accounts	8,034	8,491
Trade receivables, net	39,622	36,171

*) Regarding liens, see Note 31.

b. An analysis of past due but not impaired trade receivables (allowance for doubtful accounts), trade receivables, net, with reference to balance sheet date:

December 31, 2020

	Neither past due nor aging	Past due trade receivables with aging of: Under 30 days	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
	NIS in thousands						
Balance of trade receivables before allowance for doubtful accounts	15,258	6,225	3,365	2,670	3,620	16,518	47,656
Balance of allowance for doubtful accounts	-	-	-	-	-	8,034	8,034
	15,258	6,225	3,365	2,670	3,620	8,484	39,622

December 31, 2019

	Neither past due nor aging	Past due trade receivables with aging of: Under 30 days	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
	NIS in thousands						
Balance of trade receivables before allowance for doubtful accounts	17,684	6,481	2,270	1,074	1,359	15,794	44,662
Balance of allowance for doubtful accounts	-	-	-	-	-	8,491	8,491
	17,684	6,481	2,270	1,074	1,359	7,303	36,171

c. Regarding linkage terms, see Note 32f.

NOTE 9: - OTHER RECEIVABLES

a. Composition:

	December 31,	
	2020	2019
	NIS in thousands	
Current maturities of long-term receivables (see Note 12)	1,794	-
Value Added Tax	26,337	35,405
Prepaid expenses and advances to suppliers	15,122	5,934
Escrow deposit for construction project	-	2,536
Receivables for construction contracts (b)	8,940	-
Receivables for sale of investment property	5,375	75,552
Associate (c)	10,095	11,458
Project partners	11,452	2,957
Advances on account of purchase of asset (d)	31,347	35,336
Receivables for municipal taxes	3,400	-
Other receivables	12,324	11,738
	126,186	180,916

b. In May 2020, a subsidiary in Poland signed an agreement for performing the leasehold development and adjustment work. Through the reporting date, about 90% of the work has been completed.

c. The account bears interest pursuant to Section 3j to the Israeli Income Tax Regulations – in the reporting year – 2.62% a year.

d. In December 2020, a subsidiary operating in Poland signed agreements for purchase of land in an area of some 55,000 sq. m. in Vienna, Austria and land in an area of some 5,800 sq. m. in Poland.

e. As for linkage terms, see Note 32f.

NOTE 10:- INVENTORY OF BUILDINGS FOR SALE

a. Details:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Costs of projects under construction (presented in current assets)	248,840	210,227
Costs of projects under construction (presented in real estate for construction in non-current assets) (Note 11)	18,790	26,529
Total costs *)	267,630	236,756
Less - advances from buyers (presented in current liabilities)	108,467	38,379
	159,163	198,377

*) As of December 31, 2020, includes capitalized finance costs totaling approximately NIS 2,626 thousand (December 31, 2019 - approximately NIS 2,583 thousand).

b. Additional information regarding projects under construction:

1. a) A private company in Poland, which is wholly owned by Mill-Yon, constructed a project in an area of some 10 thousand sq. m. in the city of Gdansk (Aura Gdansk) for the purpose of building 410 residential units and retail spaces in three stages. The construction of the entire stages was completed and all the residential units were sold. In July 2014, Mill-Yon entered into an agreement for the purchase of land of some 10.5 thousand sq. m. in Warsaw, Poland (Aura Ski). The land is held for the construction of about 581 residential units covering a net area of some 33,000 sq. m. and commercial construction covering a net area of some 4,350 sq. m. to be carried out in two stages whose construction has been completed as of the reporting date. 360 units have been sold in stage A which consists of 361 residential units, and all the 220 units in stage B have been sold.

Mill-Yon is also involved in a project on land in an area of some 27 thousand sq. m. (Aura Garden) held for the construction of residential units in five stages. As of the financial statement date, the construction of stages A-C has been completed and the construction of stages D-E began in the reporting period. All the residential units in stages A-B have been sold and 67 units have been sold in stage C which consists of 96 residential units.

In 2020, the Company recorded in the statement of profit or loss income from construction transactions in Poland totaling approximately NIS 53 million and related costs totaling approximately NIS 55 million. Total costs included in these projects as of December 31, 2020 amount to approximately NIS 179 thousand less advances of approximately NIS 143 thousand.

NOTE 10:- INVENTORY OF BUILDINGS FOR SALE (Cont.)

b. Additional information regarding projects under construction (Cont.):

1. (Cont.)

b) In July 2017, Mill-Yon acquired land in Gdansk in consideration of PLN 20.8 million (approximately NIS 18.9 million) for the construction of the "Aura 40" project consisting of 251 residential units, which began in April 2019.

c) In September 2017, Mill-Yon acquired land in the Mokotów district of Warsaw in consideration of PLN 21.8 million (approximately NIS 19.8 million) which is held for the construction of 195 residential units and 100 sq. m. of retail area.

In December 2018, Mill-Yon acquired land in Warsaw in consideration of PLN 20.2 million (approximately NIS 18.4 million) in a total area of 10,000 sq. m. for the construction of the "Aura Warsaw" project consisting of 172 residential units.

Mill-Yon has been acting to obtain permits to begin construction on said properties.

d) In January 2021, a building permit was obtained for the construction of the Aura Vita Warsaw Pruszków project consisting of some 600 residential units. Mill-Yon began the construction of the first stage of three stages, which includes 240 residential units and is expected to take about 22 months.

2. A subsidiary owns land in an area of some 53 thousand sq. m. in Bucharest, Romania, held for the construction of about 1,775 residential units and retail spaces in five stages. As of December 31, 2020, the total cost of the project is approximately NIS 64,474 thousand. The Company received a building permit and signed a financing agreement with a lending bank for the construction of stages A and B which consist of 250 residential units. As of the financial statement date, 122 residential units have been sold in stage A whose construction has been completed.

c. Further information about foreign projects under construction:

	For the year ended December 31			Aggregate through December 31,	
	2020	2019	2018	* 2020	* 2019
	NIS in thousands				
Recognized revenues	53,923	114,276	152,704	315,049	453,533
Recognized costs	56,827	87,250	131,285	248,091	371,581
	(2,904)	27,026	21,419	66,958	81,952

*) Active projects as of the reporting date.

NOTE 11:- REAL ESTATE FOR CONSTRUCTION

a. The movement:

	2020	2019
	NIS in thousands	
Balance at beginning of year	53,937	60,479
Foreign currency translation reserve	487	(2,284)
Additions during the year	5,770	11,607
Disposals	(989)	-
Reclassification from inventory of buildings for sale	13,680	(15,865)
Balance at end of year *)	72,885	53,937

*) Of this balance, an amount of NIS 18,790 thousand was reclassified from inventory of buildings for sale (December 31, 2019 - NIS 26,529 thousand).

b. The real estate is freehold real estate. Some of the real estate rights have not yet been registered in the companies' names due to technical reasons.

c. As for liens, see Note 31.

NOTE 12: - LONG TERM LOANS AND RECEIVABLES

a. Composition:

	December 31,	
	2020	2019
	NIS in thousands	
Loans to partners and others	14,099	15,655
Restricted deposits *)	33,363	63,482
Receivables for usage fees **)	10,510	-
Loans to employees	106	201
	58,078	79,338
Less - current maturities (see Note 7)	4,017	5,928
Less - current maturities (see Note 9)	1,794	-
Total	52,267	73,410

*) Includes Euro deposits in the amount of NIS 24,859 thousand (December 31, 2019 - NIS 18,069 thousand) that were pledged to secure the repayment of liabilities of foreign subsidiaries to banks.

**) In the context of the renewal of the lease contracts of Eilat Rimonim Hotel for an additional period of 49 years with the ILA, in 2014, a subsidiary was required to pay a certain amount as a prerequisite for the renewal. Approximately NIS 10.5 million of this amount was carried to other receivables. The subsidiary filed a legal objection together with an appraisal objection to the amount paid by it. A monetary claim was filed with the court on February 20, 2017. Based on the opinion of its legal counsel, the subsidiary's management believes that it is highly likely that the entire claimed amount will be recovered.

NOTE 12: - LONG TERM LOANS AND RECEIVABLES (Cont.)

b. Classification by currency and linkage:

	Interest rate on reporting date	December 31, 2020	December 31, 2019
	%	NIS in thousands	
In Israeli currency:			
Unlinked debt balance	0-3.49	10,616	201
Unlinked loan	-	-	4,000
Unlinked loans	5.28-8.0	7,184	7,769
Indexed loans	-	6,915	3,600
Unlinked deposits	0.01	8,504	45,699
Foreign currency deposits:			
In Euro	-	24,859	15,884
In Zloty	-	-	2,185
		58,078	79,338

c. Maturity dates after the reporting date:

	December 31, 2020	December 31, 2019
	NIS in thousands	
First year	5,811	5,928
Second year	5,476	6,276
Third year	9,436	2,320
Fourth year	3,298	45,723
Fifth year	9,457	1,903
Sixth year and thereafter	14,090	12,976
Undetermined	10,510	4,212
	58,078	79,338

NOTE 13: - INVESTMENTS IN INVESTEES

Associates

a. Composition:

	See item	December 31, 2020	December 31, 2019
		NIS in thousands	
Investment in shares	(b)	201,051	221,987
Long-term loans		-	5,678
Total		201,051	227,665
Less - provision for impairment		43,659	43,659
		157,392	184,006

b. Investment in Skyline Investment Inc. ("Skyline"):

1. The Company holds 20.25% of the voting and ownership rights in Skyline, a real estate company operating in Canada. As of December 31, 2020, the investment amounts to NIS 89,518 thousand (December 31, 2019- NIS 109,922 thousand). As of December 31, 2020, the Company analyzed the adjusted recoverable amount less the difference between the carrying amount and the fair value of the deferred tax liabilities attributable to the investment and based on this analysis concluded that there was no need for a write down of its investment.

   Effective from December 31, 2016, Skyline measures the hotels owned by it, excluding holiday resorts, at fair value. Skyline hired an independent qualified appraiser with recognized professional skills and extensive experience regarding the location and type of the valued real estate in order to determine the fair value of the hotels owned by it.

   As a result of the adoption of the revaluation model, the balance of the revaluation reserve in an associate as of December 31, 2020 amounts to NIS 18,216 thousand. In the reporting period, an amount of NIS 1,409 thousand which represents the depreciation was reclassified from the revaluation reserve to retained earnings.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

b. Investment in Skyline Investment Inc. ("Skyline") (Cont.):

2. Condensed data of the financial statements of Skyline:

	December 31, 2020	December 31, 2019
	NIS in thousands	
The associate's statement of financial position at reporting date:		
Current assets	204,752	315,236
Non-current assets	1,403,743	1,478,118
Current liabilities	(190,047)	(210,812)
Non-current liabilities	(771,813)	(847,948)
Total equity	646,635	734,594
Attributable to non-controlling interests	76,617	64,921
Attributable to equity holders of the associate	570,018	669,673
Holding rate in associate	20.25%	20.25%
Company's share of the associate's equity	115,428	135,328
Less – write down attributable to revaluation of holiday resorts (see (1) above)	(25,910)	(25,406)
Balance of investment in associate	89,518	109,922

	Year ended December 31, 2020	2019	2018
	NIS in thousands		
Group's share of the operating results of the associate during the year:			
Revenues	334,348	631,157	876,532
Net loss	(43,138)	(872)	(7,222)
Other comprehensive income (loss):			
Revaluation of property, plant and equipment	(18,595)	(1,060)	11,280
Foreign currency translation and other reserves	(39,027)	2,759	2,810
Total comprehensive income (loss) attributable to equity holders of the associate	(100,760)	827	6,868
Holding rate in associate	20.25%	20.25%	29.7%
Company's share of comprehensive income of associate *)	(20,404)	167	2,040

*) As of December 31, 2018 and for the period ended on that date, the balance represents the Company's investment in Skyline Israel. The Company also held about 1.06% in Skyline.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

c. Additional information regarding subsidiaries held by the Company:

1. General information:

	Country of incorporation	December 31, 2020	December 31, 2019
		Ownership interests held by the Company	
		%	
Israel Land Development Urban Renewal Ltd. ("ILDC Urban Renewal")	Israel	82.38	76.66
R.R.N Holdings and Investments Ltd. ("RRN")	Israel	66.67	66.67

As for guarantees provided by the Company to investees, see Note 28a(2) below.

2. Condensed financial data of RRN with material non-controlling interests:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Statement of financial position at reporting date (as presented in RRN's financial statements):		
Current assets	249,856	177,213
Non-current assets	2,048,119	1,667,894
Current liabilities	80,569	129,360
Non-current liabilities	1,181,554	882,371
Total equity	1,035,852	833,376

	Year ended December 31, 2020	2019	2018
	NIS in thousands		
The subsidiary's operating results (as presented in RRN's financial statements):			
Revenues	152,912	128,826	118,907
Net income	150,206	119,118	91,263
Other comprehensive income (loss)	52,270	(79,632)	1,300
Total comprehensive income	202,476	39,486	92,563

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

c. Additional information regarding subsidiaries held by the Company (Cont.):

2. Condensed financial data of RRN with material non-controlling interests (Cont.):

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
RRN's cash flows (as presented in its financial statements):			
From operating activities	1,936	74,076	21,295
From investing activities	(296,437)	(206,251)	(206,251)
From financing activities	347,128	182,149	167,412
Exchange rate differences on cash balances	(4,513)	(4,246)	265
Net increase (decrease) in cash and cash equivalents	48,114	45,728	(17,279)

Balances of non-controlling interests

	December 31,	
	2020	2019
	NIS in thousands	
RRN	641,891	517,110
Other	-	235
Total	641,891	517,345

Income (loss) attributable to non-controlling interests

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
RRN	92,760	73,779	56,363
Discontinued company	-	(2,080)	(3,391)
Other	(10)	1	89
Total	92,750	71,700	53,061

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

c. Additional information regarding subsidiaries held by the Company (Cont.):

3. Information regarding the quoted market value of traded shares in investees as of December 31, 2020:

	Holding rate	Amounts invested (excess losses over investment)	Market value at 31.12.2020
	%	NIS in thousands	
Subsidiaries:			
ILDC Urban Renewal	82.38	(2,393)	84,767
MLP GROUP S.A.	38.26	420,382	541,941
Associates:			
Skyline Investments Inc. *)	20.25	89,518	58,256

*) See details of the valuation of the investment in paragraph b(1) above.

4. On February 13, 2018, a Polish subsidiary, Mill-Yon Gdansk Sp. z.o.o, acquired the remaining shares of an associate, MILL-YON POLSKA SPS CONSTRUCTION SP Z.O.O., in consideration of approximately PLN 11.1 million (approximately NIS 11.5 million). Following the acquisition, the subsidiary fully owns and controls the associate.

In view of the provisions of IFRS 3 regarding a business combination achieved in stages, the Company revalued its former investment in the associate as of the date of achieving control. Consequently, the Company recorded a gain of approximately NIS 3.2 million included in other income.

5. See details of agreements for the sale of the operations of ILDC Hotels and/or its rights in certain hotels in Note 18 below.

6. On October 23, 2020, MLP raised approximately NIS 96.5 million in a private placement of 1,607,000 ordinary shares accounting for 8.15% of MLP's shares after the issuance to institutional investors, including the Company. The amount raised includes an amount of approximately NIS 39.14 million invested by the Company to retain its holding rate in MLP as it was prior to the issuance.

d. Additional information regarding investees:

1. For the list of subsidiaries and associates, see Appendix B to the financial statements.

2. The independent auditors of subsidiaries have drawn attention in their opinions to the following:

a) ILDC Urban Renewal - the need to raise financial resources for funding ILDC Urban Renewal's activities and the Company's undertaking to provide ILDC Urban Renewal financing for its operations in the coming year insofar as ILDC Urban Renewal is unable to raise financing resources independently. ILDC Urban Renewal's continued activities are contingent on obtaining the required financial resources.

b) Rapid Vision - the Company's support of Rapid Vision by means of loans provided by the Company and by guarantees to banks.

NOTE 14:- INVESTMENT PROPERTY

a. Composition and movement:

	2020	2019
	NIS in thousands	
Balance as of January 1	4,128,911	3,707,622
Additions during the year		
Purchases	367,438	332,408
Adjustments arising from translation of financial statements of foreign operations	(80,360)	(144,824)
Appreciation, net	118,411	315,877
Total additions	405,489	503,461
Disposals during the year		
Disposals	48,676	82,172
Total disposals	48,676	82,172
Balance as of December 31	4,485,724	4,128,911
Investment property is comprised as follows:		
Investment property	4,242,401	3,970,857
Investment property under construction measured at fair value	243,323	158,054
	4,485,724	4,128,911
Presented as follows:		
Assets held for sale	-	33,150
Non-current assets	4,485,724	4,095,761
	4,485,724	4,128,911

b. Amounts recognized in profit or loss:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Rental income from investment property	266,741	275,282	282,049
Direct operating expenses (including repairs and maintenance)	96,280	101,593	101,115
	170,461	173,689	180,934

c. Investment property comprises mainly malls, logistic parks and office buildings that are leased to third parties.

NOTE 14:- INVESTMENT PROPERTY (Cont.)

d. Fair value measurement of investment property:

Investment property is presented at fair value which has been determined based on valuations performed by external independent valuation experts with recognized and relevant professional qualifications who have experience in the location and category of the properties being valued. The fair value was measured with reference to recent real estate transactions for similar properties in the same location as the properties owned by the Company and based on the expected future cash flows from the properties. In assessing cash flows, their risk is taken into account by using a discounted yield that reflects their underlying risk supported by the standard yield in the real estate market and by including adjustments for the specific characteristics of the properties and the level of future income therefrom.

The following table presents the effect on the Group's pre-tax income (loss) arising from changes in assumptions used in measuring the fair value of the material properties:

	December 31, 2020		
	In Israel		In Poland
	Shopping malls and commercial centers	Office and other buildings	Logistic parks
	NIS in thousands		
Income (loss) from the change in assumptions:			
5% increase in annual income	53,100	12,150	46,874
5% decrease in annual income	(53,000)	(6,450)	(46,874)
0.5% increase in discount rate	(75,800)	(15,050)	(61,716)
0.5% decrease in discount rate	88,400	17,150	71,077

Significant assumptions (on the basis of weighted averages) used in the valuations of material properties are presented below:

	December 31, 2020		
	In Israel		In Poland
	Shopping malls and commercial centers	Office and other buildings	Logistic parks
Investment property:			
Average monthly rental fees per sq. m. (NIS)	104-222	29-78	19.4-21
Yield on the property (%)	4.3-6.65	5.4-10.8	4.7-5.5
Vacant rental areas (%)	8.0	0-12	2.0-9.0
Discount rates used in the valuations as of December 31, 2020 (%):			
In Israel	6.5-12.0	7.25-12.0	-
In Poland	-	-	5.75-8.0

NOTE 14:- INVESTMENT PROPERTY (Cont.)

d. Fair value measurement of investment property (Cont.):

	December 31, 2019		
	In Israel		In Poland
	Shopping malls and commercial centers	Office and other buildings	Logistic parks
Investment property:			
Average monthly rental fees per sq. m. (NIS)	114-318	29-80	12-23
Yield on the property (%)	6.5-6.8	4.6-9.1	4.8-8.0
Vacant rental areas (%)	-	0-15	7.0
Discount rates used in the valuations as of December 31, 2019 (%):			
In Israel	6.5-12.0	7.25-12.0	-
In Poland	-	-	5.75-8.0

e. In May 2019, a turnkey contract was signed with an unrelated third party for the construction of Tower C in the ILDC Campus in Bnei-Brak.

The contractor began the construction work in June 2019 and pledged to complete the work within 42 months. The contract amount is approximately NIS 249 million, linked to the Building Input Index, payable in monthly installments which will be determined according to the progress of the construction work. The contractor's parent company guaranteed the contractor's obligations in the contract.

f. As for liens, see Note 31.

NOTE 15:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2020

	Land and buildings *)	Solar installations	Machinery and equipment, billboards and office furniture	Motor vehicles	Leasehold improvements	Total
	NIS in thousands					
Cost:						
Balance as of January 1, 2020	5,668	2,694	83,293	1,750	10,963	104,368
Foreign currency translation adjustments of investees	(121)	-	(29)	(4)	-	(154)
Additions during the year	137	2,013	1,448	63	-	3,661
Disposals during the year	(516)	-	(9)	-	-	(525)
Balance as of December 31, 2020	5,168	4,707	84,703	1,809	10,963	107,350
Accumulated depreciation:						
Balance as of January 1, 2020	4,947	-	74,445	516	4,381	84,289
Foreign currency translation adjustments of investees	(102)	-	(33)	(3)	-	(138)
Additions during the year	157	-	2,538	285	489	3,469
Disposals during the year	(195)	-	(184)	-	-	(379)
Balance as of December 31, 2020	4,807	-	76,766	798	4,870	87,241
Depreciated cost as of December 31, 2020	361	4,707	7,937	1,011	6,093	20,109

*) The balance represents freehold real estate – some of the companies' land rights have not yet been registered in their name for technical reasons.

NOTE 15: - PROPERTY, PLANT AND EQUIPMENT (Cont.)

a. Composition and movement (Cont.):

2019

	Land and buildings *)	Solar installations	Machinery and equipment, billboards and office furniture	Motor vehicles	Leasehold improvements	Total
	NIS in thousands					
Cost:						
Balance as of January 1, 2019	5,882	-	84,244	4,897	10,963	105,986
Foreign currency translation adjustments of investees	(256)	-	(98)	(14)	-	(368)
Additions during the year	454	2,694	5,717	238	-	9,103
Disposals during the year	(412)	-	(6,570)	(3,371)	-	(10,353)
Balance as of December 31, 2019	5,668	2,694	83,293	1,750	10,963	104,368
Accumulated depreciation:						
Balance as of January 1, 2019	4,941	-	78,373	3,300	3,893	90,507
Foreign currency translation adjustments of investees	(204)	-	(62)	(14)	-	(280)
Additions during the year	222	-	2,702	291	488	3,703
Disposals during the year	(12)	-	(6,568)	(3,061)	-	(9,641)
Balance as of December 31, 2019	4,947	-	74,445	516	4,381	84,289
Depreciated cost as of December 31, 2019	721	2,694	8,848	1,234	6,582	20,079

b. As for liens, see Note 31.

NOTE 16:- LEASES

Disclosures for leases in which the Group acts as lessee:

The Group has entered into leases of buildings, franchises, motor vehicles etc. which are used for the Company's ongoing operations. The leases of buildings are for a period of five years. Some of the leases entered into by the Company include extension options.

a. Information on leases:

	Year ended December 31,	
	2020	2019
	NIS in thousands	
Interest expenses on lease liabilities	1,375	2,312
Short-term lease expenses	3,357	3,957
Total negative cash flows in respect of leases	19,594	20,805

b. Variable lease payments:

The following provides information on the lease payments for leases that contain fixed and variable payments:

	Year ended December 31,	
	2020	2019
	NIS in thousands	
Fixed lease payments	19,835	19,627
Variable lease payments	37	28
Total lease payments	19,872	19,655

NOTE 16:- LEASES (Cont.)

Disclosures for leases in which the Group acts as lessee (Cont.):

c. Lease extension and termination options:

The Company has lease agreements that contain both extension and termination options. These options provide flexibility in managing the leased assets and align with the Company's business needs.

The Company exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

In leases that contain noncancelable lease periods of between 3 and 5 years, the Company generally includes in the lease term the exercise of extension options existing in the lease agreements. In these leases, the Company usually exercises the extension option to avoid a significant adverse impact to its operating activities in the event that an alternative asset is not available immediately upon termination of the noncancelable lease period.

Lease terms that include termination options will include the period covered by the termination option when it is reasonably certain that the termination option will not be exercised.

Following are details of potential future undiscounted lease payments for periods covered by extension options that were not included in the measurement of the Company's lease liabilities:

	Up to 5 years	More than 5 years
	NIS in thousands	
Year ended December 31, 2020:		
Lease payments applicable in the periods	43,918	-
Year ended December 31, 2019:		
Lease payments applicable in the periods	43,918	2,176

NOTE 16:- LEASES (Cont.)

Disclosures for leases in which the Group acts as lessee (Cont.):

d. Disclosures in respect of right-of-use assets:

	Land	Franchises and licenses	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2020	10,194	51,776	61,970
Additions for new leases in the period	-	6,606	6,606
Adjustments for indexation	-	(958)	(958)
Balance as of December 31, 2020	10,194	57,424	67,618
Accumulated depreciation:			
Balance as of January 1, 2020	2,039	15,218	17,257
Depreciation and amortization	2,047	15,634	17,681
Balance as of December 31, 2020	4,086	30,852	34,938
Depreciated cost at December 31, 2020	6,108	26,572	32,680

	Land	Franchises and licenses	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2019	10,133	35,676	45,809
Additions for new leases in the period	-	16,100	16,100
Adjustments for indexation	61	-	61
Balance as of December 31, 2019	10,194	51,776	61,970
Accumulated depreciation:			
Depreciation and amortization	2,039	15,218	17,257
Balance as of December 31, 2019	2,039	15,218	17,257
Depreciated cost at December 31, 2019	8,155	36,558	44,713

NOTE 16:- LEASES (Cont.)

Disclosures for leases in which the Group acts as lessee (Cont.):

e. Maturity dates of lease liabilities:

	December 31, 2020		
	Future minimum lease payments	Interest component	Present value of minimum lease payments
	NIS in thousands		
First year	19,240	2,210	21,744
Second to fifth years	26,218	943	23,067
Sixth year and thereafter	91,198	64,620	26,578
	136,656	67,773	71,389

f. The Group has leases of motor vehicles for a period of up to 12 months and low value leases of office furniture. The Company applies the practical expedient in IFRS 16 in respect of these leases and recognizes lease payments as an expense using the straight-line method over the lease term.

g. The Group has right-of-use assets that meet the criteria of investment property. The Group accounts for these assets in accordance with the disclosure requirements of IAS 40. Accordingly, as of December 31, 2020, an amount of NIS 32,074 thousand is included in investment property.

NOTE 17: - GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Goodwill attributed to the property rental segment (b)	29,948	31,474
Goodwill attributed to billboard business (c)	3,213	3,213
Computer software	302	526
	33,463	35,213

b. The goodwill arises from a business combination in 2013 whose original amount totaled NIS 40,177 thousand. The goodwill created is attributed to MLP as a whole. As of December 31, 2020, the Company examined the market value of the investment that consists of the goodwill as above. According to an examination, no impairment loss in respect of the investment in MLP was recorded.

c. The Company tested the impairment of the goodwill attributable to a subsidiary which operates in the billboard business. The recoverable amount of the goodwill was determined based on the realizable value of the subsidiary.

NOTE 18:- DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

a. In 2019, agreements were signed between ILDC Hotels and its subsidiaries and Dan Hotels Ltd. and others for the sale of ILDC Hotels' operations and/or rights in some of the hotels and other assets owned by it for a total consideration of approximately NIS 238 million. The agreements were completed by the end of May 2019.

b. The main groups of assets and liabilities classified as held for sale:

	December 31,	
	2020	2019
	NIS in thousands	
Assets:		
Cash and cash equivalents	-	11,353
Trade receivables	-	6,394
Other receivables	-	32,027
Restricted deposit	-	5,073
Assets held for sale	-	54,847
Liabilities:		
Trade and other payables	-	19,783
Employee benefit liabilities	-	156
Deferred taxes	-	1,480
Liabilities attributable to assets held for sale	-	21,419
Net assets held for sale	-	33,428

c. Below are data of the operating results attributable to the discontinued operation:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Revenues from sales	-	84,218	203,921
Cost of sales	160	63,531	168,755
Gross profit (loss)	(160)	20,687	35,166
Appreciation of investment property	-	-	380
Selling, general and administrative and other expenses	(2,184)	(30,492)	(52,285)
Operating loss	(2,024)	(9,805)	(16,739)
Finance income (expenses), net	1,514	(5,384)	(4,547)
Taxes on income (tax benefit)	381	(3,542)	(607)
Loss from discontinued operation, net	(891)	(11,647)	(20,679)

NOTE 18:- DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont.)

d. Below are data of the net cash flows provided by (used in) operations attributable to the discontinued operation:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Operating activities	(224)	(38,056)	(70)
Investing activities	(6,227)	104,414	(3,340)
Financing activities	-	(76,437)	7,399

NOTE 19:- FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2020:

The carrying amount of certain financial instruments such as cash, short-term investments, short-term loans, trade receivables and other short and long-term receivables approximates their fair value.

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Assets measured at fair value:				
Current assets:				
Marketable securities	17,374	-	-	17,374
Investment property:				
Shopping malls	-	-	1,189,450	1,189,450
Office buildings	-	-	1,279,114	1,279,114
Logistic parks	-	-	2,017,160	2,017,160
	-	-	4,485,724	4,485,724
	17,374	-	4,485,724	4,503,098
Assets whose fair value is disclosed (Note 32a):				
Long-term loans	-	-	14,205	14,205
	17,374	-	4,499,929	4,517,303

There were no transfers between levels during the period.

NOTE 19:- FAIR VALUE MEASUREMENT (Cont.)

The carrying amount of certain liabilities such as short-term credit from banks, trade payables, other payables and other non-current liabilities approximates their fair value.

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Liabilities measured at fair value:				
Non-current liabilities:				
Warrants	-	-	43,600	43,600
Financial derivatives	-	13,625	-	13,625
	-	13,625	43,600	57,225
Liabilities whose fair value is disclosed (Note 32a):				
Debentures	2,065,744	-	-	2,065,744
Long-term loans:				
Variable interest loans	-	-	431,892	431,892
Variable interest loans – Euro	-	-	683,807	683,807
Variable interest loans – Zloty	-	-	23,568	23,568
Fixed interest loans - Moroccan Dirham	-	-	53,251	53,251
Fixed interest loans	-	-	239,839	239,839
	-	-	1,432,357	1,432,357
	2,065,744	13,625	1,475,957	3,555,326

There were no transfers between levels during the period.

NOTE 20: - SHORT-TERM CREDIT FROM BANKS AND OTHER CREDIT PROVIDERS

a. Composition:

	Interest rate on reporting date	December 31, 2020	2019
	%	NIS in thousands	
Overdrafts:			
Unlinked - NIS		823	20,244
Short-term loans from banks:			
NIS	4.4	190	71,339
Current maturities of long-term loans (see Note 25)		89,433	215,406
		90,446	306,989

b. As for collaterals, see Note 31 below.

c. As for linkage terms, see Note 32f below.

NOTE 21: - TRADE PAYABLES

a. Composition:

	December 31, 2020	December 31, 2019
	NIS in thousands	
In Israeli currency:		
Open debts	5,495	13,353
Post-dated checks and notes	18,702	12,185
In foreign currency - open accounts	64,508	115,793
	88,705	141,331

b. Regarding linkage terms, see Note 32f below.

NOTE 22: - OTHER PAYABLES

	December 31, 2020	December 31, 2019
	NIS in thousands	
Current maturities of finance lease	50	95
Current taxes payable	174	21,253
Deferred revenues and customer advances	5,602	7,404
Accrued vacation and recreation pay	2,011	1,734
Employees and payroll accruals	2,814	6,563
Value added tax	6,218	14,179
Interest payable	8,202	7,093
Liability to shareholders in subsidiaries	4,482	4,639
Provision for claims	2,505	1,319
Accrued expenses	11,879	9,474
Other payables	2,548	2,251
	46,485	76,004

Regarding linkage terms, see Note 32f below.

NOTE 23: - OTHER NON-CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
	NIS in thousands	
Warrants (a)	43,600	64,300
Prepaid income (b)	15,836	19,058
Financial derivatives (c)	13,575	7,422
Liabilities to non-controlling interests (d)	3,876	3,651
Liabilities to shareholders in associate (e)	4,173	4,093
	81,060	98,524

NOTE 23: - OTHER NON-CURRENT LIABILITIES (Cont.)

a. On August 6, 2019, as part of the process of simplifying the Company's capital structure, the Company granted a company owned by the Company's controlling shareholder ("NLD") 16.5 million unquoted and non-transferable warrants (excluding transfer to the controlling shareholder of NLD). The warrants are exercisable into Ordinary shares of the Company (in whole or in part) for a period of up to 15 years and insofar as the cumulative holdings of the Company's shareholders fall below 50.01%, only at a scope that increases their holdings back to 50.01%, against the payment of an exercise increment to be determined as the average quoted market price of the share on the TASE in the 14 trading days preceding the exercise notice, less a discount of 14.8% or 11%, all in accordance with the terms of the decision.

   The fair value of the warrants was estimated by an external appraiser using the Monte Carlo valuation method based on the share price as of the balance sheet date. Changes therein are carried to profit or loss.

   See additional information in Note 28b(4).

b. Prepaid income received from tenants. The amount reflects rental fees covering the last few months of long-term rent.

c. The transactions are carried out by a subsidiary that operates in Poland for hedging currency risks (Zloty vs. Euro). These hedges mature by 2027. The effects of the changes in hedges are carried to profit or loss.

d. Of which NIS 1,156 thousand bearing annual interest of 2.62% and the balance in foreign currency mainly bearing interest (LIBOR+2%) and repayable based on free cash flows in the subsidiaries as defined in the loan agreements.

e. The liability bears annual interest of 2% and is repayable in 2029.

NOTE 24: - DEBENTURES

a. Composition:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Debentures issued by the Company	1,721,028	1,442,302
Debentures issued by subsidiary *)	299,545	116,193
Add (less) - deferred charges	840	(11,092)
	2,021,413	1,547,403
Less - current maturities	(192,304)	(244,373)
	1,829,109	1,303,030

*) In May 2017, a subsidiary in Poland issued € 20,000 thousand par value of debentures on the Warsaw Stock Exchange. The proceeds of the issuance amounted to about PLN 84,530 thousand (approximately NIS 79,768 thousand). The debentures were issued for a period of five years to be repaid in a lump sum in 2022, bearing interest of Euribor plus the standard Polish interest margin on six-month deposits.

In May 2018, the subsidiary issued additional debentures with a par value totaling € 10,000 thousand for total proceeds of PLN 42,569 thousand (approximately NIS 42,550 thousand) under the same repayment terms in a lump sum in 2023.

In February 2020, MLP, the Polish subsidiary, raised € 30,000 thousand par value of debentures on the Warsaw Stock Exchange for approximately PLN 127.8 million (approximately NIS 112 million) and in October 2020 raised another € 15,000 thousand par value of debentures for approximately PLN 67.2 million (approximately NIS 59.9 million). The debentures were issued for a period of five years under the same terms as above to be repaid in a lump sum in 2025.

Deferred charges attributable to these debentures amounted to approximately NIS 835 thousand as of December 31, 2020.

b. Maturity dates:

	December 31, 2020	December 31, 2019
	NIS in thousands	
First year - current maturities	192,304	244,373
Second year	272,811	222,741
Third year	242,794	245,714
Fourth year	417,287	207,202
Fifth year	162,366	168,539
Sixth year and thereafter	733,851	458,834
	2,021,413	1,547,403

NOTE 24: - DEBENTURES (Cont.)

c. Additional information:

Debentures issued by the Company:

1. General information:

Details/series	Series 20	Series 21	Series 22	Series 23
Date of issuance	January, April and June 2017, August 2020	November 2017, January and February 2019, January, March and July 2020	December 2017, August 2018, August and September 2019, January 2020	December 2020
Par value (NIS in thousands):				
On the issuance date (including expansions)	298,674	656,492	401,355	200,000
As of the reporting date	299,234	623,667	585,415	200,000
Liability value as of the reporting date	302,831	629,256	588,941	200,000
Amount of accrued interest (NIS in thousands)	-	-	-	226
Quoted market price of the series (NIS in thousands)	310,844	668,322	584,713	202,320
Interest type and rate	3.25%	1.8%	2.25%	3.3%
Linkage terms - principal and interest linked to the CPI for	December 2016	September 2017	October 2017	October 2020
Principal maturity dates	June 30, each year from 2020 until 2024	December 31, each year from 2020 until 2027	June 30, each year from 2021 until 2027	December 31, each year from 2023 until 2026 and in 2028
Interest maturity dates	June 30 and December 31 each year until June 30, 2024	March 31, June 30, September 30 and December 31, each year until December 31, 2027	March 31, June 30, September 30 and December 31, each year from 2018 until June 30, 2027	December 31, each year until December 31, 2028
Rating as of the reporting date:				
S&P Maalot	(ilA-)	(ilA)	(ilA-)	(ilA-)
Liens and covenants to secure certificates of liability	See Note 31a(3)	See Note 31a(4)	See Note 31a(5)	See Note 31a(6)

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

2. In February 2019, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968, including of the Phoenix Holdings Ltd. Group, an interested party in the Company, NIS 90,000 thousand par value of debentures (Series 21) of the Company by way of series expansion for immediate (gross) proceeds of approximately NIS 86.6 million.

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 21).

3. In August 2019, according to a shelf offering report, the Company issued NIS 172,450 thousand par value of debentures (Series 22) of the Company by way of series expansion for immediate (gross) proceeds of approximately NIS 171.6 million. The transaction costs were in immaterial amounts.

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 22).

4. In September 2019, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968, NIS 57,500 thousand par value of debentures (Series 22) of the Company through a private placement by way of series expansion for immediate (gross) proceeds of approximately NIS 57.2 million. The transaction costs were in immaterial amounts.

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 22).

5. In January 2020, the Company issued NIS 180,180 thousand par value of debentures (Series 21) and NIS 189,574 thousand par value of debentures (Series 22) based on shelf offering reports by way of series expansion for total net proceeds of approximately NIS 390 million.

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 21 and 22).

6. In February 2020, the Company's Board decided on a full and final early redemption of the remaining outstanding par value of debentures (Series 19) of the Company amounting to NIS 160,721,000 as of the financial statement date. The redemption was paid on March 31, 2020.

   The overall amount payable to the holders of the debentures for the final redemption approximates NIS 167,732 thousand, including interest accrued on the debentures redeemed totaling NIS 1,607 thousand and compensation for the final redemption totaling NIS 5,404 thousand.

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

7. On March 31, 2020, the Company issued approximately NIS 53 million par value of debentures (Series 21) through a private placement by way of series expansion for total (gross) proceeds of approximately NIS 50.08 million.

   The terms of the debentures are identical to the terms of outstanding debentures (Series 21).

8. In July 2020, the Company issued to classified investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968, NIS 40,000 thousand par value of debentures (Series 21) of the Company through a private placement by way of series expansion for total (gross) proceeds of approximately NIS 40.4 million (net proceeds of approximately NIS 40.3 million).

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 21).

9. In August 2020, the Company issued to classified investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968, including of the Phoenix Group, an interested party in the Company, NIS 60,295 thousand par value of debentures (Series 20) of the Company through a private placement by way of series expansion for total (gross) proceeds of approximately NIS 60.7 million (net proceeds of approximately NIS 60.6 million).

   The terms of the issued debentures are identical to the terms of outstanding debentures (Series 20).

10. In December 2020, according to a shelf offering report, the Company issued NIS 200,000 thousand par value of debentures (Series 23) for immediate (gross) proceeds of approximately NIS 200 million.

    The registered debentures (Series 23) of NIS 1 par value each bear indexed annual interest of 3.3% as determined in the auction and are repayable in five unequal annual instalments from December 31, 2023 through December 31, 2026 with the final instalment on December 31, 2028. The interest is payable in two semiannual instalments each calendar year on June 30 and December 30 from 2021 to 2028.

11. In December 2020, the Company made a full and final early redemption of the outstanding par value of debentures (Series 18) of the Company amounting to NIS 54,415,750 on the redemption date. The overall amount paid to the holders of the debentures on the redemption date approximated NIS 56,616 thousand, including in addition to the debenture principal interest accrued on the debentures as per the trust deed totaling approximately NIS 762 thousand and compensation for the final redemption totaling approximately NIS 1,439 thousand.

12. In January 2020, S&P Maalot raised the rating of the Company's debentures rated by it to (ilA-), the rating of the debentures (Series 21) to (ilA) and the Company's rating to (ilA-/Stable). The rating was reaffirmed by S&P Maalot on January 25, 2021.

NOTE 25: - LIABILITIES TO BANKS AND OTHER CREDIT PROVIDERS

a. Composition and maturity dates:

	Interest rate on reporting date	December 31, 2020	December 31, 2019
	%	NIS in thousands	
(1) Composition:			
Unlinked	Prime+(0.8-1.3)	342,872	480,304
Unlinked	Prime+(1.4-2.05)	89,020	-
Linked to CPI	2.85	-	10,650
Linked to CPI	5.15	202,903	219,084
Linked to CPI	6.0-6.8	36,936	37,157
In U.S. dollar	3-month LIBOR+0.95	-	7,165
Linked to Euro	One-month EURIBOR+ (2.0-2.5)	203,288	116,409
Linked to Euro	3-month EURIBOR+ (1.9-2.6)	480,519	485,528
Linked to Zloty	3-month WIBOR+3	23,568	7,439
Linked to Moroccan Dirham	5.0	53,251	43,994
Total before current maturities		1,432,357	1,407,730
Less - current maturities (see Note 20)		89,433	215,406
		1,342,924	1,192,324
(2) Maturity dates:			
First year - current maturities		89,433	215,406
Second year		157,976	102,277
Third year		278,079	79,111
Fourth year		179,928	367,047
Fifth year		492,291	162,600
Sixth year and thereafter		234,650	481,289
		1,432,357	1,407,730

b. For collaterals and agreements signed by the Company and investees with banks and other credit providers with regard to compliance with financial covenants, see Note 31 below.

NOTE 26:- EMPLOYEE BENEFIT LIABILITIES

Post-employment benefits:

According to the labor laws and the Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation. The post-employment employee benefits are normally financed by contributions classified as defined benefit plans as detailed below:

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Expenses in respect of defined contribution plan	758	655	2,039

Defined benefit plans:

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

a. Expenses recognized in the statements of profit or loss and comprehensive income:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Current service cost	766	839	865
Interest cost on benefit obligation	476	677	661
Expected return on plan assets	(311)	(603)	(537)
Total employee benefit expenses	931	913	989
Loss from remeasurement in other comprehensive income	652	747	375
Actual return on plan assets	(465)	182	(852)

NOTE 26: - EMPLOYEE BENEFIT LIABILITIES (Cont.)

a. Expenses recognized in the statements of profit or loss and comprehensive income (Cont.):

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
The expenses are presented in the statement of profit or loss as follows:			
Cost of construction business	179	162	157
Cost of billboard business	87	32	72
Cost of residential real estate development in Israel	96	48	-
General and administrative expenses	569	671	760
	931	913	989

b. The plan assets (liabilities), net:

	December 31,	
	2020	2019
	NIS in thousands	
Defined benefit plan liability	22,232	21,229
Fair value of plan assets	17,852	17,569
Total liabilities, net	4,380	3,660

c. Changes in the present value of defined benefit plan liabilities:

	2020	2019
	NIS in thousands	
Balance as of January 1	21,229	21,110
Interest cost	476	677
Current service cost	766	839
Benefits paid	(115)	(1,723)
Net actuarial loss (gain)	(124)	326
Balance as of December 31	22,232	21,229

NOTE 26: - EMPLOYEE BENEFIT LIABILITIES (Cont.)

d. Plan assets:

1. Plan assets:

Plan assets comprise assets held by qualifying insurance policies.

2. The movement in the fair value of the plan assets:

	2020	2019
	NIS in thousands	
Balance as of January 1	17,569	18,255
Expected return	311	603
Contributions by employer	748	510
Benefits paid	-	(1,378)
Net actuarial loss	(776)	(421)
Balance as of December 31	17,852	17,569

e. The principal assumptions used in determining the obligation for the defined benefit plan:

	2020	2019	2018
		%	
Discount rate in respect of the obligation, net *)	0.4-2.1	0.5-2.18	1.2-1.22
Expected yield	0.4-2.1	0.5-2.18	1.2-1.22
Expected future salary increase rate	1.4	1.3-1.4	0.5-0.8

*) The discount rate is based on high quality CPI-linked corporate debentures.

NOTE 27: - EQUITY

a. Composition of share capital:

	December 31, 2020	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	149,999,999	34,608,101
Founders' shares of NIS 0.05 par value each (b1)	30	30

	December 31, 2019	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	149,999,999	32,539,135
Founders' shares of NIS 0.05 par value each (b1)	30	30

b. Voting rights attached to the shares:

1. Each of the Company's Ordinary shares entitles its holder to participate in the general meetings of the Company's shareholders whereby each Ordinary share of the Company confers its holder one vote in such meetings. Each NIS 1 par value of Founders' shares entitle their holders to participate in the general meetings of the Company's shareholders and confer one vote in such meetings (namely – one collective vote per 20 Founders' shares).

   See details of a change in the rights conferred by the Founders' shares in Note 28b(4).

2. The Deferred share was eliminated as part of the process of simplifying the Company's capital structure executed in the last period.

c. Dividends:

1. On March 31, 2019, the Company's Board approved the distribution of a dividend in an aggregate amount of NIS 20 million which was paid to the eligible parties on April 16, 2019.

2. On March 31, 2020, the Company's Board approved the distribution of a dividend of NIS 30 million which was paid to the eligible parties on April 22, 2020.

3. On March 25, 2021, the Company's Board approved the distribution of a dividend of NIS 46 million which will be paid to the eligible parties on April 13, 2021.

NOTE 27: - EQUITY (Cont.)

d. Repurchase of shares:

	December 31,	
	2020	2019
	%	
Percentage of issued capital	3.4	1.4

1. On January 21, 2019, the Company's Board approved a repurchase plan for the Company's Ordinary shares in an amount of up to NIS 12 million to be executed until July 31, 2019. Through the conclusion of the plan, the Company repurchased 390,213 Ordinary shares, in the amount of approximately NIS 12 million and they became dormant shares.

2. On March 15, 2020, the Company's Board approved a plan for the repurchase of Company shares totaling up to NIS 20 million. The plan was in effect for a period of six months from the approval date. During the plan period, the Company repurchased 725,314 Ordinary shares for a total of approximately NIS 20 million and they became dormant shares.

e. On December 12, 2019, the Company issued a material private placement and an immaterial private placement of an aggregate of 4,263,158 Ordinary shares of NIS 1 par value each of the Company allocated to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968. The total proceeds in the allocation amounted to NIS 162 million.

f. On January 2, 2020, the Company issued a material private placement and an immaterial private placement of an aggregate of 2,068,966 Ordinary shares of NIS 1 par value each of the Company allocated to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968. The total proceeds in the allocation amounted to NIS 90 million.

g. Allocation of warrants:

In January 2021, the Company's Board approved the offering of 491,000 non-marketable warrants of the Company which were allocated on February 10, 2021 for co consideration to employees and officers of the Company and its related companies. The warrants are exercisable into up to 491,000 registered Ordinary shares of NIS 1 par value ach of the Company.

One third of the warrants vest at the end of 12 months from the allocation date, another third at the end of 24 months from the allocation date and the final third at the end of 36 months from the allocation date. All portions can be exercised for a period of three years from the vesting date. Each warrant is exercisable for NIS 42. The value of each warrant on the date of the Board's approval is NIS 6.74. According to an external independent valuation obtained, the overall value of the warrants as of the allocation date approximates NIS 3,309 thousand.

346,000 warrants were granted pursuant to Section 102 to the Income Tax Ordinance and 145,000 warrants were granted pursuant to Section 3(i) to the Income Tax Ordinance.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

a. Guarantees:

1. Composition of guarantees provided to others:

	December 31, 2020	December 31, 2019
	NIS in thousands	
Guarantees to others *)	6,323	27,007

*) Guarantees provided by the Company and subsidiaries to local authorities and to hotel owners.

2. Guarantees provided by the Company to subsidiaries, mainly in respect of loans from banks, amount to approximately NIS 62,230 thousand.

b. Commitments:

1. In July 2015, the Company signed a lease agreement for the offices in the Champion building in Bnei-Brak, Israel for a period of eight years from January 2016 with an option for three more lease terms of 24 months each.

   In addition, subsidiaries entered into long-term lease agreements mostly linked to the Israeli CPI. The balance of expected rental fees is calculated based on the rental fees effective as of December 31, 2020, and amounts to approximately NIS 8,011 thousand.

   Following is a breakdown of the expected rental fees according to years (excluding the option):

	NIS in thousands
First year	2,615
Second year	2,615
Third year	2,615
Fourth year	166

2. The Company and subsidiaries have signed agreements with contractors and other suppliers in connection with construction and investment property contracts the outstanding liability in respect of which approximates NIS 233,149 thousand.

3. In December 2020, the Company reported the purchase of a directors' liability insurance policy for a period of one year beginning on November 1, 2020 with a liability limit of up to US$ 15 million per event and for the period for an overall premium of US$ 150 thousand.

   The above report was delivered after obtaining the approval of the Company's Remuneration Committee for the purchase of the policy and the inclusion of directors and officers who are controlling shareholders in the Company and their relatives.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

4. On August 4, 2019, following the approval of the Board and the Audit Committee, the Company's General Meeting of Shareholders approved the Company's engagement in a transaction with Nimrodi Land Development Limited ("NLD"), a private company owned by Mr. Yaakov Nimrodi, the Company's controlling shareholder, as a result of which the preferential rights attached to the Company's Founders' shares held by NLD were eliminated. In exchange for the elimination of such preferential rights, the Company granted NLD 16.5 million unquoted and non-transferable warrants (excluding transfer to the controlling shareholder in NLD). The warrants will be exercisable into Ordinary shares of the Company (in whole or in part), from the date of completion of a first capital raising in the Company, for a period of up to 15 years and insofar as the cumulative holdings of the Company's shareholders fall below 50.01% and only to an extent that their holdings will be increased back to 50.01%, against the payment of an exercise increment to be determined by the average quoted market price of the share on the TASE in the 14 trading days preceding the exercise notice, less a discount of 14.8% or 11%, all in accordance with the terms of an amended immediate report issued by the Company to convene the general meeting on July 28, 2019, which also includes approval of the additional issues that were on the agenda of the meeting as an integral part of the outline - amendment of the memorandum and replacement of the articles of association, and increasing the authorized share capital.

   On August 6, 2019, all the suspending conditions of the engagement were fulfilled and the warrants were actually allocated, and the Company released the updated memorandum and articles of association.

5. Engagement with the Company's CEO:

   On April 29, 2018, the general meeting of the Company's shareholders approved entering into a management agreement with Ofer Nimrodi Investment Company Ltd. ("the management company") for receiving general manager services from the management company for a period of three years based on the Company's remuneration policy for a period of three years from March 22, 2018.

   In return for the CEO's services, the management company is paid a total monthly payment of NIS 238 thousand linked to the CPI of February 2018 and annual bonuses not exceeding NIS 3,000 thousand, which are determined as a percentage of the profit according to the thresholds specified in the management agreement.

   The cost of the CEO's services received in the reporting year amounted to approximately NIS 3,213 thousand (2019 – approximately NIS 6,018 thousand, including an annual bonus and directors' fees in the amount of approximately NIS 3,000 thousand).

   On March 11, 2021, following the approval of the Remuneration Committee, the Company's Board approved entering into a new management agreement for another period of three years, subject to obtaining the approval of the general meeting of the Company's shareholders which was convened for April 20, 2021.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

6. On December 12, 2017, the general meeting of the Company's shareholders approved an employment agreement signed between the Company and Mrs. Smadar Nimrodi-Rinot, VP of Projects, HR and Enforcement in the Company, who is a relative of the controlling shareholders in the Company ("the VP").

   According to the agreement, the VP was entitled to a gross monthly salary of NIS 74 thousand, a company car and related social benefits.

   The VP was also entitled to an annual bonus based on the Company's operating results, to be determined at a certain percentage based on certain thresholds stipulated in the agreement and limited to six gross monthly salaries for each calendar year. The bonus amount is limited to six gross monthly salaries per calendar year.

   In December 2020, the general meeting of the Company's shareholders approved a new employment agreement with the VP for a period of three years. According to the new agreement, the VP is entitled to a CPI-linked gross monthly salary of NIS 72 thousand, a company car and social benefits. The annual bonus mechanism is the same as in the previous agreement but with stricter eligibility criteria.

   In the reporting year, the cost of employment of the VP amounted to NIS 1,337 thousand (2019 - NIS 1,798 thousand).

7. In November 2019, the general meeting of ILDC Urban Renewal Ltd. approved the employment of Mr. Daniel Nimrodi in the context of an employment agreement signed between the parties in effect from September 1, 2019 according to which Mr. Daniel Nimrodi is entitled to a gross monthly salary of NIS 36 thousand and social benefits as well as annual bonuses subject to meeting certain performance targets.

   The total cost of employment of Mr. Daniel Nimrodi in 2020 amounted to NIS 808 thousand (2019 – NIS 520 thousand).

8. The Company's directors and officers are entitled to receive a letter of indemnity and quittance which includes a section on grounds for indemnity such that the Company's obligation to indemnify the directors and officers shall apply to any obligation or expense that may be indemnified pursuant to any law and the Company's articles of association. The application of the letters of indemnity and quittance to directors who are controlling shareholders in the Company and/or their relatives is approved every three years and was recently approved in a general meeting held in January 2020.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

9. In February 2014, pursuant to Section 1a to the Companies Regulations (Exemptions in Transactions with Interested Parties), 2000 ("the Exemption Regulations"), the Company approved that starting from 2014, the remuneration payable to directors in the Company, excluding the Chairman of the Board, including directors who are the controlling shareholders in the Company and their relatives, will be in conformity with the fixed remuneration payable to external directors in the Company pursuant to the Companies Regulations (Rules of Remuneration and Expenses of External Director), 2000. The decision was ratified for directors who are controlling shareholders and their relatives for an additional period of three years from February 7, 2019.

   On August 11, 2009, after obtaining the approval of the Company's audit committee and Board, the general meeting of the Company's shareholders agreed that in the event that the remuneration payable to the Company's Chairman of the Board effective from 2009 (including remuneration for participation in board meetings, annual remuneration and remuneration for making written decisions, collectively "the remuneration to the Chairman of the Board") is lower than NIS 360 thousand at the end of a certain calendar year, then the remuneration to the Chairman of the Board will be completed to NIS 360 thousand. In January 2014, the Chairman of the Board informed the Company that he was voluntarily and unilaterally waiving part of the remuneration described above in such a manner that as long as the remuneration paid by the Company to the other members of the Board is based on the amount prescribed in the Companies Regulations (Rules of Remuneration and Expenses of External Director), 2000 based on the Company's ranking according to said regulations, the remuneration to the Chairman of the Board will only be supplemented until NIS 250 thousand.

10. In their meetings of February 3 and February 10, 2020, the Company's Remuneration Committee and the Board approved a new remuneration policy in the Company for a period of three years from the date of approval. In addition, certain amendments to the Company's articles of association were approved in connection with the replacement of the director appointment mechanism and the adaptation of the director tenure policy.

11. A subsidiary and its subsidiaries, Rapid, signed franchise agreements with various local authorities. In order to meet its liabilities to local authorities, Rapid provided bank guarantees or notes for future repayment. Total bank guarantees provided in connection with said engagements as of December 31, 2020 amount to approximately NIS 1,657 thousand.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities:

In the ordinary course of business, the Company and the investees become involved in several legal claims. A provision is recorded for the costs which might be incurred as a result of these claims only when it is more likely than not that a liability will be created as a result of past events and that the amount of the liability may be quantified or reasonably estimated. The amount of the provisions made is based on the assessment of the risk level of each individual claim and events that take place in the process of litigations might require reassessment of such risk. The Company's risk assessments are based on the opinion of its legal advisors. Any settlement agreements that are reached between the parties are provided for in the financial statements in the amounts stipulated in the settlement agreements.

Paragraph 1 below presents details of claims filed against the Company:

1. On May 29, 2017, a claim was filed against the Company with the Jerusalem District Court by the Company for Location and Restitution of Holocaust Victims' Assets ("the Restitution Company") and the Administrator General and Official Receiver (collectively - "the petitioners") in which the Court was asked by the petitioners to order the Company to pay the Restitution Company the "current value of the plots and lots" mentioned in the claim. Based on an appraisal opinion prepared on its behalf, the Restitution Company estimated the value of the properties in question at approximately NIS 101 million.

   On August 24, 2020, the Jerusalem District Court rendered a verdict according to which the Company must pay the plaintiffs an aggregate of NIS 13 million. As of December 31, 2020, this amount was paid in full.

2. Subsidiaries operating in Poland under a Polish subsidiary, MLP Pruszkow SP. Z.O.O., received a claim for the payment of full usage fees in an amount of approximately PLN 22.1 million (approximately NIS 19.2 million).

   Based on the opinion of the subsidiary's management and of its legal counsel, the subsidiary included a provision of approximately PLN 900 thousand (approximately NIS 780 thousand) in its financial statements.

   In the reporting year, a Polish subsidiary, MLP Poznań West Sp. z.o.o, purchased land for which it pays fixed lease fees of approximately PLN 253 thousand from the purchase date through December 31, 2020.

   The Company's management estimates that the subsidiary will not be required to pay the above amount and therefore no provision was recorded in its respect in the financial statements.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

3. A letter of claim in the amount of approximately PLN 6.9 million was filed against a subsidiary, Mill-Yon Gdansk S.P. Z.O.O. ("Mill-Yon") by the homeowners' committee of a building located in one of Mill-Yon's construction projects. The claim mainly involves alleged defects in the quality of the underground parking floor and water insulation work in the building. Based on the opinion of legal advisors, management believes that the homeowners' committee does not have the authority to file a claim pertaining to public areas. Moreover, management's opinion is supported by an opinion of an independent engineer according to which there are no defects in the building's water insulation system and is it in compliance with the project's specifications and building laws. Mill-Yon argues that the amount of the claim is excessive and disproportionate to any amount that Mill-Yon could be required to expense in order to repair any damage, assuming that it is legally bound to do so.

   In the estimate of the subsidiary's management, based on the opinion of its legal counsel, it is more likely than not that the claim will be dismissed. Accordingly, the subsidiary did not include a provision in its financial statements.

4. In August 2019, a claim and class action certification motion were filed against ILDC Hotels and its subsidiary which managed the Rimonim Tiberias Hotel (as phrased in the claim) (collectively – "Rimonim Group members") and against two unrelated defendants on the grounds of alleged inaccessibility of hotels of the Rimonim Group members to people with hearing disabilities in violation of the Israeli Equal Rights to People with Disabilities Law, 1998 and/or the Israeli Equal Rights to People with Disabilities Regulations (Service Accessibility Adjustments), 2013.

   The claim alleges that the above hotels did not allow the petitioners to view subtitles to understand the television broadcasts since, as alleged by the plaintiffs, the hidden subtitles built into the television broadcasts could not be seen live.

   Following the petitioner's request to suspend the proceedings until a decision is rendered in the appeal in similar petitions filed by the petitioner which are heard by the Supreme Court, the Court decided to technically close the case until the petitioner informs the Court of the decision of the Supreme Court appeal.

   ILDC Hotels is studying the arguments raised in the claim with its legal counsel and given the preliminary stage of the proceedings and the fact that the appeal in the same issue is pending before the Supreme Court, it is currently unable to assess the chances of the class action certification motion.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

5. In August 2016, ILDC Hotels received a letter of claim in an amount of approximately NIS 7 million filed by the owner of the hotel, Central Park, which had been managed by ILDC Hotels until March 2016. Until recently, ILDC Hotels and the plaintiff held negotiations for the continued management of the hotel by the former which did not result in signing a binding agreement. On November 27, 2016, ILDC Hotels submitted a letter of defense to the claim filed by the plaintiff as well as a counterclaim of approximately NIS 3.9 million in respect of amounts which ILDC Hotels incurred in the context of the hotel's management. On February 1, 2017, ILDC Hotels submitted a letter of defense.

   A verdict was issued in January 2021 according to which the plaintiff's claim was nearly fully dismissed and ILDC Hotels was ordered to pay NIS 220 thousand. In addition, ILDC Hotels' counterclaim was accepted in the amount of NIS 177 thousand.

   In March 2021, the plaintiff appealed the verdict to the Supreme Court and asked the Court to order ILDC Hotels to pay it approximately NIS 6.5 million.

   Based on its legal counsel, ILDC Hotels believes that it is more likely than not that the appeal will be dismissed.

6. In the reporting year, ILDC Hotels received a municipal tax assessment from the Eilat Municipality in a total of approximately NIS 3.2 million for the Neptune Hotel during the period from 2013 through May 2020. On January 9, 2020, ILDC Hotels received a demand for payment of development levies on the property known as Ruth Rimonim Hotel in Safed totaling approximately NIS 3.7 million. After the reporting date, the parties reached an agreed settlement according to which ILDC Hotels will pay NIS 600 thousand in return for the dismissal of the Municipality's entire arguments.

7. In September 2017, a petition was filed against ILDC Hotels for the issuance of a remedy and the cancellation of a settlement agreement that had been signed between ILDC Hotels and a third party and had been approved by the Court for the payment of a settlement amount of approximately NIS 1.3 million. ILDC Hotels filed its objection to the petition based on the opinion of its legal counsel whereby it has good defense arguments. However, in view of the preliminary stage of the proceeding, the chances of the petition cannot be assessed.

8. in February 2020, a class action certification motion was filed against Neptune Hotel Ltd. for failure to pay the petitioners overtime for night shifts. The motion does not state the sought compensation for the entire group of plaintiffs. A hearing was scheduled for March 10, 2021. ILDC Hotels believes that it is more likely than not that its defense arguments will be accepted and the motion will be dismissed.

9. As for income tax assessments received by the Company and subsidiaries, see Note 30d.

10. In addition to the claims detailed above, the Company and certain subsidiaries are parties to various other legal proceedings that arise in the ordinary course of business in the aggregate amount of approximately NIS 3.9 million. For these claims, a provision amounting to approximately NIS 1.2 million was recorded in the financial statements, which managements of the companies, based on the opinion of legal counsel, believe to be sufficient to cover these claims.

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS

a. Cost of maintenance of rental properties:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Electricity, taxes and municipal taxes	52,917	51,286	48,265
Security and cleaning	13,972	16,543	17,492
Salaries and related expenses	3,639	5,041	5,766
Marketing	2,320	3,411	3,022
Other maintenance expenses	23,432	25,312	26,570
	96,280	101,593	101,115

b. Cost of residential construction development in Israel:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Marketing	582	2,547	766
Legal expenses	2,122	3,518	1,790
Planning and supervision	1,467	1,999	1,491
Advisors	1,983	2,351	1,906
Other	598	1,618	779
	6,752	12,033	6,732

c. Cost of residential construction development overseas:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Costs	51,808	81,812	124,706
General and administrative expenses not carried to construction costs	5,019	5,438	6,579
	56,827	87,250	131,285

d. Cost of operation of billboard business:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Costs of production, franchises and maintenance	28,869	32,842	40,964
Selling, general and administrative expenses	4,230	8,115	10,080
Depreciation and amortization	3,143	2,192	148
	36,242	43,149	51,192

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS (Cont.)

e. General, administrative and other expenses:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Salaries and related expenses	34,759	35,725	31,767
Consulting, legal and audit fees	12,147	12,197	10,761
Rent and office maintenance	3,917	4,308	3,475
Depreciation and amortization	1,673	3,996	1,440
Doubtful accounts and bad debts	3,443	1,052	1,494
Other expenses	14,926	13,980	17,228
	70,865	71,258	66,165

f. Finance income:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Change in fair value of financial assets	-	1,527	-
Liability for warrants	20,700	-	-
Bank deposits and loans	1,215	541	873
Exchange rate differences and other	87	4,963	10,323
	22,002	7,031	11,196

g. Finance expenses:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Change in fair value of financial assets	186	-	77
With respect to long-term liabilities	47,436	48,377	48,400
With respect to debentures	44,762	69,136	69,361
Liability for warrants	-	2,600	-
Finance expenses on leases	1,328	2,312	-
With respect to short-term borrowings	4,758	5,421	1,912
Exercise and change in fair value of foreign currency hedges	5,163	6,154	3,188
Exchange rate losses and others	55,886	9,040	16,995
	159,519	143,040	139,933

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS (Cont.)

h. Other income (expenses), net:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Expenses for claims settlement (1)	(16,268)	(1,594)	(2,239)
Income from leasehold adjustment work (2)	4,350	661	7,015
Gain (loss) from sale of property, plant and equipment	695	(486)	14,404
Write down of investment in real estate	(989)	-	-
Gain from remeasurement of investment in associate	-	-	3,200
Write down of investment in associate	-	-	(10,426)
Refund of allowance (allowance) for expected credit losses	450	1,483	(250)
Refund of expenses (expenses) for participation in tender	1,575	(5,946)	(2,432)
Municipal taxes from previous years	(1,336)	-	-
Other expenses (income)	981	(39)	(1,227)
	(10,542)	(5,921)	8,045

(1) Mainly in respect of a claim filed by the Company for Location and Restitution of Holocaust Victims' Assets.

(2) See Note 9b.

NOTE 30: - TAXES ON INCOME

a. Tax laws applicable to the Group companies:

1. Companies in Israel:

a) Income Tax (Inflationary Adjustments) Law, 1985:

Under the law, through 2007 results are measured for tax purposes in Israel, after adjustment for changes to the Consumer Price Index. Starting in 2008, results for tax purposes are measured at nominal values, except for certain adjustments for changes in the Consumer Price Index for the period prior to December 31, 2007.

b) The Law for the Encouragement of Industry (Taxation), 1969:

The Group companies have the status of an "industrial company", as implied by this law. According to this status and by virtue of regulations published there under, the companies are entitled to claim and, in fact, have claimed a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustment Law.

2. Foreign subsidiaries:

Subsidiaries which were incorporated outside Israel are taxed according to the tax laws in their countries of incorporation.

b. Tax rates applicable to the Group companies:

Subsidiaries in Israel:

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2017 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Israeli corporate income tax rate was 23% in 2020, 2019 and 2018.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

NOTE 30: - TAXES ON INCOME (Cont.)

b. Tax rates applicable to the Group companies (Cont.):

Subsidiaries in Israel (Cont.):

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law") was enacted. The Law includes, among others, provisions for the taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of foreign assets. As of the date of approval of these financial statements, these regulations have not been published.

Foreign subsidiaries:

The tax rates applicable to subsidiaries resident in Poland - 19%, and to a subsidiary resident in Romania - 16%.

c. Carryforward inflationary losses and deductions:

As of December 31, 2020, carryforward losses of the Company total approximately NIS 638 million (December 31, 2019 - approximately NIS 488 million). As of December 31, 2020, carryforward losses of the subsidiaries total approximately NIS 599 million (December 31, 2019 - approximately NIS 699 million). Deferred tax assets were recorded with respect to certain tax losses (see paragraph f below).

d. Tax assessments:

1. The tax returns of the Company and subsidiaries filed through the 2015 tax years are deemed as a final tax assessment pursuant to Section 145 to the Israeli Income Tax Ordinance.

2. On December 30, 2019, a former subsidiary which was merged during the reporting year (ILDC Malls"), signed a tax assessment agreement with the tax assessor of large enterprises for the 2014-2017 tax years according to which it will pay tax of approximately NIS 2 million, which was recorded as an expense in 2019.

3. On December 31, 2018, a tax assessment agreement was signed for 2013-2014 between a subsidiary, ILDC Hotels, and the ITA according to which ILDC Hotels undertook to pay tax totaling approximately NIS 5 million, including interest and linkage differences, which was recorded as an expense in 2018.

4. On December 31, 2018, a tax assessment agreement was signed for 2013-2014 between the Company and the ITA according to which the Company undertook to pay tax totaling approximately NIS 8 million, including interest and linkage differences, which was recorded as an expense in 2018.

NOTE 30: - TAXES ON INCOME (Cont.)

d. Tax assessments (Cont.):

5. On December 26, 2018, a tax assessment agreement was signed for 2013-2017 between a former subsidiary which was merged during the year (Optima Promotions and Investment Management 66 Ltd.) and the ITA as a result of which the subsidiary included a provision of approximately NIS 1.7 million, including interest and linkage differences, which was recorded as an expense in 2018.

6. The Company received from the ITA a tax assessment in connection with a property holding company which is 50% held by the Company according to which the ITA argues that the property holding company should be taxed as a regular limited company. Consequently, the tax assessor issued the company a tax assessment order for the 2014 tax year and a tax assessment to the best of judgment for the 2015 tax year.

   Based on its tax advisors, the Company's management believes that the investee qualified as a property holding company in the above tax years. The Company filed and appeal and objection to the tax assessments described above.

e. Restructuring in the Group:

On December 23, 2019, the Company's Board approved a resolution whereby the Company will merge with wholly owned and controlled companies operating in the income-producing real estate segment in Israel, this following a tax ruling obtained from the ITA on December 4, 2019 ("the tax ruling"). The merger was performed in accordance with and subject to the directives of Chapter One to Part Eight to the Companies Law, 1999 with no tax liability as per the provisions of Section 103B to the Ordinance and subject to the provisions of Section 103C to the Ordinance as follows:

1. Any capital gain or loss (including appreciation) from the sale of assets transferred to the Company (as the receiving company in the merger) by one of the merging companies will not be deductible for tax purposes against profits or losses in the Company for a period of five years from December 31, 2019 ("the merger date for tax purposes").

2. Notwithstanding the aforesaid in paragraph (1), a gain or loss from the sale of an asset will be deductible insofar as the gain or loss derives from the same entity that held the sold asset prior to the merger date for tax purposes.

3. Carryforward losses in the Company and/or in the merging companies that were not allowed for deduction before the merger date for tax purposes and which are not subject to the provisions of paragraph (2) above, will be allowed for deduction against the Company's taxable income (as the receiving company in the merger) from the merger date for tax purposes over a period of eight years (12.5% of total losses in each year whereby the percentage of unutilized losses in a certain year in respect of the 50% limitation described below will accumulate in the following year), provided that such deduction does not exceed half (50%) of the Company's taxable income in the same tax year before deducting carryforward tax losses.

NOTE 30: - TAXES ON INCOME (Cont.)

e. Restructuring in the Group (Cont.):

4. Any expense or deduction in the Company and/or in the merging companies that was not allowed for deduction before the merger date for tax purposes will be viewed as part of the carryforward losses of the Company and/or the merging companies and will be subject to the guidelines of paragraphs (1)-(3) above and deductible within two years from the merger date for tax purposes.

5. Prepayments for surplus expenses held by the Company and/or the merging companies before the merger date for tax purposes can be offset against tax or capital gains tax applicable to income derived to the Company after said date in equal parts over a period of eight years from the merger date for tax purposes.

6. The Company is obligated to hold the majority of assets held by it before the merger date for tax purposes and the majority of the assets or a merging company transferred to the Company in the merger for a period of two years from the merger date for tax purposes.

As of the financial statement date, the entire approvals underlying the merger agreement were obtained and the merger of the companies was completed. Consequently, in the reporting period, the Company recognized a deferred tax asset of approximately NIS 98 million in respect of the portion of carryforward tax losses which it estimates can be utilized in the future.

NOTE 30: - TAXES ON INCOME (Cont.)

f. Deferred taxes:

	Accrued severance pay, net	Property, plant and equipment	Revaluation of investment property	Real estate and buildings under construction	Carry-forward losses and deductions	Other items	Total
	NIS in thousands						
Balance at January 1, 2019	241	(2,490)	(450,204)	(5,216)	66,187	5,311	(386,171)
Foreign currency translation adjustments of foreign operations	-	-	12,907	-	(359)	(347)	12,201
Changes carried to other comprehensive income	172	-	-	-	-	-	172
Changes carried to profit or loss	(41)	1,642	(82,504)	364	3,175	(1,630)	(78,994)
Balance at December 31, 2019	372	(848)	(519,801)	(4,852)	69,003	3,334	(452,792)
Foreign currency translation adjustments of foreign operations	-	-	5,022	-	(169)	(551)	4,302
Changes carried to other comprehensive income	150	-	-	-	-	-	150
Changes carried to profit or loss	751	226	(34,766)	3,676	101,877	13,834	85,598
Balance at December 31, 2020	1,273	(622)	(549,545)	(1,176)	170,711	16,617	(362,742)

Presented in the financial statements as follows:

	December 31, 2020	December 31, 2019
	NIS in thousands	
In non-current assets	5,625	2,676
In non-current liabilities	(368,367)	(455,468)
	(362,742)	(452,792)

The financial statements do not include deferred taxes in respect of certain carry-forward losses and deductions for tax purposes and in respect of timing differences relating to recording income and expenses in the books and for tax purposes ("business losses and timing differences") and in respect of capital losses for tax purposes due to the uncertainty regarding their utilization in the foreseeable future as follows:

NOTE 30: - TAXES ON INCOME (Cont.)

f. Deferred taxes (Cont.):

Business losses and timing differences:

As of December 31, 2020, deferred tax assets totaling approximately NIS 27 million have not been recognized in the Company for carryforward losses for tax purposes totaling approximately NIS 118 million (as of December 31, 2019, deferred tax assets totaling approximately NIS 77 million in respect of carryforward losses for tax purposes totaling approximately NIS 336 million). As of December 31, 2020, deferred tax assets totaling approximately NIS 127 million have not been recognized in respect of subsidiaries for carryforward losses for tax purposes totaling approximately NIS 583 million (as of December 31, 2019, deferred tax assets totaling approximately NIS 129 million in respect of carryforward losses for tax purposes totaling approximately NIS 592 million).

In respect of capital losses:

As of December 31, 2020, deferred tax assets totaling approximately NIS 4 million have not been recognized in the Company in respect of capital losses for tax purposes totaling approximately NIS 17 million (as of December 31, 2019 - deferred tax assets totaling approximately NIS 33 million in respect of capital losses totaling approximately NIS 142 million). As of December 31, 2020, deferred tax assets totaling approximately NIS 2 million have not been recognized in subsidiaries in respect of capital losses for tax purposes totaling approximately NIS 7 million (as of December 31, 2019 - deferred tax assets totaling approximately NIS 11 million in respect of capital losses for tax purposes totaling approximately NIS 78 million).

g. Taxes on income included in the statements of profit or loss:

	Year ended December 31,		
	2020	**2019**	**2018**
	NIS in thousands		
Current taxes	12,570	20,177	25,443
Deferred taxes	(85,598)	78,994	46,683
Taxes in respect of previous years *)	3,674	(1,035)	10,404
Taxes on income (tax benefit)	(69,354)	98,136	82,530

*) In respect of 2018, see paragraph d(3-5) above.

NOTE 30: - TAXES ON INCOME (Cont.)

h. Theoretical tax

The reconciliation between the tax amount, assuming that all revenues and expenses, gains and losses on the statement of comprehensive income would have been taxed at the statutory tax rate and the taxes on revenue recorded in the statement of profit or loss is as follows:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Income before taxes on income	48,140	286,401	202,214
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	11,072	65,872	46,509
Tax (tax saving) with respect to:			
Nondeductible expenses, other timing differences and capital gains, net	1,161	2,961	303
Losses and timing differences for which no deferred taxes were recorded	18,171	37,433	29,852
Net deferred taxes recognized as a result of merger of subsidiaries *)	(97,605)	-	-
Group's share of losses of associates	2,251	170	529
Different tax rate for foreign companies	(6,595)	(7,077)	(4,162)
Differences in the measurement basis for tax purposes and other	(1,483)	(188)	(905)
Taxes in respect of previous years	3,674	(1,035)	10,404
Taxes on income (tax benefit)	(69,354)	98,136	82,530

*) See paragraph e above.

NOTE 31: - LIENS

a. The Company:

1. To secure repayment of a loan whose balance amounts to approximately NIS 76.3 million at December 31, 2020, the Company recorded first degree liens on properties of the Company in favor of banks and others. The Company also pledged in favor of banks and others shares of an associate. In addition, as collateral for credit facilities extended to the Company by banks, the Company granted those banks the right to offset credit balances, securities and current balances in its bank accounts.

   In addition, the Company also undertook to meet the following financial covenants:

   a) The Company's total tangible equity as defined in the agreement will not be lower than NIS 565 million or lower than 20% of total balance sheet.
   b) If the Company's equity is lower than NIS 630 million, the interest rate on the credit will be raised by 0.15%.
   c) The result of dividing the financial debt less financial assets by total balance sheet will not be higher than 70%.
   d) The EBIDTA in each calendar year will not be lower than NIS 70 million.
   e) The ratio of the Company's debt to the bank to total collaterals will not exceed 72% of the value of the collaterals provided to the bank in respect of said debts.
   f) The debt to NOI ratio will not exceed 10.2.

   As of December 31, 2020, the Company is meeting the above financial covenants.

2. a) To secure credit from financial institutions totaling approximately NIS 96 million received by the Company and to secure liabilities to the financial institutions and a performance liability for the ILDC Campus in Bnei-Brak, a fixed lien was recorded on real estate properties including all rights and proceeds, insurance rights and rental fees deriving from the buildings. In addition, terms were determined regarding the percentage of the project partners' equity investments, bank deposits totaling NIS 37 million and standard covenants for similar project financing agreements.

   b) On April 5, 2020, the Company signed a credit agreement with a bank for receiving a credit line in a total ranging between NIS 311 million and NIS 361 million based on certain brackets and subject to certain predetermined conditions for financing the C Tower construction project whose construction began in 2019 and is one of the three towers comprising the Company's Campus in the BBC business center in Bnei-Brak ("the credit agreement" and "the credit line", respectively) according to the following terms:

      The credit line will amount to the lower of NIS 80 million or 65% of the property value of the project and will be provided shortly after the date of signing the credit agreement. The Company may utilize the credit line as bank loans or bank guarantees. The principal of each loan provided to the borrower according to the credit line will bear annual interest of Prime plus a margin of 0.9% on the unsettled balance of the utilized credit. The outstanding credit line which was not granted on the date of signing will be available for 48 months from the date of signing the credit agreement. During this period and on certain dates as predetermined in the credit agreement, the Company will have an exclusive right to make an early repayment of the unused credit line.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

2. b) (Cont.):

To secure the credit line, a mortgage and/or first degree fixed and floating liens were recorded on the borrower's and the Company's entire rights in the project and on the Company's entire rights in agreements with the project's performing contractors, on account of the project, in the management agreement to be signed in connection with the tower to be constructed and in all the lease agreements for the spaces to be leased in the project and the rights to receive funds therefrom and a constant guarantee in an unlimited amount provided by the Company.

3. The debentures (Series 20) are not secured by any collateral. In the context of the issuance of the debentures, the Company has undertaken to meet the following financial covenants:

In the event that the ratio of equity attributable to equity holders of the Company to total stand-alone balance sheet is lower than 22%, the annual interest rate on the unsettled balance of the debentures will be increased by 0.25% per annum.

a) The ratio of equity attributable to equity holders of the Company to the balance sheet will not be lower than 20%.
b) If the equity attributable to equity holders of the Company according to its latest financial statements issued before each examination date is lower than NIS 600 million, the interest rate on the unsettled principal balance of the debentures will be increased by 0.25% per annum.
c) The equity attributable to equity holders of the Company according to its latest financial statements issued before each examination date will not be lower than NIS 565 million.
d) If the ratio of net financial debt in the Company's latest issued consolidated financial statements to the Company's total equity and debt (CAP) exceeds 74%, the annual interest rate on the unsettled principal balance of the debentures will be increased by 0.25% per annum but the maximum interest increment will not be more than 1.6% above the interest rate determined in the first offering report.
e) The debt to CAP ratio will not exceed 77%.

Effective from January 8, 2019, the interest on the debentures (Series 20) was raised by 0.25% due to the lowering of the rating of the Company's debentures by S&P Maalot whereby the debentures bore interest of 3.50% until January 14, 2020, on which date the rating was raised back.

As of December 31, 2020, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

4. As guarantee for the repayment of debentures (Series 21), the Company recorded a second degree lien on all the real estate rights and rights deriving from the real estate on which the Seven Stars Mall is located and operated in Herzliya. The second degree lien is subordinate to a loan received from a bank. The Company has also undertaken to meet the following financial covenants:

   a) The ratio of equity to the stand-alone balance sheet will not be lower than 20% in two consecutive financial statements, and if it is lower than 22%, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   b) The Company's equity will not be lower than NIS 565 million and if it is lower than NIS 600 million, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   c) In the event of distribution, at least one of the following alternative conditions will be met:
      (1) The Company's equity after dividend distribution will not be lower than NIS 650 million;
      (2) The ratio of equity to balance sheet after dividend distribution will not be lower than 23%.
   d) The ratio of consolidated financial debt to the Company's total equity and debt will not exceed 75% in two consecutive quarters.

   As of December 31, 2020, the Company is meeting the above financial covenants.

5. The debentures (Series 22) are not secured by any collateral. For the purpose of their issue, the Company has undertaken to meet the following financial covenants:

   a) The ratio of equity to the stand-alone balance sheet will not be lower than 20% in two consecutive financial statements, and if it is lower than 22%, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   b) The Company's equity will not be lower than NIS 565 million and if it is lower than NIS 600 million, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   c) At least one of the following alternative conditions will be met:
      (1) The Company's equity after dividend distribution will not be lower than NIS 650 million;
      (2) The ratio of equity to balance sheet after dividend distribution will not be lower than 23%.
   d) The ratio of consolidated financial debt to the Company's total equity and debt will not exceed 75% in two consecutive quarters.

   Effective from January 8, 2019, the interest on the debentures (Series 22) was raised by 0.25% due to the lowering of the rating of the Company's debentures by S&P Maalot whereby the debentures bore interest of 2.50% until January 14, 2020, on which date the rating was raised back.

   As of December 31, 2020, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

6. As collateral to the holders of debentures (Series 23), the Company undertook to meet the following financial covenants:

   a) If the ratio of equity attributable to the Company's shareholders to total (standalone) balance sheet drops below 22% and/or of the adjusted equity is lower than NIS 660 million, the annual interest rate borne by the principal of the debentures (Series 23) will be raised by 0.25% a year.
   b) The ratio of equity attributable to the Company's shareholders to total balance sheet will not be lower than 20%.
   c) If on any date the rating of the debentures (Series 23) is updated during any interest period as a result of which the rating of the debentures (Series 23) will be lower than the base rating by one level, the annual interest rate borne by the unsettled principal of the debentures (Series 23) will be raised by 0.25% a year or at 0.5% a year, based on the lowering of the rating.
   d) The equity attributable to the Company's shareholders according to its latest financial statements before each quarterly examination date will not be lower than NIS 610 million.
   e) The maximum increment payable to holders of the debentures (Series 23) as a result of noncompliance with paragraphs (a) and (c) above and as a result of a change in the rating of the debentures (Series 23) will not exceed 1.6% above the interest rate determined in the initial offering report.
   f) The ratio of consolidated financial debt to the Company's total equity and debt will not exceed 75% in two consecutive quarters.

   As of December 31, 2020, the Company is meeting the above financial covenants.

7. To secure a loan received from a bank whose balance as of December 31, 2020 totals NIS 146 million, the rights in commercial buildings in Petach-Tikva, Haifa and Jerusalem, Israel were pledged in such a manner that the P/E ratio of the rental fees from the property will not exceed 9 of the unpaid balance of the loan.

8. To secure loans whose balance as of the financial statement date is NIS 60 million received by the Company, the Company undertook to meet the following financial covenants:

   a) The ratio of (i) the stand-alone (solo) equity attributable to the equity holders of the borrower based on the borrower's financial statements (on a non-consolidated basis) to (ii) the borrower's total stand-alone (solo) balance sheet based on the borrower's financial statements (on a non-consolidated basis) will not be lower than 20%;
   b) The stand-alone (solo) equity attributable to the equity holders of the borrower based on the borrower's audited or reviewed financial statements, as applicable, will not be lower than NIS 565 million.

   The Company also undertook not to distribute or pay any dividends to its shareholders unless its equity exceeds NIS 650 million and the ratio of its stand-alone (solo) equity (after the dividend is distributed) to the total stand-alone (solo) balance sheet before the distribution is lower than 23%.

   As of December 31, 2020, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

9. To secure credit of NIS 54 million received, the Company undertook to meet the following financial covenants:

   a) The NOI from the underlying property (Seven Stars Complex in Rishon LeZion) will not be lower than NIS 6.5 million.
   b) The unsettled debt balance divided by the NOI from the property will not exceed a P/E ratio of 8.65 at all times.

   As of December 31, 2020, the Company is meeting the above financial covenants.

10. To secure a loan whose balance as of December 31, 2020 approximates NIS 51 million, the Company recorded first degree fixed and floating liens in favor of banks and others on its real estate, including all rights and assets, insurance rights, management rights and rental fees deriving from the buildings.

11. On October 19, 2017, Seven Stars Mall Ltd. (a company merged into the Company) signed an agreement with Bank Hapoalim Ltd. (as lender, credit manager and original trustee of collaterals) and with three institutional entities which together with Bank Hapoalim provided the Company loans whose balance as of the date of the agreement amounted to about NIS 618 million ("the original loan"). In addition, an outline agreement was signed with Hermetic Trust Services (1975) Ltd. which serves as the new credit manager and trustee of collaterals consisting of early repayment of Bank Hapoalim's share of the original loan.

    Financing the early repayment was done by issuing a new series of debentures by the Company (Series 21) that is secured by a second degree lien on all of the Company's rights in the real estate on which the Seven Stars Mall was built and operates in Herzliya. The second degree lien is subordinate to the lien securing the original loan.

    As collateral for outstanding credit as above whose balance as of the reporting date approximates NIS 203 million, liens were recorded on the Company's assets including a first mortgage on the Seven Stars Mall in Herzliya owned by the Company and a lien on the operating rights of the Seven Stars Mall (such as a lien on rental agreements in the Mall), a lien on the shares of a wholly owned subsidiary which is the management company of Seven Stars Mall, and a guarantee and a bank deposit provided by the Company.

    The Company also undertook to meet the following financial covenants:

    a) The debt coverage ratio will be higher than 1.5.
    b) The LTV ratio will not exceed 50%.
    c) Total outstanding loans with the addition of outstanding debentures (Series 21) will not exceed NIS 1,125,000 thousand.
    d) The ratio of outstanding loans and debentures to collaterals will not exceed 85%.

    As of December 31, 2020, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries:

1. Israel Land Development Company Urban Renewal Ltd. ("ILDC Urban Renewal"):

The consolidated balance of loans received from a bank as of December 31, 2020 approximates NIS 12 million. The loans were provided with the guarantees and collaterals of the Company. The financing will be granted provided that the subsidiary meets the following financial covenants:

a) The Company's total tangible equity as defined in the agreement will not be lower than NIS 565 million and 20% of total balance sheet.
b) If the Company's equity is lower than NIS 630 million, the credit interest will be raised by 0.15%.
c) The result of dividing the financial debt less financial assets by the Company's total balance sheet will not exceed 70%.
d) The EBITDA for each calendar year will not be lower than NIS 70 million.
e) The ratio of the Company's and subsidiary's debt to the bank to the entire securities will not exceed 72% of the value of the collaterals provided to the bank in respect of said debt.
f) The debt to NOI ratio will not exceed 10.2.

The Company also recorded a lien on the shares of an associate, Kol-Bo Jerusalem Building Ltd., and additional restrictions were imposed on any pledge, credit, use, rent, mortgage and construction in connection with the property.

At December 31, 2020, the Company is meeting the above financial covenants.

2. Rapid Vision Ltd. ("Rapid"):

a) Rapid and its subsidiary pledged in favor of banks promissory notes deposited in bank accounts and recorded a floating lien on their assets.

b) Rapid has guaranteed a subsidiary's entire bank debts in respect of various municipal commitments up to an amount of approximately NIS 682 thousand.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

3. R.R.N Holdings and Investments Ltd. ("RRN"):

To secure loans from banks whose balance as of December 31, 2020 totals approximately NIS 684 million, a mortgage was recorded on the real estate properties of foreign subsidiaries as well as a charge on their shares, property, plant and equipment, funds receivable as rental and lease fees and some of the deposits held in said banks.

In addition, the subsidiary undertook to meet the following financial covenants:

a) The ratio of outstanding loans to the value of the assets as security according to latest valuation produced by each of the companies that are required to meet the financial covenants will not exceed 70%.
b) The ratio of NOI to the loan payments applicable to the companies will not be lower than 1.2.

As of December 31, 2020, the subsidiaries are meeting the above financial covenants.

4. Other subsidiaries:

a) As collateral for loans and borrowings received by a Polish subsidiary (Mill-Yon) and its subsidiaries from banks and financial corporations amounting to approximately NIS 23.5 million at December 31, 2020, the subsidiaries recorded a lien on their real estate, bank accounts and rights to funds therefrom in favor of banks.

b) As collateral for loans and borrowings received by a Polish subsidiary (MLP) and its subsidiaries from financial corporations amounting to approximately NIS 684 million at December 31, 2020, the subsidiaries recorded first degree mortgages on real estate and a lien on rights to current accounts in banks, certain cash and deposits in favor of the financial corporations.

c) As collateral for credit extended to other subsidiaries by banks, the subsidiaries granted the banks a right to offset credit balances, securities and current accounts in banks etc.

NOTE 32: - FINANCIAL INSTRUMENTS

a. Fair value:

The Company and its subsidiaries have financial assets which consist, among others, of cash and cash equivalents, marketable securities, deposits, trade and other receivables and financial liabilities which consist, among others, of short-term credit from banks, trade and other payables and other long-term liabilities at variable interest whose carrying amount approximates their fair value.

The table below provides details of the carrying amount and fair value of the financial instruments that are presented in the financial statements not at fair value:

	December 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in thousands			
Financial assets *):				
Long-term loans (1)	14,205	13,534	21,534	20,634
	14,205	13,534	21,534	20,634
Financial liabilities *):				
Long-term loans at fixed interest (1)	(293,345)	(319,472)	(267,214)	(271,786)
Debentures (2)	(2,021,345)	(2,067,807)	(1,558,495)	(1,629,127)
	(2,314,690)	(2,387,279)	(1,825,709)	(1,900,913)
	(2,300,485)	(2,373,745)	(1,804,175)	(1,880,279)

*) Includes interest receivable (payable) without the discounts/premiums included in the financial statements in respect of the above assets (liabilities).

The fair value of financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced transaction (a forced liquidation or distress sale).

The following methods and assumptions were used to estimate the fair values:

(1) Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, creditworthiness of the customer and the risk characteristics of the financed project. As of December 31, 2020, the carrying amount of such receivables, net of allowances, was not materially different from their calculated fair values.

(2) The fair value is based on quoted market prices in an active market as of the date of the financial statements.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

a. Fair value (Cont.):

Classification of financial instruments by fair value hierarchy:

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

For details of the fair value hierarchy used to present financial assets and liabilities, see Note 19 above.

Financial liabilities measured at fair value:

As of December 31, 2020, the Company has financial liabilities measured at fair value totaling approximately NIS 57,175 thousand (December 31, 2019 - approximately NIS 7,517 thousand) of which NIS 13,575 thousand are classified as Level 2 and the balance of NIS 43,600 thousand is attributed to warrants and classified as Level 3.

In the years 2018-2020, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

b. Financial risk management objectives and policies:

The Company's principal financial liabilities, other than derivatives, are comprised of loans and borrowings and other receivables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans provided, receivables, cash and short-term deposits that derive directly from its operations. The Company also holds available-for-sale investments and enters into derivative transactions.

The Group's activities expose it to various financial risks such as market risks (including foreign currency risk and interest risk), credit risk and risk involving changes in prices of raw materials. The Group's risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performances.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

Risk management is performed by the Group in accordance with the policies approved by the boards of the companies.

1. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as share price risk and commodity risk. Financial instruments affected by market risk include, among others, loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity analysis relates to derivatives and available-for-sale debt instruments.

- The sensitivity analysis of the relevant statement of profit or loss item is the effect of the assumed changes in the respective market risks. This is based on the assets and liabilities held as of December 31, 2020 and 2019 including the effect of hedge accounting.

- The sensitivity analysis of equity which is calculated by considering the effect of cash flow hedges and hedges of net investments in subsidiaries that constitute foreign operations as of December 31, 2020 for the effects of the assumed changes of the underlying risk.

2. Currency and index linkage risk:

Foreign currency or index linkage risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates or changes in the Israeli CPI.

The Group is exposed to risks arising from changes in foreign currency exchange rates resulting mainly from the translation of investments and loans in foreign investees. The Group is also exposed to risks arising from increase in the Israeli CPI and foreign currencies due to the existence of excess liabilities linked to the CPI or to a foreign currency over assets linked to the CPI or a foreign currency.

A foreign subsidiary entered into currency hedges whose balance as of December 31, 2020 totals NIS 13,575 thousand in order to hedge Euro loans in an economic environment in which the functional currency is the Zloty. The change in the fair value of the hedges is carried to profit or loss from the date of achievement of control in the subsidiary. In the reporting period, the Company recorded a loss of NIS 5,163 thousand in profit or loss (in 2019 - a loss of NIS 6,154 thousand).

The hedges will be terminated in 2027 simultaneously with the repayment of the loans which mature in that year.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

2. Currency and index linkage risk (Cont.):

The following table demonstrates the sensitivity test to a reasonably possible change in the U.S. dollar, Euro and Polish Zloty exchange rates, with all other variables remaining constant. The impact on the Company's income before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Company's exposure to foreign currency changes for all other currencies is immaterial.

	Sensitivity test to fluctuations in U.S. dollar exchange rate	
	5% increase	**5% decrease**
	NIS in thousands	
Effect on income (loss)		
2020	(292)	292
2019	(198)	198
Effect on equity		
2020	(292)	292
2019	(198)	198

	Sensitivity test to fluctuations in Euro exchange rate	
	5% increase	**5% decrease**
	NIS in thousands	
Effect on income (loss)		
2020	(46,981)	46,981
2019	(36,234)	36,234
Effect on equity		
2020	(46,981)	46,981
2019	(36,234)	36,234

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

2. Currency and index linkage risk (Cont.):

	Sensitivity test to fluctuations in Polish Zloty exchange rate	
	5% increase	5% decrease
	NIS in thousands	
Effect on income (loss)		
2020	390	(390)
2019	-	-
Effect on equity		
2020	4,839	(4,839)
2019	4,286	(4,286)

	Sensitivity test to fluctuations in MAD (Moroccan Dirham) exchange rate	
	5% increase	5% decrease
	NIS in thousands	
Effect on equity		
2020	(3,355)	3,355
2019	(3,015)	3,015

	Sensitivity test to changes in Israeli CPI	
	2% increase	2% decrease
	NIS in thousands	
Effect on income (loss)		
2020	(39,215)	39,215
2019	(28,445)	28,445

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

3. Interest risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to the risk of changes in the market interest rates on long-term loans received bearing floating interest rates. The Group's policy is to manage the finance costs relating to the interest by having a balance between fixed and variable rate long-term loans. As of December 31, 2020, about 58% of the long-term liabilities are at a fixed rate of interest.

Interest rate sensitivity analysis:

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the effect of the changes in interest rates on the Company's income before tax is as follows:

	Sensitivity test to changes in Prime interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2020	(8,638)	8,638	(3,455)	3,455
2019	(9,606)	9,606	(4,203)	4,203

	Sensitivity test to changes in EURIBOR interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2020	(13,676)	13,676	(1,871)	1,871
2019	(12,023)	12,023	(1,259)	1,259

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

3. Interest risk (Cont.):

	Sensitivity test to changes in LIBOR interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2020	-	-	-	-
2019	(143)	143	(68)	68

	Sensitivity test to changes in WIBOR interest rate (Poland)	
	50% increase in market factor	50% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2020	(25)	25
2019	(64)	64

	Sensitivity test to changes in interest rate on subsidiary's debentures	
	50% increase in market factor	50% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2020	(788)	788
2019	(1,297)	1,297

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

4. Share price risk:

Sensitivity analysis to changes in quoted market prices of securities:

	Sensitivity test to changes in quoted market prices	
	20% increase in market factor	20% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2020	13	(13)
2019	367	(367)

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

5. Liquidity risk concentration:

The Company seeks to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, debentures and hire purchase contracts. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2020:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Maturity date unfixed	Total
	NIS in thousands							
Financial liabilities								
Credit from banks:								
In NIS	1,043	-	-	-	-	-	-	1,043
In foreign currency	-	-	-	-	-	-	-	-
Trade and other payables	121,185	-	-	-	-	-	-	121,185
Lease liabilities	21,744	12,019	6,425	2,945	1,945	26,311	-	71,389
Other long-term liabilities	-	250	1,020	2,356	9,709	5,153	3,876	22,364
Long-term loans:								
In foreign currency	45,774	57,872	56,726	94,089	386,365	187,913	-	828,739
In linked NIS	28,287	28,282	216,104	-	-	-	-	272,673
In unlinked NIS	56,794	104,602	31,157	99,296	121,430	58,810	-	472,089
Debentures:								
Linked to the Israeli CPI	231,715	226,556	231,623	261,360	180,464	758,297	-	1,890,015
In foreign currency	9,076	87,165	45,604	5,302	180,377	-	-	327,524
	515,618	516,746	588,659	465,348	880,290	1,036,484	3,876	4,007,021

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

5. Liquidity risk concentration (Cont.):

December 31, 2019:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Maturity date unfixed	Total
	NIS in thousands							
Financial liabilities								
Credit from banks:								
In NIS	94,302	-	-	-	-	-	-	94,302
Trade and other payables	172,765	-	-	-	-	-	-	172,765
Lease liabilities	19,927	13,370	9,230	6,188	2,932	18,764	-	70,411
Other long-term liabilities	-	43	292	1,095	1,506	9,399	3,651	15,986
Long-term loans:								
In foreign currency	42,632	42,308	51,553	43,087	79,837	468,034	-	727,451
In linked NIS	39,230	28,470	28,469	217,390	-	-	-	313,559
In unlinked NIS	175,941	66,430	29,857	131,113	93,318	25,694	-	522,353
Debentures:								
Linked to the Israeli CPI	165,009	160,715	156,815	152,915	149,016	484,223	-	1,268,693
Unlinked	120,168	93,001	35,014	33,729	32,444	-	-	314,356
In foreign currency	3,396	3,396	79,368	39,114	-	-	-	125,274
	833,370	407,733	390,598	624,631	359,053	1,006,114	3,651	3,625,150

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

c. Credit risk:

Credit risk may arise from the exposure of holding several financial instruments with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentrations of risks consist of the nature of the debtors' activities, such as their business sector, the geographical area of their operations and their financial strength.

The Group's cash and cash equivalents are deposited in Israeli banks. The Company believes the credit risk with respect to these balances is remote. The Group earns revenues from a large number of customers and the Group is not dependent on any customers. Outstanding customer receivables are regularly monitored by the Group and, where appropriate, an allowance for doubtful accounts is recorded for debts that management believes are doubtful of collection. About 30% of the allowance for doubtful accounts is recorded for customers from the billboard business.

d. Pledges:

The Group has pledged part of its deposits to secure credit received from banks. As of December 31, 2020 and 2019, the carrying amount of the pledged deposits approximates their fair value in the amount of NIS 159,942 thousand and NIS 73,540 thousand, respectively. The counterparties have an obligation to return the deposits to the Group.

e. Further information with regard to material investments in financial assets:

Details of material investments in financial asset groups, in accordance with IAS 39:

	December 31,	
	2020	2019
	NIS in thousands	
Financial assets measured at fair value through profit or loss:		
Shares and warrants	17,374	1,837
Short-term loans and deposits:		
Restricted deposits	126,579	10,058
Long-term loans and receivables:		
Deposits	33,363	63,482
Long-term loans	14,205	15,856
	47,568	79,338
Loans and capital notes to associates	-	5,678
	191,521	96,911

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

f. Linkage terms of monetary balances:

	December 31, 2020						December 31, 2019					
	In or linked to foreign currency *)	In or linked to Euro	In or linked to Zloty	Linked to CPI	Unlinked	Total	In or linked to foreign currency *)	In or linked to Euro	In or linked to Zloty	Linked to CPI	Unlinked	Total
	NIS in thousands											
Assets												
Cash and cash equivalents	2,873	14,632	144,026	-	200,527	362,058	3,860	50,787	82,779	-	181,276	318,702
Short-term investments and loans	-	7,580	24,061	-	112,311	143,952	-	2,523	7,249	-	2,123	11,895
Trade receivables	-	2,202	9,418	-	28,002	39,622	-	399	12,044	-	23,728	36,171
Other receivables	-	31,347	10,126	-	41,460	82,933	169	-	49,286	-	89,769	139,224
Long-term loans and receivables	-	24,859	-	6,915	26,304	58,078	-	15,884	2,185	3,801	57,468	79,338
Loans to investees and others	-	-	-	-	-	-	2,289	3,389	-	-	-	5,678
	2,873	80,620	187,631	6,915	408,604	686,643	6,318	72,982	153,543	3,801	354,364	591,008
Liabilities												
Short-term credit from banks	-	-	-	-	1,013	1,013	-	-	-	-	91,583	91,583
Trade payables	9,829	21,216	33,463	-	24,197	88,705	11,988	69,648	34,141	-	25,554	141,331
Other payables	9,483	2,094	1,748	509	18,645	32,479	7,464	-	3,799	321	19,850	31,434
Long-term liabilities	53,251	983,352	23,568	1,960,867	431,892	3,452,930	51,159	718,130	7,439	1,417,467	772,030	2,966,225
Lease liabilities	-	-	32,074	6,297	33,018	71,389	-	-	22,454	8,280	39,677	70,411
Other long-term liabilities	2,720	13,575	-	-	5,329	21,624	-	9,488	-	-	5,678	15,166
	75,283	1,020,237	90,853	1,967,673	514,094	3,668,140	71,388	796,489	67,833	1,426,068	954,372	3,316,150

*) Primarily U.S. dollar.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities arising from financing activities:

2020

	Balance at January 1, 2020	Cash flows	Effect of changes in CPI and exchange rates	Discontinued operation	Other changes	Balance at December 31, 2020
	NIS in thousands					
Long-term loans	1,407,730	5,188	19,439	-	-	1,432,357
Debentures	1,547,403	458,079	11,911	-	4,020	2,021,413
Finance lease obligations	70,411	(15,248)	(1,637)	-	17,863	71,389
Derivatives	7,517	5,355	753	-	-	13,625
Total liabilities arising from financing activities	3,033,061	453,374	30,466	-	21,883	3,538,784

2019

	Balance at January 1, 2019	Cash flows	Effect of changes in CPI and exchange rates	Discontinued operation	Other changes	Balance at December 31, 2019
	NIS in thousands					
Long-term loans	1,377,241	22,268	(63,865)	72,086	-	1,407,730
Debentures	1,524,222	25,245	(6,628)	-	4,564	1,547,403
Finance lease obligations	5,251	(16,378)	2,469	(179)	79,248	70,411
Derivatives	5,210	2,834	(527)	-	-	7,517
Total liabilities arising from financing activities	2,911,924	33,969	(68,551)	71,907	83,812	3,033,061

NOTE 33: - NET EARNINGS (LOSS) PER SHARE

Data used for the computation of net earnings (loss) per share:

	Year ended December 31,					
	2020		2019		2018	
	Weighted number of shares	Income attributable to Company shareholders	Weighted number of shares	Income attributable to Company shareholders	Weighted number of shares	Income attributable to Company shareholders
	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	NIS in thousands
Number of shares and income						
Used in calculating basic earnings	32,539	23,853	28,276	104,918	28,276	45,944
Effect of shares issued in the year	2,029	-	175	-	-	-
For the computation of basic earnings	34,568	23,853	28,451	104,918	28,276	45,944
Number of shares and income						
Used in calculating basic earnings	34,568	23,853	28,451	104,918	28,276	45,944
Effect of potentially dilutive shares	1,815	-	-	-	-	-
For the computation of diluted earnings	36,383	23,853	28,451	104,918	28,276	45,944

NOTE 34: - BALANCES AND TRANSACTIONS WITH RELATED AND INTERESTED PARTIES

a. The Company and the Group companies enter into transactions among themselves in the ordinary course of business and under market conditions for receiving billboard services, leasing assets, participating in expenses in respect of various services and hotel accommodation. These transactions have no material effect on the profits, assets or liabilities of the Company or the Group companies.

b. On February 7, 2010, the Company's Board decided to adopt guidelines and principles regarding the classification of a transaction between the Company or its subsidiary and an interested party therein ("interested party transaction") as an immaterial transaction as prescribed in regulation 64(3)(d)(1) to the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993. Immaterial transactions are defined as transactions in the ordinary course of business that are not extraordinary and whose overall scope does not exceed NIS 1.5 million a year.

   In 2020, the Company's expenses included negligible transactions totaling NIS 56 thousand.

c. The following are referrals to balances with related and interested parties, guarantees, loans and commitments which are separately detailed in the notes to the financial statements:

   1. In connection with guarantees provided by the Company to investees, see Note 28a above.

   2. In connection with directors' and officers' liability insurance policies, see Note 28b(3) above.

   3. As for a transaction with a private company owned by a controlling shareholder, see Note 28b(4) above.

   4. As for employment agreements with the Company's CEO, who also serves as a Board member and is also a controlling shareholder, see Note 28b(5) above.

   5. As for employment agreements with relatives of a controlling shareholder, see Note 28b(6-7) above.

   6. As for the grant of letters of indemnity and quittance to directors, see Note 28b(8) above.

   7. Regarding the remuneration of the Company's directors, see Note 28b(9) above.

NOTE 34: - BALANCES AND TRANSACTIONS WITH RELATED AND INTERESTED PARTIES (Cont.)

d. 1. Balances included in the consolidated statements of financial position:

	December 31,	
	2020	2019
	NIS in thousands	
Receivables	10,095	11,458
Payables	(150)	(3,455)
Non-current liabilities	(43,600)	(64,300)

2. Income (expenses) included in the consolidated statements of profit or loss:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Finance income	261	297	244
Other expenses	-	-	(10,426)

e. Benefits to interested parties:

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Interested parties employed by the Company	5,358	8,371	7,823
Interested parties not employed by the Company	368	527	970
Directors not employed by the Company	1,038	1,115	1,288
	Number of benefit recipients		
Interested parties employed by the Company	3	3	2
Interested parties not employed by the Company	2	2	3
Directors not employed by the Company	8	9	8

NOTE 35: - OPERATING SEGMENTS

a. General:

Operating segments have been determined based on the Chief Operational Decision Maker ("CODM") for the purpose of making decisions with regard to resource allocation and performance assessment. Accordingly, for management purposes, the Group consists of operating segments. The Group companies operate in three operating segments as detailed below:

1. Property rental: rental and management of investment properties throughout Israel and overseas.

2. Residential construction development overseas: performance and sale of projects overseas.

3. Residential construction development in Israel: development and performance of residential urban renewal or NOP 38 construction projects in Israel.

Segment results include the share of general and administrative expenses and other expenses that can be allocated to the specific reported segment.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results:

	Year ended December 31, 2020					
	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	NIS in thousands					
External revenues	269,159	53,923	-	33,877	-	356,959
Adjustments ***)	(2,418)	-	-	-	-	(2,418)
Total in statements of profit or loss	266,741	53,923	-	33,877	-	354,541
Segment results	269,031	(2,904)	(6,752)	(2,365)	-	257,010
Unattributed income (expenses):						
General and administrative expenses						(45,904)
Other expenses, net						(10,542)
Finance expenses, net						(137,998)
Company's share of losses of companies accounted for at equity						(3,609)
Tax benefit						58,537
Income from continuing operations						117,494
Loss from discontinued operations, net						(891)
Net income						116,603
Depreciation and amortization *)	(830)	49	-	18,920	-	18,139
Capital investments *)	358,610	-	-	7,002	-	365,612

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.
**) Segment results include the Company's share of the results of a company accounted for at equity.
***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results (Cont.):

	Year ended December 31, 2019					
	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	NIS in thousands					
External revenues	277,810	114,276	-	37,441	-	429,527
Inter-segment revenues	-	-	-	166	(166)	-
Adjustments ***)	(2,528)	-	-	-	-	(2,528)
Total in statements of profit or loss	275,282	114,276	-	37,607	(166)	426,999
Segment results	457,361	27,018	(10,550)	(5,420)	-	468,409
Unattributed income (expenses):						
General and administrative expenses						(33,668)
Other expenses, net						(7,579)
Finance expenses, net						(136,820)
Company's share of earnings of companies accounted for at equity						28
Taxes on income						(102,605)
Income from continuing operations						187,765
Loss from discontinued operations, net						(11,647)
Net income						176,118
Depreciation and amortization *)	8,825	93	-	17,456	-	26,374
Capital investments *)	332,681	-	-	16,051	-	348,732

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.

**) Segment results include the Company's share of the results of a company accounted for at equity.

***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results (Cont.):

	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	Year ended December 31, 2018					
	NIS in thousands					
External revenues	282,049	152,704	-	114,378	-	549,131
Inter-segment revenues	-	-	-	302	(302)	-
Adjustments ***)	-	-	-	-	-	-
Total in statements of profit or loss	282,049	152,704	-	114,680	(302)	549,131
Segment results	325,491	23,470	(6,732)	31,180	-	373,409
Unattributed income (expenses):						
General and administrative expenses						(30,353)
Other expenses, net						(13,101)
Finance expenses, net						(128,929)
Company's share of losses of companies accounted for at equity						(2,706)
Taxes on income						(78,636)
Income from continuing operations						119,684
Loss from discontinued operations, net						(20,679)
Net income						99,005
Depreciation and amortization *)	4,365	33	-	12,092	-	16,490
Capital investments *)	264,300	-	-	2,962	-	267,262

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.

**) Segment results include the Company's share of the results of a company accounted for at equity.

***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

c. The following table presents the segments' assets and liabilities as of December 31, 2020 and 2019:

	Property rental	Residential construction development overseas	Residential construction development in Israel	Adjustments	Assets/ liabilities not allocated to segments	Total active assets and liabilities	Discontinued operations	Total
	NIS in thousands							
Operating assets:								
December 31, 2020	4,898,488	296,083	116,584	-	481,384	5,792,539	-	5,792,539
December 31, 2019	4,604,019	341,127	5,521	-	361,499	5,312,166	54,847	5,367,013
Operating liabilities:								
December 31, 2020	2,020,652	159,688	202,578	(645,725)	2,486,443	4,223,636	-	4,223,636
December 31, 2019	2,186,354	153,655	62,740	(915,910)	2,443,654	3,930,493	21,419	3,951,912

NOTE 35: - OPERATING SEGMENTS (Cont.)

d. Secondary reporting on geographic information:

1. Sales by geographic markets (based on customer location):

	Year ended December 31,		
	2020	2019	2018
	NIS in thousands		
Israel	150,124	186,425	277,520
Poland	205,897	237,842	245,953
Other	938	5,260	25,658
	356,959	429,527	549,131
Adjustments *)	(2,418)	(2,528)	-
	354,541	426,999	549,131

*) Excluding the Company's share of income of companies under joint control accounted for at equity.

2. The carrying amount of assets according to geographic areas (based on asset location):

	Segment assets	
	December 31,	
	2020	2019
	NIS in thousands	
Israel	2,998,726	3,026,668
Poland	2,540,243	2,091,681
Other	253,570	248,664
	5,792,539	5,367,013

NOTE 36: - EVENTS AFTER THE REPORTING DATE

a. For details of the allocation of warrants of the Company, see Note 27g.

b. For details of the raising of the rating of the Company's debentures, see Note 24c(12).

c. For details of the extension of the engagement with a controlling shareholder, see Note 28b(5).

d. For details of the decision to distribute a dividend after the reporting date, see Note 27c(3).

CONDENSED DATA FOR TAX PURPOSES

The following are data for tax purposes only. Data was compiled based on Israeli GAAP, and not by IFRS standards, at nominal values based on historical cost, without accounting for changes in general purchasing power of the Israeli currency.

Company balance sheets

	December 31,	
	*) 2020	2019
	NIS in thousands	
Current assets		
Cash and cash equivalents	201,749	188,939
Short-term investments	41,208	7,765
Trade receivables	9,615	478
Other receivables	39,501	8,544
	292,073	205,726
Non-current assets		
Long-term loans and receivables	11,059	5,229
Investment property	821,869	6,783
Real estate for construction	22,861	12,366
Investments in investees and other companies **)	546,026	828,777
Property, plant and equipment, net	17,934	12,918
Intangible assets	-	10,789
Deferred taxes	5,029	4,429
	1,424,778	881,291
	1,716,851	1,087,017
Current liabilities		
Credit from banks and other credit providers	-	35,201
Current maturities of long-term loans	58,756	34,259
Current maturities of debentures	193,094	379,447
Trade payables	16,650	7,414
Other payables	4,902	18,825
	273,402	475,146
Long-term liabilities		
Liabilities to investees	160,872	279,978
Liabilities to banks and other credit providers	600,487	121,565
Debentures	1,535,180	1,075,407
Employee benefit liabilities	3,432	2,258
Other long-term liabilities	52,327	69,109
	2,352,298	1,548,317
Shareholders' deficiency	(908,849)	(936,446)
	1,716,851	1,087,017

*) Presented after merger in the Group, see Note 30e.

**) Investments in investees and other companies are presented using the cost method.

CONDENSED DATA FOR TAX PURPOSES (Cont.)

Company statements of profit or loss

	Year ended December 31,	
	*) 2020	2019
	NIS in thousands	
Revenues		
From rental of buildings	97,097	9,153
From sale of real estate	-	10,048
Other income	4,367	-
Total revenues	101,464	19,201
Costs and expenses		
Maintenance of rental properties	14,897	3,289
Financing, net	44,619	79,568
General and administrative	40,864	33,854
Other expenses	-	6,992
Total costs and expenses	100,380	123,703
Income (loss) before taxes on income	1,084	(104,502)
Taxes on income	5,377	-
Loss after taxes on income	(4,293)	(104,502)
Company's share of results of investees, net **)	-	-
Net loss	(4,293)	(104,502)

Statements of changes in shareholders' deficiency

Movement in shareholders' deficiency

Opening balance	(936,446)	(893,375)
Dividend distributed	(30,000)	(20,000)
Repurchase of shares	(19,943)	(11,999)
Issuance of capital	89,093	98,182
Capital reserve	(7,260)	(4,752)
Net loss for the year	(4,293)	(104,502)
Closing balance	(908,849)	(936,446)

*) Presented after merger in the Group, see Note 30e.

**) Investments in investees and other companies are presented using the cost method.

APPENDIX B TO CONSOLIDATED FINANCIAL STATEMENTS

LIST OF INVESTEES AND OTHER COMPANIES *)

Ownership and control by the holding company as of December 31, 2020:

Holding company	Company name	Ownership and control %	
Israel Land Development Company Ltd.:			
	Israel Land Development Finance and Investments Ltd.	100.00	Subsidiary
	Sh.L.N. Sherutim Lenihul Nekhasim Ltd.	100.00	Subsidiary
	Israel Land Development Hotels Ltd.	100.00	Subsidiary
	Israel Land Development Company International Ltd.	100.00	Subsidiary
	Kol-Bo Jerusalem Building Ltd.	50.00	Associate
	Israel Land Development Media Ltd.	100.00	Subsidiary
	Israel Land Development Company Urban Renewal Ltd.	82.38	Subsidiary
	Open Sky Ltd.	11.18	Other
	Skyline Investment Inc.	20.25	Associate
	R.R.N. Holdings and Investments Ltd.	66.69	Subsidiary
	EAGLE INTERNATIONAL	100.00	Subsidiary
	Nimrodi Georgia	100.00	Subsidiary
	THE SINGER LIMITED	100.00	Subsidiary
	Jaffa Towers' Managing Services Company Ltd.	50.00	Subsidiary
	DOWNSVIEW HOLDINGS LIMITED	100.00	Subsidiary
	MILL-YON SP Z.O.O	100.00	Subsidiary
	Reut Commercial Center Management Company Ltd.	100.00	Subsidiary
	Seven Stars Mall Management Company (2000) Ltd.	100.00	Subsidiary
	7 Star Malls International Limited	100.00	Subsidiary
	Kalka House Management Company Ltd.	100.00	Subsidiary
	MLP Group S.A.	3.30	Subsidiary
7 Star Malls International Limited:			
	7 STAR MALLS ENTERTAINMENT S.R.L	100.00	Subsidiary
	STARS CAPITAL S.R.L	100.00	Subsidiary
	7 STAR MALLS PLOIESTI S.R.L	100.00	Subsidiary
Israel Land Development Media Ltd.:			
	Rapid Vision Ltd.	95.10	Subsidiary
Rapid Vision Ltd.:			
	Maor Lit Street Signs and Advertising Ltd.	100.00	Subsidiary
R.R.N. Holdings and Investments Ltd.:			
	CAJAMARCA B.V.	75.00	Subsidiary
CAJAMARCA B.V.:			
	MLP Group S.A. **)	51.90	Subsidiary
THE SINGER LIMITED:			
	MLP Group S.A. **)	9.00	Subsidiary
Israel Land Development Company Urban Renewal Ltd.:			
	Hayeshuv Hahadash Ltd.	100.00	Subsidiary
DOWNSVIEW HOLDINGS LIMITED:			
	SALAM INVEST S.A.R.L.	100.00	Subsidiary

*) Not including inactive companies.
**) The company is held by other members of the Group.

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