BIG SHOPPING CENTERS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

AUDITORS' REPORT

To the Shareholders of

BIG SHOPPING CENTERS 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 BIG Shopping Centers Ltd. and the subsidiaries (collectively, "the Company") as of December 31, 2021. 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) 1) organization-level controls, including financial reporting preparation and close process controls and information technology general controls; (2) controls over the process of closing the consolidated financial statements; (3) controls over the process of assessing investment property (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 provides a reasonable basis for our opinion within the context described above.

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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 maintained, in all material respects, the audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and our report dated March 27, 2022 expressed an unqualified opinion thereon.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 27, 2022

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

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AUDITORS' REPORT

To the Shareholders of

BIG SHOPPING CENTERS LTD.

We have audited the accompanying consolidated statements of financial position of BIG Shopping Centers Ltd. ("the Company") as of December 31, 2021 and 2020, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of subsidiaries, whose assets included in consolidation constitute about 3.13% and about 6.69% of total consolidated assets as of December 31, 2021 and 2020, respectively, and whose revenues included in consolidation constitute about 9.35%, about 16% and about 12.93% of total consolidated revenues for the years ended December 31, 2021, 2020 and 2019, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity, the investment in which amounted to NIS 1,106,120 thousand and NIS 1,007,040 thousand as of December 31, 2021 and 2020, respectively, and the Company's share of their earnings amounted to NIS 117,734 thousand, NIS 20,530 thousand and NIS 75,245 thousand for the years ended December 31, 2021, 2020 and 2019, 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 standards prescribed by the Auditor's 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2021, 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, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2021, and our report dated March 27, 2022 included an unqualified opinion on the effective maintenance of those components.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 27, 2022

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2021	2020
	Note	NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	1,601,134	285,801
Deposits	7	174,937	41,920
Tenants		89,888	39,701
Inventory of short-term rental properties		158,696	-
Accounts receivable	8	228,317	133,481
		2,252,972	500,903
Assets held for sale	9	285,998	-
		2,538,970	500,903
NON-CURRENT ASSETS			
Loans and other receivables	10	1,116,462	411,032
Long-term inventory of land	11	626,277	35,889
Investments in companies accounted for at equity	12	2,593,182	3,270,852
Investment property	13	16,262,046	7,227,356
Investment property under development	14	3,564,419	1,103,406
Property, plant and equipment, net		62,448	52,239
Intangible assets and goodwill	15	127,519	36,943
Deferred tax assets	23	9,222	-
		24,361,575	12,137,717
		26,900,545	12,638,620

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2021	December 31, 2020
		NIS in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and credit from banks and others	16	1,783,393	599,461
Current maturities of debentures	18	735,448	414,777
Trade payables		184,956	45,439
Other accounts payable	17	208,356	67,791
		2,912,153	1,127,468
Liabilities attributed to assets held for sale	9	168,780	-
		3,080,933	1,127,468
NON-CURRENT LIABILITIES:			
Liabilities to banks and others	18	4,054,556	1,522,943
Debentures	18	9,439,569	4,695,961
Tenants' deposits		66,844	15,132
Employee benefit liabilities	21	7,336	2,233
Lease liability		42,091	15,696
Other liabilities		96,186	137,834
Deferred taxes	23	1,539,367	741,122
		15,245,949	7,130,921
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	20		
Stock capital		137	70
Share premium		3,043,638	878,880
Receipts on account of options		71,915	5,549
Reserve for share-based payment transactions	21	32,570	27,740
Foreign currency translation reserve		(615,880)	(195,402)
Reserve for transactions with non-controlling interests		(30,324)	(4,933)
Revaluation reserve for transfer from property, plant and equipment to investment property		9,330	9,330
Reserve for hedges		9,769	(7,664)
Retained earnings		4,124,268	3,275,955
		6,645,423	3,989,525
Non-controlling interests	20	1,928,240	390,706
Total equity		8,573,663	4,380,231
		26,900,545	12,638,620

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

March 27, 2022			
Date of approval of the financial statements	Eitan Bar Ze'ev Chairman of the Board	Hay Galis CEO	Assaf Nagar Deputy CEO, CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021	2020	2019
		NIS in thousands		
Rental income, management fees and other revenues	22a	1,469,126	598,104	692,771
Rental properties operation expenses	22b	394,364	156,949	177,181
		1,074,762	441,155	515,590
Revenues from land and construction transactions	22a	224,462	-	-
Cost of land and construction transactions	22b	228,774	-	-
		(4,312)	-	-
Revenues from BOT project construction contracts	22a	113,534	-	-
Cost of BOT project construction contracts	22b	112,169	-	-
		1,365	-	-
Gross profit		1,071,815	441,155	515,590
Company's share of earnings (losses) of companies accounted for at equity, net		363,077	(45,144)	115,613
Increase (decrease) in fair value of investment property and investment property under development, net		816,678	(225,613)	268,479
Selling and marketing expenses		47,548	23,437	32,218
General and administrative expenses	22c	145,784	68,244	65,692
Depreciation and amortization		6,357	5,409	5,671
Other income	22e	868	4,860	94,130
Operating income		2,052,749	78,168	890,231
Finance expenses	22d	700,983	142,177	187,705
Finance income	22d	227,795	16,881	18,194
Income (loss) before taxes on income		1,579,561	(47,128)	720,720
Tax benefit (taxes on income)	23d	(236,542)	8,275	(112,626)
Net income (loss)		1,343,019	(38,853)	608,094
Other comprehensive income (loss) (net of tax effect):				
Amounts that will be reclassified to profit or loss when specific conditions are met:				
Adjustments arising from translating financial statements of subsidiaries		(660,497)	(86,922)	(137,829)
Adjustments arising from translating financial statements of associates		(1,829)	7,749	(31,832)
Company's share of capital reserve for hedges of associate		21,847	(8,550)	(1,201)
Total other comprehensive loss		(640,479)	(87,723)	(170,862)
Total comprehensive income (loss)		702,540	(126,576)	437,232

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2021	2020	2019
	Note	NIS in thousands (except per share data)		
Net income (loss) attributable to:				
Equity holders of the Company		1,048,313	(9,141)	612,694
Non-controlling interests		294,706	(29,712)	(4,600)
		1,343,019	(38,853)	608,094
Total comprehensive income (loss) attributable to:				
Equity holders of the Company		618,296	(76,443)	473,325
Non-controlling interests		84,244	(50,133)	(36,093)
		702,540	(126,576)	437,232
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):	26			
Basic net earnings (loss)		52.07	(0.61)	42.90
Diluted net earnings (loss)		51.3	(0.61)	42.70

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Receipts on account of options	Share premium	Reserve for hedges	Revaluation reserve for transfer from property, plant and equipment to investment property	Reserve for share-based payment transactions	Foreign currency translation reserve	Reserve for transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands											
Balance at January 1, 2021	70	5,549	878,880	(7,664)	9,330	27,740	(195,402)	(4,933)	3,275,955	3,989,525	390,706	4,380,231
Total net income	-	-	-	-	-	-	-	-	1,048,313	1,048,313	294,706	1,343,019
Other comprehensive income (loss) (net of tax effect):												
Gain from cash flow hedges	-	-	-	14,544	-	-	-	-	-	14,544	7,303	21,847
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	(442,732)	-	-	(442,732)	(217,765)	(660,497)
Adjustments arising from translating financial statements of associate	-	-	-	-	-	-	(1,829)	-	-	(1,829)	-	(1,829)
Total comprehensive income (loss)	-	-	-	14,544	-	-	(444,561)	-	1,048,313	618,296	84,244	702,540
Cost of share-based payment	-	-	-	-	-	19,536	-	-	-	19,536	3,463	22,999
Issue of share capital and share options (net of issue expenses)	67	66,366	2,164,758	-	-	(14,706)	-	-	-	2,216,485	-	2,216,485
Dividend paid to equity holders of the Company		-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(32,481)	(32,481)
Issue of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,042	5,042
Acquisition of non-controlling interests in associate	-	-	-	-	-	-	-	(25,391)	-	(25,391)	(125,933)	(151,324)
Exercise of capital reserve from associate upon initial consolidation	-	-	-	2,889	-	-	24,083	-	-	26,972	-	26,972
Non-controlling interests created in initially consolidated companies	-	-	-	-	-	-	-	-	-	-	1,603,199	1,603,199
Balance at December 31, 2021	137	71,915	3,043,638	9,769	9,330	32,570	(615,880)	(30,324)	4,124,268	6,645,423	1,928,240	8,573,663

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Receipts on account of options	Share premium	Reserve for hedges	Revaluation reserve for transfer from property, plant and equipment to investment property	Reserve for share-based payment transactions	Foreign currency translation reserve	Reserve for transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands											
Balance at January 1, 2020	70	5,672	873,443	(207)	9,330	16,022	(135,557)	(4,939)	3,285,096	4,048,930	441,316	4,490,246
Total net loss	-	-	-	-	-	-	-	-	(9,141)	(9,141)	(29,712)	(38,853)
Other comprehensive income (loss) (net of tax effect):												
Loss from cash flow hedges	-	-	-	(7,457)	-	-	-	-	-	(7,457)	(1,093)	(8,550)
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	(67,594)	-	-	(67,594)	(19,328)	(86,922)
Adjustments arising from translating financial statements of associate	-	-	-	-	-	-	7,749	-	-	7,749	-	7,749
Total comprehensive loss	-	-	-	(7,457)	-	-	(59,845)	-	(9,141)	(76,443)	(50,133)	(126,576)
Cost of share-based payment	-	-	-	-	-	14,067	-	-	-	14,067	-	14,067
Issue of share capital and share options (net of issue expenses)	-	(123)	5,437	-	-	(2,349)	-	-	-	2,965	-	2,965
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,105)	(3,105)
Issue of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	738	738
Capital reserve for loans from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,890	1,890
Acquisition of non-controlling interests	-	-	-	-	-	-	-	6	-	6	-	6
Balance at December 31, 2020	70	5,549	878,880	(7,664)	9,330	27,740	(195,402)	(4,933)	3,275,955	3,989,525	390,706	4,380,231

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Receipts on account of options	Share premium	Reserve for hedges	Revaluation reserve for transfer from property, plant and equipment to investment property	Reserve for share-based payment transactions	Foreign currency translation reserve	Reserve for transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands											
Balance at January 1, 2019	59	-	637,144	715	9,330	13,660	2,890	(691)	2,773,402	3,436,509	464,016	3,900,525
Total net income	-	-	-	-	-	-	-	-	612,694	612,694	(4,600)	608,094
Other comprehensive income (loss) (net of tax effect):												
Loss from cash flow hedges	-	-	-	(922)	-	-	-	-	-	(922)	(279)	(1,201)
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	(106,615)	-	-	(106,615)	(31,214)	(137,829)
Adjustments arising from translating financial statements of associate	-	-	-	-	-	-	(31,832)	-	-	(31,832)	-	(31,832)
Total comprehensive income (loss)	-	-	-	(922)	-	-	(138,447)	-	612,694	473,325	(36,093)	437,232
Cost of share-based payment	-	-	-	-	-	8,288	-	-	-	8,288	-	8,288
Issue of share capital and share options (net of issue expenses)	11	5,672	236,299	-	-	(5,926)	-	-	-	236,056	-	236,056
Dividend paid to equity holders of the Company	-	-	-	-	-	-	-	-	(101,000)	(101,000)	-	(101,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(159)	(159)
Issue of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	497	497
Capital reserve for loans from non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,371	5,371
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(4,248)	-	(4,248)	-	(4,248)
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	7,684	7,684
Balance at December 31, 2019	70	5,672	873,443	(207)	9,330	16,022	(135,557)	(4,939)	3,285,096	4,048,930	441,316	4,490,246

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flows from operating activities:			
Net income (loss)	1,343,019	(38,853)	608,094
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Tax benefit (taxes on income)	236,542	(8,275)	112,626
Interest expenses, net	311,190	152,835	167,276
Revaluation of deposits and securities	(2,541)	(255)	(536)
Cost of share-based payment	22,999	14,067	8,288
Company's share of losses (earnings) of companies accounted for at equity, net	(363,077)	45,144	(115,613)
Change in employee benefit liabilities, net	(118)	30	150
Depreciation and amortization	10,357	10,489	10,959
Decrease (increase) in fair value of investment property and investment property under development	(816,678)	225,613	(268,479)
Deferred rent	(103)	(3,936)	(2,296)
Revaluation of liabilities to banks, debentures and others	113,000	(18,673)	(6,910)
Change in intercompany balances and loans to investees	83,867	712	55,476
Revaluation of other liabilities	(1,573)	(4)	(5)
Erosion of lease liability	279	(182)	(18)
Gain from bargain price acquisition of company accounted for at equity	(10,408)	-	(94,120)
Loss from impairment of inventory of buildings and land	16,550	-	-
	(399,714)	417,565	(133,202)
Changes in asset and liability items:			
Decrease (increase) in receivables from tenants	2,406	(12,163)	3,328
Decrease (increase) in accounts receivable	(60,706)	3,074	(2,820)
Change in inventory of land	(48,857)	-	-
Change in inventory of buildings for sale	228,411	-	-
Increase (decrease) in trade payables	6,575	(22,646)	3,878
Decrease in other accounts payable	(38,784)	(11,143)	(40,963)
	89,045	(42,878)	(36,577)
Cash paid and received during the year for:			
Interest paid	(361,562)	(160,259)	(172,081)
Interest received	4,963	887	2,032
Taxes paid	(74,889)	(27,620)	(38,137)
Taxes received	3,318	10,347	23,027
	(428,170)	(176,645)	(185,159)
Net cash provided by operating activities	604,180	159,189	253,156

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flows from investing activities:			
Withdrawal of (investment in) short-term bank deposits, net	(20,672)	455,625	(452,718)
Investment in property, plant and equipment, net	(7,053)	(6,806)	(5,837)
Repayment (grant) of loans to companies accounted for at equity, net	(13,134)	(286,382)	37,585
Withdrawal of (investment in) long-term deposits	(86,690)	(129,472)	(49,243)
Acquisition of initially consolidated companies and partnerships (a)	470,375	-	-
Acquisition of companies and partnerships accounted for at equity	-	(122,169)	(727,352)
Dividends from companies accounted for at equity	354,728	54,989	29,500
Investment in investment property under development and in inventory of land	(926,748)	(321,541)	(250,864)
Realization of hedges, net	25,757	(1,287)	47,586
Taxes in respect of investment property	(304,773)	-	-
Investment in financial assets	(104,372)	(248)	(457)
Receipts from long-term franchise	100,425	-	-
Long-term receivables	(58,710)	(124,136)	(20,564)
Repayment of long-term loans	222,155	4,228	10,430
Investment in companies accounted for at equity	(9,333)	(20,850)	(87,688)
Sale of investment property	343,062	160,644	208,920
Investment in investment property	(1,169,046)	(362,971)	(440,642)
Net cash used in investing activities	(1,184,029)	(700,376)	(1,701,344)
Cash flows from financing activities:			
Lease payments	(5,988)	(188)	(188)
Issue of shares and options	429,932	2,965	236,056
Repayment of debentures	(787,100)	(566,983)	(308,161)
Dividend paid to equity holders of the Company	(200,000)	-	(101,000)
Issue of capital to non-controlling interests	5,042	738	497
Capital reserve for loans from non-controlling interests	-	1,890	5,371
Loans to companies accounted for at equity	18,311	(21,441)	(6,587)
Receipt of long-term loans from banks and others	808,598	485,315	413,467
Repayment of long-term loans from banks and others	(1,150,586)	(153,798)	(640,878)
Receipt (repayment) of short-term credit from banks and others, net	305,151	(558,603)	574,667
Tenants' deposits, net	(1,529)	137	2,693
Acquisition of non-controlling interests	(129,435)	-	-
Issue of debentures (net of issue expenses)	2,686,785	1,201,367	1,375,376
Dividend paid to non-controlling interests	(32,481)	(3,105)	(159)
Net cash provided by financing activities	1,946,700	388,294	1,551,154
Translation differences on balances of cash and cash equivalents	(51,518)	(9,913)	(12,268)
Increase (decrease) in cash and cash equivalents	1,315,333	(162,806)	90,698
Cash and cash equivalents at the beginning of the year	285,801	448,607	357,909
Cash and cash equivalents at the end of the year	1,601,134	285,801	448,607

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
(a) Acquisition of initially consolidated companies and partnerships:			
Assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	(30,325)	-	-
Long-term deposit	571,464	-	-
Property, plant and equipment	13,972	-	-
Investment property	8,966,593	-	-
Investment property under development	1,350,734	-	-
Inventory of long-term land	670,507	-	-
Goodwill	111,040	-	-
Non-current liabilities	(4,378,830)	-	-
Deferred taxes	(653,161)	-	-
Other liabilities	(83,294)	-	-
Debentures	(3,012,996)	-	-
Investment in company accounted for at equity	(2,363,348)	-	-
Minority interests	(1,632,731)	-	-
	(470,375)	-	-
(b) Significant non-cash transactions:			
Acquisition of initially consolidated company against issue of share capital and options	1,690,258	-	-
Acquisition of non-controlling interests against issue of shares	96,296	-	-

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

NOTE 1:- GENERAL

a. Company description:

1. BIG Shopping Centers Ltd. ("the Company") was established and incorporated in Israel on December 26, 2004 as a private company in accordance with the Israeli Companies Law and began its operation on June 30, 2005. The Company is engaged by itself, through partnerships, subsidiaries and associates ("the Group") in the holding, operation and rental of shopping centers and in the development of projects through the construction and acquisition of such shopping centers. The Company operates in Israel, the U.S. and Serbia. From January 2021, the Company consolidates the operations of AFI Properties Ltd. ("AFI Properties") which is mainly engaged in development, construction, rental and operation of yielding properties and residential properties in Israel and in Europe. In addition, the Company operates photo-voltaic systems on some of the rooftops of shopping centers managed by the BIG Group (solar systems) through various partnerships in which the Company holds rights. The Company also operates in the renewable energy investment industry.

2. As of the reporting date, the Company has a consolidated working capital deficit of approximately NIS 542 million and a standalone working capital deficit of approximately NIS 289 million. The consolidated working capital deficit originates from AFI Properties which has independent financial resources and positive cash flows from operating activities that allow it to meet its current liabilities. Following are details of some of the financial resources available to the Company (excluding AFI Properties):

   a) After the reporting date, the Company expanded the debentures (series R) by a gross amount of approximately NIS 346 million for the long term, see Note 29 below.

   b) A financial institution extended the Company a credit facility of approximately NIS 600 million until June 2022 against a lien on the Karmiel property and on some of the shares of AFI Properties. As of December 31, 2021, this credit facility can be utilized in full.

   c) The Company received another credit facility of NIS 350 million from a financial institution which matures in May 2022. To secure the credit facility, the Company recorded a lien on part of the BIG Beersheba property. As of December 31, 2021, this credit facility can be utilized in full.

   d) As of the reporting date, the Company has available unpledged properties (excluding AFI Properties) totaling approximately NIS 1,763 million (of which approximately NIS 1,304 million in yielding properties). The Company estimates that it will be able to raise debt against a lien on these properties, if needed.

NOTE 1:- GENERAL (Cont.)

e) In addition to the shares pledged in favor of the abovementioned credit facility, as of the financial statement publication date, the Company holds about 54.38% of the marketable shares of AFI Properties valued at approximately NIS 4,233 million based on their quoted market share as of December 31, 2021. The Company estimates that it will be able to either exercise the shares or obtain financing against them.

f) The Company expects significant ongoing positive cash flow from operating activities which is used to finance the Company's activity.

In the opinion of Company's management, the credit facilities received by the Company, the remaining available unpledged yielding properties, the ability to refinance short-term debt and the significant positive cash flows from operating activities will all allow the Company to repay its current liabilities.

b. In 2020, as a result of the global outbreak and spread of the Coronavirus (Covid-19), the world experienced a crisis which has major macroeconomic ramifications. Numerous countries, including Israel, took significant steps in an attempt to prevent the spread such as imposing restrictions on civilian travel and crowd gatherings and closing down state borders etc.

In December 2020, Israel launched a widespread Coronavirus vaccination operation but despite the nationwide vaccination efforts, the lockdown continued during January and February 2021. In January and February 2021, the Company granted full credit for the days in which the shopping centers were closed due to government guidelines (excluding essential businesses which paid regular fees). Once commercial businesses were allowed to open on February 21, 2021, the Company announced that it will charge the rent and management fees as set forth in the relevant contracts. As of the reporting date, the Company's entire retail centers in Israel are open for business.

In the U.S., the effects of Covid-19 began in the second half of March 2020. During this month, commercial activity in retail centers was scarce. In April 2020, the pandemic materially affected retail activity, leading to closing most of the stores, very little visitor traffic in retail centers and reduced proceeds which affected short-term rent payments. In early May 2020, retail center stores began gradually reopening until returning to full operation several months later. As of the financial statement date, the entire retail center stores are open for business.

In Serbia, similarly to Israel, in March 2020, the local government imposed restrictions due to the pandemic. From the second half of April 2020, certain reliefs were allowed to the extreme restrictions by enabling the reopening of outdoor commercial centers and later of indoor shopping centers also by imposing strict social distancing guidelines.

NOTE 1:- GENERAL (Cont.)

In early March 2021, in view of another outbreak of the pandemic in Serbia, shopping centers and restaurants were ordered to close from 04:00pm on Saturdays and Sundays. In the last three weeks of March 2021, indoor retail centers were forced to go into lockdown. The Company granted its tenants in the Belgrade shopping mall and in one of the indoor shopping centers in Novi Sad rent exemption during the lockdown period. In April 2021, the restrictions were lifted and as of the reporting date, the entire retail centers in Serbia are open for business.

During this period, AFI Properties' shopping centers in Romania stayed open even when strict restrictions were imposed by the Romanian Government. However, during intervals, the shopping centers were forced to close early, ban indoor seating at restaurants and limit working hours of fitness centers and movie theaters. The government-imposed restrictions vary based on the conditions of the pandemic in Romania and on the nation's vaccination campaigns. As a result of these restrictions, AFI Properties agreed to grant certain tenants specific rent concessions. The workplaces remained open during the restriction period but were only allowed to have a specific number of employees at any given time. AFI Properties' policy is to charge the office tenants full rent based on the rental agreements and therefore rent collection is performed as customary.

As permitted by Israel Securities Authority ("ISA") Staff Accounting Bulletin 19-3 – Covid-19 related rent concessions attributable to the Coronavirus crisis period ("SAB 19-3"), the Company has elected to account for a reduction ("the reduction") of the fixed rent component of the contractual lease payments that are based on the determination of the higher of the fixed component and the percentage of revenues as permitted by SAB 19-3. The reduction is accounted for using the revised minimum amount of the fixed component as the systematic basis that best represents the pattern in which the benefit from the use of the underlying asset is diminished. This is in lieu of spreading the reduction in the fixed component over the remaining lease term on a straight-line basis. Accordingly, in each period, the Company recognizes rental income based on the actual lease payments received for that period, that is — the higher of the minimum fixed lease payments after the reduction and the percentage of revenues in each period.

It should be noted that another Coronavirus outbreak is likely to again cause a reduction in shopper traffic and accordingly a decrease in the proceeds of the Company's tenants which would again impair the payment of rent and the survivability of some of its tenants.

As of the reporting date, the Company is in compliance with all its financial covenants towards its lenders.

NOTE 1:- GENERAL (Cont.)

c. Definitions:

In these financial statements:

The Company	-	BIG Shopping Centers Ltd.
The Group	-	The Company and its investees listed in the attached appendix
BIG U.S.A. Ltd.	-	80% held by BIG Shopping Centers Ltd.
BIG-CEE	-	Dutch subsidiary that is about 95% held by BIG Shopping Centers Ltd.
The U.S. subsidiary	-	BIG Shopping Centers Inc., a U.S. subsidiary 100% held by BIG U.S.A. Ltd.
AFI Properties	-	AFI Properties Ltd., a public company traded on the TASE which is 66.4% held by the Company.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint ventures	-	Companies owned by various entities that have a contractual arrangement for common control, and that are accounted for in the Company's financial statements at equity.
Joint operations	-	Companies owned by various entities whereby the entities that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.
Associates	-	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries, joint ventures or joint operations. The Company's investment therein is included in the financial statements at equity.
Investees	-	Subsidiaries, joint ventures, joint operations and associates.
Related parties	-	As defined in IAS 24 (Revised).
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
USD	-	U.S. dollar

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 have been prepared on a cost basis, except for: investment property; investment property under development; companies accounted for at equity; financial assets and liabilities (including derivatives) which are presented at fair value through profit or loss or other comprehensive income.

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

b. The operating cycle:

The Group's normal operating cycle is one year. The operating cycle of construction of buildings for sale lasts up to three years. Accordingly, the current assets and current liabilities include items that are held for sale within the Group's operating cycle which exceeds one year.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the effect of potential voting rights is considered only if they are substantive. 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 accounting policies in the financial statements of the subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. 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.)

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. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

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 acquisition date 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 acquisition date 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.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

The acquisition of interests in a joint operation which represents a business, as defined in IFRS 3, is accounted for using the acquisition method, including the measurement of the identifiable assets and liabilities at fair value, the recognition of deferred taxes arising from this measurement, the accounting treatment of the related transaction costs and the recognition of goodwill or bargain purchase gains. This applies to the acquisition of the initial interest and additional interests in a joint operation that represents a business.

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 Group's 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IFRS 9, the Group applies the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

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 investment held for sale.

The Company continues to apply the equity method even in cases where the investment in the associate becomes an investment in a joint venture and vice versa. The Company applies the provisions of IFRS 5 to the investment or a portion of the investment in the associate or the joint venture that is classified as held-for-sale. Any retained interest in this investment which is not classified as held-for-sale continues to be accounted for using the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

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, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, 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 upon 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 each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost 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 each reporting date according to the terms of the agreement.

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 investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

j. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

k. Inventories of land, inventories of buildings and apartments for sale:

Cost of inventories of buildings and apartments for sale includes identifiable direct costs attributable to the land such as taxes, fees and duties and construction costs.

Real estate under construction is measured at cost. Cost of real estate includes 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.

Inventories of buildings and apartments 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 estimated selling costs

l. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the asset or service 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue from rendering services (management fees):

Revenue from rendering 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.

m. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or 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 rate that is 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 reporting date.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

Deferred taxes are offset 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.

n. 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.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Leases:

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 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 IFRS 16 and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) 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 applying the cost model and depreciated over the shorter of its useful life and the lease term.

2. The Group as 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 IFRS 16.

a) Finance lease:

A lease in which substantially all the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee is classified as a finance lease.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b) 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.

3. Variable 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).

p. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Office furniture and machinery	6 – 33	33
Motor vehicles	15	15
Leasehold improvements	10 – 33	10
Solar systems	5	5

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.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. 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.

r. 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 finance 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 direct acquisition costs. 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 development 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 development 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.)

s. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life 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.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

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.

Depreciation is calculated on a straight-line basis over the useful life of the assets at equal annual rates (mainly 33%).

t. Impairment of non-financial assets:

The Company evaluates the need to record an impairment 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

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

1. Investment in associate or joint venture:

   After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines 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.

2. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. 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:

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

a) 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.

b) Debt instruments are measured at fair value through other comprehensive income when:

The Company's business model is to hold the financial assets in order to both collect their contractual cash flows and to sell the financial assets, 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 at fair value. Gains or losses from fair value adjustments, excluding interest and exchange rate differences, are recognized in other comprehensive income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in 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).

The Company has short-term financial assets such as trade receivables in respect of which the Company applies the simplified approach in IFRS 9 and measures the loss allowance in an amount equal to the lifetime expected credit losses.

The Company applies the low credit risk simplification in IFRS 9, according to which the Company assumes the debt instrument's credit risk has not increased significantly since initial recognition if on the reporting date it is determined that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

In addition, the Company considers that when contractual payments in respect of a debt instrument are more than 30 days past due, there has been a significant increase in credit risk, unless there is reasonable and supportable information that demonstrates that the credit risk has not increased significantly.

The Company considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Company considers a financial asset to be in default when external or internal information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company considers a financial asset that is not measured at fair value through profit or loss as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Company takes into consideration the following events as evidence that a financial asset is credit impaired:

a) significant financial difficulty of the issuer or borrower;

b) a breach of contract, such as a default or past due event;

c) a concession granted to the borrower due to the borrower's financial difficulties that would otherwise not be granted;

d) it is probable that the borrower will enter bankruptcy or financial reorganization;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) the purchase or origination of a financial asset at a deep discount that reflects the incurred 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.

4. Financial liabilities:

Financial liabilities measured at amortized cost:

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:

a) Financial liabilities measured at fair value through profit or loss;

b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

c) Financial guarantee contracts;

d) Commitments to provide a loan at a below-market interest rate;

e) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 canceled 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.

When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

7. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

8. Put option granted to non-controlling interests:

When the Group grants non-controlling interests a put option, the non-controlling interests are classified as a financial liability and are not accorded their share in the subsidiary's earnings. At each reporting date, the financial liability is measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put option / based on the fair value of the consideration. Changes in the amount of the liability are recorded in profit or loss.

9. Hedge accounting:

Derivative financial instruments designated as hedges:

The Group enters into contracts for derivative financial instruments such as forward currency contracts and interest rate swaps to hedge risks associated with foreign exchange rate and interest rate fluctuations. Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

a) Cash flow hedges:

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss.

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when interest income or expense is recognized or when a forecasted transaction occurs. Where the hedged item is a non-financial asset or liability, their cost also includes the gain (loss) from the hedging instrument.

The Company discontinues hedge accounting prospectively only when the hedge relationship, in whole or in part, ceases to meet the qualifying criteria (after taking into account any rebalancing of hedge relationship, if applicable), including instances when the hedging instrument expires or is sold, terminated or exercised (or if the hedge designation is reversed). When the Company discontinues hedge accounting, amounts accumulated in the cash flow hedge reserve remain in the cash flow hedge reserve until the future cash flows occur or are reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b) Hedge of a net investment in foreign operation:

A hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similar to cash flow hedges. Gains or losses relating to the effective portion of the hedge (exchange rate differences) are recognized in other comprehensive income while any gains or losses relating to the ineffective portion of the hedge are recognized in profit or loss. On disposal of the foreign operation, the cumulative amount of any such gains or losses recognized directly in other comprehensive income (loss) is reclassified to profit or loss.

Hedge accounting is not applied to financial derivatives used as an economic hedge of financial assets and liabilities. The changes in the fair value of these derivatives are recorded, as incurred, in profit or loss in the line item

v. 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 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).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) 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. 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.

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.

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.

x. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

y. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions ("equity-settled transactions") and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

Cash-settled transactions:

The cost of cash-settled transactions is measured at fair value on the grant date using an acceptable option pricing model. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting date until settled at fair value with any changes in fair value recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

z. Earnings (loss) 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 are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. 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 its share of earnings per share of the investees multiplied by the number of shares held by the Company.

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

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the IBOR reform:

In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts", and IFRS 16, "Leases" ("the Amendments").

The Amendments provide practical expedients when accounting for the effects of the replacement of benchmark InterBank Offered Rates (IBORs) by alternative Risk Free Interest Rates (RFRs).

Pursuant to one of the practical expedients, an entity will treat contractual changes or changes to cash flows that are directly required by the reform as changes to a floating interest rate. That is, an entity recognizes the changes in interest rates as an adjustment of the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the condition that the transition from IBOR to RFR takes place on an economically equivalent basis.

In addition, the Amendments permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued, provided certain conditions are met. The Amendments also provide temporary relief from having to meet the "separately identifiable" requirement according to which a risk component must also be separately identifiable to be eligible for hedge accounting.

The Amendments include new disclosure requirements in connection with the expected effect of the reform on an entity's financial statements, such as how the entity is managing the process to transition to the interest rate reform, the risks to which it is exposed due to the reform and quantitative information about IBOR-referenced financial instruments that are expected to change.

The Amendments are effective for annual periods beginning on or after January 1, 2021. The Amendments are to be applied retrospectively. However, restatement of comparative periods is not required.

The application of the Amendments did not have a material impact on the Company's financial statements.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS 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:

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.

- Investment property:

  Investment property that can be reliably measured is presented at fair value at the reporting date. Changes in its fair value are recognized in profit or loss. Fair value is determined generally by external independent valuation specialists 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. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued property.

  In determining the fair value of investment property, valuation specialists and the Company's management are required to use certain assumptions in order to estimate the future cash flows from the properties regarding the required yield rates on the Group's properties, the future rental rates, occupancy rates, lease renewals, the probability of leasing vacant spaces, property operating expenses, the financial strength of tenants and the implications of any investments for future development. Changes in the assumptions that are used to measure investment property may lead to a change in fair value.

- Reliable measurement of fair value of investment property under construction:

  In evaluating whether the fair value of investment property under construction can be reliably measured, the Group considers, among others, the following relevant indicators:

  1. Is the property being constructed in a developed, liquid market;
  2. Are there any price quotations from recent transactions or prior valuations from acquisitions or sales of properties with similar characteristics and location;
  3. Has a construction contract been signed with the prime contractor;
  4. Have the required building permits been obtained;
  5. What percentage of rentable area has been pre-leased to tenants;
  6. Are construction costs reliably determinable;
  7. Is the value of the completed property reliably determinable.

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

If after evaluating the above indicators it is determined that the fair value of investment property under construction can be reliably measured, the property is measured at fair value in accordance with the Group's policy for investment property. If fair value cannot be reliably measured, then investment property under construction is measured at cost less, if appropriate, any impairment loss.

- 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.

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined by an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend.

- The difference between purchase of a group of assets and purchase of a business:

  The Company makes judgments as to determine whether the purchase of investment property is a purchase of a group of assets or a purchase of a business that requires the application of accounting for business combinations.

  In making judgments, the Group examines the quantity, scope and nature of the assets being acquired. In addition, the Company examines the nature and complexity of the existing processes, including the existence of attached services at a material scope that relate to the operation of the asset and the complexity of the asset management.

- Disposal of investment property:

  In keeping with the Board's strategic decision to sell the Company's entire operations in the USA, the management of the U.S. subsidiary, Big USA, began preparing for implementing the decision. As of the reporting date, management is acting to dispose of the entire assets by using real estate brokers or by proactively identifying prospective buyers. It should be noted that the Company does not plan to dispose of assets through a distress sale and will only close sales for a price reflecting fair value. Management is continuously examining purchase offers. The examination of offers is a lengthy and demanding procedure for both the Company and the prospective buyers, consisting of performing due diligence studies, obtaining lending bank consent for assignment of the loans on the properties to the buyers, obtaining tenant certifications and holding negotiations.

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

As stated above, the duration and complexity of the sale procedure involves a high degree of uncertainty as to the potential sale. If management believes it is highly reasonable that an asset will sell within 12 months, the asset is classified in the statement of financial position in assets held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations".

- Write down of inventories of land and buildings for sale:

  The write down of inventories of land and buildings for sale is tested based on expected selling prices in the ordinary course of business, less the estimated costs of completion, borrowing costs and selling costs needed to sell the inventories.

  Moreover, certain inventories of land and buildings for sale are estimated using the TNMM or CPM model. The outcome of the estimate is either a loss from the write down of inventory of land or the reversal of such loss.

- Taxes on income:

  The Group's operations are governed by tax laws in several countries. Extensive judgment is needed for determining the current tax liability and deferred taxes in respect of carryforward losses of each Group member.

  The Group enters into a multitude of transactions whose tax results are uncertain. The Group recognizes a liability in respect of these tax results based on management's estimates which rely on external professional counsel on the timing and amount of the resulting tax liability. When the tax outcome differs from management's estimate, the tax expenses and deferred tax liabilities are reduced/raised on the date of issue of a final tax assessment. Moreover, deferred tax assets are recognized in respect of unutilized carryforward losses and deductible temporary differences if the Company expects to generate taxable income against which they will be offset. The Group companies are required to estimate the deferred tax assets that can be recognized based on the uncertainty involving the tax treatment, timing and amount of the expected taxable income, its source and the tax planning strategy. Group members that operate in countries with a statute of limitation on the utilization of carryforward losses or which enforce specific conditions must exercise special judgment.

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

a. 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.

b. 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.

c. 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. Early application is permitted

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

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

d. Amendments to IFRS 3, "Business Combinations":

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the criteria in IAS 37 or IFRIC 21 and not according to the Conceptual Framework.

The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

e. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The Company is evaluating the effects of the Amendment on its financial statements.

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

f. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

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

NOTE 5:- BUSINESS COMBINATIONS

On December 14, 2020, the Company published an exchange offer for the purchase of up to 17,002 thousand shares of AFI Properties in return for shares and share options (series 6) of the Company. Each share option (series 6) is exercisable into one Ordinary share of the Company on any trading day on the TASE from the date of listing for trade until September 7, 2023 (inclusive) ("the final exercise date") for an unindexed cash exercise price of NIS 410 per option. On January 7, 2021, the Company's shares and share options included in the exchange offer were updated to be one of the following:

1. 0.35 Ordinary share of NIS 0.01 par value of the Company.
2. 0.34 Ordinary share of NIS 0.01 par value of the Company and 0.1 share options (series 6) of the Company.

On January 19 and January 24, 2021 (the latest acceptance date), the Company received acceptance notices from optionees for 13,931 thousand shares of AFI Properties accounting for 38.67% of the latter's share capital. Following the exchange, the Company holds about 61.48% of AFI Properties' share capital (as opposed to 22.81% before the purchase).

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The purchase cost was NIS 1,690 million based on the quoted market price of the Company's shares and share options (series 6).

The share price was determined at the closing rate on the purchase date, January 24, 2021, and the share option (series 6) price was determined using the Black & Scholes option pricing model based on the following inputs:

Base asset rate (NIS):	341.2
Exercise increment (NIS):	410
Option expiry date:	September 7, 2023
Exercise period (years):	2.62
Risk-free interest rate (%):	0.16
Annual standard deviation (%):	35.1

The following table presents a summary of the purchase price components (in NIS in thousands except for share and per share data):

Number of shares of AFI Properties underlying exchange of shares only (alternative 1)	659,261
Number of shares of AFI Properties underlying exchange of shares and options (alternative 2)	13,271,617
Total Company shares issued in exchange with AFI Properties shares	4,743,091
Company share price on January 24, 2021	341.2
Consideration in Company shares	1,618,343
Total Company options (series 6) issued in exchange with AFI Properties shares	1,327,162
Option (series 6) price (as per Black & Scholes model)	54.19
Consideration in Company options (series 6)	71,915
Total purchase price in Company shares and options	1,690,258

The Company recognized the fair value of the assets purchased and liabilities assumed in the business combination.

The Company measured the non-controlling interests in the acquiree at the proportionate share of the non-controlling interests of the fair value of the acquiree's net identifiable assets.

The direct acquisition costs attributable to the business combination in a total of approximately NIS 2.5 million were carried as an expense to other expenses.

From the acquisition date, AFI Properties contributed approximately NIS 451 million to the consolidated net income and approximately NIS 1,072 million to the consolidated sales turnover.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The PPA performed by the Company in respect of the business combination is as follows:

	NIS in thousands
Investment in AFI Properties in the Company's books (22.81%)	994,701
Purchase price (38.67%)	1,690,258
Total purchase price	2,684,959
Cash and cash equivalents	470,375
Deposits	116,592
Tenants	62,320
Inventory of buildings for sale	409,005
Receivables	167,853
Assets held for sale	15,157
Total current assets	1,241,302
Loans and other receivables	454,872
Long-term inventory of land	670,507
Investments in companies accounted for at equity	321,610
Investment property	8,966,593
Investment property under development	1,350,734
Property, plant and equipment, net	13,972
Deferred tax assets	12,755
Total non-current assets	11,791,043
Total identifiable assets	13,032,345

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

	NIS in thousands
Current maturities, credit from banks and others	(981,088)
Current maturities of debentures	(383,619)
Trade payables	(261,938)
Other payables	(56,376)
Current tax liability	(365,092)
Total current liabilities	(2,048,113)
Liabilities to banks and others	(3,360,905)
Debentures	(2,629,377)
Employee benefit liabilities	(1,254)
Other liabilities	(129,496)
Deferred taxes	(656,551)
Total non-current liabilities	(6,777,583)
Total identifiable liabilities	(8,825,696)
Non-controlling interests	(19,815)
Total identifiable equity	4,186,834
Holding rate in AFI Properties	61.48%
Total purchased equity	2,573,919
Goodwill arising on acquisition	111,040

NOTE 6:- CASH AND CASH EQUIVALENTS

a. Composition:

	December 31, 2021	December 31, 2020
	NIS in thousands	
Cash and deposits for immediate withdrawal	1,601,134	285,801

b. As for linkage terms, see Note 25d.

NOTE 7:- DEPOSITS

a. Composition:

	December 31,	
	2021	2020
	NIS in thousands	
Deposits and restricted deposits	75,398	5,172
Deposits in foreign currency	99,539	36,748
	174,937	41,920

b. As for linkage terms, see Note 25d.

NOTE 8:- ACCOUNTS RECEIVABLE

	December 31,	
	2021	2020
	NIS in thousands	
Loans and accrued income from partners	21,247	3,498
Receivables - associates	815	1,115
Government ministries	74,983	14,504
Prepaid expenses	54,572	9,229
Short-term contract assets	51,159	-
Other (*)	25,541	105,135
	228,317	133,481

(*) The balance as of December 31, 2020 included a loan granted by the Company to an unrelated third party in the amount of NIS 100 million bearing linked interest of 3.5% which matured on December 29, 2021. As of December 31, 2021, the loan has been repaid. See more information in Note 19a below.

NOTE 9:- ASSETS HELD FOR SALE

a. In January 2022, a U.S. subsidiary completed the sale of its entire rights (80%) to an open air shopping center, Summit Fair, in Lee's Summit, Missouri. The sale consideration for 100% of the rights was $ 26.5 million, reflecting a WACC rate of about 8% on an NOI of approximately $ 2.357 million in 2021. The center covers an area of some 22,500 sq. m. of commercial spaces with an overall occupancy rate of about 74%. After repayment of a loan of $ 26.4 million on the property, the net cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 500 thousand.

b. In March 2022, a U.S. subsidiary completed the sale of its entire rights (100%) to an open air shopping center, Sunset Esplanade, in Hillsborough, Oregon. The sale consideration for 100% of the rights was $ 65.9 million, reflecting a WACC rate of about 6% on an expected NOI of approximately $ 4.1 million in 2022. The center covers an area of some 25,000 sq. m. with an overall occupancy rate of about 91.2%. An outstanding loan of $ 32.4 million on the property will be assigned to the buyer upon closing. The net cash inflow of the subsidiary from the sale, after related costs, totaled approximately $ 33.2 million.

NOTE 10:- LOANS AND OTHER RECEIVABLES

Composition:

	December 31, 2021	December 31, 2020
	NIS in thousands	
Loans to partners (a) (b) (c)	251,305	246,828
Derivative financial instruments (*)	225,389	-
Payments on account of land	103,390	59,790
Restricted deposit	75,990	17,783
Loans to tenants and others	76,651	75,461
Contract assets in respect of franchise agreements (d) (e)	289,628	-
Other	94,109	11,170
	1,116,462	411,032

(*) See more information on financial instruments in Note 25 below.

a. In December 2019, the Company issued debentures (series N). Approximately NIS 37 million of the issue proceeds were provided as a loan to the partners in the BIG Fashion Center in Nazareth. The loan is repayable back-to-back against the repayment of the debentures issued to the public.

b. In January 2018, the Company gave a company that is 80% owned by a U.S. subsidiary that is consolidated in the Company's financial statements a loan of approximately NIS 235 million with interest of 4.5% linked to the dollar. The partners' share in the above loan is approximately NIS 37 million (20% of the loan amount).

NOTE 10:- LOANS AND OTHER RECEIVABLES (Cont.)

c. In September 2020, the Company issued debentures (series Q). Approximately NIS 110 million of the issue proceeds were granted as a loan to the partners in the BIG Fashion Danilof Tiberias Center. The loan is repayable back-to-back with the repayment of the debentures issued to the public.

d. In June 2016, the subsidiary, AFI Properties, won a BOT tender for designing and constructing the office building of the Israeli Ministry of Justice in Jerusalem. The project included about 35,000 sq. m. of built area, an underground parking garage with about 500 parking spaces and retail areas of some 1,500 sq. m. Total expected construction costs approximate NIS 380 million. According to the tender, the subsidiary will operate the building for a period of 22 years for a fixed CPI-linked annual fee of approximately NIS 23 million from the State and full reimbursement of various services at cost +. The subsidiary will also receive a construction grant of NIS 110 million (linked to the Commercial and Office Building Input Index). At the end of the operation period, the property will be transferred to the State. The construction work began in December 2016. The subsidiary and the State entered into several addendums to the agreement according to which in return for constructing additional areas, the State will pay the subsidiary approximately NIS 210 million partly in grants and partly in 87 quarterly instalments over a period of 22 years during which the subsidiary will operate the building. In 2021, the subsidiary received grants of approximately NIS 85.7 million as part of the construction grant. Through December 31, 2021, the subsidiary has received approximately NIS 229 million in construction grants. Construction is expected to be completed in 2022 based on the changes to the project design as ordered by the State.

e. In August 2016, the subsidiary, AFI Properties, won a BOT tender for the partial funding, design, construction, maintenance and delivery of government office building and retail areas in the Jerusalem District Campus. The project consists of designing, building and operating an office building with about 53,000 sq. m. of upper areas, of which about 2,800 sq. m. of retail spaces, an underground parking garage of 416 parking spaces and additional underground areas of some 4,000 sq. m. Total expected construction costs approximate NIS 450 million. According to the tender, the lease period is 21 years and six months from the date of completion and delivery of the office building. In return, the subsidiary will receive a fixed CPI-linked annual fee of approximately NIS 33 million throughout the operation period to be paid from the quarter following the date of completion and delivery of the office building and full reimbursement of various services at cost +. At the end of the operation period, the property will be transferred to the State. The subsidiary will also receive a construction grant of NIS 25 million (linked to the Commercial and Office Building Input Index).

NOTE 11:- LONG-TERM INVENTORY

A Serbian subsidiary is in initiation and planning stages for a residential project to be built in several phases consisting of 1,000 units with total area of some 80 thousand sq. m. As of December 31, 2021, the inventory of land in Serbia approximates NIS 48 million. The remaining inventory of land totaling approximately NIS 578 million includes lands purchased in Europe by a subsidiary, AFI Properties, which are held for residential construction.

NOTE 12:- INVESTMENTS IN COMPANIES ACCOUNTED FOR AT EQUITY

a. Investments in associates:

	Amounts provided by the Company to the associate		Scope of investment	
	Loans	Guarantees	in associate	Total
	NIS in thousands			
December 31, 2021				
Total investments in associates	184,825	-	419,842	604,667
December 31, 2020				
Total investments in associates	71,069	-	1,084,580	1,155,649

b. Investments in joint arrangements:

	Amounts provided by the Company to the associate		Scope of investment in joint	
	Loans	Guarantees	arrangements	Total
	NIS in thousands			
December 31, 2021				
Total joint ventures	400,914	23,400	1,587,601	1,988,515
Total joint operations	91,847	-	309,538	401,385
December 31, 2020				
Total joint ventures	360,472	24,600	1,754,731	2,115,203
Total joint operations	114,441	-	332,601	447,042

NOTE 12:- INVESTMENTS IN COMPANIES ACCOUNTED FOR AT EQUITY (Cont.)

c. Dividends received by the Company from joint ventures:

	Year ended December 31, 2021	Year ended December 31, 2020
	NIS in thousands	
Hutzot Regba Ltd.	5,000	-
BIG Fashion Nazareth (2006) Ltd.	-	35,879
Jordan plaza	60,457	-
Airport Center	17,859	878
NCR	7,568	-
Campus View	27,075	921
BIG RED Portfolio ("BRP")	236,769	17,311
	354,728	54,989

d. Information of non-controlling interests:

As of December 31, 2021, the rate of non-controlling interests in AFI Properties is 36.23%.

	December 31, 2021	December 31, 2020
	NIS in thousands	
Balances of non-controlling interests:		
AFI Properties	1,538,146	-

	Year ended December 31, 2021	Year ended December 31, 2020
	NIS in thousands	
Income (loss) attributable to non-controlling interests:		
AFI Properties	263,448	-

	Year ended December 31, 2021	2020	2019
	NIS in thousands		
Dividends received from subsidiaries and paid to non-controlling interests:			
AFI Properties	18,115	-	-

NOTE 13:- INVESTMENT PROPERTY

a. Movement:

	Buildings for rent	
	2021	2020
	NIS in thousands	
Balance as of January 1,	7,227,356	7,111,059
Changes during the year		
Additions for initially consolidated companies	8,966,593	-
Additions for properties purchased	625,824	116,678
Sale of investment property	(343,062)	(38,353)
Classification from investment property under development	147,654	145,883
Classification from advances on account of land and other accounts payable	-	(40,182)
Classification to assets held for sale	(273,193)	-
Investment in investment property	604,700	240,212
Capital reserve from translation differences	(1,078,371)	(106,353)
Increase in fair value	384,545	(201,588)
Total additions and changes	9,034,690	116,297
Balance as of December 31,	16,262,046	7,227,356

Investment property is measured at fair value which has been determined based on a valuation performed by external independent valuation specialists who hold recognized and relevant professional qualifications and have extensive experience in the location and category of the property being valued and based on internal valuation made by the Company's management using methodology identical to the methodology used by the external valuation specialists. The fair value represents the amount on the valuation date at which the properties will be exchanged between a seller and a buyer in an arm length's transaction where the parties had each acted knowledgeably, prudently and without compulsion under international valuation standards and IAS 40. The fair value was measured, among others, with reference to recent real estate transactions for similar properties in similar locations as the property owned by the Group and based on valuation methods such as the direct income capitalization and the discounted cash flows.

The valuation of the investment property assessed using the direct income capitalization method or the discounted cash flows method is based on estimated future cash flows from the property from existing rental contracts taking into account their structured risk while using estimates for contracts renewals and potential rental contracts. In measuring fair value, the appraiser used discount rates taking into account the type and designation of the property, its location and the quality of the tenants.

Investment property is measured at Level 3 of the fair value hierarchy.

b. The following are the WACC rates embodied in the valuations in respect of yielding properties in the Group's main areas of operations.

	Israel	U.S.	Serbia	AFI Properties
			%	
December 31, 2021	6.53	6.71	8.05	Retail-7.6% Office-7.24%
December 31, 2020	6.72	6.60	8.88	-

NOTE 13:- INVESTMENT PROPERTY (Cont.)

c. The following are the average rental fees per sq. m. for yielding properties in the Group's main areas of operations:

	Israel	U.S.	Serbia	AFI Properties
	NIS	USD	Euro	Euro
December 31, 2021	106	15	(***)11	Retail-25 Office-15
December 31, 2020	105	14	12	-

(*) The rent is presented based on signed contracts.
(**) The rent per sq. m in the commercial centers in Serbia excludes two logistic centers.
(***) The decrease in average rent per sq. m. in Serbia compared to last year is a result of the rental fee received from an office building in Serbia whose rent per sq. m. is lower than in retail.

d. The following are the weighted occupancy rates for yielding properties in the Group's main areas of operations:

	Israel	U.S.	Serbia	AFI Properties
	%			
December 31, 2021	100	94	98	Retail-96% Office-87%
December 31, 2020	100	92	99	-

e. Several key parameters have an effect on the value of the Company's properties, such as change in the market value of rental payments, changes in property occupancy rates and changes in the WACC rates for cash flows. The following is the effect of the change in WACC rates for cash flows on the value of the properties (Company's share):

	Israel, U.S., Serbia and AFI Properties	
	2021	2020
	NIS in thousands	
0.5% increase in WACC rate	(1,174,449)	(605,093)
0.5% decrease in WACC rate	1,367,118	699,462
0.25% increase in WACC rate	(606,808)	(314,254)
0.25% decrease in WACC rate	552,683	335,253

f. The minimum lease fees receivable are as follows:

	December 31,	
	2021	2020
	NIS in thousands	
First year	495,505	463,129
Second through fifth year	1,075,533	1,022,390
After the fifth year	824,560	703,210
	2,395,598	2,188,729

NOTE 13:- INVESTMENT PROPERTY (Cont.)

g. In January 2021, a U.S. subsidiary completed the sale of its entire rights (80%) to an office building which constitutes part of an open air shopping center owned by it (The Waterfront) located in Pittsburgh, Pennsylvania ("the building"). The sale consideration for 100% of the rights to the building was $ 28.5 million, reflecting a WACC rate of about 6.15% on an NOI of approximately $ 1.752 million. The subsidiary's share of the sale consideration was approximately $ 22.8 million. After repayment of the loan taken for the building, the net cash inflow of the subsidiary, less related costs, totaled approximately $ 12.4 million.

h. On June 15, 2021, a subsidiary, BIG-CEE B.V., entered into an agreement for the purchase of 100% of the share capital of two Serbian target companies which each holds rights to a yielding commercial property and other building rights as follows:

1. BIG FASHION, a shopping center in the city of Kragujevac, Serbia with a gross leasable area (GLA) of some 22,720 sq. m. and an occupancy rate of about 95%, yielding an annual NOI of about € 4.1 million. This target company also owns an adjacent land with building rights of another 6,500 sq. m.

2. BIG KRUSEVAC, an open air shopping center in the city of Krusevac, Serbia, with a gross leasable area (GLA) of some 8.6 thousand sq. m. and an occupancy rate of about 97%, yielding an annual NOI of about € 1.1 million. This target company also owns an adjacent land with building rights of another 1,800 sq. m.

The aggregate purchase price is approximately € 60.8 million (of which about € 1.5 million is allocated to the additional building rights). The subsidiary completed the purchase of both companies in July 2021 and paid the purchase price in full.

i. In June 2021, a U.S. subsidiary completed the sale of its entire rights (60%) to an open air shopping center, Camelback Colonnade, in Phoenix, Arizona. The sale consideration for 100% of the rights was $ 162.5 million, which is identical to the center's carrying amount, reflecting a WACC rate of about 5.8% on an NOI of approximately $ 9.4 million in 2021. The center covers an area of some 59,600 sq. m. (of which about 6,000 sq. m. in second-story offices) with an overall occupancy rate of about 88%. After repayment of the loan taken for the building, the net cash inflow of the subsidiary, less related costs, totaled approximately $ 42.3 million.

j. In June 2021, a subsidiary completed the sale of its entire rights (80%) to an open air shopping center, Shops at Hilton Village, in Scottsdale, Arizona. The sale consideration for 100% of the rights was $ 37.5 million, which is identical to the center's carrying amount, with the addition of approximately $ 1.5 million to be paid by the buyer to the seller for an early repayment penalty upon closing, bringing the total consideration to approximately $ 39 million reflecting a WACC rate of about 7.2% on an NOI of approximately $ 2.8 million in 2021. It should be noted that the subsidiary does not own the land but has leasehold rights for a period of about 55 years. The center covers an area of some 8,600 sq. m. of commercial spaces with an overall occupancy rate of about 98%. The cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 11.7 million.

k. In October 2021, a subsidiary completed the sale of its entire rights (100%) to an open air shopping center, Palomar Village, in Temecula, California. The sale consideration for 100% of the rights was $ 32.5 million, reflecting a WACC rate of about 6.15% on an expected NOI of approximately $ 2 million in 2021. The center covers an area of some 9,250 sq. m. of commercial spaces with an overall occupancy rate of about 96%. The net cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 31.45 million.

NOTE 13:- INVESTMENT PROPERTY (Cont.)

l. In November 2021, a subsidiary completed the sale of its entire rights (80%) to an open air shopping center, Greenway Station, in Middleton, Wisconsin. The sale consideration for 100% of the rights was $ 46 million, reflecting a WACC rate of about 7% on an expected NOI of approximately $ 3.2 million in 2022. The center covers an area of some 27,100 sq. m. with an overall occupancy rate of about 83%. The subsidiary's share of the sale is approximately $ 36.8 million. The outstanding loan of approximately $ 30.3 million on the property was repaid upon closing and the cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 13.75 million.

m. In November 2021, a subsidiary completed the sale of its entire rights (50%) to a shopping complex, Jordan Landing, in West Jordan, Utah. The property consists of three centers which are each 50% held by the subsidiary: Jordan Campus View, Airport Center and Landing Plaza. The sale consideration for 100% of the rights was $ 210.8 million, reflecting a WACC rate of about 7.35% on an expected NOI of approximately $ 15.5 million in 2022. The complex covers an area of some 87,000 sq. m. with an overall occupancy rate of about 97.6%. The outstanding loans of approximately $ 145 million on the property were repaid upon closing and the cash inflow of the subsidiary from the sale, before related costs, totaled approximately $ 32.9 million.

n. In December 2021, a subsidiary completed the sale of its entire rights (100%) to an open air shopping center, Decatur Meadows, in Las Vegas, Nevada. The sale consideration for 100% of the rights was $ 12.55 million, reflecting a WACC rate of about 7.8% on an NOI of approximately $ 984 thousand in 2021. The center covers an area of some 10,400 sq. m. with an overall occupancy rate of about 97%. No loan was taken on the property so the cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 11.70 million.

o. In December 2021, a subsidiary completed the sale of its entire rights (80%) to an open air shopping center, Aspen Place at the Sawmill, in Flagstaff, Arizona. The sale consideration for 100% of the rights was $ 30.6 million, reflecting a WACC rate of about 7.75% on an expected NOI of approximately $ 2.374 million in 2021. The center covers an area of some 9,250 sq. m. of commercial spaces with an overall occupancy rate of about 97%. Upon closing, the seller assigned a loan on the property in a total of $ 19 million to the buyer. The cash inflow of the subsidiary from the sale, less related costs, totaled approximately $ 10 million.

p. On January 29, 2021, the subsidiary, AFI Properties, entered into an agreement with an unrelated third party who indirectly holds 33.3% of the property rights and manages the property ("the partner") for the purchase of the entire rights to a property in Neve Neeman Park in Hod Hasharon, Israel, consisting of eight office buildings in an area of some 45 thousand sq. m., parking spaces and an adjacent land of some 18 thousand sq. m. held for construction, from several sellers that collectively hold 66.7% of the property. According to the agreement, subject to closing, the subsidiary and the partner will each hold 50% of property (in partnership). The value of the property was set at approximately NIS 656 million. Simultaneously, the parties signed a partnership agreement for settling the joint management of the property. The transaction was closed on July 25, 2021 after the subsidiary had paid the remaining consideration of approximately NIS 250 million, of which NIS 190 million was financed using a bank loan received on the closing date.

NOTE 13:- INVESTMENT PROPERTY (Cont.)

It should be noted that to help the partner finance its share of the first instalment, the tax charges, the transaction costs and the loan repayment cost, the subsidiary provided the partner a bridge loan of approximately NIS 78 million which bears annual interest as determined between the parties. An amount of NIS 6 million of the bridge loan was repaid in June 2021 and the balance was repaid in July 2021 concurrently with closing and the receipt of a bank loan by the partner.

The Company classified approximately NIS 264 million of the purchase price of the property to investment property and approximately NIS 90 million to investment property for future development.

q. As for liens, see Note 19d.

NOTE 14:- INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition:

	2021	**2020**
	NIS in thousands	
Balance as of January 1,	1,103,406	947,695
	1,350,734	-
Additions for initially consolidated companies	837,726	324,754
Additions during the year	(124,816)	865
Movement in capital reserve from translation differences for investment property under development	432,133	(24,025)
Increase (decrease) in fair value of investment property under development, net	112,890	-
Reclassification from inventory of land and advances on account of land		
Classification to investment property	(147,654)	(145,883)
Balance as of December 31,	3,564,419	1,103,406

NOTE 14:- INVESTMENT PROPERTY UNDER DEVELOPMENT (Cont.)

b. Capitalized expenses:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Finance expenses	38,429	11,249	10,360
General and administrative expenses	6,344	5,187	5,240

The fair value of investment property under development is mainly measured using the comparison method for the land component plus the construction cost component. As the project progresses simultaneously with the rental of some of the spaces, part of the development profit is added to construction costs. In the final stages of constructing the investment property under development, the appraiser relies on the discounted cash flows forecast. In implementing the comparison approach, the appraiser and Group's management rely on market prices of similar properties while making the appropriate adjustments (such as location and size), inasmuch as the information is available. Valuations are performed by external independent valuation specialists who hold recognized and relevant professional qualifications and have extensive experience in the location and category of the property being valued. Investment property under development is measured at Level 3 of the fair value hierarchy.

c. On January 8, 2020, the Company obtained a permit for the digging and tunneling work in the BIG Fashion Glilot project which will include a lifestyle commercial center and offices, parking facilities and service areas. On November 15, 2020, the Company obtained a building permit for the project which allows building two floors of commercial spaces and two office towers in an overall area of some 105 thousand sq. m. and operational, storage and underground parking spaces in an overall area of some 180 thousand sq. m.

d. In October 2015, the subsidiary, AFI Properties, and Melisron Ltd. (through a joint venture which is 50% held by the subsidiary) signed an agreement with the Israel Land Authority ("the ILA") for the lease of a plot for a period of 49 years (with an option for extension by another 49 years) covering an area of some 13 thousand sq. m. in the South Campus in Tel-Aviv which is held for the construction of office and retail spaces in the Sarona Landmark project. The purchase price is approximately NIS 536 million. The subsidiary will also pay approximately NIS 42 million for its share of the development costs. According to the plot's original urban planning scheme, an area of some 114 thousand sq. m. is available for marketing. In 2017, the began the digging and reinforcement work after receiving a permit. In December 2019, the partners received a building permit for two office buildings based on the original plan.

NOTE 14:- INVESTMENT PROPERTY UNDER DEVELOPMENT (Cont.)

In May 2019, the partners submitted the detailed plan based on the TA/5000 urban planning scheme for approving additional building areas and residential rezoning to the Tel-Aviv District Planning and Building Committee. Accordingly, in the third quarter of 2019, the subsidiary decided to reclassify an amount of approximately NIS 33.5 million representing the fair value of the project's residential spaces from investment property under development to inventory of land.

On January 1, 2020, the subsidiary received the Tel-Aviv District Planning and Building Committee's decision dated December 30, 2019 which approved the deposit of a detailed plan with additional building rights on the land and on April 6, 2021, the subsidiary received the Tel-Aviv District Planning and Building Committee's decision whereby, following a hearing of the objections raised, it decided to validate the plan for building two 50-story towers with building rights totaling about 166 thousand sq. m. (gross) (about 132 thousand sq. m. in main areas), of which 8 thousand sq. m. for residence (about 11.2 thousand sq. m., gross) and about 7.5 thousand sq. m. (gross) (about 6 thousand sq. m. in main areas) for public buildings and the rest for employment and retail.

e. In keeping with the matter discussed in Note 13m above regarding the purchase of 50% of an office project in Hod Hasharon by a subsidiary, AFI Properties, the portion of the property held for future construction totaling approximately NIS 90 million was classified to investment property under development.

Moreover, on October 11, 2021, the subsidiary signed an agreement with a third party for purchasing 50% of a plot of about 5.6 thousand sq. m. which is adjacent to the property in return for NIS 27.25 million. On the date of signing, the subsidiary paid approximately NIS 2.7 million as a down payment. After the statement of financial position date, on February 28, 2022, the transaction was closed, and the subsidiary paid the remaining consideration.

NOTE 15:- INTANGIBLE ASSETS

The balance of intangible assets as of December 31, 2021 mainly comprises goodwill and other assets (software). See details of the goodwill recognized in the statement of financial position in Note 5 above.

NOTE 16:- CURRENT MATURITIES AND CREDIT FROM BANKS AND OTHERS

a. Composition:

	Weighted interest 31.12.2021	December 31, 2021	2020
	%	NIS in thousands	
Short-term credit from banks and others	1.65	946,120	246,360
Current maturities of non-current liabilities from banks (see Note 21)	3.25	837,273	353,101
		1,783,393	599,461

b. As collateral for the credit given to it, the Company recorded liens on certain properties, see Note 19d.

NOTE 17:- OTHER ACCOUNTS PAYABLE AND OTHER LONG-TERM LIABILITIES

a. Other accounts payable:

	December 31, 2021	2020
	NIS in thousands	
Employees and payroll accruals	9,472	7,411
Interest payable	59,917	27,119
Government ministries	27,986	1,940
Partners	122	16
Deferred revenues	50,052	14,225
Tenants' deposits	145	262
Financial derivatives	10,467	-
Liability for purchase of shares	18,561	-
Other payables	31,634	16,818
	208,356	67,791

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES

a. Composition:

December 31, 2021

	Principal - linked	Stated interest rate	Effective interest rate	Balance	Balance less current maturities
	NIS in thousands	%	%	NIS in thousands	NIS in thousands
Linked loans	162,735	Linked+2.32-5.1	Linked+2.32-5.1	162,735	157,284
Unlinked loans	913,697	Prime+0.4-1.2	Prime+0.4-1.2	913,697	565,469
Loans in Euro	3,352,000	3M Euribor+1.8-3.77	3M Euribor+1.8-3.77	3,352,000	3,104,548
Loans in USD	434,596	USD+3.0.-4.35	USD+3.0.-4.35	434,596	198,454
Loans in other currency	28,801	3M Pribor+2.4	3M Pribor+2.4	28,801	28,801
Debentures (series E)	205,726	Linked+2.85	Linked+2.45	206,234	-
Debentures (series F)	123,508	3.5	3.14	124,098	114,992
Debentures (series G)	432,699	Linked+2.5	Linked+2.44	433,278	417,693
Debentures (series H)	359,261	Linked+1.34	Linked+1.34	359,331	335,406
Debentures (series I)	617,363	Linked+1.95	Linked+2.1	614,186	583,930
Debentures (series J)	197,509	USD+3.78	USD+3.73	195,403	190,683
Debentures (series K)	411,321	Linked+1.82	Linked+1.75	412,811	388,897
Debentures (series L)	465,131	Linked+3.35	Linked+2.89	472,937	454,151
Debentures (series M)	443,311	Linked+0.78	Linked+0.96	438,751	416,104
Debentures (series N)	349,796	Linked+0.20	Linked+0.36	347,811	332,063
Debentures (series O)	801,046	Linked+1.17	Linked+1.7	776,224	739,435
Debentures (series P)	192,680	Linked+0.69	Linked+0.8	191,558	183,328
Debentures (series Q)	216,273	Linked+0.69	Linked+0.87	214,249	204,874
Debentures (series R)	966,247	Linked+1.33	Linked+1.10	981,484	983,679
Debentures (series S)	205,000	Linked+2.09	1.49	202,250	194,424
Debentures of AFI Properties	4,204,412	linked+1.09-3.7 NIS+2.3-4.2	2.4	4,204,412	3,899,910
	15,083,112			15,066,846	13,494,125

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

December 31, 2020

	Principal - linked	Stated interest rate	Effective interest rate	Balance	Balance less current maturities
	NIS in thousands	%	%	NIS in thousands	NIS in thousands
Loans, unlinked	534,800	Prime+0.1-1	1.5-2.6	534,800	376,200
Loans, in Euro	541,213	Euro+2.49-4.47	Euro+2.49-4.47	541,213	476,754
Loans, in USD	801,895	USD+3.03-4.35	USD+3.03-4.35	800,031	669,989
Debentures (series E)	401,800	Linked+2.85	Linked+2.45	403,642	204,078
Debentures (series F)	133,008	3.5	3.14	134,017	124,936
Debentures (series G)	438,009	Linked+2.5	Linked+2.44	438,838	423,632
Debentures (series H)	374,223	Linked+1.34	Linked+1.34	374,325	350,967
Debentures (series I)	631,590	Linked+1.95	Linked+2.1	627,536	597,944
Debentures (series J)	208,616	USD+3.78	USD+3.73	206,012	201,154
Debentures (series K)	425,712	Linked+1.82	Linked+1.75	427,497	404,143
Debentures (series L)	475,364	Linked+3.35	Linked+2.89	484,645	466,317
Debentures (series M)	458,400	Linked+0.78	Linked+0.96	453,085	430,728
Debentures (series N)	360,000	Linked+0.20	Linked+0.36	357,455	341,893
Debentures (series O)	819,728	Linked+1.17	Linked+1.7	791,415	755,124
Debentures (series P)	196,000	Linked+0.69	Linked+0.8	194,670	186,621
Debentures (series Q)	220,000	Linked+0.69	Linked+0.87	217,601	208,424
	7,020,358			6,986,782	6,218,904

*) As for the repayment dates, see Note 25.

b. Collaterals:

The Company's commitment to repay the debentures (principal, interest and linkage differences) (series E, J, L, O and R) are not pledged by any lien.

As collateral for the Company's commitments in accordance with the terms of the debentures (series F), liens were recorded on the Company's rights to the properties known as "BIG Kiryat Shmona", "BIG Pardes Hannah" and "BIG Kiryat Gat".

As collateral for the Company's commitments in accordance with the terms of the debentures (series G) a fixed, single, senior lien, unlimited in amount, was recorded, as well as the assignment of rights by way of a fixed, single, senior lien, unlimited in amount, from the Company's rights according to the promissory note signed between the Company and BIG U.S.A. on May 27, 2014, as amended ("the promissory note"), including repayment of loans the Company gave BIG U.S.A. by virtue of the promissory note and which it will give by virtue of the promissory note, if and to the extent given ("the owners' loans"), in whole or in part (in accordance with the terms of the owners' loans).

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

On January 12, 2016, the Company revised the composition of the collaterals available to holders of the Company's debentures (series G), by recording a fixed, single, senior lien, unlimited in amount, on some of the shares that the Company holds in BIG U.S.A. Ltd. (representing 29% of the issued and outstanding capital of BIG U.S.A. Ltd.) and, simultaneously, repaid part of the owners' loan (as the term is defined in the deed of trust), all in accordance with and subject to the terms detailed in the deed of trust, including regarding compliance with the ratio of loan to collateral.

In March 2017, the Company recorded an additional lien on 10.9% of the issued and outstanding share capital of BIG U.S.A. Ltd.

As collateral for the Company's commitments in accordance with the terms of the debentures (series H), the Company pledged its right to the BIG Fashion Ashdod Center property.

As collateral for the Company's commitments in accordance with the terms of the debentures (series J), the Company pledged in favor of the debenture holders the liens placed in its favor against the loan it granted to the companies which hold Sparks property in Phoenix, Arizona, U.S.A.

As collateral for the Company's commitments in accordance with the terms of the debentures (series K), the Company pledged its rights to the shopping centers Bat Yam Mall, BIG Tiberias and BIG Fashion Beit Shemesh.

As collateral for the Company's commitments in accordance with the terms of the debentures (series M), the Company pledged the centers BIG Krayot and BIG Yokneam.

As collateral for the Company's commitments in accordance with the terms of the debentures (series N), the Company pledged its rights in BIG Fashion Nazareth Center.

As collateral for the Company's commitments in accordance with the terms of the debentures (series Q), the Company pledged its rights in BIG Fashion Danilof Tiberias Center.

As collateral for the Company's commitments in accordance with the terms of the debentures (series S), the Company pledged the shares of the following project companies: (a) HVAC Retail d.o.o. INĐIJA which owns the entire rights to the BIG Fashion Outlet Park in Indjija, Serbia; (b) 100% of the shares of NEPI Real Estate Project Two d.o.o. Kragujevac which owns the entire rights to the Krusevac Shopping Park project in Krusevac, Serbia; and (c) 100% of the shares of SEK DOO KRAGUJEVAC which owns the entire rights to the Kragujevac Plaza Shopping Center project in Kragujevac, Serbia.

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

c. Issuances of debentures:

1. On February 25, 2021, Midroog announced a rating of Aa3.il/stable for the offering of unsecured debentures (series R) at a scope of up to NIS 400 million.

2. On March 18, 2021, Midroog reaffirmed the Aa3.il/stable rating for the offering of unsecured debentures (series R) at a scope of up to NIS 600 million.

3. On March 21, 2021, the Company offered to the public NIS 575,767 thousand par value of debentures (series R) and raised gross proceeds of NIS 575,767 thousand with a stated annual interest rate of 1.33%. The effective interest rate is 1.48%.

4. In July 2021, at the Company's request and with the approval of the trustee of the debentures (series F), Reznik Paz Nevo Trusts Ltd., as prescribed in the trust deed, the liens recorded in favor of the holders of the debentures (series F) in connection with the "BIG Afula" and "Modiin Commercial Center" were removed. The other liens on the properties recorded in favor of holders of debentures (series F) remain unchanged.

5. On July 28, 2021, Midroog reaffirmed the ilAA- rating for the offering of unsecured debentures (series S) at a scope of up to NIS 245 million.

6. On September 3, 2021, Midroog reaffirmed the Aa3.il/stable rating for the offering of unsecured debentures (series R) at a scope of up to NIS 370 million.

7. On September 5, 2021, the Company offered to the public NIS 368,756 thousand par value of debentures (series R) and raised proceeds of NIS 405,263 thousand with a stated annual interest rate of 1.33%. The effective interest rate is 0.49%.

8. On October 17, 2021, the Company offered to the public NIS 205,000 thousand par value of debentures (series S) and raised proceeds of NIS 205,000 thousand with a stated annual interest rate of 2.09%. The effective interest rate is 2.3%. After completing the capital raising round, the Company swapped the NIS debt in respect of the issued debentures (series S) with a Euro debt with the same amortization schedule, thereby reducing the effective debt raising cost to about 1.495%.

9. On January 7, 2021, the subsidiary, AFI Properties, offered to the public NIS 350,000 thousand par value of debentures (series K) and raised proceeds of NIS 350,000 thousand with a linked annual interest rate of 1.22%. On April 18, 2021, the subsidiary raised a gross amount of NIS 113.3 million in a series expansion of approximately NIS 110 million par value of debentures (series K) (linked). The issue expenses totaled approximately NIS 0.3 million. The annual effective interest rate in the series expansion was about 0.7%. The subsidiary also undertook to meet certain financial covenants in respect of the holders of the debentures (series K).

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

10. On March 7, 2021, the subsidiary, AFI Properties, offered to the public NIS 610,791 thousand par value of debentures (series L) and raised proceeds of NIS 610,791 thousand bearing an annual interest rate of 2.3%. Concurrently with this offering, in March 2021, the subsidiary entered into a cross currency swap with several banks for a gross amount of approximately € 153,644 thousand at an average exchange rate of € 1 = NIS 3.97.

11. On July 8, 2021, the subsidiary, AFI Properties, offered to the public NIS 350,000 thousand par value of debentures (series M) and raised proceeds of NIS 350,000 thousand bearing an annual interest rate of 1.09%. On November 18, 2021, the subsidiary raised a gross amount of NIS 105.2 million in a series expansion of approximately NIS 100 million par value of debentures (series M) (linked).

d. Contractual restrictions and financial covenants:

The Company has various financial covenants in the framework of its liabilities to holders of debentures and to banks and financial institutions which provided it borrowings and loans based on the following ratios and amounts:

1. The revenues/NOI coverage ratio to redeem annual principal and interest.

2. The debt to rental fees/NOI ratio.

3. The LTV ratio (for pledged assets).

4. Minimum equity according to the Company's consolidated financial statements.

5. The equity to total balance sheet ratio.

Following is information of the financial covenants undertaken towards holders of debentures:

The U.S. subsidiary has several financial covenants in the framework of loans it received from financial institutions, as follows

1. The NOI coverage ratio to redeem annual principal and interest will be 1-1.25 and higher.

2. The NOI to debt ratio shall not drop below 10%.

3. Liquidity of over $ 5 million

4. The U.S. subsidiary's equity according to its financial statements will be no less than $ 75 million.

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

The Company undertook toward the holders of debentures (series E) to maintain several financial covenants including, among others, (1) the Company's equity according to its consolidated financial statements will be no less than NIS 700 million (2) balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the Company's net financial debt and the NOI (as defined in the deed of trust) shall not exceed 14.

The Company undertook toward the holders of debentures (series F) to maintain several financial covenants including, among others, (1) that the unsettled balance of debentures (series F) plus accrued interest shall not exceed 75% of the value of the properties "BIG Kiryat Shmona", "BIG Pardes Hannah" and "BIG Kiryat Gat"; (2) the Company's equity according to its consolidated financial statements will be no less than NIS 700 million.

The Company undertook toward the holders of debentures (series G) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 1,000 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

As of the reporting date, the Company gave a loan to the U.S. subsidiary in the amount of approximately $ 47.5 million. Note that from the date of issuance of debentures (series G) to the date of publication of the financial statements, there were no changes in the conditions of this loan.

The Company undertook toward the holders of debentures (series H) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 1,000 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 75%.

The Company undertook toward the holders of debentures (series I) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 1,500 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the Company's net financial debt and the NOI (as defined in the deed of trust) shall not exceed 14.

The Company undertook toward the holders of debentures (series J) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 1,500 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

The Company undertook toward the holders of debentures (series K) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 1,800 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

The Company undertook toward the holders of debentures (series L) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,000 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the Company's net financial debt and the NOI (as defined in the deed of trust) shall not exceed 14.

The Company undertook toward the holders of debentures (series M) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,000 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

The Company undertook toward the holders of debentures (series N) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,200 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

The Company undertook toward the holders of debentures (series O) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,200 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the Company's net financial debt and the NOI (as defined in the deed of trust) shall not exceed 14.

The Company undertook toward the holders of debentures (series P) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,200 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

The Company undertook toward the holders of debentures (series Q) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,200 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

NOTE 18:- LIABILITIES TO BANKS AND DEBENTURES (Cont.)

The Company undertook toward the holders of debentures (series R) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 2,200 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the Company's net financial debt and the NOI (as defined in the deed of trust) shall not exceed 14.

The Company undertook toward the holders of debentures (series S) to maintain several financial covenants including, among others, (1) that the Company's equity according to its consolidated financial statements will be no less than NIS 3,300 million (2) the balance sheet total to equity ratio shall not drop below 20% (3) the ratio between the balance of the par value of the outstanding debentures on the date of examination, plus accrued interest, and the value of the collaterals will be less or equivalent to 80%.

As of the reporting date, the Company is meeting all the financial covenants.

The subsidiary, AFI Properties, has various financial covenants in the framework of its liabilities to holders of debentures and to banks and financial institutions which provided it borrowings and loans. The Company does not guarantee the subsidiary's debts since the subsidiary has independent financial resources and positive cash flows from operating activities which allow it to meet its current liabilities.

The financial covenants which AFI Properties is required to meet throughout the debenture term include: (a) equity to consolidated balance sheet ratio of at least 40%; (b) equity to standalone balance sheet ratio of at least 20%-22%; (c) standalone debt to CAP ratio not exceeding 60%; (d) consolidated debt to CAP ratio not exceeding 75%; (e) maintaining a ratio of debt in respect of specific debentures to the value of their collaterals.

Moreover, according to financing and credit agreements entered into by subsidiaries of AFI Properties with banks and financial institutions, the subsidiaries are required to meet certain financial covenants throughout the loan terms: (a) maintaining a predetermined ratio of unsettled loan debt to the fair value of the underlying project; and (b) meeting a predetermined ratio of periodic net rental income to periodic loan payments as well as similar ratios. The financing agreements also set forth certain reporting duties as customary and a minimum FCF criterion.

As of the reporting date, AFI Properties and its entire subsidiaries are meeting all the financial covenants.

NOTE 19:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities:

On September 13, 2021, the Company filed a lawsuit for protection of rights with the District Court against D and A 2 Ltd., Mr. Dahari Keidan, Mr. Adiv Yaron and Ispro the Israeli Properties Rental Corp. Ltd. (collectively – "the defendants"). In the lawsuit, the Company asks the Court to order the enforcement of a sale agreement signed between the parties in the context of a loan agreement on December 29, 2021 for the sale of properties in Modiin ("Ispro Center Modiin" and other adjacent properties owned by the defendants) on the grounds that the defendants had fundamentally and blatantly failed to meet their obligations to sign the property sale documents. The Company petitioned for temporary remedies against the defendants ordering them not to perform any disposition of the Modiin properties mentioned above. On December 20, 2021, the District Court denied the Company's request for temporary remedies of September 2021. On January 13, 2022, the Company filed a request to the Supreme Court for permission to appeal the District Court's decision. Based on the Supreme Court's decision of February 21, 2022 on the request for appeal, the respondents submitted their response on February 24, 2022. A hearing of the request was scheduled for March 28, 2022, On December 31, 2021, one of the defendants, D and A 2 Ltd., repaid the Company a loan of NIS 100 million.

b. Commitments:

See information of the Company's commitments entered into in 2021 in Notes 13 and 14 above.

c. Guarantees:

The Company issued guarantees to third parties (such as the Israel Electric Corporation, the Israel Land Administration and various municipalities) in the aggregate of approximately NIS 18.3 million to secure payments owed them in connection with its operating activity in the various projects. A liability in respect of these guarantees was not recorded in the financial statements.

d. Liens:

As collateral for the Group's liabilities to financial institutions in Israel and holders of debentures, the Company recorded a specific lien on substantially all its yielding properties in Israel and on about 12.57% of the shares of AFI, except the properties in Eilat, BIG Beit Shemesh, Yahud, Check Post, Deshanim Building, Or Yehuda, Sarona Market, Kiryat Yam, Modiin and Afula, as well as properties in various stages of construction. The balance of the secured liabilities in Israel as of December 31, 2021 amounted to NIS 3,763 million (the Company's share).

NOTE 19:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

As collateral for the Group's liabilities to financial institutions in the U.S., the Company recorded a specific lien on all its yielding properties in the U.S. The balance of the secured liabilities in the U.S. as of December 31, 2021 amounted to NIS 647 million (the Company's share).

As collateral for the Group's liabilities to financial institutions in Serbia and to holders of debentures (series S), the Company recorded a specific lien on all its yielding properties in Serbia. The balance of the secured liabilities in Serbia as of December 31, 2021 amounted to NIS 726 million (the Company's share).

e. Contingent liabilities to complete the development and redevelopment of properties:

The Company and subsidiaries have off-balance sheet liabilities to complete the development and redevelopment of yielding properties which, as of the reporting date, totaled approximately NIS 464 million (2020 – NIS 122 million).

NOTE 20:- EQUITY

a. Composition:

	December 31, 2021	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 0.01 par value each	420,000,000	21,148,809

	December 31, 2020	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 0.01 par value each	420,000,000	14,800,430

b. Rights attached to shares:

1. Voting rights at the general meeting, rights to dividend, rights upon liquidation of the Company and right to nominate the directors in the Company.

2. Quoted on the Tel-Aviv Stock Exchange.

NOTE 20:- EQUITY (Cont.)

c. Dividends paid:

On August 24, 2021, the Company's Board decided to distribute a dividend of approximately NIS 100 million which was paid on September 26, 2021.

On November 18, 2021, the Company's Board decided to distribute a dividend of approximately NIS 100 million which was paid on December 12, 2021.

d. Capital management in the Company:

The Company's capital management objectives are to maintain a strong credit rating and healthy capital ratios in order to support business activity and maximize shareholders' value.

The Company acts to achieve a capital return at a level that is customary in the industry and markets in which the Company operates. This return is subject to changes depending on market factors in the Company's industry and business environment. The Company is not under any minimal equity requirements nor is it required to attain a certain level of capital return. In 2021 and 2020, the Company achieved a capital return of 26.92% and (0.2)%, respectively.

The Group monitors capital using the ratio of net debt to adjusted capital. Net debt is calculated as the total debt less cash and cash equivalents and deposits. Adjusted capital includes equity components: share capital, premium, retained earnings, reserves including owners' loans.

In 2021, as in previous years, the Group's strategy was to keep a ratio of net debt to equity plus debt below 70% in order to ensure bank funding at the lowest possible cost accepted for the Group and to ensure the high credit rating.

Data regarding the ratio of net debt to equity in the relevant years:

	December 31,	
	2021	2020
	NIS in thousands	
Total debt reported in the financial statements	16,012,966	7,233,142
Less - cash and cash equivalents, deposits and securities	1,776,071	721,860
Net debt	14,236,895	6,511,282
Total equity reported in the financial statements	8,573,663	4,380,231
Ratio of net debt to equity plus debt	62.41%	59.78%

As for information about financial covenants, see Note 18d.

NOTE 20:- EQUITY (Cont.)

e. Issuances of capital

1. On January 24, 2021, the Company issued 4.74 million Ordinary shares of NIS 0.01 par value each of the Company and 1.3 million unlinked share options (series 6) that are each exercisable into one Ordinary share of the Company in exchange for about 13.93 million shares of AFI, accounting for about 38.67% of AFI's share capital. See Note 5 above.

2. On February 3, 2021, the Company reported that it had reached understandings with the partner in the subsidiary, BIG-CEE B.V., for the purchase of the partner's entire interests in the subsidiary (13%) and for the purchase of the partner's entire share of the owners' loans in return for allocation of Company shares for NIS 350 per NIS 0.01 par value and a total scope of approximately € 24.3 million.

   On February 11, 2021, the Company's Board approved the allocation of 275,130 Ordinary shares of NIS 0.01 par value each of the Company to the partner in the context of the above transaction.

3. On July 6, 2021, the Company's Board approved the allocation of 724,000 Ordinary shares of NIS 0.01 par value each of the Company to a classified investor who is neither a related nor an interested party in the Company. The share price is NIS 413.9 which is the closing price of the Company's shares on the TASE on the date of the Board's approval and for total proceeds of NIS 299,664 thousand.

NOTE 21:- SHARE-BASED PAYMENT

a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Equity-settled share-based payment plans	22,999	14,067	8,288

The share-based payment transactions granted by the Company to its employees are described below:

Each of the employee option grants entered into by the Company was in accordance with the terms of the employee share option plan adopted by the Board in November 2006, as amended and as will be amended from time to time ("the plan"). Each option may be exercised into one Ordinary share of NIS 0.01 par value.

NOTE 21:- SHARE-BASED PAYMENT (Cont.)

The exercise price is determined in accordance with the closing price of the Company's share on the TASE, immediately prior to the approval of the Board or the average share price during the 30 trading days preceding the date of which the Board decided to grant the options. The exercise price is subject to adjustments as detailed in the conditions of the Plan. The options' vesting period is such that the options shall become exercisable as follows:

1/3 of the options may be exercised after two years from the date of allocation ("the first portion of options"), 1/3 of the options may be exercised after three years from the date of allocation ("the second portion of options") and 1/3 of the options may be exercised after four years from the date of allocation ("the third portion of options").

The first portion of options may be exercised after two years from the date of allocation and up to five years from the date of allocation; the second portion of options may be exercised after three years from the date of allocation and up to five years from the date of allocation; and the third portion of options may be exercised after four years from the date of allocation and up to five years from the date of allocation.

The optionees will be able not to pay the exercise price on the exercise date and, practically, optionees who exercise the options shall be allocated shares at an amount that only reflects the underlying amount of the economic benefit.

The Company elected the binomial model for calculating the fair value of the granted options.

b. On January 1, 2019, the Company's Board approved the grant of 201,725 options to Company's employees and officers ("the optionees").

The following assumptions served as a basis for the fair value measurement of each option using the binomial model:

Share price	-	NIS 209.6
Exercise price	-	NIS 209.6
Risk-free interest rate	-	1.6%
Standard deviation	-	19.4%

The total fair value of the options was approximately NIS 8,626 thousand at the grant date.

NOTE 21:- SHARE-BASED PAYMENT (Cont.)

c. On January 1, 2019, the Company's Board approved the grant of 13,700 restricted share units to the Company's employees and officers ("the optionees"), in accordance with the outline plan of an offer of securities to employees as approved by the Board on January 1, 2019. The vesting period of the first half of the restricted share units is after two years from the date of allocation of the second half after three years from the date of allocation.

The restricted share units will be allocated to the optionees without cash consideration (except their work and services). Upon the exercise of any restricted share unit into share, the optionees will not be required to pay any cash consideration.

The following assumptions served as a basis for the fair value measurement of each restricted share unit using the binomial model:

Share price	-	NIS 209.6
Risk-free interest rate	-	1.6%

The total fair value of the restricted share units was approximately NIS 3,039 thousand at the grant date.

d. On May 2, 2020, the Company's Board approved the grant of 447,759 options to Company's employees and officers ("the optionees").

The following assumptions served as a basis for the fair value measurement of each option using the binomial model:

Share price	-	NIS 279.8
Exercise price	-	NIS 249.57
Risk-free interest rate	-	0.43%
Standard deviation	-	23.48%

The total fair value of the options was approximately NIS 32,686 thousand at the grant date.

e. In October and November 2020, the Company's Board approved the grant of 12,000 options and 4,000 options to officers in the Company, respectively ("the optionees").

The following assumptions served as a basis for the fair value measurement of each option using the binomial model:

Share price	-	NIS 279.8
Exercise price	-	NIS 249.57
Risk-free interest rate	-	0.43%
Standard deviation	-	23.48%

The total fair value of the options was approximately NIS 1,113 thousand at the grant date.

NOTE 22:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
a. Revenues:			
Rental income	1,079,632	429,917	490,941
Revenues from management fees	379,584	159,076	192,718
Revenues from land and construction transactions	224,462	-	-
Revenues from BOT projects	113,534	-	-
Revenues from solar activity	9,910	9,111	9,112
	1,807,122	598,104	692,771
b. Rental properties operation expenses:			
Security	37,444	17,380	19,033
Cleaning	40,885	21,431	26,079
Electric and water	59,359	12,812	11,606
Maintenance and repairs	107,107	52,766	61,915
Taxes	56,020	36,099	38,282
Management fees	2,972	1,478	3,780
Depreciation	4,441	5,080	5,288
Cost of land and construction transactions (1)	228,774	-	-
Cost of BOT projects	112,169	-	-
Others	86,136	9,903	11,198
	735,307	156,949	177,181

(1) Composition of cost of land and construction transactions:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Land	25,108	-	-
Subcontractors	176,565	-	-
Other	10,551	-	-
	212,224	-	-
Less – impairment	16,550	-	-
	228,774	-	-

NOTE 22:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS (Cont.)

		Year ended December 31,		
		2021	**2020**	**2019**
		NIS in thousands		
c.	General and administrative expenses:			
	Salary and related expenses	66,800	27,089	25,691
	Employee options	20,671	10,718	5,767
	Professional services	24,285	14,323	11,654
	Consulting from controlling shareholder	-	-	943
	Salary to interested party	-	1,156	3,862
	Office maintenance	5,822	5,940	4,859
	Allowance for doubtful accounts and bad debts	5,622	3,933	1,602
	Donations	2,276	733	4,658
	Travel abroad	457	354	723
	Other expenses	19,851	3,998	5,933
		145,784	68,244	65,692
d.	Finance income and expenses:			
	Finance expenses:			
	Finance expenses on short-term loans from banks	20,829	11,429	5,965
	Finance expenses on long-term loans from banks	137,619	55,101	66,970
	Finance expenses on long-term loans from others	18,342	14,956	13,486
	Finance expenses on debentures	344,948	69,486	100,181
	Other finance expenses (income)	35,585	2,826	1,430
		557,323	153,798	188,032
	Exchange rate differences, net	182,089	(372)	10,033
	Less - capitalized finance expenses	(38,429)	(11,249)	(10,360)
		700,983	142,177	187,705
	Finance income:			
	Finance income on banks and marketable securities	248	538	996
	Finance income on loans given	55,982	15,703	15,730
	Other finance income	525	640	1,468
	Net change in fair value of financial assets measured at fair value through profit or loss	171,040	-	-
		227,795	16,881	18,194
e.	Other income, net:			
	Other	868	4,680	94,130

NOTE 23:- TAXES ON INCOME

a. Tax laws applicable to the Group companies:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the Israeli parliament passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

b. Tax rates applicable to the Group companies:

1. The Israeli corporate income tax rate was 23% in 2019-2021.

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

2. Group companies outside Israel:

   The principal tax rates applicable to Group companies whose place of incorporation is outside Israel are:

   Companies incorporated in the Netherlands - tax rate of 25.5% (2020 – 25.5%)

   Companies incorporated in Serbia - tax rate of 15% (2020 – 15%).

   Companies incorporated in Romania - tax rate of 16%.

   Companies incorporated in Czech - tax rate of 19%.

   Companies incorporated in Poland - tax rate of 19% and companies with taxable income of up to € 1.2 million – tax rate of 9%.

   Companies incorporated in the U.S. – weighted tax rate of about 26% (2020 – 26%).

NOTE 23:- TAXES ON INCOME (Cont.)

c. Deferred taxes:

Composition and movement in deferred taxes are as follows:

	Investment property	Carry-forward tax losses	Loans	Others	Total
	NIS in thousands				
Balance as of January 1, 2020	(825,735)	39,742	1	(9,745)	(795,737)
Reserve from translation differences	9,654	(1,624)	21	(101)	7,950
Capital reserve for hedges and others	-	-	-	14,883	14,883
Charged to the statement of comprehensive income	52,475	(644)	(279)	(19,770)	31,782
Balance as of December 31, 2020	(763,606)	37,474	(257)	(14,733)	(741,122)
Initial consolidation	(798,403)	132,952	-	12,290	(653,161)
Reserve from translation differences	100,650	(2,982)	5	(4,353)	93,320
Capital reserve for hedges and others	-	-	-	(1,623)	(1,623)
Other	2,476	-	-	-	2,476
Charged to the statement of comprehensive income	(211,534)	13,721	352	(32,574)	(230,035)
Balance as of December 31, 2021	(1,670,417)	181,165	100	(40,993)	(1,530,145)

The deferred taxes in the group companies are computed at the tax rates that are expected to apply upon realization, according to the applicable tax laws as of the reporting date.

d. Taxes on income (tax benefit) included in profit or loss:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Current taxes	68,776	25,222	29,131
Deferred taxes	230,035	(31,782)	84,457
Taxes in respect of previous years	(62,269)	(1,715)	(962)
	236,542	(8,275)	112,626

NOTE 23:- TAXES ON INCOME (Cont.)

e. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in the statement of comprehensive income is as follows:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Income (loss) before taxes on income and before the Company's share of earnings of associates	1,216,484	(1,984)	605,107
Statutory tax rate	23%	23%	23%
Tax (tax benefit) computed at the statutory tax rate	279,791	(456)	139,174
Increase (decrease) in taxes on income resulting from the following factors:			
Tax exempt income, net	(1,615)	(4,608)	(24,966)
Nondeductible expenses for tax purposes	8,934	3,446	1,943
Differences for which deferred taxes were not recognized	4,300	1	1
Differences in measurement basis (Israeli CPI for tax purposes and foreign currency in the financial statements)	(16,856)	2,763	(919)
Recognition of deferred taxes at various tax rates	4,057	(10,025)	(3,700)
Tax effect on amortization of excess cost for accounting purposes	20,442	-	-
Share of non-controlling interests	(242)	2,319	1,503
Taxes in respect of previous years	(62,269)	(1,715)	(962)
Taxes on income (tax benefit)	236,542	(8,275)	112,074
Average effective tax rate	19.44%	417.08%	18.52%

NOTE 23:- TAXES ON INCOME (Cont.)

f. Tax assessments:

The Company received final tax assessments through the 2019 tax year.

Following is a disclosure of tax assessment arrangements in the subsidiary, AFI Properties:

In 2012 and 2015, AFI Properties was issued tax assessment orders for 2007-2010 by the tax assessor. A subsidiary of AFI Properties was issued tax assessments for 2011 and 2014. In respect of some of the matters that apply to these tax assessments, AFI Properties included in its consolidated financial statements as of December 31, 2020 a tax provision of approximately NIS 320 million and did not provide for other aspects of the tax assessments based on the opinion of its legal counsel.

On June 30, 2021, AFI Properties and its subsidiaries reached a settlement agreement with the Israel Tax Authority ("the ITA") according to which the companies will pay NIS 297 million in respect of the tax assessment orders and tax assessments for previous years. AFI Properties was allowed to record carryforward losses totaling approximately NIS 291 million in respect of these tax assessments. In July 2021, after the settlement agreement had been approved by the Tel-Aviv District Court, the companies paid the above sum. According to the agreement, AFI Properties recorded in its consolidated financial statements as of December 31, 2021 a decrease of approximately NIS 23 million in tax expenses in respect of the provisions recorded in previous years.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

	December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Other accounts payable	-	-	327

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

b. Expenses and other payments:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Expenses related to consulting by controlling shareholder	-	-	943
Expenses related to salary to interested parties (1) (2)	9,886	8,290	3,862
Rent expenses	556	-	-

(1) Mr. Eitan Bar Ze'ev served as the Company's CEO from 2011 until June 30, 2019 and had granted the Company consulting services according to a consulting agreement signed between the parties ("the CEO consulting agreement").

From July 1, 2019, Mr. Bar Ze'ev ceased serving as the Company's CEO and was appointed as the active Chairman of the Company's Board based on a full-time position.

Mr. Bar Ze'ev and the Company signed a consulting agreement ("the COB consulting agreement") which became effective on July 1, 2019 according to which in return for Mr. Bar Ze'ev's services and for the consulting services and that were rendered by a consulting company controlled by Mr. Bar Ze'ev, the Company paid NIS 325,000 per month plus VAT as required by law, linked to the Israeli CPI for December 2018. Also, according to the COB consulting agreement, Mr. Bar Ze'ev is not entitled to any other or separate fee for his service as director in the Company or in other Group companies.

As for a company car, Mr. Bar Ze'ev shall have the option to choose between two alternatives: (1) the Company will provide the Mr. Bar Ze'ev a maximum level 7 vehicle with the vehicle usage value included; or (2) the Company will participate in vehicle maintenance expenses in the total annual amount of NIS 200,000 (representing part of the monthly salary), linked to the known Israeli CPI on January 15, 2011, plus VAT as required by law. Mr. Bar Ze'ev will also be entitled to an adjustment period of six (6) months and may be entitled to an adjustment period of up to twelve (12) months in accordance with the terms set in the remuneration policy. A 12-month adjustment period shall be granted against Mr. Bar Ze'ev's non-compete undertaking regarding the Company's competitors as detailed in the COB consulting agreement for a period of 24 months.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

In addition, Mr. Bar Ze'ev's consulting company shall be entitled to reimbursement of out-of-pocket expenses incurred by Mr. Bar Ze'ev from time to time (including lodging and subsistence expenses), as well as mobile phone expenses, flights and foreign travel as part of the COB consulting agreement, according to the Company's policy and to Mr. Bar Ze'ev's position.

Mr. Eitan Bar Ze'ev is covered by directors' and officers' liability insurance and is entitled to a letter of indemnification and quittance, according to the terms existing at the Company.

Each party shall be entitled to terminate the consulting agreement with 180 days' advance written notice, and if the advance notice is given less than six months before the end of the agreement, the agreement shall expire on its expiry date without being required to explain the reasons for its cancellation. The termination of Mr. Bar Ze'ev's services as COB shall be equivalent to advance notice. During the advance notice period, Mr. Eitan Bar Ze'ev shall have to render the consulting services to the Company and the Company shall be required to pay the respective remuneration. In addition, the Company will be entitled to terminate the agreement immediately in cases set out in the consulting agreement, including if Mr. Eitan Bar Ze'ev or the consulting company breach a material undertaking and/or commit a crime involving moral turpitude and/or perform an act which may by law deprive him of severance pay. A decision to cancel the agreement by the Company, or a decision not to renew it, shall require the approval of the Company's Remuneration Committee.

On May 1, 2020, the Company entered into a new employment agreement with Mr. Bar Ze'ev which supersedes the COB consulting agreement whereby the total fee payable to Mr. Bar Ze'ev for his services as COB according to the COB consulting agreement will remain unchanged at NIS 325,000 a month, linked to the Israeli CPI for December 2018. This fee represents the entire cost of the COB's employment consisting of the monthly salary and the related accruals and benefits to which he is entitled as opposed to the Company's cost according to the COB consulting agreement.

In addition to the above terms, according to the new employment agreement, Mr. Bar Ze'ev is also entitled to the following, subject to the approvals of the Company's authorized entities:

Annual bonus: from 2020 to be calculated based on quantitative KPIs (up to 75%) and personal performance targets. Compliance with all the above criteria will qualify the COB for a bonus of up to 12 monthly salaries. The Company's Remuneration Committee and Board have the authority to approve a partial or full reduction of the COB's annual bonus but in any event, the COB may be entitled to a discretionary bonus which will not exceed the higher of three monthly salaries or 25% of the actual variable bonus.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

Share-based payment: from 2020 and every other year, the COB will be allocated up to 100,000 unregistered options and/or restricted shares and/or RSUs and/or any other form of share-based payment, free of charge, provided that the value of each share-based payment on the grant date will not exceed the maximum stipulated in the Company's remuneration policy, as it will be from time to time.

In keeping with the aforesaid, in 2020, Mr. Bar Ze'ev was granted 64,400 unregistered options that are exercisable into Company shares.

(2) From July 1, 2019, Mr. Hay Galis has been serving as the Company's CEO on a full-time basis. According to his employment terms, Mr. Galis is entitled to a monthly salary of NIS 83,000, a level 7 company car and all vehicle maintenance expenses and related tax, a mobile phone and all related expenses, 28 annual vacation days which can be accrued or redeemed, social benefits with customary contributions to study funds / executive insurance policy / pension fund / provident fund for compensation, severance pay and occupational disability. Mr. Galis is also entitled to out-of-pocket expenses (including lodging and subsistence), as incurred from time to time, in business flights and foreign travel, in keeping with the Company's remuneration policy and Mr. Galis' position. Mr. Galis is covered by directors' and officers' liability insurance and is entitled to a letter of indemnification and quittance, according to the terms existing at the Company. Mr. Galis is also entitled to an annual bonus to be calculated based on quantitative KPIs and a discretionary component that does not exceed the higher of three monthly salaries or 25% of the actual variable bonus. At the Company's discretion, Mr. Galis is also entitled to a discretionary bonus to be granted as per the Company's remuneration policy and after obtaining the approval of the Company's Remuneration Committee and Board.

From 2020 and thereafter, Mr. Galis is also entitled to the following:

Annual bonus: to be calculated based on quantitative KPIs (up to 75%) and personal performance targets. Compliance with all the above criteria will qualify the CEO for a bonus up to 12 monthly salaries. The Company's Remuneration Committee and Board have the authority to approve a partial or full reduction of the CEO's annual bonus but in any event, the CEO may be entitled to a discretionary bonus which will not exceed the higher of three monthly salaries or 25% of the actual variable bonus.

Share-based payment: from 2020 and every other year, the CEO will be allocated up to 60,000 unregistered options and/or restricted shares and/or RSUs and/or any other form of share-based payment, free of charge, provided that the value of each share-based payment on the grant date will not exceed the maximum stipulated in the Company's remuneration policy, as it will be from time to time.

In keeping with the aforesaid, in 2020, Mr. Galis was granted 44,022 unregistered options that are exercisable into Company shares.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

c. Benefits to key management personnel:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Short-term benefits	13,377	7,151	7,604
Share-based payment	9,943	4,731	2,753
	23,320	11,882	10,357

As for interested parties who are senior officers, see a above.

NOTE 25:- FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Group's activities expose it to various financial risks such as market risk (including foreign currency risk, Israeli CPI risk and interest rate risk in respect of fair value), credit risk, liquidity risk and interest rate risk in respect of cash flows. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance. The Group utilizes derivatives in order to hedge certain exposures to risks.

The analysis of the market risks and the effect on the linkage balance sheet of the Group is performed by the Company's Finance Department using external consulting. According to the results of the analysis and the guidance received from the Company's Board, the structure of the Company's optimal financing is determined.

1. Market risks:

a) Israeli CPI risk:

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately NIS 7,883,557 thousand as of December 31, 2021 (2020 – approximately NIS 4,524,200 thousand).

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

b) Interest rate risk:

The Group's interest rate risk derives mainly from long and short-term loans. Liabilities bearing variable interest rates expose the Group to interest rate risk in respect of cash flows, while those bearing fixed interest rates expose the Group to interest rate risk in respect of fair value. At the end of 2021, about 71.5% of the loans were with fixed interest (2020 – about 79.8%).

c) Foreign currency risk:

The Group operates in a large number of countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the U.S. dollar and the Euro. Foreign exchange risk mainly arises from net investments in foreign operations. The Company manages the net position of each foreign currency using hedges and forward transactions. To hedge its exposure to the USD exchange rate, the Company enters into forwards of approximately $ 200 million. As for the exposure to the Euro exchange rate, see Note 18c(8) above.

2. Credit risk:

The Group does not have any significant concentrations of credit risk, as the Company tends to back its revenues due to basic rent and prepaid management fees.

As of the reporting date, the tenant balance largely consists of rental income due to repayment differences and revenues from management fees collected in a period of up to 3 months.

As of December 31, 2021, cash and cash equivalents amounted to NIS 1,601,134 thousand (2020 – NIS 285,801 thousand). All deposits are invested with high quality financial corporations.

The subsidiaries earn revenues from customers mainly in Israel, U.S. and Serbia and from the customers of the subsidiary, AFI Properties. Outstanding customer receivables are regularly monitored by the subsidiaries and allowances for doubtful accounts which, according to the subsidiaries' evaluation, adequately reflect the expected loss of debts whose collection is doubtful, were recorded in the financial statements.

The subsidiaries have no significant concentrations of credit risk.

According to the Company's policy, the relative credit stability of the various financial institutions in which the Company maintains cash and cash equivalents is evaluated on a regular basis.

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

3. Liquidity risk:

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2021

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	5 years and above	Total
	NIS in thousands					
Loans from banks and others	1,975,685	1,435,959	1,097,291	910,924	1,004,691	6,424,550
Trade payables	184,956	-	-	-	-	184,956
Other accounts payable	130,173	-	-	-	-	130,173
Debentures	933,545	1,388,131	1,111,647	1,567,183	5,896,005	10,896,511
Lease liability	7,538	7,538	7,538	7,538	40,493	70,645
Tenants' deposits	3,412	8,843	11,031	9,886	33,817	66,989
	3,235,309	2,840,471	2,227,507	2,495,531	6,975,006	17,773,824

December 31, 2020

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	5 years and above	Total
	NIS in thousands					
Loans from banks and others	619,980	777,610	168,400	344,522	379,003	2,289,515
Trade payables	45,439	-	-	-	-	45,439
Other accounts payable	26,447	-	-	-	-	26,447
Debentures	503,632	494,389	543,290	478,592	3,571,757	5,591,660
Lease liability	1,572	1,572	1,572	1,572	26,987	33,275
Tenants' deposits	262	1,601	3,758	2,405	7,368	15,394
	1,197,332	1,275,172	717,020	827,091	3,985,115	8,001,730

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

b. Fair value:

The following table demonstrates the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	Carrying amount		Fair value	
	December 31,		December 31,	
	2021	2020	2021	2020
	NIS in thousands			
Financial liabilities:				
Non-current loans with fixed interest (2)	597,331	684,708	720,419	670,457
Debentures (1)	10,175,017	5,110,738	10,948,393	5,398,032
	10,772,348	5,795,446	11,668,812	6,068,489

(1) The fair value is based on price quotations in an active market at the reporting date (Level 1).

(2) The fair value is based on discounted cash flows with weighted interest of 2.72% (Level 3)

The carrying amount of cash and cash equivalents, bank deposits, tenants, other accounts receivable, loans to associates, long-term loans granted, short-term credit with variable interest from banks and others, trade payables and other accounts payable approximate their fair value.

The following methods and assumptions were used to estimate the fair values:

- Fair value of quoted debentures is based on price quotations at the reporting date.

- Fair value of loans from banks and other financial liabilities is estimated by discounting forecast cash flows using rates available for instruments on similar terms, credit risk and maturity dates.

c. Sensitivity tests relating to changes in market factors:

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors and financial assets and liabilities was determined based on the materiality of the exposure of each risk assuming that all the other variables are constant.

Cash and cash equivalents, including assets with a range of up to one year, were not included in the interest curve exposure tables.

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

1. Sensitivity test to changes in the Israeli CPI:

December 31, 2021

Instrument	Sensitivity test to changes in the Israeli CPI				
	Loss from the change		Fair value	Gain from the change	
	Increase of 2% in CPI	Increase of 1% in CPI	December 31, 2020	Decrease of 0.5% in CPI	Decrease of 1% in CPI
	NIS in thousands				
Debentures E	4,115	2,057	213,291	1,029	2,057
Debentures G	8,654	4,327	473,886	2,163	4,327
Debentures H	7,185	3,593	394,525	1,796	3,593
Debentures I	12,347	6,174	688,057	3,087	6,174
Debentures K	8,226	4,113	478,600	2,057	4,113
Debentures L	9,303	4,651	565,574	2,326	4,651
Debentures M	8,866	4,433	483,712	2,217	4,433
Debentures N	6,996	3,498	368,391	1,749	3,498
Debentures O	16,021	8,010	875,863	4,005	8,010
Debentures P	3,854	1,927	211,021	963	1,927
Debentures Q	4,325	2,163	234,643	1,081	2,163
Debentures R	19,325	9,662	1,063,344	4,831	9,662
Debentures of AFI Properties	84,088	42,044	2,923,470	21,022	42,044
Total	193,305	96,652	8,974,377	48,326	96,652

December 31, 2020

Instrument	Sensitivity test to changes in the Israeli CPI				
	Loss from the change		Fair value	Gain from the change	
	Increase of 2% in CPI	Increase of 1% in CPI	December 31, 2020	Decrease of 0.5% in CPI	Decrease of 1% in CPI
	NIS in thousands				
Debentures E	8,036	4,018	415,849	2,009	4,018
Debentures G	8,760	4,380	465,299	2,190	4,380
Debentures H	7,484	3,742	393,075	1,871	3,742
Debentures I	12,632	6,316	671,432	3,158	6,316
Debentures K	8,514	4,257	465,290	2,129	4,257
Debentures L	9,507	4,754	547,524	2,377	4,754
Debentures M	9,168	4,584	465,459	2,292	4,584
Debentures N	7,200	3,600	355,248	1,800	3,600
Debentures O	16,395	8,197	830,630	4,099	8,197
Debentures P	3,920	1,960	198,705	980	1,960
Debentures Q	4,400	2,200	223,520	1,100	2,200
Total	96,016	48,008	5,032,031	24,005	48,008

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

2. Sensitivity test to changes in the Bank of Israel interest:

December 31, 2021

	Sensitivity test to changes in the Bank of Israel interest				
	Loss from the change			Gain from the change	
Instrument	Increase of 2% in interest	Increase of 1% in interest	Fair value December 31, 2021	Decrease of 0.25% in interest	Decrease of 0.5% in interest
	NIS in thousands				
Long-term loans with variable interest	36,753	18,377	1,837,674	4,594	9,188

December 31, 2020

	Sensitivity test to changes in the Bank of Israel interest				
	Loss from the change			Gain from the change	
Instrument	Increase of 2% in interest	Increase of 1% in interest	Fair value December 31, 2020	Decrease of 0.25% in interest	Decrease of 0.5% in interest
	NIS in thousands				
Long-term loans with variable interest	15,620	7,810	780,992	1,952	3,905

3. Sensitivity test to changes in the exchange rate of the Euro:

December 31, 2021

	Sensitivity test to changes in the exchange rate of the Euro				
	Loss from the change			Gain from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2021	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loans in Euro	(334,827)	(167,414)	3,348,271	167,414	334,827
Euro/NIS hedges	(154,193)	(77,097)	226,381	77,097	154,193
	(489,020)	(244,511)	3,574,652	244,511	489,020

December 31, 2020

	Sensitivity test to changes in the exchange rate of the Euro				
	Loss from the change			Gain from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2020	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loans in Euro	(54,121)	(27,061)	541,213	27,061	54,121

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

4. Sensitivity test to changes in the exchange rate of the U.S. dollar:

December 31, 2021

	Sensitivity test to changes in the exchange rate of the U.S. dollar				
	Loss from the change			Gain from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2021	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loans in USD	(43,459)	(21,730)	557,689	21,730	43,459
Debentures (series J)	(21,654)	(10,827)	203,331	10,827	21,654
	(65,113)	(32,557)	761,020	32,557	65,113

	Sensitivity test to changes in the exchange rate of the U.S. dollar				
	Gain from the change			Loss from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2021	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loan granted	19,266	9,633	192,660	(9,633)	(19,266)
USD/NIS hedge	(62,199)	(31,099)	(1,000)	31,099	62,199
	(42,933)	(21,466)	191,660	21,466	42,933

December 31, 2020

	Sensitivity test to changes in the exchange rate of the U.S. dollar				
	Loss from the change			Gain from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2020	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loans in USD	(80,003)	(40,002)	949,458	40,002	80,003
USD/NIS hedges	(20,860)	(10,430)	223,908	10,430	20,860
	(100,863)	(50,432)	1,173,366	50,432	100,863

	Sensitivity test to changes in the exchange rate of the U.S. dollar				
	Gain from the change			Loss from the change	
Instrument	Increase of 10% in exchange rate	Increase of 5% in exchange rate	Fair value December 31, 2020	Decrease of 5% in exchange rate	Decrease of 10% in exchange rate
	NIS in thousands				
Loan granted	22,860	10,430	228,885	(10,430)	(20,860)

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

d. Linkage terms of monetary balances:

December 31, 2021

	Linked to Israeli CPI	In or linked to USD	In or linked to Euro and other currencies	In unlinked NIS	Non-monetary	Total
	NIS in thousands					
ASSETS						
Cash and cash equivalents	-	577,967	304,624	718,543	-	1,601,134
Deposits and securities	-	6,378	93,162	75,397	-	174,937
Tenants	-	6,442	66,649	16,797	-	89,888
Accounts receivable	47,248	103	127,980	41,718	11,268	228,317
Long-term loans and other receivables	481,100	49,207	390,331	187,849	7,975	1,116,462
	528,348	640,097	982,746	1,040,304	19,243	3,210,738
LIABILITIES						
Short-term credit from banks and others	-	-	22,144	923,976	-	946,120
Trade payables and other accounts payable	48,099	10,737	224,772	59,652	50,052	393,312
Debentures	8,175,543	195,403	-	1,804,071	-	10,175,017
Interest-bearing liabilities to financial institutions and others	162,610	434,598	3,380,801	913,820	-	4,891,829
Other financial liabilities	25,653	1,631	78,844	10,143	-	116,271
	8,411,905	642,369	3,706,561	3,711,662	50,052	16,522,549

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2020

	Linked to Israeli CPI	In or linked to USD	In or linked to Euro and other currencies	In unlinked NIS	Non-monetary	Total
	NIS in thousands					
ASSETS						
Cash and cash equivalents	-	121,891	10,441	153,469	-	285,801
Deposits and securities	-	8,903	27,846	5,171	-	41,920
Tenants	-	16,225	7,461	16,015	-	39,701
Accounts receivable	107,503	99	5,320	11,330	9,229	133,481
Assets held for sale	-	-	-	-	-	-
Long-term loans and other receivables	182,940	72,789	42,414	50,857	62,032	411,032
	290,443	219,907	93,482	236,842	71,261	911,935
LIABILITIES						
Short-term credit from banks and others	-	-	-	246,360	-	246,360
Trade payables and other accounts payable	21,834	14,822	20,962	41,387	14,225	113,230
Debentures	4,770,709	206,012	-	134,017	-	5,110,738
Interest-bearing liabilities to financial institutions and others	-	802,079	541,216	534,782	-	1,878,077
Other financial liabilities	21,863	4,204	4,761	-	-	30,828
	4,814,406	1,027,117	566,939	956,546	14,225	7,379,233

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

e. Changes in liabilities arising from financing activities:

	Balance at January 1, 2021	Cash flows from financing activities	Classified in liabilities held for sale	Effect of changes in exchange rates	Liabilities recognized for initial consolidation	Other changes	Balance at December 31, 2021
	NIS in thousands						
Short-term loans from banks and overdraft	246,360	275,061	-	-	443,439	(18,740)	946,120
Long-term loans from banks (including current maturities)	1,876,211	(650,365)	(172,172)	(66,943)	3,889,189	15,909	4,891,829
Debentures (including current maturities)	5,110,738	1,899,685	-	-	3,012,996	151,598	10,175,017
Total liabilities arising from financing activities	7,233,309	1,524,381	(172,172)	(66,943)	7,345,624	148,767	16,012,966

NOTE 26:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of net earnings (loss) per share:

	Year ended December 31,					
	2021		2020		2019	
	Weighted number of shares	Net income	Weighted number of shares	Net loss	Weighted number of shares	Net income
		NIS in thousands		NIS in thousands		NIS in thousands
Number of shares and net income (loss) attributable to equity holders of the Company used in the computation of basic net earnings (loss) per share	20,134,379	1,048,313	14,786,604	(9,141)	14,282,157	612,694
Number of shares and net income (loss) attributable to equity holders of the Company used in the computation of diluted net earnings (loss) per share	20,433,720	1,048,313	14,925,403	(9,141)	14,350,113	612,694

NOTE 27:- OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. The Group's CODM is the Company's CEO.

Accordingly, for management purposes, the Group is organized into geographical areas according to the location of assets, with three operating segments, as follows: Israel, U.S. and Serbia and another segment representing the operations of AFI Properties. Management monitors the operating results of its geographical areas separately for the purpose of making decisions regarding the allocation of resources and the assessment of performance. The Company reports to the CODM pro rata to its share of the EBITDA of the Group companies as follows:

	Israel	U.S.	Serbia	AFI Properties	Adjustments	Total
	NIS in thousands					
Year ended December 31, 2021						
External revenues	515,526	236,933	127,008	718,858	208,797	1,807,122
Inter-segment revenues	845	-	-	-	(845)	-
Total revenues	516,371	236,933	127,008	718,858	207,952	1,807,122
Segment income (EBITDA)	360,914	140,284	81,690	313,170	(13,575)	882,483
Revaluation of investment property and investment property under development						816,678
Depreciation and amortization						(10,357)
Finance expenses, net						(473,188)
Other income						868
Company's share of earnings of companies accounted for at equity, net						363,077
Income before taxes on income						1,579,561

NOTE 27:- OPERATING SEGMENTS (Cont.)

	Israel	U.S.	Serbia	Adjustments	Total
	NIS in thousands				
Year ended December 31, 2020					
External revenues	380,164	261,406	67,194	(110,660)	598,104
Inter-segment revenues	5,888	-	-	(5,888)	-
Total revenues	386,052	261,406	67,194	(116,548)	598,104
Segment income (EBITDA)	254,584	157,844	41,158	(99,032)	354,554
Revaluation of investment property and investment property under development					(225,613)
Depreciation and amortization					(10,489)
Finance expenses, net					(125,296)
Other income					4,860
Company's share of losses of companies accounted for at equity, net					(45,144)
Loss before taxes on income					(47,128)

	Israel	U.S.	Serbia	Adjustments	Total
	NIS in thousands				
Year ended December 31, 2019					
External revenues	474,996	307,222	54,106	(143,553)	692,771
Inter-segment revenues	4,357	-	-	(4,357)	-
Total revenues	479,353	307,222	54,106	(147,910)	692,771
Segment income (EBITDA)	331,258	184,821	32,691	(125,702)	423,068
Revaluation of investment property and investment property under development					268,479
Investment in investment property					(100)
Depreciation and amortization					(10,959)
Finance expenses, net					(169,511)
Other income					94,130
Company's share of earnings of companies accounted for at equity, net					115,613
Income before taxes on income					720,720

NOTE 27:- OPERATING SEGMENTS (Cont.)

b. Geographical information:

The carrying amount by the effective share of the Company in non-current assets (property, plant and equipment, investment property, investment property under development, long-term inventory and intangible assets) according to the country of residence (Israel) and outside thereof, based on the location of the assets is as follows:

	December 31, 2021	December 31, 2020
	NIS in thousands	
Israel	7,623,845	6,803,932
U.S.	1,372,121	2,620,236
Serbia	1,450,187	1,039,059
AFI Properties (*)	7,685,686	-
Adjustments	2,510,871	(2,007,394)
	20,642,710	8,455,833

(*) Following is a breakdown of the revenues and EBITDA arising from the operations of AFI Properties based on geographical location in the year ended December 31, 2021:

	Israel	Czech	Serbia	Poland	Romania	Other	Total
	NIS in thousands						
Year ended December 31, 2021							
Total revenues	144,943	148,726	76,944	57,473	254,354	36,418	718,858
Segment income (EBITDA)	33,890	63,387	41,916	26,397	158,648	(11,068)	313,170

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES

In October 2021, the Company published a shelf offering report offering the public in a book building process a new series of debentures (series S) which is secured by various liens in connection with the following project companies:

- HVAC Retail d.o.o. INĐIJA ("HVAC") which owns the entire rights to the BIG Fashion Outlet Park in Indjija, Serbia consisting of a commercial center for lease in an area of some 11 thousand sq. m.

- NEPI Real Estate Project Two d.o.o. Kragujevac ("NEPI") which owns the entire rights to the Krusevac Shopping Park project in Krusevac, Serbia consisting of a commercial center for lease in an area of some 8.6 thousand sq. m.

- SEK DOO KRAGUJEVAC ("SEK") which owns the entire rights to the Kragujevac Plaza Shopping Center project in Kragujevac, Serbia consisting of a commercial center for lease in an area of some 22 thousand sq. m.

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

The proceeds raised will mainly serve to repay a bank loan and intercompany loans granted to the project companies. See more information of debentures issued in Note 18c(8) above.

Following are the condensed financial data of the project companies as included in the Company's consolidated financial statements in the reporting periods:

a. HVAC:

Financial position:

	December 31,	
	2021	**2020**
	Euros in thousands	
Non-current assets:		
Deposits	-	75
Investment property	17,975	14,900
Total non-current assets	17,975	14,975
Current assets:		
Receivables	785	539
Cash and cash equivalents	474	280
Total current assets	1,259	819
Total assets	19,234	15,794
Non-current liabilities:		
Other long-term liabilities	89	89
Loans from related companies	7,398	-
Total non-current liabilities	7,487	89
Current liabilities:		
Bank loans	-	8,175
Loans from related companies	308	98
Trade and other payables	245	217
Total current liabilities	553	8,490
Total liabilities and equity	19,234	15,794

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

Operating results:

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	
Revenues from property rental and operation, net	1,446	1,289
Increase (decrease) in fair value of investment property, net	3,026	283
General and administrative expenses	23	10
Operating income	4,449	1,562
Finance expenses, net	(402)	(426)
Income before taxes on income	4,047	1,136
Taxes on income	(69)	(113)
Net income	3,978	1,023

Cash flows:

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	
Net cash provided by operating activities	682	439
Net cash used in investing activities	(7)	(3)
Net cash used in financing activities	(481)	(477)
Increase (decrease) in cash and cash equivalents	194	(41)
Cash and cash equivalents at beginning of year	280	321
Cash and cash equivalents at end of year	474	280

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

b. SEK:

Financial position:

	December 31, 2021	December 31, 2020
	Euros in thousands	
Non-current assets:		
Property, plant and equipment	101	138
Investment property	48,080	46,630
Total non-current assets	48,181	46,768
Current assets:		
Receivables	798	463
Cash and cash equivalents	897	3,530
Total current assets	1,695	3,993
Total assets	49,876	50,761
Non-current liabilities:		
Loans from related companies	23,243	30,627
Deferred tax liabilities	-	902
Other long-term liabilities	369	331
Total non-current liabilities	23,612	31,860
Current liabilities:		
Trade and other payables	395	714
Loans from related companies	1,170	-
Total current liabilities	1,565	714
Total liabilities and equity	49,876	50,761

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

Operating results (*):

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	
Revenues from property rental and operation, net	3,780	3,347
Increase (decrease) in fair value of investment property, net	1,612	(1,578)
General and administrative expenses	87	37
Other income (expenses), net	20	(2)
Operating income	5,325	1,730
Finance expenses, net	(860)	(2,025)
Income (loss) before taxes on income	4,465	(295)
Taxes on income	(62)	(138)
Net income (loss)	4,403	(433)

(*) The operating results for 2021 are presented for the full year although from July 1, 2021 SEK is owned by a subsidiary, BIG-CEE B.V.

Cash flows:

	Year ended December 31, 2021
	Euros in thousands
Net cash used in operating activities	(524)
Net cash used in investing activities	(109)
Net cash used in financing activities	(2,000)
Decrease in cash and cash equivalents	(2,633)
Cash and cash equivalents at beginning of year	3,530
Cash and cash equivalents at end of year	897

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

c. NEPI:

Financial position:

	December 31,	
	2021	2020
	Euros in thousands	
Non-current assets:		
Investment property	12,550	14,284
Total non-current assets	12,550	14,284
Current assets:		
Receivables	301	188
Cash and cash equivalents	266	631
Total current assets	567	819
Total assets	13,117	15,103
Non-current liabilities:		
Loans from related companies	11,916	15,624
Deferred tax liabilities	-	32
Other long-term liabilities	53	53
Total non-current liabilities	22,969	15,709
Current liabilities:		
Trade and other payables	211	202
Loans from related companies	616	-
Total current liabilities	827	202
Total liabilities and equity	13,117	15,103

NOTE 28:- SUMMARY DATA OF PROJECT COMPANIES (Cont.)

Operating results (*):

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	
Revenues from property rental and operation, net	1,042	801
Increase (decrease) in fair value of investment property, net	777	(80)
General and administrative expenses	14	-
Other income (expenses), net	(230)	-
Operating income	1,575	721
Finance expenses, net	(592)	(1,022)
Income (loss) before taxes on income	983	(301)
Taxes on income	(120)	(119)
Net income (loss)	863	(420)

(*) The operating results for 2021 are presented for the full year although from July 1, 2021 NEPI is owned by a subsidiary, BIG-CEE B.V.

Cash flows:

	Year ended December 31, 2021
	Euros in thousands
Net cash used in operating activities	(2,250)
Net cash provided by investing activities	2,221
Net cash used in financing activities	(336)
Decrease in cash and cash equivalents	(365)
Cash and cash equivalents at beginning of year	631
Cash and cash equivalents at end of year	266

NOTE 29:- EVENTS AFTER THE REPORTING DATE

a. On January 5, 2022, the Company offered to the public NIS 305,477 thousand par value of debentures (series R) by way of series expansion and raised proceeds of NIS 345,800 thousand with a stated annual interest rate of 1.33%. The effective interest rate is 0.03%.

b. On February 2, 2022, AFI Properties, a subsidiary controlled by the Company (at a rate of 63.8% of its issued share capital on that date, see Note 5 above) reported that it intends to raise capital by offering shares to the public in a total of approximately NIS 300 million. The public offering took place on February 7, 2022 during which the Company purchased 1,460,500 shares of the subsidiary for approximately NIS 277 million. Also, on February 8, 2022, in two off-market transactions, the Company purchased another 600,000 shares of the subsidiary for approximately NIS 114 million.

As of the financial statement publication date, the Company holds 66.4% of AFI Properties.

c. A subsidiary, BIG-CEE B.V., signed an agreement for the purchase of 100% of the share capital of a target company founded in Montenegro which holds a shopping mall in Podgorica, Montenegro. The mall is located in the city's center and has some 24,500 sq. m. in retail spaces with a 100% occupancy rate. The purchase price was determined at a property value of € 95 million, of which € 57 million will be financed by a bank loan. Closing is contingent on the fulfillment of certain suspending conditions such as obtaining the bank loan and the approval of the Serbian and Montenegro antitrust commissioner.

d. After the reporting date, a U.S. subsidiary entered into binding agreements for the sale of its entire rights (40%) to an open air shopping center, One Pacific Place, in Omaha, Nebraska. The sale consideration for 100% of the rights is $ 34 million (the carrying amount of the property is $ 31.5 million), reflecting a WACC rate of about 6.17% on the expected NOI in 2022. The center covers an area of some 8,500 sq. m. with an overall occupancy rate of about 97.3%. After repayment of a loan of $ 20.9 million on the property upon closing, the net cash inflow of the subsidiary from the sale, less related costs, will total approximately $ 5.24 million.

e. After the reporting date, a U.S. subsidiary entered into binding agreements for the sale of its entire rights (40%) to an open air shopping center, SummitWoods Crossing, in Lee's Summit, Missouri. The sale consideration for 100% of the rights is $ 94.5 million (the carrying amount of the property is $ 91.5 million), reflecting a WACC rate of about 6.77% on the expected NOI in 2022. The center covers an area of some 50,650 sq. m. with an overall occupancy rate of about 98.2%. After repayment of a loan of $ 51.6 million on the property upon closing, the net cash inflow of the subsidiary from the sale, less related costs, will total approximately $ 17 million.

f. On March 1, 2022, the Company's Board decided on a full early repayment of debentures (series J) of the Company, in keeping with the trust deed signed between the Company and the trustee. The debentures were repaid on March 21, 2022. Upon the early repayment, the Company settled its entire liabilities to the holders of the debentures (series J) and they were delisted from the TASE.

NOTE 29:- EVENTS AFTER THE REPORTING DATE (Cont.)

g. On February 17, 2022, the subsidiary AFI Properties held a public offering in which it raised a gross amount of NIS 350 million for the issue of NIS 350 million par value of debentures (series N) at an annual interest rate of 1.54%, linked to the CPI.

h. On February 23, 2022, AFI Europe, a subsidiary of AFI Properties, entered into a binding agreement with a Dutch company according to which AFI Europe will purchase 100% of the shares of a Polish company that owns 70% of the rights to a corporation that holds the leasehold rights to an area of some 65 thousand sq. m. in the center of Warsaw, Poland which is held for the construction of various purpose properties including rental properties such as offices, retail and residences and residential properties for sale. The value of 100% of the land for the calculation of the purchase price was determined at approximately € 181 million, of which AFI Europe will pay approximately € 127 million (subject to customary price adjustments and price adjustments depending on the land building rights as they will be in practice).

i. On March 27, 2022, the Company's Board approved the grant of 490,609 options to Company employees and officers ("the optionees").

The following assumptions served as a basis for the fair value measurement of each option using the binomial model:

Share price	-	NIS 498.3
Exercise price	-	NIS 485.19
Risk-free interest rate	-	1.9%
Standard deviation	-	29.4%
Employee turnover rate	-	4.1%
Early exercise coefficient	-	1.9

The total fair value of the options was approximately NIS 63,561 thousand at the grant date.

1/3 of the options may be exercised after two years from the date of allocation ("the first portion of options"), 1/3 of the options may be exercised after three years from the date of allocation ("the second portion of options") and 1/3 of the options may be exercised after four years from the date of allocation ("the third portion of options").

The first portion of options may be exercised after two years from the date of allocation and up to five years from the date of allocation; the second portion of options may be exercised after three years from the date of allocation and up to five years from the date of allocation; and the third portion of options may be exercised after four years from the date of allocation and up to five years from the date of allocation.

LIST OF THE GROUP'S ACTIVE COMPANIES AS OF DECEMBER 31, 2021

	The Company's effective share of equity as of December 31, 2021
	%
Subsidiaries and consolidated partnerships	
BIG Commercial Centers Limited Partnership	100
BIG Commercial Centers Ltd.	100
Metzokim Haifa (1995) Ltd.	100
BIG U.S.A. Ltd.	80
BIG Energy Ltd.	100
Mevo Ashdod Ltd.	100
AFI Properties Ltd.	63.77
BIG Management (4)	100
Creekwood Commons (5)	80
BIG 1 LP(5)	80
BIG 2 LP(5)	80
Crosspointe (5)	68
Waterfront (5)	64
BIG Energia Holdings	100
Joint operations	
BIG Beit Shemesh	50
BIG Yehud	50
BIG Delek	50
BIG Check Post	50
Sparks (6)	64
Summit Fair (5)	64
Joint arrangements	
BIG Mega Or Ltd.	50
Delek Big & Co. – Limited Partnership (1)	50
Hutzot Regba Ltd. (1)	50
Regba Properties (1992) Ltd. (1)	50
BIG Outlet Yarca	50
Metzer Shopping Center Ltd. (1)	25
Lev Castina Ltd.	50
Ben Yishai & Eli Castina Ltd.	50
Mega Or Modiin Ltd.	50
BIG Mega Or Afula Ltd.	50
David Danilof Ventures Ltd.	50
Israel Kanionim Ltd.	50

LIST OF THE GROUP'S ACTIVE COMPANIES AS OF DECEMBER 31, 2021 (Cont.)

	The Company's effective share of equity as of December 31, 2021
	%
Joint arrangements (Cont.)	
Commercial Center at the Entrance to Nazareth (2006) Ltd. *)	56.95
BIG-RED Portfolio ("BRP") (5)	64
Village Pointe (5)	44
Airport Center (5)	40
Campus View (5)	40
BIG-CEE B.V.(2)	78.52
Jordan Plaza (5)	39.2
Camelback (5)	48
Regency Court (5)	62.08
Hilton Village (5)	64
Greenway (5)	64
One Pacific (5)	32
Chandler Portfolio (5)	32
Summit Woods (5)	32
Southpointe (6)	14.46
Big Opium (7)	50
BIG AFI Logistics	50
BIG Financing Enterprises	50
Associates	
Caniel Beverage Packaging Ltd.	49.5
Caniel ATG Ltd.	75

(1) Held through consolidated partnership.
(2) Company registered in the Netherlands.
(3) Company registered in Mauritius.
(4) Company registered in the U.S.
(5) Partnership registered in the U.S.
(6) A joint venture in the U.S.
(7) Company registered in France.
*) The Company is entitled to 56.95% of the revenues of the Commercial Center at the Entrance to Nazareth, less the Church's share, which constitutes about 10%.

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