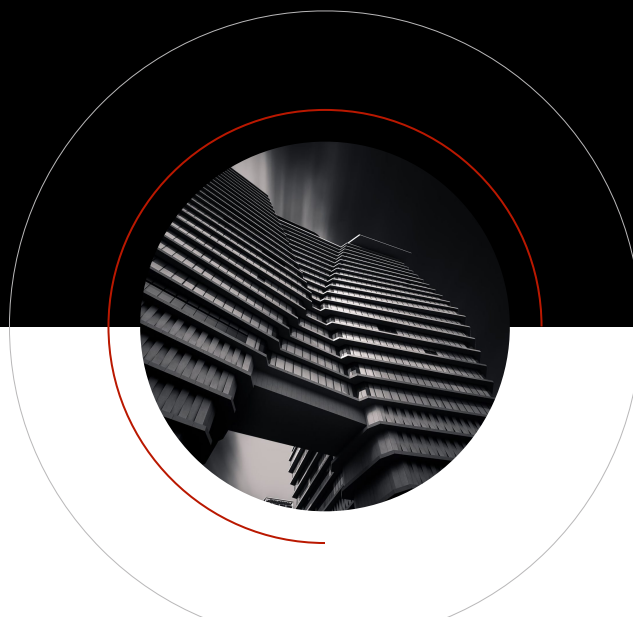


CONSOLIDATED
FINANCIAL STATEMENTS
2018



**AMOT INVESTMENTS.
PEOPLE FIRST.**

2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



AMOT INVESTMENTS MEMBERS OF THE BOARD OF DIRECTORS



CHIEF EXECUTIVE OFFICE

AVSHALOM MOUSLER

INDEPENDENT AUDITORS

BRIGHTMAN ALMAGOR ZOHAR & CO.

REGISTERED OFFICE

AMOT ATRIUM TOWER
2 JABOTINSKY STREET, RAMAT GAN
5252007

NATHAN HETZ, CHAIRMAN OF THE BOARD

AVIRAM WERTHEIM

MOTI BARZILAY

AMIR AMAR

EYAL GABAI

YEHIEL GUTMAN

GAD PNINI

NIRA DROR

BENJAMIN GANTZ

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2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



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DESCRIPTION OF THE **CORPORATION'S BUSINESS**



**AMOT INVESTMENTS.
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2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



THE COMPANY, ITS ACTIVITIES AND ASSETS

CHAPTER 1

DESCRIPTION OF GENERAL DEVELOPMENT OF THE GROUP'S BUSINESS



DESCRIPTION OF THE GENERAL DEVELOPMENT OF THE GROUP'S BUSINESS

Amot Investments Ltd. (hereafter – the “Company”) hereby submits the description of the corporation's business as of December 31 2018 (hereafter – the “Report Date”), which reviews the description of the Company and the development of its business during the year ended December 31 2018. The Company and its investees shall be named hereafter in this report - the “Group”.

Pursuant to Section 32A of the Securities Law, 1968, reduced liability applies to a Company which includes forward-looking information in its reports provided that it complies with the conditions set out in the aforesaid section, which include, among other things, expressly stating alongside such information, that the information is forward-looking information. Therefore, it should be clarified that the aforesaid Section 321A applies to this prospectus only where it is specifically noted that the section includes forward-looking information. Pursuant to Section 32A, forward-looking information is a forecast, assessment, estimate, or other information relating to a future event or matter, whose realization is uncertain and which is not controlled solely by the Group.

1.1

THE GROUP'S ACTIVITIES AND DESCRIPTION OF ITS BUSINESS

- Amot Investments is a public company which is engaged, both directly and indirectly through corporations under its control, in renting out, management and maintenance of income-generating real estate in Israel as well as in the development of real estate for renting out purposes.
- The Company was incorporated on December 27 1964 as an unlisted public company. Its principal shareholders were Hevrat Ovdim the General Cooperative Association of Jewish Laborers in Eretz Israel Ltd., the pension funds under its control and Bank Hapoalim Ltd.
- On August 11 2005, Alony Hetz Properties and Investments Ltd. (hereafter – “Alony Hetz”), a public company whose securities are listed on the Tel Aviv Stock Exchange, acquired 100% of the Company's share capital and voting rights in consideration for NIS 956 million; as from the said date, Alony Hetz is the controlling shareholder of the Company.
- In May 2006 Amot listed its shares on the Stock Exchange for the first time. The Company's share is included in the Tel Aviv 35 Index and in the Tel Aviv – Real Estate Index. As of the Report Date, Alony Hetz – the Company's controlling shareholder – holds 58% of the Company's share capital.

1.2

AREA OF ACTIVITY

- The Company is engaged, both directly and indirectly through corporations under its control, in renting out, management and maintenance of income-generating real estate in Israel as well as in the development of real estate for renting out purposes.
- As of December 31 2018, the Group's owned or leased income-generating assets in Israel comprise 102 assets with a total area of 1.4 million square meters (Company's share), of which 842 thousand square meters of above-ground lease space and 535 thousand square meters of parking space. The Company also has 3 projects under advanced planning and construction stages with a total area of 82 thousand square meters and 5 projects under planning and development stages with a total area of 179 thousand square meters.
- The fair value of the income-generating assets as of December 31 2018 is NIS 10.2 billion. The Group also holds investment property under construction which is being developed for renting out purposes with a fair value of NIS 0.9 billion. As of December 31 2018, the total value of the Company's real estate assets is NIS 11 billion. As of December 31 2018, the occupancy rate of the Company's assets is 97.2%.
- The Company owns real estate assets, which include office buildings, malls and retail centers, logistics centers and industrial parks, supermarkets and others. Company's properties are located in principal business centers and transport links. Most of the Group's properties are located in large cities and high-demand areas. The properties are rented out to many renters under contracts for different periods. The Company's assets are rented out to 1,600 renters.



TRANSACTIONS INVOLVING COMPANY'S SHARES

Investments in corporation's capital carried out during the reported periods:

Date	Details	Par value in thousands	Consideration in thousands of NIS	Share price in NIS
Number of shares as of 31.12.15		275,253		
March 2016	Private offering to CEO	28	345	12.48 ⁽¹⁾
2016	Exercise of options into shares (Series 7)	14,652	161,407	11.02 ⁽²⁾
2016	Exercise of employee options	2,693	23,735	8.81 ⁽²⁾
December 2016	Offering to the public	15,965	260,909	16.34
June 2017	Exercise of options by CEO	945	10,749	11.38 ⁽¹⁾
2017	Exercise of employee options	4,765	54,381	11.41 ⁽²⁾
December 2017	Public offering	10,587	212,912	20.11
June 2018	Public offering	17,381	330,857	19.03 ⁽³⁾
July 2018	Exercise of options by CEO	561	6,029	10.75 ⁽¹⁾
2018	Exercise of employee options	4,620	49,103	10.63 ⁽²⁾
Total par value issued in the reported periods		72,197	1,110,427	
Number of shares as of 31.12.18		347,450		

(1) Exercise price in accordance with the Company CEO's compensation plan.

(2) Exercise price in accordance with the option plan.

(3) Includes app. NIS 15.5 million in respect of Series 9 options to be exercised through December 31 2019.

DIVIDEND DISTRIBUTION POLICY AND DISTRIBUTION OF DIVIDENDS

- In January 2007, the Company's Board of Directors adopted a dividend distribution policy whereby during the first quarter of each calendar year, the Company will announce the minimum amount for distribution as dividend in respect of that year. A proportionate share of the dividend will be distributed at the end of each quarter subject to the decision of the Company's Board of Directors, so long as the dividend distribution does not adversely affect the Company's cash flows and taking into consideration the Company's investment policy, as it shall be from time to time and subject to the law. As part of its aforesaid resolution, the Company's Board of Directors determined that it may change the above-mentioned dividend distribution policy at any time, based on business considerations and subject to the provisions of the law; the Board of Directors also decided that it may change the amounts to be distributed as dividends or not to distribute any dividend. Pursuant to this resolution, every year the Company announces the minimum amount that will be distributed in respect of that year.
- In March 2018, the Company's Board of Directors stipulated that in 2018 the Company intends to distribute a minimum dividend of NIS 0.90 per share, payable in 4 quarterly installments; in the first and second quarters the Company paid a dividend of NIS 0.22 per share and in the third and fourth quarters, the Company paid a dividend of NIS 0.23 per share. Pursuant to the aforesaid policy, in the reported period the Company declared a dividend of 0.90 per share (NIS 302 million). In addition, in March 2018, the Company declared a further dividend for 2017 of NIS 0.36 per share (NIS 117 million).
- As from its initial public offering, in May 2006, the Company distributed to its shareholders dividends in an aggregate amount of NIS 2.6 billion.
- The balance of Company's profits as of 31.12.18 is NIS 1,834,332 (before the distribution of the dividend declared by the Company on March 10, 2019).
- In March 2019, the Company's Board of Directors declared that in 2019 the Company intends to distribute a minimum dividend of NIS 0.94 per share to be paid in 4 quarterly installments; in the first and second quarters the Company will pay a dividend of NIS 0.23 per share and in the third and fourth quarter the Company will pay a dividend of NIS 0.24 per share subject to a specific resolution of the Board of Directors at the end of each quarter. Further to this policy, in March 2019 the Company declared the distribution of dividend of NIS 0.30 per share in respect of the first quarter of 2019. The remaining amount of dividend to be paid by the Company in March 2019, as aforesaid, will amount to NIS 0.55 per share (NIS 185 million).

SET FORTH BELOW ARE DIVIDENDS PAID BY THE COMPANY OUT OF ITS DISTRIBUTABLE PROFITS DURING THE YEARS 2013-2018:

The year in respect of which the dividend was paid	Current dividend NIS per share	Total dividend per share (NIS)	Total dividend paid in respect of that year (NIS)
2013	0.64	0.64	158 million
2014	0.66	0.66	177 million
2015	0.68	0.79	217 million
2016	0.77	1.13	333 million
2017	0.84	1.20	379 million
2018	0.90	1.20	407 million

CHAPTER 2

OTHER INFORMATION



ECONOMIC ENVIRONMENT AND THE IMPACT OF EXTERNAL PARAMETERS ON THE COMPANY'S ACTIVITIES - ISRAEL¹

Any references made in this section to the Company's estimates as to future developments in the economic environment in which Amot operates and to the external parameters impacting its activity constitute forward-looking information as defined in Section 32A of the Securities Law, which is not controlled by the Company and is uncertain and which is based on information sources listed by the Company.

In 2018, the real domestic activity has slowed down to a certain extent, but in the opinion of the Bank of Israel, this slowdown reflects a combination of temporary factors and limited supply. Looking forward, it appears that the Israeli economy will meet the potential growth target. In 2018 the Israeli economy has grown by app. 3.2% (an estimate of the Israel Central Bureau of Statistics). According to the Macro-Economic Forecast published by the Bank of Israel's Research Division in February 2019, the 2018 growth rate is expected to be app. 3.4% in line with the potential growth rate and in 2019 the Gross Domestic Product (GDP) is expected to grow by 3.4%. As of the end of 2018, the unemployment rate in Israel was 4.3%, compared with 4.0% at the end of 2017 (in accordance with data published by the Israel Central Bureau of Statistics). Despite the moderate increase, most of the indicators (pay increase and the ratio between vacancies and the total number of jobs), indicate that the jobs market operates in a full employment environment.

During the second half of 2018, the Bank of Israel began the process of tightening the accommodative monetary policy it has maintained in recent years. In its final interest rate decision for 2018, the Bank of Israel increased the interest rate to 0.25%. It is estimated that interest will increase gradually and cautiously (to 0.5% in the third quarter of 2019 up to 1.25% at the end of 2020). The Bank of Israel did not purchase foreign currency as part of the policy to prevent excessive exchange rate fluctuations and settled for purchases as part of the plan to offset the impact of natural gas production; the Bank of Israel announced that the said plan will end at the end of 2018.

In 2018, the consumer price index increased by 0.8%. Bank of Israel's projected inflation rate for 2019 is 1.3%. The NIS depreciated by app. 9% and against the U.S dollar and by 4% against the Euro.



(1) Sources of information in this section:

- Bank of Israel – macro-economic forecast of the Research Division, January 2019.
- Bank of Israel – Monetary Policy Report, Second Half of 2019, January 2019.
- M.A.N Properties Real Estate Consultants – CBRE – Annual report – February 2019.
- Review of the Offices Market Second Half 2018 – Inter Israel Real Estate Advisors – CUSHMAN & WAKEFIELD – January 2019.

SET FORTH BELOW ARE MACRO-ECONOMIC INDICATORS RELATING TO ISRAEL:

		Israel		
For the year ended on	Units	31.12.2018	31.12.2017	31.12.2016
Macro-economic parameters				
Gross Domestic Product (GDP)	Billions of dollars	336	317	301
GDP Per Capita (PPP)	Dollars	33,628	33,090	32,658
Growth rate of GDP	%	6.00%	5.25%	5.10%
Growth rate of PPP	%	1.63%	1.32%	1.93%
Inflation rate	%	0.8%	0.4%	-0.20%
Yield on long-term domestic government bonds	%	1.99%	1.91%	1.88%
Rating of long-term government bonds		AA-/A1	A+/A1	A+/A1
Unemployment rate	%	4.30%	4.00%	4.30%



Unless otherwise noted, the source of data in this table is IMF - World Economic Outlook Database of October 2018. The data for 2018 are estimated data.

The Israeli inflation data as of the last day of each year are taken from the website of the Israel Central Bureau of Statistics' website CBS.GOV.IL.

The nominal yield rates of long-term bonds of the Government of Israel relate to 10-year bonds. stats.oecd.org on the basis of data transferred from the Bank of Israel. The data regarding the rating of long-term government bonds is in accordance of publications of Moody's and Standard & Poor's.

The unemployment data are based on data published on the website of the Israel Central Bureau of Statistics (rate of unemployed out of overall population aged 15+ adjusted to reflect seasonality).



2018 was a strong year for the office market, which benefited from the economic growth and the projected growth in the forthcoming years, which contributed to increased demand for office space. The development of new projects reached record levels that will be maintained in the next few years. Projects of purchase groups continued to be a highly-demanded investment product and contributed to the high level of supply of office spaces in general and small-area offices in particular. Nationally, prices in the office market have increased in high-demand areas and remained stable in other parts of the country. The average national occupancy rate increased from 88.1% to 88.5%. The price levels continued to be stable with certain specific increases resulting from improvement in the quality of offices offered in the market. Companies engaged in renting out shared office spaces became a dominant force in the office market.

In 2018, app. 102 thousand square meters in office areas were added to the Tel Aviv central business district. In 2018, app. 130 thousand square meters in office spaces became occupied in the Tel Aviv central business district, higher than the average of app. 110 thousand square meters per year in recent years. Total projected additional office spaces in 2019 is app. 250 thousand square meters. The projected additional office spaces in the Tel Aviv central business district in the next four years (through 2022) is expected to be app. 880 thousand square meters, of which app. 53% are owned by a single entity.

The Tel Aviv office market experienced the highest growth rate recorded in 2018 in terms of completion of the construction of new projects. High-tech companies which increased their recruitment of young employees continue their demand to Class A offices. In 2018 the average rent in the office market increased from NIS 94 per square meter to NIS 97 per square meter. This increase stems from upgrading the level of offices and from the increase in demand. The occupancy rate continued to increase from 91% to 94% at the backdrop of growth in the employment market.

The Diamond Exchange area in Ramat Gan continued the trend of reducing the price gap against Tel Aviv prices and the occupancy rate remained high. During the last year, average rent in the Ramat Gan office market increased from NIS 77 per square meter to NIS 82 per square meter and the occupancy rate continued to increase from 89% to 93%.

The average rent offices in Petah Tikva increased from NIS 56 per square meter to NIS 57 per square meter. The occupancy rate remained stable at 85% despite increased competition by offices in the second ring around Tel Aviv.

Herzliya constitutes Israel's high-tech center. Microsoft and Apple are among the leading companies that opted to open their research and development centers in that area. The rent in the office market remained at a level of NIS 86 per square meter. The occupancy rate remained high and increased from 91% to 92%.

Ra'anana, which is located at the heart of the Sharon region gains momentum as a popular employment environment for high-tech companies. This area is a cheaper alternative to Herzliya and attracts highly educated employees from the Sharon region. Road no. 531, which was opened in 2018, crosses the Sharon region from west to east and links the Ayalon roads, the coast road, road no. 4 and road no. 6 and constitutes an important factor in the development of the entire region. The rent in the office market remained at the level of NIS 60 per square meter. The occupancy rate remained high at 90%.

In 2018, Bnei Brak continued its development momentum and is now one of the most attractive towns in terms of office space development among Tel Aviv's satellite towns. Its industrial estate is being transformed into a modern business environment with towers of up to 40 floors. The rent in the new projects being constructed in the area are NIS 60 per square meter of non-partitioned office space. In view of the significant scope of construction taking place in the area and the multiple owners of the properties therein, the occupancy rate, which is currently 84%, has not yet stabilized.



The average rent in the Haifa office market has decreased from NIS 65 per square meter to NIS 64 per square meter during 2018, and the occupancy rate decreased from 90% to 87%. Average rent paid for offices in Jerusalem decreased from NIS 67 per square meter to NIS 66 per square meter in 2018, and the occupancy rates increased from 87% to 88%.

In the field of retail centers, revenues remained stable after years of significant increases in revenues. The improvement in private consumption and the increase in population supported the stability of retail centers despite increasing competition in the different types of retail spaces. Average rent increased moderately from NIS 113 per square meter to NIS 115 per square meter and the average occupancy rate remained high and increased from 89.3% to 89.7%.

The pace of construction of new retail spaces has slowed across the country in view of increased competition posed by e-retail and higher rate of purchases made abroad, which are on the increase as a result of the strengthening of the Shekel against other currencies and as a result of the increase in the number of Israelis traveling abroad. Several clothing retail chains encountered difficulties and had to reduce their brick and mortar spaces. Retail centers change their business mix in order to reflect the changes in consumption, recreation and leisure patterns.

Global changes are also reflected in many industries worldwide. Trade wars, which are led by the USA, create an environment of uncertainty, which may lead to changes in global trade, which, in turn, may impact small and open economies and adversely affect Israeli exports as a result of the increase in e-retail. The slowdown in the construction of retail centers caused real estate and retail companies to expand their e-retail activities, which is complementary to their brick and mortar spaces.

Prices and occupancy rates across the country in the field of logistics remained stable. This market is characterized by long-term activity requiring large capital investments and customized logistic complexes both of which do not provide customers with high level of flexibility. Therefore, this field is exposed to a lesser extent to cyclical changes in the economy.

CLARIFICATION – CHANGES IN FINANCIAL REPORTING STANDARDS THAT IMPACT THE MANNER OF PRESENTATION OF FINANCIAL REPORTS

In view of the application of IFRS11 - "Joint Arrangements" - which was applied retroactively to annual reporting periods starting on January 1 2013, some of the jointly controlled companies that were accounted for and presented by the proportionate consolidation method prior to the application of the standard are presented at equity in the current reporting period. The change to presentation stemming from the application of IFRS11 originates from an indirect holding in 5 income-generating assets and assets under construction through direct holding of property companies' shares.

In order to increase transparency for analysts, investors, shareholders and bond holders, the Company presents the extended consolidated financial statements that may clarify and improve the quality of the Company's reporting (see Appendix to the Directors' Report); therefore, the Company bases the analysis of its activities on the extended consolidated financial statements while making adjustments to the consolidated financial statements which are audited by the Group's independent auditors.

Starting with Section 2.1 of this report, all data presented in the tables are based on extended consolidated financial statements data according to the Group's proportionate share in its assets, obligations and activity.

FINANCIAL INFORMATION REGARDING THE COMPANY'S ACTIVITY (BASED ON EXTENDED CONSOLIDATED FINANCIAL STATEMENTS)

Set forth below are principal financial statements data taken from the Company's extended consolidated financial statements (in thousands of NIS)

2.1.1 PRINCIPAL BALANCE SHEET DATA FROM THE BALANCE SHEET AS OF DECEMBER 31 OF EACH OF THE YEARS:

	2018	2017
Cash and cash equivalents	308,554	327,737
Balance of current assets	50,520	49,019
Investment property	10,244,564	9,559,722
Investment property under construction	870,838	583,689
Balance of non-current assets	133,900	149,106
Total assets	11,608,376	10,669,273
Short-term credit and current maturities	849,862	749,845
Bonds	4,299,179	4,086,932
Loans from banks and others	294,015	359,760
Deferred taxes	1,013,462	899,947
Balance of other liabilities	315,035	275,344
Total liabilities	6,771,553	6,371,828
Total equity	4,836,823	4,297,445
Total liabilities and equity	11,608,376	10,669,273

2.1.2 COMPANY'S PRINCIPAL OPERATING RESULTS DATA (IN THOUSANDS OF NIS)

	2018	2017	2016
Rent revenue	690,577	644,634	585,479
Management fees revenue	52,300	53,936	51,132
Total revenue from management fees and rent	742,877	698,570	636,611
Management, maintenance and operating costs	61,589	61,823	65,388
Unallocated costs	2,809	2,175	2,233
Total cost of renting out and operating the properties	64,398	63,998	67,621
Net operating income from renting out and operating of properties	678,479	634,572	568,990
Adjustment of fair value of investment property	269,965	170,026	124,310
General, administrative and other expenses	51,032	51,653	45,172
Operating income	897,412	752,945	648,128
Financing expenses – real interest	134,699	146,229	156,987
Financing expenses (income) – linkage	40,586	9,500	(8,968)
One-off financing expenses due to refinancing	-	38,679	-
Tax income in respect of changes in tax rates as a result of legislation	-	-	(114,930)
Income tax expenses	155,240	130,337	140,943
Net income for the year	566,887	428,200	474,096
NOI – Gain from renting out and operating of properties, net of depreciation	678,479	634,572	568,990
Same property NOI	635,804	620,743	565,502
NOI from new/sold assets and assets whose construction was completed	42,675	13,829	3,488
EBITDA – operating income net of revaluations and amortization	629,322	585,403	525,218

2.1.3 ADJUSTMENT TO FFO (FUNDS FROM OPERATIONS) (IN THOUSANDS OF NIS) IN ACCORDANCE WITH THE DISCLOSURE DIRECTIVE OF THE ISRAEL SECURITIES AUTHORITY:

FFO (Funds from Operation) – net income, net of gains and losses from sale of properties, changes in the fair value of properties recognized in comprehensive income, depreciation and amortization, deferred income expenses and income and other income or expenses that do not involve cash flows.

	FFO for the year ended		
	31.12.2018	31.12.2017	31.12.2016
Net income for the period	566,887	428,200	474,096
Adjustment of fair value of investment property and properties under construction	(269,965)	(170,026)	(124,310)
Deferred taxes, betterment tax and other	131,923	113,689	17,341
Financing expenses not involving cash flows	-	17,518	-
Amortization of options	5,988	6,467	4,481
Depreciation and sundry	1,875	3,505	1,917
Nominal FFO	436,708	399,353	373,527
Add (deduct) - linkage expenses (income) in respect of principal of debt and exchange differences	40,586	9,500	(8,968)
Real FFO	477,294	408,853	364,559
Weighted number of shares	336,320	312,635	287,682
Real FFO per share	1.420	1.308	1.267
Real FFO net of one-off financing expenses	477,294	430,014	364,559
Weighted number of shares	336,320	312,635	287,682
Real FFO per share	1.420	1.375	1.267

SET FORTH BELOW ARE DATA REGARDING THE COMPANY'S PROPERTIES IN ISRAEL, BY USE:

Set for below are the main parameters impacting the value of income-generating properties, the demand for such properties and their occupancy rates:

Property's location, amount of rent, quality and stability of principal renters; transport links (including public transport); number of parking spaces, quality of construction; amount of municipal taxes, services in the area, business environment (including the other available properties of this type in the area); proximity to target market (very significant for companies that receive customers in their premises), to anchor entities (such as courts or medical centers) and to workforce sources.

PRIME PROPERTIES

The Company has several income-generating real estate assets, which are located in prime areas and therefore have a competitive advantage over other assets. The main criteria for defining a property as a prime property are:

- The area is a designated employment area or benefits from excellent transport links or from proximity to main business or cultural centers, and as such it will always benefit from higher demand even when there is a slowdown in the market.
- The property is rented out in full to a renter, which is a leading entity in its area of activity with a long average duration.
- The property meets an increasing demand for a designated use.

The company assesses all of its properties, among other things, based on all of the above criteria. Nevertheless, in view of the large scope of its properties and wishing to present an optimal breakdown of its portfolio of properties, the company opted its properties by use. As to another breakdown of company's properties used as offices, see the company's directors' report.

SET FORTH BELOW ARE DATA REGARDING THE COMPANY'S PROPERTIES IN ISRAEL, BY USE:

(1) Set forth below are data regarding the Company's above-ground income-generating spaces in square meters:

	2018	% of total area	2017	% of total area
Offices	362,365	43%	360,362	46%
Retail centers	118,854	14%	120,391	15%
Logistics and industrial parks	298,786	35%	241,960	31%
Supermarkets	38,889	5%	38,889	5%
Other	23,553	2%	20,988	3%
Total	842,447	100%	782,590	100%

(*) The areas listed above include 35 thousand square meters of companies under joint control presented in the financial statements by the equity method.

(2) Set forth below are data about the fair value of the Company's income-generating properties in Israel in thousands of NIS:

	2018	% of total area	2017	% of total area
Offices	5,385,665	53%	5,186,452	55%
Retail centers	2,225,138	22%	2,215,440	23%
Logistics and industrial parks	1,691,007	17%	1,226,953	13%
Supermarkets	639,283	6%	627,627	7%
Other	228,782	2%	203,870	2%
Total	10,169,875	100%	9,460,342	100%

(*) In 2018 and 2017 – excluding immaterial property located abroad at the value of NIS 11.5 million and excluding land for development and betterment amounting to NIS 63 million and NIS 86 million, respectively.

(**) Out of the above, in 2018 and 2017 properties at the value of NIS 446 million and NIS 436 million, respectively, belong to companies under joint control presented in the financial statements by the equity method.

(3) Set forth below are data regarding the breakdown of NOI generated from the Company's income-generating properties in thousands of NIS:

	2018	% of NOI	2017	% of NOI	2016	% of NOI
Offices	354,832	52%	335,555	53%	276,011	49%
Retail centers	150,059	22%	149,762	24%	144,243	25%
Logistics and industrial parks	113,781	17%	91,350	14%	90,301	16%
Supermarkets	42,987	6%	42,252	7%	43,078	8%
Other	16,163	3%	14,401	2%	14,054	2%
Total	677,822	100%	633,320	100%	567,687	100%

(*) The data does not include unallocated expense of NIS 2.8 million in 2018 and NIS 2 million in 2017 and 2016, and also excludes NOI of NIS 1 million in respect of immaterial property located abroad.

(**) A total of app. NIS 30 million out of the above NOI belong to companies under joint control presented in the financial statements by the equity method.

(4) Set forth below are data regarding the breakdown of the adjustments of fair value from the Company's income-generating properties in thousands of NIS:

	2018	% of NOI	2017	% of NOI	2016	% of NOI
Offices	154,826	87%	95,335	53%	82,062	66%
Retail centers	(13,318)	(8%)	35,398	20%	(14,240)	(12%)
Logistics and industrial parks	24,347	14%	44,432	25%	28,519	23%
Supermarkets	10,634	6%	2,390	1%	27,838	22%
Other	862	1%	2,341	1%	209	-
Transaction costs in respect of purchase of new properties	(27,525)		(23,433)		-	
Total	149,826	100%	156,463	100%	124,388	100%

(*) Out of the above, revaluation losses of NIS 7 million in 2018 and NIS 18.4 million in 2016 belong to companies under joint control presented in the financial statements by the equity method.

(**) The data does not include revaluation profits of NIS 3.6 million in 2018 and revaluation losses of NIS 0.3 million and NIS 0.2 million in 2017 and 2016, respectively, in respect of immaterial property located abroad.

(5) Set forth below is a breakdown of the Company's monthly rent from its income-generating properties (in NIS per square meter):

	2018	2017
Offices	79	77
Retail centers	110	112
Logistics and industrial parks	33	30
Supermarkets	92	91
Other	57	57

- Calculated based on rent revenues only, excluding parking and management fees.
- Calculated based on total area of the properties, net of average unoccupied areas.
- Calculated based on normalized average rent from properties purchased during the year.

(6) Set forth below is an analysis of data regarding average occupancy rates in the Company's income-generating real estate assets (in percentages):

	2018	2017
Offices	95.9	95.8
Retail centers	96.2	97.4
Logistics and industrial parks	98.5	99.0
Supermarkets	100	100
Other	100	100
Total	97.2	97.4

(*) The average occupancy rate as of the date of publication of the Group's financial statements is not materially different than that as of the date of the Group's financial statements.

(7) Set forth below are data regarding the number of the Company's income-generating properties:

	2018	2017
Offices	31	31
Retail centers	18	18
Logistics and industrial parks	15	12
Supermarkets	36	36
Other	2	2
Total	102	99

(8) Set forth below are data regarding the average return rates (based on value at year-end) from the Company's income-generating properties in percentages:

The return rates which are derived from actual NOI are skewed downwards due to unoccupied spaces that currently do not generate income, income that does not necessarily reflect the updated rental contracts and NOI in respect of properties that generated partial income during the reported period.

	2018	2017
Offices	6.8	6.8
Retail centers	6.9	6.9
Logistics and industrial parks	7.1	7.4
Supermarkets	6.7	6.7
Other	6.9	7.1
Total	6.9	6.9

The capitalization rate used in the capitalization of the Company's properties is a "net" capitalization rate – i.e., in order to compare the capitalization rate to that applied in transactions involving real estate assets with similar characteristics, one should add to this capitalization rate 0.25% to 0.5% in respect of transaction costs, in accordance with the type of transaction and amount of capitalization fees.

The specific capitalization rate for each property in each sector depends on several factors:

- The amount of rent compared to comparable properties around the property's location.
- The economic age of the property and the building type.
- The location of the property and its future potential.
- The renter's rating, the duration of the rental contract, the securities in respect of rent for the property, the level of competition in the renter's sector and the level of competition in the area.

2.2.1 INFORMATION REGARDING THE COMPANY'S PROJECTED REVENUES FROM RENT IN RESPECT OF SIGNED RENTAL AGREEMENTS OF GROUP'S PROPERTIES AS OF 31.12.18; BREAKDOWN IS PROVIDED BY THE END DATE OF THE AGREEMENTS:

Revenue recognition period	Assuming the renters will not exercise option periods		
	Revenues (rent) from fixed components	Number of contracts ending	Total areas of properties whose contract ends
	In million of NIS	In thousands of Sq. m	
First quarter 2019	160	90	18
Second quarter 2019	158	108	18
Third quarter 2019	151	118	31
Fourth quarter 2019	149	149	40
2019	618	465	107
2020	501	403	181
2021	361	316	151
2022	263	193	106
2023 and thereafter	707	222	284
Total	2,450	1,599	829

The data presented in the above table are subject to the following assumptions:

- (a) Penalty in case of early termination, if any, was not taken into account.
- (b) The amounts include the Company's share in properties accounted for using the proportionate consolidation method.
- (c) The table does not include projected revenues in respect of signed contracts in projects under construction.

The information presented in the above tables is forward-looking information (see note above at the beginning of this report). The data relates to data existing and known to the Group on the date of publication of this report with regard to the expiry dates of the current rental agreements. The information may change due to reasons that are not under the control of the Group, such as termination of the rental agreements due to breach or due to financial difficulties of renters, which may cause breach or termination of the rental agreements.

2.2.2 INFORMATION ABOUT PRINCIPAL RENTERS OF THE GROUP:

The Group does not have a single renter the rent receivable therefrom constitutes at least 10% of total Group revenues from rent and management fees.

2.2.3 DATA REGARDING THE GROUP'S PRINCIPAL PROPERTIES

The Group has ownership/leasehold rights in several office buildings across the country (some of which are fully-owned by the Company and others are held in partnership with others). The buildings are mainly rented out to professionals, retail companies and high-tech companies. The following properties are among the Group's main properties:

Name of property	Location of property	Description of property
Amot Atrium Tower	Ramat Gan's City complex, Jabotinsky St.	A prestigious and unique tower built in accordance with the highest building standard in Israel. The tower has Platinum Certification - the highest LEED® certification.
Amot Investments Tower, Europe House	Shaul HaMelech St, center of Tel Aviv, at the heart of the city's courts' complex	Due to their proximity to the courts' complex, the buildings constitute prime properties due to excess demand by professionals and government entities wishing to rent spaces within the complex.
Amot Mishpat Complex (Beit Amot Mishpat, Amot Hakirya and Dubnov 10)		
30 HaBarzel, Tel Aviv	Ramat HaHayal complex, Tel Aviv	A modern and prestigious office building located at HaBarzel St. in Ramat HaHayal Tel Aviv.
Amot Bituach Complex (Buildings A, B and C)	Menachem Begin Road, Tel Aviv	A complex composed of 3 office buildings, one of which is rented out in full to the Fattal Hotels chain. The complex benefits from excellent transport links being since it is located in Menachem Begin Road, Tel Aviv.
Amot Platinum Tower	Kiryat Aryeh Industrial Estate, Petah Tikva	An office tower located in a central road, highly visible from Road no. 4. The building benefits from demand by high-tech companies, investment houses and insurance and finance companies and from demand to rental properties in the area.
Century Tower	Ibn Gabirol Street in Tel Aviv	An office tower located in a central road, mostly leased to service providers and health funds (Group's share – 50%)



Management of the office building is carried out by external management companies or condominium committees.

The Group has rights in eighteen malls and retail centers:

Name of property	Location of property	Description of property
Kiryat Ono Mall	Center of town - Kiryat Ono (Group's share – 50%)	The mall is located in the heart of the town, combines a retail center with two office buildings which offer modern and advanced systems.
Arim Mall Kfar Saba	City center – Kfar Saba	The mall is partially open-air and partially enclosed. It is composed of two sections linked by overpasses. The mall is located at the city center and constitutes a part of its urban fabric.
B7 Retail Center	Beer Sheva	Shopping and entertainment center located at the retail area of the city.
Orot Mall, Or Akiva	Or Akiva	Regional mall, located on Road no. 4 at the entrance to Or Akiva.
Central Bus Station Mall, Jerusalem	Central bus station Jerusalem (Group's share - 50%)	A complex comprising the central bus station, retail center and an office building at the entrance to Jerusalem.



The malls and retail centers are managed by management companies under Group ownership or under joint ownership of the Group and its partners. The Group's share in the jointly controlled companies is identical to its share in the malls.

The Group has rights in eighteen malls and retail centers:

Name of property	Location of property	Description of property
Si'im Park Netanya	Poleg South Industrial Estate	The properties underwent comprehensive upgrading process and meet the increasing demand to combined uses, both for the high-tech and pharm industries and for purposes of logistics and warehousing.
Poleg Park Netanya		
Kargal Complex in Lod	Lod Industrial Estate	The property is rented out in full to Kargal, a leading company in its field of activity, under a long-term agreement.
Best Carton Complex	Caesarea Industrial Estate	The property is renter out in full to Best Carton, a leading company in its field of activity.
Rehovot Park	Rehovot Industrial Estate	Industrial park comprising a 3-wing building spread over 33 square meters, used by high-tech companies, logistic centers.
Frenkel C.D Complex	Caesarea Industrial Estate	This property is renter out in full to the packaging industry.
Logistic Centers Modi'in	Modi'in Industrial Estate	Three properties renter out to high-quality renters (one property is rented out in full as a logistic center to Shufersal Ltd.).
Logistic Center – Airport City	Industrial Estate - Airport City	This property is rented out in full to a leading renter and serves as a logistic center.



The parks are managed by management companies under Company ownership or under ownership of external management companies or by the renters.

The Company has rights in a real estate asset, which serves as a central bus station:

Name of asset	Location of asset	Description of asset
Central Bus Station Jerusalem	Jerusalem	Group's share – 50%

THE GROUP IS THE OWNER OF 36 PROPERTIES USED AS SUPERMARKETS

The Group owns 36 properties across the country which are used as supermarkets; those properties are rented out to the "Shufersal Ltd." Group, to "Mega Retail Ltd.", to "Coop Jerusalem" and to others. As of 31.12.2018, the occupancy rate is 100%.

The Company also operates in the development and acquisition of land for the purpose of development and construction of income-generating properties for renting out purposes (for more details on this matter, see page 68 and 69 of Directors' report on the state of the corporation's affairs).

2.2.4 MATERIAL PROPERTIES

The Company has a material property under construction, see details below:

Property data									
Name of property					ToHa1 (Totseret Haaretz Complex)				
Location					Tel Aviv				
Date of purchase of land					2010				
Company's share					50%				
Estimated date of completion of construction					January 2019				
Uses					Offices/retail				
Method of presentation in consolidated financial statements					Fair value				
Name of property	Financial data as of 31.12.18 (and for the year ended on that date (*)) Company's share in the property				Percentage of completion 31.12.2018	Percentage of property areas for which rental contracts were signed as of 31.12.2018	Data about appraisal and its underlying assumptions as of 31.12.18		
	Accumulated cost at year-end, including land, construction and sundry in thousands of NIS	Fair value 31.12.18 in thousands of NIS	Carrying amount in thousands of NIS	Adjustment of fair value in 2018 in thousands of NIS			Name of appraiser	Appraisal model	Additional underlying assumptions of the appraisal (**)
ToHa1	376,077	502,390	502,390	113,558	93%	94%	Raphael Conforti	Discounted cash flows	Discount rate 7.25% occupancy rate represents 100% NOI represents app. NIS 48.5 million developer's margin 10% of costs

(*) The carrying amount does not include the cost attributed to phase B of the ToHa2 project.

(**) The appraisal period is for a remaining lease period of 40 years.

2.2.5 INVESTMENT PROPERTY UNDER CONSTRUCTION

Set out below are principal data about properties under planning and development by uses (in thousands of NIS):

Region and use	Parameters	For the year ended		
		31.12.2018	31.12.2017	31.12.2016
Offices (ToHa1, Holon)	Number of properties under construction at end of period	2	2	1
	Total upper areas under construction (planned) at end of period	56,500	56,500	26,500
	Total area of underground parking spaces	48,760	48,760	16,000
	Total costs invested in current period	202,461	89,696	60,978
	Amount of assets as per financial statements (including portions considered as income-generating)	591,304	276,185	185,541
	Construction budget in the subsequent period (estimate)	178,014	235,440	82,800
	Total construction budget (estimate)	825,000	795,000	420,000
	Percentage of built area for which rental contracts were signed as of 31.12	94% (*)	-	-
	Percentage of built area for which rental contracts were signed as of the date of signing the financial statements	94% (*)	-	-
	Projected average annual revenue from projects to be completed in the subsequent period and for 50% or more of their area contracts were signed (in million of NIS)	47-50 (*)	-	-



(*) The data relates to one property, the Company's share in the area of which is 28.5 thousand square meters, in respect of 94% of which rental contracts were signed and the projected average annual income from which is app. NIS 47-50 million. As to the second property, the Company's share in the area of which is 28 thousand square meters, the property is in preliminary stages of construction of underground parking spaces and no rental contracts were signed in respect thereof.

Logistics Modi'in	Number of properties under construction as of end of period	1	1	1
	Total upper areas under construction (planned) as of end of period	(*) 25,500	34,000	34,000
	Total costs invested in current period	11,136	4,964	67,236
	Amount of assets as per financial statements	69,422	72,200	67,236
	Construction budget in the subsequent period (estimate)	73,912	13,100	-
	Total construction budget (estimate)	250,000	200,000	180,000
	Percentage of built area for which rental contracts were signed and/or in the final signing phases	(**) 100%	-	-
	Projected average annual revenue from projects to be completed in the subsequent period and for 50% or more of their area contracts were signed (in million of NIS)	20	-	-

(*) As to engagement with Shufersal Ltd, see Note 7d of the consolidated financial statements.

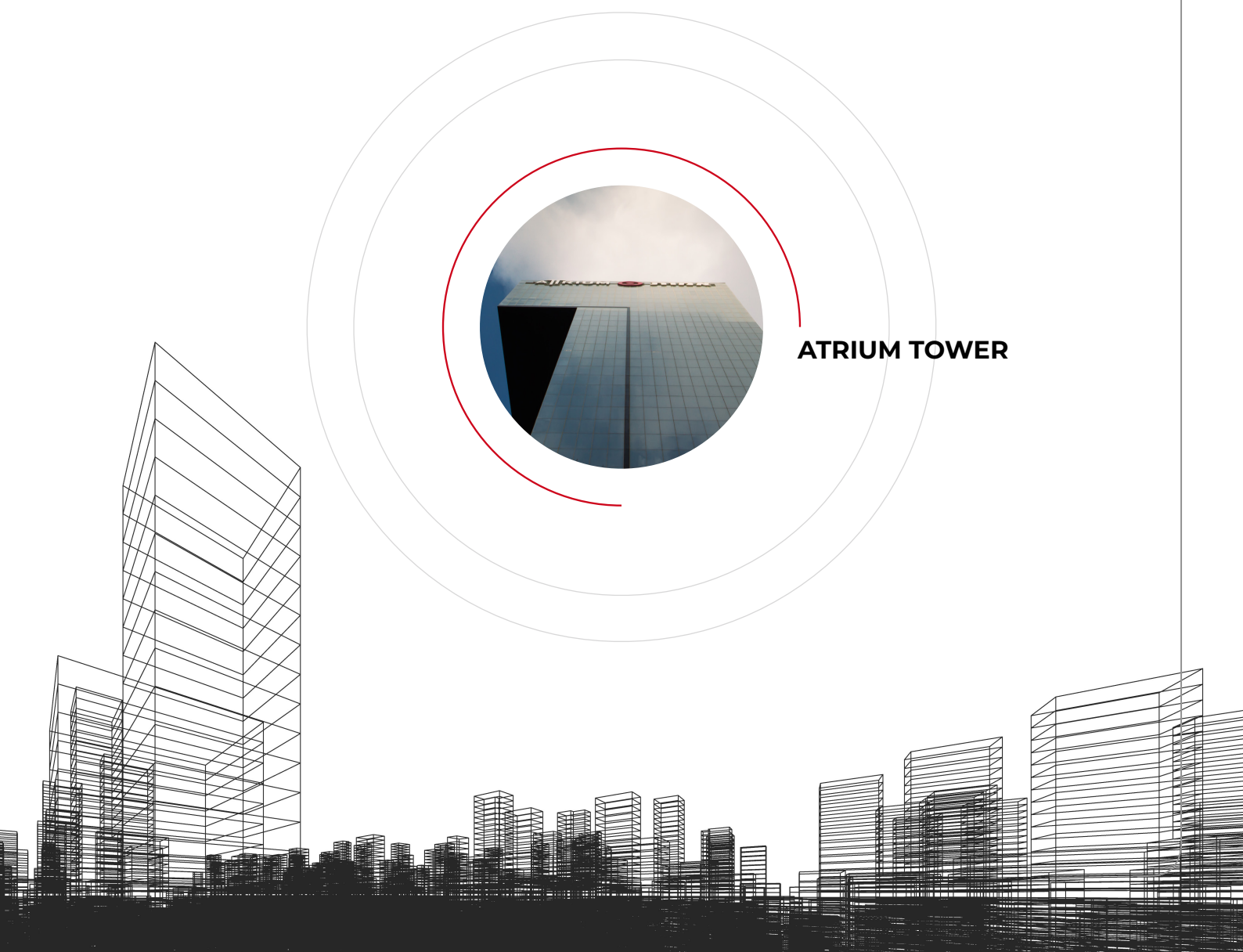
(**) The rental agreement relates to the area of the logistic center only.



2.2.5.1 HIGHLY MATERIAL INCOME-GENERATING PROPERTY

	Data re regarding the property
Property's name	Amot Atrium
Property's location	2 Jabotinsky Street, City Complex, Ramat Gan
Property's area, breakdown by uses	Office (*) – 54,807 square meters, retail areas – 561 square meters, warehouses – 439 square meters
Property's holdings structure	100% direct holding in the property
Date of purchase of land	2007
Date of commencement of construction work	Paneling: 2009 Commencement of construction: 2011
Details of legal rights in the property	Private ownership
Status of recording of legal rights	Recorded with the land registry office
Method of presentation in financial statements	Full consolidation

(*) The area does not include the floor in which the Company's offices are located, presented under the fixed assets item.



Set forth below are primary data regarding the very material property (in thousands of NIS)

Parameters	For the year ended		
	31.12.2018	31.12.2017	31.12.2016
Fair value at end of year*	1,299,167	1,138,950	1,021,500
Carrying amount at end of year	1,299,167	1,138,950	1,021,500
Properties fair value adjustments	121,357	52,824	58,151
Occupancy rate (%) as of 31.12	99.5%	98.5%	95%
Rented area (in square meters) in practice as of 31.12	55,289	54,606	52,637
Total revenues on a straight line basis	80,378	68,694	29,716
Average rent per square meter	119	117	116
Average rent per square meter in contracts signed during the year	122	116	118
NOI on a straight line basis	81,379	70,989	27,323
Adjusted rate of return	6.75%	7.25%	7.5%
Number of renters at end of period	37	36	33
Accumulated cost at beginning of year	834,604	769,978	648,651
Current cost invested at beginning of year	12,860	64,626	121,327
Total accumulative construction costs at end of year	847,464	834,604	769,978

(*) The value does not include the value of the floor in which the Company's offices are located, presented under the fixed assets item. The value of the said floor in which Company's offices are located is NIS 36 million.

Parameters	For the year ended		
	31.12.2018	31.12.2017	31.12.2016
Revenues:			
From rent	80,378	68,694	29,716
Costs (income):			
Management, maintenance and operating	(1,001)	(2,295)	2,393
NOI	81,379	70,989	27,323

Breakdown of projected revenues on a straight line basis (*) in respect of signed lease contracts (NIS in thousands):

	2019	2020	2021	2022	2023 and thereafter
Rent	80,156	75,920	55,947	29,745	12,823

(*) Ignoring the starting points that include compensation in the contract periods.

BREAKDOWN REGARDING THE PROPERTY'S APPRAISAL (NIS IN THOUSANDS):

The data presented below do not include the floor in which the Company's offices are located, which is presented under the fixed asset item in the financial statements.

Parameters	For the year ended		
	31.12.2018	31.12.2017	31.12.2016
The value determined	1,299,167	1,138,950	1,021,550
Identity of appraiser	Conforti Raviv, Real Estate Appraiser	Ronen Katz of Greenberg Olpiner & Co.	Ronen Katz of Greenberg Olpiner & Co.
Is the appraiser independent?	Yes	Yes	Yes
Is there an indemnification agreement in place?	Yes. Only indemnification regarding the incorrectness of documents or information provided by the Company	Yes. Only indemnification regarding the incorrectness of documents or information provided by the Company	Yes. Only indemnification regarding the incorrectness of documents or information provided by the Company
The appraisal is valid as of	31.12.2018	31.12.2017	31.12.2016
Appraisal model	Discounted cash flows	Discounted cash flows	Discounted cash flows
Rentable area (square meters)	55,677	55,652	55,473
Occupancy rate (%)	99.5%	98.5%	95%
Average rent per square meter (NIS)	119	117	116
Representative NOI (NIS in thousands)	87,866	86,430	84,920
Discount rate	6.75%-7.25%	7.25%-7.75%	7.5%-8.0%
Sensitivity analysis			
Average rent per square meter			
NIS 125 per square meter (NIS 123/square meter in 2017 and NIS 120/square meter in 2016)	1,362,361	1,192,024	1,023,000
NIS 113 per square meter (NIS 112/square meter in 2017 and NIS 108/square meter in 2016)	1,235,973	1,085,631	1,018,000
Discount rate			
0.25% increase	1,252,850	1,099,640	985,500
0.25% decrease	1,349,040	1,181,050	1,060,000

2.2.5.2 INVESTMENT PROPERTY UNDER CONSTRUCTION

Set forth below is a summary of principal data regarding the land by uses (in thousands of NIS)

	2018		2017		2016	
	Amount presented in financial statements (in thousands of NIS)	Area/scope of building rights (in square meters)	Amount presented in financial statements (in thousands of NIS)	Area/scope of building rights (in square meters)	Amount presented in financial statements (in thousands of NIS)	Area/scope of building rights (in square meters)
Additional building rights						
Offices (*)	61,540	87,049	62,000	87,049	60,000	16,319
Industrial and logistics parks	16,000	29,000	8,000	25,000	8,000	25,000
Retail	6,599	4,700	6,200	4,700	5,594	4,700
Land						
Offices	163,648	31,507	155,112	28,701	134,436	28,701
Retail	9,900	8,650	82,100	41,688	80,026	41,688
Total	257,687		313,412		288,056	

(*) Including an advance on account of payments attributed to phase B of the ToHa2 project, see page 69 of the Company's Directors' Report including building rights in urban zoning plan procedure. See page 69 in the Company's Board of Directors Report.

2.2.6 PURCHASE AND SALE OF RIGHTS IN INCOME-GENERATING PROPERTIES BY AREAS (IN MILLION OF NIS)

Area	Parameters	For the year ended		
		31.12.2018	31.12.2017	31.12.2016
Offices	Number of properties purchased in the period	-	2	(*
	Cost of properties purchased in the period	-	344	20
	Projected NOI of properties purchased in the period	-	24.5	1
	Area of properties purchased in the period (thousands of square meters)	-	17	1
Offices	Number of properties sold in the period	-	1	-
	Consideration from disposal of properties sold during the period	-	16	-
	NOI of properties sold during the period	-	1	-
	Area of properties purchased in the period (thousands of square meters)	-	3	-
Logistics	Number of properties purchased in the period	3	-	-
	Cost of properties purchased in **the period	425	-	-
	Projected NOI of properties purchased in the period	25	-	-
	Area of properties purchased in the period (thousands of square meters)	57	-	-

(*) Including purchase of additional rights in existing properties.

(**) Excluding transaction costs.

With regard to this matter, see Directors' report on the state of the corporation's affairs in the chapter dealing with "Transactions in Connection with Investment Property" and Note 7d of the financial statements.

2.2.7 CORPORATION-LEVEL ADJUSTMENTS

		Consolidated (in thousands of NIS) as of	
		31.12.2018	31.12.2017
Adjustment of fair value of investment property to values as per the statement of financial position – table 2			
Presentation in directors' report on the state of the corporation's affairs	Total investment property from income-generating properties in Israel	10,169,875	9,460,342
Adjustments	Land for development and betterment classified as investment property	63,299	87,712
	Immaterial income-generating property abroad	11,461	11,535
	Classification of income-generating properties owned by jointly controlled companies to investment on equity basis	(458,134)	(447,447)
Presentation in the statement of financial position	"Investment property" item in the statement of financial position	9,786,501	9,112,142
Adjustment of NOI from income-generating properties to values as per the statement of comprehensive income – table 3			
Presentation in directors' report on the state of the corporation's affairs	Total NOI from income-generating properties	677,822	633,320
Adjustments	Operating expenses that cannot be directly allocated to a specific asset	(2,809)	(2,175)
	NOI in respect of properties classified to assets under construction and still generate income	1,873	2,069
	Classification of NOI in respect of income-generating properties owned by jointly controlled companies presented by the equity method (before equity earnings)	(30,504)	(31,377)
Presentation in the statement of comprehensive income	The "Income from renting out and operating of properties" in the statement of comprehensive income	646,382	601,837
Fair value adjustment from income-generating properties to the values as shown at the statement of comprehensive income – table 4			
Presentation in directors' report on the state of the corporation's affairs	Total revaluation income from income-generating properties	149,826	156,462
Adjustments	Gain from revaluation of real estate under construction	120,176	866
	Revaluation of land for development and betterment classified as investment property and other	54	12,533
	Revaluation of immaterial income-generating property abroad	-	3,580
	Classification of revaluation losses (gains) in respect of income-generating properties owned by jointly controlled companies presented by the equity method (before equity earnings)	(7,081)	263
Presentation in the statement of financial position	The "Adjustment of fair value of investment property and gain from disposal thereof" item in the statement of comprehensive income	262,975	173,704

2.2.8 CORPORATION-LEVEL ADJUSTMENTS

None.

2.2.9 MANAGEMENT AND OPERATING OF PROPERTIES

The Group manages and operates some of its properties by itself, some through external management companies and some through management with partners in jointly-held properties. Some of the management companies operate on the basis of fixed costs, some operate on the basis of a fixed margin (up to cost + 15%) and in some of the management companies the margin varies according to the nature of the managed rental property. Operational management includes, among other things, building management, security, cleaning, preparing and monitoring operating budgets, preventive maintenance, monitoring faults, concentrating maintenance activity, insurance, municipal taxes and other subjects handled by the management companies in connection with various authorities. The activity includes sending billing notices to tenants, collection of payments, preparing balance sheets, managing accounting between the Company and its suppliers and tenants, tenders, legal issues, PR and advertising. The Company has agreements with several leading management companies that render the management services that are normally rendered to office buildings. Management of retail centers and park complexes is usually carried out by subsidiaries.

2.2.10 ASSETS WITH DEVELOPMENT POTENTIAL

The Company has several assets with development potential – for more information on this subject, see pages 68 and 69 of the directors' report on the state of the corporation's affairs.

THE TA/5000 PLAN

The TA/5000 plan, a valid comprehensive local outline plan applicable to the entire municipal area of the city of Tel Aviv-Jaffa is designed to outline a long-term urban planning policy. A comprehensive plan determines how the city is developed, divided into zones with different land zoning, maximum building volumes, building height limits, conservation areas and areas for increased development. The plan recommends future levels of development matching the expected growth in population and the increase in the employment market by 2025. A comprehensive plan cannot be used as the basis of a permit application. A comprehensive plan establishes guidelines for preparing a local outline plan (specific urban zoning plan with local authority), by virtue of which building permit applications may be submitted. A comprehensive plan does not confer rights and does not create a liability for betterment surcharges. In some of the Company's properties which are located within the plan area the Company promotes a local urban zoning plan compatible with TA/5000.

2.2.10 ASSETS LEASED OUT IN AN UNDISCOUNTED RATE

The Company leases some of its properties from the Israel Land Administration (hereafter – "ILA"). Regarding two of the properties, the lease agreement with the ILA is not capitalized. These non-capitalized agreements include a provision whereby the transfer of Company's rights in accordance with the agreement or the transfer of Company shares and/or the allocation of Company's shares at a rate exceeding 10%, requires the consent of the ILA and payment of consent fees. The Company also has the option to capitalize the aforesaid lease agreements. The said capitalization fees are derived from the remaining lease periods of properties and they are negligible to the Company. As to the capitalization fees involved in capitalizing the lease agreements while exercising the options given to the Company to renew and extend the lease periods by 49 further years (regarding each of the properties), a provision was made in the Company's financial statements.

The Company is considering its steps on this matter, and will act to pay the consent fees or alternately, the capitalization fees.

CHAPTER 3

DESCRIPTION OF COMPANY'S BUSINESS BY AREAS OF ACTIVITY



3.1

GENERAL INFORMATION ABOUT THE AREA OF ACTIVITY**3.1.1 AREA OF ACTIVITY'S STRUCTURE AND CHANGES THEREIN**

See section 2 above.

3.1.2 LEGAL AND REGULATORY RESTRICTIONS AND SPECIAL CONSTRAINS APPLICABLE TO THE AREA OF ACTIVITY

The Group's activity in the field of real estate is subject to real estate laws and to laws dealing with planning and building, licensing, accessibility and environmental protection (see also Section 3.1.1 of the report).

3.1.3 CHANGES AND DEVELOPMENTS IN THE SCOPE OF ACTIVITY AND PROFITABILITY THEREOF

See section 2 above.

3.1.4 CHANGES AND DEVELOPMENTS IN THE SCOPE OF ACTIVITY AND PROFITABILITY THEREOF

The Company believes that the critical success factors in the field of income-generating real estate with a scope of activity similar to that of the Group are mainly as follows:

1. Knowledge and experience in marketing, management and operating of the properties.
2. Financial stability that enables receipt of financing under good terms and investment of the required equity.
3. Geographical distribution of investments, mainly in Israel.
4. Identifying profitable transactions and business opportunities in the market, and the ability to respond quickly to such opportunities.
5. Engagement with partners that have financial resources.
6. Financial stability of renters and the nature of collaterals.

The Company believes that the critical success factors in the assessment of investment opportunities are a combination of the following relevant criteria:

1. The location of the property, including access roads to the property, its visibility and its betterment potential (refurbishment and expansion of the property).
2. Economic, demographic, regulatory and other aspects, both on the local and on the regional level.
3. Competition by similar properties, including projected future competition.
4. Level of demand and supply of similar properties, terms of the rental agreement including the current rent compared with market terms and the potential to increase the rent.
5. Current structure of the property's expenses and the potential to increase its operating profit.

The Company believes that the critical success factors in real estate development are mainly as follows:

1. Cost of construction inputs.
2. Duration of construction work.
3. Financial stability of the contractors carrying out construction work.
4. Meeting legal requirements regarding various planning, building and environmental issues (nuisances, underground and above-ground pollution, toxic waste, etc.) and meeting the costs they involve.
5. Using special technologies/green building.
6. Identifying long-term renters for properties/building and renting out properties to a specific renter.
7. Identifying financially stable renters with high-quality collaterals.

3.1.5 ENTRANCE AND EXIT BARRIERS

In this area of activity there are no formal entry and exist barriers. However, as a general rule, this market is impacted from supply and demand during transition periods between excess supply or excess demand. In view of the special nature of this field of activity, market players should be financially stable and have access to funding sources. Furthermore, knowledge and experience in critical success factors of this area of activity are also required. Exiting this area of activity is not flexible and disposal of investments may take a long time since the ability to dispose of properties depends, among other things, on their location and physical condition and on the market conditions and the general economic and security environment.

3.1.5 STRUCTURE OF COMPETITION IN THE AREA OF ACTIVITY AND CHANGES THEREIN

See Section 3.3 below.

3.2

MARKETING AND DISTRIBUTION

As a rule, marketing of Company's properties in Israel is mostly carried out independently, focusing on the area in which the property is located and in accordance with circumstances. Marketing is carried out through a number of additional channels such as brokerage, on-site signs, advertising in the press and on the internet, referring to each property specifically, use of the Company's customers, both as a potential for expansion and for renting out additional sites.

In view of the variety of marketing methods and the national distribution of the properties, the Company is not dependent on any single marketing channel and the loss of any such channel will not have a material adverse effect on its activities and/or will not require significant additional investment in finding alternatives.

3.3

COMPETITION

The Israeli cash-generating real estate market is characterized by a high level of competition stemming from a large number of companies engaged in the acquisition, initiation, development, renting out and betterment of real estate assets.

The Group is exposed to competition from a large number of Israeli companies engaged in the acquisition, initiation and development of rental real estate for offices, industry and retail as well as companies engaged in renting out of real estate for offices and retail, and other real estate owners in areas in which the Group's properties are located. Companies competing with Amot cannot be pointed out specifically, since competition in the field of real estate is characterized by specific competition according to the type of the property, each property's location and its occupancy level. In addition, competition focuses on areas of identifying real estate for initiation, development, construction and rental purposes and on the rental of real estate to potential customers.

Amot estimates that compared to other companies active in the field of cash-generating real estate in Israel, the scope of its activity is broad and varied. The Company is unable to estimate its market share.

The Company believes that the main factors impacting the Group's competitive positioning are:

1. The Group has an asset portfolio in a variety of uses, comprising: offices (53%), retail (22%), industry and logistics (17%), 36 supermarkets (6%). The variety of uses limits the Company's exposure to fluctuations in the different markets.
2. Most of the Group's principal properties are located in the central region of Israel.
3. Most of the Group's properties are relatively large, allowing it to meet the needs of large renters, while adapting the property to their needs.
4. The Group has a good reputation in the market as a reliable company in terms of meeting timetables for handing over rental properties to tenants and in terms of adapting the units and/or buildings to their needs and specifications, at any level required by the tenant.
5. The Group's principal renters have a good reputation and are financially stable; normally, those renters rent properties for long periods.
6. The maintenance and management level of Group's office buildings is high and meets the tenants' needs, which include, among other things, repairs, renovations and cleaning of internal spaces.
7. Good reputation, financial stability and the ability to secure bank funding.
8. Its abilities in the fields of initiation and development give the Group an advantage in identifying properties for development and construction and in locating properties requiring improvement that have rental potential and allow it to meet market demand.
9. The real estate properties under construction are located in developing and high-demand areas that feature additional office and retail buildings.
10. Taken together, the above advantages help the Group to deal with the intense competition in the Israeli cash-generating real estate market.

3.4

FIXED ASSETS

The Group's fixed assets include the area of Company's offices, furniture, office equipment, computers, vehicles and leasehold improvements, whose depreciated costs as of 31.12.2018 was NIS 38 million.

3.5.1 ORGANIZATIONAL STRUCTURE AND WORKFORCE

As of the date of this report, the Company employs 49 employees in its Headquarters, as it did last year,

Department	Number of employees
CEO's office	2
Finance	24
Legal	3
Marketing and operation	7
Engineering and initiation	13

In addition, the Company receives management services from Alony Hetz according to a management agreement (for details regarding this matter see Note 23c (1) of the financial statements).

As of the date of this report, the Company also employs, mainly through fully-owned subsidiaries (excluding properties held jointly), 31 employees at various sites outside its headquarters, as listed below:

Department	Number of employees
Property managers	4
Finance and administration	8
Maintenance	14
Marketing	5

All Company office holders are employed under personal employment agreements or under agreements for provision of services against a tax invoice. All of the Company's severance pay liabilities are covered by provisions to managerial insurance policies and by a severance pay provision.

According to the terms of the agreements, some of the aforementioned office holders are entitled to bonuses in accordance with the Company's policy as set by the Board of Directors from time to time. The Company is not materially dependent on any specific employee.

3.5.2 OPTIONS TO OFFICE HOLDERS

For details regarding this issue, see Section 21.2.3 in Chapter D: Additional Details regarding the Corporation.

3.5.3 PRIVATE OFFERING OF SHARES TO COMPANY'S CEO

For details regarding this issue, see Note 23c(2) of the financial statements.

3.6

ADAPTATION OF RENTAL PROPERTIES AND SUPPLIERS

From time to time, the Company carries out maintenance works, renovations and adaptations to renters, beyond the regular operation of the properties, which is carried out by the management companies themselves using their own budgets. The scope of the capital cost (CAPEX) to maintain the existing condition of properties amounted to a total of NIS 71 million in 2018 (including upgrading of public areas, adaptation for renters in properties occupied for the first time). These costs amounted to NIS 69 million in 2017 and NIS 95 million in 2016. In most cases, the Group does not purchase raw materials directly; rather, these materials are purchased by subcontractors carrying out maintenance, renovation and construction works. The construction manager and the operations manager are responsible for the procurement system and investments in buildings carried out by the subcontractors.

In the field of initiation and development, the Company is impacted by the cost of employing the contractors carrying out the projects it initiates and therefore it is also impacted by changes in raw material prices (such as steel, concrete and cement for construction), personnel costs and shortages in these elements. Therefore, the availability of foreign workers and concrete and cement prices set by monopoly holders may have a certain impact on Company's business. In addition, a shortage of raw materials and manpower may delay the construction of projects and lead to delays in handing over of properties to renters. The Company is not dependent on any specific supplier or service provider.

In addition to the aforesaid, see Section 2 regarding the description of the economic environment and the impact of external parameters on Company's activities.

3.7

WORKING CAPITAL

As a general rule, the Company does not extend credit to its renters; rather, it collects rent in advance in respect of one to three months. Most renters provide, prior to signing the contract, collaterals in respect of the rent and in respect of compliance with the lease contract and the management agreement. Those collaterals include: bank guarantees, debt notes, deposits, etc. Payments in arrears are dealt with by the marketing department with the support of the Company's legal counsels.

As per the extended financial statements as of December 31 2018, working capital deficit amounted to NIS 719 million. The Company has unutilized long-term credit facilities from banks and institutions, which can be withdrawn immediately. Those unutilized credit facilities amount to NIS 800 million. The Company also has unpledged assets amounting to NIS 10.8 billion. Therefore, the Company's Board of Directors determined that the Company's working capital deficiency does not indicate a liquidity problem.

3.8.1 GENERAL

The Group funds its activities from cash flows from operating activities, issuance of capital and bonds under prospectuses and shelf offering reports, exercise of options by employees and office holders, bank credit and commercial papers issued. In 2018, the Group raised a total of NIS 653 million from issuance of bonds, NIS 386 million from issuance of capital and warrants net of repayments of NIS 310 million.

SET FORTH BELOW IS A BREAKDOWN OF THE GROUP'S LOANS BALANCE AS OF 31.12.18:

	Balance as of 31.12.2018	Nominal interest as of 31.12.18	Effective interest 31.12.18
	In thousands of NIS	%	%
Banking sources			
Index-linked	317,677	4.05	No change
Unlinked to the index	38,969	Prime + 0.90	No change
Linked to the dollar	30,945	Libor + 2.5	No change
Linked to the EURIBOR	5,261	Eurolibor + 3.5	No change
Total banking sources	392,852	3.97	No change
Index-linked non-banking sources	4,289,757	3.63	2.49
Non-banking sources unlinked to the index – commercial papers	343,562	Prime – 1.11	No change
Non-banking sources – unlinked to the index – bonds bearing NIS interest	236,347	3.39	No change
	5,262,518		
Balance of bonds premium and other	180,538		
Total	5,443,056	3.41	2.51⁽⁵⁾
Less – cash and cash equivalents	(308,554)		
Net financial debt	5,134,502		

SET FORTH BELOW ARE EXPECTED REPAYMENTS BY YEARS:

Repayment year	Balance of repayable principal
2019	847,077 ⁽⁶⁾
2020	614,743
2021	575,939
2022	575,759
2023 and thereafter	2,649,000
Total	5,262,518

(5) Excluding commercial papers 2.63%

(6) Including securities totaling NIS 344 million.

(7) Overall average duration of the debt is 4.5 years.

3.8.2 CREDIT RATING

Rating entity	(Series A) bonds current rating	(Series C) bonds current rating	(Series B) bonds current rating	(Series D) bonds current rating	(Series E) bonds current rating	Commercial papers current rating
S&P Global Inc. (Ma'alot S&P)	Of 03.01.19 iIAA/Stable	Of 03.01.19 iIAA/Stable	Of 03.01.19 iIAA/Stable	Of 03.01.19 iIAA/Stable	Of 03.01.19 iIAA/Stable	Of 03.01.19 +iIAA-1
Midroog Ltd. - a subsidiary of Moodys	Of 29.7.18 Aa2/Stable	Of 29.7.18 Aa2/Stable	Of 29.7.18 Aa2/Stable	Of 29.7.18 Aa2/Stable	Of 29.7.18 Aa2/Stable	
	Rating development	Rating development	Rating development	Rating development	Rating development	Rating development
S&P Global Inc. (Ma'alot S&P)	Of 26.12.16 iIAA/Stable From 16.1.11 through 29.12.13 iIA+/Stable	Of 26.12.16 iIAA/Stable	Of 26.12.16 iIAA/Stable	Of 26.12.16 iIAA/Stable From issuance date 30.7.14 iIAA-/Stable	Of 26.12.16 iIAA/Stable From issuance date 28.3.16 iIAA-/Stable	From issuance date 12/14 +iIA-1
Midroog Ltd. - a subsidiary of Moodys	Of 29.7.18 Aa2/Stable From 22.12.11 through 12.7.17 Aa3/Stable	Of 29.7.18 Aa2/Stable From 22.12.11 through 12.7.17 Aa3/Stable	Of 29.7.18 Aa2/Stable From issuance date through 12.7.17 Aa3/Stable	Of 29.7.18 Aa2/Stable From issuance date through 12.7.17 Aa3/Stable	Of 29.7.18 Aa2/Stable From 27.7.16 through 12.7.17 Aa3/Stable	

3.8.3 CREDIT FACILITIES AND BANK FUNDING

For information about this issue, see Note 13d(1) of the financial statements.

3.8.4 PLEDGES

For information about this issue, see Note 16 B of the financial statements.

3.8.5 THE EXTERNAL APPRAISAL (DETAILS PURSUANT TO SECTION 2 OF THE THIRD ADDENDUM TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970

The real estate appraisal firm Engineer Yosef Zarnitzky was established by Engineer Yosef Zarnitzky, who has 45 years' experience in the field of real estate appraisal and valuations. The firm comprises 10 appraisers. The decision to enter into an agreement with Mr. Zarnitzky was made by Company's management over the course of the year.

The rate of properties appraised by Mr. Zarnitzky constitutes, as of December 31 2018, 58% of the value of the investment property in the Company's statement of financial position and therefore he meets the definition of a very material appraiser in accordance with Legal Staff Position 105-30 of the Securities Authority of July 22 2015.

Mr. Zarnitzky's fees were not dependent on the results of the appraisals or on Company's performance.

The appraiser was given an indemnification commitment which is limited to the data provided to him by the Company.

The Company opted to contract Mr. Zarnitzky due to his extensive experience in the field of cash-generating real estate in Israel, which render him with the skills he needs to determine the fair value of Company's assets.

Mr. Zarnitzky was certified as a real estate appraiser in January 1970. Since 15/09/1970 he has been the owner of a real estate appraisal and civil engineering firm. In 1983-1990 he served as the Head of the Real Estate Appraisers' Association. Since 2003 he has served as Chairman and founder of the Israeli Real Estate Appraisal Research and Implementation Academy.

3.8.6 REPORTABLE CREDIT

SET FORTH BELOW IS A BREAKDOWN OF MATERIAL CREDIT AGREEMENTS THE COMPANY IS A PARTY TO, INCLUDING FINANCIAL COVENANTS SET AS PART OF THOSE AGREEMENTS.

No.	Lending entity Project's name	Lender	Date of extending credit	Original loan amount/ facility (NIS in thousands)	Adjusted principal balance as of 31.12.18 (NIS in thousands)	Number of payments	Repayment date	Annual interest rate (Weighted interest rate)	Collateral s/ pledges to secure the credit	Covenant regarding change of control/ structure / activity	Financial obligations and compliance therewith as of report date
1.	The Company	Bank	21.6.11	500,000	280,093	56 equal quarterly installments	June 2025	4.3% index-linked	-----	See covenant 1,2	Covenants 1,2
The Company has the right, at any given time, to pledge in favor of the bank real estate at a rate of 139% of the outstanding loan balance and in such a case the Company shall not be required to meet the financial covenants described above in connection with the loan											
2.	The Company	Institutional entities	30.12.14 9-10.6.15	400,000	343,562	Repaid at the demand of security holders; maximum period of 5 years	30.12.19 9-10.6.20	Variable interest P-1.11			
3.	The Company	Bank	29.12.10	400,000 credit facility	-	-	To be utilized by 28.12.20	Variable interest at the rate of wholesale interest + 1.4%	-----	See covenants 1-3	Covenants 3,4
4.	The Company	Bank	3.11.10	200,000 credit facility	-	-	To be utilized by 31.12.19	Base interest + 1.75%	-----	See covenants 1-3	Covenants 3,4
5.	The Company	Institutional entity in Israel	6.4.16	200,000 credit facility	-	-	To be utilized by 31.5.22	Bank of Israel interest + 2.15%	-----	See covenants 1-3	Covenants 1,3-5
6.	The Company	For information regarding the Company's Series A, B, C, D and E, see Appendix E to the Directors' Report.									

COVENANTS REGARDING CHANGE OF CONTROL/ OWNERSHIP/ NATURE OF OPERATIONS:

- Change in direct control over the Company is subject to the bank's approval.
- Merger (except for merger with wholly-owned subsidiaries) and purchase of assets and/or liabilities which are not part of the Company's ordinary course of business, are subject to bank's approval;
- Changing the principal business of the Company from the income-generating real estate business to another field of activity, subject to approval of the bank.

FINANCIAL COVENANTS:

- Net financial debt to CAP ratio will not exceed 70%.
- Unpledged assets will not amount to less than NIS 1 billion.
- Tangible equity to total balance sheet ratio will not be less than 25%.
- Net financial debt to NOI ratio shall not exceed 10.
- Minimum equity will be NIS 1.2 billion.

DEFINITIONS: net financial debt – the Company's aggregate debt to institutional entities and to holders of all types of bonds, net of cash and cash equivalents and short-term investments in commercial papers.

CAP – accumulated amount of equity attributed to Company's shareholders including minority interest, net financial debt and deferred tax balances, net.

In addition, the credit agreements include generally accepted terms for immediate repayment of the credit, including: liquidation, receivership and execution, cross default; cessation of activity and suspension of trading of the Company's securities, etc.

ASSESSMENT OF COMPANY'S COMPLIANCE WITH FINANCIAL COVENANTS

	The Covenant	Condition	31.12.18	31.12.17
1	Net financial debt to CAP	Lower than 70%	46.7%	48.4%
2	Scope of unpledged real estate	The highest of NIS 1 billion or 125% of the outstanding bonds	NIS 10.8 billion	NIS 9.8 billion
3	Equity to balance sheet (net of cash and cash equivalents)	Higher than 25%	42.8%	41.6%
4	Net financial debt (net of real estate under construction) to NOI	Lower than 10	6.28	6.75

As of the Report Date the Company meets all the financial covenants.

3.8.7 REGULATORY CONSEQUENCES

None.

3.9**TAXATION****3.9.1 SUMMARY OF TAX LAWS APPLICABLE TO THE COMPANY**

In connection with this subject, see Note 15h of the financial statements.

3.9.2 TAX ASSESSMENT

As to tax assessments agreement for the years 2012-2015, see Note 15h of the financial statements.

3.9.2 MATERIAL ASSESSMENTS DISCUSSIONS

In connection with this subject, see Note 15h of the financial statements.

ENVIRONMENTAL RISKS AND MANAGEMENT THEREOF**3.10.1 A.**

The Group, as owner and/or lessee of real estate assets, may be liable in accordance with the law, including planning and construction laws, environmental laws and tort law, for violations of the law in the event that a violation took place on the premises of real estate assets it owns or leases.

B.

Environmental laws enacted in recent years, and the increasingly strict environmental enforcement, were designed to ensure that entities causing damage to the environment bear the full financial cost of the damage, so that the environmental damage becomes a tangible financial risk for polluting companies and the entities funding them. Alongside the increase in environmental legislation, enforcement in this field is also increasing, and the number of indictments filed against polluting companies has also increased. Increased enforcement may expose the Company to a number of risks, including legal risks – the risk of criminal action being taken against the Company, and the filing of personal indictments against the Company's executives due to non-compliance with environmental laws, among other things due to the increasing scope of knowledge available to the public – the risk of harming the Company's activity due to delays or refusal to issue or renew permits and/or other licenses and subjecting them to compliance with standards or other activity; reputational risk.

Recognizing the need to enhance the environmental risk management in Company's activity and as part of a distinct Company policy in this regard, Amot has decided to formulate an internal environmental enforcement plan through its legal counsels, who specialize in environmental law, with the support by environmental advisors. The plan is designed to ensure that Company's activity is carried out in accordance with environmental regulations and to reduce exposure to environmental risks.

3.10.2

Amot rents out spaces to mobile phone companies for the installation and operation of cellular antennas and/or micro-transmitters. Pursuant to the agreements signed between the Company and the mobile companies, the latter bear the liability for obtaining the permits required by law for the erection and operation of the antennas and/or micro-transmitters. The mobile phone companies also undertake to meet the safety provisions set in law, to bear any liability imposed on them by law and to indemnify the Company for any damage caused from those companies' activity in the rental property, except if such damage was caused due to an act or omission of the Company. Furthermore, the mobile phone companies undertake to take out insurance, among other things, in respect of their liability for harm and/or damage that may be caused to third parties due to those companies' activities in the rental property, with the insurance being expanded to indemnify the Company and the management companies.

As to Company's legal liability as the owner or lessee of real estate properties in which the antennas and/or micro-transmitters are installed, see Section 3.10.1 (a) above.

- 3.10.3** For information about a ruling that was issued recently by the Tel Aviv District Court in a class action filed against the Company and its partner to the rights to the Jerusalem Central Bus Station and against “Egged” (which operates the bus station in the project), whereby defendants had allegedly breached the Clean Air Law, as part of which the Court approved a settlement agreement signed between the parties, see Note 16a(3) of the financial statements.
- 3.10.4** Except for what is said in Section 3.10.3 above, as of the date of this report the Group is not a party to any material legal or administrative proceeding relating to the environment, to which the Company or any of its senior office holders is a party. Furthermore, in the opinion of the Company, as of the date of this report there is no event or matter relating to the Group’s activity that caused or is expected to cause damage to the environment and therefore had or is expected to have an impact or material impact on the Group.
- 3.10.5** The Group’s environmental risk management policy is conducted pursuant to its general risk management policy, and focuses on activities that mitigate any possible adverse effects on the Group’s activity. Risk management is mainly conducted by Company’s management, while regularly monitoring regulatory developments pertaining to the Group’s activity, including in the field of environmental risks. In view of the fact that most of the Group’s properties are rented out to office and/or retail businesses, (not in the food and/or industrial fields), Company’s management does not predict material exposure to the Group in terms of environmental issues in respect of these properties.
- 3.10.6** As of the date of this report, no amounts were ruled and no provisions were recognized in the financial statements and there were no other environmental costs applicable to the Company except those described in Section 3.10.3 above.

ENVIRONMENTAL RISKS AND MANAGEMENT THEREOF

3.11.1 Applicability of different laws

The Company as such is subject to the provisions of the Companies Law, 1999, and to regulations promulgated thereunder. Since the Company is a "reporting corporation" it is also subject to the provisions of the Securities Law, 1968 and to regulations promulgated thereunder. The Group's activity in the field of real estate is also subject to the provisions of the land laws, laws relating to land taxation, municipal taxation, business licensing, planning and building laws, environmental laws, accessibility to people with disabilities, enforcement of labor laws, including in connection with employment of service contractors in the fields of security and cleaning, privacy protection laws, work safety laws, etc.

3.11.2 As part of the Company's activities it acquires or sells shares of corporations that own rights in real estate assets. Such transactions may require, under certain circumstances, obtaining an approval pursuant to the Economic Competition Law, 1988 (hereafter – the "Economic Competition Law"). Furthermore, occasionally Company's agreements with renters or business partners may require, under certain circumstances, obtaining an approval pursuant to the Economic Competition Law.

3.11.3 the Promotion of Competition and Reduction of Concentration Law

On December 11 2013, the Promotion of Competition and Reduction of Concentration Law, 2013 was published (in this section the "Concentration Law" or the "Law"), by virtue of which in December 2014 the Concentration Reduction Committee published for the first time a list of concentrated groups in Israel, a list of the significant non-financial corporations and a list of significant financial entities. In the Committee's latest publication on record of 28.10.2018, the Company and its subsidiaries were listed both in the list of concentration groups and in the list of significant non-financial corporation, since the Company is a subsidiary of Alony Hetz Properties and Investments Ltd.

The main consequences of the Group's being a concentrated group and a significant non-financial corporation are as follows:

- A. Pursuant to the Law, before allowing a concentration group to participate in the process leading up to allocation of a right and before granting any right to a concentration group, including a license in a field of activity which is defined as a critical infrastructure, the regulator in charge must take into account sector-specific competition factors, and for this purpose must consult with the Antitrust Commissioner. Furthermore, when allocating such right to a concentration group, the entity awarding the right must consider cross-sector concentration factors while consulting with the Concentration Committee, as set out in the Law.
- B. Credit restrictions – Pursuant to Section 26 of the Concentration Law, the Minister of Finance and the Governor of the Bank of Israel or anyone appointed on his/her behalf for that purpose, will prescribe provisions as to restrictions on credit to be extended to a corporation or a business group by financial entities, on an aggregate basis, taking into account, among other things, each corporation's debt or the total debt of the business group, as the case may be. In this section, "Business Group" – the controlling shareholder and the companies under its control. "Financial Entity" – institutional entity, bank, auxiliary corporation and a clearing corporation.
It should be noted that although the Concentration Law provides that the first provisions as to credit restrictions will be set within a year from the date of publication of the Law, with an option to extend by one year, i.e., until December 11 2015, after such extension has ended, such provisions have not yet been set.
The meaning of Section 26 of the law is that credit restrictions placed on the Company's controlling shareholders in connection with credit from Israeli financial entities, if any such credit will be received, shall also apply to Group companies.
- C. In addition to the above, the Concentration Law may have a direct impact on the Company's controlling shareholders or institutional entities that hold or may hold its shares regarding their holdings in the Company, as follows:
 1. The Concentration Law stipulates, inter alia, that any person or entity controlling a significant non-financial entity shall not control a bank which is a significant bank and shall not hold more than 10% of a certain type of means of control in a bank (the Governor of the Bank of Israel may set a lower rate of no less than 5%). The Concentration Law further stipulates that anyone who lawfully held prior to the publication of the Law means of control in such a bank in excess of the aforesaid rate shall be entitled to continue holding these holdings until 6 years have passed since the publication of the Law (11.12.2013), subject to the provisions set in the Law (*).
 2. The Concentration Law stipulates that an insurer shall not hold more than 10% of a certain type of means of control in a significant non-financial corporation (and the holdings of a financial entity controlled by the insurer shall not be taken into account for purposes of determining the holding rates) (**).

It should be emphasized that the responsibility for compliance with the provisions of the aforesaid Law lies with the aforesaid shareholders/controlling shareholders, rather than with the Group.

(*) David Wertheim, one of Alony Hetz' controlling shareholders, holds, through corporations (owned jointly by him and by his sister) (indirectly), shares of Bank Mizrahi Tefahot Ltd., including shares included in the bank's control core.

(**) As of the publication date of this report, there is no insurer that holds (nostro) 10% or more of the Company's capital.

3.12

MATERIAL AGREEMENTS

For information on this matter, see Note 7 of the financial statements.

3.12

LEGAL PROCEEDINGS

For information on this matter, see Note 16 of the financial statements. For purposes of this Section 3.13, a legal proceeding is considered to be material, regardless of whether it was filed by the Group or against the Group, if the amount claimed, excluding interest and expenses, exceeds 10% of the Company's current assets on a consolidated basis, i.e., app. NIS 35 million as of December 31 2018.

3.12

TARGETS AND BUSINESS STRATEGY

The Group's business strategy is to expand its activity in the field of income-generating real estate in Israel through purchases and/or development and building of assets and/or through merger with other corporations that operate in this sector.

In 2016, the Company carried out a comprehensive assessment of its business strategy for the next decade. As part of the conclusions of the said assessment, the Company works to expand the geographic distribution of its business and to diversify the different uses of properties it invests in. It was also decided to develop the field of logistics as another channel for driving growth and development in the Company.

For more information on this issue, see Section 2 above in connection with the description of the economic environment and the impact of external factors on the Company's activities.

The above information constitutes forward-looking information (see comment at the beginning of this report above). It should be clarified that the disposal of assets in Israel from time to time is carried out under market conditions and in accordance with a cost-benefit analysis and that these external factors are not controlled by the Group. Furthermore, the targets are set based on Group's assessment of the condition of the market in which it operates. Therefore, there is no certainty that the aforesaid will indeed materialize and actual results may differ from the above estimates.

3.12

PROJECTED DEVELOPMENT IN THE FORTHCOMING YEAR

The Group assesses and will continue to assess in the forthcoming year, the progress of its projects in accordance with the condition of the Israeli economy and in light of the projected marketing of spaces within the said projects.

In the forthcoming year, the Group expects it will continue developing its businesses, identify opportunities to purchase income-generating properties for rental as offices or retail spaces, which generate rent on a current basis, with a special emphasis on the field of logistics. The Group also expects to continue its initiation, development and construction activities in Israel in the field of income-generating assets, under the aforesaid limitations.

The above information constitutes forward-looking information (see comment at the beginning of this report above). The Company has no control on new business proposals and opportunities that the Company will be offered to take part in.

3.16 INFORMATION REGARDING MATERIAL EVENTS IN THE COMPANY SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS AS OF 31.12.2018

None.

3.17 GEOGRAPHICAL SEGMENTS

None.

3.18 RISK FACTORS

The Group is exposed to risk factors stemming from the economic environment, the unique characteristics of its field of activities and risk factors which are unique to the Group.

3.18.1 MACRO-ECONOMIC RISK FACTORS:

A. Risks relating to the Israeli economy

Company's activity in the field of real estate in Israel is impacted from the growth rate of the Israeli economy and from the interest policy in Israel; therefore, Group's revenues are dependent, among other things, on those factors.

B. Interest risks

Changes in the interest rates prevailing in Israel may impact the value of the Group's assets, such that if the interest rates increase, the required return on these assets shall increase and the value of the asset might decrease, and vice versa. Changes in the variable interest rate in Israel may impact the operating results of the Company.

C. Changes in inflation rates

1. The Group has loans and bonds which are linked to the Israeli consumer price index and which were used to fund the purchase of the Group's income-generating real estate assets. The Group has a material exposure to changes in inflation rates in Israel.
2. Group's revenues from rent and management fees are linked to the consumer price index.

3.18.2 SECTORAL MARKET RISKS

The Group, which mainly operates in the Israeli income-generating real estate market, is exposed to various risks, including: changes in demand to rental properties (which depends, among other things, on the Government's land marketing policy), decrease in rental prices, increase in debt raising costs, the financial stability of principal renters and credit solvency and increase in construction inputs.

SET FORTH BELOW ARE THE RISK FACTORS DESCRIBED ABOVE AND THEIR IMPACT ON THE RESULTS OF THE COMPANY'S BUSINESS, AS ESTIMATED BY COMPANY'S MANAGEMENT:

Risk factors	The extent of the risk factor's impact on the Group's activity	
	Large	Medium
Macroeconomic risk factors		
Interest risks	X	
Changes in inflation rates	X	
Sectoral risk factors:		
Changes in demand to rental properties	X	
Changes in rental prices	X	
Increase in debt raising costs	X	
Financial stability of principal renters		X
Increase in construction inputs		X

For more information on this chapter, see Section 2 regarding the description of the economic environment and the impact of external parameters on Company's activities.

BOARD OF DIRECTORS'
REPORT ON THE STATE OF
**CORPORATE
AFFAIRS**



**AMOT INVESTMENTS.
PEOPLE FIRST.**
2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



AMOT IN NUMBERS



BOARD OF
DIRECTORS' REPORT

A SNAPSHOT OF

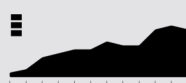
The data of the 2018 extended
consolidated financial statements
In million of NIS

NOI 678
million NIS

FFO 477
million NIS

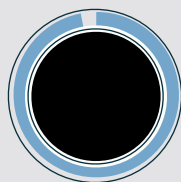
FFO 142
Per share Agorot

Total investment property



11,115
million NIS

Unpledged assets



97%

million NIS in
unutilized credit
facilities

800

Index-linked
weighted debt
interest

2.63%

AMOT INVESTMENTS.
PEOPLE FIRST.

2018 PERIODIC REPORT

AVERAGE DURATION – 4.5 YEARS



BOARD OF DIRECTORS' REPORT ON THE STATE OF THE CORPORATE AFFAIRS FOR THE PERIOD ENDED DECEMBER 31 2018

Amot Investments Ltd.'s Board of Directors is pleased to submit the financial statements of the Company and its consolidated companies (hereafter – the “Group”) for the year ended December 31 2018 (hereafter – the “Reported Period”).

DESCRIPTION OF THE GROUP AND ITS BUSINESS ENVIRONMENT

Amot Investments is a public company which is engaged, both directly and indirectly through corporations under its control, in renting out, management and maintenance of income-generating real estate in Israel as well as in the development of real estate for renting out purposes. The Company's share is included in the Tel Aviv 35 Index and in the Tel Aviv – Real Estate Index. The Company is a subsidiary of Alony Hetz Properties and Investments Ltd. (which holds 58% of the Company's share capital).

The stability in the income-generating real estate sector in Israel continued in the Reported Period. This was reflected both in the level of demand and in rent and occupancy levels. During the Reported Period there was a demand to office, industrial and logistics spaces in most of the Company's areas of activity, which was reflected in stability in price levels.

KEY POINTS FOR THE YEAR

NOI in 2018 amounted to NIS 678 million –
a 7% increase compared with last year.

+7%

Same property NOI increased by 2.5% in 2018
– a 2.5% increase compared with last year.

+2.5%

FFO in 2018 amounted to NIS 477 million –
an 11% increase compared with last year.

+11%

FFO per share in 2018 is Agorot 142 – an app.
3% increase compared with last year.

+3%

Capital raising and debt of app. NIS 1 billion (app. 1/3 in capital and 2/3 in debt).

Purchase of three logistic assets in consideration for app. NIS 425 million (excluding transaction costs), with an overall area of app. 57,000 square meters, which will generate the Company annual NOI of app. NIS 26 million.

Agreement with Shufersal Ltd. for the construction of a logistics center with an area of app. 34,000 square meters which will be rented out to Shufersal for a period of 15 years, with an option to extend the rental period (Company's share – 75%).

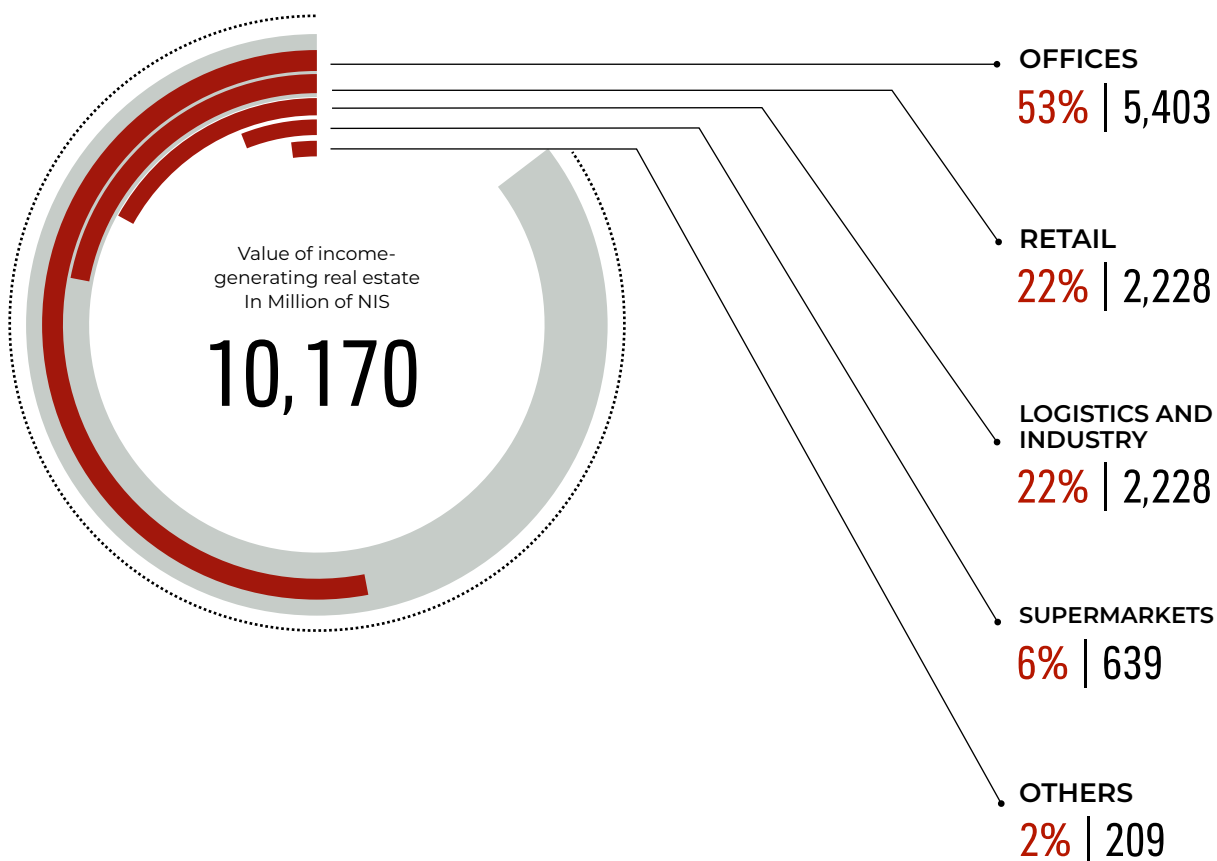
Agreement to purchase half of the capitalized leasing rights to a 16.4-duman plot at Halehi Street in Bnei Brak, in consideration for app. NIS 100 million, for the construction of an above-ground 75 thousand square meters project for marketing (company's share – 50%).

Winning a tender for the purchase of land in the 1000 Compound in Rishon LeZiyon in consideration for NIS 30 million; the land has rights for the construction of an employment building with above-ground area of 19,000 square meters.

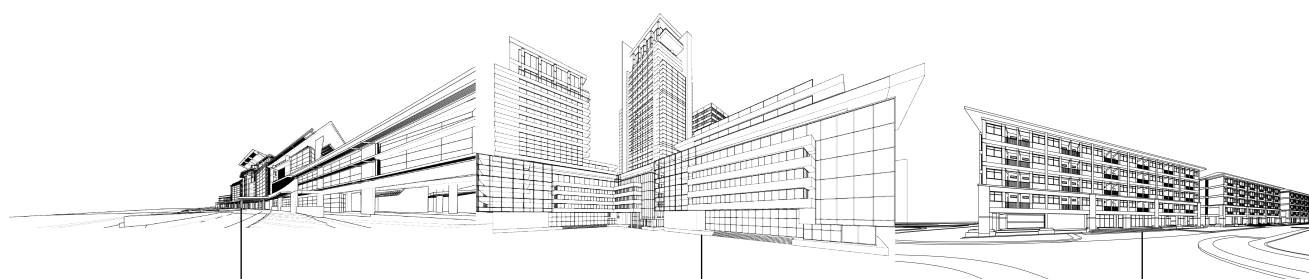
DETAILS REGARDING THE GROUP'S ACTIVITY

Group' owned and leased properties as of December 31 2018 include: 102 cash-generating properties across Israel with a total area of 1.4 million square meters (Company's share), of which 842,000 square meters are rental spaces and 535,000 square meters are parking spaces. These properties are located across the country, with most of the Group's assets (88%) being located in large cities at the central region of Israel and in the demand areas. The properties are rented-out to app. 1,600 renters under contract for different periods. In addition, the Company has 3 properties under construction at a scope of 82,000 above-ground square meters and 5 properties in planning and development phases at the scope of 179,000 square meters. Set forth below is a breakdown of the uses of Company's income-generating properties.

The overall occupancy rate of the Company's assets as of 31.12.2018 is 97.2% (97.4% as of 31.12.17). The occupancy rate represents areas in respect of which there are signed contracts; some of these areas have not yet been occupied.



AMOT GROUP'S INCOME-GENERATING PROPERTIES



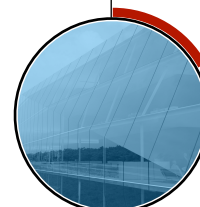
RETAIL CENTERS

18



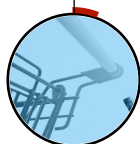
OFFICE BUILDINGS

31



INDUSTRIAL PARKS

15



SUPERMARKETS

36



BUSINESS STRATEGY

Company's management is of the opinion that real estate is a long-term business and makes decisions accordingly.

The Group's business strategy is to expand its activity in the field of income-generating real estate in Israel through purchase and/or initiation, development and construction of properties along with retaining financial stability through debt with long average duration, having in place unutilized credit facilities and unpledged assets. These give the Company flexibility in times of crisis as well as the ability to utilize significant opportunities.

In order to implement its business strategy, Company's management follows the following guidelines:

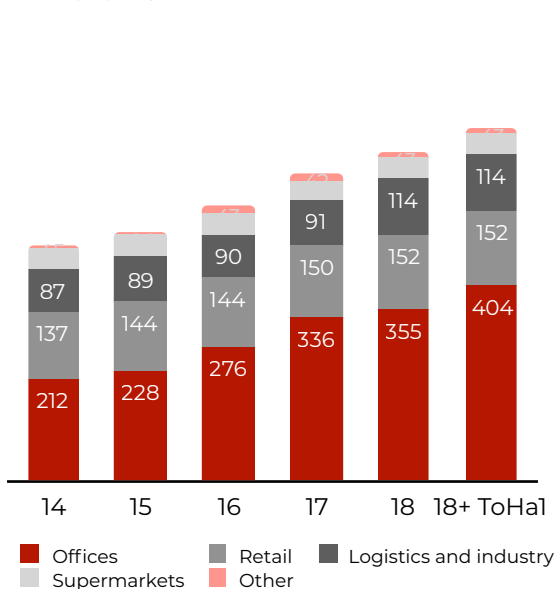
- Management of a properties portfolio comprising a variety of uses – offices, retail, logistics and industry, supermarkets.
- Development and building of properties at prime locations within the Tel Aviv metropolis.
- Company's properties are located in major business centers and near main transport links.
- The tenants' mix is strong and diversified.
- Managerial capabilities to improve the existing portfolio of properties.
- Construction and development of assets under initiation, which constitute the Company's growth engine (up to 15% of the value of the real estate).
- The Company uses green building methods to a high standard, which contribute to the tenants' quality of life and enhance the Company's corporate environmental responsibility.

In accordance with the Company's business strategy of development its activities in the field of logistics, in 2018 the Company purchased three logistic centers for a total of NIS 425 million (excluding transaction costs). The aforesaid does not include a transaction for the development, construction and renting out of properties to Shufersal at an estimated scope of app. NIS 250 million (Company's share).

The Company also continues developing its activity in the field of offices, such that the total value of the offices including the carrying amount of ToHa1 as of 31.12.18 is app. NIS 5.9 billion compared with NIS 3.2 billion in 2014.

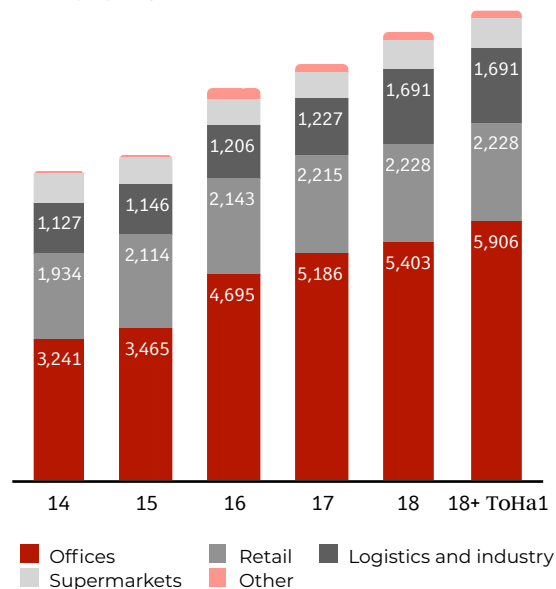
Breakdown of NOI by uses

In million of NIS



Breakdown of value of properties by uses

In million of NIS



PROPERTIES PURCHASED AND NEW ENGAGEMENTS DURING THE REPORTED YEAR

A LOGISTICS COMPLEX IN MODI'IN

In January 2018, the Company purchased a logistics complex in Modi'in in consideration for NIS 280 million (excluding transaction costs). The complex includes two buildings with an overall area of 36,000 square meters and additional building rights. The buildings are fully rented out to four leading renters under long-term rental agreements for a period of 5 years or more with an option to extend the rental period. The project's actual NOI is NIS 16 million per year.

A LOGISTICS BUILDING IN ARIEL

In February 2018, the Company purchased a logistics building in Ariel in consideration for app. NIS 38.5 million (excluding transaction costs). The building's area is 11,000 square meters. The building is fully rented out to a single renter under long-term rental agreement for a period of 12 years and an option to extend the rental period. The project's actual NOI is NIS 3.2 million per year.

AUTOMATIC LOGISTICS CENTER FOR ONLINE ACTIVITY – SHUFERSAL MODI'IN

In May 2018, the Company entered into an agreement with Shufersal Ltd. to construct a 34,000 square meters logistics center and a 6,000 square meters office building. The logistics center shall be rented out to Shufersal for a period of 15 years with an option to renew the rental period (Company's share 75%).

1000 COMPLEX – WEST RISHON LEZIVON

In June 2018, the Company won a tender for the purchase of land in the 1000 Complex in Rishon LeZiyon in consideration for NIS 30 million. The plots have rights for the construction of an employment building with an above-ground area of 19,000 square meters.

HALEHI COMPLEX– BNEI BRAK

In July and November 2018, the Company signed an agreement and an addendum to the agreement, respectively, with Allied Real Estate Ltd. (hereafter - "Allied") for the purchase of half of the capitalized leasing rights (subject to Allied's signing a new capitalized leasing agreement with the Israel Land Authority) to a 16.4-dunam plot at Halehi Street in Bnei Brak, in consideration for NIS 100 million, to construct a 75,000 square meters above-ground area for marketing (Company's share 50%).

LOGISTIC CENTER – AIRPORT CITY

In September 2018, the Company signed an agreement for the purchase and renting out of a building in Airport City, in consideration for NIS 105 million (excluding transaction costs). The building is located within a 15-dunam complex, including an 10,240 square meters above-ground area. Most of the area of the property is used as a logistics center. The building is fully rented out to a leading renter under long-term rental agreement for a period of 10 years and options to extend the rental period. The project's actual NOI is app. NIS 6.25 million per year.

DISPOSAL OF ASSETS

In October 2018, the Company sold land that do not generate income for a total amount of app. NIS 103 million.

MANAGEMENT AGREEMENT WITH THE PARENT COMPANY

In November 2018, the General Meeting of the Company's shareholders approved the extension of the term of the agreement for receipt of management services from Alony Hetz Properties and Investments Ltd. by an additional 3-year period, from 1.1.2019 through 31.12.2021, in consideration for management fees of NIS 9 million per year (linked to the index in respect of June 2018). The management fees shall be paid in four quarterly installments.

A SNAPSHOT OF COMPANY'S DATA – EXTENDED CONSOLIDATED FINANCIAL STATEMENTS

	Average annual increase 2016/2018	% Change 2017/2018	2018	2017	2016
NOI	9%	7%	678	635	569
Net income	9%	32%	567	428	474
Real FFO	14%	11%	477	430 (*)	365
FFO per share (Agorot)	6%	3%	142	137.5 (*)	126.7

(*) Net of one-off finance expenses involving cash flows due to refinancing.

(**) In 2018, FFO per share amounted to Agorot 142.0 compared with Agorot 137.5 last year – a 3% increase while the weighted number of shares increased by 8%.

SET FORTH BELOW ARE PRINCIPAL DATA ABOUT THE COMPANY'S PROPERTIES, BY USES AND GEOGRAPHIC AREAS:

Uses	Above-ground area as of 31.12.18	NOI for the period 1-12.18	Fair value of income-generating real estate as of 31.12.18	Value of assets for betterment as of 31.12.18	Occupancy rate as of 31.12.18	Fair value of real estate under construction as of 31.12.18
	Square meters	NIS in thousands			percentage	NIS in thousands
Office	361,312	355,027	5,403,180		95.9%	768,917
Retail	122,472	151,605	2,228,136		96.3%	-
Logistics and industrial parks	298,786	113,781	1,691,007		98.5%	85,422
Supermarkets	38,889	42,987	639,283		100%	-
Other	20,988	14,422	208,269	63,299	100%	16,499
Total	842,447 (***)	678,479 (**)	10,169,875 (*)	63,299	97.2%	870,838

(*) Excluding immaterial income-generating property abroad.

(l) Including jointly controlled properties presented by the equity method in the financial statements.

(**) Including unallocated expenses.

(***) The area does not include app. 20,689 parking spaces (app. 50% roofed) with an overall area of app. 535,000 square meters.

SET FORTH BELOW IS ADDITIONAL INFORMATION ABOUT THE COMPANY'S PROPERTIES PORTFOLIO

As of the end of 2018, the Company's properties portfolio comprises 102 income-generating properties, 3 projects in advanced planning and construction stages and 5 projects under planning and development stages, at an overall value of NIS 11 billion. 53% of the value of the properties relates to offices, 22% retail, 17% logistics and industrial parks, 6% supermarkets and 2% others. These properties are located across the country, with most of the Group's properties (88%) being located in large cities at the central region of the country and in demand areas.

TEL AVIV METROPOLIS

The area constitutes Israel's business core and as such it benefits both from a population with high social-economic status, maximum accessibility, developed transport links and cultural and entertainment centers – all at the region with the highest rate of population density in Israel. We regard the cities comprising the Tel Aviv Metropolis (Tel Aviv, Ramat Gan, Givatayim) as cities with characteristics of first demand ring. The Company has many properties within this ring, including: The Atrium Tower at the Ramat Gan City Complex, Amot Investments Tower, Europe House, Amot Mishpat Complex, Amot Bituach Complex, Century Tower, 30 HaBarzel St, and Beit Ziviel in Ramat HaHayal, Beit Pelephone in Givatayim and other properties.

TABLE OF CITIES IN WHICH THE GROUP HAS PROPERTIES BY **DEMAND RINGS**

OTHER REGIONS

- Hadera
- Caesarea
- Or Akiva
- Rehovot
- Jerusalem
- Modi'in
- Ashdod
- Rosh Pina
- Zefat
- Kibbutz Alonym
- Maalot
- Nahariya
- Karmiel
- Akko
- Krayot
- Haifa
- Ashkelon
- Dimona
- Beer Sheva

GUSH DAN CITIES

- Netanya
- Herzliya
- Kfar Saba
- Ra'anana
- Rosh Ha'Ayin
- Petah Tikva
- Kiryat Ono
- Holon
- Rishon LeZion
- Bat Yam
- Lod

TEL AVIV METROPOLIS

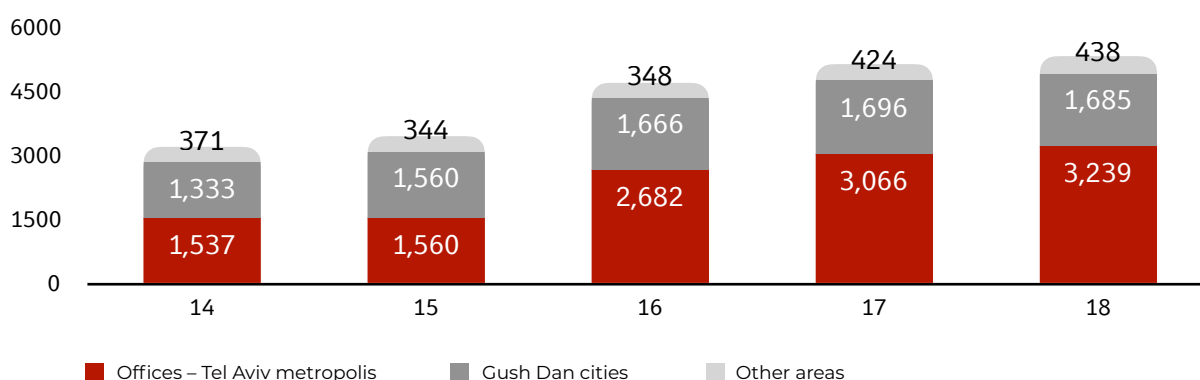
- Tel Aviv
- Ramat Gan
- Givatayim



THE TA/5000 PLAN

The TA/5000 plan, a valid comprehensive local outline plan applicable to the entire municipal area of the city of Tel Aviv-Jaffa is designed to outline a long-term city planning policy. A comprehensive plan determines how the city is developed, sets the division into areas with different land zoning, maximum construction volumes, building height limits, conservation areas and areas for increased development. The plan recommends future levels of development matching the expected growth in population and the increase in the employment market by 2025. A comprehensive plan cannot be used as the basis of a permit application. A comprehensive plan sets out guidelines for drawing up a local outline plan (specific urban zoning plan with a local authority), by virtue of which building permit applications may be submitted. A comprehensive plan does not confer rights and does not create a liability for betterment surcharges. In some of the Company's properties located within the plan's area the Company promotes a local urban zoning plan compatible with TA/5000.

Further to the above, Company's properties used for offices constitute app. 53% of the value of Company's properties. The value of Company's office properties in the Tel Aviv metropolis increased from NIS 1.5 billion in 2014 to NIS 3.2 billion in 2018. Company's office properties in the Tel Aviv metropolis are prime properties that benefit from increasing demand, excellent transport links and proximity to anchor entities (such as courts or medical centers). Therefore, the Company opted to present another breakdown of properties used as offices in the Tel Aviv metropolis.



SET FORTH BELOW ARE PRINCIPAL DATA ABOUT THE COMPANY'S OFFICE PROPERTIES, BY GEOGRAPHIC AREAS:

Geographic area	Above-ground area as of 31.12.18	NOI in 2018	Fair value of income-generating real estate as of 31.12.18	Rate out of total real estate	Average rent in 2018
	Square meters	NIS in thousands		Percentage	NIS per square meter
Tel Aviv metropolis	174,598	207,098	3,266,108	61%	96
Gush Dan cities	142,711	118,222	1,685,185	31%	64
Other areas	44,003	29,707	438,065	8%	56
Total	361,312	355,027	5,389,358	100%	79



PROJECTS UNDER CONSTRUCTION

The Company has 3 projects under construction, the Company's share in which is 82 thousand square meters above-ground area. The total amount of investment in the projects is NIS 1 billion (Company's share) and over the next 3 years a total of NIS 0.5 billion will be invested in those projects.

TOHA1 (TOTSERET HAARETZ COMPLEX)

The Company and Bayside Land Corp Ltd. (hereinafter – the “Partnership”) hold joint rights (in equal shares) to land parcels with a total area of 17-dumans bordering Totseret Haaretz, Yigal Alon and HaShalom streets in Tel Aviv (hereafter – the “Totseret Haaretz Complex”).

Recently, the Partnership completed the construction of the office building with a gross above-ground area of 57,000 square meters for marketing and 950 parking spaces (Company's share – 50%). For information on other rights in the complex (ToHa2), see the chapter dealing with projects at the planning and development stages.

The construction of the tower was completed at the end of 2018. In January 2019 an occupation approval was received (Form 4) and the tower is in its occupation stage. The investment in the construction of ToHa1 is estimated at NIS 950 million, of which NIS 175 million is still to be invested (Company's share – 50%). As of the report date, the entire 57 thousand square meters of the tower have been marketed (in respect of 94% of which signed agreements are in place). The Partnership predicts, based on the contracts signed and expected rental balances that the NOI to be generated by the tower when fully occupied will be NIS 94 million to NIS 100 million (Company's share – NIS 47 million - NIS 50 million).

In 2018, the Company recorded for the first time a revaluation in respect of the project amounting to app. NIS 114 million (the Company's share).

OFFICE PROJECT IN HOLON

In July 2016, the Company won a tender held by the Holon municipality to build an office and high-tech industry project in the Holon industrial estate, as part of a combination transaction with the municipality, according to which, in consideration for providing the land for the project, the municipality will receive 22.2% of the rights to the building, with the Company planning and building the project, and in return, the Company will lease from the municipality the Company's share in the project for a 99-year period from the date of completion of its construction, with an option to extend the lease period by 99 additional years.

The project is being built on a 11-dumam parcel of land, located in the southwestern part of the Holon industrial estate C, on the corners of Hamelacha St. and Jerusalem Blvd. A stop of the green line of the light train is planned in this junction (according to publications of NTA Metropolitan Mass Transit System Ltd., this stop will be linked in the future to the Metro M3 line). The project will include a 13-story office tower with a total above-ground space of 36 thousand square meters, above a 4-level underground car park (the project has potential for additional building rights of up to 20 thousand square meters).

The tower will be built and operated as a cash-generating rental property, managed by a joint management company of the municipality and the Company. The project is currently at the stage of building the underground car park. The Company estimates that the project will be completed over the course of 2020. The Company estimates the scope of its investment in the project at NIS 350 million. Through the date of the statement of financial position, NIS 89 million were invested in the project.

LOGISTICAL PROJECT IN MODI'IN

In December 2016, the Company purchased a 34-duman plot in Modi'in from the Israel Land Authority, in consideration for NIS 70 million in respect of capitalized lease fees and development expenses. In May 2018, the Company and Shufersal Ltd. entered into an agreement according to which the Company would sell Shufersal 25% of the leasing rights to the land. The parties agreed to jointly build a 34,000 square meter logistics center and a 6,000 square meter office building (the Company takes steps to increase the building rights in the plot). The logistics center is rented out to Shufersal for a 15-yr period, with an option to extend the rental period. The scope of the investment expected for the Partnership in building the project was estimated at NIS 330 million, (Company's share of the investment (75%) is estimated at NIS 250 million). Company's expected revenue is estimated at NIS 20 million per year. As of the report date, the dirt and foundation works are being completed at the logistics center as well as the paneling work for the underground floors of the office building.





PROJECTS IN PLANNING AND DEVELOPMENT STAGES

The Company has 5 projects in medium-range planning and development stages (3-8 years) in respect of which no decision to go ahead with construction has been reached yet. Company's share in the projects is 170 thousand square meters and the total investment in the projects in the next few years is NIS 2 billion (Company's share).

TOHA2 (TOTSERET HAARETZ COMPLEX)

In August 2018, the Tel Aviv Local Planning and Building Committee approved the depositing of a local urban zoning plan for additional building rights (as part of T/5000) for the construction of an additional office tower with a gross above-ground area of **140 thousand square meters** (Company's share – 50%). The plan includes an underground crossing from the complex to the M1 and M2 metro lines stop (according to publications of NTA Metropolitan Mass Transit System Ltd.) and to the Shalom train station. The plan is currently in the stage of hearing objections. The total investment for the construction of ToHa2 (including payments for the land component) is estimated at NIS 2 billion (**Company's share – NIS 1 billion**).

HALEHI COMPLEX – BNEI BRAK

In July and November 2018, the Company and Allied Real Estate Ltd. (hereafter - "Allied") signed an agreement and an addendum to the agreement, respectively, according to which Allied would transfer, by way of sale, half of the capitalized leasing rights (subject to Allied's signing a new capitalized lease agreement with the Israel Land Authority) to a 16.4-dunam plot on Halehi Street in Bnei Brak, in consideration for a total of NIS 100 million plus VAT. The plot is located in Bnei Brak's Northern industrial estate in close proximity to (to the south of) HaYarkon Park and Ramat HaHayal complex and in proximity to the Ayalon Mall. The parties will work together to plan, develop and build an office and retail project on the plot, which will include 75,000 square meters of above-ground space for marketing (of which 62,000 square meters is offices and 13,000 square meters is retail space). The total investment in the project (including the land component and excluding adaptations to renters and capitalizations) is estimated by the parties at app. NIS 800 million (Company's share 50%).

1000 COMPLEX – WEST RISHON LEZION

In June 2018, the Company won a tender for the purchase of land in the 1000 complex in Rishon LeZion in consideration for NIS 30 million; the land has rights for the construction of an employment building with an area of 19,000 square meters. The project is in advanced planning stages.

PLATINUM STAGE B

The Company intends to utilize the remaining rights in the project for building of 17,000 square meters and to complete the purchase of additional building rights in order to build a twin tower to the Platinum Stage A tower.

PROJECT AT THE KFAR SABA-RA'ANANA NORTH JUNCTION

The Company has land with building rights for building employment buildings with an above-ground area of app. 70,000 square meters (Company's share – 50%). The Company and its partner intend to build 30,000 square meters of above-ground area (Company's share – 50%).



The information included in this section above is forward-looking information. The information relates to data available and known to the Group as of the date of publication of this report in connection with environmental requirements, changes of urban zoning plans that are subject to approval of the planning and building authorities, obtaining the consent of owners of neighboring properties in respect of which there is no certainty that they can be obtained, and other data that are not controlled by the Group. Therefore, it is not certain that those projects will, indeed, come to fruition.





PROJECTS UNDER CONSTRUCTION

Property name	Location	Primary use	Holding rate	Area of land 100% in dunams	Square meter for marketing above-ground 100%	Estimated completion date	Project's book value as of 31.12.18	Estimated construction cost including land	Remaining balance to be completed as of 31.12.18	Projected NOI upon occupation of the project
							Company's share in million of NIS			
Tohal	Tel Aviv	Office	50%	17	57,000	2018	502	475	88	47-50
Amot Holon	Holon	Offices	77.8%	11	36,000	2020	89	350	261	28
Amot Modi'in	Modiin	Logistics	75%	34	34,000	2020	69	250	181	20
Total				62	127,000		660	1,075	530	95-98



AMOT HOLON



ToHa 1



AMOT MODI'IN



ToHa 1



SET FORTH BELOW IS A SUMMARY OF DATA REGARDING PROJECTS UNDER DEVELOPMENT AND PLANNING AS OF 31.12.18

Property name	Location	Primary use	Square meters for marketing above-ground – 100%	Holding rate	Square meters for marketing above-ground – Company's share	Estimated construction costs including land (*) - Company's share in million of NIS
ToHa2	Tel Aviv	Office	140,000	50%	70,000	1,000
Halehi complex	Bnei Brak North	Office	75,000	50%	37,500	400
1000 complex	Rishon LeZiyon – West	Office	19,000	100%	19,000	180
Platinum Stage B (**)	Petah Tikva	Office	27,000	100%	27,000	210
Amot Shaul	Kfar Saba	Office	30,000	50%	15,000	160
Total			291,000		168,500	1,950

(*) The cost of construction includes the land component and does not include adaptations to renters and capitalization.

(**) Subject to completion of purchase of additional building rights in order to build a twin tower to the Platinum A tower.

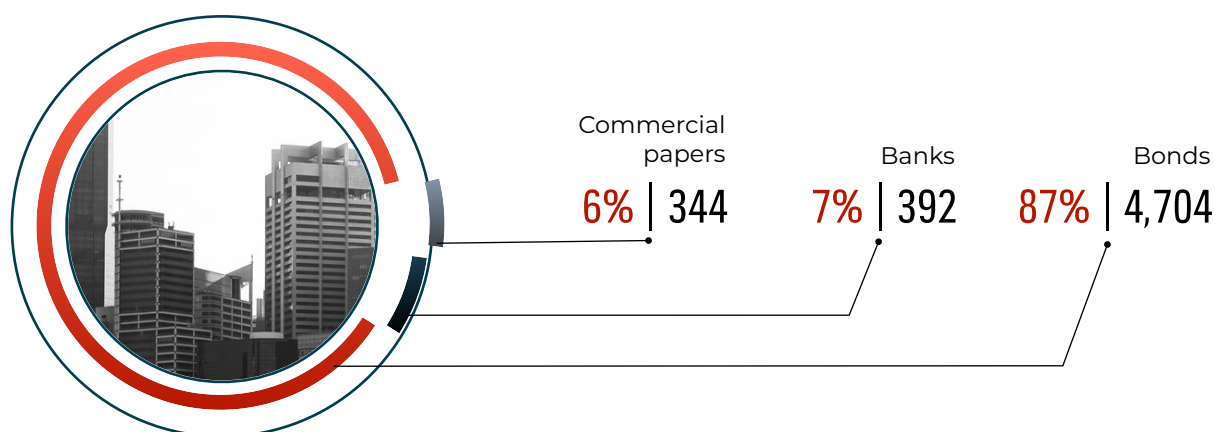


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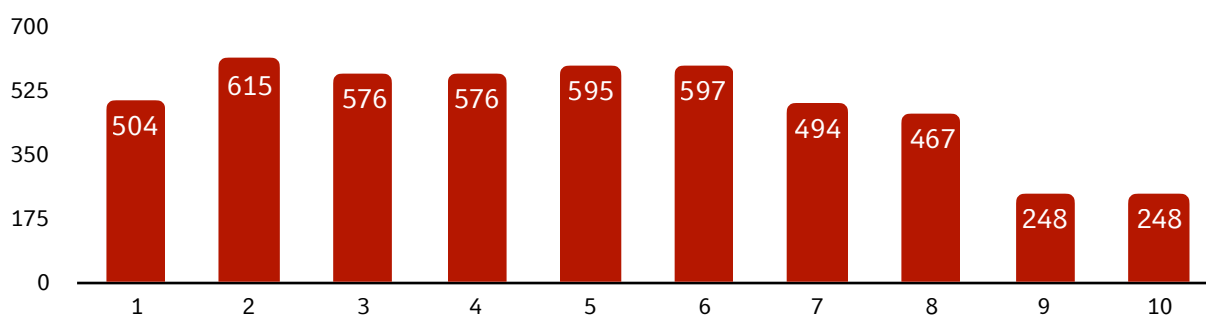
MANAGEMENT OF DEBT STRUCTURE

The Company's policy is to maintain an effective leverage rate that combines between the interests of creditors and those of the Company's shareholders. The Company's policy is to raise unsecured long duration debt. The Company's overall gross debt as of December 31 2018 amounts to NIS 5.4 billion. The average duration of the overall debt is 4.5 years and the weighted interest is 2.63% (linked to the CPI) (including commercial papers 2.51%). During the Reported Period, the Company raised capital at the total amount of NIS 667 million net with an average duration of 6 years and weighted effective interest of 2%; During the Reported Period the Company also issued shares and warrants (Series 9) in consideration for NIS 331 million. As a result, the leverage rate decreased to 45%.

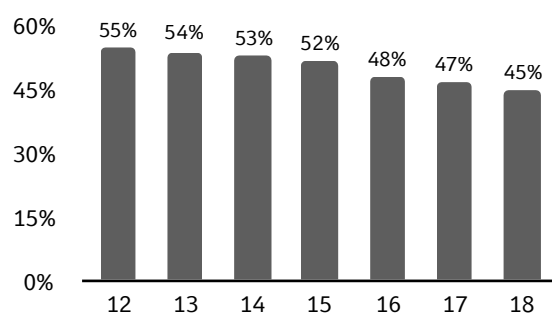


As of the report date, the Company has unutilized credit facilities totaling NIS 800 million and unpledged assets at the scope of 97% of Company's assets, which give the Company flexibility in times of crisis as well as the ability to utilize significant opportunities.

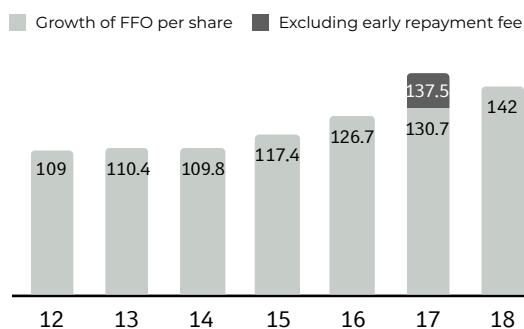
BREAKDOWN OF DEBT REPAYMENT BY YEARS (EXCLUDING REPAYMENT OF COMMERCIAL PAPERS (MILLION OF NIS))



DECREASE IN LEVERAGE RATE IN PERCENTAGES



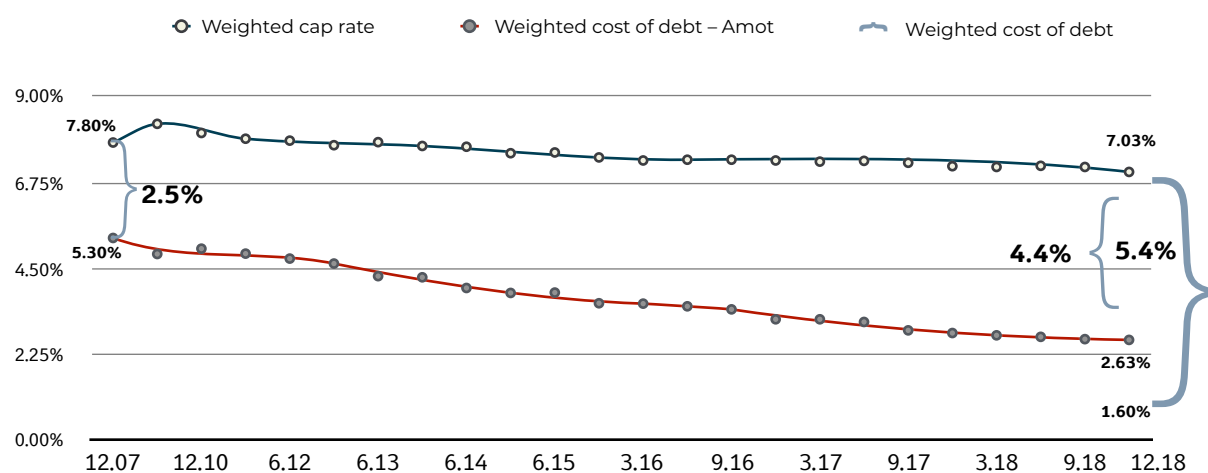
FFO PER SHARE GROWTH, WITH DECREASE IN LEVERAGE RATE IN MILLION OF NIS



In million of NIS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total principal repayments excluding commercial papers	504	615	576	576	595	597	494	467	248	248
Effective interest of repaid debt	3.9%	3.1%	2.9%	2.9%	2.2%	2.3%	2.2%	2.1%	2.1%	2.1%

The above table describes the weighted effective interest of current debt repayments in 2019-2028. Those interest rates indicate the saving levels in terms of interest and financing expenses in respect of refinancing of debt; the effective interest rates also enable raising debt at a lower interest. Refinancing a debt at an interest which is lower than the effective interest of the repaid debt contributes to reduction of financing expenses and increases the Company's profitability.

MARGIN OF REAL GROSS RETURN ON INCOME-GENERATING ASSETS AND WEIGHTED INDEX-LINKED COST OF DEBT:



NOI (NET OPERATING INCOME)

Set forth below is data regarding the Group's NOI in Israel (income from renting out and operation of properties, net of depreciation and amortization):

In the opinion of Company's management, NOI is one of the most important parameters in the valuation of income-generating real estate, since dividing this data by the generally acceptable cap rate in the geographic area in which the property is located constitutes one of the indications for determining the value of the property (in addition to other indications such as the market value of similar properties in that area, sale prices per built square meter, which are derived from transactions entered into recently, etc.).

In addition, NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property, after offsetting from the NOI the investments in improvements and maintaining the existing condition of the property (Capex). It is hereby emphasized that the NOI:

- A. Does not present cash flows from current operations in accordance with generally accepted accounting principles.
- B. Does not reflect cash held by the Group to finance all its cash flows, including its ability to distribute funds.
- C. Is not supposed to be considered as a replacement for net income for purposes of evaluating the Group's results of operations.

DEVELOPMENT OF NOI (IN THOUSANDS OF NIS)

In thousands of NIS	Fourth quarter 2018	Third quarter 2018	Second quarter 2018	First quarter 2018	Fourth quarter 2017
same properties in the period	164,234	163,965	166,397	163,166	161,037
properties purchased/sold/classified to real estate under construction	6,551	5,741	4,434	3,991	194
NOI - Total	170,785	169,706	170,831	167,157	161,231

The NOI in the fourth quarter of 2018 amounted to app. NIS 171 million compared with app. NIS 161 million in the corresponding quarter last year. This constitutes a **6% increase**. Same Property NOI in the current quarter increased by 2% compared with the corresponding quarter last year.

DEVELOPMENT OF SAME PROPERTY NOI (IN THOUSANDS OF NIS)

In thousands of NIS	2018	2017	Difference	Change in %
same properties in the period	640,452	624,998	15,454	2.5%
properties purchased/sold/classified to real estate under construction	38,027	9,574	28,453	
NOI - Total	678,479	634,572	43,907	7%

WEIGHTED RATE OF RETURN

Set forth below is a calculation of the weighted rate of return (cap rate) derived out of all of the Group's income-generating real estate as of December 31 2018:

	Million of NIS
Investment property as per extended consolidated financial statements as of December 31 2018	10,245
Less – value of land classified as investment property	(76)
Income-generating investment property as of December 31, 2018	10,169
Less – value attributed to unoccupied spaces	(276)
Projected investments	26
Investment property attributed to rented spaces as of December 31, 2018	9,919
NOI – fourth quarter 2018 in Israel	171
Annual NOI based on NOI of fourth quarter 2018	684
Projected NOI in respect of rent in accordance with signed rental agreements and accrued linkage differences	13
Total projected normalized annual NOI (*)	697
Weighted rate of return derived from income-generating investment property (Cap Rate)	7.03%

(*) The above mentioned NOI does not reflect the Company's projection; for information about the Company's projection, see page 75.

FFO (FUNDS FROM OPERATIONS)

FFO is a metric commonly used in the USA, Canada and Europe to provide additional information on the results of the operations of income-generating real estate companies. This metric provides a proper basis for comparison between income-generating real estate companies and it is not required in accordance with accounting principles. FFO reflects net reported income, net of income (or losses) from sale of properties, plus depreciation and amortization (in respect of real estate) and net of deferred taxes and expenses not involving cash flows.

The Company believes that analysts, investors and shareholders may obtain information providing added value from the measurement of the Group's results of operations on an FFO basis. FFO data is used, among other things, by analysts in order to assess the rate of dividend distribution out of results of operations on an FFO basis of real estate companies.

It should be emphasized that the FFO:

- A. Does not present cash flows from current operations in accordance with generally accepted accounting principles.
- B. Does not reflect cash held by the Group and its ability to distribute it.
- C. Is not supposed to replace reported net income for purposes of evaluating the Group's results of operations.

SET FORTH BELOW IS A CALCULATION OF THE FFO (IN THOUSANDS OF NIS):

	2018	2017	2016
Net income for the period	566,887	428,200	474,096
Fair value adjustment	(269,965)	(170,026)	(124,310)
Deferred taxes, betterment tax and other	131,923	113,689	17,341
Financing expenses not involving cash flows	-	17,518	-
Benefit reduction due to option warrants	5,988	6,467	4,481
Depreciation and other	1,875	3,505	1,917
Nominal FFO	436,708	399,353	373,525
Add – linkage differences on principal of debt and exchange differences	40,586	9,500	(8,965)
Real FFO	477,294	408,853	364,560
Weighted number of shares	336,320	312,653	287,682
Per share FFO (in Agorot)	142.0	130.8	126.7
Real FFO net of one-off financing expenses	477,294	430,014	364,560
Weighted number of shares	336,320	312,635	287,682
FFO per share (in Agorot) net of one-off financing expenses	142.0	137.5	126.7

The increase in real FFO in the Reported Period compared with last year, amounting to app. NIS 47 million (app. 11%) is mainly attributed to an increase in EBITDA and a decrease in real interest

FFO per share in the Reported Period amounted to Agorot 142.0 compared with Agorot 137.5 last year, which represents a 3% increase, with an 8% increase in the weighted number of shares and a 2% decrease in the leverage rate.

PROJECTION FOR 2019

As part of the Group's 2019 work plan, we assessed all of the Company's properties, including properties purchased during the Reported Period, renters and rental agreements, the operating expenses of all properties, while striving to achieve optimal utilization of the resources available to us. The work plan was drawn up bearing in mind the macroeconomic data of 2018 and the projection that there will be no further deterioration in economic conditions during 2019. The plan sets challenging targets to Company's management and employees. Set forth below is the Company's projection as to its principal operating results in 2019, based on the following work assumptions:

- Annual change in consumer price index - 0%.
- No material changes will take place in the business environment in which the Group operates in Israel.
- The rental agreements are signed and Company's management expectations as to renewal of current rental agreements in 2019.
- The projected NOI in respect of the ToHa1 tower in 2019 is NIS 27 million and the projected FFO is NIS 16 million (due to recording of the financing costs relating to the cost of the asset in the statement of profit or loss).

	Forecast 2019	Actual 2018	Updated forecast 2018
NOI (in million of NIS)	717-727	678	672-678
Real FFO (in million of NIS)	510-520	477	474-478
FFO per share (in Agorot)	145-148	142	141-143

ToHa1 representative forecast

The representing NOI in respect of ToHa1 is NIS 49 million. Representing FFO in respect of ToHa1 is NIS 31 million. Representing FFO per share of ToHa1 is Agorot 9.

The information regarding the projection for 2019 constitutes forward-looking information, as defined in Section 32a of the Securities Law, 1968. Forward-looking information is a projection, assessment, estimate or other information relating to a future event or matter the materialization of which is uncertain and not controlled solely by the Group.

RESULTS OF OPERATIONS AS PER CONSOLIDATED FINANCIAL STATEMENTS IFRS 11:

Set forth below is a table summarizing the business results (in million of NIS):

	For the period		Comments and explanations
	2018	2017	
Revenue from rent and management of properties	708	663	An increase of app. NIS 45 million stemming from purchase of new properties (app. NIS 20 million)
Cost of renting out properties	61	61	
General and administrative expenses	45	45	
Financing expenses, net of one-off financing expenses relating to refinancing	165	151	The increase stems from linkage differences due to CPI increase compared with previous year and net of NIS 11 million decrease in real interest.
Income tax expenses	150	126	
Net income	569	428	

Set forth below is a table summarizing the financial position, liquidity and financing sources (in million of NIS):

	As of 31.12.18	As of 31.12.17	Comments and explanations
Total investment property	9,787	9,112	The increase is mainly attributed to purchase of properties at the total amount of app. NIS 425 million (excluding transaction costs)
Working capital	(665)	(552)	The Company has unutilized credit facilities amounting to NIS 800 million.
Net financial debt	5,033	4,762	The increase stems from purchase of new properties
Equity attributed to shareholders	4,837	4,297	The NIS 540 million increase stems mainly from net income of NIS 567 million from issuance of share capital and options at the total amount of NIS 386 million net of dividend distribution of NIS 419 million.

CASH AND CREDIT FACILITIES

CASH FLOWS

The positive cash flows arising to the Company from operating activities in the Reported Period amount to **NIS 414 million** compared with NIS 390 million last year.

APPROVED CREDIT FACILITIES:

As of the date of publication of the report, the Company has three approved credit facilities totaling NIS 800 million, which can be withdrawn immediately.

1. A credit facility extended by a bank at the total amount of NIS 400 million and valid until December 28 2020.
2. A credit facility extended by another bank at the total amount of NIS 200 million and valid until December 31 2019.
3. A credit facility extended by an Israeli institutional entity at the total amount of NIS 200 million and extended through May 2022.

As of the date of this report, the Company did not utilize the above mentioned facilities.

IN ORDER TO UTILIZE THE ABOVE MENTIONED CREDIT FACILITY, THE GROUP MUST MEET THE FOLLOWING CONDITIONS:

1. At any given time, the Company's tangible equity will not be less than 25% of the Company's total balance sheet, net of cash and cash equivalents, short term investments (short-term marketable securities) and securities in connection with discontinued operation, on a consolidated basis.
2. At any given time, the ratio between the Company's net financial debt (net of investment property under construction) and its NOI will not exceed 10.
3. Alony Hetz is the controlling shareholder of the Company.

For further details, see Chapter 3.8.6 regarding reportable credit in the description of the corporation's business for 2018.

AS OF THE DATE OF THE REPORT THE COMPANY MEETS ALL FINANCIAL COVENANTS.

WORKING CAPITAL DEFICIENCY

As per the consolidated financial statements, working capital deficiency as of December 31 2018 amounted to NIS 665 million. The Company has unutilized long-term credit facilities from banks and institutions, which can be withdrawn immediately. Those unutilized credit facilities amount to NIS 800 million. Furthermore, all of the Company's assets are not pledged. Therefore, the Company's Board of Directors is of the opinion that the Company's working capital deficiency, which stems from the Company's policy to hold unutilized credit facilities instead of cash and deposits, does not indicate a liquidity problem.

LINKAGE BASES

The Company has financial liabilities amounting to app. NIS 5.5 billion, of which NIS 4.9 billion are linked to the CPI. The Company's income-generating real estate amounting to app. NIS 9.8 billion is mostly rented out under CPI-linked rental agreements and the Company views this linkage as a long-term inflation hedge.

EQUITY

As of 31.12.18, Company's equity amounted to NIS 4.84 billion (per share equity of NIS 13.93).

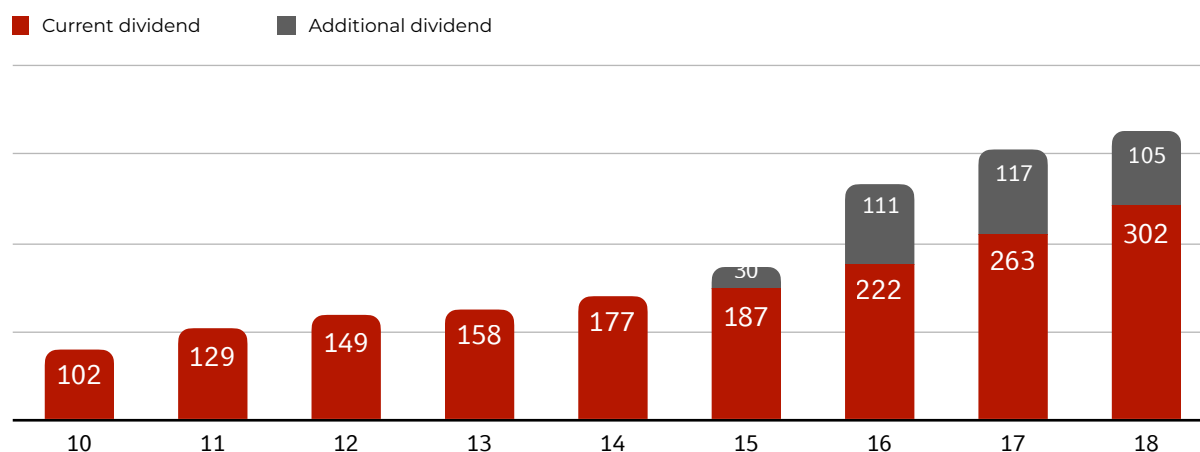
As of 31.12.17, Company's equity amounted to NIS 4.30 billion (per share equity of NIS 13.23).

DIVIDEND DISTRIBUTION POLICY

IN MARCH 2018, THE COMPANY'S BOARD OF DIRECTORS DECIDED THAT IN 2018 THE COMPANY INTENDS TO DISTRIBUTE A MINIMUM DIVIDEND OF NIS 0.90 PER SHARE, THAT WILL BE PAID IN 4 QUARTERLY INSTALLMENTS; IN THE FIRST AND SECOND QUARTERS THE COMPANY PAID A DIVIDEND OF NIS 0.22 PER SHARE AND IN THE THIRD AND FOURTH QUARTER THE COMPANY PAID A DIVIDEND OF NIS 0.23 PER SHARE.

In accordance with the above mentioned policy, the Company declared in the Reported Period the distribution of a dividend of NIS 0.90 per share (NIS 302 million). Furthermore, in March 2018, the Company declared another dividend in respect of 2017 amounting to NIS 0.36 per share (NIS 117 million).

In March 2019, the Company's Board of Directors determined that in 2019 the Company intends to distribute a minimum dividend of NIS 0.94 per share that will be paid in 4 quarterly installments. In the first and second quarters the Company will pay a dividend of NIS 0.23 per share and in the third and fourth quarter the Company will pay a dividend of NIS 0.24 per share. Furthermore, in March 2019 the Company declared another dividend in respect of 2019 amounting to NIS 0.30 per share (NIS 105 million).



LOOKING FORWARD

The Company intends to continue working in accordance with the long-term strategy it has implemented so far, enhancing the Company's portfolio of properties by purchasing new properties and developing and buildings additional properties, maintaining, at the same time, a balanced combination of capital allocation and debt allocation in order to provide the Company with the sources it requires to meet its needs while constantly striving for excellence.

The Company's Board of Directors wishes to thank holders of Company's securities for their confidence in the Company.

As always, we would like to thank our shareholders for their support, the service providers for their tireless efforts, our tenants who chose Amot as the permanent premises of their businesses and our devoted employees who work day and night to promote the Company's businesses.

Nathan Hetz
Chairman of the Board of Directors

AVI MOUSLER
CEO

DATE:

March 10 2019

APPENDIXES

APPENDIX A – Extended Consolidated Financial Statements

APPENDIX B – Corporate Governance Aspects

APPENDIX C – Disclosure Provisions in Connection with the Corporation's Financial Reporting

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APPENDIX A

EXTENDED CONSOLIDATED FINANCIAL STATEMENTS



APPENDIX A – FINANCIAL DATA REGARDING EXTENDED CONSOLIDATED FINANCIAL STATEMENTS

1. The Group's **extended consolidated financial statements** are the Group's financial statements presented in accordance with IFRS, except for the application of IFRS 11 "Joint Arrangements" that was applied with retroactive effect to annual reporting periods starting on January 1, 2013. This means that investments in investees that are presented by the equity method and which were accounted for based on the proportionate consolidation method prior to the application of the standard (due to a contractual joint control arrangement), are neutralized and recovered by consolidating the investees using the proportionate consolidation method.

1.1 Extended consolidated statements of financial position

	As of December 31,	
	2018	2017
	NIS in thousands	
Current assets		
Cash and cash equivalents	308,554	327,737
Trade receivable	20,695	21,040
Current tax assets, net	1,201	553
Other receivables	28,624	27,426
	359,074	376,756
Non-current assets		
Investment property	10,244,564	9,559,722
Investment property under construction	870,838	583,689
	11,115,402	10,143,411
Long-term receivables	96,061	110,225
Fixed assets, net	37,839	38,881
Total non-current assets	11,249,302	10,292,517
Total assets	11,608,376	10,669,273
Current liabilities		
Credit from banks and current maturities	849,862	749,845
Trade payable	22,740	29,006
Current tax liabilities, net	23,381	37,792
Other payables	144,656	131,992
Payables in respect of investment property	37,739	11,906
Total current liabilities	1,078,377	960,541
Non-current liabilities		
Bonds	4,299,179	4,086,932
Loans from banks and others	294,015	359,760
Provisions	17,821	17,821
Other	68,699	46,827
Deferred taxes, net	1,013,462	899,947
Total non-current liabilities	5,693,176	5,411,287
Equity		
Equity attributed to Company's shareholders	4,836,865	4,297,483
Non-controlling interest	(42)	(38)
Total equity	4,836,823	4,297,445
Total liabilities and equity	11,608,376	10,669,273

1.2 Extended consolidated statements of profit or loss

For the year ended December 31

	2018	2017	2016
	NIS in thousands		
Revenue from rent and management of investment property	742,877	698,570	636,611
Cost of renting out and operating the properties	64,398	63,998	67,621
Gain from renting out and operating the properties	678,479	634,572	568,990
Adjustment of fair value of investment property, net	269,965	170,026	124,310
	948,444	804,598	693,300
General and administrative expenses	49,076	48,863	43,566
Donations	2,010	2,010	1,771
Other expenses (income), net	(54)	780	(165)
Profit from ordinary activities	897,412	752,945	648,128
One-off financing expenses in respect of refinancing	-	(38,679)	-
Financing expenses, net	(175,285)	(155,729)	(148,019)
Income before taxes on income	722,127	558,537	500,109
Tax income in respect of legislation	-	-	114,930
Taxes on income	(155,240)	(130,337)	(140,943)
Net income for the period	566,887	428,200	474,096
Attributed to:			
Parent company shareholders	566,891	428,203	474,099
Non-controlling interest	(4)	(3)	(3)
	566,887	428,200	474,096

Set forth below are the Group's liabilities (extended consolidated) repayable after December 31 2018: statements of profit or loss

	Bonds	Bank loans	Other	Bank loans – consolidated companies	Total
Current maturities	400,572	38,186	347,708	60,611	847,077
Second year	524,827	39,854	4,380	45,682	614,743
Third year	526,930	41,596	4,629	2,784	575,939
Fourth year	526,928	43,414	4,891	526	575,759
Fifth year and thereafter	2,528,799	117,044	-	3,157	2,649,000
Total repayments	4,508,056	280,094	361,608	112,760	5,262,518
Balance of bond premium and other					180,538
Total extended consolidated financial debt					5,443,056

APPENDIX B

CORPORATE GOVERNANCE ASPECTS



APPENDIX B – CORPORATE GOVERNANCE ASPECTS

A. THE COMPANY'S BOARD OF DIRECTORS: DIRECTORS POSSESSING ACCOUNTING AND FINANCIAL EXPERTISE AND INDEPENDENT DIRECTORS

As of the publication of this report, the Company's Board of Directors consists of 10 (ten) directors³, 7 (seven) of whom have accounting and financial expertise. 6 (six) members of the Board of Directors are independent directors as this term is defined in the Companies Law, 1999 (hereafter – the "Companies Law")⁴. Pursuant to the provisions of Section 92A(12) of the Companies Law, the Company's Board of Directors determined that the minimum number of directors possessing accounting and financial expertise which is appropriate to the Company is two. This number was determined bearing in mind the nature of the financial and accounting issues arising during the course of preparing the Company's financial statements, the type of the Company, its size, the scope and complexity of its activities, its areas of activity, the composition of the Company's Board of Directors, which includes people with business, managerial and accounting experience, which enables them to deal with the task of running the Company and with the close accounting support provided by its independent auditors. After assessing the education, experience and qualifications of the directors, the following six directors serve in the Board of Directors as of the report date, who were approved by the Company's Board of Directors as possessing accounting and financial expertise: Messrs. Nathan Hetz, Aviram Wertheim, Moti Barzilai, Eyal Gabai, Gad Pnini, Nira Dror and Yael Andorn Karni). For details regarding the education and experience of those directors, see Regulation 26 in the Additional Details Chapter regarding the Corporation, Chapter D of the 2018 Periodic Report.

As of the date of publication of this report, the Company's Board of Directors includes six serving directors that qualify as independent directors (including the two outside directors that serve in the Company's Board of Directors).

B. DISCLOSURE REGARDING THE CORPORATION'S INTERNAL AUDITOR

Details of the internal auditor

Name of internal auditor: Avner Eliav, CPA.

Date of commencement of tenure: July 2008.

The internal auditor meets all the criteria set out in Section 3(a) of the Internal Audit Law, 1992 (hereafter – the "Audit Law"). The internal auditor complies with the conditions set out in Section 146(b) of the Companies Law, 1999 and Section 8 of the Internal Audit Law.

Exclusivity of actions

The internal auditor does not serve in any other position in the corporation other than his role as an internal auditor and assessment of tests as part of the ISOX process. To the best of the Company's management knowledge, the internal auditor does not serve in any other role outside the corporation that might create a conflict of interest with his duties as the internal auditor of the Company.

Personal interest

The internal auditor is not an interested party in the corporation, an office holder thereof or a relative of any of them, nor does he serve as the independent auditor or anyone operating on its behalf or provides services to the corporation other than internal control services and assessment of tests as part of the ISOX process.

(3) In a meeting held on March 10 2019, the Company's Board of Directors approved the appointment of Ms. Yael Andorn Karni as an independent director in the Company. Ms. Andorn Karni was approved by the Board of Directors as a director who possesses accounting and financial expertise.

(4) For that purpose, "Independent Director" means – a director that qualifies as an outside director according to the criteria set in Section 240(B) to (F) to the Companies Law and the Audit Committee approved him/her as such, and who has not been serving as a director in the Company for more than nine consecutive years. For that purpose, any interruption of service which does not exceed 2 years shall not be deemed to have interrupted the continuity of service.

Holding the corporations' securities

According to the internal auditor, he does not hold securities of the corporation or any related entity thereof, as defined in the Fourth Addendum of the Securities Regulations (Periodic and Immediate Reports), 1970.

Material/business ties with the corporation

The internal auditor does not have material business or other ties with the corporation or related entities thereof, as this term is defined in the Fourth Addendum of the Securities Regulations (Periodic and Immediate Reports), except for supporting the process of preparing the procedures for all working processes in the Company.

Appointment of the internal auditor

The internal auditor's appointment was approved by the Company's Audit Committee and Board of Directors on July 6 2008 based on his extensive experience in the field of internal audit, including in public companies and government entities.

External auditor

The auditor provides internal audit services as an external service provider through the firm Alkalay Monarov & Co.

Scope of hours of internal control

The internal auditor engaged in internal audit for the Company at the scope of app. 570 hours

The audit plan

The audit plan is an annual plan, derived from a multi-annual audit plan. The multi-annual and annual planning of the audit tasks, the determination of the priorities and the frequency of the audit are impacted from the following factors:

The exposure to risks of operations and actions, which is determined, among other things, based on a risk survey conducted by the internal auditor in 2017, the probability of existence of administrative and executive faults, findings of previous audits, cases in which audits are required by the executive bodies, subjects required by law, in accordance with internal or external procedural directives and the need to maintain the required level of audit's frequency.

The internal audit work plans are approved by the Company's Audit Committee at the beginning of each year for the current year. In 2018 and through the date of publication of the reports the internal auditor submitted five reports in writing to the Company and the Audit Committee:

Name and subject of the report	Date of discussion in the Audit Committee
Assessing the terms of the directors and office holders' insurance policy taken out by the Company;	February 27 2018
Examining the work processes of the marketing department – by reviewing the occupancy sample of the Platinum and Atrium towers;	June 24 2018
Examining vulnerability to unauthorized access to computer systems;	June 24 2018 and October 24 2018
Checking control procedures applied to payments to suppliers;	October 24 2018
Testing current activities in a property – Kiryat Ono Mall;	January 24 2019

Material holdings in corporations

The internal audit plan also covers the audit of the activity of corporations that constitute material holdings of the corporation.

Professional standards

According to the internal auditor, he conducts the internal audit in accordance with generally accepted professional standards, as set out in Section 4(b) of the Internal Audit Law, 1996.

External auditor

The auditor provides internal audit services as an external service provider through the firm Alkalay Monarov & Co.

Corporation officer to whom the internal auditor reports

The Company's CEO.

Scope, nature and continuity of the internal auditor activity and work plan

To the best of the Company Board of Directors' knowledge, the nature and continuity of the internal auditor's activity and work plan are reasonable under the circumstances and can achieve the goals of the corporation's internal audit.

Free access to the internal auditor

The internal auditor is given free access to the corporation as stated in Section 9 of the Internal Audit Law, 1992, including uninterrupted and direct access to the corporation's data systems, including financial data.

Internal auditor's reports

The internal auditor submits the audit reports on a current basis over the course of the reported year; those reports are submitted to the Chairman of the Board of Directors, the CEO and the Chairman and members of the Audit Committee. The Audit Committee discusses the said reports on a regular basis.

Compensation

The internal auditor's fees in respect of internal audit was set at a NIS value equivalent to NIS 220 (linked to the CPI) per one hour's work plus VAT. The compensation for the audit work is based on the internal auditor's working hours budget.

In 2018, the internal auditor was paid a total of app. NIS 148 thousand for internal audit work. There are no concerns that the compensation described above, which is derived from the internal auditor's actual working hours budget, may influence the exercise of the auditor's professional judgment.

C. THE BOARD OF DIRECTORS

In the Reported Period, the Board of Directors held six meetings and the Financial Statements Review Committee held four meetings.

D. INTERNAL ENFORCEMENT PLAN

On May 17 2012 the Company adopted an internal enforcement plan in the field of securities, in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15 2011, and whose aim is to verify and enforce the compliance of the Company, its office holders and employees with legal requirements in the field of securities. The plan sets out procedures, whose aim is, among other things, to regulate principal issues such as the manner of publication of immediate reports, identifying, approving and reporting transactions that give rise to concerns regarding personal interest of office holders or controlling shareholders, prohibition of using inside information, prevention of fraud and manipulation, maintaining supervision, reporting and control mechanisms and establishing operation and conduct rules alongside work processes, whose aim is to create controls over major processes within the issues they regulate, methods of dealing with the issues and drawing lessons.

The Company's Board of Directors appointed the Company's Legal Counsel and Secretary - Adv. Osnat Hochman-Gerhard – as the officer in charge of internal control in the field of securities. Her role includes, among other things, ensuring the implementation of the plan among Company's employees, ensuring the efficient and effective application of the plan, including by way of holding training sessions and monitoring and updating the plan from time to time.

E. INDEPENDENT AUDITOR'S FEES

It should be noted that Ziv Haft Consulting and Management Ltd., which provides professional services as the independent auditor of subsidiaries of the Company, leases a real estate asset owned by the Company and uses it as its head office. The parties have in place a long-term and long-standing rental agreement, which is renewed from time to time. This engagement between the parties was entered into in accordance with all the provisions and conditions set out in the resolution published by the Securities Authority – "Resolution on Pre-Ruling Application regarding the Auditor's Independence" (see Securities Authority's Resolution no. 105-7), and it complies therewith.

Set forth below are the fees of the independent auditor of the Company and material consolidated companies of the Group (in thousands of NIS):

Company's name	Auditor's name	(a)2018		(b)2017	
		Audit services	Other services	Audit services	Other services
Amot Investments Ltd.	Brightman Almagor Zohar & Co	570	337	530	386
	Working hours	3,000	440	3,525	435
Ayalot Companies Group	Ziv Haft CPAs	289	-	285	-
	Working hours	1,749	-	1,534	-
	Total working hours	4,749	440	5,059	435

(a)

Excluding others totaling NIS 30 thousand

Independent auditor's fees are approved by the Company's CEO and CFO.

The fee is determined on a global basis.

F. CHARITABLE DONATIONS

The Company views donating and supporting the community in Israel as an important component that should be integrated into its activities. In 2018, the Company donated NIS 2 million to different charities and organizations that aim to work for the community, promote educational causes and support disadvantaged populations.

APPENDIX C

DISCLOSURE PROVISIONS IN CONNECTION WITH THE CORPORATION'S FINANCIAL REPORTING

APPENDIX C – DISCLOSURE PROVISIONS IN CONNECTION WITH THE CORPORATION'S FINANCIAL REPORTING

CRITICAL ACCOUNTING ESTIMATES

When drawing up its financial statements, Company's management is required to use estimates or assessments as to transactions or matters, the final impact of which on the financial statements cannot be accurately determined at the time of preparation thereof. The main basis for determining the value of such estimates are the assumptions which Company's management decides to adopt, taking into account the circumstances which are the subject matter of the estimate and the best information available to the Company when preparing the financial statements. By nature, since those estimates and assessments are a result of the Company's exercising judgment in an environment of uncertainty (sometimes highly significant uncertainty), any changes in the underlying assumptions as a result of changes that are not necessarily under management's control, may trigger changes in the value of the estimate and as a consequence impact the financial position of the Company and its results of operations. Therefore, despite the fact that those estimates or assessments are used to the best of management's judgment, the final impact of transactions or matters that require estimates can only be clarified when those transactions or matters are concluded. In some cases, the final results of the estimate may be very significantly different from the amount set to that estimate when it was used.

Set forth below are accounting estimates made by the Company in the preparation of the consolidated financial statements, which may have a very significant impact on the Company's financial position and results of operations:

CHANGES IN THE FAIR VALUE OF INCOME-GENERATING REAL ESTATE

The Group determines the fair value of income-generating real estate assets in accordance with the provisions of IAS 40 and IFRS 13. **When determining the fair value in the annual financial statements, Company's management relies on appraisals of independent and external appraisers.** In its semi-annual financial statements, the Company relies on external appraisers' review of all of Company's assets. Quarterly changes (in the first and third quarters) are mainly appraised by an internal appraiser and by Company's management and during those quarters, the income-generating real estate assets are revalued only if there is a material change in the fair value of any of the Company's assets, or when there are indications for general changes in trends in the income-generating real estate sector.

When determining the fair value, the Company used, among other things, the discount rates used to discount the future cash flows, the rental period, the financial stability of the lessees, the scope of unoccupied spaces in the property, the terms of the rental agreements, the time it will take to rent out the buildings once they are vacated, the scope of vacant properties and the vacancy period thereof, the adjustment of the rent in over-rented properties or in under-rented properties, implications of investments required to develop and/or retain the existing condition of the properties and deduction of uncovered operating costs in cases where the properties are run by management companies with a deficit.

Changes in assumptions used by the above-mentioned external experts, in combination with changes in management's estimates, which are based on its past experience, may trigger changes in the amount of fair value carried to the statement of profit or loss, thereby impacting the Company's financial position and results of operations. Pursuant to IFRS 13 and to Accounting Enforcement Resolution 18-1 of the Securities Authority of January 30 2018, the Company carried transaction costs incurred upon acquiring new properties to the statement of profit or loss.

LEGAL PROCEEDINGS

As described in Note 16a of the 2018 annual financial statements, as of the date of approval of this report 19 legal claims are pending against the Company and other related parties, with an overall amount of app. NIS 169 million; the Group's share in those legal claims as a defendant is app. NIS 155 million; the Group recorded a provision totalling app. NIS 18 million in respect of those claims. In the opinion of legal and professional advisors, those provisions are appropriate under the circumstances of each of the claims.

In order to estimate the amount of these provisions, the office holder in charge of the Company's legal dealings receives a legal opinion regarding most of the proceedings from external legal advisors; those opinions are assessed by the relevant Company officer and by Company's management.

By nature, the opinions issued by the external legal advisors and the action taken by the Company in reply to this opinion are impacted by the stage of the legal proceedings, past experience in similar cases and the experience of those involved in the legal claim. At the core of any legal proceeding there is uncertainty which is normally resolved towards the end of the legal proceeding and sometimes only after a final ruling is issued by a court. Therefore, the final financial consequences of a legal proceeding may be materially different from the estimates set in respect thereof.

APPENDIX D

SPECIAL DISCLOSURE TO BOND HOLDERS: BONDS HELD BY THE PUBLIC

APPENDIX D - SPECIAL DISCLOSURE TO BOND HOLDERS: BONDS HELD BY THE PUBLIC

D1: SET FORTH BELOW ARE DATA AS OF 31.12.2018 REGARDING BONDS ISSUED BY THE COMPANY:

(In thousands)	Bonds	Bonds	Bonds	Bonds	Bonds	Total
	(Series A)	(Series C)	(Series B)	(Series D)	(Series E)	
Issuance date	5.6.2000	31.12.2009	2.7.2012	31.7.14	31.3.16	
Par value at issuance date	500,000	168,000	343,950	241,941	276,047	
Par value as of 31.12.18	128,984	198,104	1,359,546	1,649,616	1,085,213	4,421,463
Linked par value as of 31.12.18	153,891	215,214	1,390,731	1,651,087	1,085,213	4,496,136
Value in financial statements as of 31.12.18	153,912	219,277	1,444,969	1,764,345	1,106,726	4,689,229
Value on the stock exchange as of 31.12.18	161,321	228,750	1,553,961	1,828,434	1,114,405	4,886,871
Interest accrued as of 31.12.18	3,711	-	33,078	26,282	33,610	96,681
Rate of fixed interest for the year	4.95%	4.90%	4.80%	3.20%	3.39%	

D2: SET FORTH BELOW ARE DATA AS OF 31.12.2018 REGARDING BONDS ISSUED BY THE COMPANY:

- To view an up-to-date rating report by Midroog Ltd., see the Company's immediate report of 29.7.2018 reference no. 2018-15-070302.
- To view an up-to-date rating report by Maalot the Israel Securities Rating Co Ltd., see the Company's immediate report of 3.1.2019 reference no. 2019-01-001372.

The Series B bonds include conditions for immediate repayment thereof upon the occurrence of certain events, including, among other things, the following events:		
The covenant	The ratio as of date of financial statements	Status of compliance as of date of report
Change of control;	Alony Hetz - controlling shareholder of the Company	Compliant
Net financial debt (net of value of investment property under construction) to annual normalized NOI ratio exceeds 14 during two consecutive quarters; (net financial debt: The Company's aggregate debt to banks, other financial institutions and bond holders, net of cash and cash equivalents, monetary reserves, marketable collaterals as recorded in the Company's consolidated balance sheet).	6.24	Compliant
The rating of the Series B bonds is BBB- (BBB minus) for two consecutive quarters;	Aa2/Stable	Compliant
Equity plus net deferred taxes liability shall not be less than 22.5% of total balance sheet, net of cash and cash equivalents and net of marketable collaterals for two consecutive quarters;	52%	Compliant
The value of the Company's unpledged assets shall not be less than the higher of NIS 1 billion or 125% of the outstanding balance of Series B bonds during two consecutive quarters.	The value of Company's unpledged assets is app. NIS 10.9 billion – higher than the outstanding balance of Series B bonds	Compliant
Unremoved demand for immediate repayment of material loan or a bond listed on the Tel Aviv Stock Exchange.	There is no such demand	Compliant
Instructions pertaining to dividend distribution limit under certain circumstances;	There are no such circumstances	Complaint



The Series D bonds include conditions for immediate repayment thereof upon the occurrence of certain events, including, among other things, the following events:		
The covenant	The ratio as of date of financial statements	Status of compliance as of date of report
The Company's equity is higher than NIS 1.2 billion;	4.8	Compliant
Net financial debt (net of value of investment property under construction) to annual normalized NOI ratio exceeds 14 during two consecutive quarters; (net financial debt: The Company's aggregate debt to banks, other financial institutions and bond holders, net of cash and cash equivalents, monetary reserves, marketable collaterals as recorded in the Company's consolidated balance sheet).	6.24	Compliant
The rating of the Series B bonds is BBB- (BBB minus) for two consecutive quarters;	Aa2/Stable	Compliant
Equity plus net deferred tax liability shall not be less than 22.5% of total balance sheet net of cash and cash equivalents and net of marketable collaterals during two consecutive quarters;	52%	Compliant
The value of the Company's unpledged assets shall not be less than the higher of NIS 1 billion or 125% of the outstanding balance of Series D bonds during two consecutive quarters.	The value of Company's unpledged assets is app. NIS 10.9 billion – higher than the outstanding balance of Series D bonds	Compliant
Unremoved demand for immediate repayment of material loan or a bond listed on the Tel Aviv Stock Exchange.	There is no such demand	Compliant
Instructions pertaining to dividend distribution limit under certain circumstances;	There are no such circumstances	Complaint

The Series E bonds includes conditions for immediate repayment thereof upon the occurrence of certain events, including, among other things, the following events:		
The covenant	The ratio as of date of financial statements	Status of compliance as of date of report
The Company's equity is higher than NIS 1.2 billion;	4.8	Compliant
Net financial debt (net of value of investment property under construction) to annual normalized NOI ratio exceeds 14 during two consecutive quarters; (net financial debt: The Company's aggregate debt to banks, other financial institutions and bond holders, net of cash and cash equivalents, monetary reserves, marketable collaterals as recorded in the Company's consolidated balance sheet).	6.24	Compliant
The rating of the Series E bonds is BBB- (BBB minus) for two consecutive quarters;	Aa2/Stable	Compliant
Equity plus net deferred tax liability shall not be less than 22.5% of total balance sheet net of cash and cash equivalents and net of marketable collaterals during two consecutive quarters;	52%	Compliant
The value of the Company's unpledged assets shall not be less than the higher of NIS 1 billion or 125% of the outstanding balance of Series E bonds during two consecutive quarters.	The value of Company's unpledged assets is app. NIS 10.9 billion – higher than the outstanding balance of Series E bonds	Compliant
Unremoved demand for immediate repayment of material loan or a bond listed on the Tel Aviv Stock Exchange.	There is no such demand	Compliant
Instructions pertaining to dividend distribution limit under certain circumstances;	There are no such circumstances	Compliant

APPENDIX E

LINKAGE BASES REPORT

APPENDIX E – LINKAGE BASES REPORT AS PER IFRS 11 CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31 2018 (IN THOUSANDS OF NIS):

	Linked to the CPI	Unlinked	Non-financial assets (liabilities)	Total
	NIS in thousands	NIS in thousands	NIS in thousands	NIS in thousands
Current assets				
Cash and cash equivalents	-	297,703	-	297,703
Trade receivable	-	18,740	-	18,740
Current tax assets, net	-	-	84	84
Other receivables	-	25,473	7,322	32,795
	-	341,916	7,406	349,322
Investments in companies accounted for by the equity method	129,403	3,385	309,740	442,528
Long-term receivables	-	580	18,735	19,315
Total financial assets	129,403	345,881	335,881	811,165
Investment property	-	-	10,589,939	10,589,939
Fixed assets, net	-	-	37,768	37,768
Total non-financial assets	-	-	10,627,707	10,627,707
Total assets	129,403	345,881	10,963,588	11,438,872
Current liabilities				
Credit from banks and current maturities	442,904	346,306	-	789,210
Trade payable	-	21,353	-	21,353
Current tax liabilities	-	-	23,390	23,390
Other payables	87,996	37,363	16,826	142,185
Payables in respect of investment property	-	37,739	-	37,739
Total current liabilities	530,900	442,761	40,216	1,013,877
Non-current liabilities				
Bonds	4,062,832	236,347	-	4,299,179
Loans from banks and others	241,907	-	-	241,907
	4,304,739	236,347	-	4,541,086
Total financial liabilities	4,835,639	679,108	40,216	5,554,963
Deferred taxes	-	-	967,615	967,615
Provisions	-	-	17,821	17,821
Other	13,994	14,950	32,706	61,650
Total non-financial liabilities	13,994	14,950	1,018,142	1,047,086
Total liabilities	4,849,633	694,058	1,058,358	6,602,049
Excess of financial liabilities over financial assets	(4,706,236)	(333,227)	295,665	(4,743,798)

APPENDIX F

SEPARATE FINANCIAL INFORMATION

The separate financial information is attached after the Company's consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS



**AMOT INVESTMENTS.
PEOPLE FIRST.**
2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



AMOT INVESTMENTS LTD.

Consolidated Financial Statements

For the Year 2018

AMOT INVESTMENTS LTD.

Consolidated Financial Statements

As at December 31, 2018

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Auditors' Report to the Shareholders of Amot Investments Ltd.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports) 1970

We have audited the components of internal control over financial reporting of **Amot Investments Ltd.** and its subsidiaries (hereinafter jointly - "the Company") as at December 31, 2018. These 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 the internal control over financial reporting included in the accompanying periodic report for the 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 that were audited by us were determined in conformity with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 104"). These components consist of: (1) Controls on the organizational level, including controls over the preparation and closing of the financial reporting and general controls over the information systems; (2) controls over investment property; and (3) controls over rental and management fees from investment property; (all of these components will hereinafter jointly be called "the audited control components").

We conducted our audit in accordance with Auditing Standard 104. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance 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 those audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures that 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.

Because of its inherent limitations, internal control over financial reporting as a whole and specifically the components therein, may not prevent or disclose a misleading presentation. Furthermore, drawing conclusions regarding the future on the basis of any present effectiveness is 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 has effectively maintained, in all material aspects, the audited control components as at December 31, 2018.

We also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and our report, dated March 11, 2019, included an unqualified report on those financial statements based on our audit and the reports of the other auditors.

Brightman Almagor Zohar & Co.

Certified Public Accountants

Member of Deloitte Touche Tohmatsu Limited.

Tel Aviv, March 10, 2019

Auditors' Report to the Shareholders of

Amot Investments Ltd.

We have audited the accompanying consolidated statements of financial position of **Amot Investments Ltd.** (hereinafter – the Company) as at December 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years for the period ended December 31, 2018. 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 audit.

We did not audit the financial statements of subsidiary companies and joint ventures whose assets included in the consolidation comprise approximately 31% and approximately 30% of total consolidated assets as at December 31, 2018 and 2017, respectively, and whose revenues included in the consolidation comprise approximately 39%, approximately 43% and approximately 46% of the total consolidated revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Furthermore we did not audit the financial statements of some of the companies that included under the equity method the investment in which as at December 31, 2018 and 2017 amounted to NIS 244,440 thousand and NIS 229,822 thousand respectively, and the share of whose profits (losses) for the years ended December 31, 2018, 2017 and 2016 amounted to NIS 19,600 thousand, NIS 19,906 thousand and NIS (23) thousand, respectively. The financial statements of these companies were audited by other auditors, whose reports were furnished to us, and our opinion, to the extent that it relates to the amounts included for those subsidiaries, is based on the reports of the other auditors.

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

In our opinion, based on our audit and on the reports of the other auditors, the said financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2018 and 2017 and the results of their operations, their changes in equity and their cash flows for each of the three years for the period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRS), and the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", as amended, components of internal control over financial reporting of the Company as at December 31, 2018, and our report dated March 11, 2019, included an unqualified report on the effective existence of those components.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, March 10, 2019

Amot Investments Ltd.

Consolidated Statements of Financial Position

		As at December 31	
		2018	2017
	Note	NIS thousands	
<u>Current assets</u>			
Cash and cash equivalents	4	297,703	314,149
Trade receivables	5	18,740	19,647
Current tax assets, net	15	84	73
Other receivables	6	32,795	33,290
Total current assets		349,322	367,159
<u>Non-current assets</u>			
Investment property	7	9,786,501	9,112,142
Investment property under construction	7	803,438	493,173
		10,589,939	9,605,315
Investment in companies treated at equity	8	442,528	454,534
Long-term receivables		19,315	31,350
Fixed assets, net		37,768	38,825
Total non-current assets		11,089,550	10,130,024
Total assets		11,438,872	10,497,183
<u>Current liabilities</u>			
Credit from banking corporations and other providers of credit and current maturities	9	789,210	711,052
Trade payables	10	21,353	28,235
Current tax liabilities, net	15	23,390	36,747
Other payables and credit balances	11	142,185	131,016
Payables for investment property	11	37,739	11,906
Total current liabilities		1,013,877	918,956
<u>Non-current liabilities</u>			
Bonds	12	4,299,179	4,086,932
Loans from banking corporations	13	241,907	278,073
Provisions	16	17,821	17,821
Others	14	61,650	39,936
Deferred tax liabilities	15	967,615	858,020
Total non-current liabilities		5,588,172	5,280,782
<u>Equity</u>			
	17		
Shareholders' equity		4,836,865	4,297,483
Non-controlling interests		(42)	(38)
Total equity		4,836,823	4,297,445
Total liabilities and equity		11,438,872	10,497,183

The notes that are attached to the financial statements form an integral part thereof.

March 10, 2019

Date of the approval of the consolidated financial statements

Nathan Hetz
Chairman of the
Board of Directors

Avi Mousler
Chief Executive Officer

Yehudit Zinger
Chief Financial Officer

Amot Investments Ltd.

Consolidated Statements of Profit or Loss

		For the year ended December 31		
		2018	2017	2016
		NIS thousands		
	Note			
Rental and property management income	18	707,672	662,555	599,497
Property leasing and operation costs	19	61,290	60,718	63,927
Profit from property leasing and operation		646,382	601,837	535,570
Fair value adjustment of investment property, net		262,975	173,704	125,328
		909,357	775,541	660,898
Administrative and general expenses	20	44,531	43,720	38,641
Donations		2,010	2,010	1,771
Other expenses (income), net		(48)	788	31
Operating income		862,864	729,023	620,455
Financing income	21	6,618	4,182	208
Financing expenses	21	(171,591)	(155,532)	(142,432)
Non-recurring financing expenses – early repayment commission	21	-	(38,679)	-
Financing expenses, net		(164,973)	(190,029)	(142,224)
Company's share in the profits of investees, net of tax	8	18,656	15,674	23,389
Income before income taxes		716,547	554,668	501,620
Tax expenses on income	15	(149,660)	(126,468)	(27,524)
Net income for the year		566,887	428,200	474,096
Attributed to:				
Owners of the company		566,891	428,203	474,099
Non-controlling interests		(4)	(3)	(3)
		<u>566,887</u>	<u>428,200</u>	<u>474,096</u>
Earnings per share attributable to the Company's shareholders (in NIS):				
Basic				
Total		<u>1.69</u>	<u>1.37</u>	<u>1.65</u>
At full dilution				
Total		<u>1.68</u>	<u>1.36</u>	<u>1.64</u>
Weighted average share capital used in the calculation of the earnings per share (in thousands of shares)				
Basic		<u>336,320</u>	<u>312,635</u>	<u>287,682</u>
At full dilution		<u>337,282</u>	<u>315,019</u>	<u>289,384</u>

The notes that are attached to the financial statements form an integral part thereof.

Amot Investments Ltd.
Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Net income for the year	566,887	428,200	474,096
Amounts that will be reclassified to profit and loss in the future, net of tax			
Adjustments deriving from the translation of the financial statements of foreign operations	(18)	102	12
Total comprehensive income for the year	566,869	428,302	474,108
Attributed to:			
Shareholders in the parent company	566,873	428,305	474,111
Non-controlling interests	(4)	(3)	(3)
	566,869	428,302	474,108

The notes that are attached to the financial statements form an integral part thereof.

Amot Investments Ltd.
Consolidated Statements of Changes in Equity

	Share capital	Share premium	Receipts on account of option warrants	Capital reserve on share- based payments and others	Retained earnings	Adjustments deriving from the translation differences on foreign operations	Total attributed shareholders in the Company	Non- controlling interests	Total shareholders' equity
Balance as at January 1, 2018	365,401	2,237,642	-	7,476	1,686,909	55	4,297,483	(38)	4,297,445
Net income for the year	-	-	-	-	566,891	-	566,891	(4)	566,887
Total other comprehensive income	-	-	-	-	-	(18)	(18)	-	(18)
Total comprehensive income for the year	-	-	-	-	566,891	(18)	566,873	(4)	566,869
Issuance of share capital option warrants	17,381	298,010	15,466	-	-	-	330,857	-	330,857
Exercise of option warrants for employees	5,180	55,272	-	(5,320)	-	-	55,132	-	55,132
Reflection of benefit on option warrants for employees	-	-	-	5,655	-	-	5,655	-	5,655
Reflection of benefit on share-based payments to directors	-	-	-	333	-	-	333	-	333
Dividend declared and paid	-	-	-	-	(419,468)	-	(419,468)	-	(419,468)
Balance as at December 31, 2018	<u>387,962</u>	<u>2,590,924</u>	<u>15,466</u>	<u>8,144</u>	<u>1,834,332</u>	<u>37</u>	<u>4,836,865</u>	<u>(42)</u>	<u>4,836,823</u>

The notes that are attached to the financial statements for an integral part thereof.

Amot Investments Ltd.
Consolidated Statements of Changes in Equity

	Share capital	Share premium	Capital reserve on share-based payments and others	Retained earnings	Adjustments deriving from the translation differences on foreign operations	Total attributed shareholders in the Company	Non- controlling interests	Total shareholders' equity
Balance as at January 1, 2017	349,103	1,971,034	6,646	1,632,517	(47)	3,959,253	(35)	3,959,218
Net income for the year	-	-	-	428,203	-	428,203	(3)	428,200
Total other comprehensive income	-	-	-	-	102	102	-	102
Total comprehensive income for the year	-	-	-	428,203	102	428,305	(3)	428,302
Issuance of share capital and the exercise of option warrants	10,587	201,552	-	-	-	212,139	-	212,139
Exercise of option warrants for employees	5,711	65,056	(5,637)	-	-	65,130	-	65,130
Reflection of benefit on option warrants for employees	-	-	6,169	-	-	6,169	-	6,169
Reflection of benefit on share-based payments to directors	-	-	298	-	-	298	-	298
Dividend declared and paid	-	-	-	(373,811)	-	(373,811)	-	(373,811)
Balance as at December 31, 2017	<u>365,401</u>	<u>2,237,642</u>	<u>7,476</u>	<u>1,686,909</u>	<u>55</u>	<u>4,297,483</u>	<u>(38)</u>	<u>4,297,445</u>

The notes that are attached to the financial statements for an integral part thereof.

Amot Investments Ltd.
Consolidated Statements of Changes in Equity

	Share capital	Share premium	Receipts on account of option warrants	Capital reserve on share-based payments and others	Retained earnings	Adjustments deriving from the translation differences on foreign operations	Total attributed shareholders in the Company	Non-controlling interests	Total shareholders' equity
Balance as at January 1, 2016	315,765	1,544,265	7,237	8,638	1,380,276	(59)	3,256,122	(32)	3,256,090
Net income for the year	-	-	-	-	474,099	-	474,099	(3)	474,096
Total other comprehensive income	-	-	-	-	-	12	12	-	12
Total comprehensive income for the year	-	-	-	-	474,099	12	474,111	(3)	474,108
Issuance of share capital and option warrants	30,616	398,937	(7,237)	-	-	-	422,316	-	422,316
Exercise of option warrants for employees	2,694	27,515	-	(6,474)	-	-	23,735	-	23,735
Reflection of benefit on option warrants for employees	-	-	-	4,304	-	-	4,304	-	4,304
Reflection of benefit on share-based payments to directors	-	-	-	178	-	-	178	-	178
Exercise of option warrants and the allocation of shares to officers	28	317	-	-	-	-	345	-	345
Dividend declared and paid	-	-	-	-	(221,857)	-	(221,857)	-	(221,857)
Balance as at December 31, 2016	<u>349,103</u>	<u>1,971,034</u>	<u>-</u>	<u>6,646</u>	<u>1,632,518</u>	<u>(47)</u>	<u>3,959,253</u>	<u>(35)</u>	<u>3,959,218</u>

The notes that are attached to the financial statements for an integral part thereof.

Amot Investments Ltd.
Consolidated Statements of Cash Flows

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
<u>Cash flows from operating activities</u>			
Net income for the year	566,887	428,200	474,096
Adjustments required to present cash flows from operating activities (Annex A)	(152,749)	(38,379)	(140,176)
Net cash generated by operating activities	414,138	389,821	333,920
<u>Cash flows from investment activities</u>			
Investments in investment property (including investment property under construction)	(794,122)	(481,224)	(516,709)
Consideration from the disposal of investment property (see Note 7D)	107,420	16,425	-
Investment in investee companies	-	(20,993)	(46,091)
Loan extended to investee company	-	-	(120,366)
Repayment of loans from companies treated at equity	5,481	8,586	-
Others, net	(782)	(2,360)	(2,354)
Net cash absorbed by investment activities	(682,003)	(479,566)	(685,520)
<u>Cash flows from financing activities</u>			
Repayment of long-term loans from banking corporations	(37,391)	(911,774)	(303,350)
Dividend paid	(419,468)	(373,811)	(221,857)
Issuance of shares and exercise of option warrants into shares less issuance expenses	330,857	212,139	422,316
Issuance of bonds, net	652,585	1,380,619	931,559
Exercise of option warrants for employees, directors and officers	55,132	65,130	23,735
Repayment of long-term bonds	(264,962)	(262,691)	(260,941)
Short-term credit from banking corporations, net	(65,334)	1,932	7,296
Net cash generated by financing activities	251,419	111,544	598,758
Increase (decrease) in cash and cash equivalents	(16,446)	21,799	247,158
Balance of cash and cash equivalents at the beginning of the year	314,149	292,350	45,192
Balance of cash and cash equivalents at the end of the year	297,703	314,149	292,350

The notes that are attached to the financial statements for an integral part thereof.

Amot Investment Ltd.

Appendices to the Consolidated Statements of Cash Flows

		For the year ended December 31		
		2018	2017	2016
		NIS thousands		
A.	<u>Adjustments required to present cash flows from operating activities</u>			
	Expenses (revenues) not involving cash flows			
	Adjustment of the fair value of investment property, net	(262,975)	(173,704)	(125,328)
	Company's share of the profits of companies treated at equity	(18,656)	(15,674)	(23,389)
	Revaluation of loans from companies treated at equity	(1,455)	(986)	-
	Dividends received from companies treated at equity	4,250	18,000	4,275
	Revaluation and erosion of bonds	(9,181)	(22,895)	(27,512)
	Adjustment differentials on long-term liabilities	3,601	24,501	5,374
	Reflection of benefit on share-based payments	5,988	6,467	4,482
	Deferred taxes, net	107,970	112,560	22,157
	Payment of taxes on the disposal of assets – attributed to investment activity – see Note 7D)	15,358	-	-
	Others, net	1,321	3,492	1,287
		<u>(153,779)</u>	<u>(48,239)</u>	<u>(138,654)</u>
	Changes in assets and liabilities			
	Decrease (increase) in trade receivables	904	(270)	(1,881)
	Decrease (increase) in other receivables	(1,969)	(5,578)	3,784
	Decrease (increase) in long-term receivables	4,279	(9,541)	(13,870)
	Increase (decrease) in trade payables	(686)	5,790	(4,032)
	Increase (decrease) in liabilities in respect of the termination of employee-employer relationships	(35)	419	87
	Increase (decrease) in other payables	(1,463)	19,040	14,390
		<u>1,030</u>	<u>9,860</u>	<u>(1,522)</u>
		<u>(152,749)</u>	<u>(38,379)</u>	<u>(140,176)</u>
B.	Activities not involving cash flows			
	Investments in investment property against other payables	15,072	9,093	9,833
	Allocation of shares to an officer against payables	<u>-</u>	<u>-</u>	<u>345</u>
C.	Additional information			
	Interest paid	189,858	192,157	159,549
	Interest received	3,875	3,920	159
	Taxes paid (*)	54,832	6,496	3,706
	Dividend received	4,250	18,000	4,275
* The taxes that were paid in 2018 include betterment tax in respect of the sale of properties and taxes that were paid in respect of an assessments agreement (see Note 15E and 15H1).				

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 1: General

A. The Company's business:

The Group is engaged, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel, and also in the initiation and development of land for rental purposes for self-use. The Group owns property, directly and indirectly, which includes offices, retail centers, department stores, central bus stations, industrial parks and industrial and logistical buildings.

B. Definitions:

The Company	Amot Investments Ltd.
The parent company	- Alony-Hetz Properties and Investments Ltd., a public company, whose securities are listed for trading on the Tel-Aviv Stock Exchange
The Group	- The Company and its consolidated companies, as defined below. A list of the group companies is presented in an appendix to the financial statements.
Consolidated companies	- Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, whose financial statements are fully consolidated, with the Company's financial statements.
Joint arrangements	- Companies that are held by a number of parties, between which a contractual arrangement exists for the exercise of joint control.
Investee companies	- Consolidated companies and proportionately consolidated companies. See Notes 8 and 28 for a list of the consolidated companies and proportionately consolidated companies.
Company or corporation	- For the purposes of the above definitions – including a partnership.
Related parties	- As defined in IAS 24
Interested party	- As defined in the Securities Law – 1968, and the regulations promulgated thereunder.
Controlling interest	- As defined in the Securities Regulations (Annual Financial Statements) – 2010.
Index	- The Consumer Prices Index, as published by the Central Bureau of Statistics.
Dollar	- The US Dollar

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2: Principal accounting policies

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS):

The following are the principal accounting policies pursuant to the IFRS Standards, which have been implemented in the preparations of the consolidated financial statements:

A. Declaration regarding the implementation of International Financial Reporting Standards (IFRS):

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – "The IFRS Standards") and the clarifications thereto, which have been published by the International Accounting Standards Board (IASB). The principle accounting policies, which are detailed below, have been implemented consistently for all reporting periods that are presented in these financial statements.

The basis for the presentation of the financial statements:

The Company's financial statements have been prepared on the cost basis, except for investment property, derivatives that are measured at their fair value, share based payment liabilities and certain financial instruments, deferred tax assets, deferred tax liabilities and provisions, which are measured in accordance with estimates and assumptions.

Statement of cash flows:

The statements of cash flows from operating activities is presented pursuant to the indirect method: interest that has been paid and received by the Group is classified under operating activities in the statement of cash flows, as compared with credit costs that are capitalized to a qualifying asset, the investment in the establishment of which is classified under investment activities, cash flows deriving from taxes on income and indirect taxes are classified under operating activities, unless they can be identified specifically with investment activity or financing activity, a dividend that has been recorded under financing activities and dividends that have been received from investee and other companies have been recorded under operating activities.

The implementation of the Securities Regulations:

The Financial Statements have been prepared in accordance with provisions of the Securities Regulations (Annual Financial Statements), 2010 (hereinafter - "The Financial Statement Regulations").

B. Period of the operating cycle:

The period of the Group's operating cycle does not exceed 12 months.

C. Principle considerations, estimates and assumptions in the preparation of the financial statements:

Estimates and assumptions

When preparing the financial statements, the management is required to make use of estimates, assessments and assumptions, which affect the implementation of the accounting policy and the reported amounts of assets, liabilities, revenues and expenses. The estimates and the assumptions on which they are based are reviewed routinely. Changes in the accounting estimates are reflected in the period in which the change is made in the estimate.

The following are the main assumptions that have been made in the financial statements in connection with uncertainties as of the date of the statement of financial position and the critical estimates that have been calculated by the Group and where a significant change in the estimates and the assumptions might change the values of assets and liabilities in these financial statements or in the coming reporting year:

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2: Principal accounting policies (Continued)

C. Principle considerations, estimates and assumptions in the preparation of the financial statements (Continued):

Estimates and assumptions (Continued)

- **Investment property**

The Group's investment property is presented in accordance with its fair value, with changes in the fair value being reflected in profit in loss as income or expenses.

For the purpose of the determination of the fair value of the investment property, the Company's management bases itself on appraisals that are performed by independent external appraisers of real estate, having the know-how, the experience and the expertise that are required. The Company's management is in the habit of determined the fair value pursuant to generally accepted evaluation methods for real estate assets, primarily discounted cash flows and a comparison to selling prices of similar properties and the Group's properties in the near vicinity. Where the discounted cash flows method is employed, the interest rate used to discount the net cash flows that are expected from the assets has a significant impact on the fair value.

In the determination of the fair value, inter alia and insofar as is relevant, the location and the physical condition of the property, the quality and stability of the tenants, the rental periods, the rental prices for similar properties, the adjustments that are required to the existing rental prices and the actual and forecast occupancy levels for the property and operating costs are taken into account in the determination of the fair value. A change in the value of any of these components, or in all of them, may have a significant impact on the fair value of the property, as estimated by the Company's management.

Pursuant to International Financial Reporting Standard 13 (IFRS 13), the Company has reflected transaction costs that have been incurred when acquiring new assets in the statement of profit or loss.

The Group strives to determine as objective a fair price as is possible, however, the process of estimating the fair value of investment property also includes subjective elements, which are sourced, inter alia, in the Company's management's past experience and in its understanding of what is expected to occur in the investment property market at the time at which the estimate of the fair value is determined. The fair value of investment property under construction is assessed by estimating the fair value of the investment property after the completion of its construction and deducting the present value of the estimated construction costs that are expected to be incurred for the purpose of its completion and less an entrepreneurial margin, where relevant, whilst taking a yield rate that has been adjusted for the risks that are relevant and which typify the investment property under construction into account.

In this light, and in light of what is stated in the previous paragraph, the determination of the fair value of the Group's investment property requires the exercise of judgment. Changes in the assumptions that are used in the determination of the fair value may have a significant impact on the Group's financial position and its operating results. See additional information in Section K.

- **Investment property under construction**

The Group strives to determine as objective a fair price as is possible, however, the process of estimating the fair value of investment property under construction also includes subjective elements, which are sourced, inter alia, in the Company's management's past experience and in its understanding of what is expected to occur in the investment property market at the time at which the estimate of the fair value is determined. In this light, the determination of the fair value of the Group's investment property under construction

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2: Principal accounting policies (Continued)

C. Principle considerations, estimates and assumptions in the preparation of the financial statements (Continued):

Estimates and assumptions (Continued)

- **Investment property** (continued)

requires the exercise of judgment. Changes in the assumptions that are used in the determination of the fair value may have a significant impact on the Group's financial position and its operating results.

D. Foreign currency:

(1) The functional currency and the presentation currency

The financial statements of each of the Group companies have been prepared in the currency of the major economic environment in which it operates (hereinafter - "The functional currency"). For the purpose of the consolidation of the financial statements, the results and the financial position of each of the Group companies are presented in New Israeli Shekels (NIS), which is the Company's functional currency. The Group's consolidated financial statements are presented in NIS.

(2) The manner of the recording of exchange differences

Exchange rate differentials are recognized in profit and loss in the period in which they arise.

E. Consolidated financial statements:

General:

The Group's consolidated financial statements include the financial statements of the Company and of entities that are controlled by the Company, directly or indirectly. An investor company controls an investee company where it has an exposure or where it has rights, to the variable yields deriving from its holding in the investee entity, and where it has the ability to influence those yields by means of the exercise of power over the investee. This principle applies to all of the investees, including structured entities.

The operating results of consolidated companies that have been acquired or sold during the course of the reporting period are recorded in the Company's consolidated statements of profit and loss as from the time at which control is achieved or up to the time that control is discontinued, as the case may be.

All inter-company transactions, balances, revenues and expenses are eliminated for the purpose of consolidation.

Acquisitions of subsidiary companies other than business acquisitions

At the time of the acquisition of consolidated companies and operations that do not constitute a business, the consideration for the transaction is allocated between the identified assets and liabilities alone of the acquiree company proportionately to their fair values at the time of the acquisition and without attributing any amount whatsoever to goodwill or deferred taxes, with attribution to non-controlling interests, if any, according to their share of the fair value of the said identified assets at the time of the acquisition.

F. Joint arrangements

A "joint arrangement" is a contractual agreement, in accordance with which the Group and other parties carry out economic activity that is subject to joint control. Joint control exists where the

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

F. Joint arrangements (Continued)

contractual arrangement includes a requirement that decisions relating to the business's financial and operational strategy are to be made by unanimous decisions by the parties that jointly control the business.

There are two types of joint arrangements. The type of the arrangement is dependent upon the rights and the commitments of the parties to the arrangement.

"A joint venture" is a joint arrangement in which the parties have rights to the net assets that are attributed to the arrangement. In joint arrangements, which constitute a joint venture, the Group recognizes the joint venture as an investment and treats it under the equity method of accounting. See Section G below regarding the equity method of accounting.

"A joint operation" is a joint arrangement where the parties to the arrangement have rights in the assets and commitments in respect of the liabilities, which are attributed to the arrangement.

In Joint arrangements that constitute a joint operation, the Group recognizes its proportionate share of the assets of the joint activity and its liabilities, including assets that are held and commitments, which have been incurred jointly in the Group's statement of financial position. The statement of income includes the Group's relative share of the revenues and the expenses of the joint operation, including revenues that have been produced and expenses that have been incurred jointly. Transactions between companies in the Group and joint operations that are held by the Company are only recognized at the level of the other parties' share in the joint operations.

G. Investments in joint ventures

The results, the assets and the liabilities of joint ventures are recorded in these financial statements using the equity method of accounting. In accordance with the equity method of accounting, investments in joint ventures are recorded in the consolidated statement of financial position at cost, as adjusted for changed that have occurred after the acquisition of the Group's share of the net assets, including capital reserves.

Gains or losses arising from transactions that are executed between the Company and a joint venture belonging to the Group are eliminated in accordance with the Group's share of the rights in the relevant affiliated company or joint venture.

H. Cash and cash equivalents

Cash and cash equivalents include deposits that can be withdrawn immediately as well as fixed-term deposits the use of which is unrestricted and whose repayment time, at the time of the investment in them, does not exceed three months.

I. Provision for doubtful debts

The provision for doubtful debts is determines specifically for debts the collection of which is doubtful in the Company's management's assessment. The debts of customers, in which impairment has occurred in their value, are de-recognized at the time at which it is determined that these debts are not collectable. The Company has not made an additional collection assessment since in its opinion, this would not have an impact on the financial statements and is immaterial.

J. Non-derivative financial assets

(1) General

Financial assets are recognized in the statement of financial position, where the Group becomes a party to the contractual terms of the instrument. Investments in financial assets are recognized initially in accordance with their fair value, with the addition of transaction costs, except for financial assets that are classified at fair value through profit or loss, which are recognized initially in accordance with their fair value.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

J. Non-derivative financial assets (Continued)

Transaction costs for financial assets at fair value through profit or loss are reflected immediately as an expense in profit or loss. After the initial recognition, financial assets will be measured at amortized cost or at fair value in accordance with their classification.

Debt instruments are measured at amortized cost where the two following conditions are met:

- The Group's business model is to hold the assets with the objective of collecting the contractual cash flows, and
- The contractual terms of the asset determine the exact dates on which the contractual cash flows, which constitute payments of principal and interest alone, will be received.

Trade and other short-term receivables and some of the loans to companies that are treated at equity meet the conditions for measurement at amortized cost under the effective interest method. Some of the loans to companies that are treated at equity, where the conditions are not met, are measured at fair value through profit or loss.

K. Investment property

Investment property is real estate (land or a building or both of these), which is held by the Group for the purpose of the production of rental income or for an increase in capital value, or both of these together, and not for the purpose of use for administrative purposes, or for sale in the regular course of business (hereinafter – Investment property). Rights in real estate that are held by the Group under operating leases (primarily leases of land from the Israel Lands Administration), which would otherwise meet the abovementioned definition of investment property, are also classified and treated as investment property.

Investment property is initially measured at the cost of its acquisition, which includes direct transaction costs, such as purchase tax and fees for professional consultants for legal and economic services.

In addition, pursuant to International Financial Reporting Standard (IFRS) 13, the Company reflects the transaction costs that have been incurred at the time of the acquisition of new properties in the statement of profit or loss.

In periods following the time of the initial recognition, the investment property is measured at fair value. Gains or losses deriving from changes in the fair value of investment property are recorded in the statement of profit or loss in the period in which they arise.

For the purpose of determining the fair value of investment property, the Company's management bases itself on appraisals, which are performed by independent external appraisers having the know-how, experience and expertise that are required. See also Section C above regarding the manner of the determination of the fair value of investment property.

The costs of the disposal of investment property are reflected in the statement of profit or loss at the time at which the property is sold. The difference between the consideration that is received from the disposal of investment property and the fair value as recorded in the latest financial statements (including interim financial statements), is reflected in the statement of profit or loss at the time of the closing of the disposal transaction and is presented as a gain or a loss on the disposal of investment property as part of the adjustment of the fair value of investment property. Direct costs for the disposal of the asset are offset against this gain or loss, as aforesaid.

L. Investment property under construction

Investment property under construction, which is designated for future use as investment property is also measured at fair value as aforesaid.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

M. Credit costs

Credit costs, which can be attributed to the construction of investment property, the preparation of which for their intended use requires a significant period of time, are capitalized to the cost of those assets until the time at which those assets are mainly ready for their intended use as investment property.

The credit costs have been calculated as the product of the multiplication of the Company's average interest rate by the cost of the asset, which has actually been invested, after eliminating financing.

All of the other credit costs are recognized in profit or loss as incurred.

N. Non-current assets held for sale:

Non-current assets are classified as held for sale if their carrying value in the accounting records will be recovered primarily by means of their sale and not by means of their continued use. Non-current assets are classified as held for sale where the sale is highly probable, and the asset is available for sale immediately in its current state. The Group classified non-current assets and/or disposal groups as held for sale where the management is committed to executing the sale and the sale is expected to qualify for recognition as a sale that has been completed within one year from the time of the classification of the non-current assets and/or disposal group as held for sale.

As from the period in which an asset is defined as designated for disposal it is presented under "assets held for sale" in the statement of financial position.

O. Financial liabilities and capital instruments that have been issued by the Group:

Financial liabilities are classified as financial liabilities at fair value against profit and loss or as other financial liabilities.

(1) Other financial liabilities

Other financial liabilities in the Group include primarily short-term credit, trade payables, other payables and others.

Other financial liabilities are recognized initially at fair value after the deduction of transactions costs. In periods subsequent to the initial measurement, other financial liabilities are measured on an amortized cost basis, insofar as the results of such measurement are significant, with the financing being reflected, generally, under the effective interest method in the statement of profit or loss.

(2) Financial liabilities that are linked to the Consumer Prices Index

The Group has financial liabilities that are linked to the Consumer Prices Index (hereinafter: "The index"), which are not measured at fair value through profit or loss, which include primarily bonds and loans from banking corporations and others. The Group determined the effective interest rate for these liabilities with the addition of linkage differentials in accordance with the actual changes in the index up to the end of the reporting period.

(3) The de-recognition of financial liabilities

A financial liability is de-recognized where, and only where it is cleared – in other words, where the commitment that was defined in a contract is settled, cancelled or expires.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

P. The recognition of revenues:

Revenues are measured at the fair value of the consideration that has been received and/or the consideration that the Group is entitled to receive in respect of revenues from the provision of services in the regular course of business. The revenues are presented after deducting discounts.

(1) Revenues from rental and management fees

Revenues from rental and management fees from investment property are reflected in the statement of profit or loss as they accrue over the rental period. In the rental contracts in which the rental fees rise at a fixed rate over the length of the rental period, the impact of the fixed increase in the rental fees is reflected equally over the length of the entire rental period in the statement of profit or loss, so long as it is significant.

The revenues are reflected in the financial statements so long as their collection is assessed to be expected at the time of their recognition and where the amount of the revenues can be measured reliably.

(2) The recognition of revenues on a gross basis or on a net basis

Transactions in which the Group operates as an agent or as a broker, where the substance of its promise to the customer is to organize that the goods or the services will be provided by another party, the Group's revenues from the transactions are presented on a net basis. The revenues for transactions in which the Group is the main supplier, are presented on a gross basis.

(3) Interest income

Income from interest is accumulated on a timing basis, taking into account the principal that is repayable, using the effective interest method.

Q. Provisions:

Provisions are recognized where the Group has a legal or implied commitment, as the result of a past event, in respect of which it is expected that economic resources, which can be measured reliably will be expended in order to clear the commitment.

The amount that is recognized as a provision reflects management's best estimate of the amount that will be required to settle the commitment at the time of the statement of financial position, taking the risks and uncertainties that are inherent in the commitment into account. Where the provision is measured using forecasts of the cash flows for the purpose of settling the commitment, the carrying value of the provision is the present value of the forecast cash flows. Changes in respect of the value of time will be reflected in profit and loss.

Where any amount or part thereof, which is needed in order to settle the commitment in the present is expected to be reimbursed by a third party, the Group only recognizes an asset, in respect of the reimbursement, up to the level of the provision that has been recognized, when it is virtually certain that the indemnification will be received, and where it can also be measured reliably.

R. Share-based payments:

Share based payments for employees and for others, who provide similar services, which are cleared using capital instruments of the Group, are measured at the fair value at the time of the grant, using a generally accepted pricing method.

See Note 17 F regarding the measurement of the fair value of share-based payments.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

R. Share-based payments: (continued)

The cost of transactions that are cleared with capital instruments is recognized in profit and loss together with a parallel increase in equity over the period in which the performance and/or service terms are met and ending at the time at which the relevant employees are entitled to the remuneration (hereinafter – the vesting period). The cumulative expense that is recognized for transactions that are cleared with capital instruments at every reporting date until the time of the vesting, reflects the degree of the passage of the vesting period and the Group's best estimate of the number of capital instruments that will vest at the end of the day. The expense or the income in the statement of profit or loss reflects the change in the cumulative expense up to the end of the reporting period.

S. Receipts on account of option warrants:

Receipts on account of the issuance of option warrants for the purchase of shares in the Company, which afford their holders the right to purchase a fixed number of regular shares in consideration for a fixed amount of cash, are presented under equity. For this purpose, the exercise price of an option warrant that is linked to the index is not deemed to be a fixed amount of cash.

T. Leases:

Finance leasing – in finance leasing transaction in which the Group leases assets from another entity, the Group recognizes a leasing asset at the beginning of the lease in accordance with the lower of the fair value and the present value of the minimal future lease payments. The liability for the transfer of the minimal lease payments to the lessor is presented as a financial liability for leasing in the statement of financial position. In subsequent periods, the current finance leasing payments are allocated between the financing component and the liability component, such that a fixed interest rate will be received, which is calculated on the balance of the liability. The part that is allocated to the financing component is reflected in profit or loss.

U. Taxes on income:

(1) General

Taxes on income (tax benefits) include the total of the current taxes and also the total change in the deferred tax balances, except for deferred taxes that derive from transactions that are reflected directly under equity.

(2) Current taxes

Current tax expenses are calculated based on the income of the Company and the investee companies that is chargeable to tax during the course of the reporting period.

The chargeable income is different from the income before taxes on income, because of the inclusion or exclusion of revenues and expenses that are chargeable to taxation or which can be deducted in different reporting periods, or which are chargeable to taxation or which are deductible in different reporting periods, or which are not chargeable to tax or which cannot be deducted. Assets and liabilities in respect of current taxes have been calculated on the basis of the tax rates and the tax laws that have been enacted or whose enactment has been effectively completed up to the date of the statement of financial position.

(3) Deferred taxes

The Group companies record deferred taxes in respect of timing differences between the value of assets and liabilities for tax purposes and their values in the financial statements.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

U. Taxes on income: (Continued)

The deferred tax balances (asset or liability) are calculated in accordance with the tax rates that are expected at the time that they are realized, based on the tax rates and the tax laws that have been enacted or whose enactment has been effectively completed up to the date of the statement of financial position. Deferred tax liabilities are generally recognized in respect of all of the timing differences between the values of assets and liabilities for tax purposes and their values in the financial statements. Deferred tax assets are recognized in respect of all of the timing differences that can be deducted up to the amount at which it is expected that there will be chargeable income against which it will be possible to exploit the timing difference that is deductible.

The taxes that would apply in the event of the disposal of the investments in investee companies are not taken into account in the calculation of the deferred taxes, since the Group intends to hold the investments and to develop them. Furthermore, deferred taxes are not taken into account in respect of the distribution of taxes in those companies, since the dividends are not chargeable to taxation and/or where there is a decision in force not to distribute dividends that would be chargeable to taxation in the foreseeable future.

Deferred tax assets and liabilities are presented after having been offset where the entity has a legally enforceable right to set off current tax assets against current tax liabilities, and where they relate to taxes on income that is levied by the same tax authority and the Group intends to clear the current tax assets and liabilities on a net basis.

V. Derivative financial instruments and hedge accounting

The Group makes use of derivative financial instruments in order to manage the exposures to changes in the Consumer Prices Index. Additional details on the derivatives that the Group uses are provided in Note 12.

Derivative financial instruments are recognized initially at the time of the commitment and at the end of every subsequent reporting period in accordance with their fair values. Changes in the fair value. Generally, changes in the fair value of derivative financial instruments are reflected in profit or loss. The timing of the recognition in profit or loss of changes in the fair value of derivative financial instruments, which are designated for hedging purposes, where this hedging is effective, and meets all of the conditions for the determination of a hedging relationship is dependent on the nature and type of the hedging, as detailed in the following sections.

The classification of derivative financial instruments, which are used for hedging, in the statement of financial position, is determined in accordance with the contractual time period of the derivative financial instrument. If the balance of the contractual time period of the instrument exceed 12 months, the derivative will be presented as a non-current item in the statement of financial position, and if the balance of the time period does not exceed 12 months, the derivative will be classified as a current item.

Hedge accounting:

The Group designates derivative financial instruments for hedging. The hedging items are designated as fair value hedging.

The hedging relationships are documented by the Group at the time of the commitment under the hedging transaction. Within the framework of the documentation, the hedging instrument, the hedged item, the hedged risk, the hedging strategy that is implemented are documented and the degree to which the strategy correlates with the Group's overall policy in every type of hedging. In addition, from the beginning of the hedging relationship and throughout its period, the Group documents the degree to which the hedging instrument is effective in offsetting the exposure to changes in fair value in respect of risk that is hedged on the hedged item.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

V. Derivative financial instruments and hedge accounting (Continued)

The classification of hedging instruments in the statement of financial position is determined in accordance with the balance of the period of the hedging relationship at the end of the reporting period. If the balance of the period of the hedging relationship exceeds 12 months at the end of the reporting period, the hedging instrument is classified as a non-current asset or liability in the statement of financial position. If the balance of the period of the hedging relationship does not exceed 12 months at the end of the reporting period, the hedging instrument is classified as a current asset or liability in the statement of financial position.

The Group's hedging activity includes the following hedging relationships:

Hedging of fair value:

The Group implements fair value hedge accounting in respect of the exposure to changes in the fair value that may derive from changes in the forward rate of the Consumer Prices Index in respect of payments and principal on bonds (Series E) (see Note 12F).

The changes in the values of financial instruments, which are designated for hedging fair value risk are recognized immediately in profit or loss in parallel to changes in the fair value of the hedged items, which are attributed to the hedged risk. Fair value hedge accounting is discontinued where the hedging instrument expires, is sold or exercised or where the hedging relationship no longer meets the hedging threshold. For this purpose, the replacement of a counter party to a hedging instrument as a result of legal or regulatory requirement, in a manner in which there are no additional changes to the terms of the hedging instrument beyond the changes that are necessary as a result of the replacement of the counter party, does not constitute expiry or exercise. Adjustments to the carrying value of the hedging item in the accounting records are reflected in profit or loss as from the time of the discontinuation of the hedging and thereafter.

W. Earnings per share:

The Company calculates the amounts of the basic earnings per share in respect of the profit or loss that is attributed to the shareholders in the Company by dividing the profit or loss that is attributed to the holders of the regular shares in the Company by the weighted average of the number of regular shares in circulation during the course of the reporting period. For the purposes of the calculation of the diluted earnings per share, the Company adjusts the profit or the loss that is attributed to the holders of the regular shares and the weighted average of the number of shares in circulation in respect of the impact of all of the potential dilutionary shares.

X. Exchange rates and the linkage basis:

Balances that are denoted in foreign currency or which are linked thereto, are recorded in the financial statements in accordance with the representative exchange rates as published by the Bank of Israel and which were in force as at end of the reporting period.

Balances that are linked to the Consumer Prices Index are presented in accordance with the last known index at the end of the reporting period (the index for the month preceding the month in which the reporting date falls) or in accordance with the index for the last month of the reporting period (the index for the month in which the reporting date falls), in accordance with the terms of the transaction.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 2 – Principal accounting policies (Continued)

X. Exchange rates and the linkage basis: (Continued)

The following are data on the exchange rate of the Dollar and on the index:

	Representative exchange rate of the dollar	The index in Israel	
		The known index in points	The index for the month in points
As at the date of the financial statements:			
As at December 31, 2018	3.748	133.157	132.764
As at December 31, 2017	3.467	131.583	131.714
Rates of change:			
	%	%	%
For the year ended December 31, 2018	8.10	1.20	0.80
For the year ended December 31, 2017	(9.83)	0.30	0.40
For the year ended December 31, 2016	(1.46)	(0.30)	(0.20)

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 3 – New financial reporting standards and interpretations that have been published and revisions to standards

A. New standards, new interpretations and amendments to standards, which affect the current period:

▪ **IFRS 15 "Revenues from contracts with customers"**

The new standard determines a comprehensive and uniform mechanism, which arranges the accounting treatment of revenues deriving from contracts with customers. The Standard cancels International Accounting Standard IAS 18 "Revenue" and International Accounting Standard IAS 11 "Construction contracts" and the accompanying interpretations thereto. The core principle in the Standard is that the recognition of revenue is to reflect the transfer of the goods or the services to the customers in an amount that represents the economic benefits that the entity expects to receive in consideration for them. For this purpose, the Standard determines that revenue is to be recognized when the entity transfers the goods and/or the services that are enumerated in a contract with a customer to the customer in such manner that the customer obtains control over those goods or services.

The Standard sets a five-stage model for the implementation of this principle:

1. The identification of the contract (or contracts) with the customer.
2. The identification of the performance commitment in the contract.
3. The determination of the transaction price.
4. The allocation of the transaction price to the performance commitment.
5. Recognition of income where the entity completes the performance commitment.

The implementation of the model is dependent upon the specific facts and circumstances of the contract and it sometimes requires the broad exercise of judgment.

In addition, the Standard sets broad disclosure requirements in respect of contract with customers, the significant estimates and the changes therein, which have been used in the implementation of the provisions of the Standard, which is in order to enable the users of the financial statements to understand the significance, the volume, the timing and the reliability of the revenues and of the cash flows deriving from contracts with customers.

The Standard entered binding force for annual reporting periods commencing on January 1, 2018 or thereafter.

The implementation of the Standard did not have an impact on the Group's financial statements.

▪ **IFRS 9 "Financial instruments"**

General:

International Financial Reporting Standard IFRS 9 (2014) "Financial instruments" (hereinafter – "The Standard") is the final standard in the financial instruments project. The Standard cancels the previous stages of IFRS 9, which were published in 2009, 2010 and 2013. The final standard contains provisions covering the classification and measurement of financial assets which have been amended by comparison to those that were published in the first stage in 2009, and it also contains provisions covering the classification and measurement of financial liabilities as published in the second stage in 2010, it proposes a more updated model that is based on principles in respect of hedge accounting and it presents a new model for the examination of an anticipated impairment loss, as detailed below. In addition, the Standard cancels the interpretation in IFRIC 9 – "Reassessment of embedded derivatives".

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 3 – New financial reporting standards and interpretations that have been published and revisions to standards (Continued)

A. New standards, new interpretations and amendments to standards, which affect the current period (Continued):

▪ **IFRS 9 "Financial instruments"** (Continued)

Financial assets:

The standard determines that all of the financial assets are to be recognized and treated as follows:

Debt instruments are to be classified and measured following their initial recognition under one of the following alternatives: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The determination of the measurement model is to be made taking the entity's business model in respect of the financial assets into account and in accordance with the characteristics of the contractual cash flows that derive from those financial assets.

It is possible to designate a debt instrument, which in accordance with the tests is measured at amortized cost or at fair value through other comprehensive income to fair value through profit or loss, however this is solely and exclusively where the designation eliminates an inconsistency in the recognition and measurement, which would have arisen were the asset to have been measured at amortized cost or at fair value through other comprehensive income.

Capital instruments are generally to be measured at fair value through profit or loss.

It is possible to designate capital instruments at fair value through other comprehensive income. Instruments that have been designated as aforesaid will no longer be subject to testing for impairment in value and the gain or loss in respect of them will not be transferred to profit or loss, including at the time of their disposal. Imbedded derivatives are not to be separated from a host contract to which the Standard applies. Instead of this, mixed contracts are to be measured in their entirety at amortized cost or at fair value, in accordance with the tests in the business model and the contractual cash flows.

Debt instruments are only to be reclassified where the entity changes its business model for the management of financial assets.

Investments in capital instruments for which no quoted price exists in an active market, including derivatives on those instruments are always to be measured at fair value. The alternative of measurement in accordance with cost in certain circumstances has been cancelled. However, the Standard mentions that in specific circumstances cost may be a fair estimate of fair value.

Financial liabilities:

The standard also determines the following provisions regarding financial liabilities:

The change in the fair value of financial liabilities that are designated upon their initial recognition at fair value through profit or loss, which is attributed to changes in the credit risk of the liabilities, is to be reflected directly under other comprehensive income unless this reflection would create or increase an accounting mismatch.

Where financial liabilities are settled or cleared, the amounts that have been reflected under other comprehensive income are not to be reclassified to profit or loss.

All of the derivatives, whether assets or liabilities, are to be measured at fair value through profit or loss, including in respect of a derivative financial instrument, which constitutes a liability that is connected to an unquoted capital instrument, which cannot be measured reliably at fair value.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 3 – New financial reporting standards and interpretations that have been published and revisions to standards (Continued)

A. New standards, new interpretations and amendments to standards, which affect the current period (Continued):

▪ **IFRS 9 "Financial instruments"** (Continued)

Hedging:

The standard determines new hedging provisions and it provides the possibility of electing whether to implement the new hedging provisions, abbreviated details of which follow, or alternatively those that exist in accordance with IAS 39 as the accounting policy. When the hedging project is completed in the future, the IASB will reconsider the possibility of election for the said policy.

Three types of hedge accounting remain in place within the framework of the final standard: hedges of cash flows, fair value and the net investment in foreign operations. However, significant changes have been made in relation to the types of transactions that qualify for hedge accounting, especially the expansion of the risks that qualify for hedge accounting of non-financial items. Furthermore, changes have occurred in the manner in which forward contracts and derivative options are to be treated where they constitute hedging instruments. In addition, some of the checks on the effectiveness of the hedging have been replaced with a more principle-based test relating to "economic ratios". The retrospective assessment of the effectiveness of the hedging will no longer be required. The disclosure requirements in relation to the Company's risks management activity have been expanded within the framework of the new standard.

The Group is continuing to implement the hedge accounting model in IAS 39 as its accounting policy.

Impairment in value:

The provision for impairment in value is to be in respect of anticipated losses in accordance with the probability of insolvency in the coming 12 months (in the coming year) or in accordance with the probability of insolvency over the lifetime of the instrument. The testing for the lifetime of the instrument is required if the credit risk has increased significantly since the time of the initial recognition of an asset. Another approach applies if the financial asset has been created or acquired in a state in which it is credit-impaired. The Standard adds guidance regarding presentation and disclosure in connection with the impairment in value of financial instruments.

The timing of the entry into force and the possibilities for early adoption

The Standard entered binding force for annual reporting periods commencing on January 1, 2018 or thereafter. The initial implementation of the Standard has not had an impact on the Group's financial statements.

▪ **IFRS 16 "Leasing"**

The new Standard, which was published in January 2016, cancels IAS 17 – "Leasing" and the accompanying interpretations thereto and determines the principles for the recognition, measurement, presentation and disclosure for leasing in relation to the both sides of the transaction, in other words, the customer ("The lessee") and the supplier ("The lessor").

The new Standard cancels the distinction that currently exists in respect of a lessee, between finance leasing and operating leasing and determines a uniform accounting model for all types of leases. In accordance with the new model, in respect of each new leased asset, the lessee is required on the one hand to recognize an asset in respect of the usage rights and on the other hand to recognize a financial liability in respect of the lease fees

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 3 – New financial reporting standards and interpretations that have been published and revisions to standards (Continued)

A. New standards, new interpretations and amendments to standards, which affect the current period (Continued):

▪ **IFRS 16 "Leasing"** (Continued)

The provisions for recognition of an asset and a liability, as aforesaid, will not apply in respect of assets that have been leased for a period of up to only 12 months and nor will it apply to the leasing of low value assets (for example: personal computers).

The Standard does not alter the existing accounting treatment in a lessor's accounting records. The Standard will enter into binding force for annual reporting periods commencing on January 1, 2019 or thereafter. The earlier adoption is possible.

As a general rule, the Standard is to be implemented retrospectively, however entities will be entitled to select certain adjustments within the framework of the Standard's transition provisions regarding its implementation in previous reporting periods.

The implementation of the Standard will not have a significant impact on the Group's financial statements.

▪ **IAS 28 "Investments in associated companies and joint ventures" (regarding long-term rights in affiliate companies or in joint ventures):**

The Standard clarifies that long-term rights in an affiliated company or in a joint venture, which form part of the net investment but which are not measured at equity (for example: long-term loans for which no repayment time has been set and the repayment of which is not expected in the foreseeable future), will be subject to the provisions of IFRS 9, including the impairment in value model.

The Standard is to be implemented retrospectively for annual reporting periods commencing on January 1, 2019 or thereafter, in accordance with specific transition provisions. The earlier implementation is possible.

The implementation of the standard will not have a significant impact on the Group's financial statements.

▪ **Revision to IFRS 3 "Business combinations" (regarding the definition of "a business"):**

The Revision determines that in order to be considered to be a "business", the assets and the operations that are acquired must include, at the least, an input and a significant process, which together contribute significantly to the ability to produce output. The Revision removes the need for testing whether participants in a market are capable of replacing missing inputs or processes and continuing to produce outputs, and it also removes reduced costs or other economic benefits from the definitions of the terms "business" and "outputs" and focuses on products and services that are supplied to customers.

Furthermore, the Revision adds a "concentration of fair value" test, pursuant to which the subject of the testing is not a business if significantly all of the gross fair value of the assets that have been acquired is concentrated in a single identified asset or in a group of similar identified assets.

The Revision is to be implemented in respect of business combinations and acquisitions of assets for which the acquisition time is from January 1, 2020 onwards. Earlier implementation is possible.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 4: Cash and cash equivalents

Composition:

	<u>Interest rate</u>	<u>As at December 31</u>	
	<u>As at</u>	<u>2018</u>	<u>2017</u>
	<u>December 31</u>	<u>NIS thousands</u>	
	<u>2018</u>		
	%		
In Israeli currency:			
Cash in hand and balances in banks		15,352	25,294
Short-term deposits in banking corporations (unlinked)	0.08 -0.33	282,351	288,855
		<u>297,703</u>	<u>314,149</u>

Note 5: Trade receivables

A. Composition:

	<u>As at December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>NIS thousands</u>	
Open debts	14,096	14,578
Checks for collection	3,841	4,724
Revenues receivables	5,884	5,418
	<u>23,821</u>	<u>24,720</u>
Less provision for doubtful debts	(5,081)	(5,073)
	<u>18,740</u>	<u>19,647</u>

B. Movements in the provision for doubtful debts:

	<u>As at December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>NIS thousands</u>	
Balance at the beginning of the year	5,073	5,781
Amounts of doubtful debts written off	(1,216)	(1,603)
Amounts provided in the year	1,224	895
Balance at the end of the year	<u>5,081</u>	<u>5,073</u>

In the determination of the probability of the repayment of the customers' debts, the Group examines changes in the quality of the customer's credit from the time of the extension of the credit and up to the reporting date. The concentration of the credit risks is limited, in light of the large size of the customers base, where the transaction with each of the customers being immaterial. The Company has not performed an additional collective examination since in its opinion this does not have any impact on the financial statements and is immaterial.

The management of credit risk by the Group

Credit risk relates to the risk that the counter-party will not meet its contractual commitments and will cause a financial loss to the Group. The Group does not have a significant exposure to credit risk relating to a particular customer or group of customers with similar characteristic. The Group defines customers as having similar characteristics if they are related entities. The concentration of credit risk is limited because of the fact that the customer base is large and unrelated.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 5: Trade receivables (continued)

B. Movements in the provision for doubtful debts: (continued)

No change has occurred in the estimation technique or in the significant assumptions made in the current reporting period. The Group writes off customers' debts where information exists indicating that the customer is in serious financial difficulty and there is no real chance of collecting the debt, for example where the customer is in liquidation or bankruptcy proceedings.

Note 6: Other receivables

Composition:

	As at December 31	
	2018	2017
	NIS thousands	
Government institutions	3,994	5,797
Partners in joint ventures	1,742	2,693
Prepaid expenses	2,141	1,539
Revenues receivable	6,177	3,690
Joint arrangements	5,389	4,861
Advances to suppliers	1,187	1,516
Current maturities of long-term loans	5,278	5,030
Others	6,887	8,164
	<u>32,795</u>	<u>33,290</u>

Note 7: Investment property; investment property under construction

A. Composition and movement:

	Investment property	Investment property under construction	Total
		NIS thousands	
Balance as at January 1, 2017	8,564,632	352,510	8,917,142
Additions deriving from acquisitions	269,675	-	269,675
Transfer from investment property under construction to investment property	11,777	(11,777)	-
Transfer from investment property to investment property under construction	(44,165)	44,165	-
Investments	137,385	103,007	240,392
Capitalized credit costs	-	4,402	4,402
Gain on the adjustment of fair value, net	172,838	866	173,704
Balance as at December 31, 2017	<u>9,112,142</u>	<u>493,173</u>	<u>9,605,315</u>
Additions deriving from acquisitions	450,877	51,270	502,147
Transfer from investment property under construction to investment property	10,127	(10,127)	-
Investments	95,776	229,299	325,075
Capitalized credit costs	-	10,731	10,731
Disposal of assets	(31,500)	(91,278)	(122,778)
Gain on the adjustment of fair value, net (*)	149,079	120,370	269,449
Balance as at December 31, 2018	<u>9,786,501</u>	<u>803,438</u>	<u>10,589,939</u>

* The difference in the gain on adjustment to fair value compared to the statement of profit or loss derives from the updating of the leasing liability.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 7: Investment property; investment property under construction (Continued)

- B.** See Note 18 for information regarding revenues from rental fees that are sourced in investment property

See Note 19B for information regarding direct expenses for the operation of the investment property, both that which produces rental income and also that which does not produce such income.

- C. Cap rate:**

The main discount rate that has been used in the calculation of the fair value is between 6.75% and 7.75%.

- D. Transactions in the reporting year and thereafter in connection with investment property and property under construction:**

In the reporting period, the Group has made commitments under transactions in connection with investment property for overall consideration of approximately NIS 474 million (exclusive of transaction costs in an amount of approximately NIS 28 million), of which the more significant commitments are described below:

Logistics facility in Modi'in

In January 2018, the Company acquired a logistics facility in Modi'in, for consideration of approximately NIS 280 million. The facility contains two buildings with an overall area of 36,000 Sq. m. and additional construction rights. The building is leased in its entirety to four tenants under long-term rental agreements for period of 5 years and above with the addition of an option period. The actual NOI in the project is NIS 16 million a year

Logistics building in Ariel

In February 2018, the Company acquired a logistics building in Ariel, for consideration of approximately NIS 38.5 million. The facility has an overall area of approximately 11,000 Sq. m. The building is leased in its entirety to a single tenant under a long-term rental agreement for a period of 12 years with the addition of an option period. The actual NOI in the project is approximately NIS 3.2 million a year.

Automated logistics center for Shufersal's online operations in Modi'in

In May 2018, the Company entered into a commitment with Shufersal Ltd. under an agreement for the establishment of a logistics center with an area of approximately 34,000 Sq. m. and an office building with an area of approximately 6,000 Sq. m. See below under projects under construction.

The 1000 site in Rishon LeZiyon West

In June 2018, the Company won a tender for the purchase of land at the 1000 site in Rishon LeZiyon West, for consideration of NIS 30 million. There are rights on the reserve of land for the establishment of a building for business purposes, on an area of 19,000 Sq. m. above ground.

The Lechi site in Bnei Brak

In July and in November 2018, the Company signed on an agreement and on an addition to the agreement respectively with Allied Real Estate Ltd. ("Allied") on an agreement for the purchase of half of the capitalized leasing rights (subject to the signing by Allied on a new capitalized leasing agreement with the Israel Lands Authority) on a plot of land with an area of approximately 16,400 Sq. m. on the Lechi site in Bnei Brak, for consideration of NIS 100 million, for the construction of a project with an area of 75,000 Sq. m. above ground for marketing (of which the Company's share is 50%). In November 2018, an advance was paid on account of the purchase in an amount of approximately NIS 10 million (the Company's share). See additional details below.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 7: Investment property; investment property under construction (Continued)

D. Transactions in the reporting year and thereafter in connection with investment property and property under construction (Continued):

Logistics center – the Airport Quarter

In September 2018, the Company signed on an agreement for the purchase and leasing of a building in the Airport Quarter, for consideration of NIS 105 million (not including transaction costs). The building is located on a site with an area of 15,000 Sq. m., of which 10,240 Sq. m. is above ground, where most of the area of the property is used as a logistics center. The building is leased in its entirety to a lead tenant, under a long-term rental agreement for a period of 10 years with the addition of option periods. The actual NOI on the project is approximately NIS 6.25 million a year.

Projects under construction

The Company has 3 projects in stages of construction, the Company's share of which is 82,000 Sq. m. above ground. The overall investment in the project amounts to NIS 1 billion (the Company's share) and the estimated forecast investment in them over the next 3 years is NIS 0.5 billion.

ToHa1 (the Totseret Haaretz site – Stage A)

The Company and Bayside Lands Ltd. (hereinafter – "The partnership") are the owners of common rights (in equal shares) in reserves of land with an overall area of 17 thousand Sq. m., which are bordered by Totseret Haaretz, Yigal Alon and Derech HaShalom streets in Tel-Aviv (hereinafter – "The Totseret Haaretz" site).

After the date of the statement of financial position, the partnership completed the construction of an office building, which contains 57 thousand Sq. m. gross above ground and approximately 950 parking places for marketing (of which the Company's share is 50%).

The building of the tower was completed at the end of 2018. In January 2019, approval for occupation (Form 4) was received and the tower is now in the initial stages of occupation. The extent of the investment in the construction of the ToHa1 project is estimated at an amount of NIS 950 million of which NIS 175 million remains to be invested (the Company's share is 50%).

The partnership expects, in reliance on contracts that have been signed and on the expectations regarding the rentals, that the NOI that the tower will generate at full occupancy will range between NIS 94 – 100 million (of which the Company's share is NIS 47 – 50 million). In the second quarter of the year, the Company has recorded initial revaluation in respect of the project and for the year 2018, the revaluation amounts to approximately NIS 114 million (the Company's share).

Office and project in Holon

In July 2016, the Company won a tender that was run by the Municipality of Holon for the construction of an offices and hi-tech project in Holon's industrial area, within the framework of a combination transaction with the Municipality under which the Municipality will receive 22.2% of the rights in the building, where the Company will plan and construct the project and in consideration the Company will recognize the Company's share in the project for a period of 99 years from the time of the completion of the construction, with an option for an extension of the leasing period for an additional 99 years. The project is located on a reserve of land with an area of 11,000 Sq. m., which is located in the South-Western part of Industrial Area C in Holon, at the corner of Hamelacha Street, Jerusalem Boulevard and Harokmim Street. The project will include a 13-storey office tower on an area of 36,000 Sq. m. above ground, with four underground parking levels (the project has additional potential building rights on an area of approximately 20 thousand Sq. m.). The tower will be constructed and operated as an income generating income for rental, which will be managed through a management company that is jointly owned by the Company and the Municipality.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 7: Investment property; investment property under construction (Continued)

D. Transactions in the reporting year and thereafter in connection with investment property and property under construction (Continued):

The project is in the stages of the construction of the underground parking areas. In the Company's assessment, the construction of the project will be completed in 2020. The extent of the Company's investment in the construction of the project is estimated by it at an amount of NIS 350 million. Up to the date of the statement of financial position, an amount of approximately NIS 89 million has been invested.

Logistics project in Modi'in

In December 2016, the Company purchased a plot of land from the Israel Lands Authority, with an area of approximately 34 thousand Sq. m. in Modi'in, which was in consideration for capitalized leasing fees and development expenses in an amount of approximately NIS 70 million. In May 2018, the Company entered into a commitment with Shufersal Ltd. under an agreement pursuant to which the Company will sell 25% of the leasing rights in the land to Shufersal. It has been agreed that the parties will jointly establish a logistics center with an area of 34,000 Sq. m. and an office building with an area of 6,000 Sq. m. The logistics center will be leased to Shufersal for an area of 15 years with an option to extend the period. The extent of the investment that the partnership is expected to make in the construction of the project is estimated at NIS 330 million (where the Company's 75% share of the investment is estimated at NIS 250 million). The income that is expected for the Company is estimated at NIS 20 million a year. As of the reporting date, the project is in the stages of the finishing of the landscaping works and the foundation works for the logistical center, as well as shoring up works for the underground areas of the office building

Projects in the stages of planning and initiation

The Company has 4 projects in intermediate stages of planning and initiation (3-8 years), in respect of which no decision to construct them has yet been made. The Company's share in them is 160 thousand Sq. m. above ground and with an estimated overall investment in the projects of NIS 2 billion (the Company's share) in the coming years.

ToHa2 (the Totseret Haaretz site – Stage B)

In August 2018, the Local Planning and Construction Committee in Tel-Aviv approved a local Urban Construction Plan for depositing, for the addition of building rights (within the framework of TA/5000) for the construction of an additional office tower, with an area of 140 thousand Sq. m. above ground, gross (of which the Company's share is 50%). The extent of the investment for the construction of ToHa2 (including payments for the component of land) is estimated in an amount of NIS 2 billion (of which the Company's share is NIS 1 billion).

The Lechi site in Bnei Brak

In July and in November 2018, the Company signed on an agreement and on an addition to the agreement respectively with Allied Real Estate Ltd. ("Allied") on an agreement for the purchase of half of the capitalized leasing rights (subject to the signing by Allied on a new capitalized leasing agreement with the Israel Lands Authority) on a plot of land with an area of approximately 16,400 Sq. m. on the Lechi site in Bnei Brak, for consideration of NIS 100 million, for the construction of a project with an area of 75,000 Sq. m. above ground for marketing (of which 62,000 Sq. m. is for office space and approximately 13,000 Sq. m. of commercial space). The investment in the construction of the project (including the component of land and without adjustments for tenants and capitalizations) is estimated by the parties at an amount of approximately NIS 800 million (of which the Company's share is 50%). In 2018, an advance was paid on account of the purchase in an amount of approximately NIS 10 million.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 7: Investment property; investment property under construction (Continued)

D. Transactions in the reporting year and thereafter in connection with investment property and property under construction (Continued):

Projects in the stages of planning and initiation (Continued)

The 1000 site in Rishon LeZiyon West

In June 2018, the Company won a tender for the purchase of land at the 1000 site in Rishon LeZiyon West, for consideration of NIS 30 million. There are rights on the reserve of land for the establishment of a building for business purposes, on an area of 19,000 Sq. m.

Project at the Kfar Saba – Ra'anana North Junction

The Company has land with building rights for the construction of buildings for business purposes with an area of approximately 70,000 Sq. m. above ground (of which the Company's share is 50%). The Company and its partner are examining marketing alternatives.

The disposal of assets

In October 2018, the Company disposed of plots of land, which are not generating income, on a monetary scale of approximately NIS 103 million. In addition, the Company has sold 25% of the leasing rights in land in Modi'in to Shufersal, see Section D above. The betterment tax that has been sold in respect of such disposals is approximately NIS 15 million.

E. Additional information:

See Note 16B for information regarding liens.

F. Sensitivity analysis:

The following is a sensitivity analysis for the value of investment property on the discount rate (Cap Rate) on an amended NOI basis (including companies in joint arrangements):

Based on an NOI of approximately NIS 678 million (amended NOI) the impact of any change of 0.25% in the discount rate (Cap Rate) will lead to a change in the fair value of approximately NIS 331 million (less deferred taxes at a rate of 23% - approximately NIS 255 million).

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 8: Investment in investee companies and an asset available for sale, which is held for distribution to shareholders

B. Investment in investee companies

(1) Details of the Group's investee companies

	Country of incorp- oration	Holding rate in capital rights in the consolidated company	Extent of the investment in the investee company (*)		
		As at December 31			
		2018	2017	2018	2017
		%	%	NIS thousands	
Fully consolidated					
Ayalot Investments in Properties Ltd.	Israel	90%	90%	(375)	(344)
Ayalot Investments in Properties (Kfar Saba) 1992 Ltd.	Israel	100%	100%	122,442	125,940
Ayalot Investments (T.M.R.) 1994 Ltd.	Israel	100%	100%	75,146	62,044
Ayalot Investments in Properties (Netanya) 1993 Ltd.	Israel	100%	100%	325,696	307,099
Ayalot Investments in Properties (Herzliya) Ltd.	Israel	100%	100%	66,198	49,612
Ayalot Investments in Properties (AB"C) 1992 Ltd.	Israel	100%	100%	66,248	57,333
Ayalot Investments (Patir) 1996 Ltd.	Israel	100%	100%	69,115	58,901
Ayalot Investments in Properties (Rehovot West) 1992 Ltd.	Israel	100%	100%	226,404	227,153
Ayalot Investments (Ramat Vered) 1994 Ltd.	Israel	100%	100%	229,333	189,012
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	Israel	100%	100%	51,436	44,794
Hakirya Center (Ashdod 1995) Ltd.	Israel	100%	100%	265	347
Nes-Pan Ltd.	Israel	100%	100%	360,367	324,004
Joint Operations					
The Central Stations in Israel Management Company Ltd.	Israel	0%	50%	-	(1,596)
The Central Station in Jerusalem (Management) 1996 Ltd.	Israel	50%	50%	(3,796)	(3,796)
Joint Ventures (*)					
Izdrechet Investments Company Ltd.	Israel	50%	50%	25,106	25,520
Hutzot Alonym Ltd. (**)	Israel	49%	49%	38,087	39,974
Amot Shaul Ltd. (***)	Israel	50%	50%	35,582	36,491
Amot Denisra Park Afek Ltd. (**)	Israel	50%	50%	42,412	42,536
Ziviel Investments Ltd. (**)	Israel	49%	49%	80,746	68,836
Roni Du Investments Ltd.	Israel	50%	50%	49,372	45,270
MTH7 Ltd.	Hungary	65%	65%	5,854	5,151
Kochav Or Industry and Commerce Ltd.	Israel	50%	50%	685	20,163

(*) The extent of the investment in investee companies and joint ventures, which are held directly is calculated as a net amount, based on the consolidated financial statements, which is attributed to the shareholders in the parent company, of the total of the assets less the total of the liabilities, which represent financial information in respect of the investee companies in the Company's consolidated financial statements.

(**) The Company holds 49% of the regular shares in Hotzot Alonym Ltd. and in Ziviel Ltd. and half of the voting rights. However, the Company has the right to appoint/ dismiss half of the members of the Board of Directors. As a result of this, the Group has joint control over the financial and operating policies of those companies and has recorded them under the equity method in its consolidated financial statements.

(***) Some of the shares are held in trust for the Company.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 8: Investment in investee companies and an asset available for sale, which is held for distribution to shareholders (Continued)

B. Investment in investee companies (Continued)

(2) Details of loans that have been extended by the Company to investee companies and bonds that have been issued to the Company

<u>Details of the company to which the loan has been extended</u>	<u>Linkage terms</u>	<u>Interest rate</u> <u>%</u>	<u>Balance of the loan</u>	
			<u>As at December 31</u>	
			<u>2018</u>	<u>2017</u>
			<u>NIS thousands</u>	
Ayalot Investments in Properties (Herzliya) Ltd.	Unlinked (see 1)	-	125,000	125,000
Ayalot Investments in Properties (AB"C) Ltd.	Linked to the Consumer Prices Index	5	73,170	78,789
Ayalot Investments in Properties (Kfar Saba) Ltd.	Unlinked (see 1)	-	156,000	156,000
Ayalot Investments in Properties (Rehovot West) Ltd.	Linked to the Consumer Prices Index	5	334,256	347,395
Ayalot Investments in Properties (Netanya) Ltd.	Linked to the Consumer Prices Index	5	48,660	63,042
Ayalot Investments in Properties (Har Hotzvim) Ltd.	Linked to the Consumer Prices Index	5	264,223	267,376
Ayalot Investments in Properties (Har Hotzvim) Ltd.	Unlinked (see 1)	-	135,500	135,500
Ayalot Investments (T.M.R.) 1994 Ltd.	Linked to the Consumer Prices Index	5	-	5,960
Ayalot Investments (T.M.R.) 1994 Ltd.	Unlinked (see 1)	-	100,000	100,000
Ayalot Investments (Ramat Vered) 1994 Ltd.	Linked to the Consumer Prices Index	5	131,813	169,258
Ayalot Investments (Ramat Vered) 1994 Ltd.	Unlinked (see 1)	-	239,000	239,000
Ayalot Investments (Patir) 1996 Ltd.	Unlinked (see 1)	-	60,000	60,000
Nes-Pan Ltd.	Linked to the Consumer Prices Index	5	296,208	319,000
<u>Joint Operations</u>				
The Central Stations in Israel Management Company Ltd.	Unlinked	-	-	1,000
<u>Joint Ventures</u>				
Hotzot Alonym Ltd.	Linked to the Consumer Prices Index	7	8,837	8,161
Amot Shaul Ltd.	Unlinked	4	40,559	39,191
Amot Denisra Park Afek Ltd.	Unlinked (see 2)	-	2,340	2,312
Amot Denisra Park Afek Ltd. (**)	Linked to the Consumer Prices Index	2.62	118,226	122,141
Kochav Or Industry and Commerce Ltd.	Unlinked	2.56	-	3,299
MTH7 Ltd.	Unlinked	2.68	-	219
			<u>2,133,792</u>	<u>2,242,943</u>

(1) Capital note.

(2) Prime + 1.5%

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 8: Investment in investee companies and an asset available for sale, which is held for distribution to shareholders (Continued)

B. Investment in investee companies (Continued)

(3) Details of loans that have been extended by the Company to investee companies and bonds that have been issued to the Company

	As at December 31	
	2018	2017
	NIS thousands	
Ziviel Ltd.	71,704	75,903

Note 9: Credit from banking corporations and other providers of credit

A. Composition:

	Interest rate	As at December 31	
	As at	2018	2017
	December 31	NIS thousands	
	2018		
	%		
Credit from banking corporations and other providers of credit			
Cash in hand and balances in banks		2,744	13,000
Short-term deposits in banking corporations (unlinked)	P – 1.11	343,562	398,640
		346,306	411,640
Current maturities			
Loans from banking corporations	4.3 – 6.0	38,186	37,128
Index-linked bonds	3.2 – 6.5	404,718	262,284
		442,904	299,412
		789,210	711,052

B. Marketable securities

The principle of the securities is payable at the end of 20 periods of 90 days (the period ends on December 4, 2019) or when repaid (repayment may be executed with notice being given 14 days in advance by both of the parties).

C. Liens – See Note 16B.

Note 10: Trade payables

Composition:

	As at December 31	
	2018	2017
	NIS thousands	
Open debts	13,685	17,256
Checks and notes payable	7,668	10,979
	21,353	28,235

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 11: Other payables, payables for investment property

A. Other payables:

	As at December 31	
	2018	2017
	NIS thousands	
Interest payable for long-term liabilities	87,996	67,632
Liabilities to partners	1,294	1,882
Revenues in advance	15,213	19,732
Institutions	1,613	1,778
Employees and institutions for salaries	11,495	10,902
Liabilities payable	19,702	22,297
Parent company	-	2,000
Others	4,872	4,793
	<u>142,185</u>	<u>131,016</u>

B. Payables for investment property:

	As at December 31	
	2018	2017
	NIS thousands	
Liabilities payable to sellers of investment property	10,554	10,554
Liabilities to authorities and payables for investment property transactions	27,185	1,352
	<u>37,739</u>	<u>11,906</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 12: Bonds

A. Composition:

	<u>Interest rate</u>	<u>As at December 31</u>	
	<u>As at</u>	<u>2018</u>	<u>2017</u>
	<u>December 31</u>	<u>NIS thousands</u>	
	<u>2018</u>		
	<u>%</u>		
Bonds (Series A) – B below	4.95	153,912	304,223
Less – current maturities		153,912	152,072
		<u>-</u>	<u>152,151</u>
Bonds (Series C) – C below	4.9	219,277	326,978
Less – current maturities		107,607	106,335
		<u>111,670</u>	<u>220,643</u>
Bonds (Series B) – D below	4.8	1,444,969	1,450,449
Less – current maturities		139,053	-
		<u>1,305,916</u>	<u>1,450,449</u>
Bonds (Series D) – E below	3.2	1,764,345	1,335,465
Less – current maturities		-	-
		<u>1,764,345</u>	<u>1,335,465</u>
Bonds (Series E) – F below	3.39	1,103,349	910,392
Less – current maturities		-	-
		<u>1,103,349</u>	<u>910,392</u>
Bonds to others – G below	5.5 – 6.5	18,045	21,709
Less – current maturities		4,146	3,877
		<u>13,899</u>	<u>17,832</u>
		<u>4,299,179</u>	<u>4,086,932</u>

B. Bonds (Series A):

As from May 2006 and up to November 2009, the Company issued NIS 1,290 million par value of bonds (Series A). The bonds are repayable in 10 equal annual payments in July in each of the years 2010 to 2019 and bear interest at a rate of 4.95% a year and are linked (principal and interest) to the Consumer Prices Index for the month of April 2006. The bonds are secured by a symbolic lien on a deposit of NIS 1. The weighted effective interest rate on the bonds is 4.92%.

C. Bonds (Series C):

As from November 2009 and up to June 2015, the Company issued NIS 762 million par value of bonds (Series C), which are index-linked (the index for November 2009) and which bear interest at a rate of 4.9% a year. The bonds are repayable in 8 equal annual payments at the end of the month of December in each of the years 2013 to 2020. The interest on the bonds is payable at the end of the month of December in each of the years 2010 to 2020 (inclusive). The weighted effective interest rate on the bonds is 3.55%.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 12: Bonds (Continued)

D. Bonds (Series B):

As from July 2012 and up to October 2016, the Company issued NIS 1,300 million par value of bonds (Series B), which are index-linked (the index for June 2012) and which bear interest at a rate of 4.8% a year. The bonds are repayable in 4 annual payments, where the first repayment, at a rate of 10% is repayable on July 2, 2019 with a further three payments each of which is at a rate of 30% payable from July 2, 2020 to July 2, 2022. The interest payments are payable on July 2, in each of the years 2013 to 2022 (inclusive). The weighted effective interest rate on the bonds is 2.97%.

The bonds include conditions for making them repayable immediately upon the occurrence of certain events, which include, inter alia, the following events:

- A change in control;
- A net financial debt (less the value of investment property under construction) to amended annual NOI ratio exceeding 14 throughout two consecutive quarters; (net financial debt: the Company's cumulative debt to banking corporations, to other financial institutions and holders of all types of bonds less cash and cash equivalents, deposits, monetary funds, marketable securities, all of which in accordance with their values in the Company's consolidated statement of financial position);
- The rating for the bonds (Series B) – is BBB- (BBB Minus) for two consecutive quarters;
- The shareholders equity, with the addition of deferred tax liabilities, net, will be less than 22.5% of the total of the statement of financial position less cash and cash equivalents and less marketable securities throughout two consecutive quarters;
- The value of the uncharged assets may not be less than the higher of an amount of NIS 1 billion or an amount equal to 125% of the balance of the bonds (Series B) throughout two consecutive quarters;
- A demand for immediate repayment, which has not been removed, for a significant loan or bond that is traded on the Tel-Aviv Stock Exchange.
- Provisions for restricting the distribution of a dividend if certain conditions are met.

In addition, the bonds include additional, generally accepted conditions for making the loans repayable immediately, in relation to the following events: (1) a structural change and merger; (2) liquidation, receivership and proceedings for the realization of assets and debt collection proceedings; (3) a cessation in trading; (4) cross default and etcetera.

As at the reporting date, the Company is in compliance with all of the financial covenants.

E. Bonds (Series D):

As from July 2014 and up to December 2018, the Company issued NIS 1,650 million par value of bonds (Series D), which are index-linked (the index for July 2014) and which bear interest at a rate of 3.2% a year, which are repayable in six (6) unequal annual payments, which are payables on July 2 in each of the years 2023 – 2038, as follows: (a) two payments at a rate of 20% of the par value of the bonds, each, which are payable on July 2 in each of the years 2023 and 2024, inclusive; (b) four payments at a rate of 15% of the par value of the bonds, each, which are payable on July 2 in each of the years 2025 - 2028, inclusive. The interest payments are payable on July 2, in each of the years 2015 to 2028 (inclusive). The effective interest rate on the bonds is 2.09%.

The bonds include a commitment not to create floating liens on the Company's property (a negative pledge) in support of any third party whatsoever as collateral for any debt or liability whatsoever, except subject to the creation of such a floating lien ranking pari passu in support of the holders of the bonds. This commitment will not apply if certain conditions are met, as detailed in the trust deed for the bonds.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 12: Bonds (Continued)

E. Bonds (Series D) (Continued):

Furthermore, the bonds include conditions for making them repayable immediately upon the occurrence of certain events, which include, inter alia, the following events:

- The Company's shareholders equity, in accordance with its consolidated financial statements is less than an amount equivalent to NIS 1 billion throughout two consecutive quarters;
- A net financial debt (less the value of investment property under construction) to amended annual NOI ratio exceeding 14 throughout two consecutive quarters; (net financial debt: the Company's cumulative debt to banking corporations, to other financial institutions and holders of all types of bonds less cash and cash equivalents, deposits, monetary funds, marketable securities, all of which in accordance with their values in the Company's consolidated statement of financial position);
- The rating for the bonds (Series D) – is BBB- (BBB Minus) for two consecutive quarters;
- The shareholders equity, with the addition of deferred tax liabilities, net, will be less than 22.5% of the total of the statement of financial position less cash and cash equivalents and less marketable securities, on a consolidated basis throughout two consecutive quarters;
- The value of the uncharged assets may not be less than the higher of an amount of NIS 1 billion or an amount equal to 125% of the balance of the liability value of the bonds (Series D) throughout two consecutive quarters;
- A demand for immediate repayment, which has not been removed, for a significant loan (a loan that constitutes the higher of 7.5% or more of the Company's gross financial liabilities or a linked amount of NIS 180 million) or a bond that is traded on the Tel-Aviv Stock Exchange;
- The bonds (Series D) contain provisions for restricting the distribution of a dividend if certain conditions are met;
- In addition, the bonds include additional, generally accepted conditions for making the loans repayable immediately, in relation to the following events: (1) a structural change and merger; (2) liquidation, receivership and proceedings for the realization of assets and debt collection proceedings; (3) a change in control; (4) a cessation in trading; (5) cross default and etcetera.

As at the reporting date, the Company is in compliance with all of the financial covenants.

F. Bonds (Series E):

As from March 2016 and up to December 2018, the Company issued NIS 1,085 million par value of bonds (Series E). The bonds (Series E) are repayable in six (6) annual payments: two payments at a rate of 10% of the principal, each, on January 4 in each of the years 2021 and 2022, inclusive and four payments at a rate of 20% of the principal, each, on January 4 in each of the years in each of the years 2023 – 2026 (inclusive).

The interest on the bonds (Series E) is at a rate of 3.39% a year, which is payable in annual payments on January 4 in each of the years in each of the years 2017 – 2026 (inclusive).

The principal of and the interest on the bonds (Series E) are not linked to any index or currency whatsoever.

The bonds (Series E) include conditions for making them repayable immediately upon the occurrence of certain events, which are similar in their substance to the conditions for being made repayable immediately that are determined for the Company's bonds that are traded and are in circulation of Series B and D, which include, inter alia, events that are connected to the transfer of control in special circumstances; compliance with financial covenants including the maintenance of shareholders' equity, which will not be less than an amount equal to NIS 1.2 million (instead of NIS 1 million as determined for the bonds (Series B and D) throughout two consecutive quarters.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 12: Bonds (Continued)

F. Bonds (Series E) (Continued):

As at the reporting date, the Company is in compliance with all of the financial covenants.

Further to the issuance of the bonds (Series E), the Company has executed hedging transactions opposite financial institutions in Israel, which converted the Shekel interest at a rate of 3.39% a year into principal that is index linked and bears interest at a rate of between 2.125% and 2.49% a year, for an overall principal amount of NIS 875 million.

G. The bonds to others are index-linked and bear interest at a rate of 5.5% to 6.5% a year, and are repayable in semi-annual payments up to the year 2022.

H. The balance (including current maturities) as at December 31, 2018 is repayable in the years after the date of the statement of financial position, as follows:

	<u>NIS thousands</u>
In the first year – 2019	404,718
In the second year – 2020	529,207
In the third year – 2021	531,559
In the fourth year – 2022	531,819
In the fifth year – 2023	549,637
In the six year and thereafter	2,156,957
	<u>4,703,897</u>

I. **Liens** – see Note 16B.

Note 13: Loans from banking corporations

A. Composition:

	<u>Interest rate</u>	<u>As at December 31</u>	
	<u>2018</u>	<u>2018</u>	<u>2017</u>
	<u>%</u>	<u>NIS thousands</u>	
In Shekels – index linked		-	2,292
In Shekels – index linked	4.3	280,093	312,909
		<u>280,093</u>	<u>315,201</u>
Less – current maturities		38,186	37,128
		<u>241,907</u>	<u>278,073</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 13: Loans from banking corporations (Continued)

- B. The balance as at December 31, 2018 is repayable in the years after the date of the statement of financial position, as follows:

	<u>NIS thousands</u>
In the first year – 2019	38,186
In the second year – 2020	39,854
In the third year – 2021	41,596
In the fourth year – 2022	43,414
In the fifth year – 2023	45,311
In the six year and thereafter	71,732
	<u>280,093</u>

C. Early repayment of bank loans at the Company's initiative

In September 2017, the Company, at its own initiative, executed the early repayment of loans to financial institutions in an amount of approximately NIS 840 million (not including the early repayment commissions). In 2017, following the early repayment, the Company recorded non-recurring financing expenses of approximately NIS 39 million, of which approximately half was paid in cash.

D. Long-term and short-term credit facilities

(1) **Credit lines** - The Group has three credit facilities from commercial banks and an institutional body in Israel in an overall amount of NIS 800 million.

- a. A credit facility from a bank in an amount of NIS 400 million, effective until December 28, 2020.
- b. A credit facility from a bank in an amount of NIS 200 million, effective until December 31, 2019.

In order to utilize this credit facility, the Company must comply with the following conditions:

- The ratio of the shareholders' equity to the total of the statement of financial position (less cash and cash equivalents and less securities in connection with discontinued operations) on a consolidated basis may not be less than 25% at any time whatsoever.
 - The ratio between the Company's net financial debt (after deducting investment property under construction) and the NOI may not exceed a ratio of 10 at any time.
 - Alony Hetz is to be the controlling interest in the Company.
- c. A credit facility in an overall amount of NIS 200 million from a financial body in Israel, the effectiveness has been extended until May 2022. The credit facility is not supported by any collateral whatsoever and it can be drawn down at any time, in accordance with the Company's compliance with various financial ratios and covenants.

Within the framework of the agreement, the Company undertook, inter alia, to maintain financial ratios, of which the main ones are:

- The ratio of the shareholders' equity to the total of the statement of financial position may not be less than 25% throughout 4 consecutive quarters or than 20% in one quarter;
- The ratio between the Company's net financial debt and the CAP may not exceed 70%;

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 13: Loans from banking corporations (Continued)

D. Long-term and short-term credit facilities (Continued)

(1) Credit lines (continued)

- The ratio between the Company's net financial debt, after deducting investment property under construction to the Company's amended annual NOI may not exceed 10 throughout two consecutive periods;
- The rating may not be less than A- (A minus) at the time of any draw-down.

In addition, the Company has undertaken to maintain additional financial covenants, of which the main ones are: a change in control in the Company in certain conditions; minimal shareholders' equity in the Company - NIS 1.2 billion; various cash flows and operational financial ratios; "cross default"; a liability by the Company not to create any general floating charge on any of its assets in support of a third party (except for a floating lien that is ancillary to a fixed lien).

The agreement includes generally accepted grounds for making the credit repayable immediately, such as significant legal proceedings (liquidation, receivership, merger and etcetera).

As at December 31, 2018, the Company has unexploited credit facilities of NIS 800 million. In addition, the Company is in compliance with all of the financial covenants.

E. Liens – see Note 16B.

Note 14: Other long-term liabilities

Composition:

	As at December 31	
	2018	2017
	NIS thousands	
Liabilities in respect of the termination of employee-employer relationships	2,916	3,063
Less –deposits in severance pay reserves	594	601
	2,322	2,462
Revenues in advance and deposits from tenants in buildings	22,824	22,353
Leasing fees payable	22,431	15,042
Derivative financial instruments, which are designated as hedging items (see Note 12)	13,994	-
Other long-term liabilities	79	79
	<u>61,650</u>	<u>39,936</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 15: Taxes on income

- A. The following is the composition of the deferred tax balances that are presented in the statement of financial position as at December 31, 2017 and the movements therein in the years ended on those dates:

	Movements in the year 2018		
	Balance as at January 1, 2018	Recognized in profit or loss	Balance as at December 31, 2018
		Reclassified	
	NIS thousands		
Investment property	919,728	92,549	1,013,902
Tax losses carried forward	(58,786)	15,526	(43,260)
Social benefits and doubtful debts	(2,922)	(105)	(3,027)
	<u>858,020</u>	<u>107,970</u>	<u>967,615</u>

	Movements in the year 2017		
	Balance as at January 1, 2017	Recognized in profit or loss	Balance as at December 31, 2017
		Reclassified	
	NIS thousands		
Investment property	786,952	150,585	919,728
Tax losses carried forward	(20,839)	(37,947)	(58,786)
Social benefits and doubtful debts	(2,844)	(78)	(2,922)
	<u>763,269</u>	<u>112,560</u>	<u>858,020</u>

- B. The deferred taxes are presented as follows:

	As at December 31	
	2018	2017
	NIS thousands	
Non-current liabilities	<u>967,615</u>	<u>858,020</u>

- C. Deferred taxes – additional information

	As at December 31	
	2018	2017
	NIS thousands	
Losses for tax purposes for which deferred taxed have not been recognized (1)	<u>3,405</u>	<u>5,033</u>

- (1) The tax benefits as at December 31, 2018 and 2017 for which tax benefits receivable, net have not been recorded, as a result of the Group's management's assessment that their realization is not expected in the foreseeable future. These tax benefits derive from the tax losses of consolidated companies.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 15: Taxes on income (Continued)

D. Timing differences in respect of investments in investee companies for which no deferred tax liability has been recognized

	As at December 31	
	2018	2017
	NIS thousands	
Consolidated companies	335,888	302,213
Entities under joint control	46,504	43,269
	<u>382,392</u>	<u>345,482</u>

The Group has not recognized deferred tax liabilities in respect of consolidated companies and companies that are treated at equity, since the Group intends to hold and to develop the investments and also because dividends from consolidated companies are not chargeable with taxation.

E. Taxes on income – expenses (benefits) that have been recognized in profit or loss:

Comprise:

	For the year ended		
	December 31		
	2018	2017	2016
	NIS thousands		
Current taxes			
Current tax expenses	21,692	13,533	5,367
Betterment tax expenses on the sale of properties	15,358	-	-
Prior year taxes, net	4,640	375	-
Total current taxes	<u>41,690</u>	<u>13,908</u>	<u>5,367</u>
Deferred taxes			
Deferred tax expenses for timing differences	107,970	112,560	130,154
Adjustment of deferred tax balances following a change in the tax rates	-	-	(107,997)
Total deferred taxes	<u>107,970</u>	<u>112,560</u>	<u>22,157</u>
Total tax expenses recognized in profit or loss	<u>149,660</u>	<u>126,468</u>	<u>27,524</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 15: Taxes on income (Continued)

F. The effective tax:

	For the year ended		
	December 31		
	2018	2017	2016
	NIS thousands		
Income before taxes on income	716,547	554,668	501,620
Less profits of investee companies	(18,656)	(15,674)	(23,389)
	697,891	538,994	478,231
Statutory tax rate	23.0%	24.0%	25.0%
Tax expenses at the statutory tax rate	160,515	129,359	119,558
Increase (decrease) in taxes on income deriving from the following factors:			
Differences connected to investment property	(12,392)	(4,300)	14,496
Adjustments following a change in tax laws	-	-	(107,997)
Disallowed expenses (tax exempt income), net	1,502	1,251	1,791
Other differences	35	158	(324)
Total taxes on income as presented in profit or loss	149,660	126,468	27,524
The effective tax rate	21%	23%	5%

G. Current tax balances:

	As at December 31	
	2018	2017
	NIS thousands	
Current tax assets	84	73
Current tax liabilities	23,390	36,747

H. Additional information:

1. In February 2018, the Company signed on a final assessments agreement with the Income Tax Authority for the years 2012 – 2015, following which the Company paid taxes of approximately NIS 25 million (for which the Company had made full provisions). As part of the agreement, losses available to be carried forward of approximately NIS 175 million, for utilization over the years 2018 – 2024, were recognized for the Company. The open issue of losses brought forward for tax purposes in an amount of NIS 35 million, for which a ruling had been handed down in the District Court, was also arranged within the framework of the assessments agreement.
2. The Company and a consolidated company have been issued final tax assessments up to and including the 2015 tax year, 11 consolidated companies and 6 companies that are treated at equity have been issued with final assessments up to and including the 2013 tax year and one company that is treated at equity has been issued with tax assessments that are deemed to be final up to and including the 2016 tax year and one company that is treated at equity has been issued with tax assessments that are deemed to be final up to and including the 2014 tax year.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 15: Taxes on income (Continued)

H. Additional information (Continued):

3. On December 29, 2016, the Economic Efficiency Law (Amendments to Legislation for the Achievement of the Budget Targets for the years 2017 and 2018) – 2016, was published, within the context of which the following tax changes were legislated:

The tax rate for companies was to be reduced from 25% to 24% in 2017 on income that was produced or which arose as from January 1, 2017 and it would then be reduced to 23% in the 2018 tax year and thereafter, on income that has been produced or which has arisen as from January 1, 2018. As a result of the said legislation, there was a decrease of approximately 108 million in the Company's deferred tax liabilities as at December 31, 2016 and the Company's tax expenses were reduced and other comprehensive was increased for that year by the same amount.

Note 16: Provisions, commitments, contingent liabilities and liens

	As at December 31	
	2018	2017
	NIS thousands	
Balance of the provisions at the beginning of the year	17,821	17,933
Additions – provisions created in the period for new claims and tax levies	-	125
De-recognitions – cancellation of provisions as a result of lawsuits that have been paid	-	(237)
Balance of the provisions at the end of the year	<u>17,821</u>	<u>17,821</u>

A. Legal and tax proceedings:

As of the reporting date and as of the time of the approval of the financial statements, 19 lawsuits. Certain proceedings and demands for the charging of municipal taxes, fees and levies in connection with investment property are pending and outstanding against the Group and other parties, in an overall amount of approximately NIS 169 million, the Group's share of which, as a respondent, is approximately NIS 155 million (not including the lawsuit that is mentioned in Section A(3), in respect of which a compromise arrangement has been reached. Provisions have been recorded in respect of the proceedings that are being conducted against the Group and in respect of exposures to tax impositions, in an overall amount of approximately NIS 18 million as at December 31, 2018 and 2017. In the Group's management's opinion, in reliance on the opinions of legal and professional consultants, these provisions are appropriate in the circumstances of each case.

The following is a description of the significant lawsuits from among the abovementioned lawsuits, where the amounts that are denoted in respect of them are nominal amounts at the time that they were submitted, unless stated otherwise:

- (1) In 1965 the Company acquired 50% of the ownership rights in land from the Jerusalem Central Bus Company Ltd. (part of the Nitsba Group), on which the New Central Station in Jerusalem has been built (hereinafter: "The land for the project"). In November 2000, the District Court in Jerusalem instructed that the estate of a deceased person (hereinafter: "The estate") was to be registered as the owners of approximately 3.097% of the land for the project in a joint partnership in land, together with the Company and Nitsba. In June 2006, the Magistrates Court handed down a declaratory ruling in a lawsuit that had been submitted against the Company and Nitsba, pursuant to which it was determined that the estate was entitled to receive an appropriate fee in connection with the exclusive use that has been made of the property by the Company and its partner at a rate of approximately 3.097% of the fruits that had been generated from the property, as from October 24, 2000,

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 16: Provisions, commitments, contingent liabilities and liens (continued)

A. Legal and tax proceedings: (continued)

with the addition of linkage differentials and interest from the time of the receipt of every payment.

In 2008, the companies submitted a monetary claim against the estate in an amount of approximately NIS 9.3 million, which expresses the repayment of the relative share of 3.097% of the investments that had been invested in the construction of the Central Station by the companies, less the amounts that are due to the estate as operating profits, as aforesaid.

In the Company's management's assessment, the amount that the estate will be entitled to receive, if any, is insignificant. Nitsba has given an irrevocable undertaking to the Company, both within the framework of letters of indemnification and also under the terms of the purchase agreement, that it will indemnify the Company for any damage that may be caused to it, whether in respect of the abovementioned lawsuit and whether in respect of any lawsuit that maybe me submitted against the Company by third parties, which derives from the parcel in dispute and also for the non-registration of half of the parcel in dispute in the Company's name in the Land Registration Office.

In addition, the Company is entitled vis-à-vis its partner to remedies pursuant to the law and pursuant to the purchase agreement. In light of all the aforesaid, in the Company's management's assessment, bade on the opinions of its legal advisors, the chances of the lawsuit against the Company are weak and no exposure is expected for the Company in respect of the foregoing.

- (2) In the months of September – November 2011, two lawsuits, together with a petition for the recognition thereof as class actions were submitted in the Tel-Aviv District Court against the Company, against its partner (in equal shares) in the rights in the land for the New Central Station in Jerusalem project (where the Company is the owner of 50% of the rights in the project), against a consolidated company, which serves as the management company for the project and against "Egged", which operated the bus station in the project (all of the abovementioned respondents will hereinafter be called: "The respondents"). According to what is alleged in the said lawsuits, the respondents purportedly breached the provisions of the Clean Air Law – 2008, and the regulations promulgated thereunder, and thus caused people standing on the platforms in the bus station to be exposed, so it is alleged, to polluted air. Within the context of the lawsuits, the petitioners are requesting a mandatory order against the respondents to take action to prevent the continuation of the pollution, and also monetary compensation for the generality of the members of the group that they are requesting to represent, in an amount of NIS 100 million. After some time, the plaintiffs in the first-class action announced that they were removing themselves from the lawsuit and that their representative was joining with the second-class action.

Even before the approval of the lawsuit as a class action by the District Court, in December 2015, the parties reached agreement between them, which has matured into a compromise agreement that has been submitted to the Court for approval, within the framework of which, inter alia, the respondents undertook that for a period of 10 years, without admitting any duty and/or responsibility and/or breach and in order to end the dispute, to bear payment in an overall amount of approximately NIS 12.4 million as a remedy in support of the public, within the meaning of that term in Section 20(C) of the Class Actions Law, of which NIS 7.4 million will be invested in investments in the station for the welfare of visitors to the station and passengers travelling by public transport and NIS 5 million as a donation to various associations that are engaged in these fields. In addition, the respondents undertook to bear the plaintiffs' representative's fees in an overall amount of NIS 2.6 million and remuneration of NIS 470 thousand for the representative plaintiffs. The Company's share stands at 45%. On November 7, 2018, the District Court approved

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 16: Provisions, commitments, contingent liabilities and liens (Continued)

A. Legal and tax proceedings (Continued):

the amounts of the compromise and also the compromise agreement in the abovementioned format (with a number of slight amendments) and gave it the validity of a court ruling. In light of this an appropriate provision has been recorded in the Company's financial statements.

- (3) In June 2015, a monetary claim was submitted against the Company by El-Har Engineering and Construction Ltd., which was the performance contractor for the "Amot Atrium Tower" project, which was built by the Company in Ramat Gan (hereinafter: "The Contractor" and "The project", respectively). Within the framework of the claim the Contractor has sued the Company for an amount of approximately NIS 70 million in respect of disputes that arose between the Company in connection with the construction of the project. The claim was submitted within the framework of an engineering arbitration process, in accordance with the arbitration directives in the agreement between the parties.

The Company has submitted a statement of defense within the framework of which it rejected practically all of the Contractor's claims. It parallel, the Company also submitted a counter claim in an overall amount of approximately NIS 162 million for compensation in respect of damage that was caused to it in respect of the breach of the agreement by the Contractor, which was expressed, inter alia, in the Contractor's non-functioning as the main contractor in the project as well as in respect of damages that were caused to it as a result of the extension of the time taken to perform the project, include loss of income and financing expenses.

B. Liens:

- (1) As collateral for the long-term bonds that have been issued to others, the balance of which amounts to NIS 18 million as at December 31, 2018, lands that are held by the Company, the value of which amounted to NIS 9 million as at December 31, 2018.
- (2) As collateral for bonds in an amount of NIS 18 million, which have been issued to others, the Company has created a line on half of its income from two properties for which the bonds were issued.
- (3) The liability for bonds (Series A), the balance of which amounts to NIS 154 million as at December 31, 2018, is collateralized by a symbolic lien on a deposit of NIS 1.

In some of the lien agreements in which the Company has committed itself (as well as in the loan agreements) generally accepted conditions for making credit repayable immediately are included, including, inter alia: a structural change and a merger, liquidation, receivership and proceedings for the realization of assets and debt collection, a change in control, cross default, a lowering of the rating, the discontinuation of operations and the discontinuation of trading in the Company's securities.

C. Guarantees:

As at December 31, 2018 and 2017, there were contingent liabilities for guarantees, as follows:

	As at December 31	
	2018	2017
	NIS thousands	
Guarantees provided by the Group	8,430	5,187

- * Primarily, guarantees that have been provided to local authorities in connection with investments in properties and in connections with guarantees for tenders. See Note 8.B.(3) for details regarding guarantees that have been provided to companies treated at equity.

Notes to the Consolidated Financial Statements

Note 17: Share capital

A. Composition and developments in the share capital

	<u>Registered</u>	<u>Issued and paid-up</u>
	<u>Number of shares</u>	
Balance as at January 1, 2018	500,000,000	324,888,480
Exercise of options for employees (see F below)	-	5,180,212
Issuance of shares to the public (see C below)	-	17,381,300
Balance as at December 31, 2018	<u>500,000,000</u>	<u>347,449,992</u>
 Balance as at January 1, 2017	 500,000,000	 308,590,298
Exercise of options for employees officers and directors (see F below)	-	5,710,782
Issuance of shares to the public (see C below)	-	10,587,400
Balance as at December 31, 2017	<u>500,000,000</u>	<u>324,888,480</u>
Balance as at December 31, 2016	<u>500,000,000</u>	<u>308,590,298</u>

B. Rights ancillary to the shares:

The regular shares, of par value NIS 1, afford their holders the right to receive invitations to the Company's general meetings, to participate and to vote therein, and the right to participate in the distribution of the Company's profits. Each regular share entitles its owner to be present at a meeting and to participate in the voting with one vote for each regular share that they hold. In the event of the liquidation of the Company, the Company's distributable assets will be distributed between its shareholders proportionately to the percentage of the capital that is paid up or deemed to be paid up that is held by the shareholders for each share, out of the amount that they are required to pay.

C. 2016 shelf prospectus:

In May 2016, the Company published a shelf prospectus for the issuance of various securities, where the period for the offering of securities pursuant to the prospectus has been extended until May 19, 2019. The issuance of securities pursuant to the prospectus is conditional, inter alia, on the state of the capital market.

D. The issuance of shares and options for shares:

In June 2018, the Company issued 17,381,300 regular shares and 21,726,625 option warrants (Series 9) for gross consideration of NIS 332 million. The option warrants are exercisable into one regular share each until 31.12.2019 against the payment of an exercise price of NIS 21 (unlinked) for each option warrant. If and insofar as the option warrants (Series 9) are exercised into shares, the Company will receive an additional gross amount of approximately NIS 456 million by December 31, 2019 (inclusive)

In December 2017, the Company raised an overall net amount of approximately NIS 212 million, by means of the issuance to the public of approximately 10.6 million regular shares of par value NIS 1 each.

Notes to the Consolidated Financial Statements

Note 17: Share capital (Continued)

E. The policy on the distribution of dividends and dividends declared.

In January 2007, the Company's Board of Directors adopted a dividend policy, pursuant to which in the course of the first quarter of each calendar year, the Company will announce the minimal amount of the dividend for that year. The dividend will be distributed at the end of each quarter (proportionately) subject to a decision by the Company's Board of Directors, so long as the distribution of the dividend does not impair the Company's cash flows and whilst taking the Company's future investment plans into account, as they may from time to time and subject to any legal restrictions. Within the context of the abovementioned decision, the Company's Board of Directors determined that it will be entitled at any time, taking business considerations into account and pursuant to the provisions of any law, to change the said dividend policy, to change the amounts that will be distributed as a dividend or to decide not to distribute them at all. Pursuant to this decision, the Company announces each year the minimal dividend that will be paid in that year.

Pursuant to decisions that were made by the Company's Board of Directors in respect of the years 2016 – 2018, the Company paid dividends to its shareholders of 77 Agorot per share in 2016 (approximately NIS 222 million) in 2016 and the Company also paid a special dividend in 2017 for the year 2016 in an amount of 36 Agorot a share (approximately NIS 111 million), in 2017 it paid a routine dividend of 84 Agorot per share (approximately NIS 262 million) and the Company also paid a special dividend in 2018 for the year 2017 in an amount of 36 Agorot a share (approximately NIS 117 million), and in 2018 it paid a routine dividend of 90 Agorot per share (approximately NIS 303 million).

In March 2019, the Company's Board of Directors determined that in 2019 the Company intends to distribute a minimal annual dividend of 94 Agorot per share, which will be paid in four quarterly payments, where in the first and second quarters a dividend of 23 Agorot per share will be paid and in the third and fourth quarters a dividend of 24 Agorot per share will be paid, subject to a specific decision by the Board of Directors at the end of each quarter. Further to this policy, in March 2019, the Company declared the distribution of a dividend for the first quarter of 2019, in an amount of 23 Agorot per share. The total dividend that the Company will pay, as aforesaid, will stand at 80 Agorot per share (approximately NIS 80 million).

In addition, in March 2019, the Company's Board of Directors decided on the distribution of an additional dividend for the year 2018 in an amount of 30 Agorot per share, which will be paid in March 2019 (approximately NIS 105 million).

F. Options for office holders plan:

1. On August 28, 2013, the Company's general meeting approved the remuneration policy for the Company's officers, which includes, inter alia, the possibility of granting option warrants to officers in the Company including directors (in accordance with an amendment that was approved in a general meeting on August 18, 2015). On September 28, 2016 and on August 27, 2018, the Company's general meeting approved additional amendments to the remuneration policy, which also relate, inter alia, to the capital remuneration components (hereinafter: "The remuneration policy").

Pursuant to the remuneration policy, on November 13, 2013, (following the approval of the Remuneration Committee), the Company's Board of Directors approved the adoption of a framework plan ("The framework plan") for a private offering of up to 20,000,000 option warrants that are not listed for trading and which are exercisable into shares in the Company, which may be executed from time to time, for employees and office holders of the Company and/or of related companies. On March 9, 2016, the Company's Board of Directors approved the increasing of the pool of options that is included in the framework plan by an additional 20,000,000 option warrants, which are not listed for trading.

Notes to the Consolidated Financial Statements

Note 17: Share capital (Continued)

F. Options for office holders plan: (Continued)

1. The Board of Directors/ Remuneration Committee will have the exclusive authority and have absolute discretion, to decide from time to time in relation to the granting of option warrants that have not yet been granted, including regarding the quantity of option warrants to be offered to offerees pursuant to the framework plan and regarding the offerees to be included in the issuance. The option warrants will be allocated on a capital path for income tax purposes.
2. On August 18, 2015, (after the approval of the Remuneration Committee and the Board of Directors), the Company's general meeting approved the granting of capital remuneration for directors who are not interested parties and/or office holders in the parent company, by way of an annual grant of options with a value of 50% of the annual remuneration that is paid to each of the directors (not including remuneration for participation in meetings of the Board of Directors and its committees). Accordingly, at that time options were granted for the year 2015 to four directors, in an overall amount of 238,980 option warrants. 59,745 option warrants were forfeited following the resignation of a director. As at December 31, 2018, approximately all of the option warrants that were issued to directors, as aforesaid, have been exercised.
3. On March 9, 2016, (after the approval of the Remuneration Committee regarding offerees who are office holders), the Company's Board of Directors approved the allocation of an annual tranche from the framework plan amounting to 5,292,154 option warrants, to 57 offerees, of whom 11 are office holders in the Company (including 6 directors). Approximately 129 option warrants have been forfeited as a result of the departure of employees. As at December 31, 2018, 4,056 thousand option warrants that have been granted to employees and officers, as aforesaid, have been exercised and as at February 1, 2019, all of the abovementioned option warrants have been exercised.
4. On March 14, 2017, (after the approval of the Remuneration Committee regarding offerees who are office holders), the Company's Board of Directors approved the allocation of an annual tranche from the framework plan amounting to 3,063,575 option warrants, to 56 offerees, of whom 11 are office holders in the Company (including 6 directors).
5. On March 11, 2018, (after the approval of the Remuneration Committee regarding offerees who are office holders), the Company's Board of Directors approved the allocation of an annual tranche from the framework plan amounting to 3,014,218 option warrants, to 55 offerees, of whom 11 are office holders in the Company (including 6 directors).
6. On March 10, 2019, (after the approval of the Remuneration Committee regarding offerees who are office holders), the Company's Board of Directors approved the allocation of an annual tranche from the framework plan of up to 2,962,716 option warrants, to 65 offerees, of whom 12 are office holders in the Company (including 6 directors).

Notes to the Consolidated Financial Statements

Note 17: Share capital (Continued)

F. Options for office holders plan (Continued):

7. The parameters that have been used in the calculation of the benefit that is inherent in the option warrants:

The cost of the overall benefit that is inherent in each of the option warrants that were in effect as at December 31, 2018, based on the fair value at the time of their grant, is estimated at an overall amount of approximately NIS 19 million, of which an amount of approximately NIS 12 million has been amortized as at December 31, 2018. This amount is being amortized in the statement of profit or loss over the length of the vesting period.

The fair value of the option warrants that have been granted, as aforesaid, has been estimated by implementing the Black & Scholes method. The parameters that have been used in the implementation of the model are as follows:

	Plan			
	March 2016 (*)	March 2017 (*)	March 2018 (*)	March 2019 (*)
Share –price (in NIS)	12.52	17.36	19.39	20.80
Exercise Price (in NIS)	10.29	15.59	18.91	21.63
Weighted expected fluctuations (**)	16.24%	17.01%	16.90%	17.04%
Lifetime of the option warrants in years (***)	2.75	2.75	2.75	2.75
Risk free interest rate	0.36%	0.58%	0.42%	0.78%
Overall benefit (NIS thousands)	5,037	5,432	5,464	5,392
<u>Amount amortized (NIS thousands)</u>				
In 2018	1,715	1,553	1,310	-
In 2017	1,832	1,784	-	-
In 2016	1,490	-	-	-

(*) See Note 23C(2) regarding the grant to the Company's CEO and the amounts of the amortization of options.

(**) The expected fluctuations have been determined based on historical fluctuations in the Company's share price.

(***) The average lifetime of the option warrants has been determined in accordance with the management's forecast regarding the period in which the recipients of the option warrants will hold them, the option warrants that have been granted to them, and taking into account their role in the Company and the Company's past experience regarding the departure of employees.

8. See Note 23C(3) below regarding option warrants for directors in the Company and the amounts of the amortization of options.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 18: Revenues from rental fees and investment property management

A. Composition

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Rental fees (see B below)	656,775	610,204	549,823
Property management	50,897	52,351	49,674
	<u>707,672</u>	<u>662,555</u>	<u>599,497</u>

B. Revenues from minimal future rental fees

The cumulative amount of the minimal future rental fees, based on signed rental agreement as at December 31, 2018, which are non-cancellable, are as follows:

	NIS thousands
Revenues from rental fees based on agreements that are in effect for a period of less than one year	<u>587,378</u>
Revenues from rental fees based on agreements that are in effect for a period of one to five years	<u>1,350,402</u>
Revenues from rental fees based on agreements that are in effect for a period of more than five years	<u>425,213</u>

Note 19: Costs of the rental and operation of properties

A. Composition

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Property maintenance and management expenses	45,630	44,615	48,302
Salaries and social benefits	8,783	9,101	9,565
Taxes and levies	5,098	4,992	3,910
Professional services	936	964	1,042
Others	843	1,046	1,108
	<u>61,290</u>	<u>60,718</u>	<u>63,927</u>

B. Additional information regarding operating expenses for investment property

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Total direct operating expenses for investment property are comprised as follows:			
Investment property that has generated revenues from rental fees	54,376	53,473	55,854
Investment property that has not generated revenues from rental fees	6,914	7,245	8,073
	<u>61,290</u>	<u>60,718</u>	<u>63,927</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 20: Administrative and general expenses

Composition

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Management fees to the parent company (see Note 23C(1))	8,064	8,008	8,000
Salaries and social benefits	19,141	20,506	17,384
Benefit reduction due to option warrants	5,987	6,471	4,466
Directors fees	888	935	1,090
Professional services	5,287	5,400	4,974
Bad and doubtful debts	726	(210)	274
Marketing expenses	919	566	782
Depreciation and amortization	1,868	1,655	1,187
Other	1,651	389	484
	<u>44,531</u>	<u>43,720</u>	<u>38,641</u>

Note 21: Financing expenses and income

A. Financing expenses

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Interest in short-term credit	6,753	6,133	7,156
Interest on long-term loans from banks	12,976	34,008	44,421
Early repayment commission (see C below)	-	38,679	-
Interest on bonds	123,039	109,004	102,923
Total interest expenses	<u>142,768</u>	<u>187,824</u>	<u>154,500</u>
Linkage differentials on long-term loans from banks	4,514	2,031	(3,896)
Linkage differentials on bonds	35,040	8,758	(5,151)
Total linkage differentials	<u>39,554</u>	<u>10,789</u>	<u>(9,047)</u>
	<u>182,322</u>	<u>198,613</u>	<u>145,453</u>
Less – financing expenses capitalized to investment property under construction	<u>(10,731)</u>	<u>(4,402)</u>	<u>(3,021)</u>
	<u>171,591</u>	<u>194,211</u>	<u>142,432</u>

B. Financing income

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Interest on deposits in banks	548	61	167
Interest on loans to companies treated at equity and others	6,070	4,121	41
	<u>6,618</u>	<u>4,182</u>	<u>208</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 21: Financing expenses and income (Continued)

C. Early repayment of bank loans at the Company's initiative

In September 2017, the Company executed the early repayment of loans to banking corporations in an amount of approximately NIS 840 million (exclusive of early repayment commissions). Subsequent to the early repayment the Company recorded non-recurring financing expenses of approximately NIS 39 million, approximately half of which was paid in cash, in the reporting period.

Note 22: Earnings per share

Composition

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Profit used for the purpose of the calculation of the basic and diluted earnings per share from continuing operations	<u>566,891</u>	<u>428,203</u>	<u>474,099</u>
	Thousand shares		
Weighted average number of regular shares used for the purpose of the calculation of the basic earnings per share from continuing operations	336,320	312,635	287,682
Adjustments for option warrants	<u>962</u>	<u>2,384</u>	<u>1,702</u>
Weighted average number of regular shares used for the purpose of the calculation of the diluted earnings per share from continuing operations	<u>337,282</u>	<u>315,019</u>	<u>289,384</u>
Weighted average number of securities that have not been included in the calculation of the diluted earnings per share because their impact is anti-dilutionary			
Option warrants for employees and office holders and option warrants (Series 9)	<u>2,969</u>	<u>-</u>	<u>-</u>

Note 23: Transactions and balances with interested parties and related parties

A. Transactions

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Management fees to the parent company (See C below)	<u>8,064</u>	<u>8,008</u>	<u>8,000</u>
Directors fees (7 recipients)	<u>888</u>	<u>935</u>	<u>1,090</u>
Directors and office holders' insurance expenses (see C4 below)	<u>86</u>	<u>66</u>	<u>56</u>
Fair value of share-based payments	<u>354</u>	<u>298</u>	<u>188</u>
Number of directors	<u>9</u>	<u>9</u>	<u>9</u>
Presented under other receivables	<u>10,667</u>	<u>9,891</u>	<u>11,736</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

B. Benefits for the Company's key management personnel: (See A above regarding directors' fees.

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Short-term benefits (1 recipient)	4,719	4,605	4,542
Fair value of share-based payment (1 recipient)	1,051	954	606
	<u>5,770</u>	<u>5,559</u>	<u>5,148</u>

C. Commitments with related parties:

(1) Management agreement with the parent company

New management agreement

In its meeting that was held on April 21, 2016, the Company's general meeting approved the extension of the validity of the management agreement with the parent company, for a period of three years, from 1.1.2016 to 31.12.2018, with a reduction in the amount of the annual management fees payable to the parent company, such that as from 1.1.2016, the additional management fees paid to the parent company as a percentage of the annual management fees that the parent company's CEO is entitled to from the parent company and the annual management fees that the parent company will be entitled to will be a fixed amount of NIS 8 million (index-linked), which are being paid in four quarterly payments. The other terms of the management agreement remained unchanged.

It should be mentioned that in the years 2016, 2017 and 2018, the Company recorded an amount of NIS 8 million in its financial statements in each of the years, as management fees to the parent company for those years.

New management agreement

At its meeting on November 1, 2018, (following the receipt of the approval of the Audit Committee and the Board of Directors in their meetings on 1.8.2018 and 7.8.2018, respectively) the Company's general meeting approved the extension of the validity of the management agreement with the parent company for an additional period of 3 years from 1.1.2019 to 31.12.2021, whilst placing the annual management fees at a fixed amount of 9 (nine) million a year (linked to the index for June 2018), which will be payable in four quarterly payments. The other terms of the management agreement remained unchanged.

See Sections C(5) and C(6) below in respect of additional commitments with the parent company.

(2) Commitment with the CEO

On September 28, 2016, (after the receipt of the approval Remuneration Committee and the Board of Directors), the Company's general meeting approved the Company's new remuneration policy for the coming three years, which was based on the remuneration policy that was customary in the Company with updates and adaptations for changes that have occurred in the Company and in the provisions of the law. Within this framework, approval was given for the amendment of the remuneration policy regarding the remuneration components and the implementation thereof regarding the Company's CEO, in addition to which the CEO's terms of office and employment were amended, in particular regarding the CEO's monthly salary, the components of the annual grant (an intermediate/short-term variable component) and the capital remuneration component. The remuneration policy, as approved on September 28, 2016, will hereinafter be called in this section: "The remuneration policy".

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

(2) Commitment with the CEO (Continued)

The following are details of the CEO's terms of office and employment that apply to the relationship between the Company and the CEO as from the time of their approval by the general meeting (i.e. as from September 28, 2016), for the period of the commitment with the CEO.

a. Annual grant (a variable intermediate/ short term components), which is calculated in accordance with the meeting of four separate cumulative performance indices:

- (1) Yield rate on equity** – for a yield on equity that is less than 6%, the CEO will not be entitled to a bonus. For a yield on equity of between 6% and 14% the CEO will be entitled to a bonus in a range of between NIS 200,000 and NIS 600,000. The amount of the bonus to which the CEO is entitled for this index may not exceed NIS 600,000 in any case.
- (2) FFO yield rate per share** – For an FFO yield that less than 7.5%, the CEO will not be entitled to a bonus. For an FFO yield of between 7.5% and 12.5% the CEO will be entitled to a bonus in a range of between NIS 100,000 and NIS 900,000. The amount of the bonus to which the CEO is entitled for this index may not exceed NIS 900,000 in any case.
- (3) The meeting of the forecast FFO budget** – for a result in this index that is less than 90%, the CEO will not be entitled to a grant for a result in this index. For a result between 90% and 110% the CEO will be entitled to a bonus in a range of between NIS 100,000 and NIS 800,000. The amount of the bonus to which the CEO is entitled for this index may not exceed NIS 800,000 in any case.
- (4) TSR** – the testing of Company's share's performance over a period of three years compares with the reference group of similar companies (Peer Group). The group of comparative companies includes companies in the real estate field, which operate in Israel and which possess similar operating characteristics to the Company, where the Company's Board of Directors can make a change in the composition of the list of comparative companies and the weighting attributed to each of the comparative companies in the index, if an exogenous change occurs in the list of the Companies.

For a result in this index of between 0% and 15%, the CEO will be entitled to a bonus in a range of between NIS 0 and NIS 300,000. The amount of the bonus to which the CEO is entitled for this index may not exceed NIS 300,000 in any case.

The calculation of the amounts of the bonus for each of the abovementioned significant component indices separately is performed linearly.

If the Company presents an annual net accounting loss (after eliminating non-recurring events as a result of regulatory and other changes, which in the Board of Directors' assessment are not connected to the Company's performance (such as a change in the tax rate for companies as a result of legislation and etcetera) but the result of the four indices that are described above will give entitlement to a bonus, and a deduction of 50% of the bonus that has been calculated pursuant to the indices will be made.

The full amount of the annual bonus will be paid in cash.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

(2) Commitment with the CEO (Continued)

- b. **A bonus at the Board of Directors' discretion** - the Company's Board of Directors, at its discretion, will be entitled to increase the amount of the annual bonus and to determine that an insignificant part of the CEO's remuneration, in an amount not exceeding three monthly salaries a year (gross), is to be awarded in accordance with non-measurable criteria (subject to the ceiling for the annual bonus for the CEO in an amount of NIS 2.6 million, which is linked to the Consumer Prices Index for June 2016). The Board of Directors is to exercise its discretion in accordance with the criteria in the remuneration policy and in accordance with other criteria that the Board of Directors has determined on this issue.
- c. **Capital remuneration (variable long-term component)** - An annual grant of option warrants, within the framework of a capital gains path pursuant to Section 102 of the Income Tax Ordinance, with a value of 48% of the CEO's annual salary cost (i.e. option warrants with a fair value of NIS 1.1 million a year). The exercise price of the option warrants will be determined in accordance with the terms of the remuneration policy, as they may be from time to time. Alternatively, the Company will be entitled to award capital remuneration to the CEO by means of similar mechanisms for the allocation of securities under the terms that are detailed in this section.
- d. **Salary and social benefits (fixed component)** - A gross monthly salary of NIS 140,000 linked to the Consumer Prices Index for the month of June 2016, in addition to which he will be entitled to social benefits, as are customary, as well as a company care, including full maintenance expenses, a cellular telephone, the refund of expenses in the fulfilment of his duties (as is customary in the Company), indemnification, exemption and office holder's insurance in accordance with the indemnification, exemption and insurance terms that are customary in the Company.
- e. **Termination** - The termination of employment is to be executed by the mutual giving of notification, 4 months in advance, except in especial circumstances.

The implementation of the capital remuneration

On March 9, 2016, following the approval and recommendation of the Remuneration Committee, the Company's Board of Directors, approved the granting of 943,396 option warrants of the Company to the CEO, which are exercisable into regular shares at an exercise price of NIS 13.52 (unlinked and subject of adjustments). The option warrants were allocated under the abovementioned terms.

The cost of the overall benefit that is inherent in the option warrants that have been allocated, based on the fair value pursuant to the Black and Scholes method at the time of the grant pursuant to the directives in International Financial Reporting Standard Number 2 "share based payment", amounted to an overall amount of NIS 1 million.

On March 14, 2017, following the approval and recommendation of the Remuneration Committee, the Company's Board of Directors, approved the granting of 583,859 option warrants of the Company to the CEO, which are exercisable into regular shares at an exercise price of NIS 18.05 (unlinked and subject of adjustments). The option warrants were allocated under the abovementioned terms.

The cost of the overall benefit that is inherent in the option warrants that have been allocated, based on the fair value pursuant to the Black and Scholes method at the time of the grant pursuant to the directives in International Financial Reporting Standard Number 2 "share based payment", amounted to an overall amount of NIS 1.076 million.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

(2) Commitment with the CEO (Continued)

The implementation of the capital remuneration (Continued)

On March 11, 2018, following the approval and recommendation of the Remuneration Committee, the Company's Board of Directors, approved the granting of 531,401 option warrants of the Company to the CEO, which are exercisable into regular shares at an exercise price of NIS 20.17 (unlinked and subject of adjustments). The option warrants will be allocated under the abovementioned terms.

The cost of the overall benefit that is inherent in the option warrants that have been allocated, based on the fair value pursuant to the Black and Scholes method at the time of the grant pursuant to the directives in International Financial Reporting Standard Number 2 "share based payment", amounted to an overall amount of NIS 1.1 million.

On March 10, 2019, following the approval and recommendation of the Remuneration Committee, the Company's Board of Directors, approved the granting of 488,889 option warrants of the Company to the CEO, which are exercisable into regular shares at an exercise price of NIS 21.63 (unlinked and subject of adjustments). The option warrants will be allocated under the abovementioned terms.

The cost of the overall benefit that is inherent in the option warrants that have been allocated, based on the fair value pursuant to the Black and Scholes method at the time of the grant pursuant to the directives in International Financial Reporting Standard Number 2 "share based payment", amounted to an overall amount of NIS 1.1 million.

Additional provisions in the terms of employment:

1. The CEO will return amounts that have been paid to it, if they have been paid to him on the basis of data, which it becomes apparent were misleading, have been amended and have been restated in the Company's financial statements.
2. The Board of Directors has been given the discretion to decrease the abovementioned remuneration in accordance with its full and exclusive discretion if it finds that the circumstances justify such a reduction and it will be entitled to determine a ceiling for the exercise value of the abovementioned capital remuneration.
3. It has been determined in relation to all of the CEO's remuneration that the ratio between the variable components of the grant in a particular year to the fixed component may not exceed 1.7.

Annual bonus for 2018

On March 10, 2019, following the approval and recommendation of the Remuneration Committee, the Company's Board of Directors, approved the payment of a bonus to the CEO for the year 2018 in an overall amount of NIS 2,400 thousand, of which an amount of NIS 1,938 thousand constitutes the implementation of the formulae that are determined in the CEO's terms of employment and which are detailed in Section C2(a) of this part, above, and the balance of the grant, in an amount of NIS 462 thousand is a bonus at the discretion of the Remuneration Committee and the Board of Directors, which exercised its discretion in accordance with the authority that is afforded it under the remuneration policy. The full amount of the bonus will be paid in cash.

The CEO's salary

The monthly cost of the CEO stood at approximately NIS 193 thousand, gross, as at December 2018.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

3) Remuneration for directors

In accordance with the remuneration policy for office holders in the Company (as approved by the general meeting on September 28, 2016 and as amended in a decision by the general meeting on August 27, 2018, after the receipt of the approval of the Remuneration Committee and the Board of Directors, (hereinafter: "The remuneration policy"), the directors in the Company are entitled to remuneration, as follows:

a. Annual remuneration and remuneration for participation in meetings of the Board of Directors and its committees ("Remuneration for participation")

All of the directors in the Company, including the external directors but except for directors who are controlling interests and/or who are employed in or hold office as officers in the parent company (hereinafter: "The entitled directors"), will be entitled to annual remuneration and to remuneration for participation in meetings, which will be determined in accordance with decisions by the Remuneration Committee and the Board of Directors from time to time, based on the principles of the remuneration committee that are detailed below:

- The annual remuneration and remuneration for participation rates will be in amounts that are between the fixed amount and the maximum amount, pursuant to the Company's grade as detailed in the second and third additions to the Companies Regulations (Principles regarding remuneration and expenses for an external director)- 2000 (hereinafter: "The remuneration regulations"), as they may be from time to time, and it will be determined by the relevant persons in the Company in accordance with the law.
- Remuneration for participation for participating in meetings of the Board of Directors and/or committees of the Board of Directors by means of telecommunications and for participation of decisions of the Board of Directors and/or committees of the Board of Directors without actually convening, will be at a partial rate of the fixed amount, as determined in remuneration regulations.

b. Capital remuneration

The directors, as defined above, are entitled to capital remuneration by means of an annual grant of non-marketable options), with a value of 50% of the annual remuneration that is paid to directors (excluding remuneration for participation for participation in meetings of the Board of Directors and its committees). The granting of the options will be executed in the month of March in each calendar year, at the time of the approval of the Company' periodic report, for entitled directors holding office at that time. The options will vest at the end of a period of two years from the time of their grant and will be exercisable as from the time of their vesting and for a period of one year (up to the end of a period of three years from the time of their grant). The exercise price of the options will be determined at the time of their grant, and will be the higher of:

- The weighted average of the closing price of the Company's shares on the Stock Exchange in the 30 trading days ending on the day before the Board of Directors' decision to grant the option warrants; or
- 4% above the share price at the end of the trading day on the Stock Exchange preceding the day of the Board of Directors' decision to grant the option warrants.

The exercise price will not be linked to any index or currency whatsoever. The exercise price and/or the quantity of exercise shares will be adjusted in the case of the distribution of a dividend, the distribution of bonus shares, a rights issue or in the case of structural or equity changes in the Company, pursuant to the provisions of the Company's options facility plan in accordance with the formula at the time of the grant.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

3) Remuneration for directors (Continued)

b. Capital remuneration (Continued)

The option warrants will be granted pursuant to the Company's options facility plan that will be in force at the time of the actual grant, on a capital gains path pursuant to Section 102 of the Ordinance.

The ratio between the variable components of the remuneration, as stated in Section C(3) and the fixed component as stated in Section C(3) above may not exceed 0.5.

The granting of options to external directors will be done under identical terms to the terms of the options that will be granted to directors in the Company and in accordance with the provisions of the Remuneration Regulations.

At its meeting on August 27, 2018, the Company's general meeting, after the receipt of the Remunerations Committee and the Board of Directors, approved the updating of the Company's remuneration policy such that it arranges the entitlement of a director beneficiary who has ended his period of office in the Company other than in circumstances involving a breach of trust, the harming of the Company's interests or activity conducted as a result of a conflict of interests, to all of the option warrants that have been allocated to him, even insofar as his entitlement to exercise them has not yet crystallized at the time of the termination of the engagement. In such a case, the option warrants that have not yet vested up to the time of the termination of the period of office will vest at the time of the termination of the period of office and will not expire and the director will be entitled to exercise them up to the end of a period of one year from the end of his period of office and the shares that will derive from the exercise of the option warrants will not be blocked.

The implementation of the remuneration policy:

Annual remuneration and remuneration for participation

Pursuant to the authority that is afforded to them under the remunerations policy, the Company's Remuneration Committee and Board of Directors have decided that the entitled directors, within the definition of that term in Section C.3.a above, will be entitled to annual remuneration at the level of the maximum fixed amount that is set in the remuneration regulations, all of which in accordance with the Company's grade as detailed in the second and third additions to the remuneration regulations.

The Company's grade pursuant to the remuneration regulations, in accordance with its shareholders' equity in accordance with its financial statements as at 31.12.2018 is grade E.

As of the time of the publication of this report, the maximum annual remuneration, taking account of the Company's rating is NIS 110,235 and the remuneration for participation in a meeting is approximately NIS 3,315 (these amounts are updated from time to time in accordance with the indexed updating mechanism that exists in the remuneration regulations).

The total payments that the entitled directors received in 2018 amounted to approximately NIS 888 thousand (see Note 23A).

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

3) Remuneration for directors (Continued)

Capital remuneration

In accordance with the principles in the remuneration policy, as detailed in Section C.3.b above, and in accordance with the authority that is afforded to the authorized bodies in the Company in accordance with the remuneration policy for the approval of the granting of capital remuneration for entitled directors by way of an annual grant of options, the entitled directors have been granted option warrants in the years 2016 - 2019 in accordance with the terms of the options facility plan for officers and employees in the Company, which the Company adopted in November 2013, as amended from time to time in accordance with updated that have been made to the Company's remuneration policy (hereinafter: "The facility plan") as detailed below:

Timing of the decision	The offeree directors (entitled directors holding office at the time of the granting decision)	Number of recipients	Total number of option warrants granted (reflecting a value of 50% of the annual remuneration paid to each of these directors (excluding remuneration for participation))	Exercise price for the option warrants in NIS (unlinked and subject to adjustments)	Overall cost of the benefit inherent in the option warrants that have been granted based on the fair value under the Black & Scholes model at the time of their grant in accordance with the directives in International Financial Reporting Standard 2 "share based payment" in NIS
Decision by the Board of Directors on March 9, 2016	Amir Amar, Yehiel Guttman, Eyal Gabai, Nira Dror, Gad Pnini and Benny Gantz	6	330,054	13.52	330,000
Decision by the Board of Directors on March 14, 2017	Amir Amar, Yehiel Guttman, Eyal Gabai, Nira Dror, Gad Pnini and Benny Gantz	6	188,550	18.05	334,038
Decision by the Board of Directors on March 11, 2018	Amir Amar, Yehiel Guttman, Eyal Gabai, Nira Dror, Gad Pnini and Benny Gantz	6	173,076	20.17	334,037
Decision by the Board of Directors on March 10, 2019	Amir Amar, Yehiel Guttman, Eyal Gabai, Nira Dror, Gad Pnini and Yael Andorn	6	151,374	21.63	330,000

The options have been granted under the terms that are detailed above and subject to the terms of the facility plan. For additional details regarding the entitled directors, see Regulation 26 in Part 4 of the Annual Report regarding additional details on the corporation.

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Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

4) Exemption, indemnification and insurance

Insurance for directors and office holders

The Alony Hetz Group had an arrangement for insurance for directors and office holders for a period of six years, commencing on July 1, 2013. The insurance arrangement was an umbrella arrangement, which also included the directors and office holders in the Company and in Energix Renewable Energies Ltd. ("Energix") (which is also a company that is controlled by Alony Hetz). The arrangement was for a period of 6 years, which began on July 1, 2013 and which ended in practice on June 30, 2018, after having been shortened following the adoption of a new arrangement for the provision of insurance cover for directors and office holders for a period commencing on July 1, 2018 ("the new insurance arrangement"), as will be detailed below. Joining this arrangement and participating in the premium for the purchase of the insurance policy was approved by the Company's general meeting in a decision taken on March 21, 2013.

The policies that have been purchased under the abovementioned existing arrangement also insured events that can be insured pursuant to the Law for Increasing the Efficiency of Enforcement Processes in the Securities Authority (Amendments to Legislation) – 2011 ("The Administrative Enforcement Law") and they insured the liability of the office holders in the Company, in the Company's subsidiaries and also office holders who hold office as directors on the Company's behalf in subsidiary company's subsidiaries and in companies that the Company holds other than as owner or under its full control. Pursuant to the principles of the existing arrangement: (1) The maximum premium has not exceeded an amount of 70,000 Dollars (for the entire Group) (with the possibility of an increase of up to 50% in the event of an increase in the cost of the insurance premium); (2) The limit of liability was up to 50 million Dollars per case and per period, cumulatively, with the addition of cover for legal expenses. The Company has undertaken maintain the validity of the insurance (in such format as may be determined from time to time) in each period of the period of office of the office holder and for a period of 7 years from the time of the end of their period of office, and to renew the insurance policy on time and it has also undertaken to bear the premium expenses, and any other ancillary or related expense.

After having received the approval of the Remuneration Committee, the Company's Board of Directors approved the extension of the existing arrangement for directors and office holders' insurance also insofar as they relate to directors/ office holders who are controlling interests or their relatives, who hold office at present and who may hold office from time to time, and this for the period from 1.7.2016 to 30.6.2019. The decisions by the Remunerations Committee and the Board of Directors were made within the framework of Section 1B(5) of the Reliefs Regulations, which was in light of the fact that the policies that will be purchased will apply under the same conditions, without any distinction, both to office holders who are not controlling interests or relatives of controlling interests and also to office holders who are controlling interests or relatives of controlling interests who hold office at present and who may hold office from time to time. The Remunerations Committee and the Board of Directors further determined that the commitment with the insurance company pursuant to the terms that have been mentioned above are at market terms, which are unlikely to have a significant impact on the Company's profitability, its assets or its liabilities.

Pursuant to the principles that have been determined in the abovementioned insurance arrangement, Alony Hetz has purchased such insurance policies from time to time, the last of which was for the period from 1.7.2017 and ending on 30.6.2018, with a limit of liability

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of 50 million Dollars per case and per period, with the addition of cover for legal expenses pursuant to Section 66 of the Insurance Contract Law – 1981.

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

4) Exemption, indemnification and insurance (Continued)

In accordance with the terms of the policy there is no self-deductible for the office holders themselves and the self-participation for the corporations that are ensured under the policy is 25,000 Dollars per claim in the USA and Canada, 5,000 Dollars per claim in the rest of the world and 25,000 Dollars per claim in the securities field. The annual premium for the period from July 1, 2017 to June 30, 2018 was 50,000 Dollars (where the amount of this premium was divided between the Company, Alony Hetz and Energix in accordance with the ratio between the shareholders' equity of the three companies in accordance with their last annual financial statements before the purchase of the policy).

Joining the new insurance arrangement

At its meeting on May 2, 2018, the Company's general meeting gave its approval (in relation to office holders and directors who are not controlling interests or the relatives thereof) (after the receipt of the approval of the Company's Board of Directors at its meeting on March 11, 2018 and the approvals of the Remunerations Committee at its meeting on March 5, 2018 and the Audit Committee at its meeting on February 27, 2018) for the Company to join the new insurance arrangement for directors and office holders, which has been adopted in the Alony Hetz Group ("The new insurance arrangement") pursuant to the principles that are details below and in addition it gave approval for the Company's management, in accordance with the exercise of its judgment, to purchase an additional band of insurance in a separate and independent policy in an amount of cover of up to an additional 25 (twenty five) million Dollars per claim and cumulatively and this without detracting from the cover that is provided within the framework of the new insurance arrangement. The meeting also approved the insurance cover that will be afforded under the abovementioned insurances to directors and office holders who hold office in the Company and who may hold office from time to time. The new insurance arrangement has also been approved as required in accordance with the law by the Group companies, including by the parent company, Alony Hetz.

The new insurance arrangement is an umbrella arrangement for office holders' insurance, which will be purchased by Alony Hetz for a period of six years commencing on 1.7.2018 and ending on 30.6.2024 and like the previous facility, it is an umbrella arrangement, which also provides insurance cover the directors and office holders who hold office in the Company, in Alony Hetz and in Energix (and in any additional public subsidiary company of Alony Hetz, insofar as there may be any such in the period of the arrangement) pursuant to and in accordance with the following principles:

- a. The total of the annual insurance premiums that may be paid by the Group companies for any insurance year whatsoever, within the framework of the umbrella policy, may not exceed 112,500 Dollars ("The annual premium"). If the insurance period is shorter than a year, the insurance premium is to be determined proportionately to the abovementioned amount. If in the coming years the insurance premium increases in price, the premium that may be paid in relation to the insurance year may not increase by more than 50% a year above the amount of the annual premium and solely that an increase in the premium of more than 25% shall be conditional upon the existence of significant changes in the market for insurance for directors and office holders. The exceeding of these restrictions, respectively, shall require the approval of the general meeting.

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- b. The purchase of such a policy will be done in a number of insurance periods, which may not exceed a cumulative period of six years commencing on 1.7.2018.

Note 23: Transactions and balances with interested parties and related parties (Continued)

4) Exemption, indemnification and insurance (Continued)

C. Commitments with related parties (Continued):

- c. The limit of liability for the office holders' liability insurance will be up to 75 (seventy-five) million Dollars per claim and cumulatively with the addition of cover for legal expenses.
- d. The Board of Directors of each company enjoys the possibility of deciding, in accordance with its own judgment, to purchase an additional band of insurance for the office holders in the Company, in a separate and independent policy, with a limit of liability of an additional 25 (twenty five) million Dollars for a claim and cumulatively alone or together with any of the Group companies, with an additional premium.
- e. The policy will insure the liability of office holders in the Company, office holders in the Company's subsidiary companies, office holders in the Company who hold office as directors for the Company in subsidiary companies and in companies in which the Company has a holding but which are not wholly owned or controlled.
- f. The policies that will be purchased will insure, insofar as is possible, insurable events pursuant to the Efficiency of Legal and Enforcement Processes in the Securities Authority Law (Amendments to Legislation) – 2011, in accordance with the Anti-Trust Law – 1988 and/or any other law on the subject of insurance of office holders, including and without detracting from the generality of the aforesaid, pursuant to the provisions of Section 56H of the Securities Law and/or the provisions of Section 50P of the Anti-Trust Law.
- g. The premium for each policy will be paid with a division between the Company and Alony Hetz and Energix (and for each additional public subsidiary company of Alony Hetz, insofar as there may be any such in the period of the arrangement), in accordance with the ratio of the shareholders' equity attributed to the majority shareholders of the companies according to their last annual (consolidated) financial statements, which have been published before the renewal of the commitment in each and every policy.

The Company's Board of Directors, at its meeting on March 11, 2018 (after the receipt of the approval of the Remuneration Committee), gave its approval that the application of the abovementioned decisions regarding the Company joining the new insurance arrangement and regarding the granting of the insurance cover under the insurances that may be purchased within its framework also for directors and office holders who are controlling interests or their relatives as well, complies with the conditions in Section 1B(a)(5) of the Reliefs Regulations and in relation to the Company's CEO complies with the conditions in Section 1A(1) of the Reliefs Regulations. Accordingly, so long as the facility transactions complies with the conditions in the Reliefs Regulations, the approval of a general meeting is not required for the purpose of applying the facility transaction to directors and office holders who are controlling interests or their relative, and also to the Company's CEO, as they may hold office from time to time.

The decisions by the Remuneration Committee and the Board of Directors relied on the fact that the policies that will be purchased will apply under the same terms and without any distinction, both to officer holders who are not controlling interests or their relatives and also to office holders who are not controlling interests or their relatives, who hold office at the time and who may hold office from time to time, such that the terms of the commitment with the insurance companies in relation to all of the office holders are the same.

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The Remuneration Committee and the Board of Directors further determined that the commitment transaction with the insurance companies is at market terms and is not likely to have a significant impact on the Company's profitability, its assets or its liabilities and

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

4) Exemption, indemnification and insurance (Continued)

they also empowered the Company's active management to examine and to determine the compliance of the terms of the umbrella insurance policy as may be purchased each year (and the additional insurance policy if such is bought), with the conditions in Regulations 1A1 (in relation to the CEO) and 1B(a)(5) (in relation to the controlling interests and their relatives) of the Reliefs Regulations.

Indemnification and exemption

On November 22, 2011, the general meeting approved the giving of new letters of indemnification to office holders who hold office in the Company and to office holders who may be appointed from time to time, including office holders who hold office in subsidiary companies and in companies that are held but which are not wholly owned and controlled by the Company and including Mr. Nathan Hetz, the Chairman of the Board of Directors and the controlling interest in the Company and office holders who may hold office in the Company in the future, who are and/or are relatives of controlling interests in the Company and/or who may be controlling interests in the Company from time to time, which are adapted to the changes that have occurred in the legislation and especially to the amendments in the Securities Law – 1968 and the provisions of the Administrative Enforcement Law. These letters of indemnification replaced the existing letters of indemnification except in relation to office holders who have finished their period of office and who no longer hold office at the time of the granting of the letters of indemnification.

In accordance with the arrangement regarding the exemption for existing directors and office holders in the Company, the Company exempts the office holders from any liability towards it for any damage that has been caused to it, whether directly or indirectly, as a result of a breach of the duty of care of the office holders towards it and/or vis-à-vis its consolidated companies in their activity in good faith and as an office holder in the Company and/or as an office holder in its investee companies.

On November 22, 2011, the general meeting decided not to approve the extension of the existing arrangement regarding an exemption in relation to directors and office holders in the Company who are controlling interests or their relatives, in relation to the period commencing on November 15, 2011.

On February 16, 2015, a general meeting of the shareholders approved the continuation of the applicability of the letters of indemnifications for a period of three years ending on November 14, 2017 to Directors and office holders in the Company who are controlling interests or their relative today and who may hold office from time to time. In its meeting on the same day the general meeting did not approve the granting of letters of exemption to directors and office holders in the Company who are controlling interests or their relatives, who hold office today and as they may be from time to time.

On May 2, 2018, the general meeting (after the receipt of the approval of the Board of Directors at its meeting on March 11, 2018 and the approval of the Remunerations Committee at its meeting on March 5, 2018), approved the adoption of a letter of indemnification, which will replace the existing letter of indemnification and it will be the letter of indemnification that is customary in the Company as from May 2, 20018 and which will be extended by it to the office holders who hold office in the Company and the office

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holders who may be appointed from time to time, including office holders who hold office in subsidiary companies and in companies in which the Company has holdings and which are not wholly controlled or owned by the Company and including Mr. Nathan Hetz, the

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

4) Exemption, indemnification and insurance (Continued)

Exemption and indemnification (Continued)

Chairman of the Board of Directors and the controlling interest in the Company and the office holders who may hold office in the Company in the future, who are and/opt whose relatives are controlling interests in the Company and/or who may be controlling interests in the Company from time to time.

The new letter of indemnification will be already be in effect as from the beginning of a period of office of the office holder in the Company. In its abovementioned decision, the general meeting further approved in its decision the replacement of the letters of indemnification that had been granted by the Company until that day to office holders who hold office in the Company at the time of the approval of this decision by the general meeting, including directors and office holders who are controlling interests or their relatives, in relation to the latter of whom the new letter of indemnification will apply for the period from 14.11.2017 to 30.11.2020.

The new letters of indemnification have been adjusted for changes that have occurred in the legislation and especially for the amendments to the Anti-Trust Law – 1988 and as amended recently in its new name "The Competition Law" and also in order to include expansions of the list of events that constitute a ground for indemnification. The new letters of indemnification will replace the existing letters of indemnification except in relation to office holders who have ended their periods of office and no longer held office at the time of the granting of the new letters of indemnification.

In accordance with the new letter of indemnification (and similarly to the existing letter of indemnification), the maximum amount of the indemnification may not exceed 25% of the Company's shareholders' equity, as it may be in accordance with the last (consolidated) financial statements that the Company has published before the day of the payment pursuant to the letter of indemnification, all of which is in addition to amounts that may be received, if any are received, from the insurance company. The abovementioned decisions regarding the adoption and the granting of a new letter of indemnification will be submitted for the approval of the general meeting that will be convened in the near future.

At its abovementioned meeting on May 2, 2018 (after having received the approval of the Board of Directors in its meeting on March 11, 2018 and of the Remuneration Committee in its meeting on March 5, 2018) the general meeting further gave its approval as follows:

- A. To amend Section 143 of the Company's articles of association, on the subject of an exemption for office holders, in such manner that as from the time that the general meeting approved the decision (i.e. as from May 2, 2018), the letters of exemption that will be granted by the Company will not apply to decisions and/or transactions in which the controlling interest or any office holder whosoever in the Company (and also a different office holder than the one to whom the letter of exemption was granted) has a personal interest, and solely that the letters of exemption that have been granted by the Company prior to the day on which the meeting gave its approval and which are still in effect will continue to apply in full, without change, in relation to all of the events that are covered by them, which have occurred up to the day on which the meeting gives its approval.
- B. To approve the granting of a letter of exemption to directors and office holders in the Company, including directors and office holders in the Company who are interested parties

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in the Company or their relatives, who hold office currently and who may hold office from time to time, and solely that the letters of exemption that have been granted by the Company prior to the day on which the meeting gave its approval and which are still in effect will

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

4) Exemption, indemnification and insurance (Continued)

continue to apply in full, without change, in relation to all of the events that are covered by them, which have occurred up to the day on which the meeting gives its approval.

5) Immaterial transactions:

The Company's Board of Directors has determined that the transactions that will be deemed to be immaterial for the purposes of Regulations 22(A) and 37A(6) of the Securities Regulations (Periodic and Immediate Reports) – 1970 and for the purposes of Regulation 41(A)(6) of the Securities Regulations (Annual Financial Statements) -2010 are transactions in which all of the following conditions are met:

1. The transaction is executed in the regular course of the Company's business.
2. The transaction is a transaction at market terms, the commitment is under generally accepted terms in the relevant market.
3. The transaction's forecast contribution to the profit or loss in annual terms (before the impact of taxation), or its annual extent a case in which the transaction is not recorded through the statement of profit or loss does not exceed the lower of an amount of 0.125% of the Company's shareholders' equity in accordance with its audited consolidated financial statements, which have been published as at December 31 of the year preceding the time at which the transaction is reported or 0.5% of the Company's average profit or loss in absolute values in the last three calendar years that preceding the time at which the transaction is reported, in accordance with the Company's audited consolidated financial statements; whether in one commitment or in a series of commitments on the same manner in the course of that year.

For this purpose, in a case in which the Company does not have all of the rights and the duties in a transaction, it will be tested in accordance with the Company's relevant share in the transaction.

4. The transaction has been approved by the Company's Board of Directors and the interested party has informed the Board of Directors about their interest in the transaction and avoids participating in the discussion and the voting on the subject of the transaction.

During the course of the year 2018 and up to the time of the publication of the report, the Company made commitments under the following transactions, which fall within the bounds of immaterial transactions:

- 1. The rental of roofs to Energix (a company that is owned by the parent company)** – in the reporting period, the Group was a party to rental agreements, pursuant to which the Group leases roofs that are owned by the Company in order for photo-voltaic systems for the production of electricity to a limited partnership that is wholly owned by Energix ("The limited partnership"). Pursuant to the terms of the rental agreement for the roofs, the rental fees that Energix pays are at a rate of 10% of the receipts that Energix actually receives from the Israel Electricity Corporation / the supplier of the crucial service for the production of electricity on the relevant system.
- 2. Joining in with the parent company's crime insurance** – The Company is insured under the crime insurance policy, which is purchased by the parent company from time

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to time, where the policy is common to Alony Hetz, the Company and Energix. The premium in respect of the crime insurance policy is paid by the three companies with the following division: 28% by Alony Hetz, 36% by the Company and 36% by Energix

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

5) Immaterial transactions: (Continued):

2. Joining in with the parent company's crime insurance (Continued)

(in accordance with the scale of each of the companies' operations). After the approval of the Audit Committee, the Company's Board of Directors has approved and ratified the Company's participation in the new crime policy that has been purchased for an additional year until 30.6.2019, jointly with Alony Hetz and Energix. In addition, the Board of Directors approved a change in the division of the cost of the premium between the three such that each of the companies will bear 33.3% of the cost of the premium, and this in light of the fact that on the purchase of a separate policy by each of the Group companies each of the companies would be expected to bear a premium that is not lower than the amount of the overall premium that is paid at present. The Company will examine the possibility of also participating in the new crime insurance policy that will be purchased by Alony Hetz, insofar as it may be purchased this year too, since the existing policy is set to expire on June 30, 2019.

3. See Section C(4) above on the subject of the Company's commitment with Alony Hetz and Energix regarding the mechanism for participation in the premium for the directors and office holders insurance policy.

4. Commitment with Value Base Underwriting and Securities Distribution Ltd. (a company that to the best of the Company's knowledge, inter alia, Nathan Hetz and his wife (approximately 19.95%) and M. Wertheim (Holdings) Ltd. (approximately 19.95%), are numbered among the holders in its parent company and are the controlling interests in the Company's parent company, Alony Hetz Properties and Investments Ltd.) for the purpose of consultancy and the management of an issue – within the framework of recruitments of debt and the recruitment of equity from the public under the force of shelf offering reports that the Company published on May 27, 2017 and on June 19, 2018, respectively, the Company has entered into a commitment with Value Base Underwriting and Securities Distribution Ltd. for the purpose of the provision of consultancy and management services for an issue and for the distribution thereof, under identical terms regarding commissions for consultancy and management to additional managers of the issue (Excellence Nashua Underwriting (1993) Ltd, Leader Issues (1993) Ltd. and Barak Capital Underwriting Ltd.) and under identical terms to the rest of the distributors, regarding the distribution commissions.

5. Commitment with United Mizrahi Bank Ltd. (including through Netzivim Assets and Equipment Ltd. – (A company that is under the control of the Wertheim family, which is one of the controlling interests in the Company)

5.1 In the reporting period, the Company was a party to a rental agreement pursuant to which a property in Holon with an area of approximately 260 Sq. m. is leased to United Mizrahi Bank Ltd. for the purpose of the management of a branch of the Bank. The commitment is under market terms and in the regular course of the Company's business.

5.2 In the reporting period, the Company was a party to a rental agreement pursuant to which a commercial unit in the Orot Mall in Or Akiva with an area of approximately 490 Sq. m. is leased to United Mizrahi Bank Ltd. for the purpose

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of the management of a branch of the Bank. The commitment is under market terms and in the regular course of the Company's business.

5.3 In the reporting period, the Company was a party to rental agreements pursuant to which areas were leased to United Mizrahi Bank Ltd. for the purpose of the

Note 23: Transactions and balances with interested parties and related parties (Continued)

C. Commitments with related parties (Continued):

5) Immaterial transactions: (Continued):

placement of ATM machines in three retail centers that are owned by the Company. The commitments are under market terms and in the regular course of the Company's business.

6) Other transactions (transaction other than within the framework of Section 270(4) of the Companies Law and transactions other than immaterial transaction).

In the reporting period, the Company was a party to rental agreements, pursuant to which the Company leases offices with an area of approximately 772 Sq. m. and 576 Sq.m., at market value and in the regular course of business to the parent company (Alony Hetz Properties and Investments Ltd.) and to Energix (a company that is owned by the parent company), (under separate rental agreements), respectively, on the 40th floor of the "Amot Atrium Tower" in Ramat Gan ("The building") as well as parking places in the building's parking levels. The rental is under generally accepted rental terms compared to tenants in the building, for a period of 5 years with an option that is given to Alony Hetz and to Energix to extend the leases for an additional period of 5 years.

The Board of Directors' approval for the commitment was given on August 13, 2016, after the Audit Committee had classified the commitment under such rental agreements as "a non-exceptional transaction" as defined in Companies Law – 1999. The commitment was also approved in accordance with the Law in the authorized bodies in Alony Hetz and in Energix.

The Company's annual revenues in respect of the abovementioned rental agreements amounts to approximately NIS 1,528 thousand from the parent company and approximately NIS 979 thousand from Energix.

Amot Investments Ltd.
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Note 24: Fair value

A. Details of assets and liabilities that are measured at fair value in the statement of financial position

For the purpose of measuring the fair value of assets and liabilities, the Company classifies them in accordance with a hierarchy that contains the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or identical liabilities to which the entity has access at the time of the measurement.

Level 2: Data, apart from quoted prices that are included in Level 1, which are observable for the asset or the liability, directly or indirectly.

Level 3: Data that are not observable for the asset or the liability

The classification of the assets that are measured at fair value is done based on the lowest level of which significant use is made for the purpose of measuring the fair value of the asset as a whole.

The following are details of the Company's assets, which are measured at their fair values in the Company's statements of financial position as at December 31, 2018 and 2017, in accordance with their measurement levels.

	Level 3		
	Investment property	Assets for enhancement	Property under construction
	NIS thousands		
As at December 31, 2018			
Fair value of items that are measured at fair value on a timing basis			
Offices	5,068,782	-	701,517
Retail centers	2,144,733	-	16,499
Supermarkets	610,336	-	-
Industrial parks	1,691,007	-	85,422
Others	208,344	63,299	-
Total investment property in Israel	9,723,202	63,299	803,438

	Level 3		
	Investment property	Assets for enhancement	Property under construction
	NIS thousands		
As at December 31, 2017			
Fair value of items that are measured at fair value on a timing basis			
Offices	4,874,091	-	315,168
Retail centers	2,120,080	-	87,678
Supermarkets	599,071	-	-
Industrial parks	1,226,953	-	90,327
Others	204,235	87,712	-
Total investment property in Israel	9,024,430	87,712	493,173

	Level 2	
	2018	2017
	NIS thousands	
Fair value of items that are measured at fair value on a timing basis		
Derivative financial instruments, which are designated as hedging items (see Note 12F)	(13,994)	6,594

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Notes to the Consolidated Financial Statements

Note 24: Fair value (Continued)

B. Assets that are measured at fair value at level 3 in the statement of financial position

1. Movement in assets that are measured at fair value

	Investment property in Israel							
	Offices	Retail centers	Super-markets	Industrial parks	Others	Assets for enhancement	Property under construction	Total
	NIS thousands							
Balance as at January 1, 2017	4,446,721	2,043,519	596,683	1,206,029	197,648	74,032	352,510	8,917,142
Additions deriving from acquisitions	259,022	10,653	-	-	-	-	-	269,675
Transfer from investment property under construction to investment property	-	11,777	-	-	-	-	(11,777)	-
Transfer from investment property to investment property under construction	(18,065)	-	-	(26,100)	-	-	44,165	-
Investments	105,592	11,192	82	2,592	4,246	13,680	107,409	244,793
Gain on adjustment to fair value, net	80,821	42,939	2,306	44,432	2,341	-	866	173,705
Balance as at December 31, 2017	4,874,091	2,120,080	599,071	1,226,953	204,235	87,712	493,173	9,605,315
Additions deriving from acquisitions and advances on account of purchases	5,000	-	-	445,877	-	-	51,270	502,147
Transfer from investment property under construction to investment property	-	-	-	10,127	-	-	(10,127)	-
Disposals	-	-	-	-	-	(31,500)	(91,278)	(122,778)
Investments and other	41,899	37,682	1,022	11,228	3,271	674	240,030	335,806
Gain on adjustment to fair value, net (*)	147,792	(13,029)	10,243	(3,178)	838	6,413	120,370	269,449
Balance as at December 31, 2018	5,068,782	2,144,733	610,336	1,691,007	208,344	63,299	803,438	10,589,939

(*) The difference from the gain on the adjustment of fair value compared to the Statement of Income derives from the updating of leasing liabilities.

2. Details of gains recognized in profit or loss

Adjustment of the fair value of investment property

	Level 2	
	2018	2017
	NIS thousands	
Unrealized gains on investment property	<u>262,975</u>	<u>173,704</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 24: Fair value (Continued)

B. Assets that are measured at fair value at level 3 in the statement of financial position
(Continued)

3. Description of the evaluation techniques for investment property measured at fair value.

Investment property in Israel					
Investments in investment property in Israel	Fair value as at December 31, 2018 (NIS thousands)	Evaluation technique	Description of unobserved data	Weighted average	Area (Sq. m.)
Offices	5,068,782	Discounted cash flows – (DCF)	Rentals per Sq. m. Discount rate Occupancy rate	78 6.75% - 7.75% 95.8%	335,216
Retail centers	2,144,733	Discounted cash flows – (DCF)	Rentals per Sq. m. Discount rate Occupancy rate	112 7% - 7.5% 96.6%	114,459
Supermarkets	610,336	Discounted cash flows – (DCF)	Rentals per Sq. m. Discount rate Occupancy rate	95 7% - 7.25% 100%	36,233
Industrial parks	1,691,007	Discounted cash flows – (DCF)	Rentals per Sq. m. Discount rate Occupancy rate	31 7% - 7.5% 98.5%	298,786
Others	208,344	Discounted cash flows – (DCF)	Rentals per Sq. m. Discount rate Occupancy rate	57 7% - 7.25% 100%	20,988
Assets for enhancement	63,299	Comparison			
Real estate and construction	803,438	Comparison, costs discounted cash flows – (DCF)			

4. Sensitivity analysis of investment property measured at fair value

See Note 7F.

5. Description of the evaluation processes employed in the determination of the fair value

The body in the Company who is responsible for the fair measurement process for items that are classified at level 3 is the Company's senior management. The Company's management report to the Financial Statements Committee on the fair value findings in respect of investment property and they examine the fairness of the data and the evaluation methodology that have been used in the determination of the fair value.

The Company's evaluations are tested once a quarter and if necessary, adjustments are made in order to estimate the fair value as accurately as possible in the Company's opinion.

The fair value is measured based on evaluation techniques, such as: the market approach – an approach that uses prices and relevant information that has been created by comparable transactions in the market to which adjustments are made, such as: the comparison method. The revenues method- a method that converts future amounts (for example – future cash flows) into present values (discounted) such as: The discounted cash flows method (DCF).

Inter alia, the discount rates that are used to discount the future cash flows, the length of the rental period, the stability of the tenants, the extent of the available areas in the property, the length of the rental periods and the period of time that will be required to lease vacant areas in the properties, implications deriving from the investments that will be required for development, the completion of the project and/or maintaining existing properties and the deduction of uncovered operating costs and other factors are taken into account in the determination of the fair value.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 24: Fair value (Continued)

B. Assets that are measured at fair value at level 3 in the statement of financial position
(Continued)

5. Description of the evaluation processes employed in the determination of the fair value
(Continued)

Regarding investment property under construction, its fair value is assessed by estimating the fair value of the investment property after the completion of its construction and less the present value of the estimate of the construction costs that are expected to be incurred for the purpose of its completion and less an entrepreneurial profit, where relevant, whilst taking a yield rate that has been adjusted for relevant risks that are relevant to and typify the investment property into account.

Note 25: Fair value of financial instruments

The Group's financial instruments include primarily cash and cash equivalents, trade and other receivables, shares held as a financial asset available for sale, short-term credit from banking corporations, trade payables, other payables, payables for investment property and long-term financial liabilities.

A. Fair value of financial instruments

The fair value of financial instruments that are traded on an active market (such as bonds (Series A – E) – Level 1.

A derivative financial instrument that is designated as a hedging item is classified at level 3.

- (1) Financial instruments that are recorded under current assets** – (cash and cash equivalents, trade receivables, other receivables and long-term receivables) – the balances in the statements of financial position as at December 31, 2018 and 2017, approximate to their fair values.
- (2) Financial instruments that are recorded under current liabilities** – (credit from banking corporations, trade payables, other payables and payables for investment property) – the balances in the statements of financial position as at December 31, 2018 and 2017, approximate to their fair values.
- (3) Financial instruments that are recorded under non-current liabilities** – the fair value of the marketable liabilities has been determined in accordance with the closing rates as at December 31, 2018 and 2017, as quoted on the Tel-Aviv Stock Exchange, as multiplied by the quantity of the marketable financial instruments (bonds (Series A, B, C, D and E) that had been issued at those times.

The balance in the statements of financial position as at December 31, 2018 and 2017 has been determined in accordance with the present value of the future cash flows, discounted at an interest rate that reflects the management's assessment of the level of risk that is inherent in the financial instrument.

The fair value of non-marketable liabilities bearing fixed rate interest has been determined in accordance with the present value of the future cash flows, discounted at an interest rate that reflects the management's assessment of the level of risk that is inherent in the financial instrument.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 25: Fair value of financial instruments (continued)

A. Fair value of financial instruments (continued)

In the management's assessment, the weighted discount rate reflects the level of risk that is inherent in the Group's Shekel denoted liabilities that are linked to the Consumer Prices Index and bearing fixed rate interest as at December 31, 2018 and 2017, which is estimated at approximately 2% a year in 2018 and in 2017. The sensitivity analysis that has been performed, based on the known interest rates as at December 31, 2018 and 2017, shows that any change of 1% in the said interest rates, such that they would stand at 3% in 2018 and 3.8% - 4% in 2017, would decrease the fair value of the financial instruments that are recorded under non-current liabilities, whose fair value is measured under the discounted cash flows method by approximately NIS 11 million in 2018 and by approximately NIS 13 million in 2017.

B. The following table details the carrying value in the accounting records and the fair value of groups of financial instruments, which are presented other than at fair value in the financial statements:

	Carrying value in the accounting records	Fair value	Carrying value in the accounting records	Fair value
	As at December 31, 2018		As at December 31, 2017	
	NIS thousands			
Financial liabilities				
Long-term loans bearing fixed rate interest (including current maturities)	280,093	299,530	315,201	339,211
Bonds (including current maturities and hedging instruments)	4,717,891	4,920,414	4,342,622	4,686,877
	<u>4,997,984</u>	<u>5,219,944</u>	<u>4,657,823</u>	<u>5,026,088</u>

C. Analysis of financial instruments by linkage basis and types of currency

	As at December 31, 2018		
	Euro	NIS index- linked	NIS – unlinked
	Total		
	NIS thousands		
Current assets:			
Cash and cash equivalents	-	-	297,703
Trade and other receivables and long-term receivables	-	-	44,793
Non-current assets			
Loans to companies treated at equity	-	129,403	3,385
	<u>-</u>	<u>129,403</u>	<u>345,881</u>
Current liabilities:			
Other liabilities at amortized cost	-	530,900	442,761
Non-current liabilities			
Other liabilities at fair value	-	13,994	-
Other liabilities at amortized cost	-	4,304,739	251,297
	<u>-</u>	<u>4,849,633</u>	<u>694,058</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 25: Fair value of financial instruments (continued)

C. Analysis of financial instruments by linkage basis and types of currency (continued)

	As at December 31, 2017			
	Euro	NIS index-linked	NIS – unlinked	Total
	NIS thousands			
Current assets:				
Cash and cash equivalents	-	-	314,149	314,149
Trade and other receivables and long-term receivables	-	-	66,113	66,113
Non-current assets				
Other assets at fair value	-	6,594	-	6,594
Loans to companies treated at equity	219	132,614	3,299	136,132
	<u>219</u>	<u>139,208</u>	<u>383,561</u>	<u>522,988</u>
Current liabilities:				
Other liabilities at amortized cost	-	369,044	491,655	860,699
Non-current liabilities				
Other liabilities at fair value	-	-	15,042	15,042
Other liabilities at amortized cost	-	4,336,258	28,747	4,365,005
	-	<u>4,705,302</u>	<u>535,444</u>	<u>5,240,746</u>

Note 26: The objectives of and policy for the management of financial risks

The management of equity risk

The Group manages its equity in order to ensure that the Companies in the Group will be able to continue to operate as a going concern, while maximizing the yield for the shareholders, with an emphasis on the optimization of the Company's debt and shareholders' equity.

The Company's equity structure includes debt instruments (primarily bonds and loans), financial instruments (primarily cash and cash equivalents) and the shareholders' equity attributed to the majority shareholders in the Company. The Company's CEO monitors the Company's equity structure routinely and at least once every half a year. This monitoring includes, inter alia, the examination of the cost of capital and the examination of the risks that are connected to each of the components of the equity. Based on recommendations by the Company's Board of Directors, the Group manages its equity structure by way of payments of a dividend, the issuance of equity, the recruitment of debt and repayments of debt. The Company's equity management policy, as described above, is consistent with the policy that was implemented in the previous year.

See Note 13D regarding the Company's credit facilities.

The main points of the accounting policy

The main points of the accounting policy and the methods that have been adopted in connection with financial assets and liabilities and the components of the shareholders' equity, including criteria for the recognition thereof, the measurement basis and the basis for reflection in the statement of profit or loss, are presented in Note 2.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 26: The objectives of and policy for the management of financial risks (continued)

Balances of financial instruments by category

	As at December 31	
	2018	2017
	NIS thousands	
Financial assets		
Cash and cash equivalents	297,703	314,149
Trade receivables, deposits, other long-term receivables	44,793	66,113
Financial assets at fair value through profit or loss	-	6,594
Loans to companies presented at equity	132,788	136,132
	<u>475,284</u>	<u>522,988</u>
Financial liabilities		
Financial liabilities at amortized cost	5,529,697	5,240,746
Financial liabilities at fair value through profit or loss	13,994	-
	<u>5,543,691</u>	<u>5,240,746</u>

The management of financial risks

The Group's operations expose it risks that are connected to various financial instruments, such as market risk (including currency risk, fair value risk in respect of the interest rate and price risk), credit risk, liquidity risk, cash flow risk in respect of the interest rate and risk in respect of changes in the Consumer Prices Index. The Group's risks management program focuses on activity the objective of which is to reduce the possible adverse impacts on the Group's financial performance to a minimum.

The management of the risks is performed primarily by the Company's CEO, who, together with the Chairman of the Board of Directors, routinely monitors developments in the various markets. Where there are exceptional developments in the markets, the Company's management convenes in order to examine the need for the making of appropriate decisions in response to the various events. The Company' Board of Directors repots on the developments in this field once a quarter.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 26: The objectives of and policy for the management of financial risks (Continued)

The following is information regarding risks that are connected to the financial instruments:

A. Credit risk:

The Group does not have a significant concentration of credit risk. Cash and cash equivalents are held in short-term deposits, which in the Company's management's opinion, have a high level of financial stability.

The Group has policy that insures that the revenues from rental and management fees from properties are received after commitments with customers who have an appropriate payments history, whilst furnishing appropriate collateral for the future payments. In some cases, rental fees are received in advance.

B. Interest rate risk:

- **Cash flows risk** – Loans that bear interest at a variable rate expose the Group to cash flow risk in respect of a change in the interest rates, which are not accompanied by a parallel change in the fair value of the financial instruments. As at December 31, 2018 and 2017, the Company's main long-term liabilities are at a fixed rate of interest. See Note 25A(3) for the impact of the sensitivity analysis for the interest rate on the fair value of the financial liabilities
- **Interest rate swap transactions** – Further to the issuance of the bonds (Series E), the Company has executed hedging transactions opposite financial institutions in Israel, which converted Shekel interest at a rate of 3.39% into index-linked principal and interest linkage at a rate of between 2.125% - 2.49%, for overall principal of NIS 875 million. The hedged bonds are presented as index-linked bonds.

The following table details the interest rate swap transactions that have been designated as hedging instruments, which are extant at the end of the reporting period:

Contract: Pay variable interest Receive fixed interest	Average interest rate – fixed pursuant to a contract	Amount of the principal that is denoted		Carrying value in the accounting records of the hedging instruments assets / (liabilities)	
		As at December 31		As at December 31	
		2018	2017	2018	2017
		NIS thousands		NIS thousands	
	%				
Hedging transactions	2.125% - 2.49%	875	875	(13,994)	6,594

C. Liquidity risk:

The responsibility for the management of liquidity risks rests with the Company's management, which maintains a program for managing short-term, intermediate-term and long-term financing and liquidity risks in accordance with the Company's needs. The Company manages the liquidity risk by maintaining suitable cash surpluses, preparing financial forecasts which kept up to date by comparing the future yields from the financial assets and liabilities.

As at the reporting date and at the time of the approval of the financial statements, the Company has unutilized credit facilities from banking corporations and financial institutions amounting to approximately NIS 800 million.

As stated in Note 17E, the Company has a policy of distribution dividends on a quarterly basis. Before the Company's Board of Directors decides on the distribution of a quarterly dividend, the Company examines its ability to settle its liabilities.

The following table presents the cash flows for the financial liabilities as at December 2018 and 2017, which are exposed to fair value risk and/or cash flow risk in respect of interest rates, in accordance with the earlier of the timings for the contractual payments or the timings for the re-setting of the price of the interest:

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Note 26: The objectives of and policy for the management of financial risks (Continued)

C. Liquidity risk (Continued):

As at December 31, 2018:

	Interest rate (*)	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
	%	NIS thousands					
Marketable securities	0.64	345,761	-	-	-	-	-
Shekel denoted index-linked loans bearing fixed rate interest	4.30	49,618	49,618	49,618	49,618	49,618	74,427
Shekel denoted index-linked bonds bearing fixed rate interest	3.68	<u>568,181</u>	<u>675,739</u>	<u>652,543</u>	<u>629,754</u>	<u>624,575</u>	<u>1,923,125</u>
		<u>963,560</u>	<u>725,357</u>	<u>702,161</u>	<u>679,372</u>	<u>674,193</u>	<u>1,997,552</u>

(*) The weighted interest rate as at the date of the statement of financial position.

As at December 31, 2017:

	Interest rate (*)	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
	%	NIS thousands					
Marketable securities	0.49	400,666	-	-	-	-	-
Shekel denoted index-linked loans bearing fixed rate interest	4.31	50,007	49,032	49,032	49,032	49,032	122,579
Shekel denoted index-linked bonds bearing fixed rate interest	3.81	<u>414,208</u>	<u>545,320</u>	<u>648,771</u>	<u>605,704</u>	<u>583,860</u>	<u>2,128,808</u>
		<u>864,881</u>	<u>594,352</u>	<u>697,803</u>	<u>654,736</u>	<u>632,892</u>	<u>2,251,387</u>

(*) The weighted interest rate as at the date of the statement of financial position.

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 27: Changes in liabilities deriving from financing activity

	Balance as at January 1, 2018	Cash flows from financing activities	Change in fair value	Other changes	Balance as at December 31, 2018
	NIS thousands				
Credit from banking corporations and other providers of credit	411,640	(65,334)	-	-	346,306
Bonds	4,349,216	387,623	(21,351)	(11,591)	4,703,897
Loans from banking corporations	315,201	(37,391)	-	2,283	280,093
Liabilities for finance leasing	15,042	-	1,006	6,383	22,431
	<u>5,091,099</u>	<u>284,898</u>	<u>(20,345)</u>	<u>(2,925)</u>	<u>5,352,727</u>

	Balance as at January 1, 2017	Cash flows from financing activities	Change in fair value	Other changes	Balance as at December 31, 2017
	NIS thousands				
Credit from banking corporations and other providers of credit	407,369	3,506	-	765	411,640
Bonds	3,245,506	1,117,928	8,677	(22,895)	4,349,216
Loans from banking corporations	1,202,374	(911,773)	-	24,600	315,201
Liabilities for finance leasing	15,573	(1,575)	1,044	-	15,042
	<u>4,870,822</u>	<u>208,086</u>	<u>9,721</u>	<u>2,470</u>	<u>5,091,099</u>

Amot Investments Ltd.
Notes to the Consolidated Financial Statements

Note 28: List of Investee Companies

As at December 31, 2018	
Holding rate	Voting and appointment of directors
%	%

Consolidated companies

Ayalot Investments in Properties (Herzliya) Ltd.	100	100
Ayalot Investments in Properties (AB" C) 1992 Ltd.	100	100
Ayalot Investments in Properties (Kfar Saba) 1992 Ltd.	100	100
Ayalot Investments in Properties (Rehovot West) 1992 Ltd.	100	100
Ayalot Investments in Properties (Netanya) 1993 Ltd.	100	100
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	100	100
Ayalot Investments (T.M.R.) 1994 Ltd.	100	100
Ayalot Investments (Ramat Vered) 1994 Ltd.	100	100
Ayalot Investments (Patir) 1996 Ltd.	100	100
Ayalot Investments in Properties Ltd.	90	90
Nes-Pan Ltd.	100	100
Hakirya Center (Ashdod 1995) Ltd.	100	100

Joint Operations

The Central Station in Jerusalem (Management) 1996 Ltd.	50	50
Amot – Clal Joint Venture	50	50
Ha'Nasi Mall Or Akiva Management (Limited Partnership)	100	100
Ashtrom Properties Ltd – Amot Investments Ltd. (Joint Venture)	50	50
Ayalot HaYarkon Joint Venture	50	50
Merkazit Jerusalem Joint Venture for Rental	50	50
Kiryat Ono Mall Management Company Joint Venture Ltd.	50	50
Kiryat Ono Mall Joint Venture	50	50
Amot Investments and Gabriels Hotzot Karmiel	50	50
Merkazim 2001	50	50

Joint Ventures

Izdarechet Investments Company Ltd.	50	50
Hotzot Alonim Ltd.	49	50
Amot Denisra Park Afek Ltd.	50	50
Roni Du Investments Ltd.	50	50
Ziviel Investments Ltd.	49	50
Amot Shaul Ltd.(*)	50	50
Kochav Or Industry and Commerce Ltd.	50	50
MTH7 Ltd.	65	65

(*) Some of the shares are held in trust for the Company.

SEPARATE FINANCIAL INFORMATION



**AMOT INVESTMENTS.
PEOPLE FIRST.**
2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



Amot Investments Ltd.

Separate Financial Statements

For the Year 2018

Amot Investments Ltd.
Separate Financial Statements as at December 31, 2018

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For the attention of

The shareholders of Amot Investments Ltd.

7, Jabotinsky Street

Ramat Gan

Ladies and Gentlemen

Re: Special report by the auditors on separate financial information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970

We have audited the separate financial information, which is presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) 5730 – 1970 of Amot Investments Ltd. (hereinafter – the Company) as at December 31, 2018 and 2017 and for each of the three years, the last of which ended on December 31, 2018. The separate financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on the separate financial information based on our audit.

We did not audit the separate financial information of investee companies the investment in which amounted to NIS 1,611,691 thousand and NIS 1,310,432 thousand as at December 31, 2018 and 2017, respectively, and the profit from these investee companies amounted to NIS 147,293 thousand, NIS 182,188 thousand and NIS 111,150 thousand for the years ended December 31, 2018, 2017 and 2016, respectively. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, to the extent that it relates to the amounts recorded for those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the separate financial information is 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 Company's Board of Directors and Management as well as evaluating the fairness of the presentation of the separate financial information. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the separate financial information has been prepared, in all material respects, in conformity the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) 5730 – 1970.

Brightman Almagor Zohar & Co.

Certified Public Accountants

Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, March 10, 2019

Amot Investment Ltd.

Financial Position Data

	As at December 31	
	2018	2017
	NIS thousands	
<u>Current assets</u>		
Cash and cash equivalents	276,158	289,114
Trade receivables	10,672	10,592
Other receivables	35,168	32,899
Total current assets	321,998	332,605
<u>Non—current assets</u>		
Investment property	5,997,592	5,372,964
Investment property under construction	795,438	475,046
	6,793,030	5,848,010
Loans, bonds and capital notes to investee companies	2,117,546	2,224,374
Investment in investee companies	1,882,769	1,744,589
Long-term receivables	15,266	27,507
Fixed assets	36,691	37,682
Total non-current assets	10,845,302	9,882,162
Total assets	11,167,300	10,214,767
<u>Current liabilities</u>		
Credit from banking corporations and other providers of credit	789,210	710,077
Trade payables	14,058	18,335
Current tax liabilities, net	17,715	29,516
Other payables	239,148	187,140
Payables for investment property	36,554	10,675
Total current liabilities	1,096,685	955,743
<u>Non-current liabilities</u>		
Bonds	4,299,179	4,086,932
Loans from banking corporations and others	241,907	276,754
Provisions	17,821	17,821
Investments in investee companies	3,483	5,048
Others	47,937	25,442
Deferred taxes	623,423	549,544
Total non-current liabilities	5,233,750	4,961,541
<u>Equity</u>	4,836,865	4,297,483
Total liabilities and equity	11,167,300	10,214,767
March 10, 2019		
Date of the approval of the separate financial statements	Nathan Hetz Chairman of the Board of Directors	Avi Mousler Chief Executive Officer
		Yehudit Zinger Chief Financial Officer

Amot Investment Ltd.

Profit or Loss Data

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Revenues from rental fees and the management of investment property	407,420	372,649	323,177
Costs of the rental and operation of properties	22,828	21,204	24,815
Profit from the rental and operation of properties	384,592	351,445	298,362
Adjustment of the fair value of investment property, net	258,580	134,621	133,086
	643,172	486,066	431,448
Administrative and general expenses	32,710	31,944	27,559
Donations	2,000	2,000	1,761
Other income, net	(1,746)	(274)	(1,413)
Operating income	610,208	452,396	403,541
Financing income	83,264	78,999	46,489
Non-recurring financing expenses – early repayment commission	-	(38,679)	-
Financing expenses	(181,009)	(170,144)	(150,169)
Operating income after financing	512,463	322,572	299,861
The Company's share of the profits of investee companies, net of tax	163,450	183,744	193,162
Income before taxes on income	675,913	506,316	493,023
Tax expenses on income	109,022	78,113	18,924
Net income for the year	566,891	428,203	474,099

Amot Investment Ltd.
Comprehensive Income Data

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Net income for the year	566,891	428,203	474,099
Amounts that will be reclassified to profit and loss in the future, net of tax			
Adjustments deriving from the translation of the financial statements of foreign operations	(18)	102	12
Total comprehensive income	<u>566,873</u>	<u>428,305</u>	<u>474,111</u>

Amot Investment Ltd.**Cash Flow Data**

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
<u>Cash flows from operating activities</u>			
Net income for the year	566,891	428,203	474,099
Adjustments required to present cash flows from operating activities (Appendix A)	(341,061)	(209,559)	(327,223)
Net cash generated by operating activities	225,830	218,644	146,876
<u>Cash flows from investment activities</u>			
Investments in investment property and investment property under construction	(758,558)	(268,944)	(363,316)
Collection (extension) of loans to investee companies, net	160,607	(34,108)	(94,710)
Consideration from the disposal of investment property, net of tax	107,420	16,425	-
Investment in investee companies	-	(21,550)	(46,091)
Others, net	(647)	(2,286)	(2,268)
Net cash absorbed by investment activities	(491,178)	(310,463)	(506,385)
<u>Cash flows from financing activities</u>			
Dividend paid	(419,468)	(373,811)	(221,857)
Issuance of shares and exercise of option warrants into shares less issuance expenses	330,857	212,139	422,316
Issuance of bonds, net	652,585	1,380,619	931,559
Exercise of option warrants for employees and officers	55,132	65,130	23,735
Repayment of long-term loans from banking corporations	(36,418)	(908,029)	(299,824)
Repayment of long-term bonds	(264,962)	(262,691)	(260,941)
Short-term credit from banking corporations, net and others	(65,334)	2,080	7,295
Net cash generated by financing activities	252,392	115,437	602,283
Increase (decrease) in cash and cash equivalents	(12,956)	23,618	242,774
Balance of cash and cash equivalents at the beginning of the year	289,114	265,496	22,722
Balance of cash and cash equivalents at the end of the year	276,158	289,114	265,496

Amot Investment Ltd.

Cash Flow data - Appendix A

		For the year ended December 31		
		2018	2017	2016
		NIS thousands		
A.	<u>Adjustments required to present cash flows from operating activities</u>			
	Expenses (revenues) not involving cash flows			
	Adjustment of the fair value of investment property, net	(258,580)	(134,621)	(133,086)
	Company's share of the profits of investee companies	(163,450)	(183,744)	(193,162)
	Dividend from investee companies	4,250	20,602	4,275
	Erosion of bonds and loans from subsidiary companies	(27,682)	(25,016)	(26,530)
	Adjustment differentials on long-term liabilities	3,603	24,593	5,400
	Reflection of benefit on share-based payments	5,988	6,467	4,482
	Deferred taxes, net	73,879	68,308	18,924
	Taxes paid on the disposal of assets held for sale	15,358	-	-
	Others	2,136	3,256	1,023
		<u>(344,498)</u>	<u>(220,155)</u>	<u>(318,674)</u>
	Changes in assets and liabilities			
	Increase in trade receivables	(80)	394	(1,995)
	Decrease (increase) in other receivables	(3,696)	(5,869)	2,684
	Increase in long-term receivables	4,485	(5,824)	(13,866)
	Increase (decrease) in trade payables	531	4,185	(1,352)
	Increase in liabilities in respect of the termination of employee-employer relationships	(36)	493	97
	Increase (decrease) in other payables	2,233	17,217	5,883
		<u>3,437</u>	<u>10,596</u>	<u>(8,549)</u>
		<u>(341,061)</u>	<u>(209,559)</u>	<u>(327,223)</u>
B.	Activities not involving cash flows			
	Investments in investment property against other payables	15,072	7,162	7,500
	Allocation of shares to an officer against payables	-	-	345
C.	Additional information			
	Interest paid	189,843	191,957	159,133
	Interest received	67,165	57,565	46,251
	Taxes paid	46,851	747	302
	Dividend received	4,250	20,602	4,275

(*) The taxes that were paid in 2018 include betterment tax in respect of the sale of properties and taxes that were paid in respect of an assessments agreements (see Note 15E and 15H1 to the Company's consolidated financial statements).

Amot Investment Ltd.

Additional information regarding the financial statements

1. General:

(1) General:

The Company's separate financial statements have been prepared pursuant to the provisions of Regulation 9C and the Tenth Addition to the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970.

(2) Definitions

The Company - Amot Investments Ltd.

Investee Company - As defined in Note 1B to the Company's consolidated financial statements as at December 31, 2018

(3) Accounting policies

The Company's separate financial information has been prepared in accordance with the accounting policies that are detailed in Note 2 to the Company's consolidated financial statements, except for the amounts of the liabilities, the assets, the revenues, the expenses and the cash flows in respect of investee companies, as detailed below:

- A. The assets and the liabilities are presented in accordance with their values in the consolidated financial statements, which are attributed to the Company itself as parent company, except for investments in investee companies.
- B. Investments in investee companies are presented as the net amount of the total of the assets less the total of the liabilities that represent financial information regarding the investee companies in the Company's consolidated financial statements,
- C. The amounts of the revenues and the expenses reflect the revenues and the expenses that are included in the consolidated financial statements, which are attributed to the Company itself as parent company, with a break down between profit or loss and other comprehensive income, except for the amounts of the revenues and expenses in respect of investee companies.
- D. The Company's share of the results of investee companies is presented as the net amount of the total of the assets less the total of the liabilities that represent the operating results in respect of investee companies in the Company's consolidated financial statements.
- E. The amounts of the cash flows reflect the amounts that are included in the consolidated statements, which are attributed to the Company itself as parent company, except for the amounts of the cash flows in respect of investee companies.
- F. Loans that have been extended and/or received from investee companies are presented at the amount that is attributed to the Company itself as a parent company.
- G. Balances, revenues and expenses in respect of transactions with investee companies, which have been eliminated within the framework of the

Amot Investment Ltd.

Additional information regarding the financial statements

consolidated financial statements are measured and presented under the relevant items in the financial position and profit or loss data, in the manner in which those transactions would have been presented, where they too have been executed opposite third parties. Gain (losses), net are presented as a deduction from (as an addition to) the Company's share of the profits (losses) of investee companies and investments in investee companies.

2. Cash and cash equivalents:

	Interest rate	As at December 31	
	2018	2018	2017
	%	NIS thousands	
In Israeli currency			
Cash and balances in banks		8,454	14,685
Short-term deposits in banking corporations (unlinked)	0.08 – 0.33	267,704	274,429
		276,158	289,114

3. Financial assets and liabilities:

(1) Analysis of the groups of financial assets and liabilities by indexation basis and type of currency:

	As at December 31			
	2018		2017	
	In NIS – Index- linked	In NIS – Unlinked	In NIS – Index- linked	In NIS – Unlinked
Current assets:				
Cash and cash equivalents	-	276,158	-	289,114
Trade and other receivables	5,278	35,259	6,439	25,768
Non-current assets:				
Long-term receivables	-	558	6,594	20,913
Bonds, capital notes and loans extended	1,281,245	836,301	1,381,122	848,283
	<u>1,286,523</u>	<u>1,148,276</u>	<u>1,394,155</u>	<u>1,184,078</u>
Current liabilities:				
Other liabilities at amortized cost	530,900	535,984	368,058	543,385
Non-current liabilities:				
Other liabilities at amortized cost	4,304,739	236,347	4,348,284	28,747
	<u>4,835,639</u>	<u>772,331</u>	<u>4,716,342</u>	<u>572,132</u>

Amot Investment Ltd.

Additional information regarding the financial statements

3. Financial assets and liabilities (Continued):

(2) The management of liquidity risks

The responsibility for the management of the liquidity risk is placed upon the Company's management, which maintains a management program for the financing risks and the short-term, medium-term and long-term liquidity risks, in accordance with the Company's needs. The Company manages the liquidity risk by maintaining appropriate cash surpluses, the preparation of financial forecasts that are perpetually updated and by comparing the future yields on the financial assets and liabilities.

A. Financial liabilities that do not constitute derivative financial instruments

The following tables details the Company's remaining contractual repayment times for financial liabilities, which do not constitute derive financial instruments. The tables have been prepared based on the undiscounted cash flows of the financial liabilities based on the earliest times at which the Company may be required to repay them, the tables includes cash flows for both interest and for principal.

	Effective average interest rate	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 Years
	%	NIS thousands					
2018							
Shekel loans at variable interest	0.64	345,761	-	-	-	-	-
Shekel loans at fixed interest – index-linked	4.30	49,618	49,618	49,618	49,618	49,618	74,427
Shekel bonds at fixed interest – index-linked	3.68	568,181	675,739	652,543	629,754	624,575	1,923,125
		<u>963,560</u>	<u>725,357</u>	<u>702,161</u>	<u>679,372</u>	<u>674,193</u>	<u>1,997,552</u>
2017							
Shekel loans at variable interest	0.49	400,666	-	-	-	-	-
Shekel loans at fixed interest – index-linked	4.30	49,032	49,032	49,032	49,032	49,032	122,579
Shekel bonds at fixed interest – index-linked	3.81	414,208	545,320	648,771	605,704	583,860	2,128,808
		<u>863,906</u>	<u>594,352</u>	<u>697,803</u>	<u>654,736</u>	<u>632,892</u>	<u>2,251,387</u>

Amot Investment Ltd.

Additional information regarding the financial statements

4. Details regarding investments in other companies:

See Note 8 to the consolidated financial statements for information regarding investments in investee companies

5. Taxes on income:

(1) Deferred tax balances

The composition of the deferred tax assets (liabilities) is detailed below:

	2018				2017			
	Balance as of January 1, 2018	Recognized in other comprehensive income	Reclassifications	Balance as of December 31, 2018	Balance as of January 1, 2017	Recognized in other comprehensive income	Reclassifications	Balance as of December 31, 2017
Investment property	592,596	62,545	-	655,141	511,560	99,212	(18,176)	592,596
On tax losses carried forward	(40,130)	11,439	-	(28,691)	(9,304)	(30,826)	-	(40,130)
Provisions for employee's rights	(2,922)	(105)	-	(3,027)	(2,844)	(78)	-	(2,922)
	<u>549,544</u>	<u>73,879</u>	<u>-</u>	<u>623,423</u>	<u>499,412</u>	<u>68,308</u>	<u>(18,176)</u>	<u>549,544</u>

The deferred taxes are presented in the statement of financial position, as follows:

	As at December 31	
	2018	2017
	NIS thousands	
Non-current liabilities	<u>623,423</u>	<u>549,544</u>

Amot Investment Ltd.

Additional information regarding the financial statements

- (2) **Taxes on income – expenses (benefits) that have been recognized in profit or loss:**

Composition of the item:

	For the year ended December 31		
	2018	2017	2016
	NIS thousands		
Current taxes	13,796	7,729	-
Betterment tax expenses on the sale of properties	15,358	-	-
Deferred taxes on timing differences created and the reversal thereof	73,879	68,308	86,896
Taxes in respect of prior years	5,989	2,076	-
Adjustment of deferred tax balances following changes in the tax rates	-	-	(67,972)
	<u>109,022</u>	<u>78,113</u>	<u>18,924</u>

	As at December 31	
	2018	2017
	NIS thousands	
Current tax liabilities	<u>17,715</u>	<u>29,516</u>

Amot Investment Ltd.

Additional information regarding the financial statements

5. Taxes on income (Continued):

(3) Additional information

1. In February 2018, the Company signed on a final assessments agreement with the Income Tax Authority for the years 2012 – 2015, following which the Company paid taxes in an amount of approximately NIS 25 million (in respect of which the Company had recorded full provisions). As part of the agreements, losses carried forward were recognized for the Company in an amount of approximately NIS 175 million, which are utilizable over the years 2018 – 2024. The open issue of losses available to be carried forward for tax purposes in an amount of NIS 35 million, in respect of which the District Court had handed down a ruling against the Company was also arranged within the context of the assessments agreement,
2. The Company has been issued final tax assessments up to and including the 2015 tax year.
3. On December 29, 2016, the Economic Efficiency Law (Amendments to Legislation for the Achievement of the Budgetary Targets for the years 2017 and 2018), 5777 – 2016 was published in the Official Gazette, within the framework of which a change in taxation was determined as follows:

The tax rate for companies was to be reduced from 25% to 24% in 2017 on income produced or arising as from January 1, 2017 and would then be reduced to 23% in 2018 and thereafter, on income produced or arising as from January 1, 2018.

As a result of the abovementioned legislation, there was a decrease of approximately NIS 67 million in the Company's deferred tax liabilities for December 31, 2016. The Company's tax expenses and its other comprehensive income decreased at the same amount.

6. Additional information:

(1) Bonds

In December 2011, the Company reached a new financing arrangement with its subsidiary companies in connection with the bonds. As part of the arrangement, all of the loans and the bonds were repaid in January 2012 and new bonds that are renewable every year were issued. The new bonds are not index-linked and they bear interest at a rate of 5%.

In 2014, capital notes were issued to the Company by the subsidiary companies in connection with the balance of the bonds that were made available in January 2012. The terms of the capital notes replace the terms of the bonds agreement of December 31, 2013 between the parties. The capital notes are non-interest bearing, they are not index-linked and they are not repayable before January 2020.

Amot Investment Ltd.

Additional information regarding the financial statements

In January 2017, the validity of a capital note that had been issued to the Company by a subsidiary company expired and instead of the said capital note, the subsidiary company issued the Company with a bond in an amount of NIS 265 million, which is linked to the Consumer Prices Index and bears interest at a rate of 5%. The bond is renewable every year.

(2) Management fees

In January 2011, the Company made a commitment under a management agreement with its subsidiary companies. The level of the management fees was set after a thorough examination of the nature of the subsidiary companies' assets, the inputs of time that are invested by Amot's head office in providing services to the subsidiary companies and other parameters. In January 2014, further to the agreement for the provision of services, the management fees that are charged by the Company were updated. In February 2015, the Company signed on an agreement with the Income Tax Authority regarding the issue of the management fees.

(3) Early repayment of banking loans at the Company's initiative

In September 2017, the Company at its own initiative executed the early repayment of loans to banking institutions amounting to approximately NIS 840 million (exclusive of the early repayment commission). In the reporting period, following the early repayment, the Company recorded non-recurring financing expenses of approximately NIS 39 million, half of which was paid in cash.



For the attention of
The shareholders of Amot Investments Ltd.
7, Jabotinsky Street
Ramat Gan

Ladies and Gentlemen

Re: **Letter of consent in connection with a shelf prospectus of Amot Investments Ltd. dated May 2016**

We hereby inform you that we agree to the inclusion (including by way a referral), of our reports, which are detailed below, in the above-captioned shelf offer report.

- (1) The auditors' report dated March 10, 2019 on the Company's consolidated financial statements as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018.
- (2) The auditors' report dated March 10, 2019 on the audit of the components of internal control over the Company's financial reporting as at December 31, 2018.
- (3) The auditors' special report dated March 10, 2019 on the Company's separate financial information as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970.

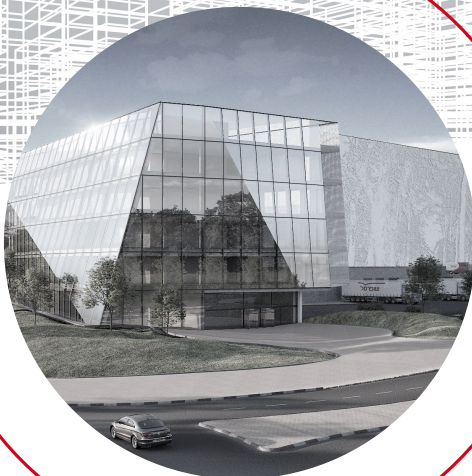
Sincerely,

Brightman Almagor Zohar & Co.

Certified Public Accountants

Member of Deloitte Touche Tohmatsu Limited

ADDITIONAL DETAILS REGARDING THE **CORPORATION**



AMOT INVESTMENTS.
PEOPLE FIRST.
2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



Chapter D: Additional Details Regarding the Corporation for 2018

Name of company:	Amot Investments Ltd.
Company's no. with Registrar of Companies:	52-002668-3
Address:	2 Jabotinsky Street, Ramat Gan (Amot Atrium Tower)
Telephone no:	03-5760500
Fax no.	03-5760501
Email:	amot@amot.co.il
Balance sheet date:	December 31, 2018
Date of financial statements:	March 10, 2019
Period of financial statements:	Year ended December 31, 2018

Unless otherwise stated, all data included in this report are presented in reported NIS as defined in Note 2 of the financial statements.

Regulation 8 – Description of the corporation's business

Attached is a report describing the Company's business and the development of its business in 2018.

Regulation 9 – financial statements

Attached please find are annual financial statements of the Company as of December 31 2018; those financial statements are drawn up in accordance with the Securities Regulations (Annual Financial Statements), 2010 and are audited by the Company's independent auditors, Brightman Almagor Zohar & Co. Deloitte Touche Tohmatsu.

The financial statements also include the opinion of the abovementioned auditors (as required under Regulation 9).

Regulation 9a – Proforma report

None.

Regulation 9b – report on the effectiveness of controls over financial reporting and the disclosure

Attached as Chapter F of the Periodic Report.

Regulation 9c – separate financial information

Attached after the consolidated financial statements.

Regulation 9d – report regarding liabilities by repayment dates

See Form T-126, which was published concurrently with the financial statements.

Regulation 10 - Board of Directors' report regarding the state of the corporation's affairs

Board of Directors' report regarding the state of the corporation's affairs is attached as Chapter B of the Periodic Report.

Regulation10A- Condensed quarterly statements of income or loss for 2018

Attached as part of the Board of Directors' Report regarding the state of the Corporation's affairs.

Regulation10C- - Use of consideration for securities which were offered in the prospectus

The consideration which the Company received with respect to the issuance of Series D and Series E bonds on May 29 2019 in accordance with the shelf offering report dated May 27 2018, in respect of the issuance of shares and Series 9 warrants exercisable into shares on June 21 2018 in accordance with a shelf offering report of June 19 2018 and as a consequence of conversion of non-marketable warrants that cannot be exercised into shares in 2018, is used by the Company to fund its business activity or in accordance with the Board of Directors' resolutions, as the shall be from time to time.

Regulation 11 – list of investments in subsidiaries and related companies as of balance sheet date¹

a.

Company name	Par value per share	Type and number of shares	Cost as of 31.12.18	Carrying amount as of 31.12.18	Ownership and control as of balance sheet date	Right to appoint directors
	NIS	Par value	NIS in thousands			
Ayalot Property Investments Ltd.	1	51,000 Ordinary A	1	(375)	100% ²	100%
	1	39,200 Ordinary B				
Ayalot Property Investments (Herzliya) Ltd.		1,000,000 Ordinary	1	66,918	100% ³	100%
Ayalot Investments in Properties (AB" C) 1992 Ltd.	1	1,000,000 Ordinary	1	66,248	100% ³	100%
Ayalot Investments in Properties (Kfar Saba) 1992 Ltd.	1	100,000 Ordinary	1	122,442	100% ⁴	100%
Ayalot Investments in Properties (Rehovot West) 1992 Ltd.	1	1,000,000 Ordinary	1	226,404	100% ³	100%
Ayalot Investments in Properties (Netanya) 1993 Ltd.	1	1,000,000 Ordinary	1	325,696	100% ³	100%
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	0.1	1,000,000 Ordinary	1	51,436	100% ³	100%
Ayalot Investments (T.M.R) 1994 Ltd.	1	1,000,000 Ordinary	1	75,146	100% ³	100%
Ayalot Investments (Ramat Vered) 1994 Ltd.	0.1	1,000,000 Ordinary	1	229,333	100% ³	100%
Ayalot Investments (Patir) 1996 Ltd.	1	1,000,000 Ordinary	1	69,115	100% ³	100%
Nes-Pan Ltd.	1	200 Ordinary	1	366,221	100%	100%
MTH-7 Ltd. - Hungary	1 ⁵	2,600 Ordinary	1	6,090	65%	65%
Izdarechet Investment Company Ltd.	1	4 Management	-	25,106	50%	50%
	1	7,281 Ordinary				
Hakirya Center (Ashdod 1995) Ltd.	1	2,000 Ordinary	200	265	100%	100%
Jerusalem Central Station (Management) 1966 Ltd.	1	1 Management	-	(3,796)	50%	50%
	1	1 Ordinary				
Hotzot Alonim Ltd.	1	4 Management	-	38,087	50% ⁶	50%
		490 Ordinary				
Amot Denisra Park Afek Ltd.	1	1,000 Ordinary	1,000	42,412	50%	50%
Amot Shaul Ltd.	1	100 Ordinary	100	35,857	50% ⁷	50%
Roni-Du Investments Ltd.	1	50 Ordinary		47,081	50%	50%
Ziviel Investments Ltd.	1	1,470 Ordinary		73,633	49%	49%
Kiryat Ono Mall Management Company Ltd.	1	100 Ordinary		-	50%	50%
Kochav Or Industry and Trade Ltd.	0.0001	6 Founder		20,943	50%	50%
	0.0001	7,500 Ordinary				
Migdal HaMe'a Car Park Ltd.	1	50 Ordinary			50%	50%

¹ Excluding inactive corporations.

² The Company holds 90% of ownership rights and 100% of control rights.

³ The Company holds 99.9% of the rights and Ayalot Property Investments Ltd. holds 0.1% of the rights.

⁴ The Company holds 98% of the rights and Ayalot Property Investments holds 2% of the rights.

⁵ The share's par value is denominated in Hungarian currency.

⁶ The Company holds 49% of the ownership rights and 50% of the control rights.

⁷ 28 shares are held for the Company in trust by an attorney.

b. **Loans extended (received) by the Company to subsidiaries and related companies⁸**

<u>Name of Company to which a loan was extended</u>	<u>Linkage terms</u>	<u>Interest</u>	<u>Loan balance</u>
		<u>%</u>	<u>as of 31.12.18</u>
			<u>NIS in thousands</u>
Hotzot Alonim Ltd.	Linked to the CPI	7	8,837
Ayalot Property Investments (Herzliya) Ltd.	Unlinked	-	125,000
Ayalot Investments in Properties (AB" C) 1992 Ltd.	Linked to the CPI	5	73,170
Ayalot Investments in Properties (Kfar Saba) 1992 Ltd.	Unlinked	-	156,000
Ayalot Investments in Properties (Rehovot West) 1992 Ltd.	Linked to the CPI	5	334,256
Ayalot Investments in Properties (Netanya) 1993 Ltd.	Linked to the CPI	5	48,660
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	Linked to the CPI	5	264,223
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	Unlinked	-	135,500
Ayalot Investments (T.M.R) 1994 Ltd.	Unlinked	-	100,000
Ayalot Investments (Ramat Vered) 1994 Ltd.	Linked to the CPI	5	131,813
Ayalot Investments (Ramat Vered) 1994 Ltd.	Unlinked	-	239,000
Ayalot Investments (Patir) 1996 Ltd.	Unlinked	-	60,000
Amot Shaul Ltd.	Unlinked	4	40,559
Amot Denisra Park Afek Ltd.	Linked to the CPI	2.62	118,226
Amot Denisra Park Afek Ltd.	Unlinked	0	2,340
Nes-Pan Ltd.	Linked to the CPI	5	296,208
Kochav Or Industry and Trade Ltd.	Unlinked	2.56	3,385

Regulation 12 – changes in investments in subsidiaries and related companies in the reported period

None.

⁸ Excluding inactive corporations.

Regulation 13 – revenues of subsidiaries and related companies and the corporation’s revenues therefrom as of balance sheet date (in thousands of NIS)¹⁰

<u>Name of Company</u>	<u>Pre-tax profit (loss)</u>	<u>Post-tax profit (loss)</u>	<u>Dividend</u>	<u>Management fees and participation in expenses</u>	<u>Interest (expenses) income</u>
Hotzot Alonim Ltd.	(2,145)	(1,887)	-	1,332	724
Ayalot Investments in Properties Ltd.	(35)	(35)	-	-	25
Ayalot Property Investments (Herzliya) Ltd.	21,669	16,586	-	214	(2,122)
Ayalot Investments in Properties (AB'C) 1992 Ltd.	11,397	8,914	-	475	4,609
Ayalot Investments in Properties (Kfar Saba) 1992 Ltd.	(4,701)	(3,499)	-	1,174	(1,982)
Ayalot Investments in Properties (Rehovot West) 1992 Ltd.	(1,412)	(749)	-	2,719	20,668
Ayalot Investments in Properties (Netanya) 1993 Ltd.	23,911	18,598	-	1,481	3,148
Ayalot Investments in Properties (Har Hotzvim) 1994 Ltd.	7,496	6,641	-	384	16,110
Ayalot Investments (T.M.R) 1994 Ltd.	17,776	13,101	-	94	128
Ayalot Investments (Ramat Vered) 1994 Ltd.	52,452	40,320	-	821	8,955
Ayalot Investments (Patir) 1996 Ltd.	13,358	10,212	-	368	(1,673)
Izdarechet Investment Company Ltd.	2,006	1,335	1,000	277	-
Hakirya Center (Ashdod 1995) Ltd.	(79)	(82)	-	407	-
Amot Shaul Ltd.	2,959	2,374	-	894	4,607
Amot Denisra Park Afek Ltd.	46	35	-	-	818
Company for Management of Central Stations in Israel Ltd.	-	-	-	-	21
Jerusalem Central Station (Management) 1966 Ltd.	-	-	-	-	147
Ziviel Investments Ltd.	15,243	11,911	-	736	1,006
Roni-Du Investments Ltd.	5,272	4,099	17,000	1,360	-
Nes-Pan Ltd.	45,894	35,197	-	2,270	18,621
Kochav Or Industry and Trade Ltd.	(102)	(102)	-	-	86

Regulation 14 - balance of loans, if extending loans was one of the corporation’s principal activities

Not relevant

Regulation 20 – Trade on the stock exchange – dates and reasons for suspension of trading

- In January 2018, 335,091 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In February 2018, 98,969 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In March 2018, 37,000 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In April 2018, 116,009 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- On April 30 2018, 3,014,218 non-marketable warrants (03/187) were issued to directors, the CEO, office holders and employees.

¹⁰ Excluding inactive corporations.

- In May 2018, 633,000 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- On May 29 2018, NIS 400 million par value of Series D bonds and NIS 205 million par value of Series E bonds were issued as part of a public offering pursuant to shelf offering report of 27.5.18.
- In June 2018, 60,957 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- On June 21 2018, 17,381,300 ordinary shares of NIS 1 par value and 21,726,625 Series 9 warrants exercisable into ordinary Company shares of NIS 1 par value were issued as part of a public offering pursuant to a shelf offering report of 19.6.18.
- On July 1 2018, 560,851 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by the Company's CEO.
- On July 5 2018, a partial redemption of Series A bonds was carried out at the total amount of NIS 128,984,370 par value of Series A bonds.
- In July 2018, 138,000 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In August 2018, 1,828,778 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In September 2018, 612,347 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In October 2018, 40,600 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In November 2018, 49,804 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees.
- In December 2018 589,332 ordinary shares of NIS 1 par value were issued as part of exercise of non-marketable warrants by employees and 129,000 non-marketable warrants expired due to retirement of employees.
- On December 30 2018, a partial redemption of Series C bonds was carried out at the total amount of NIS 99,051,867 par value of Series C bonds.
- During the reported period, there was no suspension of trading other than suspension of trading in respect of publication of financial statements.

Regulation 21 – compensation to senior office holders

21.1 Set forth below are details regarding the compensation which was paid to each of the five highest-paid office holders in the Company or in a corporation controlled by the Company in connection with their service in the Company or in a corporation controlled by the Company, in respect of 2015 (in millions of NIS):

Details of person to whom compensation is paid				Compensation for services (in NIS)				
Name	Position	Scope of position	Holdings in Company's equity ¹¹	Pay	Management fees	Bonus	Total	Benefit in respect of share-based payment ¹²
Avshalom Mousler	CEO	Full time	0.75%	2,319,498	-	2,400,000	4,719,498	1,050,715
Shimon Abudraham	CEO subsidiary ¹³	-	0.17%	-	1,350,000	750,000	2,100,000	598,795
Yehudit Zinger	CFO	Full time	0.03%	1,349,954	-	750,000	2,099,954	573,273
Avi Halfon	VP Marketing	-	-	-	1,080,000	450,000	1,530,000	461,979
Hatzav Bar-Sela	VP Business Development	Full time	0.02%	1,018,847	-	450,000	1,468,847	400,828

21.2 Additional details about the employment terms of senior office holders¹⁴

21.2.1 Company's CEO

(a) Mr. Avshalom Mousler, was appointed Company's CEO on 10.04.2006 (hereafter in this chapter: the "CEO").

For details regarding the CEO's terms of employment ass Note 23c(2) of the financial statements and immediate report published by the Company for the convening of a general meeting of the Company's shareholders which approved the updating of the Company's office holders compensation policy and the CEO's employment terms as from September 13 2016 and thereafter (reference no. 2016-01-122416) (hereafter – the "**Immediate Report for Convening of the General Meeting**"). The information included in the said report is included here by way of reference.

As of 31.12.2018, according to the CEO's updated employment terms, the cost of his payroll (employer's cost), after grossing-up of tax, amounts to app. NIS 193 thousand per month. As to private offerings of 943,396, 583,859 and 531,401 non-marketable warrants to the CEO in respect of 2016, 2017 and 2018, respectively, pursuant to the options outline plan adopted by the Company in November 2013 (as amended from time to time) (hereafter – the "**Outline Plan**"), see Note 23c(2) of the financial statements.

(b) As to the resolution passed by the Company's Board of Directors on 10.3.2019 (after the recommendation of the Compensation Committee of 28.2.2019), to allocate to the CEO an annual batch of 488,889 non-marketable warrants in respect of 2019 in accordance with the terms of the Outline Plan, see Note 23c(2) of the financial statements.

21.2.2 Other senior office holders

On September 28 2016, the General Meeting of the Company's shareholders (after receiving the approval of the Compensation Committee and the Board of Directors) approved an updated compensation policy for the Company (hereafter – the "**Compensation Policy**"). The updated Compensation Policy will be in effect as from the date of approval thereof for a 3-year period. For further details about the updated Compensation Policy, see the immediate report for the convening of the Company's General Meeting, as defined above (the information included in the said report is included here by way of reference); see also the section dealing

¹¹ The rate of holding in Company's equity as of 31.12.2018 (excluding outstanding options).

¹² Amount charged in respect of options awarded to employees, see Section 1.2.3 below. Presented in accordance with accounting principles.

¹³ As from 1.1.2016, Mr. Abudraham has been serving as the CEO of a fully-owned subsidiary of the Company: Amot Real Estate Enterprise & Development Ltd.

¹⁴ The information provided below in this chapter in connection with each of the office holders is currently subject to the provisions of Amendment No. 20 of the Companies Law and to the compensation policy adopted by the Company.

with “Discussion and Assessment of Compensation’s Appropriateness” in the Directors’ report on the state of the corporation’s affairs (Chapter B of the Periodic Report).

For details about the Company’s equity-based compensation, see Note 17f of the financial statements and Section 21.2.3 below.

(a) The CEO of the subsidiary Amot Real Estate Enterprise & Development Ltd. – pursuant to an agreement for the provision of management services, which was signed between the Company and a company owned by the CEO of Amot Real Estate Enterprise & Development Ltd. (hereafter – “Amot Enterprise”) and which was approved by the Company’s Board of Directors, the CEO of Amot Enterprise is entitled to management fees at the amount specified in the above table, plus VAT as required by law; he is also entitled to bonuses in accordance with Company’s policy as determined by the Company’s Board of Directors from time to time and to options or incentives paid in Company’s shares or in any other way decided upon by the Company’s Board of Directors, all as part of the Compensation Policy. The employment terms of the subsidiary’s CEO were approved by the Company’s Board of Directors on 11.3.2018 after being approved by the Compensation Committee on 1.3.2018.

On 10.3.2019, the Company’s Board of Directors resolved (after the approval of the Compensation Committee of 28.12.2019) to allocate to the CEO of Amot Enterprise an annual batch of non-marketable warrants in respect of 2019, whose economic value pursuant to the Black & Scholes model is NIS 650 thousand. For further details on non-marketable warrants issued to the CEO of the subsidiary see also Section 21.2.3 below.

(b) Company’s CFO – the terms of employment of the Company’s CFO, as listed in the table above, were approved by the Company’s Board of Directors on 14.3.2017 after they had been approved by the Compensation Committee, effective as of 1.1.2017. The payroll component listed in the above table is comprised of the following components: provisions for social benefits, including study fund, vehicle (excluding grossing-up), mobile phone (including grossing-up) and related expenses as is generally acceptable. Pursuant to the CFO’s employment agreement, she is entitled to bonuses in accordance with the Company’s policy at determined by the Company’s Board of Directors from time to time as part of the Compensation Policy.

On 10.3.2019, the Company’s Board of Directors resolved (after the approval of the Compensation Committee of 28.2.2019) to allocate to the Company’s CFO an annual batch of non-marketable warrants in respect of 2019, whose economic value pursuant to the Black & Scholes model is NIS 600 thousand. For further details on non-marketable warrants issued to Company’s CFO, see Section 21.2.3 below.

(c) VP Marketing – pursuant to the management services agreement that was signed between the Company and a company owned by Company’s VP Marketing, as approved by the Company’s Board of Director after obtaining the approval of the Compensation Committee, VP Marketing is entitled to management fees at the amount listed in the above table with the addition of VAT as required by law. Pursuant to the agreement, the VP Marketing may terminate the agreement at any given time by giving a 150-day advance notice, and the Company may terminate the agreement by giving a 90-day advance notice. Pursuant to the agreement, VP Marketing is entitled to bonuses in accordance with the Company’s policy as determined by the Company’s Board of Directors from time to time; VP Marketing is also entitled to options or incentives to be paid in Company’s shares or in any other way determined by the Company’s Board of Directors, all pursuant to the Compensation Policy. The employment terms of the VP Marketing as listed in the above table were approved by the Company’s Board of Directors on 14.3.2017 after they had been approved by the Compensation Committee, effective as of 1.1.2017.

On 10.3.2019, the Company’s Board of Directors resolved (after the approval of the Compensation Committee of 28.2.2019) to allocate to the Company’s VP Marketing an annual batch of non-marketable warrants in respect of 2019, whose economic value pursuant to the Black & Scholes model is NIS 450 thousand. For further details on non-marketable warrants issued to Company’s VP Marketing, see Section 21.2.3 below.

(d) VP Business Development – the terms of employment of the Company's VP Business Development, as listed in the above table, were approved by the Company's Board of Directors on 14.3.2017 after they had been approved by the Compensation Committee, effective as of 1.1.2017. The payroll component listed in the above table is comprised of the following components: provisions for social benefits, including study fund, vehicle (excluding grossing-up), mobile phone (including grossing-up) and related expenses as is generally acceptable. The Company's VP Business Development is entitled to bonuses in accordance with the Company's policy as determined by the Company's Board of Directors from time to time as part of the Compensation Policy. On 10.3.2019, the Company's Board of Directors resolved (after the approval of the Compensation Committee of 28.2.2019) to allocate to the Company's VP Business Development an annual batch of non-marketable warrants in respect of 2019, whose economic value pursuant to the Black & Scholes model is NIS 400 thousand. For further details on non-marketable warrants issued to Company's VP Business Development, see Section 21.2.3 below.

21.2.3 Employee option plans

Plan's name	Beneficiaries as per the plan	Date of Board of Directors' resolution to award the warrants	Total number of non-marketable warrants allocated pursuant to the plan	Total number of expired/exercised warrants as of 31.12.18	Exercise price per share as of 31.12.18	Exercise date
2015 plan warrants 07/15	Company's directors under the equity track through a trustee pursuant to Section 102 of the Income Tax Ordinance	12.7.15	238,980 exercisable into ordinary Company shares (subject to adjustments)	The remaining warrants were exercised in 2018	----	----
2016 plan warrants 03-04/16	Company's CEO, 6 directors, 5 office holders, employees and position holders under the equity track through a trustee pursuant to Section 102 of the Income Tax Ordinance	9.3.16	6,235,550 exercisable into ordinary Company shares (subject to adjustments)	All warrants (excluding 129,000 warrants that expired due to retirement of employees) were fully exercised in 2018 and through 31.1.2019.		
2017 Plan warrants 03/17	57 offerees, of which 6 Directors, Company's CEO, 5 office holders, employees and position holders, under the equity track through a trustee pursuant to Section 102 of the Income Tax Ordinance	14.3.17	3,647,234 exercisable into ordinary Company shares (subject to adjustments) ¹⁵	--	NIS 15.59 ¹⁶	100% 14.3.19- 13.3.20
2018 Plan warrants 03/18	59 offerees, of which 6 Directors, Company's CEO, 5 office holders, employees and position holders, under the equity track through a trustee pursuant to Section 102 of the Income Tax Ordinance	11.3.18	3,014,218 exercisable into ordinary Company shares (subject to adjustments) ¹⁷	-	NIS 18.91 ¹⁷	100% 1.5.20- 30.4.21
2019 Plan warrants 03/19	65 offerees, of which 6 Directors, Company's CEO, 5 office holders, employees and position holders, under the equity track through a trustee pursuant to Section 102 of the Income Tax Ordinance	10.3.19	2,962,716 exercisable into ordinary Company shares (subject to adjustments) ¹⁸	-	NIS 21.63 ¹⁸	100% 1.5.21- 30.4.22

¹⁵ For further details about the plans, including the issue of recording the payroll expenses at a total amount equal to the fair value of the warrants over the warrants' vesting period, see Notes 17f and 23c(2) of the financial statements.

¹⁶ Not linked to the CPI but adjusted to reflect dividend distributions carried out as from March 2017.

¹⁷ Not linked to the CPI but adjusted to reflect dividend distributions carried out as from March 2018.

¹⁸ Not linked to the CPI but adjusted to reflect dividend distributions carried out as from March 2019.

On November 13 2013, the Company's Board of Directors adopted an options outline plan for Company's employees, service providers and office holders in accordance with the principles of the Company's Compensation Policy (hereafter – the "Outline Plan"). The Outline Plan was amended from time to time in accordance with the changes that were made to the Company's Compensation Policy and which were approved as required by law by the Company's competent organs. Pursuant to the Outline Plan, non-marketable warrants, each of which is exercisable into one ordinary Company share, were allocated to Company's employees and office holders, subject to adjustments, as described in the above table.

The Outline Plan includes various provisions that would apply in the event of termination of the engagement between the employee/ office holder/ service provider and the Company and the ability to exercise the remaining balance of the warrants that vested and/or exercised through that date.

As part of the abovementioned 2016 plan, senior office holders were allocated with warrants as follows:

CFO - 570,000 warrants whose economic value pursuant to the Black & Scholes model is NIS 570 thousand; to the CEO of the subsidiary Amot Real Estate Enterprise & Development Ltd., 600,000 warrants whose economic value pursuant to the Black & Scholes model is NIS 600 thousand; to the VP Marketing 470,000 warrants whose economic value pursuant to the Black & Scholes model is NIS 470 thousand; to the VP Business Development 403,600 warrants whose economic value pursuant to the Black & Scholes model is NIS 403.6 thousand.

As part of the abovementioned 2017 plan, senior office holders were allocated with warrants as follows:

CFO – 324,039 warrants whose economic value pursuant to the Black & Scholes model is NIS 574 thousand; to the CEO of the subsidiary Amot Real Estate Enterprise & Development Ltd., 338,677 warrants whose economic value pursuant to the Black & Scholes model is NIS 600 thousand; to the VP Marketing 263,435 warrants whose economic value pursuant to the Black & Scholes model is NIS 467 thousand; to the VP Business Development 226,415 warrants whose economic value pursuant to the Black & Scholes model is NIS 401 thousand.

As part of the abovementioned 2018 plan, senior office holders were allocated warrants as follows:

CFO – 300,518 warrants whose economic value pursuant to the Black & Scholes model is NIS 580 thousand; to the CEO of the subsidiary Amot Real Estate Enterprise & Development Ltd., 310,881 warrants whose economic value pursuant to the Black & Scholes model is NIS 600 thousand; to the VP Marketing 233,161 warrants whose economic value pursuant to the Black & Scholes model is NIS 450 thousand; to the VP Business Development 207,254 warrants whose economic value pursuant to the Black & Scholes model is NIS 400 thousand.

As part of the abovementioned 2019 plan, senior office holders were allocated with warrants as follows:

CFO – 275,229 warrants whose economic value pursuant to the Black & Scholes model is NIS 600 thousand; to the CEO of the subsidiary Amot Real Estate Enterprise & Development Ltd., 298,165 warrants whose economic value pursuant to the Black & Scholes model is NIS 650 thousand; to the VP Marketing 206,422 warrants whose economic value pursuant to the Black & Scholes model is NIS 450 thousand; to the VP Business Development 183,486 warrants whose economic value pursuant to the Black & Scholes model is NIS 400 thousand.

21.2.4 Breakdown of compensation paid to Company's interested parties who are not listed in Section 1 above by the Company or by a corporation under its control

a. Directors' compensation

For details regarding directors' compensation, see Note 23c(3) of the financial statements.

b. Exemption and indemnification

For information regarding the exemption and indemnification letters given to Company's directors and office holders, see Note 23c(4) of the financial statements.

c. Professional liability insurance to office holders

For details regarding the professional liability insurance taken out in respect of office holders, including in respect of directors, see Note 23c(4) of the financial statements.

Regulation 21A – corporation's controlling shareholder

The Company's controlling shareholder is Alony Hetz Properties and Investments Ltd. (hereafter – "Alony Hetz"). As of the date of publication of this report, Alony Hetz holds app. 57.97% of the Company's issued and paid share capital and voting rights (on a fully diluted basis – 55.59%). Alony Hetz is a public company listed on the Tel Aviv Stock Exchange.

Regulation 22 – transactions with controlling shareholders or transactions in which controlling shareholders have a personal interest

For details, to the best of the Company's knowledge, regarding any transaction with the Company's controlling shareholders or in which the Company's controlling shareholders have a personal interest (hereafter – a "Transaction with Controlling Shareholder"), entered into by the Company, companies under its control and its related companies during the period from 1.1.2018 through the date of publication of this report, or which is still in effect as of the date of publication of this report:

(a) Transactions listed in Section 270(4) of the Companies Law

(1) **Exemption and indemnification letters to directors and office holders who are controlling shareholders or relatives thereof** – for details regarding this transaction, see Note 23c(4) of the financial statements.

(2) **Management agreement with Alony Hetz Properties and Investments Ltd.** – for details regarding this transaction, see Note 23c(1) of the financial statements.

(3) **Professional liability insurance taken out for directors and office holders** - for details regarding this transaction, see Note 23c(4) of the financial statements.

(b) Negligible transactions

(1) On March 17 2009, the Company's Board of Directors determined that the transactions that will be considered as negligible for purposes of Regulation 22(a) and 37a(6) of the Securities Regulations (Periodic and Immediate Reports), 1970 and for purposes of Regulation 41(a)(6) of the Securities Regulations (Annual Financial Statements), 2010 are transactions for which all the following conditions were met:

1. The transaction is carried out during the ordinary course of the Company's business.
2. The transaction is carried out under market conditions. The engagement is under generally accepted terms in the relevant market.

3. The projected contribution of the transaction to the annual profit or loss (before the tax effect), or its annual financial scope in the event that the transaction is not carried to the statement of profit or loss does not exceed the lower of 0.125% of the Company's equity as per its audited annual consolidated financial statements published as of December 31 of the year preceding the date on which the transaction is reported or 0.5% of the Company's average profit or loss in absolute values during the last three calendar years preceding the date on which the transaction is reported as per the Company's audited consolidated financial statements, regardless of whether this is carried out in a single engagement or a series of engagements relating to the same issue in the same year.

In respect of this matter, if the Company does not hold all rights and undertakings of the transaction, it will be assessed in accordance with the Company's proportionate share in the transaction.

4. The transaction was approved by the Company's Board of Directors and the interested party informed the Board of Directors of its interest in that transaction and did not participate in the discussion and the vote held in connection with the said transaction.

(2) For details about negligible transactions, as defined in subsection (1) above, which were carried out by the Company and/or to which the Company was a party in 2018, see Note 23c(5) of the financial statements.

(c) Other transactions (transactions that are not listed in Section 270(4) of the Companies Law and transactions which are not negligible transactions).

For details regarding other transactions carried out by the Company and/or to which the Company was a party in 2018, see Note 23c(6) of the financial statements.

Regulation 24 – shares and other securities held by interested parties in the corporation

For a list of the Company's interested parties and Company office holders which, to the best of the Company's knowledge hold shares and other securities of the Company as of December 31 2018, see immediate report published by the Company on January 9 2019 (reference no. 2019-01-003487). The information included in the said immediate report is presented here by way of reference.

Regulation 24A – authorized and issued capital and convertible securities as of March 10, 2019

	Number of shares/ convertible securities
Authorized capital	500,000,000
Issued capital	348,939,411
Issued capital owned by the Company	-
Issued capital owned by a subsidiary	-
Bonds (Series A)	128,984,370
Bonds (Series B)	1,359,546,000
Bonds (Series C)	198,103,732
Bonds (Series D)	1,649,616,000
Bonds (Series E)	1,085,212,900
Dormant shares	-
Non-marketable options to CEO	1,115,260
Non-marketable options to office holders (including directors), employees and service providers	5,546,192

Regulation 24B – the corporation's shareholders register**Ordinary Amot shares (security no. 1097278)**

Name of holder	Private Company no.	Address	Number
Nominee Company of Bank Hapoalim Ltd.	510356603	62 Yehuda Halevy, Tel Aviv	348,939,411

To view the register of the Company's securities as of the date of publication of this report, see immediate report published by the Company on 30.1.2019 (reference no. 2019-01-008908).

Regulation 25A – the corporation's registered address and telephone number

See in the introduction to this chapter.

Regulation 26 – the corporation's directors

	Nathan Hetz- Chairman of the Board	Aviram Wertheim	Moti Barzilai	Gad Pnini	Nira Dror	Benny Gantz	Amir Amar	Eyal Gabai	Yechiel Gutman	Yael Andorn Karni
I.D. no.	51673192	055585277	022939276	050892983	052726551	055941108	022536171	057207706	000791863	027897958
Date/year of birth	7.10.1952	25.10.1958	13.9.1967	25.10.1951	25.11.1954	9.6.1959	1966	1967	1944	3.10.1970
Address	12 Litvinsky, Ramat Gan.	8 Hatarbut St. Ramat Hasharon	20 Nahal HaBesor, Hod HaSharon	9 Nahal Sorek, Ramat HaSharon	7 Devorah Hanevi'a, Ramat HaSharon	Israel	45 HaRimon St., Ramat Hasharon	13 Irusim St. Reut	12 Shay Agnon St. Jerusalem	6, Ha'aliala St. Ramat HaSharon
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership in Board of Directors' Committees	No	No	No	Chairman of the Audit Committee, Chairman of the Financial Statements Review Committee, member of the Compensation Committee	Chairwoman of the Compensation Committee, member of the Audit Committee and the Financial Statements Review Committee.	No	No	Member in the Compensation Committee and the Financial Statements Review Committee	Member in the Audit Committee and the Financial Statements Review Committee	No
Independent director/outside director	No	No	No	Outside director	Outside director	Independent director	No	Independent director	Independent director	Independent director
Regarded by the Company as possessing accounting and financial expertise for purposes of complying with the minimum number of directors with such expertise set by the Board of Directors?	The Company is of the opinion that Mr. Hetz possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.	The Company is of the opinion that Mr. Wertheim possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.	The Company is of the opinion that Mr. Barzilai possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.	The Company is of the opinion that Mr. Pnini possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.	The Company is of the opinion that Ms. Dror possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.	No	No	The Company is of the opinion that Mr. Gabai possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors	No	The Company is of the opinion that Ms. Andorn Karni possesses accounting and financial expertise. This issue was discussed, assessed and approved by the Board of Directors.
Employee of the corporation, a subsidiary or a related company thereof or of an interested party?	Director and CEO of Alony Hetz Properties and Investments Ltd. – the Company's controlling shareholder.	Active (paid) Chairman of the Board of Alony Hetz Properties and Investments Ltd. – the Company's controlling shareholder.	VP Business Development in Alony Hetz Properties and Investments Ltd. – the Company's controlling shareholder.	No	No	No	Renders professional services to Mr. David Wertheim and companies under his control. Mr. Wertheim is the controlling shareholder of Wertheim Holdings Ltd. one of the controlling shareholders of Alony Hetz Properties and Investments Ltd. (the controlling shareholder of the Company).	No	No	No
Date of commencement of tenure	11.08.05	11.08.05	16.5.06	1.9.15	1.9.15	22.11.15	31.8.06	30.8.12	9.5.13	10.3.19

	Nathan Hetz- Chairman of the Board of Directors	Aviram Wertheim	Moti Barzilai	Gad Pnini	Nira Dror	Benny Gantz	Amir Amar	Eyal Gabai	Yechiel Gutman	Yael Andorn Karni
Education	BA in Economics and Business Administration, Bar Ilan University, BA in Accounting, Tel Aviv University, Certified Public Accountant.	Degree in Business Administration and Accounting – College of Management, Academic Studies, Certified Public Accountant.	BA in Economics and Accounting, MBA Business Administration - Tel Aviv University, Certified Public Accountant.	Tel Aviv University - a BA in Accounting and Economics. Master's degree in Information Systems Auditing, a Master's degree from the University of New York City in Finance Sciences and a Master's degree in Law from Bar-Ilan University, and a PhD in Business Administration from Bar-Ilan University. Certified Public Accountant.	BA in Economics and Business Administration MBA in Business Administration- Tel Aviv University.	Graduate of the Command and Staff College and the National Security College; BA in History from the Tel Aviv University; MA in Political Science from the Haifa University; Master's Degree in management of national resources from the NDU university in the United States;	LLB – Tel Aviv University.	LLB (<i>Cum Laude</i>); BA in Economics (<i>Cum Laude</i>) and a Master's degree in Business Administration (MBA – major - financing, <i>Cum Laude</i>) - the Hebrew University	LLB and BA in Sociology and General History - the Hebrew University	BA (<i>Cum Laude</i>) in Economics and Sociology; MBA in Business Administration (majors - Financing and Accounting) – the Hebrew University;
Occupation over the last five years:	Director and CEO of Alony Hetz Properties and Investments Ltd. as from 1.1.1993; Chairman of the Company's Board of Directors as from August 2005; Chairman of the Board of Directors of Energix Renewable Energy Ltd.; Chairman of the Board of Directors of Carr. and Director in consolidated companies of Alony Hetz and Energix Renewable Energy Ltd.	Chairman of the Board of Directors of Alony Hetz Properties and Investments Ltd. as from November 1996; served as Chairman of the Board of Directors of A. Dori Construction Ltd., as a director in B. Gaon Holdings Ltd. and as a director in Carr Properties Corporation (Washington D.C. UAS).	VP Business Development Alony Hetz Properties and Investments Ltd.	Managing Partner of Pnini & Pnini CPAs; CEO of Imut Systems Auditing Ltd. private (family) company specializing in special audit and real estate; active player in the business-economic sector, where he provides various services to private and public companies, government ministries and municipalities. He is a lecturer in a variety of fields at different academic institutions and a member of public, municipal and governmental committees.	CEO and Chairman of Nira Dror Ltd. Serves as a director in several companies.	Strategic advisory and management services through B.G. Prime Ltd. Through March 2015, Chief of the General Staff, IDF.	As from 1.1.2009 owner and partner at Amar Reiter Jeanne Shochatovitch & Co. Through 1.12.2009 – partner in Ron Gazit, Rotenberg & Co., in charge of the real estate, planning and building department.	Since 1.9.2016 has been serving as Chairman of Meuhedet Health Fund. Since 2012 serves as Chairman of the Teachers and Kindergarten Teachers' Study Fund Ltd. and the Teachers Study Fund for High School Teachers Ltd. Member of the Managing Committee of Beit Hatfutsot; Mr. Gabai is engaged in consultation and entrepreneurship; Previously he served as the Chairman of Megureit Israel Ltd., as a member of the Board of Directors of I.D.B. Development, a court-appointed expert in the I.D.B. Development and Holdings debt settlement and a settlement trustee for the I.D.B. Holdings' creditors settlement; From May 2009 to September 2011, Mr. Gabai served as Director-General of the Prime Minister's Office.	Lawyer, owners of a law firm; member of the Exemptions and Mergers Committee at the Antitrust Authority;	Representing and advising global companies and international investment funds on leading investments in Israel; serves as an outside director and member of the Balance Sheet Committee and Audit Committee of Camtek Ltd., El Al Israeli Airlines Ltd. and Castro Model Ltd. Served as the CEO of the Israeli Ministry of Finance during app. two and a half years 2013-2015; independent director in Elron Electronic Industries until 12/18; director in Megureit Israel Ltd. until 11/17. Previously served as CEO of Amitim – Senior Pension Funds 2005-2011.

	Nathan Hetz- Chairman of the Board of Directors	Aviram Wertheim	Moti Barzilai	Gad Pnini	Nira Dror	Benny Gantz	Amir Amar	Eyal Gabai	Yechiel Gutman	Yael Andorn Karni
Corporations in which he/she serves as a director:	Chairman of the Board of Directors of the Company, Director in Alony Hetz Properties and Investments Ltd. and in all of its subsidiaries; Chairman of the Board of Directors of Energix Renewable Energy Ltd. and a director in its subsidiaries; Chairman of the Board of Directors of Carr Properties Corporations (Washington D.C. USA) and director in its subsidiaries; director in PSP Swiss Property AG (listed on the Zurich Stock Exchange (Switzerland)); director in Brockton Everlast Inc., (London, UK) and in joint companies of Alony Hetz Properties and Investments and Oxford Properties (Boston USA)l as well as director in private companies owned by him and by his family members.	Chairman of the Board of Directors of Alony Hetz Properties and Investments Ltd., director in Energix Renewable Energies Ltd, (listed on the Tel Aviv Stock Exchange); director in PSP Swiss Property AG (listed on the Zurich Stock Exchange (Switzerland)), as well as director in subsidiaries of Alony Hetz and Energix and in other private companies, some of which are owned by him and his family members.	Director in Carr Properties Corporations (Washington D.C. USA), in joint companies of Alony Hetz Properties and Investments and Oxford Properties (Boston USA); director in Brockton Everlast Inc. and member of the steering committee of Brockton Capital Funds (London, UK) and director in consolidated companies of Alony Hetz Properties and Investments Ltd.	Imut Systems Auditing Ltd. (owner and CEO)	Nira Dror Ltd. (owner and CEO); Shlomo Holdings Ltd.; S. Shlomo Insurance Company Ltd.; Sharonim -Water and Sewage Infrastructures Ramat Hasharon, Isrotel Ltd.; member in the Managing Committee of Tel-Hai International Piano Master Classes and “Jordan River Village”.	B.G. Prime Ltd. (owner and CEO), outside director in Elron Electronics Industries Ltd. (listed on the Tel Aviv Stock Exchange); until recently served as the Chairman of the Board of Director of the Fifth Dimension Holdings Ltd.	None	Chairman of Meuhedet Health Fund; Chairman of the Teachers and Kindergarten Teachers’ Study Fund Ltd. and the Teachers Study Fund for High School Teachers Ltd., Member of the Managing Committee of Beit Hatfutsot;	Outside director in Hamlet (Israel-Canada) Ltd. and Chairman of the Film Review Board.	Serves as an outside director and Chairwoman of the Balance Sheet Committee and Audit Committee of Camtek Ltd.; member of the Audit Committee of El Al Israeli Airlines Ltd.; outside director and member of the Balance Sheet Committee and the Audit Committee of Castro Model Ltd.; member of the Board of Directors of the Aharon Institute of Economic Policy.
Relative of another interested party of the corporation?	No	No	No	No	No	No	No	No	No	

Regulation 26A – Senior office holders of the corporation

	Avi Mousler	Avner Eliav	Yehudit Zinger	Shimon Abudraham	Avi Halfon	Hatzav Bar-Sela	Osna Hochman-Gerhard	Ohad Weis	Bat-el Lachmi-Cohen
I.D. no.	054152343	008852840	013150586	023538945	56774953	053349005	022911408	017165309	036551927
DOB	22.4.57	1938	11.3.65	22.3.68	1961	11.9.58	12.1.67	16.1.78	19.1.1985
Tenure started on	April 2006		January 2006	January 2008	June 2007	September 2010	December 2005	July 2010	September 2017
Position in corporation	CEO, in charge of management of Company's market risks	Internal Auditor	CFO	CEO of subsidiary ¹⁹ (VP Engineering of the Company until 31.12.215).	VP Marketing	VP Business Development	Legal Counsel and Corporate Secretary	Chief Comptroller	Comptroller
Position in subsidiary or in interested party	Director in a subsidiary of the Company.	None	Director in consolidated companies of the Company	CEO of a subsidiary of the Company	Director in consolidated companies of the Company	Director in consolidated companies of the Company	None	Director in consolidated companies of the Company	None
Interested party in the corporation or relative of senior office holder in the corporation or of an interested party	No	No	No	No	No	No	No	No	No
Education	BA in Economics and Accounting, Certified Public Accountant.	Certified Public Accountant	BA in Economic and Accounting and MBA in Business Administration – Hebrew University; Certified Public Accountant	B.Sc. Civil Engineering and Masters in Real Estate Studies (MRE) – the Technion	BA in Economics	B.Sc. Industrial Management Engineering and MBA in Business Administration	Lawyer, LLB – Tel Aviv University, MBA in Business Administration - Heriot-Watt University.	BA in Economics and Accounting – Bar Ilan University	BA in Accounting, Management and Economics – Tel Aviv University
Occupation over the last five years	Company's CEO	Partner in Alkalay Monarov & Co. auditing firm, which specializes in internal audit	Company's CFO	Until 31.12.2015 Company's VP Engineering	Company's VP Marketing	Company's VP Business Development	Legal Counsel and Corporate Secretary	Until September 2017 – Company's comptroller	As from 2014 -Company's Deputy Comptroller; until April 2014 Audit Manager at Deloitte Brightman, Almagor, Zohar, CPAs.

Regulation 26B – Independent authorized signatories

The Company has no independent authorized signatories.

Regulation 27 – Corporation's independent auditor

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

¹⁹ As from 1.1.2016, Mr. Shimon Abudraham has been serving as the CEO of a fully-owned subsidiary of the Company: Amot Real Estate Enterprise & Development Ltd. For further details about the subsidiary's activity, see Section 1.2 of Chapter A of the Periodic Report: Description of the Corporation's Business.

Regulation 28 – Changes in memorandum or articles of association

In 2018 the Company made the following changes to its articles of association:

1. Section 143 of the Company's articles of association was amended such that as from the date of approval by the General Meeting of the Company's shareholders (May 2 2018), the exemption letters that will be given by the Company shall not apply to decisions and/or transactions in which the controlling shareholder or any Company office holder (including office holders other than the one to whom the exemption letter was given) has personal interest, provided that those letters of exemption given by the Company prior to the date of approval by the General Meeting of the Company's shareholders and which are still in effect shall continue to apply with no changes to all events covered by those letters of exemption through the date of approval by the General Meeting of the Company's shareholders.
2. Sections 144, 145 and 146a of the Company's articles of association were amended such that when reference is made to Company's ability to take out insurance and give indemnity letters to office holders, there will be an explicit reference to the Economic Competition Law, 1988; furthermore, when reference is made to insurance, it will be noted that the Company may enter into insurance contract due to expenses imposed on or incurred by an office holder in connection with an action he/she carried out in his capacity as an office holder.

Regulation 29 – Board of Director's recommendations and decisions

- (a) Board of Directors decisions not requiring approval by the General Meeting of the Company's shareholders and Board of Directors' recommendations to the General Meeting of the Company's shareholders:
 1. On March 14 2018, the Company's Board of Directors decided as follows:
 - 1.1 To approve the distribution of a further dividend in respect of 2017, amounting to NIS 0.36 per share, to be paid in March 2018.
 - 1.2 To approve the Company's dividend policy for 2018 – the distribution of dividend in respect of 2018 amounting to NIS 0.88 per share, to be paid in 4 quarterly installments of NIS 0.22 per share each.
 2. In accordance with its decision as per Section 1 above, in March, May, August and November 2018, the Company's Board of Directors declared a quarterly dividend of NIS 0.22 per shares – in total NIS 0.88 per share.
 3. As to Company's transactions with interested parties therein, including extending the term of the agreement to receive management services from the parent company - Alony Hetz Properties and Investments Ltd., see Subsection (c)1 below and Note 23c of the financial statements.
 4. On 11.3.2018, the Company's Board of Directors decided to approve the amendment and of the Company's articles of association as described in Regulation 28 in this chapter above, and to recommend the approval of this resolution by the General Meeting of the Company's shareholders.
 5.
 - 5.1 On May 26 2018, the Company's Board of Directors decided to approve a public offering of NIS 400,000 thousand par value of Series D bonds and NIS 205,000 thousand par value of Series E bonds of the Company by way of publishing a shelf offering report, in consideration for app. NIS 667 million (net of issuance expenses). For further details regarding the shelf offering report and the results of the offering, see immediate reports of 27.5.2018 and 28.5.2018, respectively, reference numbers: 2018-01-051757 and 2018-01-052192.

- 5.2 On June 19 2018, the Company's Board of Directors decided to approve a public offering of 17,381,300 ordinary Company shares of NIS 1 par value and 21,726,625 warrants (Series 9) exercisable into ordinary shares, with each warrant exercisable into one ordinary share (subject to adjustments) from the date of listing thereof through 31.12.2019 by way of publishing a shelf offering report, in consideration for app. NIS 331 million (net of issuance expenses). In addition, if all warrants (Series 9) are exercised into shares, the Company will receive through 31.12.2019 a further amount of app. NIS 456 million (gross) (subject to adjustments). For details about the shelf offering report and the results of the offering, see immediate reports of 19.6.2018 and 21.6.2018, respectively, reference numbers: 2018-01-0592546 and 2018-01-059704.

6. On March 10 2019, the Company's Board of Directors decided as follows:

- 6.1 To approve the distribution of a further dividend in respect of 2018 amounting to NIS 0.30 per share, to be paid in March 2019.
- 6.2 To approve the Company's dividend policy for 2019 – the distribution of dividend in respect of 2019 amounting to NIS 0.94 per share, to be paid in 4 quarterly installments: two installments of NIS 0.23 per share (first and second quarters) and two installments of NIS 0.24 per share (second and third quarters).

See immediate report on this matter of March 11 2019.

(b) During 2018, the General Meeting of the Company's shareholders did not pass a resolution that was not in accordance with the directors' recommendation pursuant to Regulation 29A.

(c)1. On 2.5.2018, a special General Meeting of the Company's shareholders approved:

a. To provide Company's directors, currently serving as directors and as may serve from time to time, insurance coverage by virtue of umbrella professional liability insurance policies for directors and office holders that will be purchased by the parent company – Alony Hetz Properties and Investments Ltd., for directors and office holders in the Alony Hetz Group; this insurance shall provide coverage of up to \$ 75 million, as part of a new 6-year insurance arrangement starting on 1.7.2018 and ending on 30.6.2024. Furthermore, the Company may decide, at its discretion, to purchase professional liability insurance for directors and office holders providing further insurance coverage of up to \$ 25 (twenty-five) million for Company's directors and office holders, whether separately or jointly with any of the Group companies, with the addition of a premium.

b. Adopting a new indemnification letter to Company's directors and office holders; this new letter will replace the current indemnification letter used by the Company. It will be given by the Company to its directors and office holders as they shall be from time to time, including to office holders who are controlling shareholders or relatives thereof and the Company's CEO. The new letters of indemnification will replace the existing indemnification letters currently given by the Company to directors and office holders who serve in the Company as of the date of the General Meeting of the Company's shareholders including to office holders who are controlling shareholders or relatives thereof and the Company's CEO (provided that the term of the indemnification letter to Mr. Nathan Hetz, Alony Hetz Group's controlling shareholders shall be 3 years from the date of approval by the General Meeting and provided that the term of his letter may be extended subject to the provisions of the law).

c. To amend Sections 144, 145 and 146a of the Company's articles of association, as described in Regulation 28 in this chapter above.

d. To amend Section 143 of the Company's articles of association, as described in Regulation 28 in this chapter above.

e. To give exemption letters to Company's directors and office holders, including Company's directors and office holders who are controlling shareholders of the Company or relatives thereof and including the Company's CEO, whether currently serving in the Company and as they may serve in the Company from time to time, provided that the exemption letters given to them by the Company prior to the date of approval by the General Meeting and which are still valid, will apply in full, without any changes, to all events they cover and which occurred through the date of approval by the General Meeting, and provided that the exemption letter given by the Company to directors and office holders who are controlling shareholders or relatives thereof (i.e., to the Chairman of the Board of Directors, Mr. Nathan Hetz), shall apply in full, without any changes, in relation to all causes it covers, which occurred through 22.11.2011

See Note 23c(4) of the financial statements and the immediate report for the convening of the General Meeting of 25.3.2018 (reference no.: 2018-01-023589) for further information on this matter.

2. On 27.8.2018, a special General Meeting of the Company's shareholders approved:

- a. To update the Company's Compensation Policy such that a beneficiary director who ended his service in the Company in circumstances other than breach of trust, damage to Company's interests or acting under conflict of interest, shall be eligible to the full number of warrants allocated to him, even if his right to exercise those warrants has not yet been established at the time of termination of his engagement with the Company. In such a case, the warrants that have not vested through the date of termination of service shall vest when the director's service will end rather than expire; the director will be allowed to exercise those warrants during a period of one year from the date of termination of service and there will be no lock-up period in respect of the shares arising from exercise of the warrants.
- b. The reappointment of the outside directors serving in the Company, Mr. Gad Pnini and Ms. Nira Dror for a further 3-year tenure commencing on 1.9.2018.

See Note 23c(3) of the financial statements and the immediate report for the convening of the General Meeting of 22.7.2018 (reference no.: 2018-01-069283) for further information on this matter.

- c. On 1.11.2018, a special General Meeting of the Company's shareholders approved the extension of the term of the agreement for receipt of management services from the parent company – Alony Hetz Properties and Investments Ltd. in respect of the period from 1.1.2019 through 31.12.2021. See Note 23c(1) of the financial statements and the immediate report for the convening of the General Meeting of 17.9.2018 and an amended report of 21.10.2018 (reference no.: 2018-01-084730 and 2018-01-095449, respectively).

Regulation 29A – Company's decisions

(1) None.

(2) None.

(3) None.

(4) As to Company's resolutions regarding professional liability insurance to directors and office holders, see Section (c)3 in Regulation 29 of this chapter above and Note 23c(1) of the financial statements.

Nathan Hetz

Chairman of the Board of Directors

Date: March 10, 2019.

Avi Mousler

CEO

APPENDIXES



AMOT INVESTMENTS.
PEOPLE FIRST.
2018 PERIODIC REPORT

AMOT INVESTMENTS OF
THE ALONY HETZ GROUP



Corporate Governance Questionnaire

Board of Directors independence			Yes	No
1.		In each reporting year, there were at least two outside directors in the corporation. The question may be answered “yes” if the period during which the corporation had less than two outside directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law. However, any answer (yes or no) must include the length of the period (number of days) during which there were less than two external directors during the reporting period (including if the tenure was approved retrospectively, for each of the different outside directors): Director A: Gad Pnini – served for one continuous year. Director B: Nira Dror – served for one continuous year. The number of outside directors serving in the corporation as of the date of publication of this questionnaire: 2.	√	
2		Proportion¹ of independent directors² serving at the corporation as of the questionnaire’s publication date: 55%. Proportion of independent directors set the corporation³’s Articles of Association⁴: _____ X N/A (no provisions were set in the Articles of Association).	----	-----
3		In the reported year, the outside directors (and the independent directors) were found to be in compliance with the provisions of Section 240(b) and (f) to the Companies Law regarding lack of interest on the part of the outside directors (and independent directors) during the reported year; furthermore, the conditions for serving as outside director (or independent director) have been met.	√	
4		None of the directors who served in the corporation during the reported year are not subordinate⁵ to the CEO, either directly or indirectly (with the exception of a director who serves as a representative of the employees, if such representation exists in the corporation). If your answer is “No” (meaning that the director is subordinate to the CEO as aforesaid) – specify the proportion of directors who do not comply with the said restriction: _____.	√	

¹In this questionnaire, “proportion” – a certain number out of the total. For example, 3/8.

² Including “Outside directors” as defined in the Companies Law.

³ For the purpose of this question – “Articles of Association” including pursuant to a specific provision of a law applicable to the corporation (for example, in case of a banking corporation – directives issued by the Banking Supervision Department).

⁴ Bonds companies are exempt from answering this section.

⁵ For the purpose of this question – serving as a director in an investee under the Corporation’s control shall not be deemed “subordination”; on the other hand, if a director in the Corporation also serves as an office holder (excluding as director) and/or is an employee of an investee under the Corporation’s control, they shall be deemed “subordinate” for the purpose of this question.

			Yes	No
5.		None of the directors who have reported having a personal interest in the approval of a transaction on the meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law: If your answer is "No" – Was this for the purpose of presenting a specific issue by that director in accordance with the provisions of Section 278(A): ☐ Yes ☐ No (please check the appropriate box). It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: ____.	√	
6.		The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior office holder in the corporation was not present in the meetings of the Board of Directors held during the reported year. If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative thereof who is not a member of the Board of Directors and/or a senior office holder of the corporation was present in the Board of Directors' meetings as aforesaid) – please note the following data as to the attendance of every additional person in Board of Directors' meetings as aforesaid: Name: ____. Role in the corporation (if any): ____. Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): ____. Was this for the purpose of presenting a specific issue: ☐ Yes ☐ No (please check the appropriate box). The proportion of Board of Directors'⁶ meetings in which he participated during the reporting year for the purpose of presenting a specific issue: ____; otherwise present: ____ ☐ N/A (the corporation has no controlling shareholder).	√	

⁶ Specify separately for each of the controlling shareholders, relative and/or representative thereof.

Board of Directors independence			Yes	No
Directors' eligibility and qualifications				
7.		The Corporation's Articles of Association do not include a provision restricting the option of immediately terminating the tenure of all directors of the corporation who are not outside directors (for this purpose, a simple majority does not constitute a restriction) ⁷ . If your answer is "no" (i.e., if there is a restriction as aforesaid), please note -	√	
	a.	The period prescribed for a director's tenure by the Articles of Association: _____.	----	----
	b.	The majority required to terminate the tenure of directors as per the Articles of Association: _____.	----	----
	c.	The legal quorum of the General Meeting required as per the Articles of Association to terminate the directors' tenure: _____.	----	----
	d.	The majority required to change such provisions in the Articles of Association: _____.	----	----
8.		The corporation has ensured the preparation of a program for training new directors on the corporation's business and the laws that apply to the corporation and the directors, and also ensured the preparation of a follow-up program for training serving directors that is adapted, inter alia, to each board member's function in the corporation. If your answer is "Yes" -please note if the program was implemented during the reporting year: ☒ Yes ☐ No (please check the appropriate box).	√	
9	a.	The corporation has a minimum number of directors in the Board of Directors who are required to possess accounting and financial expertise. If your answer is "Yes" - please note the minimum number set: 2.	√	
	b.	Number of directors who served in the corporation during the reported year – who have accounting and financial expertise ⁸ : 6. Who have professional qualifications ⁹ : 3. In case of changes in the number of said directors during the reported year, please provide the lowest number (except within a period of 60 days from the date on which the changed occurred) of directors of any type who served during the reported year.	----	

⁷ Bonds companies are exempt from answering this section.

⁸ Following the Board of Directors' assessment, in accordance with the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications) Regulations, 2005.

⁹ Please see footnote 8.

				Yes	No
10.		a.	Throughout the reported year, the Board of Directors included members of both genders. If your answer is “No” -please note the period (number of days) in which the aforesaid was not met: _____. The question may be answered “Yes” if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days. However, any answer (Yes or No) must include the number of days during which the corporation did not have members of both genders serving as directors: _____. _____	√	
		b.	Number of directors of each gender serving on the Board of Directors as of the date of the publication of this questionnaire: Male: 8. Female: 1.	-----	----
Board of Directors’ meetings (and convening of the General Meeting)					
11		a.	Number of Board of Directors’ meetings held during each quarter in the reported year: total during 2018 – 8 meetings. First quarter (2018): 1. Second quarter: 3. Third quarter: 2. Fourth quarter: 2	-----	-----
		b.	Next to each of the names of the directors who served in the corporation during the reported year, please note the ¹⁰ proportion of Board of Directors’ meetings in which he participated (in this Subsection - including meetings of Board of Directors’ committees in which he is a member, and as noted below), which took place during the reported year (during his tenure): (Please add lines according to the number of directors).	-----	-----

¹⁰ See footnote 2.

									Yes	No
			Director's name	Proportion of the director's participation in Boar of Directors' meetings	Proportion of the director's participation in Audit Committee's meetings ¹¹	Proportion of the director's participation in Financial Statements Review Committee's meetings ¹²	Proportion of the director's participation in Compensation Committee's meetings ¹³	Proportion of the director's participation in other Board of Directors' committees in which they are members (note committee's name)		
			Nathan Hetz	100%	----	----	----	----	----	----
			Aviram Wertheim	100%	----	----	----	----	----	----
			Moti Barzilai	87.5%	----	----	----	----	----	----
			Amir Amar	50%	----	----	----	----	----	----
			Yechiel Gutman	100%	100%	100%	----	----	----	----
			Eyal Gabai	75%	----	75%	50%	----	----	----
			Gad Pnini	100%	100%	100%	100%	----	----	----
			Nira Dror	87.5%	100%	100%	100%	----	----	----
			Benjamin Gantz	87.5%	----	----	----	----	----	----
12.		During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the chief executive officer and the office holders reporting thereto in their absence, and they were given to opportunity to express their position.							√	

¹¹ For a director who is a member of this committee.

¹² For a director who is a member of this committee.

¹³ For a director who is a member of this committee.

			Yes	No
Segregation of duties between the roles of the CEO and the Chairman of the Board of Directors				
13.		During the entire reported year, the corporation had a serving Chairman of the Board of Directors. The question may be answered "Yes" if the period during which there was no serving Chairman of the Board of Directors in place in the corporation did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the number of days in which the corporation did not have a serving Chairman of the Board of Directors in place as aforesaid: ____.	√	
14.		During the reported year, the corporation has a serving CEO in place. The question may be answered "Yes" if the period during which the corporation had no serving CEO in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the number of days in which the corporation did not have a serving CEO in place as aforesaid: ____.	√	
15.		In a corporation where the Chairman of the Board of Directors also serves as the corporation's CEO and/or exercises his powers, the service in the two roles has been approved in accordance with the provisions of Section 121(c) to the Companies Law ¹⁴ . X N/A (where the Chairman of the Board does not serve also as the CEO of the corporation as aforesaid).		
16.		The CEO is <u>not</u> a relative of the Chairman of the Board of Directors. If your answer is "No" (i.e., the CEO is a relative of the Chairman of the Board of Directors) -	√	
	a.	Please explain the nature of the family relationship between the parties: ____.	-----	-----
	b.	The appointment was approved in accordance with Section 121(c) of the Companies Law ¹⁵ : ☐ Yes ☐ No (Please check the appropriate box)	-----	-----
17.		A controlling shareholder or his relative does not serve as a CEO or senior office holder in the corporation, excluding as a director. ☐ N/A (the corporation has no controlling shareholder)	√	

¹⁴ In a bonds company -approval in accordance with Section 121(d) to the Companies Law.

¹⁵ In a bonds company -approval in accordance with Section 121(d) to the Companies Law.

			Yes	No
The Audit Committee				
18.		The following <u>did not serve</u> in the Audit Committee in the reported year –	----	----
	a.	The controlling shareholder or their relative. ☐ N/A (the corporation has no controlling shareholder).	√	
	b.	The Chairman of the Board of Directors.	√	
	c.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	√	
	d.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	√	
	e.	A director whose main source of income is the controlling shareholder. ☐ N/A (the corporation has no controlling shareholder).	√	
19.		A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law.	√	
20.		A legal quorum for discussing and passing decisions in all meetings of the Audit Committee which took place during the reported year was a majority of the committee members, with most of the participants being independent directors and at least one -an outside director. If your answer is “No” -please note the proportion of meetings in which the above requirement was not met: _____.	√	
21.		During the reported year, the Audit Committee held at least one meeting in which the internal auditor and independent auditor were present but in which officers of the corporation who are not members of the Audit Committee did not participate, on the subject of deficiencies in the corporation’s business management.	√	
22.		In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his participation was approved by the chairman of the Committee and/or he was invited by the Committee (as for the Chief Legal Counsel and the corporation’s Secretary other than a controlling shareholder or his relative).	√	
23.		During the reported year, there were arrangements that were put in place by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the management of the corporation’s business and the protection provided to employees filing complaints as aforesaid.	√	
24.		The Audit Committee (and/or the Financial Statement Review Committee) is satisfied that the scope of the independent auditor’s work and their fees in respect of the financial statements during the reported year were adequate for the purpose of carrying out the audit and review work in an appropriate manner.	√	

			Yes	No
The roles of the Financial Statements Review Committee (hereafter – the “Committee”) in its work prior to approval of the financial statements				
25.	a.	Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee’s recommendations in preparation for the discussion by the Board of Directors of the approval of the financial statements: Two days for quarterly financial statements and three days for annual financial statements.	-----	-----
	b.	The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of the Board of Directors’ discussing the approval of the financial statements: First quarter financial statements (2018): 3. Second quarter financial statements: 4. Third quarter financial statements: 2. Annual financial statements: 4.	-----	-----
	c.	The number of days which elapsed from the date of submitting the financial statements’ draft to the directors to the date of discussing the financial statements’ approval by the Board of Directors: First quarter financial statements (2018): 3. Second quarter financial statements: 4. Third quarter financial statements: 2. Annual financial statements: 4.		
26.	The corporation’s independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation’ financial statements relating to the periods included in the reported year were discussed. If your answer is “No”, please note the proportion of the meetings in which he participated: ____.		√	
27.	During the entire reported year and until the publication of the annual financial statements, the Committee met all of the conditions set out below:			
	a.	It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid).	√	
	b.	All of the conditions set out in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members).	√	
	c.	The Chairman of the Committee is an outside director.	√	
	d.	All of its members are directors and most of them are independent directors.	√	
	e.	All of its members have the capacity to read and understand financial statements and at least one of the independent directors possesses accounting and financial expertise.	√	
	f.	The members of the Committee gave a statement prior to their appointment.	√	

			Yes	No
	g.	The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one outside director.	√	
	If your answer to one or more of the subsections of this question is “No”, please note in respect of which type of financial statements (annual or quarterly) the said condition was not met and which condition was not met: _____.		----	-----
The Compensation Committee				
28.		During the reported year, the Committee included at least three members, of which the outside directors constituted a majority (on the date of discussion by the Committee). ☐ N/A (no discussion was held).	√	
29.		During the reported year, the terms of service and employment of all members of the Compensation Committee were in accordance with the provisions of the Companies (Rules on Compensation and Expenses for an Outside Director) Regulations, 2000	√	
30		During the reported year, the following did not serve as a member of the Compensation Committee -	-----	-----
	a.	The controlling shareholder or his relative. ☐ N/A (the corporation does not have a controlling shareholder)	√	
	b.	The Chairman of the Board of Directors.	√	
	c.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	√	
	d.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control on a regular basis.	√	
	e.	A director whose main source of income is the controlling shareholder. ☐ N/A (the corporation has no controlling shareholder).	√	
31.		During the reported year, the controlling shareholder or his relative did not participate in meetings of the Compensation Committee, unless the Chairman of the Committee determined that one of them was required to participate in order to present a certain topic.	√	
32.	The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(C), 272(C)(3) and 272(C1)(1)(c) to approve a transaction or compensation policy, despite objection by the General Meeting. If your answer is “No”, please specify – The type of transaction approved as aforesaid: _____. The number of times in which their power was used during the reported year:		√	

		Yes	No
Internal Auditor			
33.	The corporation's Internal Auditor reports to the corporation's Chairman of the Board of Directors or CEO.	√	
34.	The Chairman of the Board of Directors or Audit Committee have approved the work plan during the reported year. The audit issues covered by the Internal Auditor during the reported year: (1) Reviewing the terms of the professional liability insurance policy taken out by the Company; (2) examining the work processes of the marketing department – by reviewing the occupancy sample of the Platinum and Atrium towers; (3) examining vulnerability to unauthorized access to computer systems; (4) checking control procedures applied to payments to suppliers; (5) Testing current activities in a property – Kiryat Ono Mall;	√	
35.	The scope of the internal auditor's position in the corporation during the reported year (in hours): 500.	----	----
	During the reported year, the Internal Auditor's findings were discussed by the Audit Committee or Board of Directors.	√	
36.	The Internal Auditor is not an interested party in the corporation, a relative thereof, an independent auditor or anyone on his behalf and therefore has no material business relations with the corporation, its controlling shareholder, his relative or corporations under their control.	√	
Transactions with interested parties			
37.	The controlling shareholder or his relative (including a company under his control) is not employed by the corporation or provides it with management services (a). If your answer is "No" (i.e., the controlling shareholder or his relative is employed by the corporation or provides it with management services, please specify -- the number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): 0. - Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law: ☒ Yes ☐ No ☐ N/A (the corporation has no controlling shareholder) _____.		X (a)
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's line of business (one or more lines of business). If your answer is "No" - please note whether there is an arrangement in place to segregate the activities of the corporation from those of its controlling shareholder: ☐ Yes X No (b) (Please check the appropriate box). ☐ N/A (the corporation has no controlling shareholder).		X (b)

(a) For purposes of Section 37, it should be noted that the Company and Alony Hetz Properties and Investments Ltd., the Company's controlling shareholder, entered into agreement for the provision of management services, whose term has been extended lately until 31.12.2021. For further information on this matter see also Note 23c(1) of the financial statements.

(b) For purposes of Section 38, it should be noted that the Company's controlling shareholder, Alony Hetz Properties and Investments Ltd., has holding in companies operating in the Company's line of business; but those companies only operate abroad, whereas the Company operates in Israel.

Chairman of the Board of Directors: Nathan Hetz

Chairman of the Audit Committee: Gad Pnini

Chairman of the Financial Statements Review Committee: Gad Pnini

Signing date: 10.3.2019

Annual report regarding the effectiveness of internal auditing over financial reporting and disclosure according to Regulation 9B(a)

Management, under the supervision of the Board of Directors of Amot Investments Ltd. (hereafter - the "Company") is responsible for setting and maintaining appropriate internal controls over financial reporting and the disclosure in the Company.

For that purpose, the members of the management are as follows:

1. Avi Mousler, CEO.
2. Yehudit Zinger, CFO.
3. Ohad Weis, Chief Comptroller.

Internal audit over financial reporting and disclosure includes the controls and procedures in place in the Company, which were designed by the CEO and the most senior financial officer or under their supervision, or by those who carry out these functions, under the supervision of the Company's Board of Directors and which are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, and to ensure that the information which the Company is required to disclose in the financial statements it publishes pursuant to the provisions the law is collected, processed, summarized and reported on the dates and in the format prescribed by law.

The internal controls include, among other things, controls and procedures that were designed to ensure that the information which the Company is required to disclose was accumulated and submitted to Company's management, including the CEO and the most senior financial officer or those who carry out these functions, in order to facilitate decision making at the appropriate time, in accordance with the disclosure requirements.

Because of its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements will be prevented or detected.

Management, under the supervision of the Board of Directors, has carried out a review and assessment of the internal controls over financial reporting and disclosure in the Company and their effectiveness. Based on this assessment, Company's Board of Directors and management have reached the conclusion that the internal controls over financial reporting and disclosure in the Company as of December 31, 2018 is **effective**.

Executive declarations

(a) Declaration of the Chief Executive Officer Pursuant to Regulation 9b(d)(1):

Executive Declaration

Declaration of the Chief Executive Officer

I, Avi Mousler, hereby declare that:

1. I reviewed the periodic report of Amot Investments Ltd. (hereafter – “Amot”) for the year 2018 (hereafter – the “Reports”).
2. To the best of my knowledge, the Reports do not include any misrepresentation of a material fact nor do they omit any representation of a material fact required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
3. To the best of my knowledge, the financial statements and other financial information included in the Reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of Amot as of the dates and periods covered by the Reports;
4. Based on my most up-to-date review of the internal controls over financial reporting and disclosure, I have disclosed to Amot’s independent auditor, Board of Directors and Audit Committee:
 - a. All significant deficiencies and material weaknesses in the setting or application of internal controls over financial reporting and disclosure that might reasonably adversely impact Amot’s ability to collect, process, summarize or report financial information such that doubt may be cast on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -
 - b. Any fraud, whether material or immaterial, in which the CEO, or anyone directly reporting to him, or any other employees are involved who have a significant function in the internal controls over financial reporting and disclosure thereof;
5. I, alone or in collaboration with others in Amot:
 - a. Set controls and procedures, or verified that controls and procedures are put in place under my supervision, whose purpose is to ensure that material information relating to Amot, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in Amot and its consolidated companies, specifically during the course of the preparation of the Reports; and –
 - b. I put in place controls and procedures or verified that controls and procedures are put in place under my supervision, which are designed to reasonably ensure the reliability of the financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - c. I assessed the effectiveness of the internal controls over financial reporting and disclosure, and presented in this report the Board of Directors and management’s conclusions as to the effectiveness of such internal controls as of the date of the Reports.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

March 10, 2019

Signature
Avi Mousler, CEO

(b) Declaration of the Most Senior Financial Officer Pursuant to Regulation 9b(d)(2):

Executive Declaration

Declaration of the Most Senior Financial Officer

I, Yehudit Zinger, hereby declare that:

1. I reviewed the periodic report of Amot Investments Ltd. (hereafter – “Amot”) for the year 2018 (hereafter – the “Reports”).
2. To the best of my knowledge, the Reports do not include any misrepresentation of a material fact nor do they omit any representation of a material fact required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
3. To the best of my knowledge, the financial statements and other financial information included in the Reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of Amot as of the dates and periods covered by the Reports;
4. Based on my most up-to-date review of the internal controls over financial reporting and disclosure, I have disclosed to Amot’s independent auditor, Board of Directors and Audit Committee:
 - a. All significant deficiencies and material weaknesses in the setting or application of internal controls over financial reporting and disclosure that might reasonably adversely impact Amot’s ability to collect, process, summarize or report financial information such that doubt may be cast on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -
 - b. Any fraud, whether material or immaterial, in which the CEO, or anyone directly reporting to him, or any other employees are involved who have a significant function in the internal controls over financial reporting and disclosure thereof;
5. I, alone or in collaboration with others in Amot:
 - a. Set controls and procedures, or verified that controls and procedures are put in place under my supervision, whose purpose is to ensure that material information relating to Amot, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in Amot and its consolidated companies, specifically during the course of the preparation of the Reports; and –
 - b. I put in place controls and procedures or verified that controls and procedures are put in place under my supervision, which are designed to reasonably ensure the reliability of the financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
 - c. I assessed the effectiveness of the internal controls over financial reporting and the disclosure to the extent that they apply to the financial statements and to the other financial information included in the Reports as of the date thereof; my conclusions as to my assessment as aforesaid were brought before the Board of Directors and management and are integrated into this report.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

March 10, 2019

Signature
Yehudit Zinger, CFO

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AMOT INVESTMENTS OF
THE ALONY HETZ GROUP

