Translated from the Hebrew original

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2013

UNAUDITED

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2013

UNAUDITED

INDEX

\- - - - - - - - - - -

Building a better working world

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

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

Auditors' review report to the shareholders of Adgar Investments and Development Limited

Introduction

We have reviewed the accompanying financial information of Adgar Investments and Development Limited and its subsidiaries (hereunder - the Group), which comprises the condensed consolidated balance sheet as of September 30, 2013 and the related condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the nine and three months then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets constitute approximately 63.3% of the total consolidated assets as of September 30, 2013, and whose revenues constitute approximately 69% and approximately 69.6% of the total consolidated revenues for the nine and three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel-Aviv, Israel
November 18, 2013

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

CONSOLIDATED BALANCE SHEETS

	September 30,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	259,578	183,163	181,598
Short-term investments	5	27	17
Customers	14,191	14,186	11,156
Deposits	24,787	32,458	32,593
Debtors and receivables	7,398	7,239	8,020
Current taxes receivable	11,924	5,743	10,938
Derivatives	7,133	-	1,291
	325,016	242,816	245,613
Non-current assets designated for sale *)	376,338	-	-
	701,354	242,816	245,613
NON-CURRENT ASSETS			
Derivatives	54	2,113	400
Loans	8,208	9,327	8,835
Fixed assets	15,000	17,723	17,230
Investment property *)	2,674,994	2,990,718	2,903,661
Investment property under construction	113,718	92,150	97,370
Intangible assets	31	97	71
Deferred taxes	15,299	14,318	17,205
	2,827,304	3,126,446	3,044,772
	3,528,658	3,369,262	3,290,385

*) See Note 8a below.

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

CONSOLIDATED BALANCE SHEETS

	September 30, 2013	September 30, 2012	December 31, 2012
	Unaudited	Unaudited	Audited
	NIS in thousands		
CURRENT LIABILITIES			
Credit from banking institutions and current maturities of long-term loans	214,675	219,753	179,273
Current maturities of bonds	141,676	123,265	125,297
Liabilities to suppliers and service providers	10,624	9,815	7,621
Taxes payable	15	7,741	15
Creditors and payables	75,584	58,646	103,548
Derivatives	11,390	11,818	10,743
	453,964	431,038	426,497
Liabilities relating to available for sale assets *)	166,269	-	-
	620,233	431,038	426,497
NON-CURRENT LIABILITIES			
Loans from banking institutions and other financial entities	1,193,679	1,305,424	1,273,287
Bonds	639,308	566,206	562,752
Derivatives	22,663	32,784	34,621
Employee benefit liabilities, net	87	23	87
Deferred taxes	151,758	128,136	126,494
	2,007,495	2,032,573	1,997,241
EQUITY			
Share capital	155,796	155,768	155,768
Share premium	256,993	256,643	256,643
Other reserves	(10,738)	(22,320)	(23,789)
Adjustments due to the translation of financial statements of activities abroad	(109,002)	(4,379)	(52,401)
Retained earnings	572,556	519,939	530,426
Total capital attributed to the Company's shareholders	865,605	905,651	866,647
Non-controlling interests	35,325	-	-
TOTAL EQUITY	900,930	905,651	866,647
	3,528,658	3,369,262	3,290,385

*) See Note 8a below.

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

November 18, 2013			
Date of approval of the financial statements	Doron Schneidman Chairman of the Board	Roy Gadish CEO	Liat Manor Finance Manager

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
INCOME					
Income from lease of properties	150,522	148,922	51,411	48,617	197,170
Increase in value of investment property and investment property under construction, net	94,266	63,872	34,377	-	75,318
	244,788	212,794	85,788	48,617	272,488
EXPENSES					
Maintenance of assets, net	8,342	12,231	1,776	3,383	13,799
Administrative and general	24,678	24,333	8,657	6,887	33,749
Issue expenses *)	8,817	-	8,817	-	-
	41,837	36,564	19,250	10,270	47,548
Income before finance expenses	202,951	176,230	66,538	38,347	224,940
Finance income	2,396	4,041	1,445	1,234	5,315
Finance expenses	(103,508)	(106,698)	(42,853)	(33,454)	(131,130)
Finance expenses, net	(101,112)	(102,657)	(41,408)	(32,220)	(125,815)
Income before capital gain	101,839	73,573	25,130	6,127	99,125
Capital gain	35	55	35	19	33
Income before taxes on income	101,874	73,628	25,165	6,146	99,158
Taxes on income	38,235	23,521	16,771	3,553	28,564
Net income	63,639	50,107	8,394	2,593	70,594
Attributed to:					
Company shareholders	50,824	50,107	6,667	2,593	70,594
Non-controlling interests	12,815	-	1,727	-	-
	63,639	50,107	8,394	2,593	70,594
Earnings per share:					
Net earnings per share attributed to Company shareholders (NIS):					
Basic and diluted net earnings	0.45	0.45	0.06	0.03	0.63

*) See Note 7b below.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
Net income	63,639	50,107	8,394	2,593	70,594
Other comprehensive income (loss) (after the tax effect):					
Amounts to be classified or reclassified to profit or loss under specific conditions:					
Profit (loss) in respect of cash flow hedging transactions, net	8,810	(7,557)	684	(3,003)	(9,213)
Adjustment resulting from the translation of financial statements of activities abroad	(60,313)	49,721	2,684	35,785	1,699
Total other comprehensive income (loss)	(51,503)	42,164	3,368	32,782	(7,514)
Total comprehensive income	12,136	92,271	11,762	35,375	63,080
Total comprehensive income (loss) attributed to:					
Company shareholders	(1,455)	92,271	9,529	35,375	63,080
Non-controlling interests	13,591	-	2,233	-	-
	12,136	92,271	11,762	35,375	63,080

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total	Non-controlling Interests	Total equity
	Unaudited							
	NIS in thousands							
Balance as at January 1, 2013 (Audited)	155,768	256,643	(23,789)	(52,401)	530,426	866,647	-	866,647
Net income	-	-	-	-	50,824	50,824	12,815	63,639
Total other comprehensive income (loss)	-	-	7,842	(60,121)	-	(52,279)	776	(51,503)
Total comprehensive income (loss)	-	-	7,842	(60,121)	50,824	(1,455)	13,591	12,136
Issue of shares in a subsidiary to non-controlling interest holders (see Note 7a below)	-	-	4,900	3,520	(8,694)	(274)	21,734	21,460
Cost of share-based payment	-	-	659	-	-	659	-	659
Realization of options to Company shares	28	350	(350)	-	-	28	-	28
Balance as at September 30,2013	155,796	256,993	(10,738)	(109,002)	572,556	865,605	35,325	900,930

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at January 1, 2012 (Audited)	155,768	256,643	(17,416)	(54,100)	494,832	835,727
Net income	-	-	-	-	50,107	50,107
Other comprehensive income (loss)	-	-	(7,557)	49,721	-	42,164
Total comprehensive income (loss)	-	-	(7,557)	49,721	50,107	92,271
Dividend paid to Company's shareholders	-	-	-	-	(25,000)	(25,000)
Share-based payment	-	-	2,653	-	-	2,653
Balance as at September 30, 2012	155,768	256,643	(22,320)	(4,379)	519,939	905,651

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders							
	Share capital	**Share premiums**	**Other reserves**	**Adjustments resulting from the translation of financial statements of activities abroad**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	Unaudited							
	NIS in thousands							
Balance as at July 1, 2013	155,768	256,643	(11,095)	(111,284)	565,889	855,921	33,092	889,013
Net income	-	-	-	-	6,667	6,667	1,727	8,394
Total other comprehensive income	-	-	580	2,282	-	2,862	506	3,368
Total comprehensive income	-	-	580	2,282	6,667	9,529	2,233	11,762
Cost of share-based payment	-	-	127	-	-	127	-	127
Realizations of option to Company shares	28	350	(350)	-	-	28	-	28
Balance as at September 30,2013	155,796	256,993	(10,738)	(109,002)	572,556	865,605	35,325	900,930

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at July 1, 2012	155,768	256,643	(19,997)	(40,164)	517,346	869,596
Net income	-	-	-	-	2,593	2,593
Other comprehensive income (loss)	-	-	(3,003)	35,785	-	32,782
Total comprehensive income (loss)	-	-	(3,003)	35,785	2,593	35,375
Share-based payment	-	-	680	-	-	680
Balance as at September 30, 2012	155,768	256,643	(22,320)	(4,379)	519,939	905,651

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at January 1, 2012	155,768	256,643	(17,416)	(54,100)	494,832	835,727
Net income	-	-	-	-	70,594	70,594
Other comprehensive income (loss)	-	-	(9,213)	1,699	-	(7,514)
Total comprehensive income (loss)	-	-	(9,213)	1,699	70,594	63,080
Share-based payment	-	-	2,840	-	-	2,840
Dividend to Company shareholders	-	-	-	-	(35,000)	(35,000)
Balance as at December 31, 2012	155,768	256,643	(23,789)	(52,401)	530,426	866,647

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
CASH FLOWS FROM CURRENT ACTIVITIES					
Net income	63,639	50,107	8,394	2,593	70,594
Adjustments required to present cash flows from current activities:					
Adjustments to the profit and loss items:					
Increase in value of investment property and investment property under construction, net	(94,266)	(63,872)	(34,377)	-	(75,318)
Finance expenses, net	101,112	102,657	41,408	32,220	125,815
Capital gain	(35)	(55)	(35)	(19)	(33)
Depreciation and amortization	4,912	5,683	1,737	1,693	7,824
Taxes on income	38,235	23,521	16,771	3,553	28,564
Change in employee benefit liabilities, net	-	-	-	-	64
Cost of share-based payments	659	2,653	127	680	2,840
	50,617	70,587	25,631	38,127	89,756
Changes in asset and liability items:					
Increase in customers	(3,457)	(3,813)	(2,833)	(1,628)	(1,687)
Decrease (increase) in debtors and receivables	(2,901)	782	8,046	572	3,103
Increase in liabilities to suppliers and service providers	3,616	664	101	623	1,027
Increase (decrease) in creditors and payables	(10,832)	(724)	12,213	3,135	29,395
	(13,574)	(3,091)	17,527	2,702	31,838
Cash paid and received during the year for:					
Interest paid	(83,872)	(99,848)	(28,277)	(32,378)	(124,316)
Interest received	4,230	3,424	2,958	1,948	3,514
Taxes paid	(1,524)	(6,150)	(1,452)	(32)	(18,186)
Taxes received	3	1,681	-	476	1,681
	(81,163)	(100,893)	(26,771)	(29,986)	(137,307)
Net cash provided by current activities	19,519	16,710	24,781	13,436	54,881

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
CASH FLOWS FROM INVESTMENT ACTIVITIES:					
Settlement (investment) in deposit in trust, net	(5,234)	-	33,000	1,912	-
Proceeds from sale of investment property	13,308	220,836	-	332	220,320
Sale of short term investments	-	41,892	-	-	41,892
Acquisition of hedge transaction	(4,116)	-	(4,116)	-	-
Acquisition of investment property	(197,477)	(21,516)	(11,546)	(5,327)	(30,098)
Acquisition of investment property under construction	(11,116)	(290)	(6,857)	(89)	(5,510)
Acquisition of fixed assets	(729)	(1,087)	(643)	(465)	(1,673)
Capitalization of interest paid to investment property under construction	(5,443)	-	(2,539)	-	-
Acquisition of intangible assets	-	(18)	-	-	(18)
Proceeds from sale of fixed assets	192	189	192	102	1,682
Settlement of lessee loan, net	151	142	50	48	189
Net cash (used in) provided by investment activities	(210,464)	240,148	7,541	(3,487)	226,784
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of short-term credit from banking institutions	(3,573)	(31,674)	(1,126)	(29,486)	(33,390)
Receipt of long-term loans	231,568	44,022	19,692	44,022	44,022
Settlement of long-term loans	(47,385)	(57,769)	(13,317)	(18,603)	(79,651)
Dividend paid to Company shareholders	(10,000)	(25,000)	-	-	(25,000)
Issue of shares to non-controlling interests In a subsidiary of the Company	21,460	-	-	-	-
Realization of options into Company shares	28	-	28	-	-
Issue of bonds net of issue expenses	193,947	-	-	-	-
Settlement of bonds	(110,628)	(109,375)	(39,222)	(38,996)	(109,375)
Early settlement of bonds	-	(9,425)	-	(2,911)	(9,425)
Net cash provided by (used in) finance activities	275,417	(189,221)	(33,945)	(45,974)	(212,819)
Translation differences in respect of cash balances in in foreign entities	(6,492)	2,854	102	2,025	80
Increase (decrease) in cash and cash equivalents	77,980	70,491	(1,521)	(34,000)	68,926
Balance of cash and cash equivalents as at the beginning of the period	181,598	112,672	261,099	217,163	112,672
Balance of cash and cash equivalents as at the end of the period	259,578	183,163	259,578	183,163	181,598

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
(a) Significant non-cash activities					
Acquisition of fixed assets and investment property against suppliers and service providers	6,320	-	6,320	-	9,134
Dividend declared but not yet paid	-	-	-	-	10,000
Sale of investment property against debtors	-	1,049	-	1,049	-

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of September 30, 2013 and for the nine and three month periods then ended (hereunder - interim consolidated financial statements). These financial statements should be read in conjunction with the Company's audited annual financial statements as of December 31, 2012 and for the year then ended and their accompanying notes (hereunder - annual financial statements).

b. As at September 30, 2013, the Company has a positive working capital of about NIS 81 million. The working capital includes non-current assets designated for sale, net in the amount of about NIS 210 million (in addition see Note 8a below).

c. On July 29, 2013 and on October 17, 2013 the Company published amendments to its off the shelf prospectus (hereunder – "the prospectus amendments") which allows Direct I.D.I. Holdings Ltd. ("Direct Holdings"; Direct Holdings is the parent company of the Company) to perform a full alternative acquisition proposal for the shares of Direct Insurance – Financial Investment Ltd. ("Financial Investments"; Financial Investments is the parent company of Direct Holdings) through a supplementary notice, as defined in the Securities Regulations (Supplementary Notice and Draft Prospectus), 2007 , if published ("the prospectus for completion") in the manner that the consideration to the offerees in the acquisition proposal, will be in units which include the Company's shares and I.D.I. Insurance Ltd. Shares ("alternative acquisition proposal" and "I.D.I. Insurance", respectively). On November 13, 2013 Direct Holdings announced that the alternative acquisition proposal, which was published in the framework of the supplementary notice on October 24, 2013 was not accepted by Financial Investments' shareholders.

d. The rating of bonds

On May 9, 2013 Midroog approved the Baa1 stable rating for each series of outstanding bonds (Series D - G) and approved the Baa1 rating for the issue of additional bonds of up to NIS 180 million par value.

On September 9, 2013, Maalot (Standard & Poor's) raised the rating for the bonds in cycle (Series E) with a stable rating outlook to ilBBB+ with a stable rating outlook.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. New standards, interpretations and amendments applied for the first time by the Company

The accounting policies and the calculation method adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the consolidated annual financial statements, except as noted below:

1. IAS 19 (Revised), Employee Benefits

In June 2011, the IASB issued IAS 19 (Revised) which is to be applied commencing January 1, 2013, including retroactive implementation with some exceptions. The first-time application of IAS 19 (Revised) did not have a material effect on the Company's financial statements.

2. IFRS 10, IFRS 11, IAS 27R - Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements

IFRS 10 - Consolidated Financial Statements

IFRS 10 (hereunder – IFRS 10) supersedes IAS 27 regarding the accounting treatment in consolidated financial statements and includes the accounting treatment of the consolidation of structured entities previously accounted for under SIC 12 - Consolidation - Special Purpose Entities.

IAS 27R - Separate Financial Statements

IAS 27R (hereunder – IAS 27R) supersedes IAS 27 and only addresses separate financial statements. The guidance regarding separate financial statements under IAS 27R remain unchanged.

IFRS 11 - Joint Arrangements

IFRS 11 (hereunder – IFRS 11) supersedes IAS 31 regarding the accounting treatment of interests in joint ventures and SIC 13 regarding the interpretation of the accounting treatment of non-monetary contributions by venturers.

The first-time application of IFRS 10, IFRS 11 and IAS 27R did not have a material effect on the Company's financial statements.

3. Amendement to IAS 1

The said amendment changed the manner of presentation of other comprehensive income items, such that items of other comprehensive income, which after the initial recognition of which will be transferred to profit and loss, will be presented separately from items of other comprehensive income which are never transferred to profit and loss. The amendment will not have a material effect on the manner of presentation of the financial statements of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. New standards, interpretations and amendments applied for the first time by the Company (Cont.)

4. IFRS 13 - Fair Value Measurement

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also specifies the characteristics of market participants and determines that fair value is based on the assumptions that would have been used by market participants. Fair value reflect the ability of the market participant's to generate economic benefits by using the asset in its highest and best use. In addition, IFRS 13 also specifies the characteristics of market participants and the assumptions that market participants would use when measuring fair value. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The provisions of IFRS 13 are applied prospectively as from January 1, 2013 and they do not apply to comparative figures.

Disclosure requirements were added accordingly. The first-time application of IFRS 13 did not have a material effect on the Company's financial statements.

c. Disclosure of new IFRS standards in the period prior to their adoption

Interpretation No. 21 to International Financial Reporting (IFRIC 21) - Levies

In May 2013, the IASB published Interpretation No. 21 to the International Financial Reporting (IFRIC 21) (hereunder – the interpretation), regarding levies imposed by Government institutions via legislation. According to the interpretation, the liability to pay levies shall be recognized only when there is an event that creates the obligation for payment.

The interpretation will enter into force from annual periods beginning on or after January 1, 2014. Earlier application is permitted.

The Company is examining the possible impact of the adoption of the interpretation on its financial statements. However, at this stage, it is unable to evaluate such effects, if any on the financial statements.

NOTE 3:- DATA OF THE CPI AND REPRESENTATIVE EXCHANGE RATE OF FOREIGN CURRENCY

	Israeli CPI	Representative exchange rate of the Zloty (Polish currency)	Representative exchange rate of the Canadian dollar	Representative exchange rate of the Euro
	Points *)	NIS	NIS	NIS
As at				
September 30, 2013	223.8	1.132	3.432	4.773
September 30, 2012	220.8	1.226	3.995	5.065
December 31, 2013	219.8	1.214	3.750	4.921
Rate of change in the year ended	%	%	%	%
September 2013 (nine months)	1.8	(6.8)	(8.5)	(3.0)
September 2013 (three months)	0.5	3.9	(0.6)	1.1
September 2012 (nine months)	2.1	9.9	6.8	2.6
September 2012 (three months)	1.1	7.0	4.4	2.7
December 2012 (twelve months)	1.6	8.8	0.3	(0.3)

*) The index on an average basis of 1993 = 100.

NOTE 4:- SEGMENTS OF ACTIVITY

a. General

1. The Group operates in the income generating real estate market. Its main activity is holding income-generating properties, mainly for use as office premises. The Group has income-generating properties abroad (Belgium, Canada and Poland) that are held through companies registered abroad, as well as income-generating properties in Israel.

2. All the income and expenses are attributed directly to segments of activity since the Company's management examines its activities based on these segments.

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity

	For the period of nine months ended as at September 30, 2013				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of assets	34,510	12,239	45,283	62,439	154,471
Deduction of deferred incentives to lessees	(154)	-	(470)	(3,325)	(3,949)
Increase (decrease) in value of investment property	(279)	806	61,640	32,099	94,266
Total income	34,077	13,045	106,453	91,213	244,788
Segment results	18,535	9,757	100,850	73,809	202,951
Finance income					2,396
Finance expenses					(103,508)
Net finance expenses					(101,112)
Income before capital gain					101,839
Capital gain					35
Income before taxes on income					101,874

	For the period of nine months ended as at September 30, 2012				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of assets	33,245	10,406	34,333	75,576	153,560
Deduction of deferred incentives to lessees	(30)	-	(397)	(4,211)	(4,638)
Increase (decrease) in value of investment property	533	(99)	7,441	55,997	63,872
Total income	33,748	10,307	41,377	127,362	212,794
Segment results	17,652	6,918	36,759	114,901	176,230
Finance income					4,041
Finance expenses					(106,698)
Net finance expenses					(102,657)
Income before capital gain					73,573
Capital gain					55
Income before taxes on income					73,628

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity

	For the period of three months ended as at September 30, 2013				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of assets	11,527	4,176	16,161	20,901	52,765
Deduction of deferred incentives to lessees	(50)	-	(137)	(1,167)	(1,354)
Increase in value of investment property	-	-	-	34,377	34,377
Total income	11,477	4,176	16,024	54,111	85,788
Segment results	5,137	3,326	13,272	44,803	66,538
Finance income					1,445
Finance expenses					(42,853)
Net finance expenses					(41,408)
Income before capital gain					25,130
Capital gain					35
Income before taxes on income					25,165

	For the period of three months ended as at September 30, 2012				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of assets	11,252	3,706	11,863	23,185	50,006
Deduction of deferred incentives to lessees	(9)	-	(106)	(1,274)	(1,389)
Total income	11,243	3,706	11,757	21,911	48,617
Segment results	6,652	3,030	10,170	18,495	38,347
Finance income					1,234
Finance expenses					(33,454)
Net finance expenses					(32,220)
Income before capital gain					6,127
Capital gain					19
Income before taxes on income					6,146

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

a. Report regarding segments of activity

	For the year ended as at December 31, 2012				
	Israel	Belgium	Poland	Canada	Total
			Audited		
Income:			NIS in thousands		
Income from leasing of properties before amortization	44,895	14,209	46,867	97,566	203,537
Deduction of deferred incentives to lessees	(65)	-	(704)	(5,598)	(6,367)
Increase (decrease) in value of investment property and investment property under construction, net	(366)	1,761	3,652	70,271	75,318
Total income	44,464	15,970	49,815	162,239	272,488
Segment results	21,889	10,774	44,016	148,261	224,940
Finance income					5,315
Finance expenses					(131,130)
Net finance expenses					(125,815)
Income before capital gain					99,125
Capital gain					33
Income before taxes on income					99,158

NOTE 5:- FINANCIAL INSTRUMENTS

a. Fair value

Following are the carrying amounts of the financial liabilities not presented at fair value and their fair value as at September 30, 2013:

	Balance	Fair value
	NIS in thousands	
Financial liabilities		
Long term loans with fixed interest (1)	752,270	787,685
Bonds (including interest payable) (2)	780,984	842,308
	1,533,254	1,629,993

(1) The fair value of long-term loans at fixed interst is based on the computation of the present value of cash flows at the company's interest rate for a similar loan with similar characteristics.

(2) The fair value is based on price quotations in an active market as at the reporting date on the financial position.

NOTE 5:- FINANCIAL INSTRUMENTS (Cont.)

b. Classification of financial instruments by fair value hierarchy

The financial instruments reported in the statement of financial position at fair value or a disclosure was provided for their fair value, are classified according to groups with characteristics that are similar to the fair value hierarchy which is determined based on the source of input used in determining the fair value:

Level 1 - Fair value measured by using quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Fair value measured by using anticipated inputs, either directly or indirectly, which are not included within Level 1 above.

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

For financial instruments recognized at fair value from time to time, the Company estimates at the end of each reporting period whether there have been transfers between the various levels of the fair value hierarchy.

As at September 30, 2013, the Company holds financial instruments measured at fair value according to the classifications as follows:

Finanical assets measured at fair value

	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Short term investments	5	-	-	5
Financial derivatives	-	7,187	-	7,187
Total	5	7,187	-	7,192

Finanical liabilities measured at fair value

	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial derivatives	-	34,053	-	34,053

The balance in the financial statements of: cash debtors and receivables, customers and deposits is compatiable or approximates their fair value.

NOTE 6:- TAXES ON INCOME

On July 30, 2013 the Knesset passed (the Israeli Parliament), on second and third reading, the Economic Plan for the years 2013 – 2014 (the Budget Law), which includes, among others, fiscal changes whose main purpose is to expand the tax collection in those years.

These changes include, among other things, raising the corporate tax rate from 25 % to 26.5 % , eliminating tax cuts in preferred plants (development area A - 9 %, and non- development area A - 16 %) and in certain cases raising the tax rate on dividends regarding the Encouragement of Capital Investment Law to 20 % beginning from January 1, 2014 . In addition, there are also other changes such as the taxation of revaluation profits from August 1, 2013. However, the aforementioned provisions regarding revaluation profits will enter into force on condition that the regulations which define what are "surpluses which are not liable to corporate tax" and regulations which will determine directives for preventing double taxation which might be applicable to assets outside of Israel, will be published. As at the date of publication of these interim financial statements, such regulations have not yet been published.

Deferred tax balances included in the financial statements as at September 30, 2013 are calculated according to the new tax rates, whose legislation was actually completed as at the balance sheet date and therefore they include the abovementioned changes, as relevant to the Company.

Following the change in the tax rates, there was an increase of about NIS 3 million in the reserve for deferred tax item. This change was allocated to the tax expenses in the statement of profit or loss.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Completion of the engagement agreement with Migdal Group companies for the investment of 19.9% of the issued and paid up share capital of a subsidiary in Belgium.

On June 2, 2013 , the Company concluded the engagement agreement with companies controlled and managed by Migdal Insurance Company (hereunder - "Migdal") under which the Migdal will receive an allocation of shares consituting about 19.9% of the issued and paid up shares of Adgar Investment and Development Poland N.V, a Belgian company wholly owned by the Company (hereunder – "subsidiary"), through which the Company's real estate activities in Poland is held, in return for an investment of about € 13.3 million in the subsidiary (from the said amount about € 8.8 million was granted to the subsidiary via an owners loan, with no repayment date, at an annual Euribor interest rate of plus a margin of 2.6 %).

In the framework of the agreement , the subsidiary has undertaken that the annual return on the real estate assets, between 2013 to 2015, will not be less than 7% (hereunder - "yield threshold"). In the event that the annual return for the assets of the said real estate will be lower than the yield threshold, Migdal will be entitled to the adjustments stipulated in the agreement, in connection with its investment in the subsidiary. The Company expects that the annual return of the real estate assets will not be lower than the yield threshold.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

a. Completion of the engagement agreement with Migdal Group companies for the investment of 19.9% of the issued and paid up share capital of a subsidiary in Belgium (Cont.)

In addition, in the framework of the agreement the parties undertook that in as far as within seven years from the closing date there will not be a public issue of the subsidiary or any another company which holds real estate assets of the subsidiary, Migdal will be entitled to convert the shares of the subsidiary, into the Company's shares, according to a conversion ratio determined in the agreement, which will be based on the valuation of the shares of the subsidiary. Hence, the value of the shares that the investor will receive will be the same as the value of the converted shares of the subsidiary as at the date of the conversion, as mentioned.

In August, 2013, Migdal invested an additional sum of about € 1.5 million through an owners loan to the subsidiary. The is on the same conditions as described above.

b. Proceedings of the initial public offer of the Company's real estate activities in Canada

Further to the Company's report on the examination of the possibility of an initial public offer of the Company's activities in the field of real estate in Canada, among others, by way of sale offer of some of the said activities, on April 8, 2013 the Company reported the engagement of the subsidiary in Canada in a letter of understanding with CIBC Markets Inc. (hereunder – "CIBC"), a non related entity of the Company and/or its controlling shareholders, whereby CIBC will serve as the leading underwriter of a group of Canadian investment entities with respect to the sale of the securities Canadian real estate investment trusts (REIT) which will be established by the Canadian corporations under the Company's control.

Following the agreement for the sale of an additional 25% of most of the assets of the subsidiary in Canada, in November 2013 (see Note 8a below), Company's management decided to freeze the proceedings for examining the initial public offer as mentioned above. As a result, the Company allocated the issue expenses in the sum of about NIS 8.8 million to the statement of profit and loss, during the reported quarter.

c. Acquisition of office building by subsidiary in Poland

On June 6, 2013, the Company's subsidiary completed a transaction under which it entered into a preliminary agreement with a third party, which is not related to the Company and/or to its controlling shareholders, for the acquisition of an office building in Warsaw, Poland on the total area for lease of about 42 thousand square meters and about 1,000 parking spaces. As at the date of the acquisition the asset was fully occupied, and the main leasee of the property, who held about 76% of the leased area, is to leave by the end of July 2013 and therefore the occupancy rate was expeced to decrease to about 24%.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

c. Acquisition of office building in subsidiary in Poland

In consideration for the asset the subsidiary paid the total sum of about € 36 million (including acquisition costs) exchange for a complete asset subsidiary aggregate proceeds of approximately EUR 36 million (including acquisition expenses), and about € 21 million from the consideration was financed by a bank loan. The subsidiary signed a lease agreement with the Polish Government Authorities to lease about 12 thousand square meters of offices and about 2 thousand square meters of warehouses at an additional investment of about € 2 million. After the occupancy of the Governmental Authority the occupancy rate of the asset is expected to rise to about 54%.

As at June 30, 2013 the Company received a valuation, from an appraiser in Poland, according to which the property was valued, according to its present condition, of about € 50.7 million. Accordingly, the Company recorded a gross profit from an increase in value of about € 14.6 million (the share attributable to the shareholders before tax is about € 11.7 million). The Company requested another appraisal from an independent appraiser and received an appraisal at a similar amount.

d. Expansion of Company bonds (Series G)

On May 19, 2013, the Company made a public issue of bonds (Series G) in the amount of NIS 180 million nominal value, by means of expanding the series, in consideration for about NIS 193.9 million (net of issue expenses). The terms of the bonds are in accordance with the bonds (Series G) issued by the Company according to a prospectus dated May 29, 2012.

NOTE 8:- EVENTS AFTER THE BALANCE SHEET DATE

a. Sale of an additional 25% of the rights in most of the assets of the subsidiary in Canada

After the balance sheet date, on November 17, 2013, the Company reported that the subsidiary in Canada entered into an engagement with a Canadian financial entity which is not related to the Company and/or to controlling shareholders therein (hereunder – "the purchaser") regarding the agreement for the sale of an additional 25% of the rights in most of the assets in Canada according to the value of about Canadian Dollars 110 million (about NIS 372 million), so that after the sale the subsidiary in Canada will hold 50% of the ownership in the abovementioned assets (after the sale of 25% of the rights in the assets in May 2012). According to the outline of the agreement, the purchaser will pay the subsidiary the sum of about CAD 53 million (about NIS 180 million) and will also bear in the subsidiary's liabilities towards the financing entities, in respect of each asset as mentioned above, according to its proportional share in each asset. The amount of liability which the purchaser will take upon itself is estimated at about CAD 57 million (about NIS 192 million), under the assumption that the Company will receive an additional finance of about CAD 8 million (about NIS 26 million) in respect of the abovementioned assets up to the date of completion.

NOTE 8:- EVENTS AFTER THE BALANCE SHEET DATE (Cont.)

a. Sale of an additional 25% of the rights in most of the assets of the subsidiary in Canada (Cont.)

The consideration reflects an increase in value in the amount of about CAD 10 million (about NIS 34 million) in respect of all the Company's assets in Canada. Completion of the agreement is subject to the fulfillment of suspending conditions in the agreement and completion of due diligence in respect of the assets.

b. Announcement about a dividend distribution

On November 18, 2013 the Company declared a dividend distribution in the amount of NIS 20 million (constituting about 17.8 agoroth per NIS 1 par value per share). The dividend will be paid on December 12, 2013 and the record date is on November 27, 2013.

\- - - - - - - - - - - -

F:\W2000\w2000\52032\m\13\EC9-IFRS-final.docx