Alony-Hetz

2019 Periodic Report

Alony-Hetz

- Description of the Corporation's Business
- Board of Directors' Report on the State of Corporate Affairs
- Consolidated Financial Statements
- Separate Financial Information
- Report on Effectiveness of Internal Controls
- Additional Information Regarding the Corporation
- Corporate Governance Questionnaire
- Reference to Report on the Corporation's Liabilities Inventory by Redemption Dates
- Reference to Financial Statements of Associate Company - PSP
- Joining the Financial Statements of an Associate Company – Carr
- Auditor's consent letters

Alony-Hetz

Description of the Corporation's Business

Description of the Corporation's Business

A. Description of the General Development of the Corporation and Other Information

1. The Corporation's Activity and Description of the Development of its Business

Alony-Hetz Properties and Investments Ltd. (hereinafter: "the Company") was incorporated on December 20 1989 and on November 14 1990 it changed its name to its current name. The Company began operating in November 1990 and in January 1993 the Company's shares were first listed for trade on the Tel Aviv Securities Exchange ("**TASE**").

Until November 26 2019, the Company's controlling shareholders were M. Wertheim (Holdings) Ltd.[1] and the Company CEO, Mr. Nathan Hetz and his wife, Clara Hetz (directly and indirectly, through fully-owned private companies). Starting November 26 2019, the Company has been a company without a control core.

The Company and its subsidiaries shall hereby be referred to as **"the Group"**.

2. Area of Activity

The Group focuses on holdings granting material influence over leading companies active in the field of income-generating real estate (including the development and improvement of real estate) in Israel and in western countries. As of this report, the Group is active mainly in the following markets: Israel, the U.S., the UK and Switzerland.

The Group also has activity in the field of renewable energy.

2.1 The following is a description of the Group's principal holdings as of December 31 2019:

Principal investments in the field of income-generating real estate:

Activity in Israel

55.22% stake in Amot Investments (hereinafter: "**Amot**"). Amot is a public company listed for trade on the Tel Aviv Securities Exchange Ltd. (**TASE**), and is engaged, directly and indirectly through corporations it controls, in the rental, management and maintenance of income-generating properties in Israel, as well as in the purchase, initiation and development of real estate for rental purposes. Amot owns, directly and indirectly, real estate that includes offices buildings, commercial centers, independent supermarkets, logistical centers and industrial parks. Immediately prior to the publication of this report, the Company's stake in Amot is 55.2%. For further information on Amot see Chapter B below.

Activity in the United States

Carr – a 44.01% stake in the capital of Carr Properties (hereinafter "**Carr**") and 50% controlled,[2] a real estate investment trust (REIT), most of the income-generating properties of which are located in the Washington DC, U.S. area. Carr is engaged, directly and indirectly, through companies in its full or partial possession, in investment in income-generating real estate for rent, including the management and maintenance of office buildings owned by it in the Washington DC metropolitan area and Boston metropolitan area, and also in the acquisition, initiation and development of land for rent in these areas. For additional information on Carr see Chapter C1 below.

[1] M. Wertheim (Holdings) Ltd. is a private company registered in Israel, held in full by a private company registered in Israel, fully owned by David Wertheim.

2The stake in Carr is jointly controlled with an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "JPM").

AH Boston – a 55% stake in the rights of three property companies in the Boston metropolitan area, with two of them being in the Boston CBD and one in East Cambridge.[3] For additional information on the investment in the Boston properties through the three property companies, see Chapter C2 below. For additional information on the investment in Boston through Carr see Chapter C1 below.

Activity in Europe

In the UK – as of the report date, the Company has a 95.35% stake in **Brockton Everlast INC. ("BE"),** which is engaged, directly and indirectly through corporations it controls, in the rental, management and maintenance of income-generating properties mainly in the London metropolitan area, as well as in initiation and development for rental purposes. BE began operating in the London Metropolitan Area in the fourth quarter of 2018. For information on the Company's engagement in a series of agreements with the Brockton Managers to establish Brockton Everlast and on investments in properties in London see Chapter D below and Note 6(d) to the Financial Statements.

In addition, the Group holds real estate investment funds in the UK by the name of **Brockton Capital** which deals in the initiation, development, improvement and management of investments in UK real estate. The funds (Funds I, II and III) are expected to divest all of their assets by the end of 2021. For further information on the Brockton Funds see Chapter D below and Note 5(1) to the Financial Statements.

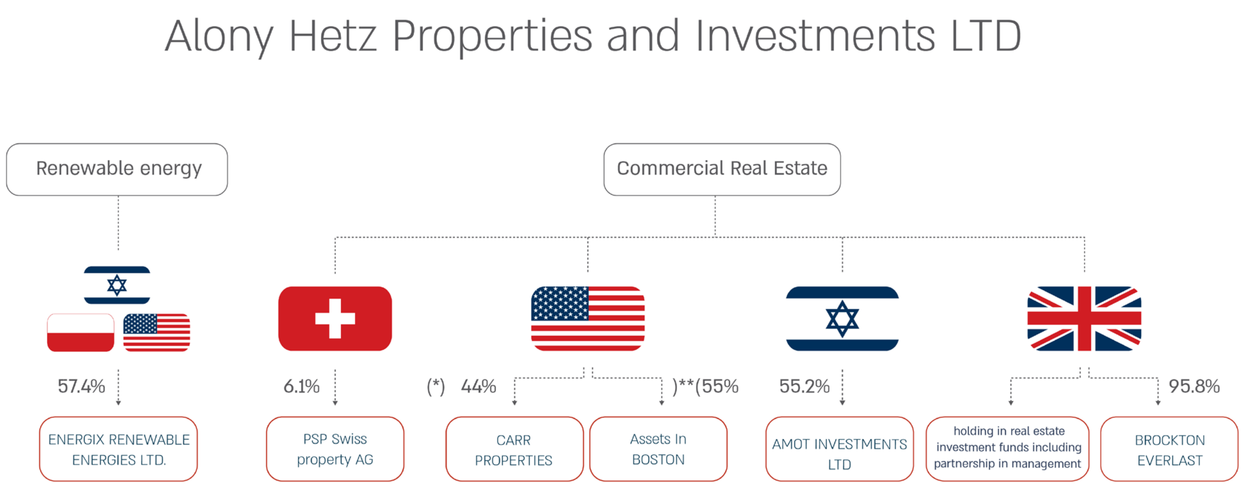
In Switzerland - a 7.96% stake in PSP Swiss Property Ltd. (hereinafter "**PSP**"), a public company in the income-generating real estate industry whose securities are listed for trade on the Zürich Stock Exchange. According to PSP publications, the Group is the sole interested party and largest shareholder in PSP. PSP is engaged, directly and indirectly through corporations it controls, in the rental, management and maintenance of income-generating properties in Switzerland, primarily offices, as well as in the purchase, initiation and development of real estate in its possession for rental purposes. Subsequent to the report date, the Company sold 850,000 regular PSP shares and its stake dropped to 6.1%. For further information on PSP and the Company's investment in it see Chapter E below.

Investments in the Field of Renewable Energy

As of the report date the Company has a 59.79% stake in Energix Renewable Energy Ltd. (hereinafter: "**Energix**"), a public company the shares of which are listed for trade on the stock exchange. Energix deals in the initiation, development, management and operation of photo-voltaic systems in its possession in Israel and the sale of power produced by them and in the initiation and development of photo-voltaic systems in the United States. In addition, Energix deals in the initiation, development, management and operation of projects for the production of electrical power in the field of wind energy in Israel and in Poland and the sale of power produced by them. Immediately prior to the publication of this report, the Company's stake in Energix was 57.4%. For further information on Energix see Chapter F below.

3 The stake is under joint control with Oxford, which holds the balance of the rights to the properties. Oxford is the real estate arm of OMERS (the Ontario Municipal Employees Retirement System).

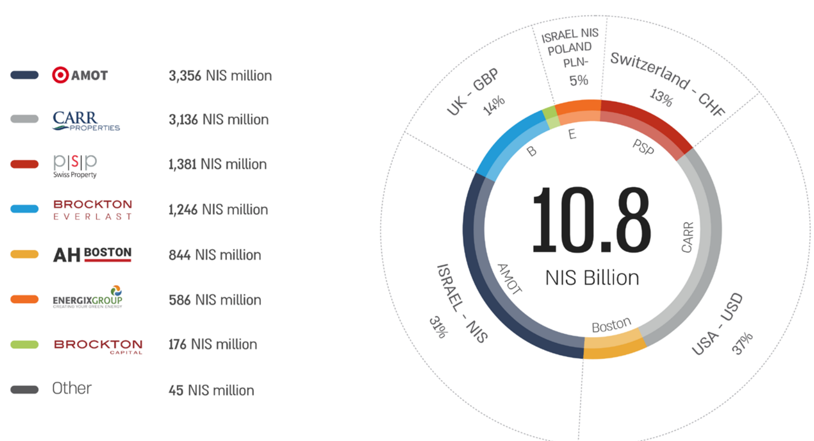
The following is the structure of the Company's holdings in its main active companies as of the publication of this report:[4]



*The Company and JP Morgan (through SSPF, an Investment fund managed by JP Morgan) have a Joint Control in Carr

** Holding along with Oxford Properties in three Reits which own office buildings in Boston. The company and Oxford Properties have a joint control agreement.

The following are the Company's principal investments (expanded solo)[5] as of December 31, 2019:



4The holding structure detailed above does not include corporations full or partially owned by the Company, through which the Company holds the corporations detailed in the chart.
5 Regarding the definition of expanded solo, see Appendix A to the Board of Directors' Report.

2.2 Changes in Scope of Activity in the Income-Generating Property Segment and in its Profitability over the Past Three Years

Over the past three years the Group has mainly been active in its primary area of activity (long-term investments in income-generating real estate), while changing the scope of its activities both in terms of the size of its investment portfolio and in terms of geographical goals:

Amot Investments	
Date (year):	**Sum of investment (In NIS million):**
2017	117
2018	156
2019	162
As of December 31, 2019 the Company holds 210 million Amot shares constituting 55.22% of Amot's equity and control. In 2017-2019 the scope of the Group's investments in income-generating real estate and development real estate in Israel via Amot (with no real estate revaluations) increased by 1.6 billion NIS. For additional information see Section 4 of Chapter B below. Regarding real estate revaluations listed in 2019 in the Financial Statements for Amot properties, see Section 2.5. to the Board of Directors Report.	

Carr Properties	
Date (year):	**Sum of investment (In NIS million):**
2017	237
2018	-
2019	246
As of December 31, 2019 the Company holds 50% of the voting rights and 44.01% of the capital rights of Carr Properties. For additional information see Chapter C1 below. In 2017-2019 the scope of the Carr's investments in income-generating real estate and development real estate in Washington DC and Boston (with no real estate revaluations) increased by $1.1 billion. For additional information, see Sections 4 and 5 in Chapter C1 below.	

AH Boston	
Date (year):	**Sum of investment (In NIS million):**
2017	198
2018	24
2019	44
As of December 31, 2019 the Group holds a 55% stake in the rights of three property companies in the Boston metropolitan area, with two of them being in the Boston CBD and one in East Cambridge[6].	

PSP	
Date (year):	**Realization sum (In NIS million):**
2017	-
2018	Sale of 1 million shares (364 million NIS)
2019	Sale of 950,000 shares (440 million NIS)
As of December 31, 2019 the Company holds 7.96% of PSP's capital. Subsequent to the report date, the Company sold an additional 850,000 PSP shares in return for 124 million CHF (some 450 million NIS) and its stake dropped to 6.1%.	

6 50% of rights in control and 55% in capital.

Brockton Everlast	
Date (year):	**Sum of investment (In NIS million):**
2018	210
2019	1,008
Subsequent to the report date, the Company invested a total of £29 million (132 million NIS) in **Brockton Everlast**. As of December 31, 2019 the Company has a 95.35% stake in **Brockton Everlast.**	

<u>Brockton Funds</u>
In 2017-2019, the Company invested £36 million (167 million NIS) in the Brockton Funds, and received receipts for the realization of assets by the Funds to the sum of £81 million (380 million NIS).

2.3 Changes in Scope of Activity and Profitability of the Area of Renewable Energies and its Profitability

The following are the Company's investments in Energix Renewable Energies Ltd. in the past three years:

Energix Renewable Energies Ltd.	
Date (year):	**Sum of investment (In NIS million):**
2017	45
2018	-
2019	36
As of December 31, 2019 the Company's stake in Energix was 59.79%. Subsequent to the report date, the Company invested a total of 34.5 million NIS in Energix.	

- **In 2017-2019** Energix strengthened and expanded its activity and increased the size of its project portfolio in all three of its operating anchors – Israel, Poland and the U.S. While Israel and Poland are existing operating anchors Energix seeks to continue developing, over the course of 2019 Energix began developing its activity in the U.S. as well. For information in the development of Energix's activity in 2019 see Chapter F below.

3. Investments in the Corporation's Equity and Transactions with its Shares

Regarding investments in the corporation's capital made over the past two years, see Note 16b to the Financial Statements.

On November 26 2019, M. Wertheim (Holdings) Ltd. sold 7,465,064 m² of Company property and dropped to a stake of under 5%. The voting agreement between M. Wertheim (Holdings) Ltd and Nathan Hetz was cancelled and accordingly, the Company ceased being a company with a control core. For further details see the immediate report published by the Company on November 27 2019 (reference no.: 2019-01-103038).

4. Dividend Distribution

The Company's policy is to have all of its shareholders participate in the Company's profits by way of dividend distribution each year on a regular basis, so long as the distribution of dividends does not impact the Company's cash flow, taking into account the Group's future investment plans as may exist from time to time and subject to the law.

For further details regarding the Company's dividend policy, for details regarding the sums of dividends distributed by the Company in the reported periods and the balance of distributable profits as of December 31, 2019 – see Note 16d to the Financial Statements.

5. Financial Information Regarding the Company's Areas of Activity

The Company's expanded solo Financial Statements are condensed Company Financial Statements presented in accordance with the IFRS, except for the investments in Amot, in Energix and in BE, which are presented on an equity basis in lieu of consolidating their financial statements with those of the Company (all other investments are presented unchanged vs. reports presented in accordance with the IFRS). **These expanded solo statements do not constitute separate financial statements as defined in IAS 27 and Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 and are not part of the information that is required to be published as per the securities statutes.**

5.1 Information Regarding Primary Investments in the Company (Expanded Solo) in the income-generating Property Segment by Geographical Distribution (*)

	December 31 2019		December 31 2018	
	NIS thousand	%	NIS thousand	%
Israel – investment in Amot	3,356,383	33	2,802,378	31
Switzerland – investment in PSP	1,381,418	14	1,742,011	20
U.S. – investment in Carr	3,135,978	31	3,274,323	37
U.S. – investment in AH Boston	844,452	8	734,310	8
UK – Brockton Everlast	1,246,092	12	171,882	2
UK – investment in Brockton Funds	176,035	2	172,485	2
Other	27,133	-	18,803	-
Total*	**10,167,491**	**100**	**8,916,192**	**100**

5.2 Information Regarding the Group's Primary Investments in the Field of Income-Generating Property by Geographical Distribution (*)

	December 31 2019		December 31 2018	
	NIS thousand	%	NIS thousand	%
Israel – investment property (including real estate in development) **	13,347,046	62	10,995,017	65
Switzerland – investment in PSP	1,381,418	6	1,742,011	10
U.S. – investment in Carr	3,135,978	15	3,274,323	19
U.S. – investment in AH Boston	844,452	4	734,310	5
UK – investment property in Brockton Everlast	2,573,708	12	-	-
UK – investment in Brockton Funds	176,035	1	172,485	1
Other	27,133	-	18,803	-
**Total ** **	**21,485,770**	**100**	**16,936,949**	**100**

(*) The balances presented above do not include cash, deposits and tradable securities that as of December 31, 2019 amounted to a total of 772 million NIS (consolidated) and 519 (expanded solo) and as of December 31 2018 amounted to a total of 1,014 million NIS (consolidated) and 563 million NIS (expanded solo).

(**) Including investment in real estate companies held by Amot and presented in the Financial Statements using the book value methods.

5.3 Information Regarding Investments in the Renewable Energy Segment

Energix deals in the initiation, development and maintenance of electricity-generating facilities in the renewable energies sector (photo-voltaic energy and wind energy), with the intent to hold them on a long-term basis.

As part of Energix's general activity in Israel, the U.S. and Poland, the total output of its systems amounts to 320 MW in commercially operated projects, 462 MW in projects in development or preparing for construction, 375 MW in projects in advanced stages of initiation and 1000 MW in projects in the initiation stage. As of this report, Energix has facilities connected to the electrical grid and systems being developed initiated at an amortized cost of 1.9 billion NIS – for details see Note 7 to the Financial Statements.

The balance of the Company’s investment (expanded solo) in Energix as of December 31, 2019 is 586 million NIS.

The following is information on the Group’s principal investments in the field of renewable energy:

Depreciated Cost	**December 31 2019**	**December 31 2018**
	In NIS million	**In NIS million**
Israel – photo-voltaic systems	604	564
Poland – wind farms	649	738
Projects in development	683	151
Total	**1,936**	**1,453**

For further information on Energix see Chapter F below.

5.4 Result Data on the Basis of Consolidated Statement of Income

For further information see Section 3.5.2 of the Board of Directors’ Report.

5.5 Result Data on the Basis of Expanded Solo Statement of Income

See Section 1.2. in Annex A to the Directors Report.

6. General Environment and Impact of External Factors – General[7]

All references appearing in this section to the Company's estimates regarding future developments in the general environment in which the Group operates and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

As a group essentially engaged primarily in the field of income-generating real estate in western countries, including Israel, the Group is exposed to changes in the economies in which it operates in general, and in the income-generating real estate sector in particular.

The growth rate of the global economic activity was 2.9% in 2019 versus 3.6% in 2018, the lowest rate since the financial crisis. In accordance with the updated forecasts (which include expectations regarding the impact of the COVID-19 virus on global growth rates), according to initial estimates for 2019, the Chief Economic Section at the Ministry of Finance, as well as the Bank of Israel Research Division, predict that the Israeli growth rate will be 3.1%.

The drop in growth, both in developed markets and in emerging markets, expresses a global trend focusing on the impact of the trade war, in the field of industry, and is particularly prominent in Europe and in China. A slowdown in growth, alongside weak trade and lack of inflationary pressure, have led the central banks to take expansive measures, including lowering monetary interest rates (in 2019 the Fed lowered interest rates from 2.25%-2.5% to 1.5%-1.75%, while in November 2019, the ECB activated a new plan for the purchase of bonds at a monthly scope of €20 billion, while announcing that it had no plans to increase the current interest rates, and may even lower them).

Toward the end of 2019, sentiments regarding the global economy improved, in light of a certain drop in uncertainty in the context of the trade war and Brexit.

Despite the indicators of a certain moderation of growth rates, the Israeli economy had its lowest unemployment rate in decades (3.4%), with a relatively high level of activity and high level of employment security.

Over the course of 2019 it turned out that the Israeli government deficit was expected to be high, near 4% of the GDP, and the fiscal uncertainty increased as a result of the political uncertainty and the steps the administration, when established, would be expected to take to deal with the increasing deficit.

The central banks lowering global interest rates instead of keeping them at their current levels in Israel, along with Israel joining the world government bond index (WGBI), have contributed to the trend of revaluation of the exchange rate of the NIS versus the USD and versus the EUR over the course of 2019.

---

7 Sources of Information in this section:

- Bank of Israel – Research Division Macroeconomic Forecast, January 2020
- Bank of Israel – Monetary Policy Report, Second Half 2019, February 2020
- Bank of Israel – Financial Stability Report – December 2019
- Bank of Israel – Monetary Committee Interest Announcement for December 24 2020.
- International Monetary Fund – World Economic and Financial Surveys – World Economic Outlook – January 2020

B. Investments in Israel – Amot Investments Ltd

1. General Information on Amot

As of December 31, 2019 the Company holds 55.22% of Amot's equity.

In 2019 the Company purchased 8.1 million shares of Amot for a total investment of 162 million NIS.

Amot has a single area of activity – Amot is engaged, directly and indirectly, by way of corporations under its control, in the rental, administration and maintenance of income-generating properties in Israel, as well as in the initiation and development of rental properties for rental purposes.

Amot owns real estate properties that includes offices buildings, commercial centers, logistical centers and industrial parks, independent supermarkets and more. Amot properties are located in primary business centers and on main roads. Most of Amot's properties are located in the large cities and in high-demand areas. The properties are rented out to 1,700 tenants, via contracts of varying durations.

The strategy laid down by the Company is to see Amot as the Company's Israeli income-generating real estate appendage (including initiation for cash).

Amot's income-generating properties in Israel, owed or rented, as of December 31, 2019 include 104 income-generating properties with a total area of 1.5 million m² (Amot's share), of which 942,000 m² are aboveground rental space and 567,000 m² are parking. In addition, Amot has 5 projects in advanced stages of planning and construction to the scope of 140,000 m² of above-ground space and 3 projects in planning and initiation stages to the scope of 115,000 m² of above-ground space (Amot's share).

The comprehensive fair value of Amot's properties as of December 31, 2019 is 13.5 billion NIS, of which the fair value of income-generating property as of December 31 2019 (not including properties in development) is 12.9 billion NIS and their occupancy rate as of that date was 97.7%. In addition, Amot holds investment properties in development intended for development for rental purposes with a fair value of 0.6 billion NIS.

Regarding a description of the Company's management agreement with Amot - see Note 6.(c).(4) to the Financial Statements.

Regarding dividends the Company received from Amot in the reported period and projected dividend receipts for 2020 – see Section 3.3.8 of the Board of Directors' Report.

2. General Environment and Impact of External Factors – Israel[8]

All references appearing in this section to estimates regarding future development in the general environment in which Amot operates and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain and s based on the sources of information noted by the Company.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

In 2019 as well as in the previous two years, it seems as though the Israeli economy was close to full employment and the GDP was growing at a rate near the potential growth rate of 3%. According to estimates by the Research Division of the Bank of Israel from 2020, the Israeli economy was expected to record a growth rate of 3.1% in 2019. The fine growth rate in the Israeli economy occurred in spite of the negative global sentiments. The Israeli employment marked has remained very tight. The employment continued to drop to a rate of 3.4% as of the end of 2019 from 4.2% at the end of 2018. In addition, the rate of open positions was at a high level of 3.5%, and real and nominal salaries continued to increase.

2019 was the year in which the monetary policy trend reversed. Over the course of the first half of the year, it seemed as though inflation had continued to increase in such a manner that the interest rates were trending up. At the same time, in light of the downward surprise of the mid-year inflation rates, along with economic developments around the world, the Bank of Israel began changing its future outline for interest rate to a downward direction and in the final quarter of 2019 began an expansive policy of purchasing real estate at a significant rate of $3.8 billion. The Bank of Israel interest rate remained at 0.25% in 2019, and in light of changes in the global economic environment and the inflationary environment, the committee's estimates regarding future interest rates were revised downward and event indicated a possible drop in interest rates.

The Consumer Price Index increased by 0.6% in 2019. In 2019 the NIS continued to grow stronger relative to the primary currencies and was revalued from 8.4% in terms of effective nominal exchange rates. According to the Bank of Israel's estimates, the strengthening of the NIS is the key factor that delayed the continued increase in inflation rates toward the center of the goal. As noted, the Bank of Israel has employed an interventionist policy in the foreign currency market and since October, the revaluation of the NIS relative to the USD, EUR and the effective exchange rate have been halted.

The following are macroeconomic characteristics pertaining to Israel[9]:

		Israel		
For the Year Ending	**Units**	**December 31 2019**	**December 31 2018**	**December 31 2017**
Macroeconomic Parameters				
GDP (PPP)	Billions of Dollars	354	337	318
Per capital GDP (PPP)	USD	39,121	37,994	36,562
GDP growth rate (PPP)	%	4.97%	5.96%	5.53%
Per capita GDP growth rate (PPP)	%	2.97%	3.92%	3.51%
Inflation rate	%	0.60%	0.80%	0.4%
Yield on long-term local government debt	%	1.47%	1.99%	1.91%
Rating of long-term government debt		AA-/A1	AA-/A1	A+/A1
Unemployment rate	%	3.4%	4.2%	4.0%

8Sources of Information in this section:

- Bank of Israel – Research Division Macroeconomic Forecast, January 2020
- Bank of Israel – Monetary Policy Report, Second Half 2019, January 2020
- CBRE Office Market View Q4-2019 February 2020.
- Office Market Review, First Half 2019 – Inter Israel Real Estate Constants - Cushman & Wakefield – January 2020.

9 In this table, unless noted otherwise, the source of data is the October 2019 IMF World Economic Outlook Database. Data for 2019 is estimated data; inflation rates in Israel for the last day of each year is from the Central Bureau of Statistics website, cbs.gov.il; the nominal rate of return on long-term Israeli government debt refers to 10-year bonds. The source of the data is the stats.oecd.org website, on the basis of data provided by the Bank of Israel's long-term government debt data is according to Moody's and Standard & Poor's publications; unemployment rate data is on the basis of the Central Bureau of Statistics website (the rate of unemployed workers from the total population age 15 and older is deducted on a seasonal basis).

The office market in Israel in 2019 continues to benefit low interest levels as well as the growth in GDP, which has contributed to continued demand for office space, particularly in high-demand areas (Tel Aviv – Ramat Gan – Bnei Brak). In most other areas of Israel, there have been no material changes in rental prices or in occupancy rates. The national average occupancy rate increased slightly from 88% to 89%.

The Tel Aviv office market continues to display strength and growth. The reduced offerings in new projects continue to push prices higher in prime properties. Apartment rental prices in Tel Aviv continued to increase, reaching a peak average of 103 NIS per m². The occupancy rate of offices in Tel Aviv has continued to increase, amounting to 95% as of the end of 2019.

High demand continued in the Ramat Gan Stock Exchange area, and the occupancy rate remained high at 93%, with rental prices increasing by 1% to 83 NIS per m².

In 2019, the construction and occupation of additional projects in Sarona and on the Yigal Alon axis continued, and new projects were planned in accordance with the Tel Aviv 5000 Plan, mainly on main traffic axes in southern Tel Aviv and on the Menachem Begin axis. In addition, space totaling 160,000 m² was added to Tel Aviv only.

Office absorption levels in the Tel Aviv – Ramat Gan – Bnei Brak market amounted to an average rate of 150,000 m² per year in recent years, so the market has succeeded in absorbing most of the new office space. In the next five years, a total of 1.4 million m² of office space is expected to be added to the Tel Aviv – Ramat Gan – Bnei Brak market.

In Herzliya Pituach. the increase in rental prices came to a halt in 2019. The reason for this is a number of high-tech companies vacating space in favor of offices in Tel Aviv. At the same time, occupancy in the new offices built in the area is full. As of the end of 2019, the general occupancy rate amounted to 92% and the average price per m² amounted to 86 NIS.

Ra'anana, which is located in the heart of the Sharon, picked up speed as an employment environment characterized by the high-tech sector. This area is a cheap alternative to Herzliya and an attractive source for educated workers in the Sharon region. Route 531, which opened over the course of 2018, crosses the Sharon region from west to east and connects the Ayalon Freeway, the Coastal Highway, Highway 4 and Highway 6, and constitutes an important aspect of the development of the entire region. Rental fees in the office market increased to a level of 61 NIS per m². The occupancy rate remains high at 90%.

Average rental fees in the Haifa office market increased slightly in 2019 from 64 NIS per m² to 65 NIS per m² and the occupancy rate increased slightly from 87% to 88%. In Jerusalem, average rental fees increased from 66 NIS per m² in 2019 to 67 NIS per m² and occupancy rates increased from 88% to 89%.

2019 saw a 0.5% drop in office discount rates, making the average discount rate of office buildings 6.5%, with the trend of decreased discount rates expected to continue so long as the margin between the yields of the properties and their financing rates remains high.

In the field of commerce, proceeds have remained stable after years in which the proceeds rate increased significantly. The improvement in private consumption alongside the increase in population supported the stability of the commercial centers in spite of increase competition in different trading arenas. Average rental fees increased at a moderate rate of 115 NIS per m² to a level of 117 NIS per m², and the average occupancy rate remained high, increasing from 89.7% to 91.1%.

The increase in population along the increase in household revenues continues to support trade, however, the increase in online trade (a penetration rate of 17%) includes Amazon's statement on its starting activity in Israel and the increase in outgoing tourism in light of the "Blue Sky" reform have continued to pose difficulties to physical trade.

2019 was characterized by a moderation in starts of construction for malls. Most shopping centers currently in development are neighborhood centers that provide basic service and are less exposed to economic cycles.

The change in mixture of commercial centers continued in the direction of entertainment and leisure at the expense of fashion chains. Leisure space includes restaurant space, which has increased significantly, the return of movie theaters, lifestyle compounds that include gyms, spas and so on as well as a significant increase in pop-up shops and in concept shops.

The yield from commercial centers also decreased this year, with differentiation between different types of commerce – malls, open shopping centers, neighborhood centers and street commerce.

The field of logistics continues to grow stronger, in light of the increase in the amount of online shopping and the continued strengthening in imports to Israel at the expense of domestic manufacturing. The demand for industrial and crafts spaces as well as designated space for modern storage in additional areas outside of Tel Aviv, as led to the development of multiple logistical centers in the second circle, and not just in peripheral areas.

Near the main traffic arteries crossing Israel, Route 6, Route 4 and Route 2, demand has been increasing for space for logistical compounds and distribution centers. Land prices for logistical centers have continued to increase in light of the increase in demand, particularly for large compounds. Occupancy rates remained high in leading areas. The requested price levels in leading areas for leading logistical compounds amounted to 44-48 NIS per m².

3. Financial Information Regarding Amot's Activity

In order to increase the transparency of data for analysts, investors, shareholders and bond holders, in this chapter, from this section onward all data presented in tables is on the basis of **expanded consolidated statements** data. In Amot's expanded reports, investments in investees (originating from indirect holdings in 5 income-generating properties and a single property in development via direct holdings in the shares of property companies), presented based on the book value method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 Joint Arrangements coming into effect.

The following is key data from Amot's financial statements:

	Unit of Measurement	2019	2018	2017
Number of properties	Unit	104	102	99
Value of investment property (without property in development)	NIS thousand	12,847,643	10,244,564	9,559,722
Weighted capitalization rate deriving from investment property	%	6.45	7.03	7.18
Occupancy rate at end of period	%	97.7	97.2	97.4
Value of investment property in self-development	NIS thousand	620,954	870,838	583,689
Equity	NIS thousand	6,103,254	4,836,823	4,297,445
Ratio of net financial debt to total balance sheet	%	42.3	45.4	47.1
Rental and management fee income	NIS thousand	793,123	742,877	698,570
Fair value adjustments of investment property	NIS thousand	890,768	269,965	170,026
NOI	NIS thousand	727,552	678,479	634,572
From identical properties – NOI	NIS thousand	649,636	642,326	625,117
FFO	NIS thousand	520,270	477,294	430,014
Net profit	NIS thousand	1,070,423	566,887	428,200
FFO per share	NIS	1.437	1.420	1.375
Ordinary dividend per share	NIS	0.94	0.9	0.84
NAV per share	NIS	16.02	13.92	13.23
NNAV per share	NIS	19.46	16.84	16.00
Share price at the end of the period	NIS	25.07	18.14	20.89
Company's Share of Amot NOI				
NOI – corporation's share	NIS thousand	412,707	399,402	383,233
From identical properties corporation's share – NOI	NIS thousand	368,508	374,281	320,938

For further information, see Note 6b and Note 6c to the Financial Statements.

4. Information on Amot Assets

The key factors that influence the value of income-generating properties and occupancy rates are: the location of the property; rental fees; the quality and stability of primary tenants; access to transportation (including public transportation); number of parking spaces; construction quality; municipal tax levels; regional services; business environment (including the level of competition in the area for the type of structure); proximity to the target population (essential for companies that deal with the public), to anchor bodies (such as courts or medical centers) and sources of manpower.

Prime Properties

Amot has a number of income-generating real estate properties that are located in prime areas and as a result enjoy a competitive advantage over other properties. The main reasons for defining a property as a prime property are:

- The area constitutes a designated employment area or has good access to transportation or proximity to main business or cultural centers and as such will always have a surplus relative demand even under difficult market conditions.
- The property is rented in full to a leading tenant in its field with a long rental life span.
- The property provides a solution to increased demand for designated use.

Amot examines all of its properties among other things on the basis of the array of considerations presented above. At the same time in light of the extended scope of properties and from a desire to present an optimal cross-section of the asset portfolio, Amot chose to present its assets broken down by uses:

4.1 Information about Amot's properties, by use:

4.1.1 Information regarding Amot's above-ground income-generating spaces in Israel, in square meters, divided by uses:

Uses	December 31 2019	% of Total Space	December 31 2018	% of Total Space
Offices	399,749	42%	362,365	43%
Commercial centers	130,723	14%	118,854	14%
Logistics and industrial parks	348,786	37%	298,786	36%
Supermarkets	38,889	4%	38,889	5%
Others	23,553	3%	23,553	**2%**
Total (*)	**941,700**	**100%**	**842,447**	**100%**
Company's total share of space according to holding rate for the period:	**519,969**		**490,473**	

(*) The areas detailed above include 35,000 m² of jointly controlled entities presented according to the book value method in Amot's Financial Statements.

For a cross-section of income-generating above-ground space in office buildings by geographical areas see 4.1.9 below.

4.1.2 Information regarding the fair value of Amot's income-generating properties in Israel divided by uses (in NIS thousand):

Uses	December 31 2019	% of Total Space	December 31 2018	% of Total Space
Offices	6,753,071	53%	5,385,665	53%
Commercial centers	2,718,801	21%	2,225,138	22%
Logistics and industrial parks	2,346,582	18%	1,691,007	17%
Supermarkets	723,402	6%	639,283	6%
Others	238,637	2%	228,782	2%
Total (*)	**12,780,493**	**100%**	**10,169,875**	**100%**
Company's total share of fair value according to holding rate for the period:	**7,056,881**		**5,920,901**	

(*) In 2018 not including a non-material overseas property at a value of 11.5 million NIS and in 2019 and 2018 not including land for development and betterment, to the sum of 67 million NIS and 63 million NIS, respectively.
Of the above in 2019 and 2018 properties worth 488 million NIS and 446 million NIS, respectively, belong to jointly-controlled entitles presented according to the book value method in the Financial Statements.
For a cross-section of the fair value of offices by geographical regions see 4.1.9 below.

4.1.3 Information regarding the NOI (net operating income) of Amot's income-generating properties in Israel divided by uses (in NIS thousand):

Uses	2019	% of Total Space	2018	% of Total Space	2017	% of Total Space
Offices	391,451	53%	354,832	52%	335,555	53%
Commercial centers	148,311	21%	150,059	22%	149,762	24%
Logistics and industrial parks	127,488	18%	113,781	17%	91,350	14%
Supermarkets	44,010	6%	42,987	6%	42,252	7%
Others	16,569	2%	16,163	3%	14,401	2%
Total (*)	**727,829**	**100%**	**677,822**	**100%**	**633,320**	**100%**
Company's total share of NOI according to holding rate for the period:	**412,864**		**399,015**		**382,477**	

(*) This data does not include non-attributable expense to the sum of 3 million NIS in 2019 and 2018 and 2 million NIS in 2017 and does not include an NOI of 1 million NIS for a non-material property abroad.
(**) Of the above, an NOI of 31 million NIS in 2019 and 30 million in 2018 and 2017 belongs to jointly controlled entities presented according to the book value method in the Financial Statements.
For a cross-section of NOI deriving from office buildings by geographical areas see 4.1.9 below.

4.1.4 Information regarding revaluation earnings (losses) from Amot's income-generating properties in Israel (in NIS thousand):

Uses	2019	% of Total Space	2018	% of Total Space	2017	% of Total Space
Offices	576,618	60%	154,826	87%	95,335	53%
Commercial centers	73,213	8%	(13,318)	(8%)	35,398	20%
Logistics and industrial parks	222,905	23%	24,347	14%	44,432	25%
Supermarkets	79,925	8%	10,634	6%	2,390	1%
Others	8,202	1%	862	1%	2,341	1%
Transaction costs due to the purchase of new properties	(59,375)		(27,525)		(23,433)	
Total (*)	**901,488**	**100%**	**149,826**	**100%**	**156,463**	**100%**
Total Company share of revaluation profits/losses according to stake for the period.	**511,372**		**88,199**		**94,492**	

(*) Of the above revaluation profits of 40 million NIS and 7 million NIS in 2019 and 2018, respectively, and a revaluation loss of 3.8 million NIS in 2017, belong to jointly-controlled entitles presented according to the book value method in the Financial Statements.
The data does not include revaluation profits to the sum of 3.6 million NIS in 2018 and revaluation losses of 0.2 million NIS in 2017 for a non-material overseas property.

4.1.5 Details of Average Monthly Rental Fees from Amot's Income-Generating Properties in Israel In Practice Divided by Uses (in NIS per Square Meter)

Uses	2019	2018
Offices	84	79
Commercial centers	115	110
Logistics and industrial parks	34	33
Supermarkets	94	92
Others	58	57

(*) Calculated on the basis of rental revenues only without parking and management fees.
Calculated on the basis of the full area of the properties less average unoccupied areas.
Calculated on the basis of standardization of average rental fees from properties acquired during the year.
For a cross-section of average monthly rental fees in office buildings by geographical regions see 4.1.9 below.

4.1.6 Information Regarding Average Occupancy Rates in Amot's income-generating Properties in Israel as of December 31 Divided by Uses (in Percentage Points)

Uses	2019	2018
Offices	96.1%	95.9%
Commercial centers	97.4%	96.2%
Logistics and industrial parks	99.3%	98.5%
Supermarkets	100.0%	100.0%
Others	100.0%	100.0%
Total	**97.7%**	**97.2%**

Amot has no material difference between the average occupancy rate on the reported date and the report year period.

4.1.7 Information Regarding Amot's Income-Generating Real Estate in Israel for the Year Ending December 31 Divided by Uses

Uses	2019	2018
Offices	32	31
Commercial centers	18	18
Logistics and industrial parks	16	15
Supermarkets	36	36
Others	2	2
Total	**104**	**102**

Of the above, 5 income-generating in Israel belong to jointly controlled entities presented according to the book value method in the Financial Statements.

4.1.8 Information Regarding Average Yield Rates (According to Value at the End of the Year) from Amot's Income-Generating Properties in Israel on the Basis of NOI in Practice Divided by Uses

Uses	2019	2018
Offices	6.2%	6.8%
Commercial centers	6.3%	6.9%
Logistics and industrial parks	6.4%	7.1%
Supermarkets	6.1%	6.7%
Others	6.9%	6.9%
Total	**6.3%**	**6.9%**

The yield rates deriving from the NOI cash flow in practice are slanted downward due to vacant spaces that do not currently create an actual cash flow, actual cash flow that does not necessarily reflect the revised rental contracts and NOI for partially income-generating properties during the period in question.

The cap rate used to discount Amot's properties is the "net" cap rate – meaning, in order to compare it to the cap rate of transactions with real estate properties with similar characteristics one must add between 0.25% and 0.5% to this cap rate, for transaction costs, in accordance with the type of the transaction and the discount fee level.

The specific cap rate for each property in each area depends on a number of factors:

- The level of the rental fees relative to the comparable properties in the area.
- The economic age of the property and type of construction.
- The location of the property and the future potential of the property.
- Tenant rating, length of rental contract, collateral for rental fees for the property, level of competition in the tenant's industry and level of competition in the area.

4.1.9 Breakdown of information on office properties divided by geographic regions:

Geographic Regions	Above-Ground Area as of December 31 2019	2019 NOI	Fair Value of Income-Generating Property as of December 31 2019	Rate of Total Real Estate	Average Monthly Rental Fees 2019
Greater Tel Aviv	200,938	237,799	4,281,094	63%	103
Gush Dan cities	151,595	123,073	1,970,649	29%	66
Other areas	47,216	30,579	501,329	8%	58
Total	**399,749**	**391,451**	**6,753,072**	100%	**84**

4.2 Expected Revenues from Signed Leases (Order Backlog)

The following is data regarding expected rental revenues due to rental agreements signed in Israel of Amot properties as of December 31 2019, broken down by their date of completion:

	Assuming failure to realize tenant option periods		
Period	Revenues From Components Fixed	Number of Contracts Ending	Subject Area The Agreements Ending
	In Millions of NIS	Unit	In Thousands m²
Q1	192	94	16
Q2	187	93	22
Q3	182	100	21
Q4	175	206	48
2020 total	**736**	**493**	**107**
2021	575	456	189
2022	435	323	128
2023	298	137	132
2024 onward	967	262	368
Total	**3,011**	**1,671**	**924**

The data appearing in the above table is subject to the following assumptions.

- Fines resulting from early departures, if such exist, were not taken into account.
- The sums include Amot's share of relatively consolidated properties.
- The table does not include expected revenues due to signed contracts in projects in development.

The information featured in the tables in this paragraph constitutes forward-looking information, as defined in Section 32a of the Securities Law, and as such its realization is uncertain and is not solely under Amot's control. The information refers to data existing and known to Amot on the publication of the report regarding expiry dates of the current rental contracts. The information may change as a result of factors not under Amot's control, such as the termination of rental agreements due to abandonment of the rental property, violations of the agreement or due to financial difficulties of tenants that may lead to the violation or discontinuation of the rental agreements.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors' Report.

4.3 Key Tenants

Amot has no tenants the rental fee revenues of whom constitutes 10% or more of all of its rental fee and property management income.

4.4 Information on Amot's primary income-generating properties:

Amot has ownership/leasing rights to several **office buildings** in Israel (some fully-owned and some with partners). The buildings are usually rented to professionals, commercial companies and high-tech firms.

Its prominent income-generating properties in this area include:

PROPERTY NAME	LOCATION OF PROPERTY	PROPERTY ATTRIBUTION
ToHa1 (Totzeret Ha'aretz Compound)	**Intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd., Tel Aviv**	**An exclusive tower being constructed according to Israel's highest standards, meeting the Leed Platinum code. The property was first occupied in 2019.**
Amot Investments Tower	Ramat Gan City Compound, Jabotinsky Street	A unique, prestigious tower being constructed according to Israel's highest standards, meeting the Leed Platinum code.
Amot Investments Tower, Europe Building	Shaul Hamelech Street, central Tel Aviv In the center of the city's court compound	Due to their proximity to the court compound, the offices constitute prime assets following excess demand from professionals and government ministries to rent space in the compound area.
Amot Mishpat Compound **(Amot Mishpat Building, Amot Hakiryah and 10 Duvnov)**		
30 Habarzel, Tel Aviv	Ramat Hachayal Compound, Tel Aviv	A modern and high-end office building on Habarzel Street in Ramat Hachayal, Tel Aviv.
Amot Insurance Compound (Buildings A, B and C)	Menachem Begin Rd. Tel Aviv	A compound consisting of 3 office buildings, one of which is rented in full to the Fattal Hotels chain. The compound has a high level of transportation access, on the Menachem Begin axis in Tel Aviv.
Amot Platinum Tower	Kiryat Aryeh, Petach Tikva	An office tower located in a central axis, highly visible from Route 4. The building enjoys high demand from high tech companies, investment, insurance and finance firms and from demand for rental space in the area.
Century Tower	Ibn Gevirol St., Tel Aviv	An office building located on a major axis, largely rented to service providers and health funds. (Amot's share – 50%)

Amot manages its office buildings itself and through external management companies or through the apartment building representative organizations.

Amot holds rights in 18 **malls and commercial centers.** Its prominent properties in this area include:

PROPERTY NAME	LOCATION OF PROPERTY	PROPERTY ATTRIBUTION
Kiryat Ono Mall;	Kiryat Ono city center	The mall is located in the center of the city, combining a commercial center with two office buildings offering modern and innovative systems.
Arim Mall, Kfar Saba	City center, Kfar Saba	The mall is partially open and is comprised of two sections connected by pedestrian bridges. Located in the city center and constituting part of the city's urban fabric.
B7 Commercial Center	Beersheba	Shopping and entertainment center, located in a commercial center of the city.
Orot Mall Or Akiva	Or Akiva	Regional mall, located at the entrance to the town of Or Akiva, on Highway 4
Central Mall Jerusalem	Jerusalem Central Bus Station (Amot's share – 50%)	A compound featuring a central bus station, commercial center and office building, at the entrance to Jerusalem.

The malls and shopping centers are managed by management companies owned by Amot or jointly owned by Amot and its partners. Amot's share of the holdings of the joint companies is at the same percentage of its holdings in the malls.

Amot owns and/or partially owns several **industrial and logistical parks**:

PROPERTY NAME	LOCATION OF PROPERTY	PROPERTY ATTRIBUTION
Logistic center – Shoham	**Hevel Modi'in Industrial Zone – Shoham**	**The property was purchased in November 2019 from Teva Pharmaceutical Industries Ltd. The property is rented in full to S.L.A. Solomon Levine Alstein Ltd. (a Teva subsidiary), which has been serving as a complex logistical center for automatic storage.**
Si'im Park Netanya **Poleg Park Netanya**	Poleg Industrial Zone Netanya South	The properties have undergone comprehensive facing and provide a response in an area with increased demand for combining uses both for high-tech and pharmaceutical industry purposes and for logistical and storage purposes.
Kargal Compound Lod	Lod Industrial Zone	A property rented in full to the Kargal Company, a leading company in its field with a long-term estimated rental life span.
Best Carton Compound	Caesarea Industrial Zone	A property rented in full to Best Carton, a leading company in its field.
Rehovot Park	Rehovot Industrial Zone	An industrial park featuring a 3-wing structure covering an area of 33,000 m², serving high-tech companies, and a logistical center.
C.D. Frankel Compound	Caesarea Industrial Zone	A property rented in full to the packaging industry
Logistical Structures, Modi'in	Modi'in Industrial Zone	Three properties rented to high-quality tenants (one property rented in full as a logistical center to Shufersal Ltd.).
Logistical Structure – Airport City	Airport City Industrial Zone	A property rented in full to a leading tenant and serving as a logistical center.

The parks are managed by management companies owned by Amot or by external management companies or by their tenants.

Amot has rights to a real estate property serving as a **central bus station**: the Jerusalem Central Bus Station
(Amot's share – 50%).

Amot owns 36 properties serving as **supermarkets**, nationally deployed, rented to Shufersal Ltd., Co-Op Jerusalem, Mega Wholesale and others. The supermarkets' occupancy rate as of December 31 2019 is 100%.

Amot is also operating in initiation and development and has purchased real estate for the purpose of initiating, developing and constructing income-generating assets for Amot's own use for rental purposes. For more on this see 4.6 below

4.5 Material income-generating Property

The following are details regarding the Atrium Tower in the Ramat Gan City Compound (material income-generating property):

Parameters	December 31 2019
Property name	Amot Atrium
Location of property	2 Jabotinsky St., Ramat Gan City Compound
Property spaces are split by use.	54,807 m² – offices (*) 561 m² – commercial 439 m² – storage
Structure of holdings in the property	Amot holds a 100% direct stake in the property
Land acquisition date	2007
Start of development works	Foundations – 2009 Start of construction – 2011

The following is a concentration of additional key data on the material property (in NIS thousand):

Parameters	December 31 2019	December 31 2018	December 31 2017
Fair value at the end of the year (*)	1,431,036	1,261,717	1,104,275
Book value at the end of the year (*)	1,431,036	1,261,717	1,104,275
Revaluation profits or losses (*)	145,101	118,582	51,668
Occupancy rate (%) as of December 31	99.5%	99.5%	98.5%
Areas rented in practice (m²) as of December 31	55,289	55,289	54,606
Total revenues after accounting averaging (*)	78,820	77,850	66,180
Average rental fees per m²	122	119	117
Average rental fees per m² in contracts signed per year	121	122	116
NOI after accounting averaging (*)	79,988	78,851	68,475
Adjusted yield rate/discount rate (**)	6.1%	6.75%	7.25%
Number of renters as of the end of the reported period	33	37	36
Accumulated cost from the beginning of the year	847,464	834,604	769,978
Current cost invested during the year	24,324	12,860	64,626
Total accumulated cost of construction as of the end of the year	871,788	847,464	834,604
Identity of Valuator	Konforti Raviv, Real Estate Appraiser	Konforti Raviv, Real Estate Appraiser	Ronen Katz of Greenberg Ulpiner & Co.
Validity date of the value assessment (the date to which the value assessment aims)	December 31 2019	December 31 2018	December 31 2017
Value assessment model (extraction/replacement cost/other)	Discounted cash flow	Discounted cash flow	Discounted cash flow

(*) The Amot Atrium data for December 31, 2019, 2018 and 2017 do not include 2,845 m² and 34 parking spaces for the Group's own use worth 81 million NIS, 73 million NIS and 65 million NIS, respectively. Revenues for 2017-2019 do not include revenue from Group companies to the sum of 2.5 million NIS per year for these areas. Revaluation profits in 2019, 2018 and 2017 do not include a total of 4.1 million NIS, 2.8 million NIS and 1.2 million NIS, respectively, for these areas.

(**) The discount rate used in the valuation as of December 31 2019 is 6.1%, with the exception of non-material components in connection with the management companies, regarding which the discount rate is 7%.

4.6 Investment Property Under Construction and in Development[10]

Amot has several properties undergoing construction and development.

The following information concerning the cost of projects in development and their completion dates constitutes forward-looking information as defined in Section 32a of the Securities Law, 1968, realization of which is not certain and not under Amot's sole control.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

4.6.1 Projects in Development as of December 31, 2019

Office Project in Holon

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

The project is being built on a 1.1-hectare parcel of land, located in the southwestern part of the Holon Industrial Zone C, on the corners of Hamelacha St. and Jerusalem Blvd. A Green Line railroad station is planned for this intersection (according to NTA publications, this station will be connected to the M3 Metro line in the future). The project will include a 20-story office tower with a total above-ground space of 56 thousand m², over a 5-level underground parking garage, after the addition of building rights to the project for 20 thousand m² (Amot's share - 77.8%). The tower will be built and operated as an income-generating rental property that will be managed by a joint Amot and Municipality management company.

The project is undergoing finishing works and parking garage systems, structural works and glass envelope works in the upper structure. Amot estimates that the project's construction will be completed over the course of 2021. Amot estimates the total scope of its investment in the project at 515 million NIS. As of the balance sheet date, 200 million NIS has been invested in the property.

Modi'in Logistical Project

In December 2016, Amot purchased a 3.4-hectare lot in Modi'in from the Israel Land Administration, in return for a total of 70 million Nis for discounted leasing fees and development expenses. In May 2018, Amot entered into an agreement with Shufersal Ltd. according to which Amot would sell Shufersal 25% of the land lease rights in Modi'in. Amot promoted a city building plan to increase the building area on the plot to a total area of 53,000 m² (the city building plan is in effect). The parties agreed to jointly construct a 42,700 m² logistic center and a 9,150 m² office building. The logistic center is leased to Shufersal for a period of 15 years with an option to extend the period. The expected investment amount for the partnership in the construction of the project was estimated at 400 million NIS (Amot's share of the investment (75%) is estimated at 300 million NIS). Amot's expected revenue is estimated at 24 million NIS per year. As of the reporting date, the project is in the final stages of the skeleton construction of the logistic center and in advanced stages of completion of the structural framework of the parking garage for the office building. As of the report date, some 148 million NIS has been invested in the property (Amt's share – 75%).

10 Data is presented according to Amot's share of the properties (and not according to the Company's share of Amot). As of December 31, 2019 and December 31 2018, the Company's share of the data presented is 58.22%.

Halehi Compound – Bnei Brak

In July and November 2018, Amot signed an agreement and an addendum to the agreement, respectively, with Allied Real Estate Ltd. ("Allied") according to which Allied would sell to Amot one half of the discounted leasing rights (subject to Allied signing a new discounted leasing agreement with the Israel Land Authority) to a 1.64 hectare lot on Halehi Street in Bnei Brak, in return for a total of 100 million NIS plus VAT. To date, Amot has made an advance payment on account and the balance of the payment will be made in the coming quarter. The lot is located in the Bnei Brak's Northern Industrial Zone, adjacent to Yarkon Park and the Ramat Hachayal Compound and near Ayalon Mall. The parties are working together to plan, develop and build an office and commercial project, which will feature 75,000 m² of aboveground space for marketing (of which 62,000 m² will be offices and 13,000 m² will be commercial space). The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at a total of some 1,100 million NIS (the Company's share - 50%). As of the report date, the project is in the process of carrying out reinforcement, excavation, and foundation work.

1000 Compound Rishon Lezion

In June 2018 Amot won a tender for the purchase of land in the 1000 Compound in Western Rishon Lezion in return for 30 million NIS. The land has rights for the construction of an employment structure with an area of 19,000 m². As of the report date, the project is in the planning and licensing stages.

Construction of ToHa2 Parking Garage (Totzeret Ha'aretz Compound)

Amot and Gav-Yam Real Estate Ltd. (hereinafter – "the Partners") hold joint rights (in equal shares) to land divisions with a total area of 1.7 hectares bordering Totzeret Ha'aretz, Yigal Alon and Hashalom Streets in Tel Aviv (hereinafter – "the Totzeret Ha'aretz Compound"). Construction of an office building in the Toha1 compound was completed during the reported period.

The Partners are in the construction stages of a parking lot in the Totzeret Ha'aretz Compound – Stage B (ToHa2). As of the report date, the project is in its completion stages of the parking lot reinforcement work.

4.6.2 Projects in Planning and Initiation Stages as of December 31, 2019

Amot has 3 medium-range projects in planning and initiation stages (3-8 years) for which no decision has yet been reached to construct them. Amot's share of them is an above-ground area of 115,000 m² and the total investment in the projects for the next few years is 1.4 billion NIS (Amot's share).

All of the information featured here in Section 4.6.2 is hereby forward-looking information, as defined in Section 32a of the Securities Law, and as such its realization is uncertain and is not solely under Amot's control. The information refers to data existing and known by Amot as of the publication of this report pertaining to environmental requirements, city construction plan changes subject to the approval of the planning and construction authorities, on receiving the consent of owners of bordering properties, which are not certain to be granted, as well as other data not under Amot's control and therefore there is no certainty these projects will go into effect.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

ToHa2 (Totzeret Ha'aretz Compound)

In August 2018 the Tel Aviv Local Committee for Planning and Construction approved, for deposit, a local Town Construction Plan for the additional of construction rights (within the framework of T/5000) for the construction of an additional office tower with a gross aboveground area of 140,000 m² (Amot's share – 50%). Pursuant to the plan, an underground connection was planned from the compound to the metro station for Lines M1 and M2 (in accordance with NTA publications) and the Hashalom railroad station. The plan is in the objections stage. The total investment for the construction of ToHa2 (including payments for the land component and without tenant adjustments) is estimated at 2 billion NIS (Amot's share – 1 billion NIS).

Platinum Stage B

The Company is planning to exercise the balance of its rights to the project to the scope of 17,000 m² and complete the purchase of additional construction rights in order to build a tower matching Platinum Stage A. The project is currently in planning stages.

Land at the Kfar Saba - Ra'anana North Interchange

Amot has land with construction rights for the construction of employment structures to with an above-ground area off 70,000 m² (Amot's share – 50%). Amot and its partner intend to construct a total of 30,000 m² of above-ground space (Amot's share – 50%).

The following is key data on key properties in development by Amot by uses. The data represents Amot's share of the projects and is presented in NIS thousand:

Region	Parameters	For the Year Ending December 31 2019	December 31 2018	December 31 2017
Use – Offices ToHa2 parking garage Tel Aviv/Holon/Halehi Compound Bnei Brak (**)/1000 Compound Rishon Lezion).	Number of properties in development at the end of the period	4	2	2
	Total above-ground areas in development (planned) at the end of the period – m²	100,068	56,500	56,500
	Total underground parking – m²	73,923	48,760	48,760
	Total costs invested in the current period	138,095	202,461	89,696
	The sum at which the properties are presented in the Financial Statements	270,280	591,304	276,185
	Construction budget in the consecutive period (estimate)	414,172	178,014	235,440
	Expected construction budget (estimate)	1,475,000	825,000	795,000
	Portion of the constructed area for which leases have been signed as of December 31.	2.67%	94%(*)	
	Portion of the constructed area for which leases have been signed near the signing of the report.	-	94%(*)	
	Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area (In NIS million).	-	47-50(*)	
Use – Logistics, Modi'in	Number of properties in development at the end of the period	1	1	1
	Total above-ground areas in development (planned) at the end of the period	(**)39,000	(**)25,500	34,000
	Total costs invested in the current period	43,928	11,136	4,694
	The sum at which the properties are presented in the Financial Statements	111,259	69,422	72,200
	Construction budget in the consecutive period (estimate)	189,000	73,912	13,100
	Expected construction budget (estimate)	300,000	250,000	200,000
	Portion of the constructed area for which leases have been signed and/are in final signing stages as of December 31.	100%(**)	100%(**)	
	Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area (In NIS million).	24	20	-

(*) The data is comprised of one property in which Amot's share of the area is 28,500 m² regarding which rental leases were signed at a rate of 94%, when the average yearly revenue expected for it is 47-50 million NIS as well as a property in which Amot's share of the property is 28,000 m² regarding which no rental contracts were signed.
(**) Halehi Compound Bnei Brak – to date, the Company has paid an advance on account and the balance of the payment will be made in the coming quarter.
(**) Regarding the engagement with Shufersal Ltd. see Note 7d to the Consolidated Financial Statements.

4.7 Land Classified as Investment Property[11]

The following is the principal data on parcels of land classified as investment property by their uses, in NIS thousand:

		2019		2018		2017	
		Sum Presented in the Financial Statements (in NIS thousand)	Area/Scope of Construction Rights (in m²)	Sum Presented in the Financial Statements (in NIS thousand)	Area/Scope of Construction Rights (in m²)	Sum Presented in the Financial Statements (in NIS thousand)	Area/Scope of Construction Rights (in m²)
Additional Construction Rights	Offices (*)	62,394	87,049	61,540	87,049	62,000	87,049
	Logistics and industrial parks	67,835	60,800	16,000	29,000	8,000	25,000
	Commercial	7,601	4,700	6,599	4,700	6,200	4,700
Land	Offices	137,750	28,285	163,648	31,507	155,112	28,701
	Commercial	9,900	8,650	9,900	8,650	82,100	41,688
Total		**285,480**		**257,687**		**313,412**	

(*) Including an advance payment on account of payments attributed to Stage B of the ToHa2 Project, subject to the completion of a local town plan for the addition of construction rights to the gross sum of 140,000 m² above-ground (Amot's share – 70,000 m²).

4.8 Acquisition and Sale of Rights to Income-Generating Properties by Uses

Use	Parameters	Unit of Measurement	For the Year Ending December 31 2019	December 31 2018	December 31 2017
Acquisition – Offices	Number of properties purchased in the period	Unit	(**)		2
	Cost of properties purchased in the period	Millions of NIS	134		344
	Expected NOI of properties purchased in the period	Millions of NIS	8.5		24.5
	Area of properties purchased in the period	Thousands of m²	9		17
Realization – Offices	Number of properties sold during the period	Unit			1
	Proceeds from the sale of properties sold in the period	Millions of NIS			16
	NOI of properties sold during the period	Millions of NIS			1
	Area of properties sold during the period	Thousands of m²			3
Acquisition – Logistics	Number of properties purchased in the period	Unit	1	3	
	Cost of properties purchased in the period (*)	Millions of NIS	452	425	
	Expected NOI of properties purchased in the period	Millions of NIS	22	25	
	Area of properties purchased in the period	Thousands of m²	50	57	
Acquisition – Commercial	Number of properties purchased in the period	Unit	(**)		
	Cost of properties purchased in the period (*)	Millions of NIS	404		
	Expected NOI of properties purchased in the period	Millions of NIS	25.5		
	Area of properties purchased in the period	Thousands of m²	12		

(*) Not including transaction costs.

(**) The transaction for purchasing the full rights to the Kiryat Ono mall was completed on November 28 2019. The property is a complex that features a mall, two office towers and an underground parking garage.

For further details regarding transactions in investment property during the reported period and subsequently see Note 4d to the Financial Statements.

[11] Data is presented according to Amot's share of the properties (and not according to the Company's share of Amot). As of December 31, 2019 and December 31 2018, the Company's share of the data presented is 58.22%.

4.9 Compliance with Consolidated Statement – Sections due to Amot [12]

		As of December 31 of 2019 NIS thousand	2018 NIS thousand
Fair Value Adjustment of Investment Property to Values in the Financial Statements (4.1.2 Above)			
Presentation in the description of the corporation's business	Total value of investment property from income-generating properties in Israel	**12,780,493**	**10,169,875**
Adjustments -	Land for development and betterment classified as investment property	67,150	63,299
	Non-material income-generating property abroad	-	11,461
	Classification of income-generating properties belonging to jointly-controlled entities for investment on a book value basis.	(487,871)	(458,134)
Presentation in the balance sheet	**Investment property item in the balance sheet – for Amot**	**12,359,772**	**9,786,501**
Adjustment of NOI Profits Deriving from income-generating Properties to Statement of Income Values (4.1.3 Above)			
Presentation in the description of the corporation's business	Total NOI profits from income-generating properties	**727,829**	**677,822**
Adjustments -	Operating expenses that cannot be attributed directly to a specific property	(2,956)	(2,809)
	NOI for properties classified to real estate in development that still generate income	1,950	1,873
	Classification of NOI for income-generating properties belonging to jointly-controlled entities presented according to the book value method (prior to equity profits)	(30,641)	(30,504)
Presentation in Statement of Income	**"Profit from the rental and operation of properties" item in the Statement of Income – for Amot**	**696,182**	**646,382**
Adjustment of Revaluation Profits Deriving from Income-Generating Properties to Statement of Income Values (4.5 Above)			
Presentation in the description of the corporation's business	Total revaluation profits from income-generating properties	**901,488**	**149,826**
Adjustments -	Profits from the revaluation of real estate in development	(640)	120,176
	Revaluation of land for development and betterment presented as investment property and others	(13,451)	54
	Classification of revaluation losses (profits) for income-generating properties belonging to jointly-controlled entities presented according to the book value method (prior to equity profits)	(40,138)	(7,081)
Presentation in Statement of Income	**"Fair value adjustment of investment real estate and profit from its sale" item in the Report on Comprehensive Income – for Amot**	**847,259**	**262,975**

12 The presented adjustment is to Amot's financial statements prepared in accordance with the IFRS. No adjustment was made to the Company's Statements as a result of inter-company balances due to an office rental agreement between Amot, the Company and Energix, with the balance in the Statement of Income as of December 31 2019 and December 31 2018 amounting to a value of 41.5 million NIS and 37 million NIS, respectively; its impact on the NOI for 2019 and 2018 amounts to a total of 2.5 million NIS, and its impact on the revaluation sum in 2019 and 2018 amounts to 4.1 million NIS and 2.8 million NIS, respectively.

5. Property Management and Operation

Amot 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 and some operate on the basis of a fixed margin (up to cost + 15%) and in some of the management companies the margin changes according to the nature of the managed rental property. Operational management includes among other things building management, security, cleaning, preparing and tracking operating budgets, preventive maintenance, tracking problems, concentrating maintenance activity, insurance, property taxes and other subjects handled by the management companies in conjunction with various authorities. Activity includes sending billing notices to tenants, collection, preparing balance sheet, managing accounting between Amot and its suppliers and tenants, tenders, legal issues, PR and advertising. Amot has agreements with several leading management companies that supply the management services generally granted office buildings. At the commercial centers and park compounds, Amot's property management is usually by an Amot subsidiary.

6. Properties with Development Potential

Amot has a number of properties with development potential.

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, division into areas with different land zoning, maximum construction volumes, building height limits, landmark 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, based on a comprehensive plan, no permit request may be filed. A comprehensive plan establishes guidelines for preparing a local outline plan (specific town plan with local authority), by virtue of which building permit requests may be filed. A comprehensive plan does not grant rights and does not create a liability for betterment surcharges. In some of Amot's properties located inside the plan area Amot is promoting a local town plan compatible with TA/5000.

7. Properties Leased via Non-Capitalized Lease

Some of Amot's properties are leased via discounted leased from the Israel Land Administration, with the exception of two properties regarding which the lease agreement with the Israel Land Administration is not capitalized. These non-capitalized agreements include a provision according to which transfer of Company's rights in accordance with an agreement or the transfer of shares/allocation of shares at the Company at a rate of over 10% requires the consent of the ILA and payment of consent fees.

Amot is acting to capitalize the lease agreements in question as part of its multi-year plan to renew and extend the lease agreements of its properties from time to time. Due to these discounting costs, there is an appropriate provision in the Group's Financial Statements.

8. Marketing and Distribution

As a rule, marketing of Amot 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 via a number of additional channels such as brokerage, on-site signs, newspaper and interned advertising, referring to each property specifically, use of Amot customers, both as expansion potential and for rental at additional sites.

In light of the variety of marketing methods and the national spread of the properties, Amot is not dependent on any single marketing channel and the loss of any of them will not have a material negative impact on its activities and/or will not require significant additional investment in finding an alternative.

9. Competition

The Israeli income-generating real estate market is characterized by a high level of competition deriving from a large number of companies dealing in the acquisition, initiation, development, rental and betterment of real estate.

Amot is exposed to competition from a large number of Israeli companies dealing in the acquisition, initiation and development of rental real estate for offices, industry and commerce as well as companies dealing in the rental of real estate for offices and trade, as well from other real estate owners in areas in which Amot's properties are located. Companies competing with Amot cannot be pointed out individually, as 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 locating real estate for initiation, development, construction and rental purposes and on the rental of real estate to potential customers.

Amot estimates that relative to other companies active in the field of income-generating real estate in Israel, the scope of its activity is broad and varied. Amot cannot estimate its share of the market.

According to Amot's estimates, the main positive factors affecting its competitive placement in Israel are:

1. Amot has an asset portfolio in a variety of uses, including offices (53%), commerce (21%), 36 supermarkets (6%), industry and logistics (18%). The variety of uses limits Amot's exposure to fluctuations in the various markets.
2. Most of Amot's main properties are in central Israel.
3. Most of Amot's properties are relatively large, allowing it to provide a response to the needs of large tenants, with the option of adopting the rental property to their needs.
4. Amot has a positive market reputation as a reliable company in terms of providing service both in meeting timetables for handing over rental properties to tenants and in adapting the units and/or structures to needs and specifications, at any level required by the tenant.
5. Amot's major tenants have a positive reputation and financial fortitude and tend to rent properties on a long-term basis.
6. The maintenance and management level of Amot's office buildings is high and provides a response to tenant needs, which include among other things repairs, renovations and internal cleaning.
7. Positive reputation, financial stability and the ability to secure bank finance.
8. Its abilities in the fields of initiation and development grant Amot an advantage in locating real estate 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 in development are located in developing and high-demand areas that feature additional office and commercial structures.

Taken together, the above advantages help Amot deal with the competitive conditions in the Israeli income-generating real estate market.

10. Human Capital

As of this report, Carr employs a HQ staff of 53 people, as follows:

Department	Number of Employees
Office of the CEO	2
Finance	24
Legal	3
Marketing and operation	8
Engineering and development	16

In addition, Amot receives management services from the Company according to a management agreement. For details regarding the management agreement see Note 6.c.(4) to the Financial Statements.

In addition, Amot employs (mainly through fully-owned subsidiaries), as of the date of this report, 39 employees at various sites outside its headquarters.

Department	Number of Employees
Property managers	5
Finance and administration	11
Maintenance	18
Marketing	5

All Amot executives are employed via personal contracts or service provision agreements in return for a tax invoice. All of Amot's severance pay liabilities are covered by provisions to executive insurance policies and by a compensation reserve.

According to the terms of the agreements, some Amot executives are entitled to bonuses in accordance with Amot's remuneration policy as established by the Board of Directors from time to time. Amot has no material dependencies on any specific employee.

Amot has capital remuneration plans for its employees.

Regarding the remuneration of the CEO of Amot including capital remuneration see Section 21 in the Report on Additional Corporate Information

11. Adjustments to Rental Properties and Suppliers

Amot, from time to time, carries out maintenance works, renovations and adaptations for tenants, beyond the regular operation of the properties, which is carried out by the management companies themselves from their own budgets. The scope of the capital cost (CAPEX) to maintain existing properties amounted to a total of 69 million NIS in 2019 (including upgraded facing of public areas, adjustments for tenants in properties occupied for the first time). A total of 71 million NIS in 2018 and a total of 69 million NIS in 2017. As a rule, Amot does not purchase raw materials itself, and these materials are purchased by subcontractors carrying out maintenance, renovation and construction works. The Construction Manager and the Operations Manager are responsible for the system of acquisitions and building investments carried out by the subcontractors.

In the field of initiation and development, Amot is affected by the cost of employing the contractors carrying out the projects it initiates and therefore is influenced 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 Amot's business. In addition, a shortage of raw materials and manpower may delay the construction of projects and lead to delays in handing over properties to tenants. Amot is not dependent on any suppliers or service providers.

12. External Valuator

(Details in accordance with Section 2 of the Third Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970.

Yosef Zarnitzky, Eng., real estate appraisal firm of – established by Yosef Zarnitzky, who has 45 years' experience in the field of real estate appraisal and valuation. The office numbers 10 appraisers. The decision to enter into an agreement with Mr. Zarnitzky was made by Amot management over the course of the year.

The rate of properties appraised by Mr. Zarnitzky constitutes, as of December 31, 2019, 56% of the value of the investment property in Amot's balance sheet (constituting 30% of the total assets in the Group's consolidated statements), and therefore meets the definition of a highly material valuator in accordance with Legal Staff Resolution 105-30 of the Securities Authority as of July 22 2015.

Mr. Zarnitzky's fees were not stipulated on the results of the valuations or on Amot's performance. The appraiser was given an indemnification commitment limited to the data provided by Amot.

Amot chose to engage with Mr. Zarnitzky due to his extensive experience and professionalism in the field of income-generating real estate in Israel, which grants him the skills he needs to determine the fair value of Amot's assets. Mr. Zarnitzky was certified as a real estate appraiser in January 1970. Since September 15 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 Israeli Real Estate Appraisers' Association. Since 2003 he has served as Chairman and as a founder of the Israeli Real Estate Appraisal Research and Implementation Academy.

13. Amot's 2020 forecast:

The following is Amot's forecast for its primary operational expenses for 2020 as published in 2019 Board of Directors' Report. The forecast is based on the following working assumptions:

- 1% expected CPI increase
- No material changes will occur in the business environment in which Amot is active in Israel.
- Signed leases and Amot management's projections regarding current lease renewals in 2020.

	Forecast	**In practice: (*)**
Data	**2020**	**2019**
NOI (In NIS million)	790-805	728
Real FFO (In NIS million)	575-590	520
FFO per share (in 0.01 NIS)	150-154	143.7

(*) Data is presented after neutralizing non-recurring financing expenses, net of tax, to the sum of 18.3 million NIS as a result of early redemption initiated by the Company.

The information concerning the 2020 forecast is forward-looking information, as defined in Section 32a of the Securities Law, 1968, and is based on work plan of Amot management, approved by the Amot Board of Directors. Forward-looking information is any forecast, estimate, assessment or other information referring to a future event or matter the materialization of which is uncertain and not solely under the control of Amot seeing as no certainty exists that the multiple variables comprising the work plan will be realized as planned.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

14. Amot's Business Strategy

Amot's business strategy is to expand its activity in the field of income-generating property in Israel, through purchasing and/or developing properties, developing them and building them and/or through merger with other corporations active in the industry.

Over the course of 2016, Amot carried out comprehensive work for studying its business strategy for the coming decade. As part of these work conclusions, Amot is acting to continue distribution, both geographically and in various uses as they exist today, and it was decided to develop the field of logistics as an additional use for Amot's continued growth and development.

In accordance with Amot's business strategy of increasing and developing the field of logistics in its property portfolio, over the course of October 2019, Amot signed an agreement with Teva Pharmaceutical Industries Ltd. (Teva), according to which Teva purchased the full rights to the Shoham Logistical Center, in return for 451 million NIS. In addition, Amot is making progress in a development, construction and rental project for Shufersal for an additional logistical center at an estimated investment of 300 million NIS (Amot's share).

15. Projected Developments in the Coming Year

Amot is studying and shall continue to study over the course of the coming year its progress in implementing projects in initiation in accordance with the state of the Israeli economy and in light of the projects' projected marketing rate.

Amot predicts that it will continue to develop its business over the coming year, to locate opportunities to purchase income-generating properties for rental purposes, for offices and commercial purposes producing regular rental fees, with an emphasis on the field of logistics, and continue in its enterprising, development and construction activities in Israel in the field of income-generating properties, within the above restrictions.

The information featured in this section above constitutes forward-looking information as defined in Section 32a of the Securities Law. Amot has no control over new business offers and initiatives that it may be offered to join. Therefore, no certainty exists that Amot's projected development over the coming year as mentioned in this paragraph will come into effect.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

C. Investment in the United States

1. General

The following are the Group's principal investments in the United States:

Carr – a 44.01% stake in Carr, which owns income-generating property in the Washington D.C. Metropolitan Area and the Boston Metropolitan Area – see details in Chapter C1 below.

AH Boston – a 55% stake in the rights of three property companies in the Boston metropolitan area, with two of them being in the Boston CBD and one in East Cambridge – see details in Chapter C2 below.

2. General Environment and Impact of External Factors – U.S.[13]

All references appearing in this section to the Company's estimates regarding its future development in the United States and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and based on the sources of information noted by the Company below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

The number of private sector employees increased by 1.9 million in 2019. 20.5% of total new jobs were in education and health, and 20.4% were in professional services. 177,000 new employees joined the job market per month over the course of 2019, the continuation of a trend observed on a continuous basis in the 108 months prior to 2019, in which 190,000 new workers were hired per month. Since the 2008 crisis, the number of employees increased by 21.5 million, which led to a drop in unemployment to a level of 3.5% at the end of 2019. The GDP growth rate in 2019 amounted to 2.1% relative to 3.0% in 2018 and largely derived from an increase in private consumption expenses, residential expenditures, exports and government expenses both at the Federal and the state level.

Over the course of 2019, the Fed lowered interest rates in four pulses of 0.25% each. In early May 2019, the Fed lowered the ceiling of redemptions of its holdings in the System Open Market Account and in July 2019 it declared an end to redemptions in this program. The following is macro data on the United States[14]:

[13] Sources of Information in this section:
1. Economic Research: Federal Reserve Bank of St. Louis – fred.stlouisfed.org
2. Economic Research: Bureau of Economic Analysis – www.bea.gov
3. Trendlines Washington – Trends in Washington Commercial Real Estate – Transwestern, Delta Associates – Feb 2020

[14] Sources of information for the above table:
Gross Domestic Product data from www.bea.gov
Per capita GDP data from http://www.census.gov
Inflation data and unemployment rate for the last day of each year from the www.bls.gov website
Yield on long-term local government debt refers to 10-year bond yields, from the www.treasury.gov website;
The long-term government debt rating is based on Standard & Poor's and Moody's.

For the Year Ending	Units	United States December 31 2019	United States December 31 2018	United States December 31 2017	Washington D.C. Metropolitan Area December 31 2019	Washington D.C. Metropolitan Area December 31 2018	Washington D.C. Metropolitan Area December 31 2017	Boston Metropolitan Area December 31 2019	Boston Metropolitan Area December 31 2018	Boston Metropolitan Area December 31 2017
Macroeconomic Parameters										
GDP (PPP)	Billions of Dollars	17,975	17,605	17,093	582	559	524	372	373	361
Per capital GDP (PPP)	USD	54,614	53,638	52,277	82,474	79,512	75,530	76,324	80,221	78,465
GDP growth rate (PPP)	%	2.10%	3.00%	2.25%	4.21%	2.85%	3.46%	0.20%-	3.20%	2.64%
Per capita GDP growth rate (PPP)	%	1.82%	2.60%	1.76%	3.73%	1.60%	1.55%	-4.86%	2.24%	2.13%
Inflation rate	%	2.10%	1.90%	2.10%	1.50%	1.00%	2.20%	2.10%	3.20%	2.90%
Yield on long-term local government debt	%	1.92%	2.69%	2.40%	1.42%	2.19%	2.00%	1.24%	3.00%	2.60%
Rating of long-term government debt		AA+/Aaa	AA+/Aaa	AA+/Aaa	AA+/Aa1	AA+/Aa1	AA+/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa
Unemployment rate	%	3.50%	3.90%	4.10%	2.80%	2.90%	3.30%	2.30%	2.40%	2.80%

3. General Environment and Impact of External Factors – Washington DC[15]

All references appearing in this section to the Company's estimates regarding its future development in the general environment in which the Company operates in Washington DC and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and is based on sources of information the Company notes below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

The economy of the Washington D.C. Metropolitan Area presented a 4.2% growth rate in 2019 compared to a growth rate of 2.9% in 2018 and the gross regional product amounted to $582 billion. The federal governments share of the GRP was 33% in 2019. The CPI grew by 1.5% in 2019, compared to an increase of 1.3% in 2018. Most of the increase derives from an increase in rental housing prices and medical expenses.

The greater Washington DC area is the sixth-largest metropolitan area in the United States, with 6.3 million people. The population of the DC metropolitan area is relatively educated compared to the U.S. population. College graduates out of total residents constitute 52 in the DC metropolitan area compared to 33% in the United States as a whole. The employment market in the metropolitan area is the fifth-largest in the United States and 13th in terms of growth of the employment market in 2019. Median household yearly income was $102,000 compared to an average of $62,000 throughout the United States. Over the course of 2019 53,000 new employees were hired in the Washington D.C. metropolitan area, with the unemployment rate dropping to 2.8%. This rate is low relative to the unemployment rate in the U.S. market as a whole, which is 3.5%. The primary sources for the increase in employment numbers are in the business services sector as well as the field of entertainment and leisure.

In 2019 the positive net absorption of office space was 5.6 million sq. ft., the highest level of activity since the start of 2010. 25% of demand was from government institutions, followed by law firms with 19% of all rentals, with shared spaces constituting 15% of demand.

[15] Sources of Information in this section and in the table:
Office Observations Jones Lang LaSalle - Q4 2019, Suburban Maryland, Northern Virginia, Washington DC
Bureau of Economic Analysis- www.bea.gov
Trends in Washington Commercial Real Estate – Transwestern, Delta Associates – Feb 2020

New office construction increased the area of space to rent to 5.4 million sq. ft. in 2019, of which 3.1 million sq. ft. was in DC itself. This construction led to an increase in the amount of vacant space in Class A buildings. The continued construction of Class A office projects, construction of which is expected to be completed by 2024, regarding which the advance rental price being lower than 50%, is expected to lead to a drop in rental prices and an increase in total vacant space.

The total sum of office building purchase transactions in the DC metropolitan area in 2019 amounted to $8.2 billion, compared to $7.6 million in 2018.

The following table concentrates macroeconomic data for the Washington DC metropolitan area as of the end of 2019:

		2019
For the Year Ending	**Units**	**Washington D.C. Metropolitan Area ~**
Existing office inventory	Millions of square feet	338.8
Occupancy rate	%	83.8%
Net change in total rented area in 2019 (net absorption)	Thousands of square feet	5,583
Space under construction	Millions of square feet	9.3
Rental prices (full service)	Dollar per square foot	42

4. General Environment and Impact of External Factors – Boston[16]

All references appearing in this section to the Company's estimates regarding its future development in the general environment in which the Company (directly and through Carr) operates in Boston and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and is based on sources of information the Company notes below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

The Boston metropolitan area is the tenth-largest metropolitan area in the United States, with 4.9 million people. The area features the highest concentration of institutes of higher education in the United States (including Harvard and MIT) and features 374,000 students as of the end of 2019. The population of Boston has grown by 20% since 1990, with the number of people employed increasing by 35% to 605,000. As of the end of 2019 the unemployment rate in the metropolitan area was 2.4%, compared to 3.5% in the United States as a whole. 24% of the population of the greater Boston area are age 20-29. The rate of college graduates among people age 25 and older in Boston is 56%[17], compared to an average of 41% in the U.S. as a whole. The metropolitan area has thousands of high-tech companies, hundreds of research institutes and biotechnology companies as well as the highest concentration of hospitals in the United States. In terms of the country as a whole, the city leads in a number of other parameters such as the number of patents registered per resident.

The office market inter Boston metropolitan area is the seventh largest in the United States, at 168 million square feet (16 million m²). The Boston Metropolitan Area features a number of secondary markets, such as the CBD, Back Bay, Sea Port, Cambridge and others.

16 Source
Jones Lang Lasalle, office insight and office statistics, greater Boston, Q4 2019, Boston rents charts 1996-2017

17 Rate of people with professional certificates and better. The rate of college graduates in Boston as of 2019 was 49% compared to 33% in the United States as a whole.

The office market in Boston's central business district (Financial District, North Station, South Station) is 68 million square feet (6 million m²). The occupancy rate in the CBD was 93.1% at the end of 2019, compared to 88.1% in the entire metropolitan area. In 2019 an additional 0.6 million square feet (56,000 m²) of office space has been added, and as of the end of 2019 the amount of office space in development amounted to 5 million square feet (465,000 m²) compared to 7.3 million square feet (678,000 m²) in the entire metropolitan area). The advance rental rate for buildings whose construction is expected to be completed as of mid-2023 was 66%. The rate of space available for rent is lower the greater the rental volume of the space in question. The average rental fees for offices in Class A buildings in the CBD amounted to $82 per square foot (full service) per year at the end of 2019, compared to an average of $49 per square foot (in full service terms) for the entire metropolitan area. Rental fees in the Boston CBD increased by an average of 18% in 2019.

The Cambridge office market is 11.1 million square feet (1 million m²) in size, and its occupancy rate as of the end of 2019 was 96.5%. The total amount of office space under construction in Cambridge amounts to 1.4 million square feet (130,000 m²). The total active office rental demand was 5.3 million square feet (492,000 m²) at the end of 2019. The average rental fees for offices in Class A buildings in Cambridge amounted to $83 per square foot per year (in full service terms).

In the decade that has passed since 2008, the share of high-tech and biotechnology companies from the volume of rentals in the city exceeded the share of companies in the field of finance and professional business services. The volume of rentals to high-tech companies increased from 10% in 2008 to 39% in 2019, while the financial section dropped from 75% in 2008 to 40% in 2019. According to a JLL study, rental fees are expected to increase by another 5.8% in 2020 and 3.8% in 2021.

c1. Investment in Carr (Washington and Boston)

1. General Information on Carr

Carr Properties Partnership (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of this report Carr Holdings is held directly and indirectly by the Group at a rate of 50.77% by JPM at a rate of 40.16% and by Clal Insurance at a rate of 9.04%[18]. In January 2020, JPM began the process of selling its holdings in Carr Properties. At this stage, there is no certainty regarding the realization of this process.

Carr Holding has full possession and control of Carr Properties Corporation (hereinafter: "**CPC**") which has full control and an 86.69% stake in the Carr Properties Partnership (hereinafter "**Carr**" or "**Carr Properties**").

As of December 31, 2019 the Group's weighted stake in Carr Properties is 44.01%, JPM's is 34.82% and Clal Insurance's is 13.65%[19]

Carr Properties deals in investments in income-generating property in urban areas in the Washington DC metropolitan area and the Boston metropolitan area for rental purposes, including the management and maintenance of office buildings in its possession as well as the purchase, initiation and development of rental real estate in these areas. For details on Carr's business see section 5 below.

Upon the investment in Carr Holdings, the Group and JPM entered into a number of agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Therefore, the Group's investment in Carr Holdings is considered a shared transaction presented in the Company's Financial Statements according to the book value method starting from Q3 2013.

In January 2018, Carr raised from Clal Insurance (for itself and for institutional bodies it managed) a total of $300 million (1.06 billion NIS) by way of offering convertible Carr bonds, which were converted to shares at a price of $1.54 per share. After the bond conversion in question, the Company, along with J.P. Morgan, continues to maintain joint control of Carr with no change in the shared control agreement prior to Clal's investment.

For additional information on the agreements between the Group and JPM and Clal Insurance including arrangements regarding the transferability of rights see Note 6.f.(7) to the Financial Statements.

For additional detailed information on Carr published as part of the Private Offering Memorandum document, see the Company's immediate report from January 26 2020 (reference no. 2019-01-009780).

2. Investment in CARR

The total accumulated balance of the Group's investment in Carr Holdings as of December 31, 2019 amounts to $768 million, with the total balance of the Group's investment in Carr Holdings as presented in the Group's Financial Statements according to the book value method, amounting to a total of $907 million (3.1 billion NIS).

[18] The balance of 0.03% is held by six individuals.

[19] The balance of 7.52% is held by others.

3. Dividend Receipts from Carr

In the matter of dividends the Company received from Carr – see Note 6.f.(5) to the Financial Statements. For details regarding dividend receipts expected from Carr in 2020, see Section 3.3.8 in the Board of Directors' Report.

4. Financial Information Regarding Carr Holding's Activity

Carr Holdings is a jointly-controlled entity presented in the Company's IFRS-compatible Financial Statements according to the book value method.

The following is key Carr Holdings financial data for 2017-2019. The following data is data prepared in accordance with IFRS rules, with the exception of presentation according to the relative consolidation method of assets, liabilities and the activity of companies not consolidated in the financial statements of Carr Holdings (companies not presented in the Financial Statements according to the book value method or as property available for sale).

	Unit of Measurement	Actual December 31 2019	Actual December 31 2018	Actual December 31 2017
Number of income-generating properties	Unit	14	17	16
Value of investment real estate (without self-constructed real estate) (*)	USD thousand	2,903,630	3,103,480	1,964,632
Occupancy rate at end of period	%	93.46%	90.94%	91.88%
Rental rate at end of period	%	96.10%	92.87%	92.62%
Number of properties in development	Unit	4	4	5
Value of self-constructed investment property (**)	USD thousand	638,788	274,193	976,416
Equity		1,930,753	1,855,944	1,704,382
Equity attributable to Carr Holdings shareholders		1,787,439	1,715,550	1,527,804
Ratio of net financial debt to total balance sheet	%	41.3%	41.3%	42.9%
		2019	**2018**	**2017**
Rental and management fee revenues (***)	USD thousand	236,557	191,359	169,188
Fair value adjustments of investment property	USD thousand	(7,607)	13,982	76,626
NOI	USD thousand	147,617	120,849	105,772
Same property NOI – 3 years	USD thousand	84,651	83,266	84,080
Same property NOI – 2 years		88,681	87,279	84,080
FFO (including minority share)	USD thousand	81,358	74,179	70,319
Net profit (including minority share)	USD thousand	60,704	70,232	127,285
Comprehensive income (including minority share)	USD thousand	16,548	79,094	126,611
Comprehensive income (attributable to shareholders of Carr Holdings)	USD thousand	16,798	72,869	122,592
Corporate Share (Alony Hetz)				
NOI Corporate Share (Alony Hetz)	NIS thousand	230,404	188,479	185,383
FFO Corporate Share (Alony Hetz)	NIS thousand	126,910	130,288	122,921

(*) Fair value as of December 31 2019, December 31 2018 and December 31 2017 includes a ground lease of $136 million.

(**) Not including the $19 million Clarendon 2025 Project located in the DC Metropolitan Area, for which renewed design inspections are being carried out in the context of the feasibility of resizing it to rental housing (unlike the approved zoning for offices).

(**) Not including the NOI of the property management company to the sum of $4.6 million in 2019, $4.7 million in 2018, and $6.3 million in 2017.

5. Area of Activity

5.1 General

Carr has office buildings located in the Washington D.C. metropolitan area and in Boston Most of the properties are owned by Carr and some are owned by joint ventures of Carr and other institutional investors. Carr manages all its properties through management companies in its possession.

Carr's properties are all located in urban areas and near transportation centers and facilities. The comprehensive fair value of the income-generating properties as of December 31, 2019 amounted to $2.9 billion US, of which $2.7 billion is in the Washington CD metropolitan area (Carr's share) and $0.2 billion in Boston.

Carr fully or partially owns an asset portfolio consisting, as of December 31, 2019, of 13 office buildings in the Washington D.C. metropolitan area, and a single office building in Boston, with a total area of 3.7 million square ft. (347,000 m²) (Carr's share); Carr's properties are rented to 237tenants and their occupancy rate as of December 31 2018 amounted to 93.5% (rental rate – 96.1%). For information on the purchase of a complex of two office buildings in Boston subsequent to the balance sheet date – see Note 6(g) to the Financial Statements.

Carr's tenants include private business companies, banks, law firms, lobbyist offices and non-profits, and various other users.

As of December 31, 2019 Carr owns 3 properties under development and construction in the Washington DC metropolitan area and one project in development in Boston with a total area of 2.2 million square feet (202,000 m²) (Carr's share) whose balance as of December 31 2019 amounts to $630 million (Carr's share), with a construction budget of $1.5 billion (Carr's share).

Regarding key transactions carried out by Carr over the course of the reported period and subsequent to the balance sheet date, including the purchase of two office buildings in Boston – see Note 6g to the Financial Statements.

5.2 Geographic Regions in which Carr is Active

Carr is active in the following two markets:

(1) Washington D.C. Metropolitan Area
The areas includes the city of Washington D.C., which constitutes the center of the metropolitan area and which constitutes the core of the business sector as well as the U.S. Government, as well as the cities of Bethesda, Chevy Chase in Maryland, Alexandria and the Rosslyn Ballston corridor in Virginia.

(2) Boston

Starting 2018 Carr has been active in the Boston, Massachusetts area, which includes the center of the Boston metropolitan area and the Boston central business district (CBD).

5.3 Information regarding Carr's properties:

The following in Sections 5.3.1-5.3.5 is information regarding Carr properties, divided by geographical regions. All Carr income-generating properties are offices.

The following paragraphs present data on the basis of Carr's relative portion of properties and activity. The data includes Carr's relative share of properties and activity by all properties held by it (directly or indirectly) including properties presented in its statements according to the balance sheet method or as property available for sale.

5.3.1 Information regarding Carr's income-generating properties:

Data in this section does not include real estate in development, planned and developed by Carr. For information on real estate in development, planning and development see 5.3.3 below.

As of December 31, 2019 and for 2019:

	Offices									
	Space		**Space**		**Fair Value (*)**		**NOI**		**Revaluations**	
Carr Properties' Share of Properties	**December 31 2019**		**December 31 2019**		**December 31 2019**		**2019**		**2019**	
	In Square Feet		**In Square Meters**		**In USD thousand**		**In USD thousand**		**In USD thousand**	
Washington D.C. Metropolitan Area	**3,434,126**	92%	**319,041**	92%	**2,671,130**	92%	**128,292**	92%	**(65,762)**	113%
Boston	304,178	8%	28,259	8%	232,500	8%	11,390	8%	7,592	(13%)
Total	**3,738,304**	**100%**	**347,300**	**100%**	**2,903,630**	**100%**	**139,682**	**100%**	**(58,170)**	**100%**
Real estate in development							-		61,871	
Real estate sold in 2019							7,936		(11,309)	
Total in USD thousand					**2,903,630**		**147,618**		**(7,608)**	
Total in NIS thousand not including the influence of real estate in development	**NA**		**NA**		**10,034,945**		**526,281**		**(249,917)**	
Company's share without influence of real estate in development:										
Total in thousands of square fee/m²/USD	**1,645,193**		**152,843**		**1,277,861**		**64,627**		**(30,365)**	
Total in NIS thousand	**NA**		**NA**		**4,416,286**		**230,406**		**(109,223)**	

(*) Fair value including a ground lease of $136 million.

(**) Data in NIS is presented according to a representative rate of exchange as of December 31 2019 – 3.456 or average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's stake in Carr on December 31, 2019 (44.01%) or the average holding rate in the period, as the case may be.

As of December 31, 2019 and for 2019 (continued):

Carr Properties' Share of Properties	Average Rental Fees (*) per Sq. Foot per Year	Average Rental Fees (*) per m² per Month	~ Average Occupancy Rates	Daily Occupancy Rates (**)	Number of Properties per Day	Average Yield Rates (***)	Grossed-Up Yield Rate (****)
	Offices						
		2019	2019	December 31 2019	December 31 2019	December 31 2019	December 31 2019
	In USD	In USD	Percentage	Percentage	Units	Percentage	Percentage
Washington D.C. Metropolitan Area	65.40	58.66	91.28%	93.50%	13	4.80%	
Boston	58.87	52.81	94.83%	92.21%	1	4.90%	
Average Rate/Total			91.57%	93.48%	14	4.81%	5.30%

(*) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service). Minimal and average rental fees in the Washington D.C. Metropolitan Area. amount to $43.48 per square foot per year and $83.03 per square foot per year, respectively.
(**) Rental rates (including spaces regarding which there are signed rental agreements, even if not yet populated) as of December 31 2019 in the entire portfolio amounts to 96.1%.
(***) Average rates of return were calculated according to the NOI in practice for 2019 divided by the value of income-generating real estate as of December 31 2019.

(****) The weighted grossed-up rate of return was calculated according to the NOI in practice for the fourth quarter of 2019 (after neutralizing space vacated in that quarter) standardized for one year divided by the value of income-generating real estate as of December 31 2019.

(*****) The data appearing in the table presented above do not include properties sold over the course of the year the average rental fees of which amounted to $52.9 per sq. ft. per year, with an average occupancy rate was 98.01%.

As of December 31 2018 and for 2018:

Carr Properties' Share of Properties	Offices: Space December 31 2018 In Square Feet		Space December 31 2018 In Square Meters		Fair Value (*) December 31 2018 In USD thousand		NOI 2018 In USD thousand		Revaluations 2018 In USD thousand	
Washington D.C. Metropolitan Area	**3,991,617**	93%	**370,833**	93%	**2,881,104**	93%	**116,930**	99%	**10,178**	100%
Boston	304,178	7%	28,259	7%	222,376	7%	1,739	1%	-	0%
Total	**4,295,795**	**100%**	**399,092**	**100%**	**3,103,480**	**100%**	**118,670**	**100%**	**10,178**	**100%**
Real estate in development							-		-	
Real estate sold in 2018							2,221		3,803	
Total in USD thousand					**3,103,480**		**120,890**		**13,981**	
Total in NIS thousand not including the influence of real estate in development	**NA**		**NA**		**11,631,842**		**444,774**		**38,147**	
The Company's share (43.65%): Total in thousands of square fee/m²/USD	**1,875,179**		**174,210**		**1,354,669**		**51,799**		**4,443**	
Total in NIS thousand	**NA**		**NA**		**5,077,299**		**194,144**		**16,651**	

(*) Fair value including a ground lease of $136 million.

(**) There is just one income-generating property in the Boston geographical region – purchased in Q4 2018. The representative NOI for the full year of generation on the property is $12 million.

(***) Data in NIS is presented according to a representative rate of exchange as of December 31 2018 – 3.748. The Company's share is calculated according to the Company's stake in Carr on December 31 2018.

As of December 31 2018 and for 2018 (continued):

	Offices						
Carr Properties' Share of Properties	Average Rental Fees (*) per Sq. Foot per Year	Average Rental Fees (*) per m² per Month	Average Occupancy Rates	Daily Occupancy Rates (**)	Number of Properties per Day	Average Yield Rates (***)	Grossed-Up Yield Rate (****)
		2018	2018	December 31 2018	December 31 2018	December 31 2018	December 31 2018
	In USD	In USD	Percentage	Percentage	Units	Percentage	Percentage
Washington D.C. Metropolitan Area	50.90	45.64	87.25%	90.50%	16	4.05%	
Boston	55.36	49.66	96.71%	96.71%	1	4.76%	
Average Rate/Total			87.92%	90.94%	17	4.10%	5.39%

(*) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service).
(**) Rental rates as of December 31 2018 in the entire portfolio amount to 92.85%. The difference between occupancy rate and rental rate as of that date largely derives from the fact that areas 60,000 sq. ft. in size have signed rental leases but have not yet been occupied.
(***) Average rates of return were calculated according to the NOI in practice for 2018 divided by the value of income-generating real estate as of December 31 2018. This calculation included a revision of the actual NOI of properties purchased during the year, but no standardization was made for properties completed and occupied over the course of the year.
(****) The weighted grossed-up rate of return was calculated according to the NOI in practice for the fourth quarter of 2018 (after neutralizing space vacated in that quarter) standardized for one year divided by the value of income-generating real estate as of December 31 2018. For buildings completed or buildings purchased during the year, including the Midtown Center building as well as the 2311 Wilson building, which were completed during 2018, as well as the 200 State Street building purchased over the course of Q4 2018, the grossed-up rate of return was calculated according to the projected NOI according to the 2019 budget, in accordance with existing rental agreements divided by fair value as of December 31 2018.

As of December 31 2017 and for 2017:

Carr Properties' Share of Properties	Offices: Space December 31 2017 In Square Feet		Space December 31 2017 In Square Meters		Fair Value December 31 2017 In USD thousand		NOI 2017 In USD thousand		Revaluations 2017 In USD thousand	
Washington D.C. Metropolitan Area	3,161,433	100%	293,706	100%	1,964,632	100%	105,772	100%	(28,082)	100%
Total	**3,161,433**	**100%**	**293,706**	**100%**	**1,964,632 (*)**	**100%**	**105,772**	**100%**	**(28,082)**	**100%**
Real estate in development							-		104,708	
Total in USD thousand							**105,772**		**76,626**	
Total in NIS thousand (not including the influence of real estate in development)	**NA**		**NA**		**6,811,379**		**366,708**		**(97,360)**	
The Company's share (50.55%):										
Total in thousands (square feet/m²/USD) (not including the influence of real estate in development) (**)	**1,598,212**		**148,479**		**993,188**		**53,471**		**(14,196)**	
Total in NIS thousand (not including the influence of real estate in development) (**)	**NA**		**NA**		**3,443,384**		**185,383**		**(49,219)**	

(*) Fair value including a ground lease of $136 million.

(**) Data in NIS is presented according to a representative rate of exchange as of December 31 2017 – 3.467. The Company's share is calculated according to the Company's stake in Carr on December 31 2017.

As of December 31 2017 and for 2017 (continued):

Carr Properties' Share of Properties	Offices						
	Average Rental Fees (*) per Sq. Foot per Year	Average Rental Fees (*) per m² per Month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties per Day	Average Rates of Return (**)	Grossed-Up Yield Rate (***)
	2017		2017	December 31 2017	December 31 2017	December 31 2017	December 31 2017
	In USD	In USD	Percentage	Percentage	Units	Percentage	Percentage
First Circle – District of Columbia	55.33	49.63	91.71%	91.88%	16	5.43%	5.65%
Average Rate/Total			91.71%	91.88%	16	5.43%	5.65%

(*) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service);

(**) Average rates of return were calculated according to the NOI in practice for 2017 divided by the value of income-generating real estate as of December 31 2017. This calculation included a revision of the actual NOI of properties purchased during the year;

(***) The weighted grossed-up rate of return was calculated according to the NOI in practice for the fourth quarter of 2017 (after neutralizing space vacated in that quarter) standardized for one year divided by the value of income-generating real estate as of December 31 2017.

5.3.2 Information on Material Income-Generating Property

The following are details regarding the Midtown Center project, which is a material income-generating property:

Property name	Midtown Center
Location of property	Washington DC
Functional currency	US dollar
Land purchase date	2014
Structure of holdings in the property	100%
Construction completion date	2018
Property area divided by use.	Offices – 76,500 m² Commercial – 4,108 m²

Parameters	Unit of Measurement	December 31 2019	December 31 2018	December 31 2017
Fair value at the end of the year	Millions of USD	937	910	748
Book value at the end of the year	Millions of USD	937	910	748
Accumulated cost of construction as of the end of the year	Millions of USD	598	580	492
Revaluation profits or losses	Millions of USD	8	48	99
Expected comprehensive investment (as reported at the end of each year)	Millions of USD	(*)	(*)	626
Expected construction budget for consecutive year	Millions of USD	(*)	(*)	128
Investment cost not yet invested	Millions of USD	(*)	(*)	128
Completion rate		(*)	(*)	71%
Portion of property for which rental contracts were signed (rental rate)		99.7%	91%	87%
Occupancy rate		95.1%	87%	(*)
Actual NOI	Millions of USD	37	13	(*)
Average yield rate		5.00%	5.24%	(*)
Average Rental Fees per Sq. Foot per Year	Dollars/Square Feet per Year	83	31	(*)
Identity of Valuator		Capright	Capright	Capright
Value assessment model (extraction/replacement cost/other)		Discounted cash flow	Discounted cash flow	Discounted cash flow
Key assumptions at the basis of the valuation		Discount rate – 5.5% CapRate undergoing realization – 5.25% Realization year – 2030 Rental fees per square foot $20-$65 with a yearly 2.5% increase.	Discount rate – 5.5% CapRate undergoing realization – 5.25% Realization year – 2030 Rental fees per square foot $20-$65 with a yearly 2.5% increase.	Discount rate – 5.75% CapRate undergoing realization – 5.25% Construction completion date – 2018 Realization year – 2030 Rental fees per square foot $34-$65 with a yearly 2.5% increase.

(*) These disclosures relevant only to an income-generating property/property in development as per its context.

(**) The average grossed-up yield rate was calculated according to the projected NOI for 2020, on the basis of signed agreements, divided by the fair value of the property as of December 31 2019.

5.3.3 Investment Property in Construction, Planning and Development

Carr has several properties undergoing planning and development.

Carr is developing 3 projects in the Washington DC metropolitan area (of which one project is in planning stages and two are under construction) and an additional project in Boston in construction stages.

The total construction budgets of the 4 projects is $1.5 billion (Carr's share), of which $569 million has been invested by Carr as of the balance sheet date.

The following is information on key projects in various stages of construction and development:

7272 Wisconsin Project – Bethesda Maryland – The Wilson & The Elm (Formerly the Apex Building) –

A project for the construction of an office building and a commercial floor with a rental space of 361,000 square feet (34,000 m²) and two towers with a total area of 440,000 square feet (41,000 m²), in which 467 rental apartments will be built. The total project budget is $536 million, of which the balance of the completion budget as of the report date is $177 million. The project is undergoing construction processes for the office and residential towers.

The expected completion date of Stage A of the project referring to the office tower and the commercial level is the fourth quarter of 2020, and the expected completion date of Stage B referring to the residential towers is the third quarter of 2021.

As of the publication of this report Carr has signed agreements for 82% of the total office building space.

Carr predicts that its yearly representative NOI on a cash basis (stabilization NOI) in a state in which both stages of the project will be completed and income-generating in 2022 will be $34 million.

Carr has a banking accompaniment agreement for the project's construction to the sum of up to $300 million. As of December 31 2019 the full sum of bank accompaniment remains unused.

One Congress Project – Boston, Massachusetts

In September 2018, Carr engaged in an agreement with a third party (hereinafter: "the Partner") regarding the conditional purchase of half of the rights to the land owned by the partner, enabling the construction of an office tower in Boston (with the intended name of "One Congress") with a rental space of 987,000 sq. ft. (92,000 m²) owned by the Partner (hereinafter: "the Joint Venture").

Carr and the Partner will jointly lead the tower's development, construction, management and rental process.

In the third quarter of 2019, the closing of the transaction took place, in which the partner transferred the rights to construction the tower to the joint venture.

In addition, on the closing date, Carr increased its share in the project by 25% by purchasing these rights from the partner for $59 million, so that as of this date, Carr holds 75% of the rights to the One Congress project.

Carr's total investment in the project (75%) as of December 31, 2019, including the acquisition of the additional rights as described above, is some $172 million.

The parties estimate that the total estimated cost of the project is some $900 million and that construction will be completed by the end of 2022.

Over the course of 2019, revaluations were recorded in respect of the One Congress project to the amount of $60 million (Carr's share in the revaluation is $45 million).

In January 2019, Carr Properties and its partner signed a binding agreement according to which the partnership would rent to State Street Corporation (hereinafter: “SSC”) a space of 510,000 sq. ft. (some 46,0000 m²), constituting some half of the total planned office space in One Congress Tower, Boston. According to the agreement, SSC undertook to rent these areas for the use of its main global HQ for a period of 15 and a half years beginning January 2023 (the building’s expected completion date). In addition to the above, Carr and its partner are negotiating the rental of additional space in One Congress.

That stated here in Section 5.3.3 on NOI, the projects' construction budget and the end of construction date constitutes forward-looking information, as they also depend on factors external to the Company and Carr over which the Company and Carr have no control.

Regarding the impact of the global COVID-19 pandemic on the Group’s activities – see Section 1 of the Board of Directors Report.

The following is key data on key properties under construction by Carr by geographic region (primary intended use – offices):

Carr Properties’ Share of Properties		**Under Construction**					
Parameters	**Unit of Measurement**	**December 31 2019**	**December 31 2018**	**December 31 2017**	**December 31 2019**	**December 31 2018**	**December 31 2017**
		Mixed use – Offices, Commercial and Residential			**Uses – Offices**		
		Washington DC Metropolitan Area (1)			**Boston (2)**		
Number of properties in development at the end of the year	Units	2	1	3	1	-	-
Total area of land	Square feet	144,926	117,150	238,204	36,503	-	-
Total area of land	m²	13,464	10,884	22,130	3,391	-	-
Total space in development (planned) for rent at the end of the year	Square feet	1,027,586	800,137	1,776,028	740,279	-	-
Total space in development (planned) for rent at the end of the year	m²	95,466	74,335	164,998	68,744	-	-
Total costs invested in the period	Millions of USD	154	65	232	140	-	-
Total accumulated costs invested as of December 31	Millions of USD	402	221	691	166	-	-
The sum at which the properties are presented in Carr’s financial statements	Millions of USD	418	221	957	211	-	-
Construction budget in the consecutive year (estimate)	Millions of USD	198	131	215	99	-	-
Total construction budget (estimate)	Millions of USD	671	547	1,218	682	-	-
Total balance of expected construction budget (estimate)	Millions of USD	269	326	527	516	-	-
Portion of the constructed area for which leases have been signed.	%	35%	14%	46%	52%	-	-
Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area.	Millions of USD	-	-	51	-	-	-

(1) As of December 31 2019 – The Wilson & The Elm, and Signal House projects.
(2) As of December 31 2019 – One Congress project (Carr’s share).

The following is key data on key properties being planned by Carr by geographic region:

Carr Properties' Share of Properties Parameters	Unit of Measurement	Undergoing design December 31 2019	December 31 2018	December 31 2017	Undergoing design December 31 2019	December 31 2018	December 31 2017
		Use – offices			Use – offices		
		Region – Washington DC Metropolitan Area (1)			Region – Boston		
Number of properties in development at the end of the year	Units	1	2	2	-	1	-
Total area of land	Square feet	21,290	49,066	48,934	-	24,336	-
Total area of land	m²	1,978	4,558	4,546	-	2,261	-
Total space in development (planned) for rent at the end of the year	Square feet	227,077	450,937	391,146	-	493,520	-
Total space in development (planned) for rent at the end of the year	m²	21,096	41,893	36,339	-	45,849	-
Total costs invested in the period	Millions of USD	-	26	1	-	26	-
Total accumulated costs invested as of December 31	Millions of USD	1	27	19	-	26	-
The sum at which the properties are presented in Carr's financial statements	Millions of USD	1	27	19	-	26	-
Construction budget in the consecutive year (estimate)	Millions of USD	24	39	27	-	67	-
Total construction budget (estimate)	Millions of USD	153	274	239	-	445	-
Total balance of expected construction budget (estimate)	Millions of USD	152	247	220	-	419	-
Portion of the constructed area for which leases have been signed.	%	-	-	-	-	-	-
Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area.	Millions of USD	-	-	-	-	-	-

(1) As of December 31 2019 – Union Market CP2 projects.

5.3.4 Key Real Estate Purchases in the Period

Purchases of investment property (Carr's share):

Region and Use	Parameters	Unit of Measurement	2019	2018	2017
Washington D.C. Metropolitan Area	Number of properties purchased in the period	Unit	-	2 (*)	2 (***)
	Cost of properties purchased in the period	Millions of USD	-	43	170
Use – Offices	Representative NOI of properties purchased in the period	Millions of USD	-	-	10
	Area of properties purchased in the period (**)	Square feet	-	49,066	267,103
	Area of properties purchased in the period (**)	m²	-	4,558	24,815
Boston	Number of properties purchased in the period	Unit	1 (****)	2 (*****)	-
	Cost of properties purchased in the period	Millions of USD	58.5	242	-
	Representative NOI of properties purchased in the period	Millions of USD	-	1	-
Use – Offices	Area of properties purchased in the period (*****)	Square feet	(****)	304,178	-
	Area of properties purchased in the period (*****)	m²	(****)	28,259	-

(*) 2 properties purchased for development purposes and which as of the end of 2018 are not rented out in full.

(**) Includes the area of the Union Market C2 building, completion of registration of ownership in it to the company has yet to be completed as of December 31 2019.

(***) Regarding one of the properties – includes purchase of the balance of rights (50%) in a property owned by Carr.

(****) Acquisition of additional rights (25%) in the One Congress project for the construction of an office building with an additional partner.

(*****) One Congress building purchased for development purposes and which as of the end of 2018 is not rented out in full.

(******) Does not include the One Congress land area, which was transferred by Carr's partner to the project in 2019.

5.3.5 Sale of investment property (Carr's share):

Region and Use	Parameters	Unit of Measurement	2019	2018	2017
Washington D.C. Metropolitan Area Use – Offices	Number of properties sold during the period	Unit	3	2	-
	Proceeds from the sale of properties sold in the period	Millions of USD	193.9	57	-
	Representative NOI of properties sold during the period	Millions of USD	20.1	2	-
	Area of properties sold during the period	Square feet	562,269	149,994	-
	Area of properties purchased in the period	m²	52,236	13,935	-
	Income (loss) recorded as a result of the realization	Millions of USD	(2.8)	(1.4)	-

6. Managing Initiation and Development Activity

Carr studies carefully whether to begin a construction project based on a large number of market factors: current occupancy rates; the size of the project; the number of competing projects in the area under construction; rental demand; the ability to rent out part of the project in advance; the project's strengths and weaknesses relative to competing projects.

In general, in major projects over 300,000 square feet in size, leases need to be signed in advance in order to start construction, as well as regarding projects in markets with lower occupancy rates and a greater offering of competing projects.

Traditionally, Carr uses leverage for construction purposes and limits bank accompaniment for projects in development to a rate of 50%-60% of the project's total cost. At the conclusion of the tender process for the selection of an implementing contractor, Car engages with the contractor selected in the agreement with a gross maximum price (GMP). The GMP agreement will include timetables for milestones as well as fines the contractor will be liable if they fail to meet them.

7. Property Management and Operation

The Carr management team provides property management and operation services for commercial real estate owned by Carr and other companies dealing in investment property. The management and operation services are carried out in accordance with operational strategies that have proven themselves over time, with an ongoing examination of events in comparison with the highest criteria and standards in the field. The management and operation services include, among other things, ongoing maintenance, engineering and construction, collecting rental fees, accounting for the property companies and more.

8. Business Strategy and Expected Development in the Coming Year

As noted above, Carr deals in investments in income-generating rental properties in urban areas, in the Washington D.C metropolitan area and in the Boston metropolitan area, including managing and maintaining office buildings in its possession as well as purchasing, initiating and developing rental properties in these area.

Carr is studying and shall continue to study over the course of the coming year its progress in implementing projects in initiation in accordance with the state of the Washington D.C. and Boston markets and in light of these projects' projected marketing rate. Carr predicts that it will continue to develop its business over the coming year, to locate opportunities to purchase income-generating properties for office rental purposes in Washington DC and in Boston

The information featured in this section above constitutes forward-looking information as defined in Section 32a of the Securities Law. Carr has no control over new business offers and initiatives that it may be offered to join. Therefore, no certainty exists that Carr 's projected development over the coming year will come into effect. Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report..

9. Taxation

Regarding the taxation of the Group's investment in Carr see Section 6.2.1 of Chapter G.

10. Tenants (Customers)

20.2% of Carr's revenues derive from an agreement to rent most of the space in the Midtown Center building to the federal mortgage agency Fannie Mae.

11. Marketing and Distribution

Carr employs the services of a number of agencies not related to Carr for renting space in Carr's buildings. Most tenants in the Washington D.C. area are represented by agencies and use of agencies by property owners, which is generally accepted practice in the United States in the office rental industry. As per generally accepted U.S. practices, all of Carr's rentals take place through agencies. Car is not dependent on any agency.

In 2019 Carr paid leasing commissions of $31 million (Carr's share) (in 2018 – $8 million (Carr's share)).

12. Expected Revenues from Signed Leases (Order Backlog)

The following is data regarding expected rental revenues due to signed rental agreements of Carr in Washington DC as of December 31, 2019, broken down by their date of completion[20].

	Assuming Failure to Realize Tenant Option Periods		
Period	**Revenues From Components Fixed**	**Number of Contracts Ending**	**Subject Area The Agreements Ending**
	In USD thousand	**Unit**	**In m²**
Q1 2020	39,946	7	3,317
Q2 2020	41,014	5	7,087
Q3 2020	41,908	4	603
Q4 2020	40,990	7	4,485
2020 total	**163,858**	**23**	**15,492**
2021	162,538	28	22,599
2022	155,064	28	16,314
2023	149,333	13	14,216
2024 onward	914,426	113	246,198
Total	**1,545,219**	**205**	**314,819**
Total in NIS thousand	**5,340,277**		

The information featured in the table in this paragraph constitutes forward-looking information, as defined in Section 32a of the Securities Law, and as such its realization is uncertain and is not solely under Carr's control. The information refers to data existing and known to Carr upon the publication of the report regarding expiry dates of the current rental contracts. The information may change as a result of factors not under Carr's control, such as the termination of rental agreements due to abandonment of the rental property, violations of the agreement or due to financial difficulties of tenants that may lead to the violation or discontinuation of the rental agreements.

[20] The data appearing in the table includes Carr's share of the properties and investees and does not include expected revenues from renewals of existing rental agreements, including the exercise of options granted tenants.
Carr management does not regularly review expected revenue data under the assumed exercise of options granted tenants to extend the rental period, and therefore the above data assumes failure to exercise tenant option periods.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

13. Competition

The Washington DC and Boston MA office markets are highly competitive. A number of capital-intensive real estate companies, private and public, hold, develop and operate office buildings in Washington D.C. and Boston and compete with Carr for locating new investments and for customers. Carr is trying to maintain a professional advantage by focusing on the office market, by investing in properties with attractive locations, proximity to public transportation as well as by providing a high level of customer service differentiating between Carr and its competition.

14. Human Capital

Carr employs 64 staff workers as of the reported date, 4 of whom constitute its senior management as detailed below: CEO, President/CFO, VP of Income and VP of Initiation. The remaining 60 employees have various subordinate duties.

In addition, Carr employs, as of the date of this report, 64 employees at various sites outside its headquarters in various property management and operation positions. Carr has no material dependences on any specific employee. Carr has capital plans for worker remuneration. For information on the terms of employment of the CEO of Carr – see Regulation 21 in Additional Details on the Corporation.

15. Renovations and Tenant Adaptations

Carr, from time to time, carries out maintenance works, renovations and tenants' improvements on their properties, this past the regular operation of the properties, which is performed by the management companies themselves from their own budgets. The scope of the capital cost (base building CAPEX) to maintain existing properties amounted to a total of $19 million in 2019 (Carr's share) (in 2018 – a total of $23 million). As a rule, Carr does not purchase raw materials itself, and these materials are purchased by subcontractors carrying out maintenance, renovation and construction works. The scope of investments in tenant improvements, finishing works on new buildings including tenant payments for tenant improvements upon lease renewals amounted to $21 million in 2019 (Carr's share) (in 2018 – $9 million).

16. Carr's 2020 forecast:

The following is Carr's forecast for its chief operational results in 2020, in accordance with its 2020 business plan. The forecast is based on the assumption that no material changes will occur in the business environment in which Carr is active in the United States.

	Forecast	Actual
Data	**2020**	**2019**
NOI (In USD million)	160-165	148
Real FFO (In USD million)	85-90	81

The information concerning the 2020 forecast is forward-looking information, as defined in Section 32a of the Securities Law, 1968, and is based on work plan of Carr management, approved by the Carr Board of Directors. Forward-looking information is any forecast, estimate, reasonable assessment or other information with regard to a future event or matter the materialization of which is uncertain and not solely under the control of Carr seeing as no certainty exists that the multiple variables comprising the work plan will be realized as planned.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

17. Material Company Agreements Pertaining to its Holdings in Carr

The Group and JPM entered into a number of agreements regarding Carr's corporate governance as well as in joint control arrangements.

Furthermore, agreements exist between the Company, JPM and Clal Insurance that include mechanisms for the restriction of the transfer of the rights.

See Note 7(g) the Yearly Financial Statements in this regard.

Regarding JPM's intent to sell all of its holdings in Carr, see Section 1 of Chapter G1 above. For details regarding the transferability of rights between the Company and JPM see Note 6.g.(7).(2) to the Financial Statements.

18. <u>Financing</u>

During the reporting period, Carr signed a credit facility for financing construction to the sum of $730 million (Carr's share). For additional information see Note 6.g.(4) to the Financial Statements and Section 5 in Chapter G.

c2. Investment in the United States – Boston via Partnership with Oxford

1. General Information

As of December 31 2019 the Company holds, along with Oxford Properties Group[21] (hereinafter: "**Oxford**") rights to three companies holding three office buildings in the Boston metropolitan area, with two of them being in the Boston CBD and one in East Cambridge. The Company has 55% of the rights to capital and 50% of the controlling interest in each of these companies, while Oxford holds 45% of the capital rights and 50% of the controlling interest in each of these companies.

In addition, as of December 31, 2019 the Company holds, through its holdings in Carr, a single income-generating property in Boston, and 75% of the rights to a project for the construction of an office tower in Boston. Subsequent to the Balance Sheet Date, Carr purchased a two-building complex in Boston. For information on Carr's properties in Boston, see Chapter C1 above.

Agreements exist between the Group and Oxford that include mechanisms for the restriction of the transfer of rights. For further information on the agreements between the Group and Oxford see Note 6.g.(7) to the Financial Statements.

The Company's investments in three companies in Boston are considered joint transactions presented in the Company's Financial Statements according to the book value method. The balance of the Group's investment in the three Boston companies as of December 31, 2019 amounts to $244 million (844 million NIS).

[21] According to its publications, Oxford is the real estate arm of OMERS (the pension fund of the Ontario Canada municipal workers).

The following is key financial data for 2017-2019 (not including the Company's activity in Boston via Carr – see Chapter C1 above)

Parameters	Unit of Measurement	December 31 2019	The Company's Share (55%)	December 31 2018	The Company's Share (55%)	December 31 2017	The Company's Share (55%)
Number of properties	Units	3		3		3 (*)	
Area in square feet	Square feet	870,421	478,732	870,421	478,732	867,065	476,886
Area in square meters	m²	80,865	44,476	80,865	44,476	80,553	44,304
Fair value of properties	USD thousand	763,600	419,980	680,100	374,055	648,500	356,675
Actual NOI	USD thousand	33,270	18,299	32,729	17,830	30,643	16,854
Real estate revaluations	USD thousand	63,717	35,044	15,768	8,672	13,198	7,259
Occupancy rate on the last day of the year (**)	%	92.53%		97.15%		94.37%	
Average occupancy rate	%	93.03%		94.93%		92.30%	
Average rental fees per sq. foot per year (***)	USD	63.47		61.66		57.98	
Average rental fees per m² per month	USD	56.93		55.19		52.00	
Average yield rate (****)		4.36%		4.77%		5.11%	

(*) Two properties were purchased by the Group on December 31 2015, an additional property was purchase in February 2017.
(**) Rental rates as of December 31 2019 based on signed contracts amount to 100%.
(***) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service);
(****) Average rates of return were calculated according to the NOI in practice over the course of the year divided by the value of income-generating real estate as of the end of the year.

2. Key Tenants

69% of the 745 Atlantic Ave office building Rented by WeWork, 27% of the 125 Summer St. building. Rented by a law firm and 100% of the Davenport Building is rented by HubSpot (a company dealing in the field of CRM – CRM - Customer Relationship Management).

3. Expected Revenues from Signed Leases (Order Backlog)

The following is data regarding expected rental revenues due to signed rental agreements of the three Boston properties as of December 31, 2019, broken down by their date of completion:

	Assuming Failure to Realize Tenant Option Periods		
Period	Revenues From Components Fixed	Number of Contracts Ending	Subject Area The Agreements Ending
	In USD thousand	Unit	In Thousands of Square Feet
Q1 2020	9,583	9	88
Q2 2020	9,003	3	13
Q3 2020	10,783	1	12
Q4 2020	11,242	1	31
2020 total	**40,611**	**14**	**144**
2021	47,982	5	28
2022	47,778	2	14
2023	47,715	3	22
2024 onward	224,484	65	830
Total	**408,570**	**89**	**1,038**
Total in NIS thousand	**1,412,018**		

(*) The data appearing in the table is in 100% terms (as noted, the Company's share of the capital is 55%) and does not include expected revenues from renewals of existing rental agreements, including, as noted above, the exercise of options given tenants.

(**) Management does not regularly review expected revenue data under the assumed exercise of options granted tenants to extend the rental period, and therefore the above data assumes the failure to exercise tenant option periods.

The information featured in the tables in this section above constitutes forward-looking information as defined in Section 32a of the Securities Law and no certainty exists that it will be realized as planned due to multiple variables not under the Company's control.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

D. Investment in London – Brockton

1. General Information on BE (“Brockton Everlast Inc.”)

In February 2018 the Company (through fully-owned Company subsidiaries) entered into an agreement with the senior partners in Brockton Capital LLP (hereinafter: **“Brockton”**) (hereinafter: **“Brockton Managers”** or **“Brockton Partners”**) in a series of agreements according to which the Company will establish, along with the Brockton Managers, a new company called Brockton Everlast Inc. (hereinafter: “**BE**”), which will deal in the purchase, initiation, betterment, development, management and maintenance of commercial income-generating real estate in the UK, focusing on the London Metropolitan Area.[22]

BE has a single area of activity – BE is engaged, directly and indirectly, by way of corporations under its control, in the purchase, rental, administration and maintenance of income-generating properties in Greater London.

As at December 31, 2019 the Company, indirectly, holds 95.35% of the rights to BE, with the balance being held by the Brockton Partners.

As of the publication of the periodic report, the Company has invested a total of £290 million (1.35 million NIS) in BE’s equity[23]. Of this sum, £219 million (1 billion NIS) was invested in 2019. In order to implement BE’s business plan to build a portfolio valued at greater than £3 billion in the next few years, the Company intends to invest an additional £160 billion (whether in BE’s equity or in BE shareholder loans) beyond its original commitments (to the sum of £340 million), so that its total expected investment in BE could reach half a billion pounds, of which £210 billion has not yet been invested as of the publication of this report[24].

During the reporting period and subsequent to the balance sheet date, BE engaged in transactions to purchase five investment properties for a total consideration of some £598 million (some 2.8 billion NIS) (not including transaction costs of some £16 million (some 75 million NIS)). For additional information including a fifth property purchased subsequent to the balance sheet date, see Note 4(d) to the Financial Statements.

The total fair value of BE assets as of December 31, 2019 is £566 million (2.6 billion NIS) and the occupancy rate on that date was 97.8%. The properties are leased to 42 different tenants in long-term contracts.

22 Pursuant to its engagement in these agreements, BE purchased Brockton for a sum of £40 million from the Brockton Partners and other sellers, which are minority shareholders. Brockton will continue to manage the three existing Brockton funds until all of the funds’ assets are sold, a process expected to largely conclude in 2021.

23 This sum includes investment in the purchase of Brockton to the sum of £40 million.

24 BE managers undertook to invest 50% of the success commission (carry interest) in BE (less applicable taxes) that will be paid them (if and when) by the Brockton Funds.

2. General Environment and Impact of External Factors – London, UK[25]

All references appearing in this section to the Company's estimates on future developments in the general environment in which Brockton operates and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information the Company notes below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

In December 2019 the United Kingdom held general elections, with the key issue being a solution to the subject of Brexit. The approach according to which the Conservative party went to elections was to complete the Brexit process quickly – "Get Brexit Done" – and continue negotiating trade agreements with the EU. The Conservative party, along with its Prime Minister, Boris Johnston, won a large majority of 80 seats (365 out of 650) in the Parliament. A large percentage of the votes came at the expense of Labour, in areas in which they had traditionally held a majority, mainly in northern England. Such a large majority is unprecedented relative to previous round of elections in recent years, which can contribute to the government's ability to pass resolutions in Parliament on the subjects in question.

On January 31 2020 the UK left the European Union and entered an 11-month transition period, in which negotiations will be carried out on the future of trade relations between the UK and the EU. In this transitional period, activity continues in accordance with EU laws.

The UK GDP grew by 1.4% in 2019, compared to 1.3% in 2018. In the fourth quarter, the growth rate dropped to 0%, which was explained by uncertainty regarding Brexit and a slowdown in global growth.

Since November 2017, the central bank has maintained an interest rate of 0.75%, but the likelihood of lowered interest rates has increased due to low inflation and a slowdown in GDP growth.

Starting from the fourth quarter of 2019, inflation rates dropped to a level of 1.4%, which is lower than the target of 2% set by the central bank. The drop in inflation rates reflects a drop in energy prices as well as a drop in services prices. Unemployment rates in 2019 amounted to 3.8% and remained at historically low levels, with the number of people employed recording a peak level of 32.9 million with the participation rate peaking at 76.3%. The state of employment contributed to a 3.2% increase in nominal salaries as of November 2019.

Since the Brexit referendum on June 23 2016, the pound sterling dropped by 10% relative to the dollar and the euro.

The London GDP is growing at a higher rate relative to other European cities as well as relative to other cities in the UK. The GDP growth rate amounted to 2.5% in 2018 and 2.6% according to data for the first half of 2019.

25 Sources of information in this section: Bank Of England - Inflation Report, February 2020

The following are the UK's macroeconomic parameters:

For the Year Ending	Units	Note	The UK December 31 2019	December 31 2018	December 31 2017
Macroeconomic Parameters					
GDP (PPP)	Billions of dollars	1	3,130	3,039	2,935
Per capital GDP (PPP)	USD	1	46,827	45,741	44,301
GDP growth rate (PPP)	%	1	3.04%	3.87%	3.74%
Per capita GDP growth rate (PPP)	%	1	2.37%	3.25%	3.12%
Inflation rate	%	2	1.40%	2.00%	2.70%
Yield on long-term local government debt	%	3	0.94%	1.46%	1.24%
Rating of long-term government debt		4	Aa2/AA	Aa2/AA	Aa2/AA
Unemployment rate	%	5	3.80%	4.00%	4.40%

Sources of Information:

1. World Economic Outlook Database, October 2018 from the IMF- International Monetary Fund website. Data for 2019 is IMF estimates. Data is in international current dollars.
2. Office Of National Statistics (Consumer Price Index Harmonized)
3. Bloomberg, GUKG10 Index, UK Government Bonds Note Generic for ten years, average yield as for the end of each year.
4. Moody's/Fitch rating.
5. Office of National Statistics: unemployment rate (from age 16 and higher, adapted on a seasonal basis). Information for 2019 is correct as of the fourth quarter of 2019.

3. General Information on the Real Estate Industry – London and Oxford

All references appearing in this section to the Company's estimates on future developments in the general environment in which Brockton operates and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information the Company notes below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

Since the 2016 referendum, the demand for office space each year was higher than the average for the past decade. The scope of real estate investments in London in 2019 was slightly below average for the past decade and despite the increase in certainty, following elections at the end of 2019, the projected demand for real estate investments will be influenced by the terms of the trade agreement reached with the European Union, negotiations for the terms of which will be taking place throughout 2020.

The total amount of space rented in London over the course of 2019 amounted to 11.5 million sq. ft., similar to 2018, and above the average for the past decade. Flex office space and financial services led the total rentals, with technology, media and telecom making lower contribution relative to previous years.

The total office space construction of which was completed over the course of 2019 in central London, amounted to 7.6 million sq. ft. relative to 4.1 million sq. ft. in 2018, and above the multi-year average of 4.5 million sq. ft. As of the fourth quarter of 2019, London had office space under construction totaling 14.8 million sq. ft., a bit above the area under construction in 2018, with most of the space rented in advance.

The total value of real estate transactions in central London in 2019 amounted to £13 billion, compared to £18 billion in 2018. Investors come from a variety of markets, with 66% made by foreign investors. Discount rates on prime properties remained stable, at 3.5% in the west end and 4.25% in the city.

In 2019, the total area of the Oxford office market amounted to 6.5 million sq. ft. with an occupancy rate of 97.1%. The significant 24% increase in rental fees to some £43.5 per sq. ft. per year reflected the very low supply and strong demand in the Oxford market that year. The total amount of space rented amounted to 225,000 sq. ft., a bit below the average for the past decade of 24,000 m², but compatible with the limited offerings. According to estimates by Savills, the discount rates in prime properties amounts to 4.75%.

The following are economic parameters for the London office market:

		2019			
For the Year Ending	**Units**	**Total**	**East London**	**City**	**West End**
Existing office inventory	Millions of square feet	235	23	117	96
Scope of Transactions	Billions of Pounds	12.6			
Vacancy rate	%	4.1%	10.8%	3.3%	3.4%
Increase in space rented (Take-up)	Millions of square feet	11.5	1.5	6.2	3.8
Space available for rent	Millions of square feet	9.6	2.4	3.9	3.2
Space under construction	Millions of square feet	13.7	0.7	7.0	6.0
Out of the space under construction, % pre-let	%	48%	0%	43%	60%
Rental prices (prime rents)	Dollar per square foot	N/M	51.0	77.5	117.5

Remarks:
Sources of information for the above table: JLL.
N/M = Not Meaningful.
The West End borders Hammersmith in the west, Camden and King's Cross in the northeast and Waterloo and Vauxhall in the southwest.
The City borders City Midtown and Clerkenwell in the west and Aldgate and Southbank in the southeast.
East London includes Stratford and Canary Wharf.

4. Financial Information Regarding BE's Activity

	Unit of Measurement	December 31 2019
Number of income-generating properties	Unit	4
Fair value of real estate investments	GBP 1 thousand	566,250
Occupancy rate	%	97.8
Equity	GBP 1 thousand	277,317
Equity attributable to Company shareholders	GBP 1 thousand	273,284
Net financial debt to the balance sheet total ratio	%	48.7

	Unit of Measurement	2019 (*)
Rental income	GBP 1 thousand	16,363
Fair value adjustments of investment property	GBP 1 thousand	34,351
Net profit	GBP 1 thousand	20,275
Comprehensive income	GBP 1 thousand	20,834
NOI	GBP 1 thousand	15,241
FFO	GBP 1 thousand	1,068
The Group's share of BE results		
Group share of NOI	NIS thousand	69,380
Group share of FFO	NIS thousand	5,173

(*) Be began its real estate activity in 2019 and over the course of this year purchased its first four real estate properties. In light of the above, the structural operation results presented in this table above do not reflect the results of a full year. For information on revised NOI for a full year – see 5 below.

5. Information on BE assets:

Parameters	Unit of Measurement	December 31 2019	Company's Share
Number of properties	Units	4	
Area in square feet	Square feet	601,348	573,385
Area in square meters	m²	55,867	53,269
Fair value of properties	GBP 1 thousand	566,250	539,919
Actual NOI	GBP 1 thousand	15,241	14,471
Standardized NOI for full year	GBP 1 thousand	23,923	22,714
Real estate revaluations	GBP 1 thousand	34,351	33,291
Occupancy rate on the last day of the year	%	97.8	
Average occupancy rate	%	97.3	
Average rental fees per sq. foot per year	GBP	42.2	
Average rental fees per m² per month	GBP	37.8	
Average yield rate (*)	%	3.83	

(*) The weighted rate of return was calculated according to the NOI in practice for the fourth quarter of 2019 standardized for one year divided by the value of income-generating real estate as of December 31 2019.

6. Accumulated orders:

	Assuming Failure to Realize Tenant Option Periods		
Period	Revenues From Components Fixed	Number of Contracts Ending	Subject Area The Agreements Ending
	In NIS million	Unit	In Thousands of Square Feet
Q1 2020	5	-	-
Q2 2020	6	-	-
Q3 2020	6	-	-
Q4 2020	6	-	-
2020 total	**23**	**-**	**-**
2021	25	4	1
2022	24	20	11
2023	18	22	8
2024 onward	66	17	35
Total	**156**	**63**	**55**
Total In NIS million	**710**		

The information featured in the table in this paragraph constitutes forward-looking information, as defined in Section 32a of the Securities Law, and as such its realization is uncertain and is not solely under BE's control. The information refers to data existing and known to BE upon the publication of the report regarding expiry dates of the current rental contracts. The information may change as a result of factors not under BE's control, such as the termination of rental agreements due to abandonment of the rental property, violations of the agreement or due to financial difficulties of tenants that may lead to the violation or discontinuation of the rental agreements.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

7. Managing and operating BE properties:

BE's properties are managed and maintained through a number of outside property management companies. All of the management companies work on the basis of fixed payments, collected in full from tenants in the form of management fees (with the exception of empty spaces, or in cases in which the management fees are limited by a contractual cap). Property management services include, among other things, building cleaning, security services, clearing, maintenance and repairs, handling resident requests for works and preparation and tracking operation/service fee budges. In addition, the outside management companies treat the issue of invoices for rental fees and management fees as well as collection and payment to suppliers. BE intends to transfer the management and operation of its properties while establishing a property management department after BE achieves ownership of a property portfolio with critical mass.

8. Properties with Development Potential

All of BE's properties have some betterment or development potential, including construction, expansion and increasing rights as well as repositioning. The scope and degree of development and uses permitted in each initiation project, are subject to regulation and the policy of the relevant local authority, in which the property is located. Before purchasing the property, and as part of due diligence, BE identifies and tests the key policy rules of the relevant local authority, inasmuch as these pertain to new ventures and types of uses. In many cases, BE's properties are located in central operating compounds of the relevant local authority featuring ventures intended for employment development generally receive support and encouragement. As of the report date, BE has yet to file requests to the relevant authorities, regarding such initiation.

9. Marketing:

Most of BE's properties are rented in full, on a long-term basis, and therefore marketing vacant spaces (or spaces that will be vacant in the future) generally takes place for each property separately. As a rule, marketing space involves the appointment of an expert mediator or mediators using various marketing methods in order to attract the interest of potential renters, including online marketing, event production and tracking demand in the relevant location. In certain cases, BE will renovate empty spaces before they are offered for marketing, in order to attract potential tenants and/or to secure higher rental prices. In light of the low percentage of vacant spaces in BE's existing property portfolio and the array of mediators the BE staff has worked with, there is no risk of significant increases in marketing costs.

10. Competition:

BE mainly invests in real estate used for offices in the Greater London area. These areas include cities surrounding London, a significant portion of the population residing in which works in London and travels to and from it on a daily basis (such as Oxford, Cambridge, Reading, Brighton and so on). This geographical region constitutes some 1/3 of the GDP of the UK as a whole and has a population of some 10 million people.

BE is interested in improving its investment by (among other things) actively managing its rentals, securing building permits, renovating properties and development and initiation. This market combines a broad variety of activities, covering a broad geographic region and attracting local and international capital, and is characterized by a high level of activity. There are various competitors – from niche local companies to major public companies, and foreign private and public capital. Identifying specific competitors is of little value, as competition changes dramatically in accordance with the property's location, the property's use, the profile of the tenants, possible business plans and so on.

BE has a number of competitive advantages over its competitors, such as a varied portfolio, and executives with extensive experience and the ability to identify opportunities. All this and more, and according to BE’s management, they will help them face the competition.

11. Human Capital:

As of this report, BE has 35 workers and management, as follows:

Department	Number of Staff Members
Management	3
Investment, development and property management	10
Finance and activity	11
Marketing	2
Support	9

Members of management and a number of senior staff also act as partners in Brockton Capital LLP (a BE subsidiary), and were appointed directors in the Group companies. The terms of their employment are in accordance with generally accepted market practices, and among other things, their termination is subject to advance notice. All other staff members are employees of Brockton Everlast Management Limited (a BE subsidiary) and are employed in accordance with generally accepted employment conditions, including the advance notice period. All members of the professional staff have a long-term remuneration plan, via B and C type shares of BE Midco Limited, which holds BE shares directly. For further details see the long-term remuneration plan within the framework of the description of the terms of remuneration of BE executives in Regulation 21 of Additional Information on the Corporation.

BE organizes regular intra-organizational supplementary studies for its staff members and encourages outside studies as needed. BE has no material dependence on any of its staff members.

For details on the terms of employment of BE managers, see Regulation 21 of the Additional Details chapter.

12. Adjustments to Rental Properties and Suppliers

Maintenance and repair works for BE properties, are generally commissioned by the relevant outside property manager, and are financed by the management fees (which are paid by the tenants). All of these works as well as significant renovation or development works carried out by BE, are performed by outside contractors, in accordance with a formal construction agreement according to which the contractor is responsible for supplying the work, the subcontractors, and the raw materials and is responsible for the quality of construction.

BE is exposed to changes in construction prices, which themselves are impacted by changes in prices of raw materials, work equipment and construction works in general (and the demand for contractors and subcontractors). In addition, each of the above factors can have an impact on the projects' timetables and delivery dates.

These risks are managed by careful provisions to increases in construction costs, conservative pricing of project costs as well as planning timetables and performing careful due diligence and screening tests before each contractor is appointed.

13. BE forecast for 2020:

The following is BE's forecast for its primary business results for 2020. The forecast is based on the following working assumptions:

- No material changes will occur in the business environment in which the BE Group is active.
- There will be no material changes in revenues on the basis of existing rental agreements and in BE's management forecasts in connection with renewing rental agreements and new rentals in 2020.
- The forecast is based on existing properties as of the report date plus the purchase of an additional property by BE subsequent to the balance sheet date.

	FORECAST	ACTUAL
	2020	2019
	£	**£**
NOI (MILLIONS OF GBP)	27-29	15
FFO (MILLIONS OF GBP)	6-7	1

The information referring to the 2020 forecast constitutes forward-looking information as defined in Section 32a of the Securities Law, 1968 and is based on the budget of BE management, as approved by the BE Board of Directors. Forward-looking information is any forecast, estimate, assessment of other information connected to some future event or issue the realization of which is not certain and which is not under the exclusive control of BE and the Company, as there is no certainty that the multiple variables composing the budget will be realized as planned.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

14. BE's Business Strategy

BE intends to allocate most of its capital to investments in offices in the London Metro Area (L-MAP) and is taking active steps to locate appropriate investments.

BE predicts that the three secondary categories in the property portfolio will include:

1. Stable cash generating L-MAP: stabilized Core/Core+ properties.
2. Value add L-MAP: properties requiring more active management
3. Development L-MAP: full initiation or properties requiring significant renovation.

15. Corporate Governance in BE and in the BE Group

As long as the Company is the largest shareholder in BE, the Company will be entitled to appoint the majority of BE's Board of Directors. The Board of Directors will establish an Operations Committee and an Audit Committee in which the Company's representatives will hold a majority. The Brockton partners undertook to manage it for at least 8 years, starting March 2018.

Agreements exist between the Company and the Brockton Managers that include mechanisms for the restriction of the transfer of the rights, as well as indemnification arrangements regarding presentations and statements made by the Brockton Managers. See Notes 6.d.(4) and 6.d.(5) the Yearly Financial Statements in this regard.

16. **Information** on Brockton Funds

As of December 31, 2019 the Company holds three British real estate funds from the Brockton Group. Each of Funds I and II has an investment in a single property, while Fund III has a material investment in FORA, which deals in the rental and management of workspaces, as well as two more properties. The process of realizing the portfolio of the three funds as presented above is expected to end by the end of 2021.

The three funds are presented in the Company's Financial Statements as securities measured at fair value via profit or loss. The balance of the Company's investment in the Funds as of December 31, 2019 amounts to a total of £39 million (176 million NIS). For further information see Note 5(1) to the Financial Statements.

E. Investment in Switzerland – PSP Swiss Property AG

1. General Environment and Impact of External Factors[26]

All references appearing in this section to the Company's estimates on future developments in the general environment in which Brockton operates and in external factors influencing its work may be considered forward-looking information as defined in Section 32a of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information the Company notes below.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

The Swiss GDP increased by a moderate rate of 0.9% in Swiss franc terms in 2019 (forecast), below the multi-year average, after growing by a rate of 2.5% in 2018. The Consumer Price Index increased by 0.4% in 2019, after rising 0.9% in 2018. Unemployment continued to drop to 2.3% in 2019, compared to 2.6% in 2018. Emigration into Switzerland remains positive, but the total growth in population was below the multi-year average of 0.7%.

Private consumption in 2019 remained similar to 2018. Commercial assets had another difficult year due to the continued growth in online purchase and due to the fact that many Swiss residents purchase products in Italy and France due to the strength of the Swiss franc. At the same time, the condition of outlets in central areas has been better.

The Swiss National Bank (SNB) continued to employ an expansive monetary policy and continued with a negative interest rate policy for deposits in CHF. These two components are expected to continue to exist in the event that the CHF will continue to revalue relative to other currencies.

Yields on 10-year Swiss government bonds were circa 0% and even lower in 2019. The low interest rate environment has left low debt recycling costs for real estate investors. At the same time, low yield rates on government and corporate bonds continued forcing long-term investors to search for higher yields. As a result, investment in income-generating properties continued to be attractive as an alternative investment for institutional and private bodies, and the capital injection to the income-generating property sector in Switzerland make the country's office market even stronger.

The discount rate of premium office buildings in Zurich continued to drop over the course of the past 12 months to 2.1% but Geneva saw a moderate increase from 2019 to 2.7%R. In these two cities, this is still a margin of over 2% relative to the yield on 10-year government bonds. As interest rates are expected to be relatively stable, these yield rates are expected to remain at their current level in the near future.

In most city centers and CBDs, occupancy rates increased in 2019, mainly in Bern, Zurich and Lausanne. At the same time, occupancy rates dropped in General and Basel. In central Zurich, occupancy rates in 2019 were higher than they have been in years, with demand continuing to increase. As a result, the availability of office space dropped to extremely low levels in the Zurich CBD, primarily the availability of spaces larger than 2,000 m². Zurich saw an increase in total occupancy rates in 2019, despite the fact that a number of new offices buildings were completed.

1. 26Sources of Information in this section:

- Swiss Property Market (Wüest Partner, November 2019)
- Swiss Office Property Market 2019 (Credit Suisse, December 2019)
- Swiss Federal Statistical Office
- Swiss National Bank
- Switzerland Office Market (JLL, January 2020)
- Swiss State Secretariat for Economic Affairs (Seco)

Construction of new offices in Zurich continued, mainly in the northern city (near the international airport). This construction will limit rental prices, which are not expected to increase significantly, while the rate of empty spaces is expected to be relatively high. On the other hand, the lack of construction in the Zurich CBD along with the limited supply today, will lead to pressure to increase rental prices. Prices of prime office space in Zurich as well as in Genera increased by 2%-3% in 2019.

In greater Zurich, the occupancy rate in office buildings increased from 95.5% in 2018 to 96% in 2019. In the city center, the occupancy rate is higher, at 97.5%. The total supply of offices for rent amounted to 312,000 m² at the end of 2019, compared to 350,000 m² in 2018. The average requested price per m² of prime office space has been increasing since 2017 and amounted to 850 CHF per m², as a result of the fact that there are a number of areas in the CBD with limited offerings. The northern section of Zurich saw significant construction, which lowered occupancy rates in the area, but many spaces from this inventory were rented in 2019. The forecast is that projects under construction are expected to add some 100,000 m² in 2020-2022. On the one hand, the increase in total space can contribute to the decrease in occupancy rates, while on the other hand, a significant portion of these spaces have been rented in advance.

Zurich – Data Summary	**2019**	**Change in 2019 vs. 2018**
Prime rental prices per m² per year	850 CHF	3%+
Discount rate	2.1%	0.5%-
Total area available for rent in thousands of m²	312	11.2%-
Occupancy rate	96%	0.5%-

In greater Geneva, the occupancy rate in office buildings decreased from 92.7% in 2019 to 93.2% in 2018. Total offerings of offices for rent amounted to 282,000 m² at the end of 2019. In light of the drop in occupancy rates, a rezoning process began for some of the buildings in the CBD, which could not meet the standards of changing demand, to additional uses such as hotels, residential, student housing and so on. Construction in non-central areas of Geneva has continued and is not being absorbed in a fast and full manner. This situation creates pressure to lower rental spaces. At the same time, in premium buildings in the Geneva CBD, rental prices of prime assets in the city center increased by 2.5% in 2019 to 820 CHF to m² per year.

Geneva – Data Summary	**2019**	**Change in 2019 vs. 2018**
Prime rental prices per m² per year	820 CHF	2.5%+
Discount rate	2.7%	0.2%-
Total area available for rent in thousands of m²	282	11.1%-
Occupancy rate	92.7%	0.5%-

		Switzerland		
For the Year Ending	**Units**	**December**	**December**	**December**
Macroeconomic Parameters				
GDP (PPP)	Billions of	565	551	523
Per capital GDP (PPP)	USD	57,791	57,767	56,645
GDP growth rate (PPP)	%	2.5%	5.4%	3.6%
Per capita GDP growth rate (PPP)	%	0.1%	2.2%	0.5%
Inflation rate	%	0.4%	0.9%	0.5%
Yield on long-term local government	%	-0.5%	0.03%	-0.07%
Rating of long-term government debt		AAA/Aaa	AAA/Aaa	AAA/Aaa
Unemployment rate	%	2.3%	2.6%	3.2%

The source of data GDP is the October 2019 IMF World Economic Outlook Database. 2019 data is estimated.
GDP data in dollars differs from GDP data in Swiss franc thanks to the exchange rates.
The nominal rate of return on long-term Swiss government debt refers to 10-year Swiss government bonds. Source of data: Swiss National Bank (http://www.snb.ch).).
Inflation data in Switzerland for the last day of each year is from the Swiss Federal Ministry of Switzerland (https://www.bfs.admin.ch/bfs/en/home.html).

2. Information on PSP

PSP is a company specializing in the field of income-generating property in the Swiss market, the securities of which are traded on the Zurich Stock Exchange.

The investment in PSP is presented according to the book value method.

Over the course of 2019 and subsequent to the balance sheet date the Company sold 1.8 million PSP shares (from 4.6 million shares it held prior to the sale) in return for 248 million CHF (890 million NIS).

After the sales in question and as of the date of approval of the Financial Statements, the Group holds 2.8 million PSP shares, constituting 6.1% of PSP's stock capital.

In April 2020, the reappointment of the Company CEO and Chair of its Board of Directors will be presented for the approval of the PSP General Assembly.

In view of the sale of PSP shares subsequent to the balance sheet date and depending on the results of the Assembly regarding the appointment of directors, whatever they may be, the Company will examine the continued implementation of the accounting treatment whereby PSP is presented using the book value method.

For further information regarding the Company's investment in PSP see Note 6h to the Financial Statements.

3. Financial Information

The following is key data from PSP's Financial Statements as of December 31, 2019 as it released to the public and in an immediate report published by the Company on February 25 2020 (ref. no. 2020-01-018939) (in this Section 2 below: "**the Immediate Report**"). PSP's Financial Statements have been prepared in accordance with the IFRS. In implementing IAS-40 (Investment Real Estate), PSP presents its income-generating properties on a fair value basis:

	Unit of Measurement	**December 31 2019**	**December 31 2018**	**December 31 2017**
Number of properties		162	163	157
Fair value of real estate investments	CHF 1 thousand	7,259,441	6,778,932	6,383,901
Occupancy rate	%	96.5	95.0	91.8
Properties in development		12	11	12
Investment in properties under development	CHF 1 thousand	722,223	663,174	661,892
Equity	CHF 1 thousand	4,450,220	4,156,908	3,988,560
Rate of financial debt to the balance sheet total	%	32.3	33.0	33.7
Equity per share after offsetting deferred taxes due to asset revaluation – net asset value (NAV) per share	CHF	97.02	90.63	86.96
Equity per share before offsetting deferred taxes due to asset revaluation – net asset value (NNAV) per share	CHF	115.82	109.20	104.22

	Unit of Measurement	2019	2018	2017
Revenues	CHF 1 thousand	290,460	279,373	272,454
Profit from the adjustment of investment real estate to fair value according to IAS-40	CHF 1 thousand	244,176	166,692	83,253
Operational profit without the impairment component and the adjustment of real estate to fair value – EBITDA	CHF 1 thousand	256,145	241,743	242,187
Net profit	CHF 1 thousand	453,425	308,152	256,890
Net profit without the real estate to fair value adjustment component	CHF 1 thousand	215,214	176,250	177,738
Earnings per Share	CHF	9.89	6.72	5.60
Profit per share without the real estate to fair value adjustment component	CHF	4.69	3.84	3.87
Payments to shareholders for reported year – sum per share	CHF	3.60	3.50	3.40
Rate of payment to shareholders out of net profit without the real estate to fair value adjustment component	%	76.8	91.1	87.4
The Group's share of PSP results				
Equity earnings the Group listed from PSP	NIS thousand	154,088	135,913	114,411
Receipts received by the Group from PSP in practice during the reported year	NIS thousand	57,598	69,928	68,063

For detailed information regarding PSP's assets see Pages 212-227 of the PSP Financial Statements as published by the Company in the immediate report, with the information present in the immediate report presented in this report by way of referral.

Additional information regarding PSP not constituting part of this report and not attached to by way of referral can be found at: www.psp.info and on the Swiss Stock Exchange website: www.swx.com.

4. PSP Forecast for 2020

According to its publications, PSP predicts that the operational profit without the depreciation component and adapting investment property to fair value (EBITDA) for 2020 will be higher than 260 million Swiss francs (compared to 256 million Swiss francs in 2019) and the occupancy rate is expected to be higher than 96.5% (compared to 96.5% at the end of 2019).

The information in this section on the PSP forecast for 2020 constitutes forward-looking information as defined in Section 32a of the Securities Law, is based on the PSP managements work plan approved by the PSP Board of Directors, and is neither under PSP's control, and no certainty exists that the many variables comprising the work plan will be realized as planned.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

5. Taxation of Investment in PSP

See Section 6.2 in Chapter G below.

6. Receipts from PSP

For details of dividends and capital amortization receipts from PSP in 2018 and 2019 see Note 6.h.(3) to the Financial Statements. For details regarding dividend receipts expected from PSP in 2020 see Section 3.3.8 in the Board of Directors Report.

F. Energix

1. General Information on Energix

Energix is a public company, the securities of which are traded on the stock market, and is a directly-controlled subsidiary of the Company.

In addition, Energix deals in the initiation, development, management and operation of projects for the production of electrical power in the field of wind energy in Israel and in Poland, with the intent to hold them on a long-term basis. As of the report date, Energix sells electricity from systems connected to the power grid in Israel and Poland.

Over the course of 2019 Energix raised capital within the framework of a private offering and a public offering, to the total sum of 240 million NIS (of this sum, the Company invested a total of 36 million NIS). Subsequent to the balance sheet date, in January 2020, Energix raised capital in the amount of NIS 240 million in a public offering. In the framework of the above issue, the Company purchased some 3 million NV regular Energix shares at a total sum of 34.5 million NIS.

The Company's stake in Energix was 59.79% as of December 31 2019. Immediately prior to the publication of this report, the Company's stake in Energix was 57.4%. For further information, see Note 6e to the Financial Statements.

As part of Energix's general activity in Israel, the U.S. and Poland, the total output of its systems amounts to a total of 320 MW in commercially operated projects, 462 MW in projects in development or preparing for development, 375 MW in projects in advanced stages of initiation and 1000 MW in projects in the initiation stage.[27]

The total representative yearly income expected in 2020 from the sale of electricity and Green Certificates28 from all facilities connected to the power grid as of the report date in addition to the facilities that are expected to join the power grid over the course of 2020 is 263-273 million NIS29 (Energix's share of the cash flow).

The information on projected yearly income constitutes forward-looking information as defined in Section 32a of the Securities Law and depends on factors, including the weather, not under the Company's control. Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

Energix receives management services from the Company according to a management agreement signed between the parties. For further details regarding the management agreement see Note 6.d.(4) to the Financial Statements.

2. Area of Activity

As noted above, Energix deals in the initiation, development, management and operation of photo-voltaic systems and wind farms with the intent to hold them on a long-term basis.

---

27 Commercial operated projects are projects construction of which has been completed and power generated by which is flowing to the relevant power grid.

28 Green Certificates (RECs – Renewable Energy Certificates) are given to producers of renewable energy for each 1MWh produced. The value of the Certificates varies in accordance with the regulatory framework and market conditions in the relevant country.

29 Energix's forecasts for 2020 are based on projected income from photo-voltaic projects relative to the expected average output (P50). Projected income and expenses for projects in Poland are based on Energix's estimates regarding the average expected output (P50) and total price per produced 1MWh (power + Green Certificate, taking price fixing transactions into account) of 402 zloty. For details on outputs for which price fixing transactions were made, see Section 4 of this chapter. The exchange rate serving as the basis for calculating the forecast is 0.9 NIS per 1 zloty and 3.5 NIS per $1 US. Energix's revenues in practice from the wind farm in Poland are directly impacted by changes (i) in electricity and Green Certificate prices, which are set in accordance with their price on the relevant Polish stock exchange and are directly impacted by the legislator's activity and market forces in Poland (regarding unhedged transactions); (ii) in the exchange rates of the NIS/zloty (iii) in weather conditions and the quality of wind in the area of the wind farm and (iv) in the availability and fitness of the turbines in the wind farm for producing electricity. Changes in the revenues of the wind farm in Poland may have a material impact on Energix's forecasts and expectations as presented in this report.

2.1 Environment and Impact of External Factors – Energix

General

As part of a global trend of adopting a policy for reducing the emission of greenhouse gases, many countries, including Israel, encourage investments in constructing renewable energy-based electricity-generating facilities. The feasibility of Energix's activity is largely based on government resolutions and on the decisions of various authorities operating the regulatory environment in which the various power producers operate.

For a reference to the impact of the global COVID-19 pandemic on the Group's activities – see Section 6.2 of the Board of Directors Report.

Israel

In 2015, following a series of decisions dealing with setting quotes for the generation of renewable energy using various solutions, approval of outline plans for the construction of photo-voltaic systems (TMA 10/d/10) and the construction of wind turbines (TMA 10/d/12), government resolution no. 542 was passed, which anchors the goal set for 2020, and set additional national goals for reducing greenhouse has emission and generating electricity from renewable energy. A target was set for the consumption of electricity from renewable sources at a rate of at least 17% of the total power consumption in Israel relative to 2030, as well as an interim target for generating power from renewable energy at a rate of at least 13% of total power consumption for 2025. Subsequently, in 2017, the Knesset passed an amendment to the Electricity Economy Law, 1996 ("the Electricity Economy Law"), which anchored production goals for renewable energy for 2030 as set in the government resolutions in question in preliminary legislation and established an annual reporting mechanism on progress in the field to the Knesset Economic Committee.

In accordance with the above, the Ministry of Energy prepared a work plan for advancing renewable energy facilities and for examining the steps needed to meet the goals, pursuant to which the it announced its intention to increase electricity generation quotas in the photoelectric field by an additional 1,000 MW and to double the quota for wind turbines, which is currently 730 MW[30].

Concurrently, over the course of the reported period material changes occurred in the regulatory environment in Israel in a manner benefitting Energix's activity, including ratification of the reform in the electricity market (after its approval by the Government) as an amendment to the Electricity Economy Law. This reform is expected to lead to a concentrated effort by the Electric Company in the development of the conduction segment, which had been insufficiently developed in recent decades, and which constitutes one of the most important barriers to developing a renewable-energy based electricity market in Israel.

In addition to the reform the Ministry of Energy and the Electricity Authority worked intensively during the reported period to arrange various segments of the Israeli electricity industry, and used a variety of tools in order to remove barriers and advance compliance with renewable energy production goals by the end of 2020, in accordance with government resolutions on the subject. In addition, planning institutions are currently working on a national outline plan for the energy industry infrastructure – TMA 41, which is designed to establish combined national arrangements for energy infrastructure facilities (including electricity generation facilities using sun and wind energy), and energy infrastructure conduction. As of the publication of this report, the final version of the plan has not yet been published.

In this context note that in accordance with Electricity Authority publications as of January 2020, the total installed output of electricity generation facilities using renewable energy in Israel, amounted to 2.022 MW, which constitutes some 11% of the total electricity generation resources.

[30] 2016 Work Plan, Ministry of National Infrastructure, Energy and Water.

Subsequent to the report date, the Electricity Authority published a “Public appeal for the public’s response on the subject of electricity production goals using renewable energy for 2030”, which stated that the Electricity Authority was currently examining the possibility of increasing the renewable energy goals to 30% from the production of renewable energy for 2030.[31] According to IEC publications, preparations have begun for the achievement of these goals, which includes advancing a development plan subject to supporting regulation, reducing bureaucracy and removing roadblocks, advancing outline plans, and developing tools and abilities for the dynamic planning and management of decentralized production facilities on the grid.

Against the trends supporting the continued growth of the renewable energy market in Israel, there are trends that may threaten the growth, including an increased interest environment, which may lead to higher project financing prices, the objections of environmental bodies and authorities to the integration of wind energy projects, and the drop in power prices in the free market, and excess integration of renewable energy production that may lead to lowered sales rates for electricity from renewable energy.

Poland

The Polish power market is a relatively developed market, which features four local power marketers (owners of the distribution grid in the electricity generation areas) under the control of the Polish government, as well as an electricity stock exchange, in which many additional players are active.

As an EU member, Poland is required to meet the conditions for producing electricity from renewable energy set by the EU. As of the publication of this report, the national goal for 2020 was the production of 15% of the total electricity produced from renewable energy sources, after in the last target update round carried out by the EU in December 2017, this goal was not increased. At the same time, the national goal set for 2030 amounts to 21%-23%.

In light of agreements between the Polish government and the EU to grant a 40 billion zloty aid package to Poland, to finance activity in the field of renewable energy, starting from the end of 2017 there has been a trend evident on behalf of the Polish government to support the establishment of electricity-generating facilities from renewable energy. As part of this, the Polish government decided on the same date to provide a budget of 87.6 billion zloty in order to implement renewable energy projects in the country in coming years.

The U.S. Renewable Energy Market

The United States is one of the world’s leading countries in the production of electricity from renewable energy sources, and is rated second in the world, after China, in terms of the highest installed output of renewable energy facilities[32]. The U.S. renewable energy market is undergoing fast growth as a rule, the photo-voltaic market in particular.

In 2019, the production capacity of electricity based on photo-voltaic energy and wind energy remained at 183 GW (of which 75 GW was photovoltaic energy, and 108 GW was wind energy). In 2019, actual production using renewable energy in the United States amounted to 18% of the country's entire power consumption. In 2018 investment in the field of renewable energy in the United States along amounted to $50 billion and the industry provides, in the United States alone, some 770,000 jobs[33].

The increase in the field of renewable energy is expected to continue, among other things, in light of the maturing of new technologies in the field of storage and network balancing, as well as thanks to a decrease in renewable-energy based electricity generation costs. Renewable energy production goals in the United States are set at the state level, and therefore vary from state to state.

31 Public appeal for the public’s response on the subject of electricity production goals using renewable energy for 2030”.
32 Sustainable Energy in America 2020 Factbook BloombergNEF
33 Irena, Rethinking Energy 2017

According to estimates, in 2050 the share of production from renewable energy is expected to amount to 43%, and the wind energy and photo-voltaic energy segment alone is expected to amount to 35%. Furthermore, in recent years, more and more countries in the United States have been leading the implementation of a policy of supporting renewable energy. Thus, near the approval of this report, in February 2020 the State of Virginia (in which most of Energix's U.S. activity is concentrated) announced that by 2050 the state's electricity producers will be required to meet a goal of 100% renewable energy[34]. Similar goals were declared in California and New York.

An additional material factor impacting the growth of the renewable energy industry in the United States is the increased demand from the private market for the consumption of electricity originating from renewable energy: 51% of U.S. companies have or are advancing an electricity policy based on renewable energy for the next two years, including major corporations operating hundreds of future electricity development and production centers. In 2019 private companies around the world signed agreements to purchase electricity from renewable energy (Corporate PPAs) totaling 19.5 GW, with most (70%) signed in the United States, to a total of 13.6 GW.

The photo-voltaic field in the United States is based on a complex market of electricity sales as well as revenues from the sale of Green Certificates. In addition, a commitment can be made to the availability of electricity-generating facilities with local power companies, as an additional source of income. Furthermore, entrepreneurs in the photo-voltaic field are entitled to Federal tax benefits.

Electricity can be sold to power producers or directly to consumers and/or to financial institutions serving as middlemen in electricity sales. Most electricity generation transactions are with local electricity companies, but in recent years there has been a growing trend of moving to direct agreements with consumers and other players, including mega-corporations (such as Google, Amazon, Facebook and so on) which have committed to consuming 100% of their electricity from renewable energy. Electricity is sold directly from the facility or by way of a bilateral agreement with accounting with the local power company. Most engagements for the sale of electricity (whether to the power company or directly to consumers) are for periods of 5-20 years.

The regulatory framework in the photo-voltaic field in the United States:

Federal tax benefit

The primary incentive for developers was provided in the form of a tax benefit (Investment Tax Credit – ITC), in such a manner that a developer can receive a tax credit equal to 30% of the costs of the projects (calculation of costs from which the benefit was derived is carried out in accordance with the terms set in legislation) ("the Tax Benefit"). In addition, the developer needs to engage a local partner ("Tax Partner") who generally joins the project when the facility is connected to the grid and provides 40%-45% of the cost of the investment for the construction of the facility in return for the full tax benefits the project is entitled to as well as an income of 10%-30% of the project's cash flow for some of the years of the facility's operation. In accordance with legislation in effect as of the publication of this report, the tax benefit percentages will be decreased gradually by the regulator starting from the start of 2020, so that relative to a project whose development began in 2020 the tax benefit rate relative to the cost of the project will be 26%, a project whose development started in 2021 – 22% and a project construction of which started in 2022 onward – 10%. In any event, for projects the development of which will not be completed by 2023, the tax benefit will be just 10%. In addition, there is an accelerated depreciation benefit for 5 years for most of the cost of the project. To be clear, a project development of which started in 2019 (including by purchasing equipment at a cost of at least 5% of the cost of the project) and which will be connected to the grid by the end of 2023 shall be entitled to the full tax benefit of 30%.

Revenues from the sale of Green Certificates

[34] Virginia's Legislative System website, HB 1526 Virginia Economy Act - https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526

The incentives given entrepreneurs varies from state to state in the United States and even from county to county inside the states, with the most common incentives is issuing Green Certificates (RECs – Renewable Energy Certificates) given to producers of renewable energy for each 1 MWh produced. The value of the Certificates varies in accordance with the regulatory framework and market conditions in the relevant country. Many states have a binding goal for renewable energy set by the local legislature (Renewable Portfolio Standard) and accordingly, the local electricity companies, which are supervised by the local legislatures, are required to purchase Green Certificates. In addition, many companies that are not required by law to purchase green certificates (such as large technological companies) adopt similar rules in order to meet renewable energy goals they set themselves.

2.2 Information Regarding Existing Systems

The following table concentrates general information on existing Energix photo-voltaic systems, as of the publication of this report, connected to the Israeli power grid as of December 31, 2019:

Photo-Voltaic Systems – December 31 2019	Unit of Measurement	Small and Medium Systems	Large System – Naot Hovav	First Competitive Procedure Systems	Second Competitive Proceeding Systems (*)	Total
Energix's share	%	64%	100%	94%	**70% (**)**	
Total installed output	MWp	11.6	37.5	90	**62.4**	**201.5**
Actual revenues in 2019	Millions of NIS	18.6	44.6	31.8	**0.6**	**95.6**
Project FFO	Millions of NIS	10.4	33.1	18.5	**0.5**	**62.5**

(*) As of the report date 3 facilities with a total capacity of some 24.4 MWp were connected to the electricity grid. As of the approval of the Financial Statements, 5 systems were connected to the electricity grid with a capacity of 40 MWp, and regarding the additional systems, the construction has been completed and the Company is in compliance with the competitive procedure for securing the winning tariff.
(**) Except regarding net cash flow, regarding which the Company's share is 91%.

The above existing systems connected to the power grid, are based on various arrangements for periods of 20-23 years and different rates for each 1 KW/h.

For details on projects for the generation of electricity from photovoltaic systems see Note 7 to the Financial Statements.

The following table concentrates general information on existing Energix wind systems connected to the power grid in Poland as of December 31, 2019:

Wind Systems – December 31 2019	Unit of Measurement	Banie (Poland)	Ilawa (Poland)	Total
Energix's share	%	100%	100%	
Total System Output	MW	106	13.2	119.2
Actual revenues in 2019	Millions of NIS	134.0	14.5	148.5
Project FFO	Millions of NIS	99.7	12.0	111.7

Energix has 2 wind farms in Poland connected to the power grid with a total output of 119.2 MW.

These wind farms, which are subject to the Green Certificate arrangement, are entitled to two types of income: (1) sale of electricity generated by the wind farm ("Black Electricity Revenues") and (2) revenues from the sale of "Green Certificates" that are granted to renewable energy power producers, including wind farms, for each 1 MW/h of power produced (hereinafter "Revenues from Green Certificates"). The Green Certificates constitute an additional element of income for a period of 15 years from the start of power generation at the wind farm in question.

The electricity generated on the wind farm can be sold to the local electricity marketer (the owner of the distribution grid in the electricity generation area) or alternately, the electricity generated can be sold on the local electricity exchange or in direct agreements with electricity companies that trade and provide electricity in Poland as well as to other electricity traders selling electricity to end consumers (hereinafter: "the Electricity Operators"). The Green Certificates, which constitute an additional source of income to revenues from the sale of Black Electricity, are traded on a designated Polish exchange. The price of Green Certificates is not fixed and changes in accordance with supply and demand.

Electricity producers not from the field of renewable energy are required to purchase Green Certificates or pay a fine as an alternative to purchasing them (hereinafter: "the Fine") at a yearly rate out of the total amount of electricity generated by them and published by the regulator. During the reported period, the yearly rate for purchasing Green Certificates amounted to 17.5% of all power produced in Poland and in 2019 the yearly rate amounts to 18.5% of the total amount of electricity generated in Poland.

In accordance with regulations in effect as of the report approval date, the sum of the Fine is not fixed but will be calculated each year and will be equal to 125% of the weighted average of the price of Green Certificates in the past year, but no more than 300 zloty per Certificate. At the same time, it was made clear that the Fine cannot be paid so long as there is an inventory of green certificates on the market.

The price of a Green Certificate as of the report date amounted to a total of 144.91 zloty, as of the approval of this report, the price of a Green Certificate is 151.61 zloty.

Regarding transactions for setting the price for the sale of electricity and Green Certificates in Poland see Section 4 of this chapter. For further details on these wind farms see Note 7 to the Financial Statements.

3. <u>Projected Developments in the Coming Year</u>

The information presented in this section regarding the scope of expected projects includes forward-looking information as defined in Section 32a of the Securities Law, as the receipt of permits, dates and outputs expected to be in effect differ from those estimated by Energix.

Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

<u>Photovoltaic systems:</u>

Israel

- Over the course of 2019 Energix won a series of tender published by the Electricity Authority with outputs of 233 MW/p[35] at rates of 0.156-0.1818 NIS. These systems are in advanced stages of initiation and development. The expected cost of constructing these systems is 605-715 million NIS and the expected yearly revenues are 73-79 million NIS (Energix's share 70%, except regarding net cash flow, regarding which Energix's share is 91%).

United States

- During the reported period Energix began developing, via joint venture (with Energix's share being 58%), 4 projects in the State of Virginia, with an accumulated output of 82 MW/p ("**the Virginia Joint Venture Projects**" and/or "**the Joint Venture**").

35 Energix also won an output of 10 MWp (Company's share – 100%) pursuant to the competitive tender for the construction of high-voltage facilities in the West Bank. The primary conditions for arranging this facility and the rate Energix is entitled to are identical to those of the third competitive tender for high voltage facilities.

In August 2019 Energix (through the group companies or the subsidiaries of the joint venture in the United States) signed binding agreements with Shell Energy North America (US) L.P., to hedge the price of electricity regarding 80% of the expected production output in the joint venture projects in Virginia, and the sale of all of the Green Certificates allocated to the projects for a period of 12 years, with the sale of electricity in practice carried out in accordance with agreements signed with the local electric company at market prices.

In addition, in September 2019 an SPC owned by the joint venture entered into an agreement with Morgan Stanly Renewables Inc. as a tax partner, according to which the tax partner would invest some $47 million US against the receipt of rights to the joint venture projects in Virginia, as accepted in these types of transactions, which were primarily about the Federal tax credit (ITC). In March 2020, subsequent to Financial Statements date, Energix finished its construction works and the threshold conditions for the transaction for the project at a capacity of 21 MWp were completed and accordingly the tax partner invested an initial sum of some $12 million from their total investment.

Construction costs are expected to amount to 320-350 million NIS, and revenues – 16-22 million NIS. Project FFO – 13-17 million NIS. Financial data is based on an exchange rate of 3.5 NIS per $1 US.

- In addition, Energix is preparing for the development of an additional 140 MW/p and is working to complete the conditions for financial closure (among other things, signing binding agreements for the purchase of electricity from the projects and engaging with a tax partner), and estimates that works for the construction of the collection of projects can be started over the course of 2020. The total construction cost of the collection of projects is estimated by Energix at 500-575 million NIS. Energix intends to engage with a tax partner at an outline similar to the engagement with Morgan Stanly as explained above.

- In May 2019 Energix entered into an array of agreements with First Solar for the purchase of panels, of which a total of $65 million is expected to be used by Energix in its activity in the United States and may be used by it to preserve the tax benefit in the United States, as detailed in this section above.

Wind systems:

Israel

- The arrangement for large wind systems was first published within the framework of Resolution 349 of the Electricity Authority from October 10 2011 and was revised from time to time. In accordance with the arrangement in effect as of the report date, the quota for the production of electricity using wind energy is 730MW, in an outline of an IEC commitment to purchase electricity at a guaranteed rate for a 20-year period, linked to the CPI.

  Energix is developing the ARAN wind farm in the northern Golan Heights with an output of 110-120 MW, through a designated private company – Clean Wind Energy Ltd. ("the Project Company" or "ARAN Project"). Energix has 100% of the control and management shares of the Project Company and 73% of the shares granting rights to dividends in the project company.

  In September 2019, the assembly of the National Committee for the Planning and Construction of National Infrastructure ("VATAL") decided to approve the plan for the construction of the project. In accordance with the plan approved in the VATAL ruling, the project plan will feature 24 turbines with an output estimated at between 110 and 120 MW and Energix was given a license conditional on an output of 110 MW. In addition, the plan will allow the addition of 7 more turbines with an output estimated at 30-40 MW, subject to receiving confirmation that nothing prevents their construction due to land affiliation aspects, all this by the third quarter of 2020. On January 12 2020 the Housing Cabinet issued its approval for the project plan in accordance with the design proceeding, and on January 30 2020 the government resolution approving the plan for the construction of the project came into effect.

As of the approval of the report, Energix is continuing to develop the project with the aim of obtaining all required approvals as a condition for its establishment, including a building permit, tariff approval, financial closure, etc., and is in negotiations with leading turbine suppliers as well as with material contractors needed for the project. At the same time, Energix is dealing with various objections from a minority of residents objecting to the projects, among other reasons on nationalistic grounds.

Energix estimates the cost of the expected investment in the project at an output of 110-120 MW at 550-650 million NIS, and the yearly income from the project is expected to range between 110 and 130 million NIS per year.

Energix's estimates regarding the cost of the investment in the project and the revenues expected from it, constitutes forward-looking information as defined in Section 32a of the Securities Law, as the costs and the revenues are influenced by factors not under Energix's control, such as the cost of raw materials, salary costs and wind flow.
Regarding the impact of the global COVID-19 pandemic on the Group's activities – see Section 1 of the Board of Directors Report.

Poland

Energix 2 owns a fully owned wind farm with a total output of some 126 MW, which has completed the initiation and development stage and is ready for construction, and 68% of the rights to a wind farm with an output of up to 56 MW, located near the Banie Project site, against Energix's commitment to complete, at its own expense, the development of the wind farm, and arrange its connection to the grid. See Note 7 to the Financial Statements.

4. Customers

Sale of electricity in Israel – as of the report date, Energix's sole customer is the IEC (the vital service provider), who in accordance with the terms of the relevant arrangement, engages in long-term agreements with designated corporations owned by the Energix (20-23 years, depending on the terms of the arrangement). The engagement with the IEC is carried out in accordance with rates set by the Electricity Authority within the framework of the previous arrangement, and regarding projects in development, these engagements will be made according to the rate set in the relevant tender. Therefore, in spite of the dependence on this customer, in light of the Electric Corporation's status and the government support for its commitments and of the electrical industry as a whole, the Company does not believe that the dependence in question is might have a material impact on its activity. Energix's revenues from the IEC in the reported period amounted to 92.8 million NIS, which constitute 38% of Energix's revenues.

Sale of electricity and Green Certificates in Poland – over the course of the reported period Energix sold to Axpo Trading AG ("Axpo"), an electricity trader active in Poland, the full amount of Black Electricity it produced in the 2 wind farms operating commercially in Poland, as well as 45% of the Green Certificates granted it for these wind farms. In accordance with the terms of the engagement with Axpo, the electricity produced in its facilities is sold in accordance with its price on the stock exchange, less commissions and the Green Certificates were sold in accordance with price fixing agreements signed with Axpo regarding the reported period.

Energix's revenues from Axpo in the reported period amounted to 118 million NIS, which constitute 50% of Energix's revenues in its consolidated statements.

During the reported period Energix made deals to set the electricity sales price for 76% of its expected electricity generation in 2020 at a price of 282 zloty per 1MWh manufactured (before adjusting the production profile). Energix also carried out price fixing transactions at a ratio of 70% of the Green Certificates Energix is expected to receive for two wind farms in commercial operation in Poland in 2020 at a price of 146.5 zloty per certificate (per 1 MW/h) and fixing transactions for 47% of the scope of the certificates expected to be received in 2021 at an average price of 147.5 zloty per certificate.

Sale of electricity and Green Certificates in the United States – for details on signing binding agreements between Energix, through the joint venture in the United States, and Shell Energy North America (US) L.P., to hedge the price of electricity regarding 80% of the expected production output in the joint venture projects in Virginia, and the sale of all of the Green Certificates allocated to the projects for a period of 12 years, see 3 above.

5. Marketing and Distribution

Energix's area of activity in Israel does not require marketing and distribution, as, as noted above, the Company's sole customer is the Israeli Electric Corporation, which is required to enter into long-term agreements with Energix and purchase the energy produced by it and/or that will be produced by it in accordance with rates set by the Electricity Authority, and is responsible for distributing the energy.

In all matters pertaining to Energix's activity in the field of wind energy in Poland, power distribution is carried out through sales to the domestic power marketer or sales on the local power exchange or in direct agreements with those involved in electricity. Furthermore, the Green Certificates are traded on the power exchange and can be sold to the electric companies trading and providing power in Poland, to end consumers and to goods brokers and are tradable on the Polish power exchange. All of these are potential marketers for the distribution and sale of electricity produced by the Group in Poland. For the relevant project company's engagement for the sale of electricity produced in Energix's projects in Poland see Note 7.f.(2) to the Financial Statements.

6. Competition

As of the reported date, there are many companies in Israel and in other markets Energix is active in that are active in the field of renewable energy in general and the field of photo-voltaic and wind energy in particular.

As a rule, according to Energix's estimates, the renewable energy field is competitive, and as the activity of developers in the field of renewable energy in Israel and Poland is an activity dependent on quotas published by the Electric Authority or a local regulator or rate tenders, a restriction may apply on Energix's activity to implement the projects it promotes, inasmuch as quotas published by the regulator are used in full by the competition or Energix dos not win rate tenders. Energix estimates that as of the report date, there are 5-10 relevant competitors in the field of medium and large photo-voltaic facilities in Israel. In the field of major photo-voltaic facilities connected to the conduction grid, there are fewer competitors due to high entrance barriers, and Energix estimates that it has five primary competitors. In the field of medium and large facilities, there is a trend of increasing the market share of players with significant equity.

There is less competition in the field of wind energy due to the need for significant investments in project development stages and due to the high barriers to construction. Major competitors: to the best of Energix's knowledge, there are currently a number of companies in the Israeli market that are competing directly with Energix or are capable of competing with Energix in Israel.

The photo-voltaic market in the United States is a market divided into 50 different markets (in accordance with policy) saturated with manufacturers and consumers, and this features competition in all matters pertaining to long-term agreements for the sale and purchase of electricity.

For the reported period and as of the report approval date, Energix estimates that its share in the wind energy market in Israel, Poland and in the photo-voltaic field in the United States is not significant.

7. Seasonal Factors

Naturally, solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in summer and spring months, when solar radiation levels are high, the photo-voltaic system' output increases. In the autumn and winter months, in which solar radiation levels are relatively low, the system's output drops. In the field of wind energy, power generation is subject to changes in the wind regime across the different seasons, in accordance with the specific region in which the turbines are located, as well as to variation in wind regimes from year to year. Based on wind measurements made in the Company's wind farms in Poland, the forecast is that the fall and winter months (third and first quarters), which are characterized by strong winds, shall be the months in which the wind farm's output increases. To be clear, the weather conditions that will exists in practice in a certain period may have a material impact on the ability to generate power at Energix facilities, whether in the photo-voltaic field and whether in the wind energy field. In addition, seasonal factors may influence electricity prices in countries in which power prices are set by supply and demand. Inasmuch as Energix is exposed to electricity prices in these countries, such as Poland, changes in electricity prices may impact the scope of its revenues.

8. Human Capital

As of the approval of this report, Energix employs, directly or indirectly, 66 employees, of whom 5 are employed at a Polish subsidiary and 9 at an American subsidiary. Al of Energix's employees are hired via personal employment contracts. Generally speaking, Energix's severance pay liabilities are covered by provisions to executive insurance policies and by a compensation reserve. Energix has no material dependences on any specific employee.

In addition, Energix receives management services from the Company according to a management agreement. For details regarding the management agreement see Note 6.e.(4) to the Financial Statements.

Energix has capital remuneration plans for its employees. For details on the remuneration of the CEO of Energix including capital remuneration see Section 21 in the Report on Additional Corporate Information.

g. Information Pertaining to the Corporation as a Whole

1. Competition

Due to the nature of the Group's activity in various countries, it has no specifically identified competitors, and it cannot assess its market share. Regarding competition in Israel in the field of income-generating real estate see Section 9 of Chapter B, regarding competition in the income-generating real estate markets in Washington DC and Boston MA, see Section 13 in Chapter C1, in the matter of competition in the income-generating real estate market in London See Section 10 in Chapter D and regarding competition in the field of renewable energy see Section 6 in Chapter D.

According to Company estimates, critical success factors in the area of activity are:

1. A leading professional staff with extensive experience in the field in each country in which the Company is active.
2. Financial fortitude that permits the receipt of comfortable financing terms and the investment of equity.
3. Geographical distribution of investments.
4. Solutions to regulatory and economic aspects of each investment.
5. Location of business opportunities in Israel and abroad.
6. Assembly of a diverse investment portfolio with a different component of risk vs. yield.
7. The attachment of local elements in various countries and collaborations in the construction of real estate ventures.
8. In real estate initiation and development actions, the critical success factors are mainly: the cost of building inputs, construction time, the strength of operational contractors, meeting requirements pertaining to planning and construction and the environment, and locating tenants for properties.

Chief entry and exit barriers in the area of activity:

Entry blocks:

A. The need for financial fortitude and access to financing sources.
B. Knowledge and experience in the field of income-generating real estate and in the field of finance.
C. Access to business opportunities in the field.
D. Familiarity with leading local elements in the various markets involved in entrepreneurship.

Exit barriers:

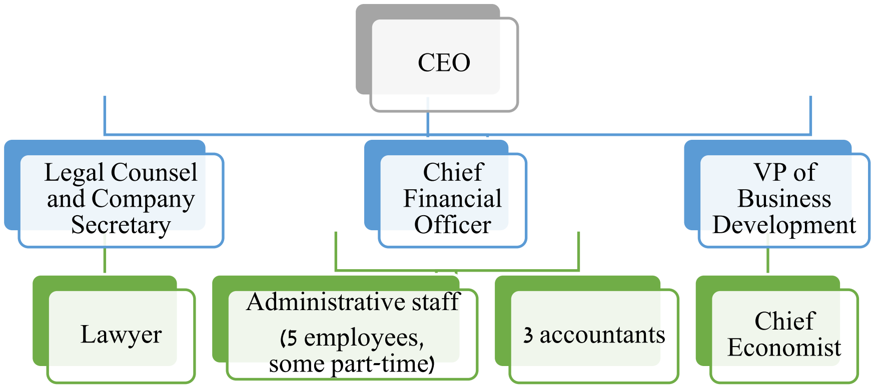
A. Exiting from the area of activity is inflexible and realization of investments may take a considerable amount of time.
B. Early clearance of finance frameworks for the purchase of properties may lead to heavy fines.
C. Financial covenants of subsidiaries for loans and bonds on the matter of a company being a controlling shareholder.

2. Fixed assets

The Group's fixed assets largely consist of the Company's office space, Amot's office space and Energix's office space. The fixed assets' depreciated cost as of December 31, 2019 is 78 million NIS. Regarding Energix's electric electricity generation facilities, see Chapter F above

3. Human Capital

As of this report, the Company has 14 employees and officers, as follows:



3.1 General

The Company's employees and officers are employed via personal agreements (directly or regarding several officers, via companies in their possession) All of the Company's severance pay liabilities are covered by contributions to managers insurance policies/pension fund and by a severance pay reserve. No material changes occurred in the Company's human capital during the reported period. The Company has no material dependence on any specific officer and/or employee.

Company employees have long-term capital remuneration plans. For details see Note 16e to the Financial Statements.

Group companies in Israel provide study days for their employees on various subjects, including administrative enforcement (in the field of securities law), ethical codes, sexual harassment prevention, road safety and so on. In addition, the Group encourages its employees to take part in supplementary education and professional study days.

In addition, the Group has a directors' training procedure as a part of which the Group holds study days for members of the boards of directors and managements of Israeli Group companies, once per year.

3.2 Remuneration Plans for Company Executives and Employees

In February 2018 the Company's Board of Directors decided upon a new multi-year remuneration plan on a capital basis, replacing a previous plan from August 2014, according to which each year near the publication of the yearly report employees and executives would be allocated non-tradable options of a fixed economic value. The Yearly Portion allocated shall have a vesting period of two years, and shall be exercisable up to 3 years from its date of issue.

The capital remuneration plans in question are compatible with the Company's remuneration policy for 2016-2018, as approved by the general meeting in November 2015 and the Company's new remuneration policy for 2019-2021 as approved by the general meeting in October 2018.

For further information regarding capital remuneration plans for Company employees and workers see Note 16e to the Financial Statements.

3.3 Executives and Senior Management

For details regarding the Company's previous officer remuneration policy for 2016-2018, see the immediate report published by the Company on October 12 2015 (ref. no. 2015-01-132690) and October 29 2015 (ref. no. 2015-01-144972).

For details on the New Remuneration Policy for 2019-2021 see the complementary immediate report for summoning a general meeting published by the Company on October 4 2018 (reference no. 2018-01-092115) and to an immediate report on the results of the general meeting published by the Company on October 9 2018 (reference no. 2018-01-094626).

For information on a management agreement with the Company CEO – see Note 18a to the Financial Statements.

For information on a management agreement with the Chairman of the Company's Board of Directors – see Note 18b to the Financial Statements.

Regarding the service conditions of the nine highest remunerated of the senior officers at the Company or at companies under its control (of whom 3 are Company officers) as recognized in the Company's Financial Statements see Regulation 21 of the Report on Additional Corporate Information.

4. Working Capital

For details regarding the Group's balance of cash and non-utilized credit frameworks, see section 3.4.1 of the Board of Directors' Report. Regarding the Group's working capital deficit as of December 31, 2019 – see Section 3.4.4 of the Board of Directors' Report

5. Financing

5.1 General

The Company finances its activity from its equity, from sums the Company raised at various times from the public via public offerings and the private issue of bonds, by private and non-private issues of shares and options, the exercise of options, from bank credit in Israel and abroad and from credit from institutional bodies.

As the Group is active in several geographical regions, the Group habitually receives credit to finance part of its investment in each company in the relevant currency in which the investment was made. In the reported period, the Group took credit in the following currencies: the NIS, the pound sterling, the U.S. dollar, the Swiss franc and the zloty. In cases in which the loans were taken in a currency not the investment currency or at variable interest rates, the Group often enters into hedging agreements in order to set the exchange rates and/or the interest rates.

The following are details of the Group's loans and bonds as of December 31, 2019 as presented in the Consolidated Financial Statements:

	Balance of Loans as of December 31 2019	Weighted Denoted Interest as of December 31 2019	Weighted Effective Interest as of December 31 2019
	Millions of NIS	**%**	**%**
Banking Sources			
CPI-linked NIS loans	273	4.29	4.31
USD loans – variable interest	2	3.41	3.41
CHF loans – variable interest	358	1.24	1.24
Variable interest NIS loans	265	1.54	1.54
GBP loans – fixed interest (*)	284	2.69	3.33
GBP loans – variable interest	1,124	2.36	2.98
	2,306	**2.03**	**2.33**
Non-Banking Sources			
CPI-linked fixed-interest NIS bonds (**)	5,934	3.30	2.10
NIS bonds – variable interest	1,336	2.49	2.20
NIS bonds – fixed interest	1,898	2.97	2.79
Fixed-interest CHF bonds (***)	358	2.14	1.23
Fixed-interest USD bonds (****)	346	5.44	3.69
CPI-linked NIS loans	698	3.02	3.17
	10,570	**3.15**	**2.33**
Total	**12,876**	**2.95**	**2.33**
Adjustments	**13**		
The balance of the Group's loans and bonds as presented in the Financial Statements	**12,889**		

(*) Including a variable-interest loan for which a swap agreement was made for conversion to fixed-interest loan.
(**) Including fixed-interest bonds for which a swap transaction was carried out for conversion to CPI-linked loan.
(***) NIS bonds at fixed interest for which cross currency swap agreement was carried out. This loan is translated according to the rate of exchange as of December 31 2019 compared to 374 million NIS, as presented in the balance of bonds in the Company's Consolidated Financial Statements.
(****) NIS bonds at fixed interest for which cross currency swap agreement was carried out. This loan is translated according to the rate of exchange as of December 31 2019 compared to 341 million NIS, as presented in the balance of bonds in the Company's Consolidated Financial Statements.

Variable Interest Credit Details

Currency in Which Credit was Granted	Balance of Credit	Interest	Near the Date of the Publication of this Report
	Millions of NIS	%	%
NIS	1,602	(*)	2.33
CHF	358	LIBOR + 1.85%	1.24
GBP	1,124 (**)	LIBOR + 1.45%-1.7%	2.36
USD	2	LIBOR + 1.5%	3.41
Total	**3,086**		

(*) The following are details of terms of NIS loans and bonds at variable interest:

265	P - 0.5/P-0.1
1,336	Bank of Israel + 2.24%
1,601	

In the above table, the letter P represents the Prime interest rate.

(**) The Company performed cap hedging for the Libor interest rate.

The following is information regarding the Group's financial debt as presented in the Group's Financial Statements:

	December 31 2019	December 31 2018
	NIS thousand	NIS thousand
Consolidated Report		
Financial debt (bank credit and bonds)	12,852,209	10,037,153
Net financial debt	12,080,460	9,023,038
Net financial debt to the balance sheet total.	49.7%	47.8%
Expanded Solo Report		
Financial debt (bank credit and bonds)	4,496,547	3,789,337
Net financial debt	3,977,747	3,226,628
Net financial debt to the balance sheet total.	36.6%	34.2%

The following is information pertaining to the Group's liabilities redeemable after December 31, 2019:

	Consolidated Report	%	Expanded Solo	%
Current maturities – 2019	1,227,879	10%	347,695	8%
Second year – 2020	968,920	8%	347,695	8%
Third year – 2021	1,436,963	11%	765,148	17%
Fourth year – 2022	1,921,932	15%	407,011	9%
Fifth year onward	7,122,332	56%	2,581,606	58%
Total with no discount due to bonds and others, net	**12,678,025**	100%	**4,449,155**	100%
Interest payable in respect of bonds and others, net	201,785		95,842	
Total financial debt (without taking foreign currency forward agreements into account)	12,879,810		4,544,997	
Balance of liability (asset) related to foreign currency forward transactions	(26,591)		(48,450)	
Total financial debt (taking foreign currency forward agreements and variable interest replacement transactions into account):	**12,852,209**		**4,496,547**	

For the terms of the bonds issued by the Group see Note 11 to the Financial Statements and Appendix E to the Board of Directors Report.

For the terms of material loans the Group has received from banking corporations and other institutions, their repayment date and their balances as of December 31, 2019 see Note 12 to the Financial Statements and 5.2 below.

For further information regarding the Group's credit frameworks for December 31, 2019 and their terms, see Note 12 to the Financial Statements and 5.2 below.

Regarding liens and collateral given to guarantee the Group's loans and bonds, see Note 13 to the Financial Statements.

Regarding the balance of the Group's and the Company's unencumbered assets (expanded solo) see Section 3.4.2 of the Board of Directors Report.

Regarding collateral given by the group see Note 13 to the Financial Statements.

For details on financing in Carr (jointly-controlled company) – see Note 6.g.(4) to the Financial Statements.

5.2 Reportable Material Credit[36]

5.2.1 Concise Information Regarding Material Credit Agreements[37]

Lending Corporation	Lender	Currency	Original Loan/Framework Sum	Bond Fund Balance/Scope of Utilized Framework/Loan Balance as of December 31 2019[38]	Principal Payments Board	Final Clearance Date	Yearly Interest Rate	Contractual Stipulations	Note to the Financial Statements.
			In Millions	In Millions			%		
The Company (expanded solo)	Institutional Body	NIS	250 Credit framework	-	Credit framework for utilization and redemption as of –	5/2022	Bank of Israel + 2.15%[39]	See 5.2.4 below.	See Note 12.b.(3) to the Financial Statements.
The Company (expanded solo)	Banking institution	CHF	100	100	Balloon loan repaid in a single payment in May 2022	5/2022	LIBOR + 1.85%	See 5.2.2 below.	See Note 12.b.(2) to the Financial Statements.
The Company (expanded solo)	Bonds (Series H)	NIS	NA	864	The balance of the principal is redeemable in four equal yearly installments of 25% of the principal in 2020-2023.	2/2023	CPI-linked + 4.45%	See 5.2.3 below.	See Note 11c to the Financial Statements.
The Company (expanded solo)	Bonds (Series I)	NIS	NA	1,320	The balance of the principal is redeemable in eight equal yearly installments in 2020-2027. The first four payments at 10% of the principal and the last four payments at 15% of the principal, each.	2/2027	3.85%	See 5.2.3 below.	See Note 11d to the Financial Statements.
The Company (expanded solo)	Bonds (Series J)	NIS	NA	1,315	The balance of the principal is redeemable in four yearly installments of 25% of the principal in February of each of the years from 2024 through 2027.	2/2027	Bank of Israel + 2.24%	See 5.2.3 below.	See Note 11e to the Financial Statements.
The Company (expanded solo)	Bonds (Series L)	NIS	NA	401	6 annual installments on the following years and at the following rates: (1) 10% of the NV principal of the bonds (Series K) in each of the years of 2022 and 2023; (2) 25% of the NV principal of the bonds (Series K) in each of the years of 2028 and 2029, and (3) 15% of the NV principal of the bonds (Series	2/2031	2.41%	See 5.2.3 below.	See Note 11g. to the Financial Statements.

36 The disclosure in question is for Company credit, constituting 5% of the Company's gross financial debt according to the Company’s Financial Statements (expanded solo), and credit of subsidiaries (Amot, Energix and Brockton), constituting 5% of the Group’s gross financial debt according to the Consolidated Financial Statements.

37 Regarding liens and collateral given to guarantee the loans and bonds described in the table, see Note 13 to the Financial Statements.

38 The scope of the framework is the legal sum of the valid framework (as opposed to the balance that can be used). The bond balances represent a liability value (CPI-linked principal balance) without premiums or discounts as of December 31, 2019 after expanding the bond series and redemptions, if relevant.

39 The cost does not include commission when not using the credit.

Lending Corporation	Lender	Currency	Original Loan/Framework Sum	Bond Fund Balance/Scope of Utilized Framework/Loan Balance as of December 31 2019[38]	Principal Payments Board	Final Clearance Date	Yearly Interest Rate	Contractual Stipulations	Note to the Financial Statements.
			In Millions	In Millions			%		
					K) in each of the years 2030 and 2031;				
Amot	Bonds (Series E)	NIS	NA	1,085	10% of the principal is repaid in 1/2021. 10% in 1/2022, and four installments of 20% each in January of 2023-2026.	1/2026	3.39%	See 5.2.5 below.	See Note 11L to the Financial Statements.
Amot	Bonds (Series C)	NIS	NA	1,255	10% of the principal was redeemed in 7/2019, 30% in 7/2020, 30% in 7/2021 and 30% in 7/2022.	7/2022	CPI-linked + 4.8%	See 5.2.5 below.	See Note 11J to the Financial Statements.
Amot	Bonds (Series D)	NIS	NA	1,656	20% of the principal is redeemed in 10/2025, 20% in 10/2026, 30% in 10/2027, 30% in 10/2028 and 20% in 10/2029.	7/2028	CPI-linked +3.2%	See 5.2.5 below.	See Note 1k. to the Financial Statements.
Amot	Bonds (Series F)	NIS	NA	1,003	10% of the principal is redeemed in 7/2023, 20% in 7/2024, and four payments of 15% each in July of each of the years from 2025 through 2028.		CPI-linked + 1.14%	See 5.2.5 below.	See Note 11m. to the Financial Statements.
Carr	Banking consortium	USD	450	276	Credit framework for utilization and redemption as of –	7/2021	LIBOR + 1.25-2.00%[40]	See 5.2.6 below.	See Note 6.g.(4) to the Financial Statements
Carr	Banking institution – bank accompaniment for the Midtown Center property.	USD	525	525	Accompaniment framework for utilization and redemption as of –	10/2029	3.085%	- 41	-
Carr	Banking consortium – bank accompaniment for the One Congress project	USD	570	-	Accompaniment and establishment framework for utilization and redemption as of –	12/2024	LIBOR + 2%	See 5.2.6 below.	-

40 The margin is determined according to the rate of debt to Carr assets in a given period of time. As of December 31 2019 the margin is 1.45%.
41 The house property company needs to maintain minimal equity of $500 million.

5.2.2 Financial Stipulations for Loans in Foreign Currency from Foreign Bank – Expanded Solo

As mentioned in Note 12.b.(2) to the financial statements, the Company has a 100 million CHF loan from a foreign bank. The bank will have the right to place the loan for immediate repayment if the loan balance exceeds a total of 60% of the value of the collateral (hereinafter: "**the LTV ratio**") inasmuch as the Company does not deposit additional securities. As of December 31 2019 the LTV ratio is 29.94% and as of the publication of the report 38.95%.

5.2.3 Financial Stipulations for Company Bonds – Expanded Solo[42]

The following are the main financial covenants regarding the Company's bonds (Series H, I, J, K and L):

Financial Ratio		Criterion	Value as of December 31 2019
Net financial debt to value of holdings[43]	%	Lower than 80	34.89
Net financial debt to FFO[44]	Unit	Lower than 25	7.57
Minimum equity (Series H, I, J, K and L)[45]	Billion NIS.	Higher than 2.1	6.3

In addition, the bonds include additional generally accepted conditions for their immediate redemption including as regards the following events: (1) changes in structure and mergers; (2) liquidation, bankruptcy and asset realization and forfeiture proceedings; (3) change in control resulting in a reduction in rating to below A-[46]; (4) discontinuation of trade; (5) cross default; (6) realization of the majority of the Company's assets; (7) reduction of the Company's rating to below BBB- as defined in the deed of trust and/or cession of rating due to circumstances under the Company's control, and so on. For further information, see Note 11(c-g) to the Financial Statements.

[42]Calculation of financial stipulations for the Company's bonds, was carried out in accordance with the disclosure of the Securities Authority, in the "Concentrated findings on the subject of compliance with financial covenants towards the holders of tradable bonds report" published by the Securities Authority in September 2019.

[43]"Value of holdings" – as defined in the deed of trust. In order for create grounds for early redemption, the violation of the financial ratio needs to exist for four consecutive quarters.

[44] In order for create grounds for early redemption, the violation of the financial ratio needs to exist for two consecutive years.

[45]In order for create grounds for early redemption, the violation of the financial ratio needs to exist for four consecutive quarters. Regarding Series H – the minimal equity level is 1.2 billion NIS, regarding Series I and J – the minimal equity is 1.8 billion NIS.

[46]Does not exist regarding the bonds (Series K and Series L).

5.2.4 Financial Stipulations for Credit Framework from Institutional Body – Expanded Solo

As noted in Note 12.(b).(3) to the Financial Statements, the Company has a 250 million NIS credit framework from an institutional body. The loans include financial stipulations, failure to meet which will constitute grounds for immediate redemption of this framework.

The following are the key financial stipulations:

Financial Ratio		Criterion
Net financial debt to assets total[47]	%	Lower than 70
Net financial debt to FFO[48]	Unit	Lower than 25
Ratio of dividend income to interest expenses[49]	Unit	Higher than 1.2
Ratio of equity from balance sheet total[50]	%	Higher than 30

In addition, the Company undertook to uphold various financial stipulations, primarily: (1) changes in control of the Company; (2) minimum Company equity; (3) various financial, cash flow and operational relationships in the Group and in investees; (4)"Cross Default" and (5) the Company's non-recurring obligation not to create any floating liens on all of its assets in favor of a third party.

5.2.5 Financial Stipulations in Connection with Amot's Bonds

The following are the primary financial stipulations of the Amot's bonds (Series B, D, E and F):

Financial Ratio		Criterion	Value as of December 31 2019
Change in control		The Company holds control of Amot.	Exists
Net financial debt to yearly standardized NOI[51]	Unit	Lower than 14	7
Equity to total balance sheet[52]	%	Higher than 22.5	54
The value of Amot's unencumbered assets	Billion NIS.	Higher than 1	13
And			
The value of Amot's unencumbered properties to the balance of the bonds	%	Higher than 1.25	Exists
Minimum equity (Series D)	Billion NIS.	Higher than 1	6.1
Minimum equity (Series E)	Billion NIS.	Higher than 1.2	6.1
Minimum equity (Series F)	Billion NIS.	Higher than 2	6.1

For details on additional generally accepted events that will lead to the immediate redemption of the bonds See Note 11j-m to the Financial Statements.

[47] The value of the holdings as defined in the credit framework agreement. In order for create grounds for early redemption, the violation of the financial ratio needs to exist for four consecutive quarters.
[48] For two consecutive years.
[49] In a 12-month period ending on the examination date.
[50]In order for create grounds for early redemption, the violation of the financial ratio needs to exist for four consecutive quarters.
[51] Net financial debt is calculated net of investment real estate in development. In order for create grounds for early redemption, the violation of the financial ratio needs to exist for two consecutive quarters.
[52] Equity calculated plus deferred taxes liabilities, net. Balance sheet total less cash and cash equivalents and less tradable securities. In order for create grounds for early redemption, the violation of the financial ratio needs to exist for two consecutive quarters.

5.2.6 Financial Stipulations in Connection with Carr's Credit

The following are the key financial stipulations of Carr's general credit framework to the sum of $450 million and an accompaniment framework for the construction of the One Congress project:

Financial Ratio		Criterion	Value as of December 31 2019
Net financial debt to scope of assets.......................	%	Lower than 60	50.7
EBITDA adjusted to interest expenses..................	%	Higher than 1.5	2.15
Ratio of non-guaranteed debt to scope of unrestricted assets..	%	Lower than 60	51.0
Ratio of guaranteed debt to assets	%	Lower than 50	33.0

In addition, the framework includes additional generally accepted conditions including (1) ratio of adjusted NOI from unrestricted assets to interest expenses from non-guaranteed loans; (2) minimum value of "fit" assets; (3) the ratio of the scope of real estate in development and investments in investees to the sum of the assets.

5.3 Credit Changes from the Financial Statements Date to Immediately before the Report Date

- A new framework agreement was signed between the Company and the bank in January 2020 regarding the granting of a 150 million NIS credit framework with a utilization period of one year from signing the agreement ("**the Utilization Period**") to be redeemed two years from the end of the utilization period ("**the New Framework Agreement**"). The new framework agreement replaces and cancels the framework agreement with the bank that ended in January 2020. The new framework agreement is not guaranteed by liens. For the framework conditions see Note 12.b.(1) to the Financial Statements.
- The Company has lines of credit amounting to 500 million NIS. These lines are unused as of the publication of this report.

5.4 Credit Rating

The Company' comprehensive redemption ability (issuer) and of the Company's bonds are rated Aa3 by Midroog Ltd. [53](hereinafter "Midroog") and by Ma'alot the Israeli Rating Company Ltd.[54] (hereinafter "Ma'alot") at ilAA-/Stable.

In the past three years, there have been no changes in the Company's rating and those of its bonds from the two rating companies, Midroog and Ma'alot.

For further information see Appendix E and Appendix F to the Board of Directors' Report.

Factors that may impact the rating:

1. Drop in financial flexibility and liquidity or increase in business and financial risk, including a significant increase in initiation rates.

2. Failure to maintain a net financial debt ratio to the adjusted value of holdings (45%).

53Bond Series H, I, J and L.
54Bond Series H, I, J, K and L.

Bonds of Investees

Amot bonds (Series B-G) are rated Aa2/Stable by Midroog Ltd. ("**Midroog**"), and are rated AA/Stable by Ma'alot the Israel Securities Rating Company Ltd. ("**Ma'alot**").

Energix bonds (Series A) are rated A2.il Stable by Midroog and Ail(P) Stable by Ma'alot.

5.5 Derivative Transactions in Foreign Currency

Managing exposure to foreign currency – the Company has a policy of partially hedging the currency exposure of its investments: 35%-45% of the Company's capital shall be "allocated" (via hedging is needed) to the NIS and the balance of the capital shall remain exposed to the Company's various operating currencies including the NIS according to the ratio of investments (a ratio measured according to market value on an expanded solo basis), however, Company management will have the authority to increase or decrease exposure in each and every currency.

For details regarding foreign currency forward transactions conducted by the Group in order to implement the policy in question see Note 22 to the Financial Statements.

6. Taxation

6.1 Summary of Tax Laws Applying to the Corporation

The Company and its Israeli subsidiaries are covered by the Income Tax Ordinance (New Version), 1961 In 2017, 2018 and 2019 the corporate tax rate and capital gains in Israel amounted to 24%, 23% and 23%, respectively.

Regarding tax assessments of Group members – see Note 20d. to the Financial Statements.

6.2 Tax Laws Applying to the Group's Overseas Activities

6.2.1 Taxation of Investment in Carr –

A. Carr decided to be defined as an REIT for tax purposes in accordance with Sections 856 through 860 of the U.S. Income Tax Code from 1986, and its amendments ("the Law"). As a result, it is required to distribute to its shareholders at least 90% of its taxable income. Therefore, the federal tax liability due to the divided taxable income passes on to its shareholders55.

B. An American partnership, fully owned by the Company (directly and indirectly) (in this section: "AH Carr") holds, via transparent entities some 50.77% of the rights to earnings at Carr Properties Holdings (in this section: Carr).

AH Carr is transparent for tax purposes in the United States, and is therefore not liable for U.S. tax. Revenues created for AH Carr are attributed to the AH Carr partners according to the relative share of each partner (85% the Company (hereinafter: **"the Israeli Partner**") and 15% an American entity fully owned by the Company (hereinafter: "**the Foreign Partner**").

As the Israeli partner is not classified as a U.S. resident, its share of AH Carr's dividend revenues distributed by Carr is liable for federal income tax in accordance with the classification of the revenue distributed by Carr as follows:

- Regarding dividend deriving from Carr revenues from non-capital gains activity tax shall be deducted at source in the U.S. at a rate of 30%;
- Regarding dividend deriving from capital gains – tax shall be deducted at source in the U.S. at a rate of 21% and branch ax at a rate of 12.5% in certain cases.

In the event that the corporate tax rate in Israel is lower than the tax deduction at source in the United States, the Israeli partner will not have to complete the payment of taxes in Israel.

The Israeli Partner's share of AH Carr revenues from the sale of EQY shares (direct and/or indirectly) which according to U.S. law are classified as capital gains, are not liable for capital gains tax in the U.S.56 In accordance with Israeli internal law, the Company shall be liable for tax in Israel for the gains in question at the corporate tax rate.

The foreign partner is a legal entity incorporated in the United States that chose to be taxed in the United States. The foreign partner's share of the dividends distributed by Carr to AH Carr and its share in AH Carr's revenues from the sale of Carr shares, less financing expenses (subject to financing rules restrictions practiced in the United States and additional restrictions), shall be considered taxable income in the United States and shall be liable for 21% tax.

55 With the exception of federal income tax in connection with non-material taxable income of Carr consolidated subsidiaries ("TRS").

56 So long as Carr is a "Domestically Controlled REIT" for five continuous years near the sales date.

The Company shall be liable for tax in Israel at the corporate tax rate for the foreign partner's profits, originating from dividends. In return for the tax liability in Israel, a tax credit shall be given for the tax paid by the foreign partner in the U.S.

In accordance with the Company's position, receipts classified by U.S. tax laws as return on capital will be debited by the Company when selling Carr shares.

6.2.2 Taxation of Investment in PSP

Regarding the Company's investment in PSP, which is a Swiss tradable company, the following tax principles apply:

Capital gains created as a result of the sale of the shares of PSP shall be taxable in Israel, at the corporate tax rate. These capital gains are exempt from tax in Switzerland, with the exception of canton tax that might be applicable to a number of cantons only.

Dividends distributed by PSP will be taxable at source in Switzerland at a rate of 15%57 and taxed in Israel at the corporate tax rate while receiving a credit for the tax deducted at source in Switzerland.

6.2.3 Taxation of Investment in BE

The Company holds, through fully-owned Israeli companies, 95% of the stock capital of Brockton Everlast (hereinafter: "**BE**").

Starting March 2020, BE chose to be defined as an REIT for tax purposes in the UK. As a result, BE is required to distribute to its shareholders at least 90% of its taxable income from current activity for tax purposes. Therefore, the tax liability for the distributed current taxable income passes on to its shareholders58. The tax deduction at source for this distribution is 15%.

The Company's holdings in BE are through Israeli companies fully owned by the Company (hereinafter: "BEI"). The Israeli companies (BEI) shall be liable for tax in Israel for the dividends at the corporate tax rate, while receiving a credit for the tax deducted abroad for the dividend (15%).

Upon the realization of BE, the Israeli companies (BEI) will be liable for capital gains tax at corporate tax rates.

6.2.4 Taxation of Investment in Boston

The Company holds, through fully-owned Israeli companies (hereinafter: "**the Israeli Companies**"), fully-owned partnerships incorporated in the United States (hereinafter: "**the American Partnerships**"), each of which holds a REIT with a real estate property in Boston (hereinafter: "**the REIT**").

As the Israeli companies are not classified as U.S. residents, the dividend revenues paid them by the American Partnerships (and which originate from dividends distributed to the American Partnerships by the REIT from activity that is no capital gains) – a 30%59 tax deduction at source shall apply; in accordance with internal Israeli law, the Israeli companies shall be liable for tax in Israel for the dividends at the corporate tax rate, while receiving credit for the tax they paid in the United States. Inasmuch as the Israeli corporate tax rate will be lower than the tax deduction at source in the United States, Israeli companies will not have to complete the payment of taxes in Israel.

---

57 This in accordance with the tax treaty between Israel and Switzerland.

58 With the exception of federal income tax in connection with non-material taxable income of BE's consolidated subsidiaries ("TRS").

59 Some of the American Partnerships are entitled to a deduction in interest expenses and general expenses accumulated in the American Partnerships (subject to financing restrictions in the United States.

The Israeli companies' share of the revenues of the American Partnerships from the sale of REIT shares (directly and/or indirectly) shall be liable for capital gains tax in the United States at a rate of 21%. In accordance with Israeli internal law, the Israeli companies shall be liable for tax in Israel for the gains in question at the corporate tax rate, while receiving a credit for the tax paid in the United States.

In accordance with the Company's position, receipts classified by U.S. tax laws as return on capital will be debited by the companies when selling REIT shares.

6.3 Balance of Undistributed Earnings of Overseas Subsidiaries

See Note 20h to the Financial Statements.

6.4 Tax Laws Pertaining to the Field of Renewable Energy

Energix Activity in Israel

- According to the Income Tax Regulations (Depreciation), 1941, a 25% depreciation rate was set for electricity-generating facilities by solar energy, making use of photo-voltaic technology, applicable to projects connected between January 1 2009 and December 31, 2015. In 2018 the Finance Committee passed an update to the bylaws according to which the accelerated depreciation shall be given to photo-voltaic systems that produce electricity for their own use. Therefore, the depreciation rate for systems connected to the power grid from January 1 2016 is 7%.
- Real estate taxation – as a rule, Energix's activity dos not involve the purchase and sale of real estate properties, but instead engagements for the dental of real estate for periods not exceeding 24 years and 11 months in Israel and 29 years in Poland, for the purpose of operating electricity-generating facilities. Energix can be exposed to suits from tax authorities and/or local committees for the payment of various fees, surcharges and taxes.

Energix Activity in Poland

- A tax rate of 19% applies to Energix's activity in Poland. Dividends received by Energix from Poland shall have a tax deduction at source in Poland at a rate of 5% on the condition that the stake exceeds 15%. The dividends shall be liable for the Israeli corporate tax while receiving credit for the tax paid in Poland (see direct/indirect credit detailed above).

Energix Activity in Poland

- The federal tax liability in the United States is 21% and the state tax rate is 5% (in countries in which Energix is active).

  Energix is entitled, by virtue of U.S. tax provisions, to a tax benefit for photo-voltaic projects it is building and operating in the United States in the form of an investment tax credit (ITC). For additional information see Section 2.1 and 2.3 of Chapter F above.

6.5 The Main Reasons for the Difference Between Tax Rates Applicable to the Group and Effective Tax Rates

Tax rates applicable to any subsidiary at its place of residence differ from tax rates applicable to a company residing in Israel, changes in statutory tax rates following legislative changes, income not included in the tax net and/or excluded income. In addition, the Company has not listed deferred taxes for losses for which no future taxable income is expected. These factors constitute most of the difference between the statutory tax applicable to the Company in Israel and the Group's effective tax rate. Regarding the components of this difference see Note 20i to the Financial Statements.

6.6 Accrued Losses for Tax Purposes

See Note 20g to the Financial Statements.

7. Environmental Risks and their Management

7.1 Amot – Environmental Risks and their Management

7.1.1 Amot, as owner and/or lessee of real estate properties, is 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 within the boundaries of real estate in its possession and/or real estate it leases.

7.1.2 Environmental legislation from recent years, and the increasingly severe environmental enforcement, was designed to ensure that bodies causing harm 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 bodies that finance them. Alongside the increase in environmental legislation, enforcement in this field is also increasing, and there has been a rise in the number of indictments filed against polluting companies. Increased enforcement may expose Amot to a number of risks, including legal risk – the risk of criminal action being taken against Amot, and the filing of personal indictments against Amot executives due to their failure to uphold environmental laws, among other things due to the expansion of knowledge at the public's disposal; operating risks – the risk of harming Amot's activity due to delays or refusal to issue or renew permits and/or other licenses and stipulating them on meeting standards or other activity; image risk.

7.1.3 Based on the recognition of the need to strengthen environmental risk management in Amot's activity and as part of a distinct Amot policy in this regard, Amot has decided to formulate an internal enforcement plan in the environmental field through its legal counsel, who specialize in environmental law, and with the accompaniment of environmental consultants. The plan was designed to ensure that Amot's activity is carried out in accordance with environmental regulation and to reduce exposure to environmental risks.

7.1.4 Amot rents space to cellular companies for the installation and operation of cellular antennas and/or micro-transmitters. According to the agreements signed between Amot and the cellular companies, responsibility for securing the approvals required by law for the construction and operation of the antennas and/or micro-transmitters is borne by the cellular companies. In addition, the cellular companies undertake to uphold all legally required safety instructions and are responsible for bearing their legal liabilities and compensating Amot for any damage caused as a result of their activity in the rental properties, with the exception of damage caused by Amot's actions or failings. In addition the cellular companies are required to insure, among other things, their legal liability for harm and/or damage that may be caused to third parties due to their activity in the rental property, with the insurance expanded to compensate Amot and the management companies.

Regarding Amot's legal responsibility as owner or lessee of the real estate on which the antennas and/or micro-transmitters are installed, see 7.1.1 above.

7.1.5 As of this report Amot is not a party to any environmentally-related material legal or administrative proceeding to which the Amot or any of its senior executives is a party. Furthermore, according to Amot's estimates, as of this report no event or issue exists related to Amot activity that caused or is expected to cause environmental harm and is expected as a result to have a material impact or implications on Amot.

7.1.6 Amot's environmental risk management policy is conducted pursuant to its general risk management policy, and focuses on activities that reduce to a minimum any possible adverse effects on Amot's activity. Risk management is mainly conducted by Amot management, while regularly tracking regulatory developments pertaining to the Amot Group's activity, including in the field of environmental risks. In light of the fact that most of Amot's properties are rented to office and/or commercial businesses, (not in the food and/or industrial fields), Amot Management does not predict material exposure for the Group in terms of environmental issues for these properties.

7.2 Carr – Environmental Risks and their Management

Carr's environmental risk management policy is managed in accordance with the manner in which its general risk management policy is managed, while focusing on actions minimizing any harm to Carr's activity. Risk management is primarily carried out by Carr management, which regularly tracks regulatory developments pertaining to Carr's activity, including in the field of environmental risks. In light of the fact that most of Carr's properties are rented out to commercial business and/or offices (not in the field of food and/or industrial fields), Carr management does not expect any material exposure to the Group in connection to environmental issues, inasmuch as matters pertain to these properties.

7.3 BE – Environmental Risks and their Management

Most of BE's assets are rented to commercial businesses (meaning, not in the field of food and/or industrial areas) and therefore, BE does not expect material exposure in terms of environmental issues regarding its properties. BE performs environmental tests, as part of due diligence performed in preparation for purchasing a property. All findings are examined carefully in order to tax the measures needed to remove or reduce the risk identified, including willingness to carry out ground restoration actions as part of new development works. Taking into account the nature of the properties purchased by BE to date (and the type of properties that are likely to be purchased in the future), the risk of any exposure to environmental risks is estimated as being low. To the best of BE's knowledge, BE is not currently carrying out any actions that caused or may cause environmental damage.

Be or its senior executives are not party to any legal proceedings or claims in connection with environmental risks or risk management and it is not required to be liable for any environmentally-related expenses in the reported period.

7.4 Energix – Environmental Risks and their Management

As of the report date and the report approval date and subject to the below, the Company knows of no environmental risks that have or are expected to have a material impact on the Energix, or on legal requirements in the field of environmental risks that have material implications on Energix and its activity.

Energix acts in accordance with any relevant law to reduce environmental risk and to the best of is knowledge, is in compliance with all environmental regulations needed to receive permits to operate Energix facilities.

Energix's environmental risk management policy is within the framework of its general risk management policy, and focuses on activities that reduce to a minimum any possible adverse effects on the Group's activity. Risk management is mainly conducted by the Energix CEO, while regularly tracking regulatory developments pertaining to Energix's activity, including in the field of environmental risks. As part of the Group's general risk management, the Energix Board of Directors has decided that the Energix CEO will report regularly to the Chairman of the Board on extant exposure levels.

As of this report, Energix is not a party to any environmentally-related material legal proceeding (including any material legal or administrative proceeding) to which Energix or any of its senior executives is a party. Furthermore, Energix has not been a party to any such proceedings in the year preceding this report. As of this report, no sums were ruled or provisions recognized in the Financial Statements and there were no additional environmental costs applicable to Energix.

The Photovoltaic Field

Environmental issues pertaining to Energix's activities within the photo-voltaic field may be related to anything pertaining to the wear and tear of photo-voltaic systems at the conclusion of their activity. In this regard, The Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, established various obligations borne by the owners of electronic equipment and batteries, including electronic waste disposal and treatment. As of the approval of these Statements, the law has no material impact on Energix's activity, as it stands to date, and it is not aware of any proceedings initiated against it in accordance with this law, but it may have an impact in the future if the systems, and their parts, will constitute “electronic waste”. Furthermore, as part of statutory promotion of the construction of facilities, environmental considerations and the impact of the facilities are considered, including in terms of land usage and visual impact. Energix's project in Naot Hovav may have additional aspects as the system in Naot Hovav was built on reclaimed pools on land that had been polluted in the past and which had undergone a restoration process the completion of which has been approved and is monitored by the Ministry of the Environment. In this regard one must note that as part of the agreements between Energix and the Naot Hovav Council, the Council confirmed that Energix would bear no liability regarding the system area rented from the Council, except as a result of Energix violating its commitments regarding the land.

In all matters pertaining to Energix's activity in the United States, the projects built within this framework come under local and state-level environmental laws that are generally managed by the departments of environmental quality in the relevant state. As a condition for receiving the permits needed to build the project, environmental surveys and various tests must be carried out, including archeological, biological, historical and environmental surveys as well as an examination of the impact of each project on the environment as well as compliance with the environmental provisions applicable to each project site.

Wind Energy Field

In all matters pertaining to wind energy, by the very nature and scale of the wind energy electricity generation facilities, environmental aspects have an impact on this area of activity. As a result, the Ministry of Environmental Protection and/or environmental organizations in Israel and in Poland are actively and closely involved in the development and planning process of wind farms, and supervision of its construction and operation. In any project advanced by Energix, an in-depth examination is made to test the project's impact on aspects pertaining to the environment and sustainability. The land selection is made in advance on polygons tested and approved in advance as area that minimize and balance in the best possible manner between the quality of wind in the project and minimal environmental harm. In this regard, note that various entities object to building wind farms, among other things on environmental grounds, including environmental organizations. Energix examines and invests a great deal of resources in monitoring and conducting bird and bat surveys, noise measurements, examination of the visual impact of the project and optimal design of turbine deployment, minimizing flickering and compliance with Ministry of Health recommendations.

7.5 General – Environmental Risks and their Management

7.5.1 As of this report the Group is not a party to any environmentally-related material, legal or administrative proceeding to which the Company or any of its senior executives is a party and as of this report the Group is not a party to any environmentally-related material legal or administrative proceeding to which the Company or any of its senior executives is a party. Furthermore, according to the Group’s estimates, as of this report no event or issue exists related to activity in the group that caused or is expected to cause environmental harm and is expected as a result to have a material impact on the Group.

7.5.2 Environmental risk management by investees is managed by each investee separately, focusing on activities that reduce to a minimum any possible adverse effects on that company's activity. Risk management is mainly conducted by each investee’s management, while regularly tracking regulatory developments pertaining to its activity, including in the field of environmental risks.

8. Restriction and Supervision of the Company’s Activity

8.1 The Company as such is subject to the Companies Law, 1999, and resulting regulations. Furthermore, as the Company is a public company (as are Amot and Energix), it is also subject to the Securities Law, 1968, and resulting regulations.

8.2 The Group’s activity in the field of real estate in Israel and abroad is subject to real estate law, planning and construction law and environmental law applicable to the location of the properties.

8.3 The Group's activity in the field of renewable energy in Israel is subject to the arrangement of rates and quotas by the Electrical Authority, subject to receiving rate approvals from the Electric Authority, subject to receiving permanent licenses from the Electrical Authority, and is subject to upholding planning and construction laws in accordance with a national outline plan connected to compounds for the construction of wind turbines. In the U.S. and Poland Energix is subject to the comparable regulation there.

8.4 On December 11 2013, the Promotion of Competition and Reduction of Centralization Law, 2013 was published (in this section "**the Centralization Law"** or "**the Law**") by virtue of which in December 2014 the Centralization Reduction Committee published for the first time the list of centralized bodies, list of significant real corporations and the list of significant financial bodies. On November 26 2019 M. Wertheim (Holdings) Ltd. sold 7,465,064 m² of Company space and the voting agreement with Mr. Nathan Hetz was cancelled. Accordingly, M. Wertheim (Holdings) Ltd. and Mr. Nathan Hetz ceased being Company controlling shareholders, and the Company became a company with no control core. In the Committee's latest publication in the records on February 23 2020, the Company's name, and those of the subsidiaries in its possession, appeared both in the list of centralized bodies and in the list of significant real corporations, as belonging to the Alony Hetz Group only (without the Wertheim Group), which the names of Mr. and Mrs. Clara Hetz were removed from the list of centralized factors. As the Company has no control core, companies indirectly held by the Company (which are a reporting corporation) became "first tier" companies, as this term is defined in law.

a. According to the law, when allocating a right, including a license for an area of activity defined as a vital infrastructure, the party issuing the right must take industry competition considerations into account, prior to allocating the rights/granting the license in question, while consulting with the Antitrust Commissioner. Furthermore, when allocating such a right to a centralized element, the party issuing the rights must take economy-level centralization considerations into account while consulting with the Committee for the Reduction of Centralization, in the manner detailed in the law.

   This may influence Energix, which is defined as a centralized entity in the field of vital infrastructure due to the Company, which is the Energix controlling shareholder, being a centralizing factor, in the event that Energix requests a manufacturing license for the construction and operation of electric power plants with an output exceeding 175 MW connecting to the power grid. Note that as of the publication of this report, Energix does not have and is not developing a project exceeding this threshold.

b. Credit restrictions – Section 26 of the Centralization Law states that the Minister of Finance or anyone they certify for this matter and the President of the Bank of Israel or whoever they certify for this matter shall establish directives regarding restrictions on credit given a corporation or a business group by financial entities, cumulatively, taking into account among other things the liability of each corporation or the total liability of the business group, as the case may be. In this section, "business group" – the controlling shareholder and companies under their control, "financial entity" – an institutional body, a banking corporation, an accessory corporation and a clearinghouse.

   Note that despite the fact that the Centralization Law states that initial directives on credit restrictions shall be determined within one year of the publication of the law (with the option to extend by an additional year) meaning by December 11 2015, after such an extension, to the best of the Company's knowledge such provisions have yet to be set.

   The implication of Section 26 of the law is that the credit restrictions on the Company, if and when such are placed, shall also apply to group companies in the matter of credit received from Israeli financial bodies.

9. Material Agreements

With the exception of agreements over the Group's normal course of business, any of the following agreements (which are in effect) may be considered material sums, as well as agreements signed by the Group which bind the Group or which bound the Group during the reported period:

A. On the subject of the shareholders agreement between the Company and JPM and Clal Insurance regarding the investment in Carr, see Note 6.g.(7) to the Financial Statements.

B. On the subject of the Company's management agreement with a Mr. Nathan Hetz – Company CEO, director and until November 26 2019 a Company controlling shareholder, see Note 18a to the Financial Statements.

C. (1) Agreements for the indemnification of officers of the Company, regarding their activity in the Company, its subsidiaries and companies in which the Company has holdings, see Regulation 22 in Additional Details About the Corporation.

(2) For Amot, Energix, Brockton and Carr officers' indemnification arrangements, see Regulation 22 in Additional Details About the Corporation.

D. In the manner of the Company signing a series of agreements with Brockton to establish a real estate company in London, Brockton Everlast, see Section 1 of Chapter D above.

10. Legal Proceedings

See Note 15a to the Financial Statements.

11. Goals and Business Strategy

The Group makes long-term investments through holdings granting it material influence in companies operating in the field of revenue-generating real estate. As a consequence of its business approach, the Group intends to continue focusing on developing its existing investments, locating new investments and realizing mature investments.

The Group companies invest in hundreds of income-generating properties on an accumulated basis with an extensive variety of tenants that creates a regular, steady and long-term cash flow. The Group also invests in energy projects that generate a long-term cash flow.

The Group has a conservative financial management policy expressed in financial flexibility deriving from maintaining a high level of unencumbered assets, long-term life spans of financial liabilities, taking care to maintain unused credit frameworks and reasonable leverage ratios.

The following are the Company's primary business development goals for the coming year:

- The continued growth of Carr in Washington DC and Boston (was an emphasis on entrepreneurism), including examination of entrance into an additional office market in the United States;
- Implementing Amot's strategic plans – focusing on the office industry in central Israel, including investment in logistical centers;
- Building Brockton Everlast's activity in London, which is one of the world's most important technological and financial centers, as an additional long-term anchor in such a manner that selecting the properties purchased including determining the timing of their purchase at the time will take into account the economic and political developments between the UK and the EU.
- Implementing the Energix strategic plans – continued expanding activity in Israel alongside winning tenders in the photovoltaic field, advancing the wind project (ARAN) in the northern Golan Heights, building up its activity in the United States in the field of photo-voltaic projects, and building additional wind projects in Poland.
- Sustainability – Group companies intend to put together a uniform strategy on the subject of sustainability and prepare a work plan for assimilation while receiving consultation from leading international companies in the field.

Naturally, no certainty exists that the Group companies will be able to realize their goals in 2020, as realization of these goals depends on multiple factors outside their control.

12. Projected Developments in the Coming Year

The Group shall act to achieve its business goals as denoted in 11 above in the coming year.

13. Financial Data on Geographic Regions

See Note 21 to the Financial Statements for financial information on geographic regions in which the Group is active.

14. Discussion of Risk Factors

See Section 4 of the Board of Directors Report.

March 18, 2020

Names and positions of signatories:
Aviram Wertheim,
Chairman of the Board of Directors
Nathan Hetz, CEO

Alony Hetz Properties and
Investments Ltd.

Alony-Hetz

Board of Directors' Report
on the State of Corporate Affairs

Contents

Ramat Gan, March 18, 2020

Board of Directors' Report on the State of Corporate Affairs
For the Year ended December 31, 2019

The Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") is pleased to submit the Company's Board of Directors' Report for the year ended December 31, 2019 (hereinafter: "**the Reporting Period**").

1. The Corona Pandemic[1]:

In early 2020, the Coronavirus epidemic started in China and has spread to other locations in both the Far East and in other countries around the world, including Israel, Switzerland, the United Kingdom and the United States. The epidemic creates uncertainty in a variety of areas - the future economic activity in the world and in Israel, the effects on inflation and on the financial markets.

The baseline scenario that guides the preparations of most international economic institutions is that the spread of the virus will stop in the coming months. According to this scenario, compensation is expected in the rate of growth in the second half so that the overall impact on the global economy can and will be limited. There is no doubt that the realization of this scenario is not certain and that the overall damage to the world economy may be more severe.

The monetary tools of most central banks are limited in their ability to respond to negative surprises in economic activity. The decline in the global demand for various goods is expected to slow inflation, but on the supply side, the shortage of goods and raw materials imported from China is likely to result in some increase in inflation. Up to the time of writing the report, global capital markets have reacted sharply and have recorded relatively steep price declines, including in the share prices and bonds of the traded Group companies. In addition, there was a devaluation of the NIS against the main currencies in which the Group's companies operate.

During March 2020, the United States Federal Reserve Bank unexpectedly lowered its monetary interest rate to zero, and began an immediate quantitative expansion of USD 700 billion with the explanation that the Corona virus raises the risk level of economic activity and lowering the interest rate may allow the central bank to support the goals of maintaining full employment and price stability. At the same time, the US government declared a national emergency. A general closure was also imposed in some European countries.

The Bank of Israel is of the opinion that if the crisis will be prolonged, and particularly if severe preventive measures will be required in Israel, a significant impact is expected on the Israeli economy, the extent of which is difficult to estimate since this is an evolving event that has a high degree of uncertainty as to its implications for the Israeli economy. At the same time, the Bank of Israel notes that the Israeli economy's basic economic data are strong – including a low debt to GDP ratio and a low unemployment rate, a current account surplus, a high level of foreign exchange reserves, and a robust financial system. All of these increase the economy's resilience to developments.

The worsening of the global pandemic could put the global economy back in a sharp recession, which would be likely to negatively impact the Group's revenues with a focus on its income-generating property activity in the markets in which it operates. These effects may be reflected in a slowdown and/or a decrease in demand, damage to various tenants that could lead to a decline in current activity (in the NOI and FFO measurements), a decrease in occupancy rates with the possibility of a decrease in rental prices, a decrease in the value of income-generating property and damage to the supply chain of materials and construction equipment for projects in the initiation stages, which may cause a delay in the completion and occupancy times of those projects while increasing the cost of construction. In addition, a decline in stock prices could, among other things, adversely affect the Group's compliance with financial covenants, an increase in financing prices, difficulty obtaining sources of financing and difficulty in refinancing existing loans.

The Company's management is of the opinion that its financial strength and the state of its assets, as well as those of the other Group companies, Amot, Energix, Carr, Brockton Everlast and PSP, will enable them to cope with a recession. In addition, the Company estimates that the Group's cash balances and credit facilities, its current cash flows and access to bank credit will enable it to continue its operations and meet its obligations.

Such information is forward-looking information within the term's meaning in Section 32A of the Securities Law, and is not under the control of the Group and is not certain.

[1]Information sources of in this section:
- Coronavirus: the World Economy at Risk – The OECD, dated March 2, 2020.
- Governor's remarks in view of the state of the markets and preparations for the Coronavirus – dated March 9, 2020.

2. Concise Description of the Group

The Company and its consolidated companies (hereinafter: "**the Group**") have two areas of activity:

1. Main area of activity – long-term investments in income-generating property companies in Israel and in western countries. As of the publication date of this report, the Group operates mainly in the following markets: Israel, the United States, the United Kingdom and Switzerland.
2. Additional area of activity – investment in renewable energy. The Group has income-generating investments in Israel and in Poland in the field of photo-voltaic energy and in the field of wind energy, as well as in the development and initiation of electric power producing facilities in Israel, Poland and in the United States.

2.1 The Group's main income-generating property investments as of December 31, 2019:

Activity in Israel

Holdings of **55.22%** in Amot Investments Ltd. (hereinafter: "**Amot**"), a publicly traded income-generating property company listed on the Tel Aviv Stock Exchange Stock Exchange. For further details, see Section 3.3.4 below.

Activity in the United States

- Holdings of 44% in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, an income-generating property company all of whose income-generating properties are located in the Washington DC and Boston areas. For further details, see Section 3.3.5 below.

- Holdings of **55%** in the rights of three property companies in the Boston metropolitan area. Two of the properties are in the Boston CBD and one is in East Cambridge. For further details, see Chapter C(2) to the Description of the Corporation's Business and Note 6(h) to the financial statements.

Activity in Europe

In the United Kingdom –

- Holdings of **95.35%**[2] in Brockton Everlast Inc. Limited (hereinafter: "**BE**"), which operates in the income-generating property field in the UK, with a focus on the London Metropolitan Area. For further details, see Section 3.3.6 below.
- Holdings in three British real estate funds from the Brockton Group: 25% in Brockton Capital Fund I LP, 5% in Brockton Capital Fund II and 9% in Brockton Capital Fund III LP.

  For further details, see Note 5 to the financial statements.

In Switzerland - holding of 7.96% in PSP Swiss Property Ltd.[3] (hereinafter: "**PSP**"). PSP is a public income-generating property company listed for trade on the Zurich Stock Exchange. During the reporting period and subsequent to the balance sheet date, the Company realized 1.8 million PSP shares – for further details see Section 3.3.3 below.

For further details regarding the investment in PSP, see Chapter E in the Description of Corporate Business and Note 6(h) to the financial statements;

---

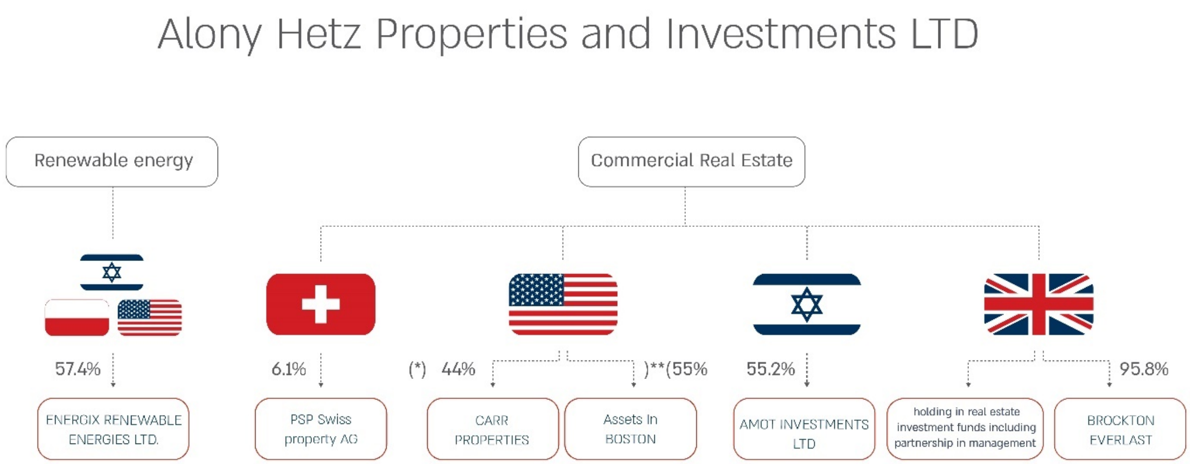
[2]The rate of holdings in BE close to the date of publication of the report is 95.78% – see Section 3.3.6 below.

[3]The rate of holdings in PSP close to the date of publication of the report is 6.1% – see Section 3.3.3 below.

2.2 The Group's renewable energy investments as of December 31, 2019:

Holdings of 59.79% stake in Energix - Renewable Energy Ltd. (hereinafter – "**Energix**"), a public company listed for trade on the TASE. Energix is engaged in the development and construction of photo-voltaic solar and/or wind powered systems in Israel, Poland and in the United States, with the intention of holding them for the long-term, and in the sale of electricity from photo-voltaic systems in Israel and from a wind farm in Poland. For further details, see Section 3.3.7 below.

2.3 The following are the Group's main holdings close to the date of publication of the report:



*The Company and JP Morgan (through SSPF, an Investment fund managed by JP Morgan) have a Joint Control in Carr

** Holding along with Oxford Properties in three Reits which own office buildings in Boston. The company and Oxford Properties have a joint control agreement.

2.4 Stock market indices

The Company's shares are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the TASE**"). The main stock market indices to which the Company's securities belong are: TA-35, TA-125, TEREAL, TA-Investment Properties in Israel, Tel-Div, the various TelBond indices and the Tel Aviv-Maala index.

In accordance with the TASE's decision, in April 2020 trading will begin on Alony-Hetz options on shares, similar to trading on the Maof option.

2.5 Main events from the beginning of 2019 and subsequent to the balance sheet date

The Company (expanded solo):

- **Investment of GBP 219 million (approx. NIS 1 billion) in the capital of Brockton Everlast for the acquisition of four London properties. Subsequent to the balance sheet date, an additional investment of GBP 29 million (NIS 132 million) for the acquisition of a fifth property.**
- **Investment of USD 70 million (NIS 246 million) in Carr, as part of Carr's capital raised from its shareholders.**
- **Exercise of options (Series 9) of Amot at a cost of NIS 148 million.**
- **Sale of 950 thousand PSP shares for a total consideration of approx. CHF 123.5 million (NIS 440 million). Subsequent to the balance sheet date, a sale of an additional 850 thousand shares for a consideration of CHF 124 million (approx. NIS 450 million).**
- **Issuance of tradable bonds for a net total consideration of NIS 1,318 million.**
- **Extension of a credit facility for NIS 250 million, and an extension for another year of a loan from a foreign bank in the amount of CHF 100 million.**

Amot:

- **Capital raising of NIS 636 million, of which the Company invested the amount of NIS 148 million.**
- **Debt raising in the amount of approx. NIS 1 billion for an average duration of 8 years at CPI-linked effective interest of 1.13%.**
- **Subsequent to the balance sheet date, debt was raised totaling approx. NIS 810 million.**
- **Population of the ToHa1 Tower, with an above-ground marketable area of 57 thousand sq.m. (Amot's share – 50%).**
- **Acquisition of the balance of the rights (50%) in the Kiryat Ono Mall for a consideration of NIS 538 million (not including transaction costs).**
- **Acquisition of a logistics center in the Hevel Modi'in Industrial Zone in Shoham for a consideration of NIS 451 million, and at the same time, signing of a lease agreement for a period of 10 years for CPI-linked annual rental fees of NIS 22 million.**
- **The continued construction of four projects (three office towers and a logistic center) for a total expected investment of approx. NIS 1.6 billion (Amot's share).**

Carr:

- **Capital raising from the existing shareholders in the amount of USD 144 million, of which the Company invested USD 70 million to increase Carr's share in the One Congress project, as detailed below.**
- **One Congress tower:**
  - **(1) Signing of an agreement for the acquisition of additional rights at a rate of 25% in the project, so that after the acquisition, Carr holds 75% of the rights in the project.**
  - **(2) Signing of an agreement to rent half of the tower's planned office space to State Street Corporation (approx. 510 thousand sq. ft. (approx. 46 thousand sq.m.)), for a period of 15 and a half years starting January 2023 (the building's expected completion date). Carr and its partner in the project are acting to rent the remainder of the tower.**
- **Continued development of projects in development with an expected total investment of USD 1.5 billion (Carr's share).**

Brockton Everlast:

- **Acquisition of four office buildings in London for a consideration of GBP 518 million (approx. NIS 2.4 billion) and subsequent to the balance sheet date, the acquisition of a business park in Oxford for a consideration of GBP 80 million (NIS 362 million). These properties are expected to generate an average annual NOI of approx. GBP 28 million.**

Energix:

- **Capital raising in the amount of NIS 254 million, of which the Company invested NIS 36 million.**
- **First issue of bonds in the amount of approx. NIS 427 million, unlinked with interest at a rate of 2.05%.**
- **Subsequent to the balance sheet date, capital raising of NIS 240 million, of which the Company invested the amount of NIS 34.5 million.**
- **Tender wins for the construction of facilities in Israel with an output of 243 MWp (Energix's share – 173 MWp) at a rate of NIS 0.156-0.1818 per 1 KWh produced, for 23 years, starting from the date of connection of the facilities.**
- **Tender win for a guaranteed tariff for electricity generation for two wind farms in Poland with a total capacity of approx. 126 MW for 15 years (for approx. 65% of the expected electricity generation).**
- **Receipt of a conditional license for a wind project on the Golan Heights with an output of 110-120 MWp (the ARAN project).**
- **Completing the construction of seven photovoltaic projects with a total capacity of approx. 62 MWp in the framework of the second photovoltaic competitive procedure in Israel (of which five were connected to the electricity grid).**
- **Start of construction for four projects with an output of 82 MWp in the state of Virginia, USA and signing of a transaction to fix electricity prices for a 12-year period for approx. 80% of the expected output from the projects and sale of all green certificates. Subsequent to the balance sheet date, Energix completed the construction work on the first project.**
- **Early repayment of a loan in the amount of NIS 275 million given to finance the Banie project in Poland.**

Other:

- **The following is a summary of profits from the fair value adjustment of investment property recorded by the Group during the reporting period (before the tax effect):**

		Profit (Loss) from Fair Value Adjustment of Investment Property in the Investee's Books		Company's Share
Name of Investee	**Currency**	**Millions**	**NIS millions**	**NIS millions**
Amot	ILS	847	847	475
Amot's associates	ILS	44	44	25
Brockton Everlast	GBP	34	153	148
Carr	USD	(8)	(30)	(13)
AH Boston	USD	64	226	124
PSP	CHF	259	925	86
Company's share in fair value adjustment of investment property (before the tax effect)				**845**

2.6 Summary of key data – the Group

	Unit	2019	2018	2017	% Change [4]
Main financial results – Consolidated Statement					
Revenues from rental fees and management of investment property	NIS thousands	830,156	704,299	659,139	17.9
Fair value adjustments of investment property	NIS thousands	995,791	260,200	172,548	
Group share in the profits of associates, net	NIS thousands	413,437	341,737	431,945	21.0
Dividend revenues from securities at fair value through profit or loss	NIS thousands	576	1,833	28,575	(68.6)
Net profit for the year	NIS thousands	1,448,075	751,100	768,018	92.8
Net profit attributable to Company shareholders	NIS thousands	956,100	514,146	594,142	86
Comprehensive income for the year attributable to Company shareholders	NIS thousands	596,962	737,787	173,721	(19.01)
FFO attributable to Company shareholders[5]	**NIS thousands**	**525,533**	**493,223**	**422,692**	**6.6**
Total balance sheet	NIS thousands	25,098,865	19,893,176	17,990,511	26.2
Equity (including non-controlling interests)	NIS thousands	9,507,835	8,138,489	7,327,160	16.8
Financial debt (bank credit and bonds)[6]	NIS thousands	12,852,209	10,037,153	9,098,024	28.0
Net financial debt[7]	NIS thousands	12,080,460	9,023,038	8,551,756	33.9
Ratio of net financial debt to total balance sheet [8]	%	49.7	47.8	49.0	
Main financial results – Expanded Solo[9]					
Total balance sheet	NIS thousands	11,400,370	9,989,476	8,984,542	14.1
Equity attributable to Company shareholders	NIS thousands	6,336,545	5,851,503	5,358,083	8.3
Financial debt (bank credit and bonds)[6]	NIS thousands	4,496,547	3,789,339	3,292,736	18.7
Net financial debt[7]	NIS thousands	3,977,747	3,226,630	3,157,019	23.3
Ratio of net financial debt to total balance sheet[8]	%	36.6	34.2	35.7	
Earnings per share data					
Earnings per share – basic	NIS	5.55	3.01	3.67	84.4
Comprehensive income per share – basic	NIS	3.47	4.32	1.07	(19.8)
FFO per share[5]	**NIS**	**3.05**	**2.89**	**2.61**	**5.7**
Current dividend per share[10]	NIS	1.14	1.10	1.04	3.6
NAV per share	NIS	36.68	34.19	31.41	7.3
NNAV per share[11]	NIS	44.91	41.08	37.61	9.3
Price per share at end of period	NIS	54.60	34.89	37.55	56.5

4 2019 vs. 2018.

5 The FFO calculation did not include exchange rate differentials and linkage differentials for the bonds and the CPI-linked loans, since the Company's management believes that those expenses do not reflect cash flows from ongoing operating activities.

6 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.

7 Financial debt presented net of cash balances.

8 Net financial debt as a percent of total balance sheet, less cash balances.

9 In the expanded solo balance sheet, the investment in Amot, Energix and BE is presented on an equity basis instead of the consolidation of their statements with the Company's statements (the remaining investments are presented unchanged in the statement presented in accordance with IFRS principles).

10 The above dividend amount does not include an additional dividend for the years 2018 and 2017 in the amount of NIS 0.42 per share and NIS 0.38 per share, respectively.

11 When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

	Unit	2019	2018	2017	% Change [4]
Investment in Israel – Amot Investments Ltd. (55.22% rate of holdings)[12]					
Number of income-generating properties	Unit	104	102	99	
Value of investment property (without property in development)	NIS thousands	12,847,643	10,244,564	9,559,722	25.4
Weighted capitalization rate deriving from investment property	%	6.45	7.03	7.18	
Occupancy rate at end of period	%	97.7	97.2	97.4	
Value of investment property in development	NIS thousands	620,954	870,838	583,689	(28.7)
Ratio of net financial debt to total balance sheet[8]	%	42.3	45.4	47.1	
[13]NOI	NIS thousands	727,552	678,479	634,572	7.2
FFO[14] per share	**NIS**	**1.39**	**1.42**	**1.38**	**(2.3)**
Ordinary dividend per share	NIS	0.94	0.90	0.84	4.4
Additional dividend per share[15]	NIS	0.31	0.30	0.36	3.3
Total dividend per share	NIS	1.25	1.20	1.20	4.2
NAV per share	NIS	16.02	13.92	13.23	15.1
NNAV per share	NIS	19.46	16.84	16.00	15.6
Price per share at end of period	NIS	25.07	18.14	20.89	38.2
Investment in the United States – Carr Properties Corporation (44% rate of holdings)[16]					
Number of income-generating properties	Unit	14	17	16	
Value of investment property (without property in development)	USD thousands	2,903,630	3,103,480	1,964,632	(6.4)
Occupancy rate at end of period	%	93.46	90.94	91.88	
Rental rate at end of period	%	96.10	92.87	92.62	
Number of properties in development	Unit	4	4	5	
Value of property in development	USD thousands	638,788[17]	274,193[17]	976,416	133.0
Ratio of net financial debt to total balance sheet	%	41.3	41.3	42.9	
NOI	USD thousands	147,617	120,849	105,772	22.1
FFO	USD thousands	81,358	74,179	70,319	9.7
NAV per share	**USD**	**1.35**	**1.40**	**1.37**	**(3.9)**
Investment in the United Kingdom – Brockton Everlast Inc. Limited (95.35% rate of holdings)					
Number of properties	Unit	4	-	-	
Value of investment property	GBP thousands	566,250	-	-	
Occupancy rate at end of period	%	97.8	-	-	
Ratio of financial debt to total balance sheet	%	52	-	-	
NOI	GBP thousands	15,241	-	-	
FFO	GBP thousands	1,068	-	-	

12 The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter: "Amot's Pro Forma Reports"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 coming into effect.

13 Net operating income

14 Funds from operations

15 The above dividend is for profits in the year in which it is included but was paid or will be paid, as applicable, in the following year.

16The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.

17 Not including the 2025 Clarendon project, whose cost as of December 31, 2019 and as of December 31, 2018 in Carr's books is USD 19 million.

	Unit	2019	2018	2017	% Change [4]
Investment in Switzerland – PSP Swiss Property (7.96% rate of holdings)					
Number of properties	Unit	162	163	157	
Value of investment property (without property in development)	CHF thousands	7,259,441	6,778,932	6,383,901	7.1
Weighted capitalization rate deriving from income-generating investment property.[18]	%	3.4	3.5	3.5	
Occupancy rate at end of period	%	96.5	95.0	91.8	
Value of investment property in development	CHF thousands	722,223	663,174	661,892	8.9
Ratio of financial debt to total balance sheet	%	32.3	33.0	33.7	
FFO per share	**CHF**	**4.69**	**3.84**	**3.89**	**22.1**
Dividend per share[19]	CHF	3.60	3.50	3.40	2.9
NAV per share	CHF	97.02	90.63	86.96	7.1
NNAV per share	CHF	115.82	109.20	104.22	6.1
Price per share at end of period	CHF	133.6	96.85	92.35	37.9
Investment in renewable energy – Energix – Renewable Energies Ltd. (59.79% rate of holdings)					
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	173.2	129.5	44.9	33.7
Installed capacity from connected wind systems (MWp) – Energix's share	Unit	119.2	119.2	115.9	
Balance of connected electricity-generating facilities – according to book value	NIS thousands	1,252,562	1,301,949	1,073,645	(3.8)
Revenues from sale of electricity and green certificates	NIS thousands	237,126	170,440	141,212	39.1
FFO from projects[20]	NIS millions	170	113	85	50.4
Price per share at end of period	NIS	10.31	4.78	3.40	115.6

18 Implied yield, net

19 A dividend for 2018 is expected to be paid in April 2019, subject to approval by the shareholders' meeting expected to convene on April 4, 2019.

20 Not including Energix's development, administrative and general cash flow costs that are not connected with projects.

3. Board of Directors' Explanations for the State of Corporate Affairs

3.1 Business Environment

For details regarding the business environment in which the Group operates, see Section A(6) of the chapter Description of the Corporation's Business.

3.2 Statement of Financial Position

Statement of Financial Position Item	31.12.19 NIS millions	31.12.18 NIS millions	Notes and Explanations
Cash and cash equivalents	772	1,014	For Statement of Cash Flows – see Section 3.6 below.
Investment property	15,442	10,552	The item includes investment property and investment property in development. Most of the increase is due to the acquisition of properties in the amount of NIS 3.5 billion (of which approx. NIS 2.4 billion is in respect of four properties in London by Brockton Everlast) and from real estate revaluations in the amount of approx. NIS 1 billion recorded in the reporting period. For further details regarding the Group's investment property – see Note 4 to the financial statements.
Investments in associates and securities measured at fair value through profit and loss	6,121	6,486	The following are the main changes: • New investments during the period in the amount of NIS 352 million (mainly in Carr). • Realization of investments during the period in the amount of NIS 520 million (mainly due to the partial realization of investments in PSP). • Decrease in investments due to the effects of exchange rates (mainly the USD and the CHF) in the amount of NIS 437 million. • Increase in investments due to equity profits in the amount of NIS 413 million. • Decrease in respect of dividends and capital reductions received in the amount of NIS 231 million. For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in associates, see Notes 5 and 6 to the financial statements, respectively. In addition, see Section 3.3 below.
Electricity-generating facilities – connected and in development	2,095	1,476	Most of the increase is due to investments made by the Group in photovoltaic projects in development in the United States. For details on electricity-generating facilities, see Notes 7 and 8 to the financial statements.
Other assets	669	365	
Total assets	**25,099**	**19,893**	

	31.12.19	31.12.18	
Statement of Financial Position Item	**NIS millions**	**NIS millions**	**Notes and Explanations**
Loans and bonds	12,888	9,906	The following are the main changes: • Increase in respect of the raising of bonds offset by repayments in the amount of NIS 1.9 billion. • Increase in respect of loans taken offset by the repayment of loans and credit in the amount of NIS 1.1 billion (mostly due to loans taken by Brockton Everlast in the amount of approx. NIS 1.4 billion). For details regarding the main changes in the Group's financial debt – see Section 3.4.3 below.
Other liabilities	2,703	1,849	
Total liabilities	**15,591**	**11,755**	
Equity attributable to shareholders	6,337	5,852	For details regarding the main changes in equity attributable to shareholders – see Section 3.7.2 below.
Non-controlling interests	3,171	2,286	
Total equity	**9,508**	**8,138**	
Total liabilities and equity	**25,099**	**19,893**	

3.3 Investments

3.3.1 The following are the Company's investments (expanded solo) as of December 31, 2019

	Currency	Number of Shares	Balance in NIS thousands	Adjusted Value in NIS thousands	Adjusted Value Measurement Basis
Amot	NIS	210,358,892	3,356,383	5,273,697	Stock market value
Energix[21]	NIS	254,455,683	585,801	2,629,399	Stock market value
PSP	CHF	3,650,000[22]	1,381,418	1,743,313	Stock market value
CARR	USD	-	3,135,978	3,135,978	Equity method
BOSTON	USD	-	844,452	844,452	Equity method
Brockton Everlast	GBP	-	1,246,092	1,246,092	Equity method
Brockton Funds	GBP	-	176,035	176,035	Equity method
Other (mainly cash)			605,070	605,070	
Total			**11,331,229**	**15,654,037**	

[21] In addition, the Company holds 2,898,000 tradable stock options of Energix.

[22] As of the date of publication of the report, the Company holds 2.8 million PSP shares.

3.3.2 Investments in the reporting period and subsequent to the balance sheet date

During the reporting period and subsequent to the balance sheet date, the Company invested the amount of NIS 1.7 billion in its investees and in securities measured at fair value through profit or loss, as detailed below:

	2019	Subsequent to the Balance Sheet Date	Total	
		In NIS millions		
Amot	162	-	162	See Section 3.3.4 below
CARR	246	-	246	See Section 3.3.5 below
Brockton Everlast	1,008	132	1,140	See Section 3.3.6 below
Boston	44	-	44	
Energix	36	34	70	See Section 3.3.7 below
Brockton Funds	62	-	62	
	1,558	166	1,724	

3.3.3 Realization of investments in the reporting period and subsequent to the balance sheet date

- In the reporting period, the Company sold 950 thousand PSP shares for a consideration of CHF 123.5 million (approx. NIS 440 million). As a result of the sale, the Company recorded a profit (before tax) of NIS 97 million (an after tax profit of NIS 72 million).
  Subsequent to the balance sheet date, the Company sold an additional 850 thousand PSP shares for a consideration of CHF 124 million (approx. NIS 450 million). As a result of the sale, the Company is expected to record a capital gain (before tax) of NIS 130 million in the first quarter of 2020. Ater the sale and as of the date of approval of the financial statements, the Group holds 2.8 million PSP shares, constituting 6.1% of PSP's capital stock.

- In the reporting period, the Company received repayment of investments from the Brockton Funds in the amount of approx. GBP 14 million (NIS 65 million). Subsequent to the balance sheet date, repayment of an additional loan was received in the amount of approx. GBP 2 million (NIS 10 million).

3.3.4 Investment in real estate in Israel – through Amot

Additional investments in Amot in the reporting period:
In the reporting period, Amot raised capital in the amount of NIS 636 million, of which the Company invested the amount of NIS 148 million.

Operating activities:

Amot's NOI in 2019 amounted to NIS 728 million, constituting a 7% increase relative to last year. The increase is due mainly to the acquisition of new properties as detailed below.

Amot's business development in the reporting period and subsequent to the balance sheet date:

- During the reporting period, the ToHa1 project was completed, with an above-ground area of 57 sq.m. for marketing (Amot's share – 50%). As of the date of the report, all of the tower space has been marketed and is currently being populated. Amot and its partner to the project expect that based on the contracts signed and the expected balance of rentals, the NOI to be generated by the tower at full occupancy will range between NIS 95-100 million (Amot's share – 50%). The NOI generated by the project during the reporting period amounted to NIS 28 million (Amot's share).

- In November 2019, Amot completed a transaction for the acquisition of 50% of the rights in the Kiryat Ono Mall from its partner in the Mall for the amount of NIS 538 million (not including transaction costs), so that following the acquisition, Amot holds all the rights to the property. Amot estimates that the projected NOI at full occupancy is approx. NIS 68 million per year.

- In October 2019, Amot signed an agreement for the acquisition of the full rights in the logistic center in the Hevel Modi'in Industrial Zone at Shoham for a total consideration of NIS 451 million. At the same time, Amot signed an agreement to lease the logistics center for a 10-year period for CPI-linked annual rental fees of approx. NIS 22 million.

The above information regarding the predicted NOI from Amot's properties is forward-looking information, as the term is defined in Section 32A of the Securities Law, and is based on the assumption of full occupancy, the materialization of which is not controlled by the Company.

Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

The following is a summary of data regarding projects in stages of construction as of December 31, 2019:

Name of Property	Location	Main Use	Rate of Holdings	Land Area (100%, in Dunam)	Thousands of Above-Ground sq.m. for Marketing, 100%	Estimated Completion Date	Value of Project in Amot's Books as of December 31, 2019	Estimated Construction Costs, including Land	Balance to Completion as of December 31, 2019	Expected NOI upon Project Occupancy
							Amot's Share – in NIS millions			
Amot Holon	Holon	Offices	78%	11	56	2021	200	515	315	42
Amot Modi'in	Modi'in	Logistics	75%	34	52	2020	111	300	189	24
Halehi Complex	Bnei Brak North	Offices	50%	16	75	2024	17	550	533	49
The 1000 Complex	Rishon Letzion – West	Offices	100%	3	19	2023	35	260	225	21
Total				**64**	**202**		**363**	**1,625**	**1,262**	**136**
ToHa 2 Parking Lot	Tel Aviv	Parking lot	50%				**18**	**150**	**132**	

The information on the estimated end of construction date, estimated construction cost, expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, security situation, demand for offices, etc.

Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

The following is a summary of data regarding projects in stages of planning as of December 31, 2019:

Name of Property	Location	Main Use	Thousands of Above-Ground sq.m. for Marketing, 100%	Rate of Holdings	Thousands of Above-Ground sq.m. for Marketing	Estimated Construction Costs including Land, in NIS millions (a)
				Amot's Share		
ToHa 2	Tel Aviv	Offices	140	50%	70	1,000
Platinum Stage B (b)	Petach Tikva	Offices	27	100%	27	220
Land at the Kfar Saba - Ra'anana North Junction	Kfar Saba	Offices	35	50%	17.5	170
Total			**202**		**114.5**	**1,390**

(a) The cost of construction includes the land component and does not include adjustments to tenants and capitalizations.

(b) Subject to the completion of the purchase of additional construction rights in order to build a matching tower to Platinum Stage A.

The information included in this section regarding the construction costs and construction completion dates constitutes forward-looking information as defined in Section 32a of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted and on the completed acquisition of additional building rights (in the case of Platinum Stage B), etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

For further information regarding the investment in Amot, see Chapter B of the Description of the Corporation's Business and Note 6(c) to the financial statements.

3.3.5 Investment in Carr

Raising Capital

In August 2019, Carr raised a total of USD 144 million from its shareholders, from which the Group invested a total of USD 70 million. The Group's holdings in Carr after the capital raised amounts to 44.01%.

Carr's business development in the reporting period and subsequent to the balance sheet date:

- **In the reporting period, Carr expanded its activities in Boston, as follows:**

(1) One Congress transaction

Carr is working with a partner (Carr's share – 75%) to develop a project for the construction of an office tower in Boston with an above-ground area for marketing of 987 thousand sq.ft. at an estimated cost of USD 900 million (Carr's share – USD 682 million). Carr expects that the construction of the project will be completed by the end of 2022 and that it will generate a representative annual NOI of USD 45 million (Carr's share). During the reporting period, Carr and its partner in the project signed an agreement to lease half of the tower areas for a period of 15 and a half years, beginning in January 2023.

Carr's total investment in the project (75%) as of December 31, 2019 was approx. USD 172 million. For further information, see Note 6(g) to the financial statements.

(2) Transaction for the acquisition of a property complex in Boston and sale of a property subsequent to the balance sheet date

- In March 2020, Carr acquired 50% of the rights to the complex of two adjacent and connected office buildings located in Boston (75-101 Federal Street) (hereinafter: "the Complex"), according to a value of USD 485 million for the entire complex (Carr's share – USD 242.5 million).

  The Complex is a Class A complex with a total rental space of 853 thousand sq.ft. (73 thousand sq.m.) and is located in Boston's main business center. The Complex is currently 89% occupied, mainly by high-tech companies, and generates an annual NOI of approx. USD 23 million. According to Carr, the Complex is expected to generate an average annual NOI of approx. USD 27 million over the next five years, as a result of an increase in occupancy and a substantial increase in rental fees.

  Carr and the partner took a loan in the amount of approx. USD 280 million against a lien on the Complex, such that the equity component invested by Carr in the transaction was approx. USD 105 million.

- Close to the acquisition described above, Carr sold a wholly-owned property (Barlow Building) located in the Washington DC metropolitan area, for a consideration of USD 160 million (similar to the property's book value). The property has a rental area of 228 thousand sq.ft. (21 thousand sq.m.) and generated a representative annual NOI of USD 8 million.

  The proceeds from the sale of the property were used by Carr to finance the equity component in the amount of USD 105 million that it invested in the transaction for the acquisition of the Boston office building Complex (see details in Subsection 2 above) and for the repayment of credit facilities in the amount of USD 55 million.

For further information regarding Carr's business development in the reporting period and subsequent to the balance sheet date, see Chapter C of the Description of the Corporation's Business and Note 6(g) to the financial statements.

Additional information

In November 2019, JPM notified the company its intention to sell its entire holding in Carr (which is approx. 35% of Carr's equity). To that end, JPM and Carr engaged with financial advisors in the U.S. to manage the sale process as additional capital is raised for Carr from the future acquirer of JPM's holding, in order to reach the same holding as the Company's holding in Carr.

For additional information regarding the joint control agreements between the Group and JPM in 2013, including provisions regarding the transferability of rights, see Note 6(g)(7)(3) of the financial statements.

JPM's above notification does not guarantee that the sale process for its holdings, including the raising of capital, will actually be carried out.

- The following is a summary of data regarding projects in stages of construction and planning as of December 31, 2019:

Name of Property	Location	Main Use	Rate of Holdings	Thousands of Above-Ground sq. ft. for Marketing, 100%	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in Carr's Books as of December 31, 2019 (a)	Balance for Completion of Construction Costs as of December 31, 2019	Expected NOI upon Project Occupancy (middle of forecast range) (b)
						Carr's Share – in USD millions			
The Wilson and The Elm	Metropolitan Area DC	Offices + rental housing	100%	800	End of 2020	535	358	177	34
Signal House	Metropolitan Area DC	Offices	100%	227	Mid-2021	135	44	91	10
Union Market C-2	Metropolitan Area DC	Offices	100%	227	Mid-2024	153	1	152	11
One Congress	Boston CBD	Offices	75%	987	End of 2022	682	166	516	45
Total				**2,241**		**1,505**	**569**	**936**	**100**

A) The cost does not include real estate revaluations. The cumulative revaluations recorded as of December 31, 2019 amount to a total of USD 61 million.
B) The expected NOI data for at the time of occupancy refer to the NOI in the first year of cash flow stabilization, after the end of the free rental period, and does not take escalation bump-ups into account.
C) The above table does not include the Clarendon 2025 Project located in North Virginia (Arlington), a market belonging to the DC metropolitan area, for which a renewed planning review is being carried for the feasibility of a change in designation to rental housing (unlike the approved designation for offices). The project's cost in Carr's books as of December 31, 2019 is USD 19 million.

The information in the above table regarding the estimated completion date, estimated construction cost, expected NOI upon occupancy of the project, and the information on the expected annual average NOI for the next five years in the "Complex" referred to in subsection 2 above is forward-looking information as defined in Section 32A of the Securities Law since it is influenced by factors independent of the Group such as construction costs, demand for offices or rental housing, etc.

Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

3.3.6 Investment in Brockton Everlast:

In February 2018, the Group engaged with Brockton Capital LLP's senior partners (hereinafter: "**the Brockton Partners**") (hereinafter: "**BROCKTON LLP**") in a series of agreements for the establishment of a new company for the acquisition, development, improvement, construction and maintenance of a commercial income-generating property in the UK, focusing on the London metropolitan area (hereinafter: "**BE**").

During the reporting period, BE purchased four income-generating properties with a total area of 601 thousand sq.ft. (approx. 56 sq.m.) and a total investment of GBP 518 million (approx. NIS 2.4 billion) before transaction costs. Subsequent to the balance sheet date, BE purchased another income-generating property for a total investment of approx. GBP 80 million (approx. NIS 362 million) before transaction costs.

For additional information regarding the investment carried out by BE in the reporting period and subsequent to the balance sheet date, see Note 4(d) to the financial statements.
Up to the date of publication of the report, the Company has invested the amount of GBP 290 million (approx. NIS 1.35 billion) in BE's equity[23], of which a total of GBP 219 million (approx. NIS 1 billion) was invested in 2019. The company's holding rate in BE after the investments is 95.78%.

[23] Includes an investment of GBP 40 million designated for the acquisition of Brockton Capital LLP.

In order to implement BE's business plan to build a portfolio worth more than GBP 3 billion over the coming years, the Company intends to invest an additional GBP 160 million (whether in BE's equity or in loans to BE) beyond its original commitments (in the amount of GBP 340 million) so that its total investment in BE is likely to reach half a billion GBP, of which, as of the publication of the report, GBP 210 million has not yet been invested.

For further information regarding the investment in BE, see Chapter D of the Description of the Corporation's Business and Note 6(d) to the financial statements.

3.3.7 Renewable energy investments through Energix

Raising Capital

In the reporting period, Energix raised capital in the amount of NIS 254 million, of which the Company invested NIS 36 million.

Subsequent to the balance sheet date, Energix raised capital in the amount of NIS 240 million, of which the Company invested the amount of NIS 34.5 million.

Immediately prior to the publication of this report, the Company's rate of holdings was 57.4%.

Energix's business development in the reporting period and subsequent to the balance sheet date:

In the framework of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to 320 MW in commercially operated projects, approx. 462 MW in projects in development or preparing for construction, approx. 375 MW in projects in advanced stages of development and over 1,000 MW in projects in the development stage.

- During the reporting period, Energix started the initial establishment of photovoltaic systems in Virginia, USA, with a capacity of approx. 82 MWp. Near the date of publication of the report, Energix completed the construction of the first project and the rest of the construction work of the projects is in advanced stages and is expected to be completed during the second quarter of 2020. In addition, Energix is preparing for an expansion of its operations in Virginia and is establishing additional projects with a capacity of approx. 140 MWp in the course of 2020.

- During the reporting period, the Israeli government approved the National Infrastructure Committee's plan (hereinafter: "**the NIC**") for the establishment of a wind farm developed by Energix on the Golan Heights ("**the ARAN Project**") for 24 turbines with a capacity of 110-120 MW, after which the project was issued a conditional license for the stated capacity. In accordance with the NIC's decision, the approved plan includes the possibility of adding 7 turbines with an additional capacity estimated at approx. 30-40 MW, subject to obtaining confirmation that there is no impediment to their construction due to land-related aspects, in a 12-month period starting September 2019.

- Energix has two projects for the establishment of wind farms in Poland with a total capacity of approx. 126 MW, which are nearing the start of construction after Energix won a guaranteed tariff in December 2019.

For further information regarding Energix's business development in the reporting period and subsequent to the balance sheet date, see Chapter F of the Description of the Corporation's Business and Notes 7 and 8 to the financial statements.

For further information on the investment in Energix, see Chapter 6 in the Description of the Corporation's Business and Note 6(e) to the financial statements.

3.3.8 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2019 and the projected receipts of dividends for 2020:

	2019 Actual	2016 Projected	Additional Information
	In NIS millions		in the Financial Statements
Amot	255	271	Note 6(c)(3)
CARR	135	100	Note 6(g)(5)
PSP	58	40	Note 6(h)(3)
Boston	36	40	Note 6(i)(3)
	484	451	

The dividend receipt forecast for 2020 is calculated in accordance with the declared dividend distribution policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

The above table does not include dividends and returns on investments from the Brockton Funds, which were received and which may be received upon realization of their properties. From the start of 2019 until the date of publication of the report, dividends and repayment of investments were received from Brockton in the amount of GBP 17 million (NIS 76 million).

The information on dividend receipts for 2020 constitutes forward-looking information in accordance with Section 32A of the Securities Law, 1968, in view of the fact that there is no certainty that the authorized bodies of the investees will actually approve the dividend distributions, and this is at their sole discretion.

Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

3.3.9 Management fee receipts

The following are the management fees received by the Company (expanded solo) in 2019 and the projected receipts of management fees for 2020:

	2019 Actual	2020 Projected	Additional Information
	In NIS millions		in the Financial Statements
Amot	9	9	Note 6(c)(4)
Energix	5	5	Note 6(e)(4)
	14	14	

3.4 Liquidity and financing sources

3.4.1 Cash and credit facilities

As of December 31, 2019, the Group has cash balances of NIS 772 million (of which the Company's expanded solo balance – NIS 519 million) and unutilized lines of credit in the amount of approx. NIS 1.2 billion (of which the Company's expanded solo lines of credit – NIS 500 million).

3.4.2 Unencumbered assets

As of December 31, 2019, the Company (expanded solo) has a balance of unencumbered assets (not including cash and other current assets) of NIS 9.9 billion (a market value of NIS 13.9 billion). As of December 31, 2019, Amot has a balance of unencumbered assets in the amount of approx. NIS 13 billion.

3.4.3 Financial debt

As of December 31, 2019, the Group's net financial debt amounted to NIS 12.1 billion, constituting 49.6% of all Group assets, compared to a net financial debt of NIS 9 billion, constituting 47.8% of the Group's assets, as of December 31, 2018.

As of December 31, 2019, the Company's net financial debt (expanded solo) amounted to NIS 4 billion, constituting 36.6% of all Company assets (expanded solo), compared with a net financial debt of NIS 3.2 billion, constituting 34.2% of Company assets (expanded solo) as of December 31, 2018.

During the reporting period and subsequent to the balance sheet date, the Company (expanded solo) performed the following:

- During the reporting period, the Company raised debt by expanding existing bond series and issuing new bond series for a total consideration of NIS 1,331 million (before issue expenses).
- During the reporting period, the Company repaid bonds in the amount of approx. NIS 403 million.
- In the reporting period, the Company extended the period of its credit facility in the amount of NIS 250 million, and also extended the period of a loan from a foreign bank in the amount of CHF 100 million for an additional year.

As of the date of the report, the Company is in compliance with all of the financial covenants of the loans and the bonds.

During the reporting period and subsequent to the balance sheet date, the consolidated companies carried out the following actions:

Amot:

- In the reporting period, Amot issued tradable bonds (Series F) in the amount of NIS 1 billion. The bonds bear CPI-linked effective interest of 1.13% and have an average duration of 8 years.
- Subsequent to the balance sheet date, Amot issued bonds in a total amount of NIS 810 million. Of the above amount, a net total of NIS 460 million is for the issuance of a new series (Series G) that bears an effective NIS interest rate of 2.55% and has an average duration of 9.3 years.
- Subsequent to the balance sheet date, at its own initiative, Amot made an early repayment of a loan to a banking institution in the amount of NIS 268 million (including the early repayment fee). Following the early repayment, in the reporting period, Amot recorded approx. NIS 24 million as non-recurring financing expenses paid in cash on the repayment date.

Brockton Everlast:

- During the reporting period, BE purchased four properties at a cost of GDP 518 million (approx. NIS 2.4 billion), against which it took three loans totaling GDP 312 million (approx. NIS 1.4 billion).
- Subsequent to the balance sheet date, BE purchased an additional property at a cost of approx. GBP 80 million (approx. NIS 362 million), against which it took an additional loan in the amount of approx. GBP 49 million (approx. NIS 217 million.

Energix:

- In December 2019, Energix issued bonds (Series A) for the first time for a total of approx. NIS 427 thousand PV for net proceeds of NIS 423 thousand with interest at an unlinked rate of 2.05%.
- In December 2019, Energix voluntarily repaid the loan balance in the amount of approx. NIS 269 million that was granted under the Banie project financing transaction. Following the early repayment, in the reporting period, Energix recorded approx. NIS 9 million as non-recurring financing expenses paid in cash on the repayment date.

As of the date of the report, Amot, Energix and BE are in compliance with all of the financial covenants of the loans and the bonds.

For information on the Group's financial covenants, see Chapter G, section 5.2 of the Description of the Corporation's Business.

For additional details regarding the Group's liabilities, see Notes 11 and 12 to the financial statements.

3.4.4 Working capital deficit

The working capital deficit as of December 31, 2019 amounted to a total of NIS 744 million in the consolidated statements (there is no working capital deficit in the Company's expanded solo statements). As of December 31, 2019, the Group has unutilized lines of long-term credit in the amount of approx. NIS 1.2 billion (NIS 500 million in the expanded solo), and a high balance of unencumbered assets (see Sections 2.4.1 and 2.4.2 above). In this light, the Company's Board of Directors believes that the existence of a working capital deficit stemming from the Group's policy of holding unutilized long-term credit facilities, instead of cash and deposits, does not indicate a liquidity problem.

3.5 Operating results

In the reporting period, the Group recorded a **net profit** of NIS 1,448 million. The share of Company shareholders **in the profit amounted to NIS 956 million**, compared to a profit of NIS 514 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded a **comprehensive income** of NIS 1,070 million. The share of Company shareholders **in the income amounted to NIS 597 million**, compared to a profit of NIS 738 million attributable to Company shareholders in the corresponding period last year.

For an explanation of the operating results in the reporting period, see Sections 3.5.2 and 3.5.3 below.

3.5.1 FFO (Funds from Operations)

The FFO is an index commonly-used in the United States and in Europe to provide additional information on the results of the operations of real estate companies, providing an appropriate basis for comparisons between income-generating property companies. The FFO reflects net income, with the neutralization of profits (or losses) from the sale of properties and securities, depreciation and amortization and deferred taxes. **This index presents the Company's cash production capability from regular and ongoing activities** in the reporting period.

In calculating the FFO, **exchange rate differentials and linkage differential expenses** in respect of bonds and CPI-linked loans **were not included** because, in the Company management's opinion, those expenses do not reflect cash flow from regular ongoing activities.

The Company believes that analysts, investors and shareholders may receive value added information from the presentation of this index. However, it must be noted that the FFO:

- Does not present cash flows from operating activities in accordance with generally accepted accounting principles;
- Does not reflect cash held by the Company and its ability to distribute it;
- Cannot be considered a replacement for reported net profit for evaluating the results of the Group's operations.

FFO calculation (in NIS thousands):

	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	956,100	514,146	594,142
Adjustments to profit and loss:			
Fair value adjustments of investment property	(995,791)	(260,200)	(172,548)
Company share in real estate revaluations and other non-FFO items in investees	(153,676)	(66,587)	(168,537)
Profit from decrease in rate of holding, from purchase and realization of investees	(96,680)	(47,676)	-
Profit from securities	5,966	(7,480)	(111,315)
Others (mainly depreciation and amortizations)	66,930	68,204	55,346
Accumulated linkage differentials and exchange rate differentials	57,494	39,845	34,730
Deferred taxes and current taxes from the realization of securities and real estate, net	475,074	243,165	200,043
Share of non-controlling interests in the above adjustments to FFO	210,116	9,806	(9,169)
FFO (*)	**525,533**	**493,223**	**422,692**

The sources of the FFO are as follows:

	2019	2018	2017
Revenues			
Investment property NOI	762,166	643,009	598,421
NOI from the sale of electricity, less development costs	200,230	141,250	108,380
PSP's share in FFO without real estate revaluations	73,964	78,022	79,667
Carr's share in FFO without real estate revaluations	126,910	130,288	122,921
Boston's share in FFO without real estate revaluations	43,635	41,955	36,489
Energix, Brockton Everlast and Amot associates' share in FFO	15,252	24,885	21,104
Dividend income from investments and others (mainly Brockton Funds)	32,666	27,508	28,814
Total revenues	**1,254,823**	**1,086,917**	**995,796**
Expenses			
Real financing, net	(284,157)	(258,232)	(293,990)
Administrative and general	(109,966)	(75,910)	(67,365)
Current taxes	(53,308)	(32,404)	(28,704)
Share of non-controlling interests attributable to current operations	(281,859)	(227,148)	(183,045)
Total expenses	**(729,290)**	**(593,694)**	**(573,104)**
FFO (*)	**525,533**	**493,223**	**422,692**
FFO per share (NIS)	**3.05**	**2.89**	**2.61**

(*) The FFO for 2019 is after neutralization of non-recurring expenses for early repayment of credit in the amount of NIS 16 million, net of tax (the share attributable to Company shareholders).

3.5.2 The following table provides a summary of operating results (in NIS thousands):

	For the Year			Q4	Q3	Q2	Q1
	2019	2018	2017	2019	2019	2019	2019
	NIS thousands						
Revenues and profits							
Revenues from rental fees and management of investment property	830,156	704,299	659,139	227,695	213,672	205,833	182,956
Fair value adjustments of investment property	995,791	260,200	172,548	810,881	50,490	170,372	(35,952)
Group share in the profits of associates, net	413,437	341,737	431,945	164,488	107,138	87,105	54,706
Dividend revenues from investments in securities measured at fair value through profit or loss	576	1,833	28,575	-	576	-	-
Net profit, relating to investments in long-term securities intended for realization	24,711	33,150	111,315	14,791	6,887	1,029	2,004
Profit from decrease in rate of holding, from purchase and realization of investees	96,680	47,676	-	48,553	48,127	-	-
Revenues from sale of electricity and green certificates	237,126	170,440	141,212	60,405	55,052	55,573	66,096
Other revenues (expenses), net	451	299	201	(642)	1,031	62	-
	2,598,928	**1,559,634**	**1,544,935**	**1,326,171**	**482,973**	**519,974**	**269,810**
Costs and expenses							
Cost of investment property rental and operation	67,990	61,290	60,718	19,148	16,886	16,934	15,022
Development, maintenance and operation costs of electricity-generating facilities	30,482	38,509	32,832	8,376	7,304	5,766	9,036
Depreciation and amortization	60,549	46,683	45,366	14,463	15,231	15,737	15,118
Administrative and general	121,799	88,406	80,532	35,834	29,963	29,455	26,547
Financing expenses, net	341,651	298,077	328,721	94,864	34,990	164,644	47,153
	622,471	**532,965**	**548,169**	**172,685**	**104,374**	**232,536**	**112,876**
Profit before taxes on income	**1,976,457**	**1,026,669**	**996,766**	**1,153,486**	**378,599**	**287,438**	**156,934**
Income tax expenses	528,382	275,569	228,748	291,234	136,931	43,091	57,126
Net profit for the period	**1,448,075**	**751,100**	**768,018**	**862,252**	**241,668**	**244,347**	**99,808**
Distribution of net income for the period:							
Company shareholders' share	956,100	514,146	594,142	550,227	182,724	169,039	54,110
Non-controlling interests	491,975	236,954	173,876	312,025	58,944	75,308	45,698
	1,448,075	**751,100**	**768,018**	**862,252**	**241,668**	**244,347**	**99,808**

Comparison of 2019 operating results and 2018 operating results:

Revenues from rental fees and management of investment property – amounted to NIS 830 million in the reporting period, compared to NIS 704 million in the corresponding period last year, an increase of 18%. The increase is due mainly to revenues from new properties purchased by Brockton Everlast and from the occupancy of the **ToHa1** tower in Amot, the construction of which was completed.

Fair value adjustment of investment property – income from the fair value adjustment of investment property in the reporting period amounted to NIS 996 million, compared to NIS 260 million in the corresponding period last year. The increase is due mainly to a decrease in Amot's cap rate of approx. 0.5%. In addition, in the reporting period, income was recorded for the first time in the amount of NIS 153 million in respect of the fair value adjustment of Brockton Everlast's investment property.

Group share in the profits of associates, net – the profit in the reporting period stems mainly from:

- **Group share in AH Boston's profits –** A profit of NIS 164 million was recorded in the reporting period, compared to a profit of NIS 70 million in the corresponding period last year. The increase in AH Boston's profits stems from higher real estate revaluations recorded in the reporting period compared to corresponding period last year, mainly from the signing of new rental contracts and from an increase in occupancy rates.

- **Group share in PSP's profits –** A profit of NIS 154 million was recorded in the reporting period, compared to a profit of NIS 136 million in the corresponding period last year. The increase in PSP's profits stems from higher real estate revaluations recorded by PSP in the reporting period compared to the corresponding period last year, and from non-recurring tax income recorded in the reporting period following the decrease in tax rates in the various Swiss cantons. On the other hand, there was a decrease in the holding rate of PSP due to the sale of PSP shares at the end of 2018 and during 2019 which reduced the Group's share in PSP's profits.

- **Group share in Carr's profits –** A profit of NIS 81 million was recorded in the reporting period, compared to a profit of NIS 136 million in the corresponding period last year. The decrease in Carr profits stems mainly from lower revaluations of property recorded by Carr in the current period compared to the corresponding period.

- **Net profit, relating to investments in securities measured at fair value through profit and loss** – The profit in the reporting period and in the corresponding period last year stems from the fair value adjustment of securities measured at fair value through profit and loss (including Brockton funds). In addition, the profit in the corresponding period last year included a capital gain of NIS 18 million from the realization of the Company's share in the Brockton Funds' management company as part of the establishment of Brockton Everlast and the purchase of the management company by Brockton Everlast.

Profit from decrease in holdings, from purchase and realization of investees – The profit in the reporting period, in the amount of NIS 97 million, stems mainly from the sale of 950 thousand PSP shares. In the corresponding period last year, a profit of NIS 42 million was recorded from a change in the rate of holdings in Carr following Carr's raising of capital from Clal Insurance and entities under its management, and a profit of NIS 6 million from the sale of 1 million PSP shares. The increase in profit from the sale of PSP shares in the reporting period compared to the corresponding period last year is mainly due to the exercise price per share which was higher in the current period.

Revenues from the the sale of electricity and Green Certificates – The NIS 67 million increase in revenues in the reporting period compared to the corresponding period last year stems from an increase in electricity-generating facilities in Poland due to an increase in the production volume and in the price of green certificates, offset by the effect of the NIS appreciation of 9% against the PLN in the reporting period. In addition, during the reporting period revenues were recorded in the amount of approx. NIS 30 million from photovoltaic systems that had not been connected in the corresponding period.

Depreciation and amortization – The increase in costs in the reporting period compared to the corresponding period last year stems from the depreciation of electricity-generating systems not connected in the corresponding period, and from depreciation expenses recorded in respect of a right-of-use asset in accordance with IFRS 16 "Leases", which came into effect in January 2019.

Administrative and general expenses – The increase in expenses in the reporting period compared to the corresponding period last year stems mainly from administrative and general expenses of Brockton Everlast, which began operating in the second half of 2018.

Financing expenses – There was a NIS 44 million increase in financing expenses in the reporting period compared to the reporting period last year. In the current period, the Group recorded a non-recurring expense of approx. NIS 33 million, due to a voluntary early repayment of loans by Amot and Energix. In addition, there was an increase of NIS 26 million due to loans taken by Brockton Everlast for the purpose of financing the properties it acquired in 2019. On the other hand, higher CPI-linkage expenses were recorded in the corresponding period last year.

Tax expenses – There was a NIS 253 million increase in tax expenses in the reporting period compared to the reporting period last year. The increase in tax expenses in the reporting period compared to the corresponding period last year is mainly due to higher real estate valuations recorded by the Group in the current period as well as tax expenses related to the partial realization of the investment in PSP.

3.5.3 The following is information regarding the Group's comprehensive income (in NIS thousands):

	For the Year			Q4	Q3	Q2	Q1
	2019	2018	2017	2019	2019	2019	2019
	NIS thousands						
Net income for the period:	**1,448,075**	**751,100**	**768,018**	**862,252**	**241,668**	**244,347**	**99,808**
Profit (loss) from investment in Carr	(230,763)	105,841	(194,842)	(20,005)	(62,875)	(69,563)	(78,320)
Profit (loss) from investment in PSP	(35,545)	72,153	(48,053)	16,649	(22,314)	(715)	(29,165)
Profit (loss) from investment in Boston properties	(38,555)	21,508	(47,889)	(5,015)	(10,332)	(10,115)	(13,093)
Profit (loss) from investment in BE	(16,016)	960	-	25,444	(23,199)	(13,835)	(4,426)
Classification of profit from realization of investment in long-term securities intended for sale				-			
to the Statement of Income (before tax)	(5,885)	(13,066)	(137,662)	(2,432)	(3,453)	-	-
Profit (loss) from other investments	(50,151)	(2,032)	15,809	(7,932)	(26,300)	1,472	(17,391)
Tax effects	(875)	35,909	(4,532)	16,589	(13,313)	4,015	(8,166)
Other comprehensive income (loss) for the period	**(377,790)**	**221,273**	**(417,169)**	**23,298**	**(161,786)**	**(88,741)**	**(150,561)**
Total comprehensive income (loss) for the period	**1,070,285**	**972,373**	**350,849**	**885,550**	**79,882**	**155,606**	**(50,753)**
Distribution of comprehensive income (loss) for the period:							
Company shareholders' share	596,962	737,787	173,721	575,828	31,674	79,685	(90,225)
Non-controlling interests	473,323	234,586	177,128	309,722	48,208	75,921	39,472
	1,070,285	**972,373**	**350,849**	**885,550**	**79,882**	**155,606**	**(50,753)**

- **Profit (loss) from investment in Carr –** The profit (loss) represents the increase (decrease) in the investment in Carr, due to changes in the NIS/USD exchange rates in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions and cross-currency swap transactions in USD, designated as hedges for the investment in Carr. Furthermore, the profit (loss) includes the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr.

  The net loss in the reporting period is mainly due to a 7.8% appreciation of the NIS against the USD. In addition, the loss in the reporting period includes a loss of NIS 75 million in respect of the Company's share in the changes in the fair value of interest rate fixing transactions carried out by Carr.

  The net profit in the corresponding period last year stemmed mainly from the 8.1% devaluation of the NIS against the USD, and from a NIS 12 million profit from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr.

- **Profit (loss) from investment in PSP** – The profit (loss) represents the increase (decrease) in the investment in PSP, due to changes in the NIS/CHF exchange rate in the periods presented above. This profit (loss) is presented net of exchange rate differentials created by loans in CHF and by forward transactions and cross currency swap transactions in CHF, designated as hedging for the investment in PSP.

  The net loss in the reporting period is mainly due to a 6.1% appreciation of the NIS against the CHF. The net profit in the corresponding period last year is due to a 7.1% devaluation of the NIS against the CHF.

- **Profit (loss) from investment in AH Boston** – The profit (loss) represents the increase (decrease) in the investment in Boston, due to changes in the NIS/USD exchange rates in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions and cross-currency swap transactions in USD, designated as hedges for the investment in Boston.

  The net loss in the reporting period is mainly due to a 7.8% appreciation of the NIS against the USD. The net profit in the corresponding period last year is due to a 8.1% devaluation of the NIS against the USD.

- **Profit (loss) from investment in BE –** The profit (loss) represents the increase (decrease) in the investment in Carr, due to changes in the NIS/GBP exchange rates in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions in GBP, designated as hedges for the investment in BE.

  The net loss in the reporting period is mainly due to a 4.9% appreciation of the NIS against the GDP. The net profit in the corresponding period last year is due to a 2.4% devaluation of the NIS against the GDP.

3.6 Cash flows

	2019	2018	2017
		NIS millions	
Total cash provided by operating activities	**706**	**620**	**532**
Cash flows used in investing activities			
Investment in associate by BE	-	(194)	-
Investment in CARR	(246)	-	(237)
Investment in Boston properties (net from repayment of investment)	(44)	(24)	(199)
Proceeds from the sale of PSP	440	364	-
Proceeds from the sale of FCR (net of tax)	-	-	195
Investment in investment property and fixed assets	(3,839)	(797)	(486)
Investment in electricity-generating facilities	(481)	(319)	(94)
Investment in Brockton Funds	(62)	(28)	(77)
Repayment of investment from Brockton Funds	65	91	224
Realization of investment property	-	107	16
Net decrease (increase) in pledged deposits and restricted cash in Energix	(124)	75	(103)
Proceeds (payment) of repaid hedging transaction	19	(94)	82
Other	(12)	17	1
Total cash used in investing activities	**(4,284)**	**(802)**	**(678)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	1,582	206	152
Proceeds from the issue of bonds and bond options	2,745	1,325	1,755
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(1,260)	(754)	(1,991)
Receipts from Brockton Everlast's non-controlling interests	-	64	-
Capital raised by the Company	47	15	538
Capital raised by Amot (net of the Company's investment in Amot in the issue)	338	271	177
Capital raised by Energix (net of the Company's investment in Energix in the issue)	361	13	90
Acquisition of Amot and Energix shares from non-controlling interests	(14)	(42)	(21)
Payment of dividends to Company shareholders and to Amot non-controlling interests	(460)	(424)	(433)
Other	(2)	(19)	(2)
Total cash provided by financing activities	**3,337**	**655**	**265**
Total increase in cash balances in the period	**(241)**	**473**	**119**
Other influences	**(1)**	**(5)**	**(1)**
Cash and cash equivalents at end of period	**772**	**1,014**	**546**

3.7 Equity

3.7.1 Equity per share

	As of December 31 2019	As of December 31 2018
	NIS millions	
Equity	9,508	8,138
Less non-controlling interests	(3,171)	(2,286)
Equity attributable to Company shareholders	**6,337**	**5,852**
NAV per share	**36.68**	**34.19**
NNAV per share	**44.91**	**41.08**

3.7.2 Explanation of changes in equity

During the reporting period, the capital attributed to the Company's shareholders increased by **NIS 485 million**. The main changes are as follows:

- **Net profit attributable to Company shareholders** in the amount of **NIS 956 million** – see additional details in Section 3.5.2 above.
- **Other comprehensive loss attributable to Company shareholders** in the amount of **NIS 359 million –** see additional details in Section 3.5.3 above.
- **A reduction in capital due to dividends paid in the amount of NIS 269 million.**
- **Increase in capital reserves due to the profit created in the capital offering of associates in the amount of NIS 109 million.**

3.7.3 Effects of changes in exchange rates on the Company's equity

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of December 31, 2019 (in NIS millions):

Currency	Assets	Liabilities	Assets, net	%
USD	4,240	(2,325)	1,915	30%
CHF	1,382	(966)	416	7%
GBP	1,430	(912)	518	8%
Other (mainly PLN and CAD)	126	(50)	76	1%
Excess assets over liabilities in foreign currency	**7,178**	**(4,253)**	**2,925**	**46%**
Excess assets over liabilities in NIS	4,222	(810)	3,412	54%
Equity as of December 31, 2019	**11,400**	**(5,063)**	**6,337**	**100%**

- In 2019, the Company's capital was reduced by approx. NIS 290 million, net (before the tax effect) due to changes in the NIS against the foreign currencies in which the Group operates (mainly changes against the USD and the CHF).

  Subsequent to the Balance Sheet date, there was a significant devaluation of the NIS in relation to the main currencies in which the Group operates. As a result of this devaluation, equity attributable to the Company's shareholders increased by approx. NIS 240 million, before the tax effect.

  For details regarding the Company's currency exposure policy, see Section 4.2.1 below.

3.7.4 Dividends

For details regarding dividends distributed by the Company in 2019 and regarding the dividend policy for 2020, see Note 16(d) to the financial statements.

3.8 Executive remuneration

On October 9, 2018, the General Assembly approved a new remuneration policy that adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: "**the New Remuneration Policy**"). For further details regarding the new remuneration policy, please refer to the Supplemental Immediate Report for the convening of the General Assembly on October 4, 2018 (Ref: 2018-01-092115) and to the Immediate Report on the Results of the General Assembly published on October 9, 2018 (Ref: 2018-01-094626).

The Remuneration Committee and the Board of Directors at their meetings of March 14, 2019 and March 19, 2019, respectively, determined the range of the annual cash bonus according to a formula in accordance with the new remuneration policy for several Company officers for the years 2019-2021.

The Remuneration Committee and the Board of Directors at their meetings of March 11, 2020 and March 18, 2020, respectively, discussed and determined the Company's annual bonus for 2019 according to the new remuneration policy and the economic value of the capital bonus to be granted to each of the above-mentioned officers in 2020 according to the new remuneration policy. The Remuneration Committee and the Board of Directors examined, with respect to each officer separately, all the criteria determined in the remuneration policy, and stated, among other things, that:

A) The bonuses offered are for the benefit of the Company in the long term.

B) The total remuneration of the officers, including the remuneration of the VP of Business Development and the CFO, including the variable components, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), is in accordance with the Company's remuneration policy and constitutes a fair consideration for the contribution of each officer to the Company's operations and its results.

C) They do not believe that the bonuses detailed above will have an effect on employment relationships in the Company.

Remuneration of the Company CEO -

On October 9, 2018, the General Assembly approved a new management agreement with a company owned by Mr. Nathan Hetz, the Company CEO (hereinafter: "**the Management Company**") in accordance with the new remuneration policy, for a period of three years beginning January 1, 2019 (hereinafter: "**the 2019 Agreement**"). The 2019 Agreement replaces a previous agreement with the Company CEO. For further details, see Note 18(a) to the financial statements as well as the Company's Supplementary Report published on October 4, 2018 (Ref: 2018-01-092124) regarding the convening of a General Assembly and the Immediate Report dated October 9, 2018 (Ref: 2018-01-094626) regarding the outcome of the Assembly.

Remuneration of the Chairman of the Company's Board of Directors -

On October 9, 2018, the General Assembly approved several amendments to an agreement with a company owned by Mr. Aviram Wertheim, Chairman of the Company's Board of Directors for a period of three years beginning January 1, 2019, and for as long as he serves as Chairman of the Company's Board of Directors. For details, see Note 18(b) to the financial statements as well as the Supplemental Report issued by the Company on October 4, 2018 (Ref: 2018-01-092124) regarding the convening of the General Assembly and the Immediate Report of October 9, 2018 (Ref: 2018-01-094626) regarding the outcome of the Assembly.

Remuneration of officers -

Regarding the terms of office and employment of the nine officers with the highest remuneration among the senior executives of the Company or of companies under its control, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) 1970 (of which three are officers of the Company itself), see details in Regulation 21 in the Additional Information in the Periodic Report.

Regarding the granting of option warrants to officers and employees of the Company, see Note 16(e) to the financial statements. Regarding the granting of option warrants to directors, see Note 18(c)(2) to the financial statements.

4. Market risk exposure and management

Mr. Nathan Hetz, the Company's CEO, is responsible for the risk management. For details in his regard, see the reporting according to Regulation 26 in the Additional Information Report.

4.1 Description of market risks to which the corporation is exposed

- The Company's management estimates that the return of a severe global recession, to the extent it occurs, will affect the Group's income from its income-generating property activities in Israel and in the markets in which it operates. These effects may be reflected in a slowdown and/or a decline in demand with the possibility of a decrease in prices and/or a decline in the value of the income-generating properties. Decreases in share prices may, among other things, have an adverse affect on the compliance with financial ratios, lead to an increase in financing prices, difficulty in obtaining financing sources and difficulty in the recycling of existing loans.

  Regarding the impact of the global Covid-19 pandemic on the Group's activities – see Section 1 above.

- Amot, Carr, the Boston property companies, BE and PSP operate in the income-generating property market in Israel, the United States, the United Kingdom, and Switzerland (respectively) and are exposed to risks including: economic slowdown, decline in demand for rental space, decrease in rental prices, excess speculative construction, an increase in the cost of raising capital, an impairment of the strength of major tenants and an increase in the prices of construction inputs.

- Most of the Group's continuing operations are carried out through the holding of shares in the companies holding income-generating property in Israel, the US, the UK and Switzerland. Consequently, the changes in interest rates (and in their risk margins), the exchange rates and the demand for real estate in the above countries may have a material impact on the Group's business results. In addition, the volatility of the stock markets in which the shares of some of the Group's companies are traded may have an effect on the ability to realize them and on their future value, if and when the Group seeks to realize these investments as well as on the financial covenants related to the value of collateral connected with the loans taken by the Group.

- BE's activities are effected by developments related to the Brexit and the uncertainty involved, especially with regard to the response of the business sector, changes in interest rates, exchange rates and asset prices.

- The Group is dependent on the capital market and the banking system from which it raises capital and debt. The Group's activity in the capital market is subject to fluctuations due to the influence of macroeconomic factors in Israel and abroad and regulatory changes on which the Group has no influence. These fluctuations affect the rates of securities traded on the stock exchange, the amount of the credit sources provided by the banking system and the extent of the public's activity in the capital market. These fluctuations may affect the Group and the options it will have at its disposal for raising the financing sources that will be needed to continue its operations.

- The Company has CPI-linked NIS financing sources (mainly bonds). As a result, the Group is exposed to changes in the CPI. As of December 31, 2019, the Company's net exposure (expanded solo) to the CPI amounted to NIS 0.9 billion (excess liabilities over assets). Because the Company considers its investment in Amot, and part of its investment in Energix (the CPI-linked part), as CPI-linked investments from an economic perspective (for the long term), the Company has excess assets over CPI-linked liabilities in the amount of NIS 2.7 billion as of December 31, 2019.

- The Group is exposed to changes in the short-term and long-term interest rates in the international markets in which it operates. In addition, the Company and the investees have loans that are linked to the Libor interest rate, as well as transactions in derivatives for these loans. At the end of 2021, the mandatory quoting of the Libor interest rate will be discontinued and alternative interest rate indices will be published. At this stage, the Group is unable to assess the effect of the discontinuation of the use of the Libor interest.

- The Group has investments and sources of financing denominated in foreign currency. Therefore, the Group is exposed to changes in the exchange rates of these currencies against the NIS.

- The Group, through Energix, is exposed to the risk of a decline in the price of green certificates or a decline in the demand for them, and as a result, the flow of revenues from the Group's projects in Poland will be amortized. Furthermore, the Group is exposed to changes in the electricity prices in Poland.

- The Group's revenues from the sale of electricity are exposed to changes that may occur in the Israeli and Polish regulatory environments, among other things, regarding tariffs set for the sale of electricity, to the various conditions Energix must meet in order to receive the licenses for the construction of renewable energy facilitates, the new regulation conditions in Poland, changes in the Polish Renewable Energy Law, as well as changes in weather and climate change in Israel and Poland.

The following are the risk factors described above and their impact, according to the Company's management, on its business results:

	Degree of Risk Factor's Impact on the Company's Activity	
	Major	**Moderate**
Macro-economic risk factors:		
Interest risks	X	
Changes in exchange rates	X	
Lack of growth and severe economic recession	X	
Changes in the value of tradable securities	X	
Regulatory changes in banking, capital markets and taxation	X	
Change in employment rate	X	
Changes in inflation rates		X
Brexit		X
Industry risk factors:		
Change in the demand for rental space	X	
Changes in rental prices	X	
Excess speculative construction	X	
Increase in capital raising cost	X	
Financial strength of tenants		X
Increase in construction input costs, including delays in the supply chain for projects in development		X
Changes in electricity prices and in the price of green certificates in Poland		X
Changes in the regulatory environment in Israel and in Poland regarding Energix's activity in these countries		X

For details regarding interest, inflation and currency exposure risks, see Note 22 to the financial statements.

4.2 The Corporation's policy for market risk management

4.2.1 The Company has a policy of partially hedging the currency exposure for its investments, as follows: 35%-45% of the Company's capital will be "allocated" (through hedging as required) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio (**according to market value on an expanded solo basis**), but the Company's management will have the authority to increase or decrease exposure in each currency.

Regarding the exposure of the Company's equity to the various currencies, see Section 3.7.3. above.

Regarding financial derivative positions, see Note 22 to the financial statements.

4.2.2 The Group has a conservative financial management policy that is reflected in financial flexibility resulting from maintaining a high level of unencumbered assets and long-term average durations of financial liabilities, while carefully maintaining unutilized credit facilities (except for short-term facility utilization as needed) and reasonable leverage ratios.

4.2.3 The Group companies invest, on a cumulative basis, in hundreds of income-generating properties with an extensive variety of thousands of tenants that generates a regular, steady and long-term cash flow.

4.2.3 The Group companies with a significant development component, engage with construction contractors in contracts that include structured engineering milestones, including mechanisms to protect against increases in project costs.

4.3 Means of monitoring and implementing the Corporation's market risk management policy

The Company's CEO and CFO regularly monitor developments in relevant markets. In the event of unusual developments in the currency and interest markets, they study the data, and from time to time reach decisions to perform actions in the derivative markets in order to protect against interest and exchange rate risks.

The Company's Board of Directors reports on developments in the market risk management, if any, on a quarterly basis.

4.4 Cyber risk

The Company has various databases. The Company estimates that the amount of damage that could be caused it as a result of a cyber attack is not high. Nevertheless, the Company is assisted by information security consultants, and purchases systems designed to protect against cyber threats, loss of information, the risk of information hijacking and destruction by malicious parties, and works to back up information and the ability to recover quickly in the event of an attack.

4.5 Linkage bases report - for the linkage basis report as of December 31, 2019, see Appendix B below.

The risks mentioned in Section 3 above are the risks that, according to the Company management's estimates, may have a specific impact on the Company due to the nature and scope of its activities. It should be noted that other risks that are not necessarily specific to a company of the this type may have an influence on the Company, including risks of war, hostilities, regulation risks, changes in fiscal policy, economic crises and geopolitical crises in countries in which the Group operates.

5. Aspects of Corporate Governance

5.1 The Company's Board of Directors – Directors with Accounting and Financial Expertise

As of the date of publication of this report, the Company's Board of Directors has 7 directors, 5 of which have accounting and financial expertise.

4 members of the Board of Directors (2 of which are external directors) are independent directors (as the term is defined in the Companies Law).

During 2019, eight meetings of the Company's Board of Directors were held, with the average attendance of members of the Board of Directors at 96%.

The Company considers Messrs. Aviram Wertheim, Nathan Hetz, Gittit Guberman, Prof. Zvi Eckstein and Shlomi Shuv, who serve on the Company's Board of Directors, as having accounting and financial expertise, based on their education and business experience as specified in Regulation 26 in the Additional Information on the Corporation.

For details regarding the minimum number of directors with accounting and financial capabilities appropriate for the Company, see Section 9(a) of the Corporate Governance Questionnaire attached to the Periodic Report.

5.2 **The Company's accountant** - for details regarding the Company's accountant, see Appendix D.

5.3 **The Company's internal auditor** – for details regarding the Company's internal auditor, see Appendix C.

5.4 Internal enforcement plan

On May 21, 2012, the Company adopted an internal enforcement plan regarding securities, in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15, 2011, and updated in August 2013. On November 20, 2019, the Company adopted a new internal enforcement plan regarding securities that replaced the previous plan as of that date.

5.5 Charitable Donations

According to the Company's policy on donations, it regularly allocates up to 1.4% of the Group's annual profits (not including the real estate value adjustment and capital gains component) for contributions to the community that are mainly dedicated for mainly intended for supporting, educating and helping disadvantaged youths.

Within the framework of this policy, in 2019 the Group contributed a total of NIS 6.3 million to non-profits and organizations with the aforementioned goals (2018: NIS 5.6 million and 2017: NIS 5.4 million).

To the best of the Company's knowledge, and according to a review conducted, there are no links between entities to whom the amount of contributions in 2019 exceeded NIS 50,000, and the Company, a Director, the CEO, a controlling party or relative, except:

1. During 2019, the Group donated NIS 95 thousand to the Hetz Vamatara Association. The Hetz Vamatara Association is an association founded by the daughters of Mr. Nathan Hetz, the Company CEO and a controlling shareholder until November 26, 2019, in which Ms. Adva Sharvit serves as the Association's General Manager. The Association operates a bicycle riding center for at-risk children and youths.

2. The Lasova Association, to which the Company has donated for 19 years, in order to maintain three youth homes (Hetz-Kadima)[24], and the Society for the Advancement of Education in Tel Aviv-Yafo[25], both of which sent groups of at-risk youths to activities at the Hetz Vamatara Association for a payment of 35% of the cost of the activity.

3. Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, is a member of the "Masa Israeli" (I Belong Israel) organization[26].

4. On March 15, 2017, Mr. Yarom Ariav, an external director of the Company until March 31, 2019, began serving as a member of the Etgarim Association's Executive Committee[27].

5. Ms. Drorit Wertheim, sister of Mr. David Wertheim, a Company controlling shareholder in the Company until November 26, 2019, is a member of the Sheba Medical Center Friends' Society[28].

6. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 25 to the financial statements.

7. Special Disclosure for Bondholders

For details regarding bonds issued by the Company and their rating reports, see Appendices E and F below.

24 The Company donated NIS 1,194 thousand to the Lasova Association in 2019.
25 The Group donated NIS 285 thousand in 2019 to the Society for the Advancement of Education in Tel Aviv-Yafo.
26 In 2019, the Group donated the amount of NIS 150 thousand to the Masa Israeli.
27 The Group donated a total of NIS 277 thousand in 2019 to the Etgarim Association.
28 The Group donated a total of NIS 75 thousand to the Sheba Medical Center in 2019.

The Company's Board of Directors would like to thank the holders of Company securities for the confidence they have shown in the Company.

Nathan Hetz	Aviram Wertheim
Director and CEO	Chairman of the Board of Directors

Appendices to the Board of Directors' Report on the State of Corporate Affairs

Appendix A - Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C - Details of the Company's Internal Auditor

Appendix D - Details of the Company's Accountant

Appendix E - Details of Bonds Issued by the Company

Appendix F - Rating Reports

Appendix A - Financial Information, Expanded Solo

1. Financial Statements - Expanded Solo

The Company's expanded solo financial statements are the Company's condensed financial statements presented in accordance with IFRS principles, except for the investments in Amot, in Energix and in Brockton Everlast, which are presented on an equity basis instead of consolidating their financial statements with those of the Company (all other investments are presented unchanged from the statements presented in accordance with IFRS principles). **These Statements do not constitute separate financial statements as defined in International Accounting Standard IAS 27, and are not part of the information whose publishing is required in accordance with the securities laws.** Nevertheless, the Company's management believes that analysts, investors, shareholders and bondholders may obtain valuable information from the presentation of this data.

1.1 Concise expanded solo balance sheet (NIS thousands):

	As of December 31 2019	As of December 31 2018
	NIS thousands	
Current assets		
Cash and cash equivalents	518,800	562,709
Tradable securities	40,876	2,051
Other accounts receivable	32,781	12,990
Total current assets	592,457	577,750
Non-current assets		
Securities measured at fair value through profit or loss	203,803	189,707
Investments in investees	10,567,750	9,215,961
Others	36,360	6,058
Total non-current assets	10,807,913	9,411,726
Total assets	**11,400,370**	**9,989,476**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	350,002	408,063
Other accounts payable	113,370	154,949
Total current liabilities	463,372	563,012
Non-current liabilities		
Bonds	3,840,621	2,897,465
Loans from banking corporations and others	358,987	383,255
Deferred taxes	396,322	245,476
Others	4,523	48,765
Total non-current liabilities	4,600,453	3,574,961
Equity	6,336,545	5,851,503
Total liabilities and equity	**11,400,370**	**9,989,476**

Financial Information, Expanded Solo

1.2 Concise Expanded Solo Statements of Income (NIS thousands):

	2019	2018	2017
	NIS thousands		
Revenues			
Group share in the profits of associates, net	1,124,095	672,605	683,245
Dividend revenues from investments in securities measured at fair value through profit or loss	576	1,833	28,575
Profit from decrease in rate of holding, from purchase and realization of investees	96,680	47,676	-
Net profit, relating to investments in long-term securities intended for realization	24,711	33,150	111,315
Other revenues, net	13,848	12,300	11,895
	1,259,910	767,564	835,030
Expenses			
Administrative and general (including contributions)	37,392	32,164	32,852
Financing expenses, net	97,410	107,411	110,814
	134,802	139,575	143,666
Profit before taxes on income	**1,125,108**	**627,989**	**691,364**
Income tax expenses	169,008	113,843	97,222
Net profit for the period	**956,100**	**514,146**	**594,142**

2. The Company's liabilities (expanded solo) maturing after December 31, 2019:

	Bonds(*)	Bank Loans	Total	%
	NIS thousands			
Current maturities	346,845	850	347,695	8
Second year	346,845	850	347,695	8
Third year	407,011	358,137	765,148	17
Fourth year	407,011	-	407,011	9
Fifth year	525,070	-	525,070	12
Sixth year onward	2,056,536	-	2,056,536	46
Total maturities	**4,089,318**	**359,837**	**4,449,155**	**100**
Others			**11,905**	
Interest payable			**83,935**	
Balance of assets in connection with foreign currency forward transactions			**(48,448)**	
Total financial debt (taking foreign currency forward transactions into account)			**4,496,547**	

(*) Including the effect of cross currency swap transactions with a financial body in Israel in the total amount of approx. NIS 715 million, so that the bonds (Series I) at that amount were "converted" into liabilities in the amount of CHF 100 million and USD 100 million. For further information, see Note 11(d) to the financial statements.

For information on the Company's total financial debt (expanded solo) as of December 31, 2019, see Section 3.4.3 above.

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of December 31, 2019 In NIS thousands	In NIS without Linkage	In NIS Linked to the CPI	In CHF	In USD	In GBP	Other (Mainly PLN and CAD)	Total Total	Adjustments - Non-monetary Items	Total
Current assets									
Cash and cash equivalents	497,026	-	7	10,666	7,660	3,441	518,800	-	518,800
Tradable securities	40,876	-	-	-	-	-	40,876	-	40,876
Other accounts receivable	28,769	-	84	138	-	-	28,991	3,790	32,781
Total current assets	566,671	-	91	10,804	7,660	3,441	588,667	3,790	592,457
Non-current assets									
Securities measured at fair value through profit or loss	27,768	-	-	-	176,035	-	203,803	-	203,803
Investments in associates	-	-	-	-	-	-	-	10,567,750	10,567,750
Others	33,393	-	-	-	-	-	33,393	2,967	36,360
Total non-current assets	61,161	-	-	-	176,035	-	237,196	10,570,717	10,807,913
Total assets	**627,832**	**-**	**91**	**10,804**	**183,695**	**3,441**	**825,863**	**10,574,507**	**11,400,370**
Current liabilities							-		
Short-term credit and current maturities of long-term liabilities	132,044	217,108	-	850	-	-	350,002	-	350,002
Other payables	60,137	33,276	108	891	898	32	95,342	18,028	113,370
Total current liabilities	192,181	250,384	108	1,741	898	32	445,344	18,028	463,372
Non-current liabilities							-		
Bonds	3,156,298	684,323	-	-	-	-	3,840,621	-	3,840,621
Loans from banking corporations and others	-	-	357,500	1,487	-	-	358,987	-	358,987
Deferred tax liabilities	-	-	-	-	-	-	-	396,322	396,322
Others	3,443	-	-	864	-	-	4,307	216	4,523
Total non-current liabilities	3,159,741	684,323	357,500	2,351	-	-	4,203,915	396,538	4,600,453
Total liabilities	**3,351,922**	**934,707**	**357,608**	**4,092**	**898**	**32**	**4,649,259**	**414,566**	**5,063,825**
Excess assets over liabilities (liabilities over assets)	**(2,724,090)**	**(934,707)**	**(357,517)**	**6,712**	**182,797**	**3,409**	**(3,823,396)**	**10,159,941**	**6,336,545**
Financial derivatives	**3,414,242**	**-**	**(477,263)**	**(2,024,743)**	**(912,236)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**690,152**	**(934,707)**	**(834,780)**	**(2,018,031)**	**(729,439)**	**3,409**	**(3,823,396)**	**10,159,941**	**6,336,545**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**70,672**	**3,585,981**	**1,249,889**	**3,933,108**	**1,246,561**	**73,730**	**10,159,941**	**(10,159,941)**	**-**
Excess assets over liabilities (liabilities over assets)	**760,824**	**2,651,274**	**415,109**	**1,915,077**	**517,122**	**77,139**	**6,336,545**	**-**	**6,336,545**

Effect of change in exchange rate on the value of foreign currency forward transactions (not presented in the above table):

	1% Appreciation	1% Devaluation
	Profit (Loss) in NIS millions	
USD	20.3	(20.3)
GBP	9.1	(9.1)
CHF	4.8	(4.8)
Total expanded solo	34.2	(34.2)

(*) Does not include the effect of changes in the exchange rates on the underlying assets (the Company's investments) and on foreign currency credit.

(**) For further details regarding the fair value of financial instruments, see Note 22 to the financial statements.

Appendix C - Details of the Company's Internal Auditor

Auditor's name: Yisrael Gewirtz of Fahn Kanne Control Management Ltd.

Start of term in office: May 23, 2017.

Appointment – The appointment of the current internal auditor (who is an internal auditor from the same firm as the Company's previous internal auditor) was approved by the Audit Committee at its May 16, 2017 meeting and by the Company's Board of Directors at its May 23, 2017 meeting. The firm of Fahn Kanne Control Management Ltd. was selected (at the August 18, 2010 meeting of the Board of Directors) from a number of candidates whose candidacy was examined by the Audit Committee, while assigning a great deal of significance to the fact that Fahn Kanne Control Management Ltd. is a reputable and experienced company with a large number of employees with expertise in internal audits.

Auditor's qualifications – The Auditor has a degree in Accounting and Economics from Bar Ilan University and certification in Risk Management Assurance (CRMA). The Auditor is a CPA and a CIA (Certified Internal Auditor).

The auditor provides internal auditor services as an external entity through Fahn Kanne Control Management Ltd. The above company, which is a subsidiary of Fahn Kanne & Co. (Grant Thornton Israel), is a company engaged in control and auditing services for 30 years, which employs approx. 80 dedicated employees: accountants, internal auditors (CIA), information systems auditors (CISA) and embezzlement auditors (CFE).

Scope of employment – The internal auditor invested 200 hours in the audit work he carried out in 2019. The internal auditor serves as the internal auditor at the consolidated company Energix – Renewable Energies Ltd., where he is directed by the Energix Audit Committee, while Amot Investments Ltd. has a separate internal auditor directed by the Amot Investments Ltd. Audit Committee. In addition, the hours listed do not include internal audit hours in investee companies (other than wholly owned consolidated companies) in which internal audits are performed by others.

Audit plan and audit reports submitted and discussed in the reporting period

In recent years, the internal auditor's audit plan was an annual plan.

The annual audit plan is approved by the Audit Committee after discussion of the Auditor's proposal. The annual planning of audit tasks, setting of priorities and audit frequency are affected by the following factors:

The exposure to risk of activities and operations, the probability of the existence of managerial and administrative deficiencies, findings from previous audits, subjects in which audits are required by administrating bodies, legally mandated subjects, according to internal or external procedural directives and the need for maintaining recurring cycles.

The work plan is received and approved by the Audit Committee at the end of each year for the following year or at the beginning of each year for the current year.

The Internal Auditor conducted a new risk survey at the Company in the last quarter of 2015.

On December 26, 2019, the Audit Committee approved the work plan for 2020, which includes the following subjects:

(a) Control of the internal audit of an investee company – Amot Investments; (b) A fraud and embezzlement survey; (c) information systems; and (d) Alony-Hetz control over investee companies – an examination in relation to Alony-Hetz's control over the acquisition of properties by BE.

On March 14, 2019, the Audit Committee approved a work plan for 2019-2022 (and on December 26, 2019, the above multi-year work plan was updated for 2020, as detailed above).

The internal auditor may not deviate from the work plan determined, at his sole discretion.

In the period from January 1, 2019 until the publication of this report, the following internal auditor reports were submitted in writing to the Company and the Audit Committee and discussed:

Subject of Report	Date of Submission in Writing to the Company	Date of Discussion in Audit Committee	Work Hours Dedicated	The report refers to the Company's activity / the report refers to the activity of investees outside
Transactions with interested parties	March 2019	14.3.2019	70	The Company's activity in Israel
Investment in BE	July 2019	18.8.2019	80	The Company's activity in Israel
Financial exposures	December 2019	26.12.2019	50	The Company's activity in Israel

Significant corporate holdings – the audit plan addresses the management of the Company's holdings in corporations that constitute significant holdings controlled by the corporation, with the exception of the consolidated companies Amot Investments Ltd. and Energix Renewable Energies Ltd., which maintain a separate internal auditors.

Professional standards – The internal auditor is in compliance with all conditions determined in Section 3(a) of the Internal Audit Law, 1992 ("**the Audit Law**"). The internal auditor, according to his statement, conducts the internal audit in accordance with accepted professional standards, as stated in Section 4(b) of the Audit Law. The Auditor is complies with Section 146(b) of the Companies Law, 1999 and Section 8 of the Audit Law.

The Auditor's organizational supervisor – The Company's CEO.

The scope, nature and continuity of the internal auditor's activity and work plan – To the best of the Company Board of Directors' knowledge, the nature and continuity of the Auditor's activities and work plan are reasonable under the circumstances and are able to achieve the goals of the corporation's audit.

Free access for the internal auditor – The internal auditor is provided free access as stated in Section 9 of the Audit Law, 1992, which includes constant and direct access to the corporation's information systems, including financial data.

Remuneration - The Auditor's fees for 2019 amounted to approx. NIS 49.5 thousand. Remuneration for the audit work is according to the internal auditor's working hour budget. There are no concerns that the remuneration detailed above, which derives from the auditor's actual work hour budget, may influence the application of the auditor's professional judgment.

Appendix D - Details of the Company's Accountant

The following are the fees for the Company's auditing accountants and and for its significant consolidated companies (in NIS thousands):

Company Name	Accountants		2019 Auditing and Tax Services	2019 Other Services	2018 Auditing and Tax Services	2018 Other Services
Alony-Hetz Properties and Investments Ltd.	Brightman Almagor Zohar & Co.					
		Fee	545	30	540	20
		Work hours	3,630	23	3,470	29
Amot Investments Ltd. (*)	Brightman Almagor Zohar & Co.					
		Fee	600	281	570	337
		Work hours	3,024	521	3,000	440
Eilot Companies Group	Ziv Haft Accountants					
		Fee	297	-	289	-
		Work hours	1,700	-	1,749	-
Energix – Renewable Energies Ltd.	Brightman Almagor Zohar & Co.					
		Fee	590	-	480	-
		Work hours	3,416	-	3,104	-
	Deloitte Poland					
		Fee	180	-	172	18
		Work hours	920	-	840	90
	Deloitte US					
		Fee	225	-	-	-
		Work hours	240	-	-	-
Brockton Everlast Inc. (**)	Deloitte UK					
		Fee	660	1,030	679	1,291
		Work hours	1,232	639	1,161	851
	Total fee		**3,097**	**1,341**	**2,730**	**1,666**
	Total work hours		**14,162**	**1,183**	**13,324**	**1,410**

(*) Not including others in the amount of approx. NIS 30 thousand.

(**) The fees are paid in GBP. The translation into NIS is according to the average exchange rate for the period.

In its May 17, 2019 meeting, the Financial Statements Examination Committee examined the planned scope of work of the Company's auditing accountant and his proposed wage for 2019, taking the Company's size and the complexity of its statements into consideration. In its May 20, 2019 meeting, the Company's Board of Directors approved the wage of the Company's auditing accountant for auditing activity in 2019. The Financial Statements Examination Committee, at its meeting on March 11, 2019, was satisfied, immediately prior to the Company Board of Directors' approval of the 2019 Periodic Report, that the extent of the work of the auditing accountant and his wage in the reporting year are sufficient for performing auditing and reviewing work appropriate for the financial statements in the reporting year.

Appendix E - Details of Bonds Issued by the Company

The following are details regarding the Company's bonds as of December 31, 2019 (in NIS thousands)[29]

	In NIS thousands	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)
1	**Issue date**	February 23, 2012	December 1, 2016	December 1, 2016	August 11, 2019	August 11, 2019
2	**Par value on issue date**	246,113	275,000	275,000	200,932	400,730
3	**Par value as of December 31, 2019**	831,642	1,320,443	1,315,153	200,932	400,730
4	**Linked par value as of December 31, 2019**	729,067	N/A	N/A	N/A	N/A
5	**Value in the financial statements as of December 31, 2019 (at amortized cost)**	900,315	1,357,178	1,336,391	197,685	397,089
6	**Stock exchange value as of December 31, 2019**	962,210	1,496,590	1,380,384	210,155	412,071
7	**Accrued interest as of December 31, 2019**	32,653	42,620	2,781	2,079	3,757
8	**Interest Rate / Fixed Annual Margin**	4.45%	3.85%	2.24% above Bank of Israel interest rate, as it will be from time to time to time to time	2.66%	2.41%
9	**Materiality of the Series[30]**	Yes	Yes	Yes	No	Yes

[29] Not including bonds issued by Amot Investments Ltd. and Energix Renewable Energies Ltd.

[30] The bond series is material if the amount of the Company liabilities according to it as of the end of the reporting period as presented in the Company's separate financial Statements (according to Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, constitutes 5% or more of the Company's total liabilities as presented in the data stated.

10	**Principal payment dates**	8 annual payments: the first payment at a rate of 5.5% of the principal will be repaid on February 24, 2016, and seven payments of 13.5% of the principal, each, will be repaid on February 24 of each of the years 2017-2023.	8 annual payments: the four (4) first payments of 10% of the principal each will be paid on February 28 of each of the years 2020-2023; and four (4) payments of 15% of the principal, each, will be repaid on February 28 of each of the years 2024-2027.	Four (4) annual payment of 25% of the principal, to be paid on February 28 of each of the years 2024-2027.	6 annual payments, in cash or in Company shares, according to the Company's absolute discretion (see Section 13 below) in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	6 annual payments in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;
11	**Interest Payment Dates**	February 24 of each of the years 2013 to 2023 (inclusive).	February 28 of each of the years 2016-2027 (inclusive).	Four payments per year, on February 28, May 31, August 31 and November 30 of each of the years 2016-2027 (inclusive)	February 28 of each of the years 2020-2031 (inclusive) The interest will be paid either in cash from February 22, 2022 or in Company shares, at the absolute discretion of the Company (see Section 13 below).	February 28 of each of the years 2020-2031 (inclusive)
12	**Linkage base (principal and interest)**	CPI for January 2012	Unlinked	Unlinked	Unlinked	Unlinked
13	**Conversion right**	None	None	None	As of February 28, 2022, the Company may, at its absolute and exclusive discretion, pay the principal and/or the interest, with its shares, all as detailed in Section 7 of the Bond.	None
14	**Main conversion conditions**	N/A	N/A	N/A	The Company's absolute discretion	N/A
15	**Guarantee for payment of the liability**	None	None	None	None	None

16	**Early redemption**	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	(1) In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines; or (2) at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment; or (3) according to a decision by the Company's Board of Directors, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.
17	**Liens in favor of bondholders**	None[35]	None[34]	None[33]	None[32]	None[31]
18	**Limitations on the creation of additional liens**	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series H).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series I).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series J).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series K).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series L).

31 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series L) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

32 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series K) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

33 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series J) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

34 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series I) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

35 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series H) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.3 of the deed of trust.

19	**Limitations regarding the authority to issue additional bonds**	None	None	None	None	None
20	**Lien validity period**	N/A	N/A	N/A	N/A	N/A
21	**Bond conditions for changing, releasing, replacing or canceling a lien**	In this regard see Section 5.3 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust
22	**Changes in the bond conditions regarding liens during the reporting period**	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred
23	**The manner in which the changes were approved**	N/A	N/A	N/A	N/A	N/A
24	**Did the Company, during and at the end of the reporting year, comply with all the conditions and obligations according to the deed of trust**	Yes	Yes	Yes	Yes	Yes
25	**Have the conditions for the immediate repayment of the bonds or the realization of the guarantees been met**	No	No	No	No	No
26	**Description of the breach (if any)**	N/A	N/A	N/A	N/A	N/A
27	**Was the Company was required to take various actions by the trustee**	No	No	No	No	No
28	**Name of Trust Company** **Name of Series Supervisor** **Address** **Telephone**	Reznik Paz Nevo Trusts Ltd. Yossi Reznik, C.P.A. 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200
29	**Holders' Meetings**	No holders' meeting was held.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	No holders' meeting was held.	No holders' meeting was held.

30	**Rating**					
	Rating Company	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot
	Rating on the issue date	N/A	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating as of December 31, 2019[36]	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating Company	Midroog	Midroog	Midroog		Midroog
	Rating on the issue date	A1 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook
	Rating as of December 31, 2019[37]	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook

[36]In August 2008, Maalot announced that it was lowering its rating to ilA with a stable outlook for the Company's bonds in circulation; in June 2009, Maalot announced that it was confirming the rating of ilA while lowering the outlook to negative; in March 2010, Maalot announced that it was confirming a rating of ilA while raising the outlook to positive; in January 2013, Maalot announced that it was raising the Company's rating to A+ with a stable outlook; in January 2014, Maalot announced that it was confirming a rating of ilA+ with a stable outlook for the Series F bonds. In October 2014, Maalot confirmed its ilA+ rating for the Series F and H bonds and raised the outlook from stable to positive. In December 2014, Maalot confirmed its rating of ilA+ with a positive outlook for the Series F and H bonds. In May 2015, Maalot announced that it was raising the Company's rating to ilAA- with a stable outlook. For additional changes in the bond ratings, see Section 5.4 of Chapter F of the Company's Corporate Business Chapter.

[37]In September 2008, Midroog announced that it was lowering its rating to A1 with a stable outlook for the Company's bonds in circulation; in June 2009, Midroog announced that it was confirming a rating of A1 while lowering the outlook to negative; in March 2010, Midroog announced that it was confirming a rating of A1 while raising the outlook to stable; in January 2014, Midroog announced that it was confirming a rating of ilA for the Series F and H bonds, and raising the outlook from stable to positive. In December 2014, Midroog announced that it would be raising the rating of series F and H bonds from A1 with a positive outlook to Aa3 with a stable outlook. For additional changes in the bond ratings, see Section 5.4 of Chapter F of the Company's Corporate Business Chapter.

Appendix F - Rating Reports[38]

- For a current Midroog rating report, see the immediate report published by the Company on April 18, 2019 (Ref: 2019-01-038683) and the immediate reports dated July 28, 2019 (Ref: 2019-01-077893) and August 7, 2019 (Ref: 2019-01-082138).

- For a current Maalot, the Israeli Securities Rating Company Ltd. rating report, see the immediate report published by the Company on June 13, 2019 (Ref: 2019-01-058564) and the immediate report dated August 7, 2019 (Ref. no.: 2019-01-082153).

[38] The information detailed in the above immediate reports was included in this report by way of reference.

Alony-Hetz

Consolidated Financial Statements

Contents

Deloitte.

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of
Alony Hetz Properties and Investments Ltd.
Regarding Audit of Components of Internal Controls over Financial Reporting pursuant to Section 9b(c) of the Securities Regulations (Periodic and Immediate Statements), 1970

We have audited components of the internal controls of the financial reporting of **Alony Hetz Properties and Investments Ltd**. and its subsidiaries (hereafter- "the Company") as of December 31, 2019. These components of control were determined as explained in the following paragraph. The Board of Directors and management of the company are responsible for maintaining effective internal controls over financial reporting, and for evaluating the effectiveness of the components of internal controls over financial reporting which is included in the periodic report for the date above. Our responsibility is to express an opinion on the components of the internal control over financial reporting of the company, based on our audit.

The Components of internal control over financial reporting that were audited were determined in accordance with Audit standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" as amended (hereafter- "Audit standard 104"). These Components are: (1) Entity level control, including controls over the preparation and closing of financial reporting and general controls over IT; (2) accounting and debt management; (3) corporate investment; (4) investment property at Amot Investments Ltd and Brockton Everlast; (5) rental income and management of investment property at Amot Investments Ltd and Brockton Everlast (6) project procurement at Energix - Renewable Energies Ltd; (7) revenues from the sale of electricity at Energix - Renewable Energies Ltd (all of the above together are referred to as the "Audited Components of Control").

We conducted our audit in accordance with Audit Standard 104. Pursuant to this standard, we are required to plan and perform the audit with the purpose of identifying the Audited Components of Control, and to obtain reasonable assurance about whether these Components of control were maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying of the Audited Components of Control, assessing the risk that a material weakness exists in the Audited Components of Control and testing and evaluating the design and operating effectiveness of those Components of control, based on the assessed risk. Our audit regarding those Components of Control also included performance of other procedures that we thought were necessary under the circumstances. Our audit only referred to the Audited Components of Control, unlike internal control over all of the material processes regarding the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual influences between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible influences. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and its components in particular, may not prevent or detect misstatement presentation. Also, drawing conclusions regarding the future on the basis of any current evaluation of effectiveness is subject to the risk that the controls may become inadequate because of changes in circumstances, or that the degree of compliance with the policies or the procedures may deteriorate.

In our opinion, based on our audit, the Company maintained effectively, in all material respects, the Audited Components of Control, as of December 31, 2019.

Pursuant to generally accepted auditing standards in Israel, we also have audited the consolidated financial statements of the Company as of December 31, 2019 and 2018 and for the three years in the period ended December 31, 2019 and our report dated March 18, 2020 includes an unqualified opinion regarding those financial reports based on our audits.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 18, 2020

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Auditors' Report to the shareholders of Alony Hetz Properties and Investments Ltd.

We have audited the accompanying consolidated statements of financial position of **Alony Hetz Properties and Investments Ltd** (hereafter – "the Company") as of December 31, 2019 and 2018, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. 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 certain consolidated companies whose assets included in consolidation constitute approximately 17% and 17% of total consolidated assets as of December 31, 2019 and 2018, respectively, and whose revenues included in consolidation constitute approximately 10%, 17% and 17% of total consolidated revenues for the years ended in December 31, 2019, 2018 and 2017, respectively. Furthermore, We did not audit the financial statements of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 5,536 million NIS and 5,907 million NIS as of December 31, 2019 and 2018, respectively, and the share of the results of which for the years ended in December 31, 2019, 2018 and 2017, amounted to approximately 350 million NIS, 315 million NIS and 380 million NIS, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2019 and 2018, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended in December 31, 2019, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2019 and our report dated March 18, 2020 included an unqualified opinion on the effective maintenance of those components.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 18, 2020

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Financial Position

	Note	As of December 31 2019 NIS thousands	2018 NIS thousands
Assets			
Current Assets			
Cash and cash equivalents	3a.	771,749	1,014,115
Deposits, tradable securities and restricted cash	3d.	185,483	15,448
Trade receivables	3b.	43,783	37,642
Current tax assets, net	20	5,434	16,966
Other receivables	3b.	182,345	131,238
Total current assets		1,188,794	1,215,409
Non-current assets			
Investment property	4	14,891,954	9,749,051
Investment property in development	4	550,354	803,438
Long-term investments:			
Securities measured at fair value through profit or loss	5	203,803	189,707
Investments in associates	6f, 6g, 6h, 6i, 6j, 6k, 6l	5,917,551	6,296,493
Deferred tax assets	20	3,895	9,649
Electricity-generating facilities:			
Connected electricity-generating facilities	7	1,252,562	1,301,949
Right-of-use asset		160,614	23,871
Electricity-generating facilities in development	8	682,153	150,484
Restricted deposits	9	41,173	48,405
Fixed assets, net		77,898	77,596
Other assets		128,114	27,124
Total non-current assets		23,910,071	18,677,767
Total assets		25,098,865	19,893,176

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Financial Position

	Note	As of December 31 2019 NIS thousands	As of December 31 2018 NIS thousands
Liabilities and Equity			
Current liabilities			
Short-term credit and current maturities of long-term loans	10a.	351,368	443,217
Current maturities of bonds	11b.	880,220	808,851
Current maturities of lease liabilities	2.bb.a.	3,844	-
Current tax liabilities, net	20	47,685	34,160
Other payables	10b.	649,333	408,551
Total current liabilities		1,932,450	1,694,779
Non-current liabilities			
Bonds	11	9,003,390	7,196,644
Loans from banking corporations and financial institutions	12	2,653,367	1,457,475
Lease liability	2.bb.a	138,801	-
Deferred tax liabilities	20	1,720,121	1,247,691
Provisions	15	16,483	17,821
Other liabilities	14	126,418	140,277
Total non-current liabilities		13,658,580	10,059,908
Equity	16		
Equity attributable to Company shareholders		6,336,545	5,851,503
Non-controlling interests		3,171,290	2,286,986
Total equity		9,507,835	8,138,489
Total liabilities and equity		25,098,865	19,893,176

On behalf of the Board of Directors:

Aviram Wertheim ______________________ **Chairman of the Board of Directors**

Nathan Hetz ______________________ **Member of the Board of Directors and CEO**

Oren Frenkel ______________________ **Chief Financial Officer**

March 18, 2020

Financial Statements Date of Approval

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Income

		For the Year ended December 31		
		2019	2018	2017
	Note	NIS thousands	NIS thousands	NIS thousands
Revenues and Profits				
Revenues from rental fees and management of investment property	17a	830,156	704,299	659,139
Fair value adjustments of investment property	4	995,791	260,200	172,548
Group share in the profits of associates, net	6 f. (2)	413,437	341,737	431,945
Dividend revenues from investments in securities measured at fair value through profit or loss	17b.	576	1,833	28,575
Net profit from investments in securities measured at fair value through profit or loss	17e.	24,711	33,150	111,315
Profit from decrease in rate of holding, from purchase and realization of investees	6f. 6g.	96,680	47,676	-
Revenues from sale of electricity and green certificates	7f.	237,126	170,440	141,212
Other revenues (expenses), net		451	299	201
		2,598,928	1,559,634	1,544,935
Costs and expenses				
Cost of investment property rental and operation	17c.	67,990	61,290	60,718
Development, maintenance and operation costs of electricity-generating facilities	17f.	30,482	38,509	32,832
Depreciation and amortization	7a.	60,549	46,683	45,366
Administrative and general	17d.	121,799	88,406	80,532
Financing revenues	17h.	(21,739)	(21,185)	(8,648)
Financing expenses	17g.	363,390	319,262	337,369
		622,471	532,965	548,169
Profit before taxes on income		1,976,457	1,026,669	996,766
Income tax expenses	20	528,382	275,569	228,748
Net income for the period		1,448,075	751,100	768,018
Company shareholders		956,100	514,146	594,142
Non-controlling interests		491,975	236,954	173,876
		1,448,075	751,100	768,018
Net earnings per share attributable to Company shareholders (in NIS):	19			
Basic		5.55	3.01	3.67
Fully diluted		5.52	3.00	3.66
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)				
Basic		172,170	170,744	161,839
Fully diluted		172,992	171,013	162,200

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Comprehensive Income

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	1,448,075	751,100	768,018
Other comprehensive income (loss)			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	(464,344)	418,532	(408,622)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	(15,742)	-
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	(11,213)	426	-
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	2,305	2,250	-
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	171,859	(201,574)	100,716
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(21,672)	2,384	511
Company share in other comprehensive income (losses) of associates, net of tax	(57,746)	14,997	7,216
Profit (loss) from fair value adjustment of financial assets classified in the past as available-for-sale financial assets, net of tax	-	-	(1,035)
Allocation of capital reserve in respect of financial assets previously classified as available-for-sale financial assets, to profit and loss, net of tax, in respect of the realization of investments	-	-	(90,428)
Allocation of profit from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of financial assets previously classified as available-for-sale financial assets to profit and loss in respect of the realization of investments	-	-	(26,921)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of financial assets at fair value through profit or loss previously classified available-for-sale assets	-	-	1,394
Other comprehensive income (loss) for the period, net of tax	(377,790)	221,273	(417,169)
Total comprehensive income for the period	1,070,285	972,373	350,849
Distribution of comprehensive income (loss) for the period			
Company shareholders	596,962	737,787	173,721
Non-controlling interests	473,323	234,586	177,128
	1,070,285	972,373	350,849

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Changes in Equity
For the Year ended December 31, 2019
(NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	189,216	2,417,916	(8,885)	(17,185)	(589)	3,271,030	5,851,503	2,286,986	8,138,489
Impact of initial implementation of IFRS 16	-	-	-	-	-	(2,940)	(2,940)	(1,142)	(4,082)
Balance as of January 1, 2018 after initial implementation	189,216	2,417,916	(8,885)	(17,185)	(589)	3,268,090	5,848,563	2,285,844	8,134,407
Total comprehensive income for period	-	-	(296,802)	(62,336)	-	956,100	596,962	473,323	1,070,285
Dividends paid to Company shareholders	-	-	-	-	-	(268,559)	(268,559)	-	(268,559)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(191,916)	(191,916)
Exercise of employee options	1,600	50,683	-	(5,190)	-	-	47,093	-	47,093
Allocation of benefit in respect of employee and executive options	-	-	-	3,350	-	-	3,350	21,322	24,672
Issue of capital in consolidated companies	-	-	-	115,118	-	-	115,118	588,235	703,353
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(5,982)	-	-	(5,982)	(8,287)	(14,269)
Issue of options to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	2,769	2,769
Balance as of December 31, 2019	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Changes in Equity
For the Year ended December 31, 2018
(NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Capital Reserve in respect of Available-for-Sale Financial Assets	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2018	188,659	2,402,294	(215,421)	(20,495)	1,423	(589)	3,002,212	5,358,083	1,969,077	7,327,160
Impact of initial implementation of IFRS 9	-	-	142	(6,297)	(1,423)	-	7,578	-	-	-
Balance as of January 1, 2018 after initial implementation	188,659	2,402,294	(215,279)	(26,792)	-	(589)	3,009,790	5,358,083	1,969,077	7,327,160
Total comprehensive income for the period	-	-	206,394	17,247	-	-	514,146	737,787	234,586	972,373
Dividends paid to Company shareholders	-	-	-	-	-	-	(252,906)	(252,906)	-	(252,906)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	(171,576)	(171,576)
Exercise of employee options	557	15,622	-	(1,546)	-	-	-	14,633	-	14,633
Allocation of benefit in respect of options to employees and others	-	-	-	3,136	-	-	-	3,136	15,472	18,608
Issue of capital in consolidated companies	-	-	-	6,693	-	-	-	6,693	182,819	189,512
Purchase of shares from non-controlling interests in consolidated companies	-	-	-	(11,969)	-	-	-	(11,969)	(29,896)	(41,865)
Exercise of stock options in consolidated companies	-	-	-	(2,588)	-	-	-	(2,588)	69,858	67,270
Increase in non-controlling interests	-	-	-	(1,366)	-	-	-	(1,366)	6,463	5,097
Issue of options to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	10,183	10,183
Balance as of December 31, 2018	189,216	2,417,916	(8,885)	(17,185)	-	(589)	3,271,030	5,851,503	2,286,986	8,138,489

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Changes in Equity
For the Year ended December 31, 2017
(NIS thousands)

	Capital Stock	Share Premium	Receipts on Account of Options	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Capital Reserve in respect of Available-for-Sale Financial Assets	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2017	173,051	1,877,327	-	95,226	(50,252)	118,413	(589)	2,693,591	4,906,767	1,706,261	6,613,028
Total comprehensive income for the period	-	-	-	(310,647)	7,216	(116,990)	-	594,142	173,721	177,128	350,849
Dividends paid to Company shareholders	-	-	-	-	-	-	-	(285,521)	(285,521)	-	(285,521)
Dividends paid to non-controlling interests in a consolidated company	-	-		-	-	-	-	-	-	(147,684)	(147,684)
Issue of shares and options	9,350	303,836	5,868	-	-	-	-	-	319,054	-	319,054
Exercise of employee options	787	22,653	-	-	(2,540)	-	-	-	20,900	-	20,900
Exercise of stock options	5,471	198,478	(5,868)	-	-	-	-	-	198,081	-	198,081
Allocation of benefit in respect of options to employees and others	-	-		-	2,920	-	-	-	2,920	10,248	13,168
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	-	(6,919)	-	-	-	(6,919)	(14,393)	(21,312)
Expiry of receipts on account of options held by non-controlling interests in a consolidated company	-	-	-	-	2,551	-	-	-	2,551	(2,551)	-
Issue of shares to non-controlling interests in a consolidated company	-	-	-	-	26,529	-	-	-	26,529	240,068	266,597
Balance as of December 31, 2017	188,659	2,402,294	-	(215,421)	(20,495)	1,423	(589)	3,002,212	5,358,083	1,969,077	7,327,160

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Consolidated Statements of Cash Flows

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net profit for the period	1,448,075	751,100	768,018
Net income not entailing cash flows (Appendix A)	(761,044)	(150,136)	(233,413)
	687,031	600,964	534,605
Changes in working capital (Appendix B)	19,399	18,593	(2,599)
Net cash provided by operating activities	706,430	619,557	532,006
Cash flows - Investing activities			
Investment in investment property funds	(61,716)	(27,730)	(79,685)
Proceeds from the repayment of investments in investment property funds	65,089	90,940	224,330
Proceeds from the realization of long-term securities and securities intended for sale, net (of taxes)	-	-	196,413
Proceeds from the realization of investment in associates, net of tax	447,073	363,989	-
Proceeds from the realization of investment property	-	107,420	16,425
Investment in fixed assets and investment property (including investment property in development)	(1,927,177)	(797,152)	(485,719)
Investment in electricity-generating facilities	(481,320)	(318,817)	(94,435)
Investment in associates	(290,470)	(212,923)	(467,412)
Increase in pledged deposit and restricted cash	(156,730)	(26,011)	(102,937)
Decrease in pledged deposit and restricted cash	32,798	101,388	-
Acquisition of companies consolidated for the first time (see Appendix E below)	(1,911,619)	-	-
Repayments of loans provided to associates, net	7,622	9,181	10,836
Repayment of investment in associate	-	-	5,082
Decrease (increase) in deposits and tradable securities, net	(27,387)	2,366	16,932
Cash provided by (used in) forward transactions and options designated for hedging	19,145	(94,405)	82,071
Others	197	55	108
Net cash used in investment activities	(4,284,495)	(801,699)	(677,991)
Cash flows – Financing activities			
Proceeds from the issue of bonds and bond options by the Group, net	2,745,048	1,325,014	1,754,682
Repayment of bonds	(811,336)	(609,053)	(606,439)
Receipt of long-term loans, less recruitment expenses (payment of recruitment expenses)	1,581,523	205,876	152,454
Repayment of long-term loans	(364,337)	(82,950)	(1,315,031)
Proceeds from the issue of shares and options	47,093	14,633	538,035
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	698,040	329,784	266,156
Purchase of shares and options from non-controlling interests in consolidated companies, net	(14,269)	(41,865)	(21,312)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	(84,047)	(62,326)	(69,969)
Dividends paid to Company shareholders	(268,559)	(252,906)	(285,521)
Dividends paid to non-controlling interests in consolidated companies	(191,916)	(171,576)	(147,684)
Others	-	254	-
Net cash provided by financing activities	3,337,240	654,885	265,371
Increase (decrease) in cash and cash equivalents	(240,825)	472,743	119,386
Cash and cash equivalents at beginning of period	1,014,115	546,268	427,683
Effect of changes in exchange rates on foreign currency cash balances	(1,541)	(4,896)	(801)
Cash and cash equivalents at end of period	771,749	1,014,115	546,268

The attached notes constitute an integral part of the Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd.
Appendices to the Consolidated Statements of Cash Flows

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Adjustments Required to Present Cash Flows from Current Activity			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its sale	(995,791)	(260,200)	(172,548)
Net profits from changes in holding rate and from realization of investments in investees	(96,680)	(47,676)	-
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(5,005)	12,489	18,346
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(17,591)	(35,386)	(121,480)
Company share in results of associates, less dividends and reductions of capital received	(200,671)	(123,825)	(198,388)
Tax payments for the realization of assets – attributed to investment activity	-	15,358	-
Net loss (profit) from negotiable securities	(11,437)	324	(2,835)
Deferred taxes, net	481,049	223,165	182,943
Depreciation and amortization	60,549	46,683	45,366
Allocation of benefit in respect of share-based payment	24,672	18,608	13,168
Miscellaneous, net	(139)	324	2,015
	(761,044)	(150,136)	(233,413)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in accounts receivable and debit balances	(43,308)	5,801	(11,649)
Decrease (increase) in current tax assets, net	10,628	27,689	(8,873)
Increase in accounts payable and credit balances	43,395	3,538	16,774
Increase (decrease) in current tax liabilities, net	8,684	(18,435)	1,149
	19,399	18,593	(2,599)
c. Non-cash activity			
Exercise of employee options against receivables	8,082	-	441
Investment in electricity-generating systems against supplier and creditor credit	130,959	1,296	38,506
Investment in electricity-generating systems against other liabilities	-	2,792	-
Increase in right-of-use asset against right-of-use liability in respect of new lease agreements	47,626	-	-
Investment in real estate and fixed assets against other accounts payable	99,675	15,072	9,093

The attached notes constitute an integral part of the Consolidated Financial Statements.

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
d. Additional Information			
Interest paid (*)	369,241	333,728	327,849
Interest received	6,045	4,734	4,515
Taxes paid (**)	29,972	80,962	86,036
Taxes received	6,436	38,805	145
Dividends and receipts for reductions of capital received	231,712	240,262	238,560

e. Acquisition of companies consolidated for the first time

During the reporting period, BE purchased four office buildings in London (see Note 4.d.) Three of the buildings were acquired through the purchase of "house property companies":

Cash flow in purchase:

Total purchase costs (including transaction costs)	1,911,660
Less - cash and cash equivalents	(41)
Consideration, net	1,911,619

The amounts recognized on the acquisition date in respect of assets and liabilities:

Investment property (including transaction costs)	1,934,545
Working capital	(15,983)
Other liabilities	(6,943)
Total	1,911,619

(*) See Note 2h. (3)

(**) Taxes paid from 2018 include betterment taxes in respect of the sale of properties and taxes paid for an assessment agreement (see Note 20d.)

Note 1 - General

a. General Description of the Company and its Activity

The Company was incorporated in Israel, its shares were listed for trading in January 1993 and its registered office is located in Ramat Gan. The Group, as defined in Section (b) below, focuses mainly on long-term investments in cash-generating real estate in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy. As of December 31, 2019, the Group has the following material investments:

- **Amot** – Holdings of 55.22% in Amot Investments Ltd. (hereinafter: "**Amot**"), a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., which has extensive cash-generating real estate in Israel. For further information, see Note 6c.
- **Carr** – Holdings of 50.77% in the rights in **Carr Properties Holdings LP** (hereinafter: "**Carr Holdings"**). **Carr Holdings** is an American partnership that holds (through indirect holdings of 86.7%) a partnership that has cash-generating property in the Washington DC metropolitan area and in Boston, United States. For further information, see Note 6g.
- **PSP** – Holdings of 7.96% in the capital stock of PSP Swiss Property Ltd.(hereinafter: "**PSP**") a Swiss public company whose shares are traded on the Zurich Stock Exchange, which has investment property in Switzerland. For further information, see Note 6h.
- **BE** – Holdings of 95.35% in the rights in Brockton Everlast Inc. Limited (hereinafter "**BE**"), a company dealing in the purchase, development, betterment, construction, management and maintenance of commercial cash-generating real estate in the UK, focusing on the London Metropolitan Area. For further information, see Note 6d.
- **Boston –** Holdings of 55% in the rights of three property companies in the Boston metropolitan area, with two of which are in the Boston Central Business District (CBD) and one is in East Cambridge. For further information, see Note 6i.
- **Energix –** Holdings of 66.7% in Energix Renewable Energy Ltd. (hereinafter: "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange. Energix deals in the development, construction and sale of electricity from solar powered systems and wind farms in Israel, Poland and the United States. For further information regarding Energix, see Note 6e.

b. Definitions

The Company	– Alony-Hetz Properties and Investments Ltd.
The Group	– The Company and its consolidated companies (as defined below). Details on the investments in the Group's material companies are provided in Note 6.
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.
Associates	– Companies in which the Company has significant influence, as defined in IAS 28.
Investees	– consolidated companies, companies consolidated in proportionate consolidation and associates.
Joint arrangements	– Companies held by a number of entities who have a contractual arrangement for joint control.
Related parties	– As defined in IAS 24.
Interested parties	– as defined in the Securities Law, 1968, and its regulations.

Note 1 - General

Controlling shareholder	–	Until November 26, 2019 (the date on which the Company ceased to be a company with a controlling interest) - Nathan Hetz and his wife Clara Hetz, directly and through corporations under their ownership and/or David Wertheim (through M. Wertheim (Holdings) Ltd.).
CPI	–	The Consumer Price Index, as published by the Central Bureau of Statistics.
Forward-looking information	–	as defined in Section 32A of the Securities Law, 1968.
NOI	–	Net Operating Income-profit from the operation of properties, with the neutralization of depreciation and amortization.
KW/KWp	–	peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.
MWp	–	1,**000** peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

Note 2 - Significant Accounting Policies

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

The Group's consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**") and interpretations thereof published by the International Accounting Standards Board (IASB). The main accounting policies detailed below have been consistently applied for all reporting periods presented in consolidated financial statements, with the exception of changes in accounting policies stemming from the initial application of new standards, new interpretations and amendments to existing standards as detailed in Note 2(bb) below.

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

C. Format for the presentation of the Statement of Financial Position; the operating cycle period

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items.

The Company's operating cycle is 12 months.

d. Consolidated Financial Statements

(1) General

The Group's Consolidated Financial Statements include the financial statements of the Company and of entities directly or indirectly controlled by the Company. An investor company controls an investee company when it is exposed, or when it has rights, to variable returns resulting from its holdings in the investee, and when it is capable of influencing those returns through the use of force on the investee.

Note 2 – Significant Accounting Policies (continued)

d. Consolidated Financial Statements (continued)

The operating results of subsidiaries purchased or sold during the reported period are included in the Company's Consolidated Statements of Income starting from the date control was achieved or until the date control ended, as the case may be.

For consolidation purposes, all inter-company transactions, balances, revenues and expenses are fully canceled.

(2) Non-controlling interests

Some of the non-controlling interests in the net assets of consolidated companies are presented separately within the Group's equity. These interests include the amount of non-controlling interests on the original date of acquisition of a business combination as well as the share non-controlling interests in the changes that have occurred in the capital of the acquired corporation since the date of its inclusion.

The results of transactions with non-controlling interests dealing with the purchase or sale of an additional Group investment in a consolidated company while retaining control, are allocated to the equity attributed to the parent company shareholders.

e. Joint arrangements and associates

"A joint arrangement is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions regarding the relevant activities require the unanimous consent of the parties sharing control."

There are two types of joint arrangements. The type of arrangement depends on the rights and obligations of the parties to the arrangement:

(1) A "joint venture" is a joint arrangement in which the parties have rights to the net assets attributed to the arrangement.

In joint arrangements that constitute a joint venture, the Group recognizes the joint venture as an investment and accounts for it using the equity method. Regarding the equity method, see Section (f) below.

(2) A "joint operation" is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.

In joint arrangements that constitute a joint operation, the Group recognizes its relative share of the joint operation's assets and liabilities in the Group's Statement of Financial Position, including assets held and liabilities created jointly. The Statement of Income includes the Group's relative share of the revenues and expenses of the joint operation, including revenues produced and expenses created jointly.

An associate is a corporation in which the Group has significant influence. Significant influence is the ability to take part in decision making regarding the associate's financial and operational policy, which does not constitute control over these decisions. Significant influence exists, as a rule, when the Group holds 20% or more of the voting rights of the investee corporation (unless it can be clearly proven that this is not the case). Significant influence also exists when the Group's holdings in the associate is less than 20%, provided that it can be clearly shown that such influence exists.

Note 2 – Significant Accounting Policies (continued)

f. Investments in associates and joint ventures

The results, assets and liabilities of joint ventures are included in these financial statements using the equity method. According to the equity method, investments in joint ventures are included in the Consolidated Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the net assets, including capital reserves.

The results, assets and liabilities of associates are included using the equity method. According to the equity method, investments in associates are presented in the Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the associates' net assets, including capital reserves.

When an initial acquisition of an associate is carried out that constitutes a business, the Company applies the acquisition method. According to this method, the Company determines the acquisition consideration as the aggregate fair value (as of the acquisition date) of assets given, liabilities created, and the fair value of the Group's holdings in the acquired entity prior to the acquisition. A contingent consideration arrangement contingent upon the continued employment of the selling shareholders does not constitute part of the acquisition consideration, but is treated separately as compensation for future labor services.

The excess acquisition cost of an associate or joint venture over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the time of acquisition is recognized as goodwill. Goodwill is included in the book amount of the investment in the associate or joint venture, and is tested for impairment as part of the investment. Any excess of the Group's portion of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the associate or joint venture, after revaluation, is recognized immediately in the Statement of Income.
Profits or losses from transactions between the Group and an associate, or a joint venture of the Group, are canceled according to the Group's share in the Company's rights in the relevant joint venture.

Upon partial realization of the holding in an associate, the part of the profits or losses accrued up to the date of realization, and which were recognized in other comprehensive income, including acquisitions in various periods, is recognized in profit and loss according to the relative share of the shares actually realized.

g. Impairment of investments accounted for according to the equity method

As of each Statement of Financial Position date, the Group examines its investments in associates with the aim of determining whether there is objective evidence to indicate an impairment of their value. If such evidence exists, the recoverable amount of these investments is estimated in relation to their book value in order to determine the amount of the impairment loss that should be recognized, if any. An impairment loss is recorded to the Statement of Income.

The impairment examination is conducted for the investment as a whole. Accordingly, a recognized impairment loss of an investment is not attributed to the assets that comprise the investment account, including goodwill, but is attributed to the investment as a whole, and therefore the Group recognizes the reversal of losses recognized for investments accounted for according to the equity method, when an increase occurs in their recoverable amount.

Note 2 – Significant Accounting Policies (continued)

In order to determine the amount of the impairment loss, if any, the investment's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the investment net of realization costs and its value in use. In determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows expected from the associate's operations and its realization or the present value of the estimated future cash flows, which are expected to stem from dividends received from the investment and from its ultimate realization.

h. Statement of Income; Statement if Comprehensive Income; Statement of Cash Flows

(1) **Statement of Income presentation –** The Group's activity and the nature of its revenues and expenses permit, in the opinion of the Company's Management, the presentation of Statement of Income items according to the single-step method, since this presentation format is compatible with the Company's nature as an investment and holding company.

(2) **Statement of Comprehensive Income –** The Group has selected a presentation format of two separate statements – a Statement of Income and a Statement of Comprehensive Income.

(3) **Statement of Cash Flows –** A statement of cash flows from operating activities is presented using the indirect method; interest paid and received by the Group is classified in the statement of cash flows as part of operating activities, with the exception of credit costs which are capitalized to a qualifying asset in which the investment in it and its construction is classified as investment activity; the cash flows resulting from income taxes and indirect taxes are classified under operating activities, unless they can be specifically identified with investment or financing activities; dividends paid are included in financing activities; dividends received from investees and other companies, including distribution by way of capital reductions recognized as income in its financial statements, are included in operating activities.

i. Functional currency and presentation currency

Functional and presentation currency – The financial statements of each Group company are prepared in the currency of the main economic environment in which it operates (hereinafter – "**the Functional Currency**"). The Company's functional currency, and that of the majority of companies and corporations held by it, is the NIS. The Company's Consolidated Financial Statements are presented in NIS (hereinafter – "**the Presentation Currency**").

Translation of transactions and balances not in the functional currency – Transactions carried out in a currency other than the functional currency of each Group corporation (hereinafter – "**foreign currency**") are translated into the functional currency for inclusion in the financial statements of that corporation, at exchange rates in effect on the date of each transaction. Statement of financial position items originating in or denominated in foreign currency are translated as follows: monetary items denominated in foreign currency are translated according to exchange rates in effect on each statement of financial position date; non-monetary items included at fair value denominated in foreign currency are translated according to exchange rates in effect on the date the fair value was determined; non-monetary items measured at cost are translated according to the exchange rates in effect on the date the transaction was carried out for the non-monetary item.

Recording of exchange rate differentials – exchange rate differentials are, as a rule, recorded to the Statement of Income in the period in which they arose, with the exception of the following cases, in which exchange rate differentials are recorded directly to comprehensive income:

[AY(-T1]Exchange rate differentials in respect of loans and forward transactions on foreign currency designated for hedging investments in foreign operations, net (see Section q).

Note 2 – Significant Accounting Policies (continued)

Translation of financial statements of investees whose functional currency is different from NIS – For the presentation of Consolidated Financial Statements, the financial statements of foreign activities whose functional currency is different from NIS are translated to NIS in the following manner: assets and liabilities are translated to NIS according to exchange rates in effect as of the date of the statement of financial position; revenue and expense items are translated to NIS according to the average exchange rates in the reporting period, unless significant fluctuations have occurred in the exchange rates during the reporting period.

In that case, these items are translated to NIS according to the exchange rates on the date of the transactions. Translation differences are recorded to the "Capital Reserve from Translation of Financial Statements for Foreign Activities" item and are recognized in other comprehensive income. These exchange rate differences are classified in full to profit or loss on the date of realization of the entire foreign activity in respect of which the translation differences were created and when partial realization of foreign operations involves the loss of control or in a transition from an investment accounted for according to the equity method to a financial asset. In a partial realization of a subsidiary that includes foreign activity that does not involve loss of control, a relative share of the cumulative amount of exchange rate differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign activity. In any other partial realization, only the relative share of the aggregate amount of exchange rate differences recognized in other comprehensive income is reclassified to profit or loss.

Regarding the hedging of a net investment in a foreign activity, see Section q(4).

j. Cash and cash equivalents; deposits and tradable securities

Cash and cash equivalents include cash that can be redeemed immediately, bank deposits that can be withdrawn immediately, as well as fixed-term deposits, which have no limit on use and whose maturity date, at the time of investment, does not exceed three months. This item also includes investments in monetary funds and certificates of deposit in Israel.

Deposits for which limitations exist on their use or for which the repayment period upon investment is greater than three months and no greater than one year are classified under deposits and tradable securities under current assets.

k. Investment property and investment property in development

Investment property is real estate (land or building – or part of a building – or both) held by the Group for the purpose of producing rental fees or for increasing capital value, or both, and not for administrative use or for sale in the ordinary course of business (hereinafter – "**Investment Property**"). The Group's investment property, including owned or leased buildings and land (mostly land leased from the Israel Lands Administration) that would otherwise comply with the above definition of investment property, are also classified and treated as investment property.

Investment Property is initially recognized at its purchase cost, which includes direct transaction costs such as purchase tax, professional consultant fees for legal and economic services. In addition, in accordance with IFRS 13, the Company allocates transaction costs created when purchasing new assets to the Statement of Income. In periods following initial recognition, investment property is measured at fair value. Profits or losses resulting from changes in the fair value of investment property are included in the Statement of Income in the period in which they arise and are presented under "fair value adjustments of investment property".

Note 2 – Significant Accounting Policies (continued)

In order to determine the fair value of investment property, the Group's management relies mainly on valuations performed by independent external real estate assessors with the required knowledge, experience and expertise and on the experience of the Group's management. For the manner of determining the fair value of investment property, see also Section y.4 below.

Investment property in development – investment property in development designated for future use as investment property, is also measured at fair value, as noted above.

l. Fixed assets and connected electricity-generating facilities

(1) General
A fixed asset is a tangible item that is held for use in the manufacture or supply of goods or services, or for rental to others, which is expected to be used for more than one period.

(2) Recognition and measurement
Fixed assets and photovoltaic and wind turbine facilities for electricity generation are measured at cost less accumulated depreciation and impairment losses.
The cost includes payments that can be directly attributed to the asset's purchase. The cost of assets developed independently includes the cost of materials and direct labor costs, as well as any additional costs that may be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. When significant parts of fixed assets have different life spans, they are treated as separate items (significant components) of the fixed asset.

Profit or loss from the disposal of a fixed asset item is determined by comparing the proceeds from the disposal of the asset to its book value, and is recognized on a net basis in other income or other expenses, as applicable, in the Statement of Income.

(3) Depreciation
Depreciation is the systematic allocation of the depreciable sum of an asset over its useful life span.

The depreciation of fixed assets is carried out separately for each component of a depreciable fixed asset item with a cost that is significant relative to the total cost of the item. Depreciation is carried out systematically (as detailed below) over the expected useful life span of the item's components, from the date on which the asset is ready for its designated use, taking into account the expected residual value at the end of the useful life span.

The method of depreciation of fixed assets best reflects the expected pattern of consumption of the future economic benefits inherent in the asset. The Group depreciates its fixed assets at equal annual rates based on estimates of the residual values. The depreciation method and useful life span of the asset are reviewed by the Company's management at the end of each fiscal year. Changes are treated as changes in estimates, on a prospective basis.

The Group depreciates its assets using the straight line method with the exception of photo-voltaic solar systems, which are depreciated according to the diminished output of the collectors and wind turbines, which are depreciated according to the diminished output over the expected useful life span.
Assets leased under lease arrangements are depreciated over their expected useful life on the same basis as owned assets, or over the lease term, the shorter of the two.

Note 2 – Significant Accounting Policies (continued)

The useful life and the rates of depreciation used in calculating the depreciation are as follows:

	Useful Life Span	Depreciation %	Depreciation Method
Self-use structures	10-50	2-10 (mainly 2)	Straight line
Vehicles	6.67	15	Straight line
Office furniture and equipment	3-16	6-33	Straight line
Electricity generating systems - wind energy	30	~3.33	Straight line
Electricity generating systems - photovoltaic energy (*)	10-35	6-33	Straight line

(*) A significant residual value is calculated for these facilities.

m. Leases

General:
The Group usually leases land for the installation and operation of photovoltaic systems and wind farms.

The following accounting policies was implemented until January 1, 2019

These leasing arrangements were classified as operating leases, that is: the leased assets were not recognized in the Statement of Financial Position in view of the fact that all risks and rewards associated with ownership remained substantially with the roofing lessor or landowner. Rent for the leasing of roofs are calculated as a percentage of the receipts received by the Company for the electricity supply to the Electric Company and are recognized in profit and loss at the time of entitlement to the receipts from the supply of electricity. In projects where the Group pays the lease payment in advance, this payment is recognized as an asset and is depreciated in a straight line as an expense over the lease term.

The following accounting policies have been implemented as of January 1, 2019

The Group assesses whether a contract is a lease (or includes a lease) at the time of engagement. On the one hand, the Group recognizes a right-of-use asset and on the other hand, a lease liability for all lease contracts in which it is the lessee, except in short-term leases (for a period of up to 12 months) and leases of low-value assets for which the Group recognizes the lease payments as operating expenses on a straight-line basis over the lease term.

Determining the lease term
The term of the lease is the non-cancelable period for which the lessee has the right to use the leased asset, including periods covered by an option to extend the lease if the lessee is reasonably sure that this option will be exercised. The likelihood of the exercise of the extension options is examined while taking into consideration, among other things, significant capital investments made by the Group in the leased asset (construction of electricity generating facilities), which is expected to have a significant economic benefit to the group during the extension period, extending the lease period so that it is consistent with the expected operating period of the electricity generating facilities, costs relating to the termination of the lease, the arrangement framework for the leased property, the location of the leased property and the availability of suitable alternatives.

Note 2 – Significant Accounting Policies (continued)

Right-of-use asset
A right-of-use asset is measured according to the cost model and depreciated in a straight line over the shorter period between the lease term and the useful life. The cost of the right-of-use asset at the start of the lease is determined by the amount of the initial measurement of the lease liability (see below), any lease payments made on or before the start of the lease, and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The depreciation of the asset is recorded as a depreciation expense and starts from the date of the start of the lease, which is the date on which the lessor makes the underlying asset available for use by the lessee. The useful life of the Group's leased assets is 23-20 years in Israel, 29 years in Poland and 35 years in the United States.

Right-of-use assets are presented in a separate item in the Statement of Financial Position. Land lease expenses recorded in previous periods in an item under this name join the right-of-use assets as of the date of application of the Standard.
The Group implements the provisions of IAS 36, Impairment of Assets, to determine if the right-of-use asset has been impaired and to deal with any impairment loss identified.

Lease liability
The lease liability is presented in the Long-term Lease Liability Item in the Statement of Financial Position. Liabilities that will be repaid in the next 12 months are recorded in the Current Maturities of Short-term Lease Liabilities item in the Statement of Financial Position.

The lease payments included in the measurement of the lease liability consist of the following payments:
- Fixed payments;
- Variable lease payments that depend on the CPI, which are initially measured by using the CPI existing at the start of the lease.

The lease liability is initially measured on the date of the start of the lease at the present value of the lease payments that are not paid at the start of the lease, discounted using the lessee's incremental discounting interest rate, since the discount rate inherent in the lease is not easily determinable. After the initial measurement, the lease liability will be measured by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the book value to reflect the lease payments made.

The Group remeasures the lease liability (against an adjustment to the right-of-use asset) when:
- There has been a change in the term of the lease. In this case, the lease liability is measured by discounting the updated lease payments using an updated discount rate;
- The Group remeasures the lease liability using the original interest rate of the lease (against an to the right-of-use asset) when there is a change in future lease payments resulting from a change in the CPI used to determine these payments.

Variable lease payments that are not dependent on the CPI or the interest rate (for example, lease payments that are set as a % of the electricity output of the facilities installed on the leased assets) are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognized as an expense in the Statement of Income during the period in which the event or condition that activated these payments occurred.

For information regarding the initial implementation of IFRS 16 – “Leases” and its impact on the Group’s financial statements, see Section (bb.a) below.

Note 2 – Significant Accounting Policies (continued)

n. Financial assets

(1) General

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual terms of the instrument. Investments in these financial assets are initially presented at fair value plus transaction costs, except for investments in financial assets classified in the category of fair value through profit or loss, which are presented at fair value.

The Group's financial assets are classified into the categories listed below. The classification into these categories depends on the nature and purpose of the holding of the financial asset, and is determined on the date of initial recognition of the financial asset or in subsequent reporting periods if the financial assets can be reclassified to another category:

- Financial assets at fair value through profit or loss; and
- Financial assets measured at amortized cost

(2) Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" when those assets are held for trading purposes, when they are investments in equity instruments that are not held for trading purposes and are not designated at fair value through other comprehensive income or when they are designated as financial assets at fair value through profit or loss. The Group's financial assets included in this category include tradable securities held for trading and presented in current assets, investments in non-tradable equity instruments presented in non-current assets and forward transactions in foreign currency that are not hedged.

A financial asset is classified as held for trading if:

- It was purchased primarily for sale in the near future; or
- It is part of a portfolio of identified financial instruments managed together by the Group and for which there is evidence of a recent pattern of activity for the purpose of generating short-term profits; or
- It is a derivative that is neither a financial guarantee nor intended and effective as a hedging instrument.

A financial asset at fair value through profit or loss is presented at its fair value as of the date of the Statement of Financial Position. Profits or losses resulting from changes in fair value, including those due to changes in exchange rates, are recorded to the Statement of Income in the period in which the change occurred. Interest income and dividends originating from these assets are classified under the same item in the Statement of Income. Regarding the manner of determining fair value, see Section (y).

(3) Financial assets measured at amortized cost

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

- The Group's business model is to hold the assets in order to collect contractual cash flows; ; and
- The contractual terms of the asset set exact dates on which the contractual cash flows will be received, which constitute principal and interest payments only.

Note 2 – Significant Accounting Policies (continued)

Customers, deposits, long-term and short-term loans and receivables, and other receivables with defined payments, are classified as financial assets measured at amortized cost, since the Group's business model is to hold these assets in order to collect contractual cash flows and the contractual terms of these assets specify the exact dates on which the contractual cash flows, which are only principal and interest payments, will be received.

The amortized cost of a financial asset is the amount at which the financial asset is measured when initially recognized, less principal payments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for a provision for any loss.

The effective interest method is a method used to calculate the amortized cost of a debt instrument and allocate and recognize interest income in profit or loss over the relevant period.

(5) Impairment of financial assets measured at amortized cost

Impairment of financial assets at amortized cost is recognized and measured according to the projected credit losses.

The measurement of predicted credit losses is a function of the probability of a failure occurring, the amount of the loss in the event of a failure occurring and the maximum exposure to a loss in a failure event. Estimates of the probability of failure occurring and the amount of the loss are based on historical data adjusted by forward-looking information.

Regarding customers, lease clients and lease assets, in accordance with IFRS 15, the Group chose to apply the lenient approach to measuring the provision for impairment according to the probability of default over the lifetime of the instrument. Predicted credit losses over the life of the instrument are the predicted credit losses from all possible failure events during the predicted lifetime of the instrument.

The predicted credit losses for these financial assets are estimated using a provision matrix based on the Group's past experience of credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend in conditions and the forecast trend of the conditions as of the reporting date.

o. Financial liabilities and equity instruments issued by the Group

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

- **Financial liabilities at fair value through profit or loss**

  The Group’s financial liabilities at fair value through profit and loss include various derivatives, as detailed in Section (q) below and non-hedging foreign currency forward transactions.

  A financial liability at fair value through profit and loss is presented at fair value. Any profit or loss stemming from changes in the fair value is recorded to the Statement of Income. Profit or loss for these liabilities also includes interest paid in their respect. Transaction costs are recorded on the initial recognition date to the Statement of Income.

Note 2 – Significant Accounting Policies (continued)

- **Other financial liabilities**

The Group's other financial liabilities include short-term credit, other payables, bonds, and loans from banking corporations and others.
Other financial liabilities are initially recognized at fair value after deducting transaction costs. In periods following the initial measurement, other financial liabilities are measured, to the extent that such measurement results are material, on an amortized cost basis, with financing costs generally recognized in the Statement of Income based on the effective interest method. Regarding the treatment of other financial liabilities linked to the CPI, see Section (p).

- **Equity instruments**

An equity instrument is any contract that indicates a residual right to the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the amount of the proceeds received for them less expenses relating directly to their issuance.

- **Options for the purchase of shares of the Company and/or a consolidated company**

Receipts for the issue of options for the purchase of the Company's shares, which give the holder the right to purchase a fixed number of shares of common stock in exchange for a fixed amount of cash, are presented in capital under "receipts on account of stock options". Receipts for options issued by consolidated companies are presented in non-controlling interests. In this regard, an exercise price that varies according to the exercise date, when the exercise price can already be determined at each possible exercise date, is considered a fixed amount.

- **Split proceeds from the issuance of a securities block**

The proceeds from the issuance of a block of securities are attributed to the various package components. The consideration is initially attributed to financial liabilities measured at fair value through profit or loss and to other financial liabilities, which are measured at fair value only on the date of initial recognition, while the balance is attributed to equity instruments. When a number of equity instruments are issued as part of a securities block, the consideration for the block is attributed according to their relative fair value. The fair value of each of the block components measured at fair value is determined based on the market prices of the securities immediately after their issue. Issue costs are allocated among each of its components relative to the value determined for each component issued.
The issue costs allocated to financial liabilities measured at fair value through profit or loss are recorded to profit or loss on the issue date. Issuance costs allocated to other financial liabilities are presented net of the liability, and are recognized in profit or loss using the effective interest method. Issuance costs allocated to equity instruments are presented as a deduction from capital.

p. CPI-linked financial assets and liabilities

The Group has financial assets and liabilities linked to the CPI that are not measured at fair value through profit or loss. For these assets and liabilities, financing income or costs are recorded according to the effective interest rate, to which linkage differentials are added based on actual changes in the CPI up to the date of each Statement of Financial Position, so that CPI-linked balances are presented according to the last known index on the date of the Statement of Financial Position (the CPI for the month preceding the date of the Statement of Financial Position in each period), or according to the CPI in lieu of the last month of the reporting period, according to the terms of the transaction.

Note 2 – Significant Accounting Policies (continued)

q. Derivative financial instruments and hedge accounting

(1) General

The Group has derivative financial instruments that include, among others, foreign currency forward transactions.

The Group engages in transactions on derivative financial instruments, such as forward transactions on currency exchange rates, with the aim of hedging exposures to changes in foreign currency exchange rates. The Group also finances securities investments that are classified as financial assets at fair value through profit or loss or investments in foreign activities, net of credit taken in the foreign currency in which these investments are denominated.

Derivative financial instruments are initially recognized on the date of the engagement, and in each subsequent reporting period, at fair value. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss. The timing of the recognition of the profit and loss of changes in the fair value of derivative financial instruments designated for hedging purposes, where such hedging is effective and meets all conditions for determining hedging ratios, is contingent on the nature and type of hedging, as set out in Sections (2) to (5) below.

The balance sheet classification of derivative financial instruments, as current or non-current, is determined according to the contractual duration of the financial instrument from which they are derived. When the derivative's contractual time remaining exceeds 12 months, the derivative is presented in the Statement of Financial Position as a non-current item. When the contractual time remaining is less than 12 months, the derivative is presented as a current item, as long as the derivative liability is settled in cash, or by an exchange with another financial asset.

(2) Hedge accounting

The Group implements the IAS 39 hedge accounting model as its accounting policy.

The Group designates hedges of derivative financial instruments or non-derivative financial instruments (in the case of foreign currency risk) for the purpose of hedging fair value risk or for the hedging of investments in foreign activities, net.
Hedging relationships are documented on the date of engagement in the hedging transaction. The documentation includes identification of the hedging instrument, the hedged item, the hedged risk, the hedging strategy applied, and the degree to which the strategy matches the Group's overall policy for each type of hedge. In addition, starting at the beginning of the hedging relationship and for its duration, the Group documents the degree to which the instrument is effective in offsetting the exposure to changes in the fair value or in the cash flows of the hedged item. Hedging is considered highly effective when the ratio between the fair value of the hedging instrument and the fair value of the hedged risk is within 80% and 125%.

The balance sheet classification of hedging instruments is determined according to the remaining period of the hedging relationship at the end of the reported period – if the remaining period is over 12 months, the hedging instrument is classified in the Statement of Financial Position as a non-current asset of liability;

and if the remaining period is less than 12 months at the end of the reporting period, the hedging instrument is classified in the Statement of Financial Position as a current asset or liability.

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

Note 2 – Significant Accounting Policies (continued)

(3) Fair value hedging

Changes in the fair value of financial instruments designated for fair value risk hedging, including for changes in exchange rates in the case of foreign currency risk hedging using derivative financial instruments and non-derivative financial instruments, are recognized in the Statement of Income concurrently with changes in the fair value of the hedged item related to the hedged risk. The hedge accounting is terminated when the hedging instrument expires or is sold, canceled or realized, or when the hedging ratios no longer meet hedging threshold conditions.

(4) Hedging of investments in foreign activity, net

Hedging of investments in foreign activity, net through loans taken in the same currency in which the investment was made and through forward transactions in foreign currency, is treated such that the effective part is recognized in the "Capital Reserve from the Translation of Financial Statements for Foreign Activity" item in the Company's comprehensive income, and the ineffective part is immediately recognized in the Statement of Income. Amounts recognized in comprehensive income are classified to profit or loss upon realization of the investments in the foreign activities, net.

(5) Cash flow hedging

The Group implements cash flow hedge accounting for future transactions for the purchase of foreign currency designated to guarantee payment in foreign currency and cash flow hedge accounting for variable-interest loans, for which the Group entered into interest rate swap agreements.

The effective part of changes in the value of financial instruments designated as cash flow hedges is recognized in other comprehensive income in the "profit (loss) in respect of cash flow hedging" item and the ineffective part is immediately recognized in profit or loss.

After termination of the hedge accounting, the amounts recorded to other comprehensive income are recorded to profit or loss, with the hedged item or the hedged expected transaction recorded to profit or loss.

When hedging an expected transaction on non-financial assets, profits or losses that were recorded to other comprehensive income are recorded to profit or loss over the course of the period in which the expected hedged cash flows impact the profit or loss.

r. Holdings in the Company's shares

Company shares held by the Group are deducted from the Company's equity according to the treasury stock method.

s. Taxes on income

(1) General

Income tax expenses (revenues) in the Statement of Income include all current taxes, as well as total change in deferred tax balances, except for deferred taxes relating to a transaction or event that are recorded directly to equity or to comprehensive income. The tax results resulting from a transaction or event recognized directly to equity or to comprehensive income are also recorded directly to equity or to comprehensive income.

Note 2 – Significant Accounting Policies (continued)

(2) Current taxes

Current tax expenses (income) are calculated based on the taxable income of the Company and the Group companies during the reporting period. Taxable income differs from income before income taxes, due to the inclusion or exclusion of income and expense items that are taxable or deductible in different reporting periods, or that are not taxable or deductible. Current tax assets and liabilities are determined using the tax rates and tax laws that have been enacted, or substantively enacted, up to the date of the Statement of Financial Position.

(3) Deferred taxes

The Company and the Group companies make an allocation of taxes for temporary differences between the value of assets and liabilities in the financial statements and their tax basis and for losses and benefits for tax purposes, which are expected to be realized. The deferred taxes are calculated at the tax rates expected to apply at the time of their application, based on the tax rates and tax laws enacted, or substantively enacted, until the end of the reporting period. Deferred tax liabilities are generally recognized in respect of all temporary differences between the value for tax purposes of assets and liabilities and their amounts in the financial statements. Deferred tax assets are recognized in respect of all deductible temporary differences up to the expected amount of taxable income against which the deductible temporary difference can be utilized. In addition, the Company records a tax reserve in its financial statements for its share of revaluation profits and depreciation differences for the assets of Carr and the Boston companies, which is included in the financial statements under "Group share in the profit of associates" since Carr and the Boston Companies are defined as REIT for tax purposes in the United States, and therefore, they do not record a tax reserve in their books – see Notes 6g and 6i.

The deferred tax calculation does not take into account: taxes that would apply in the event of the realization of investments in investees which, according to the Group's intentions, are expected not to be realized in the foreseeable future; taxes in respect of a distribution of profits in the Group for cases where dividend payments from investees are not expected to be taxable; taxes on profits of Group companies whose distribution is taxable, but the Group does not intend to distribute them as a dividend; taxes in respect of
receipts distributed by way of capital reduction by associates and the Company estimates that these receipts will be classified in Israel as capital gain; deferred taxes that would apply to investment property acquired in a non-business combination transaction, which at the time of the transaction does not affect the accounting profit nor the taxable income at the time of the transaction.

Deferred tax assets and liabilities of each investee are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes imposed by the same tax authority, and the intention of that investee to clear its current tax assets and liabilities on a net basis.

t. Provisions

A provision is recognized when the Group has a commitment (legal or implied) as a result of a past event that is more likely than not to require a negative flow of resources, as long as a reliable estimate of the commitment amount to be discharged can be made. The provisions reflect the management's best estimate of the amounts that will be required to settle the commitments as of the date of the Statement of Financial Position, taking into consideration the risks and uncertainties involved.

Note 2 – Significant Accounting Policies (continued)

When all or part of the amount required to settle the commitment as of the date of the Statement of Financial Position is expected to be settled by a third party, the Group recognizes an asset, for the restitution, up to the amount of the provision recognized, only when it is virtually certain that the indemnity will be received and can be reliably estimated.

The financial statements include provisions for legal proceedings and taxes that are contingent on the date of the Statement of Financial Position, against some of the Group companies that, according to the management's estimation based on its legal advisors for these proceedings, it is more likely than not that they will be realized.

u. Share-based payment

In share-based payment transactions with employees (including officers and others who provide similar services) that are settled in the Group's equity instruments (usually options), the benefit inherent in equity instruments granted is determined based on their fair value on the grant date. The fair value inherent in granted options is estimated on the basis of option pricing models (such as the Black and Scholes model), where, at each date of the Statement of Financial Position, the Group estimates the number of equity instruments expected to mature and any change in the estimate over previous periods is recognized in the Statement of Income over the remaining vesting period.

The benefit is recognized as an expense in the Statement of Income against an increase in equity, in a straight line over the vesting periods of the equity instrument granted, such that each sub-grant is considered a separate series (graded vesting).

In share-based payment transactions with employees (including with officers and other providing similar services) cleared in cash, the Group measures the labor services and the liability created in respect of share-based payments cleared in cash according to the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the settlement date, with any changes in the fair value recognized in profit or loss for the period. If the arrangement includes vesting conditions, the Group recognizes the services received, and the liability to pay for them, over the vesting period.

v. Recognition of revenue

Revenue is recognized in the financial statements as long as their collection is estimated to be expected on the date they are recognized and when the amounts of revenue and costs can be reliably measured. Revenue is measured and recognized according to the fair value of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for the benefit of third parties (such as taxes).

(1) Revenue from rental fees and investment property management are recognized in the Statement of Income as they accrue over the rental period. In leases where the rent increases at a fixed rate throughout the rental period, the effect of the fixed increase in rents is recognized in the Statement of Income evenly throughout the rental period.

(2) Dividend income is recognized in the Statement of Income on the determining date for dividend eligibility.

(3) Profits (losses) from the realization of investment property are recognized in the Statement of Income on the date of completion of the sale transaction upon transfer of control of the property to the buyer.

(4) Revenue from electricity sales is recognized in the Statement of Income as accumulated over the production period.

Note 2 – Significant Accounting Policies (continued)

(5) Revenues from green certificates are measured according to the market price of the certificates at the end of the month in which they accumulated and recorded against the green certificates inventory. At the time of realization of the certificate, revenues from the sale of green certificates are adjusted based on the actual sale price, except in cases of impairment of the value of the certificates. Impairments and cancellations are recognized in the expense items in the Statement of Income. Regarding green certificates, see Note 7.

(6) Financing income includes interest income in respect of invested amounts, changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues through the effective interest method.

w. Credit costs

Credit costs attributable to the construction of qualifying assets, the preparation of which for their intended use or sale require a significant time period, are capitalized to the cost of those assets until such time that the assets are mostly ready for their intended use or sale.

Credit costs were calculated as the multiple of the Group's average interest rate by the actual asset invested.

Revenues stemming from a temporary investment of specific credit received for the purpose of investing in qualifying assets is deducted from the credit costs qualifying for capitalization.

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

x. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company’s common stock shareholders, by the weighted average number of shares of common stock in circulation during the reporting period.

In order to calculate diluted earnings per share, the profit attributed to the Company's common stock shareholders, and the weighted average number of shares in circulation, is adjusted for the effects of all potential shares of common stock originating in the Company's convertible securities, as long as they result in dilution relative to the basic earnings per share.

y. Determining fair value

In order to implement some of the accounting policies, the Group is required to estimate the fair value of financial and non-financial assets and liabilities. Fair value amounts are determined mainly based on the following methods:

(1) Non-derivative tradable financial instruments – The fair value of non-derivative financial instruments traded in active markets (primarily stocks and other securities) was calculated according to the closing rates at the end of the reporting period quoted on the various stock exchanges, multiplied by the amount of the traded financial instrument issued on that date.

(2) Derivative tradable financial instruments – The fair value of derivative financial instruments traded in an active market was calculated according to quoted market prices at the end of the reporting period.

Note 2 – Significant Accounting Policies (continued)

(3) Non-traded financial instruments – The fair value of financial instruments, including derivatives, that are not traded in an active market (mainly forward transactions in foreign currency and financial assets at fair value through profit or loss that are not traded) is estimated using generally accepted economic valuation techniques and models based on reasonable assumptions derived from the existing economic conditions at the end of each reporting period. The valuation methods include models for pricing options and the present value of future cash flows discounted at a discount rate that reflects, in the Company management's estimation, the level of risk inherent in the financial instrument.

(4) Investment property

The Group's investment property is presented at its fair value, with changes in its fair value recognized as income or expense in profit or loss.

For the purpose of determining the fair value of investment property, the Group's management relies mainly on assessments made by independent external real estate appraisers with the required knowledge, experience and expertise. The Company's management determines the fair value according to generally accepted valuation methods for real estate assets, mainly discounted cash flows (DCF) and comparison of sale prices of similar assets and Group assets in the immediate vicinity (and for real estate in development, mainly according to the ”extraction" approach”). When the discounted cash flow method is used, the interest rate used to discount the net cash flows expected from the asset has a significant impact on its fair value.

Determination of the value takes into account, among other things and where relevant, the location and physical condition of the property, the quality and stability of the tenants, the rental periods, rental prices for similar assets, adjustments required to existing rental prices, the actual predicted occupancy of the property and its operating costs. A change in the value of some or all of these components can have a significant impact on the property's fair value as estimated by the Company's management.

The Group strives to determine an objective fair value as much as possible, but at the same time the process of estimating the fair value of investment property also includes subjective components originating, inter alia, in the Group's past experience and understanding of what developments and occurrences are expected in the investment property market at the time the fair value is determined. In view of this, and in view of that stated in the previous paragraph, determination of the fair value of the Group's investment property requires discretion.
Changes in assumptions used to determine fair value can significantly affect the Group's financial condition and operating results.

(4) Stock options to employees and officers –

The fair value of the benefit inherent in the granting of stock options to employees and officers, providing similar services, is determined based on the fair value of each stock option on the grant date estimated using an option pricing model (such as the Black and Scholes model).

Determining fair value takes into account, among other things, the share price, the exercise price, the predicted volatility, the life of the option, expected dividends and the risk-free interest rate. Predicted volatility is estimated based on the past volatility of the stock price; the life of the option is determined in accordance with management's forecast of the stock option recipients' holding period of the stock options granted to them, given their role in the Company and the Company's past experience regarding the departure of employees; in estimating the predicted dividends, the Company takes into consideration the dividend distribution policy known on the grant date; the risk-free interest rate estimate is based on the yield inherent in government offerings, the remaining period of which is equal to or similar to the forecast period of the assessed option.

Note 2 – Significant Accounting Policies (continued)

z. Critical accounting judgment; main estimates and uncertainties

(1) Critical accounting judgment

In applying the Group's accounting policies, the Company's management is required, in some cases, to exercise extensive accounting discretion (as opposed to the discretion regarding the determination of estimates and estimates as described in Section (2) below). This discretion relates mainly to the adoption of the most appropriate accounting principle under the circumstances, or to the provision of an acceptable interpretation to an accounting principle that does not fully or explicitly address specific circumstances.

Critical accounting judgment is that whose results have a significant impact on the financial condition and operating results of the Company as reflected in its consolidated financial statements, and which, through other assumptions, could have a significantly different accounting result than those presented therein. By its very nature, such accounting judgment is, in part, subjective.

However, in exercising critical accounting judgment, the Company's management relies on its understanding of the accounting principles applicable for its activities; and in addition, as relevant, the Company usually consults with external experts in the field.

The following refers to critical judgment, other than those involving estimates made by the management in the process of applying the Group's accounting policies, which have a material impact on the amounts recognized in the financial statements:

- **Investment in an associate (PSP) –** Regarding the exercising critical accounting judgment by the Company's management regarding the application of the equity method for its investment in PSP, where the Company has a holding rate of less than 20%, since the Company's management estimates that it can be clearly shown that the Company has de facto effective material influence - see Note 6h.

(2) Main estimates and uncertainties

The addition of information that was not available to the Company at the time an estimate was made may cause changes in the quantitative value of the estimate and therefore also affect the Company’s financial position and operating results.

Therefore, although estimates or valuations are made in the best of the Company management’s judgment, based on its past experience considering the unique factors of each case, and where relevant, even with the help of external experts, the final quantitative impact of transactions or matters requiring estimates may only become clear when these transactions or matters are concluded. Consequently, when the actual results in an event that requires determination of estimates and valuations becomes clear, they may differ, sometimes substantially, from these estimates and valuations when they are initially determined and updated over time.

The estimates and their underlying assumptions are reviewed periodically, and updated following information coming to the attention of the Company’s management or an event that has occurred after the last date on which the estimate was made, and which was not available in the previous period when the estimate was made or last reviewed. Changes to accounting estimates are recognized in the period in which the estimate is changed, or also in future periods after the change is made if the change has implications that affect both the current and future periods.

The following are the main areas that require estimates and assessments to determine their value in the financial statements, which the Group management believes are expected to have a particularly significant impact:

Note 2 – Significant Accounting Policies (continued)

- **Fair value of investment property and investment property in development –** see Note 4e.

- **Fair value of financial instruments** – as described in Note 23. Company management exercises discretion in selecting appropriate valuation techniques for financial instruments that do not have a quoted price in an active market.
  The valuation techniques used by the Company's management are those applied by market participants. The fair value of financial instruments is determined based on the discounted cash flows expected from them, based on assumptions supported by observable market prices and their rates. The fair value estimate of financial instruments that are not listed for trading in an active market includes a number of assumptions that are not supported by observable prices and market rates.

- **Impairment of investments in associates –** The Company tests for impairment of investments in associates in accordance with the provisions of IAS 36. As part of the impairment testing, the Company refers to a variety of indications, including, among other things, the investee's business situation, changes in its operating activities, rising trends in terms of operating and financial indices such as occupancy rates, cap rates, operating cash flows, ability to repay and raise debt, financial ratios, asset value per share, dividend per share, the duration of the period in which the investment cost exceeds its value according to stock market prices if there is a continuous decline in stock market prices over long periods, or if the decline in stock market prices is expected to be significant in view of a real deterioration in the investee's business, and so on. If, after examining all of the above parameters, the conclusion is that this is not an impairment, there is no need to estimate the amount of the loss.

- **Provisions for legal proceedings** – In order to examine the legal issues of the legal claims, and to determine the likelihood that they will materialize to the Group's detriment, the Group's management relies on the opinion of legal and professional advisors. After the Group's advisors form their legal opinion and the Group's chances regarding the claim or proceeding at hand, whether
  the Group will have to bear the results or whether it has the ability to reject them, the Group's management estimates the amount to be recorded in the financial statements, if any. A different interpretation from that of the Group's legal counsel regarding an existing legal situation, a different understanding by the Group's management regarding engagement contracts, as well as changes stemming from relevant rulings or new facts, may have an effect on the value of the overall provision for the legal and tax proceedings that are pending against the Group, thereby significantly affecting the Company's financial position and operating results.

- **Taxes on income** – The Group operates in several countries that have different tax regimes. The Group recognizes a tax liability according to the tax rates applicable to the Group companies in accordance with the applicable tax laws. In determining the provision for current and deferred taxes, the management makes estimates and assessments, especially regarding transactions for which the tax rates or tax liability are not certain or final. When there is uncertainty, the Company's management usually assesses, based on the opinions of various tax advisors, whether it is more likely than not for that the Group has additional tax exposure, and the best estimate of the additional tax expense to be incurred by the Company. In addition, in cases where the Company's management estimates that additional tax is expected due to its international operations and the fact that it operates in several countries where different tax regimes exist, the Company recognizes a deferred tax liability according to the expected tax rates.

Note 2: – Principal Accounting Policies (Continued)

- **Deferred tax assets –** Deferred tax assets are recognized for losses carried forward for tax purposes and temporary unused differences, if it is expected that there will be future taxable income against which they can be utilized. Management's judgment is required to determine the deferred tax asset amount that may be recognized based on timing, the amount and source of expected taxable income and tax laws in the various tax territories. See additional information in Section (s).

aa. Exchange rates and linkage bases

Balances in or linked to foreign currency are included in the financial statements according to the representative rates of exchange published by the Bank of Israel and in effect as of the end of the reporting period.

Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the CPI of the month preceding the month of the financial statement date) or according to the Consumer Price Index for the last month of the reporting period (the CPI for the month of the financial statement date), according to the transaction terms.

Below are details of the Consumer Price Index and the exchange rates of the following currencies against the NIS, as well as the increase (decrease) in the Consumer Price Index and changes in the exchange rates of the following currencies against the NIS:

	As of December 31 / Month of December			For the Year ended December 31		
	2019	2018	2017	2019	2018	2017
				%	%	%
Consumer Price Index (2000 base)						
In Israel (in lieu index)	133.561	132.764	131.714	0.60	0.80	0.40
In Israel (known index)	133.561	133.157	131.583	0.30	1.20	0.30
Exchange Rate against the NIS						
CHF	3.575	3.807	3.555	(6.09)	7.09	(5.63)
USD	3.456	3.748	3.467	(7.79)	8.10	(9.83)
Pound Sterling (GBP)	4.560	4.793	4.682	(4.86)	2.37	(0.91)
Polish Zloty (PLN)	0.911	0.999	0.995	(8.81)	0.39	8.15

bb Newly published Financial Reporting Standards and Interpretations and Amendments to Standards

A. New standards, new interpretations and amendments to standards affecting the current period and/or previous reporting periods:

- **IFRS 16 - "Leases":**

The new standard that entered into effect on January 1, 2019 ("the Date of Initial Application") cancels IAS 17 "Leases" and its accompanying interpretations, and determines the rules for recognition, measurement, presentation and disclosure regarding leases with respect to both parties to the transaction, namely the customer ("lessee') and the supplier ("lessor"). The standard does not change the accounting treatment currently existing in the lessor's books.

The new standard eliminates the distinction that previously existed for a lessee between finance leases and operating leases and establishes a uniform accounting model for all types of leases. According to the new model, for each leased property, the lessee is required to recognize the right-of-use asset and, on the other hand, a financial liability for the present value of the lease fees. The provisions for the recognition of the asset and liability will not apply to assets leased for a period of up to 12 months and to the leasing of low-value assets (such as personal computers). See Section (m) above regarding the accounting policies implemented as of January 1, 2019.
The Group chose the partial retrospective application of IFRS 16, whereby with respect to leases that existed on the date of initial application of the Standard, the right-of-use asset and lease liability were measured as if the standard had been applied from the date of the lease, capitalized by using the lessee's incremental interest rate on the date of initial implementation. This approach resulted in a decrease in retained earnings of approx. NIS 4,536 thousand.

The effect of the application of the standard on the Group's statement of financial position as of December 31, 2019 included the creation of a right-of-use asset in the amount of NIS 146 million, the creation of a lease liability of NIS 150 million and a reduction of NIS 4 million in equity.

The discount rates used for the above calculations are based on the lessee's incremental debt price for each lease, depending on the amount of the lease, its average duration and the nature of the leased asset. The discount rates range between 3.78% and 6.3%.

Application of the standard had an insignificant effect on the Statement of Income and on the Statement of Cash Flows.

The Group does not have financial covenants that their compliance is affected by the implementation of the new standard, and the implementation of the standard has no effect on the Group's engagements.

- **Amendment to IAS 23 - "Credit Costs" (regarding specific credit that became general credit)**

The amendment clarifies that credit received specifically to obtain a qualifying asset, and still exists even after the qualifying asset is ready for its intended use or sale, will become part of the funds that the entity has borrowed generally for the purpose of calculating the discount rate for the general credit. The amendment also clarifies that credit taken specifically for the acquisition or obtaining of a non-qualifying asset, including lease liabilities, will also be taken into account for the calculation of the discount rate for the general credit.
The amendment is applied to annual reporting periods beginning on or after January 1, 2019, prospectively.
As a result of the amendment, there has been a change in the Group's discount rate for the general credit. This change resulted in an insignificant decrease of USD 4,507 thousand in financing expenses recognized by the Group for the year ended December 31, 2019.

- **Amendment of IFRS 3 – "Business Combinations" (regarding business combinations in joint activity stages)**

The amendment clarifies that when an entity gains control of a business that is a joint activity, the entity will apply the provisions of the standard regarding business combinations obtained in stages, including a remeasurement of the prior holding in the joint activity at fair value. The previous holding in the joint activity includes unrecognized assets, liabilities and goodwill associated with the joint activity.

The amendment is applied to annual reporting periods beginning on or after January 1, 2019, prospectively.

The Company's management estimates that the amendment is not expected to have a significant impact on the financial statements.

- **Amendment to IAS 28 - "Investments in associates and joint ventures": (regarding long-term rights in associates or in joint ventures)**

The amendment clarifies that long-term rights in an associate or joint venture, which are part of the net investment but are not measured using the equity method (for example, long-term loans that have no maturity date and their repayment is not expected in the foreseeable future), will be subject to IFRS 9, including the impairment model.
The amendment is applied retroactively to annual reporting periods starting January 1, 2019 or thereafter, in accordance with specific transitional provisions.
Implementation of the amendment to the standard had no impact on the Group's financial statements.

- **IFRIC 23 - "Uncertain Tax Positions"**

The interpretation clarifies directives for recognizing and measuring taxes on income when uncertainty exists regarding the position of the tax authorities. The interpretation states that the entity must determine whether the uncertain tax positions need to be estimated separately or as part of a group of uncertain tax positions. Furthermore, the entity must estimate whether it is reasonable that the tax authorities accept the treatment used by the Company, or which it is expected to use, in connection with the uncertain tax positions, assuming that the tax authorities examine the entity's reports and that they possess all of the relevant information (100% risk of exposure). If so, the entity is required to determine the accounting treatment of the uncertain tax positions in a manner consistent with the tax position it took or is expected to take. If not, the entity is required to reflect the impact of the uncertainty by using the expected value method or the most likely amount method, according to the method that best predicts the result of the uncertainty.

The amendment is applied retroactively to annual reporting periods starting January 1, 2019 or thereafter. Implementation of the standard had no impact on the Group's financial statements.

B. New standards and interpretations published and not in effect, and not adopted early by the Group:

- **Amendment of IFRS 3 - "Business Combinations" (regarding the definition of a "business")**

The amendment states that in order to be considered a "business," the assets and activities acquired must include, at a minimum, an input and a significant process that together contribute significantly to the ability to generate output. The amendment omits the need to examine whether market participants are able to replace missing inputs or processes and continue to generate outputs, and also omits reduced costs or other economic benefits from the definition of "business" and "outputs" and focuses on products and services provided to customers.
The amendment also adds a 'fair value concentration' test according to which, if substantially all of the fair value of the purchased assets is concentrated in a single identified asset or in a group of similar identified assets, it is not a business.

The amendment will apply to business combinations and asset acquisitions whose acquisition date is from January 1, 2020. Early application is possible.
The Company's management estimates that the amendment is not expected to have a significant impact on the financial statements.

Note 3 - Other Information regarding Current Asset Items

A. Cash and cash equivalents

	Interest Rate As of December 31 2019 %	As of December 31 2019 NIS thousands	As of December 31 2018 NIS thousands
Cash in banking corporations		356,539	101,659
Short-term deposits in banking corporations	0.01-0.32	335,015	906,596
Monetary funds (*)		80,195	5,860
		771,749	1,014,115

(*) Investment in short-term NIS mutual funds, and the average duration of their repayment date at the time of investment does not exceed 3 months.

B. Trade receivables

(1) Composition:

	As of December 31 2019 NIS thousands	As of December 31 2018 NIS thousands
Outstanding debt	26,169	14,089
Checks collectible	3,824	10,550
Income receivable	20,311	18,084
	50,304	42,723
Less provision for doubtful debts	(6,521)	(5,081)
	43,783	37,642

(2) Movement in provision for doubtful debts:

	As of December 31 2019 NIS thousands	As of December 31 2018 NIS thousands
Balance at beginning of year	5,081	5,073
Doubtful debt amounts written off	(1,261)	(1,216)
Amount of provisions made during the year	2,701	1,224
Balance at end of year	6,521	5,081

In determining the likelihood of payment of customer debts, the Group examines changes in the quality of customer credit from when the credit was extended and up to the reporting date. Credit risk concentration is limited, as the customer base is large and a transaction with any of them is immaterial. The Group did not conduct an additional Group-level examination as, in its opinion, it does not have an impact on the financial statements and it is not material.

The Group's management of credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group.
The Group does not have significant exposure to credit risk in respect of a specific customer or a group of customers with similar characteristics. The Company defines customers as having similar characteristics if they are related entities. The credit concentration level is limited due to the fact that the customer base is large and not related to each other. There have been no changes in compliance techniques or in significant assumptions carried out in the current reporting period. The Group writes off customer debts when information exists that indicates that the customer is in severe financial difficulty and there is no real chance to recover the debt. For example, when the customer enters liquidation or bankruptcy proceedings.

Note 3 - Other Information regarding Current Asset Items (continued)

C. Other receivables

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Income receivable – interest, dividends, rental fees and other	4,544	6,477
Institutions	17,837	18,638
Prepaid expenses	3,872	4,181
Partners in joint ventures	2,288	1,742
Joint arrangements	6,676	5,389
Related companies	11,405	430
Green Certificates (*)	20,335	11,413
Derivative financial instruments designated as hedges (see Note 23)	32,864	958
Receivables in respect of contingent consideration arrangement – see Note 6k.	38,098	60,103
Current maturities of long-term loans to investees presented according to the equity method	5,294	5,278
Others	39,132	16,629
	182,345	131,238

(*) Green certificates amounting to approx. 150 GW at an average certificate price of approx. 149 Zloty per certificate (in 2019, Energix produced approx. 441 GW green certificates).

d. Deposits, tradable securities and restricted cash	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Tradable securities		
Stocks	40,876	2,051
Restricted short-term deposits (*)	144,607	13,397
	185,483	15,448

(*) Approx. NIS 105 million of the restricted deposit was released subsequent to the balance sheet date.

Note 4 - Investment Property; Investment Property in Development

a. Composition and movement:

	Investment Property		Investment Property in Development	Total
	Israel (Amot)	The UK (BE)	Israel (Amot)	
	NIS thousands			
Balance as of January 1, 2018	**9,077,467**	**-**	**493,173**	**9,570,640**
Additions from acquisitions	450,877	-	51,270	502,147
Asset realizations	(31,500)	-	(91,278)	(122,778)
Transfer from investment property in development to investment property	10,127	-	(10,127)	-
Investments and other	102,250	-	229,299	331,549
Capitalized credit costs	-	-	10,731	10,731
Profit from fair value adjustment, net (*)	139,830	-	120,370	260,200
Balance as of December 31, 2018	**9,749,051**	**-**	**803,438**	**10,552,489**
Additions from acquisitions	996,506	2,438,000	79,813	3,514,319
Effect of changes in exchange rates	-	(23,160)	-	(23,160)
Transfer from investment property in development to investment property	502,390	-	(502,390)	-
Investments and other	226,476	6,260	161,665	394,401
Capitalized credit costs	-	-	8,468	8,468
Profit from fair value adjustment, net (*)	843,823	152,608	(640)	995,791
Balance as of December 31, 2019	**12,318,246**	**2,573,708**	**550,354**	**15,442,308**
Discount rate in 2019	**6.1%-7.25%**	**4.6%-5.7%**		
Discount rate in 2018	**6.75%-7.75%**	**-**		

(*) Difference in profit from fair value adjustment with the Statement of Income is due mainly to the update of lease liabilities.

b. For information regarding revenues from rental fees originating in investment property, see Note 17a.

c. For information regarding direct expenses for the operation of investment property, both for those producing revenues from rental fees and those not producing such revenues, see Note 17c.

d. Transactions in and subsequent to the reporting year related to investment property, property in development and property in planning and development:

Amot

In the reporting period, the Amot Group engaged in transactions related to the acquisition of investment property for a total amount of approx. NIS 1 billion (not including transaction costs of approx. NIS 60 million), the most significant of which are described below:

Acquisition of another half of the rights to the Kiryat Ono Mall

On September 18, 2019, Amot's Board of Directors approved Amot's engagement in a transaction with Property and Building (Commercial Centers) Ltd. for the acquisition of all of its rights in the Kiryat Ono Mall (which was held at that time, by Amot and Property and Building in equal parts). On November 28, 2019, the transaction was completed for a consideration of NIS 538 million (not including transaction costs). The property is a complex that includes a mall, two office towers and an underground car park in Kiryat Ono. Upon completion of the transaction, Amot holds all of the rights in the property. The general occupancy rate of the property is approx. 98% and is constant and stable over the years. Amot estimates that the projected NOI at full capacity is approx. NIS 68 million per year.

Note 4 - Investment Property; Investment Property in Development (continued)

Acquisition of the Teva Logistic Center

On October 7, 2019, Amot signed an agreement with Teva Pharmaceutical Industries Ltd. ("Teva"), according to which Amot acquired the full rights in the logistic center in the Hevel Modi'in Industrial Zone in Shoham ("the Logistic Center") for a total of approx. NIS 451 million (not including transaction costs). On November 3, 2019, the transaction was completed following the approval of the Competition Commissioner for the transaction.
The logistic center, which is built on land of approx. 77 dunams, includes a logistics center with a total built-up area of approx. 50,000 square meters, with part of the built-up area serving as an elaborate logistic center for automatic storage with a height of 42 meters. In addition to the above, the sale also includes construction rights of approx. 41,000 square meters that have not been utilized.

At the same time, Amot signed a lease agreement with SLA – Salomon Levin Elstein Ltd. (a subsidiary of Teva) ("SLA"), whereby SLA rents the logistic center from Amot for a period of 10 years, with index-linked annual rent of approx. NIS 22 million. SLA has been given a number of options for extending the lease period up to a total period of 24 years and 11 months, at rent that will be determined at the time of exercise of each of the option periods according to market prices at the time. During the entire rental period SLA will be responsible for the management and maintenance of the logistic center at its expense according to the terms of the agreement. Teva is a guarantor to all SLA's obligations according to the lease agreement.

ToHa1 (Totzeret Ha'aretz Compound)

During the reporting period, the office building construction was completed, which includes a gross 57 thousand sq.m. above ground for marketing and 950 parking spaces (Amot's share – 50%). In January 2019, approval for occupancy was received (Form 4). In view of the above, in the first quarter of the year, Amot reclassified the office building in the financial statements from investment property in development to investment property in the amount of NIS 502 million. As of the reporting date, the entire office space in the tower has been marketed. During the reporting period, Amot recorded a NOI for the asset in the amount of NIS 28 million (Amot's share).

Projects in development

Amot has 5 projects in construction stages, and Amot's share in them is 140 thousand sq.m. The total expected investment amount in projects is approx. NIS 1.6 billion (Amot's share) and the balance of the expected investment therein over the next 5 years is NIS 1.2 billion (Amot's share).

Holon office project

In July 2016, Amot won a tender held by the City of Holon for the construction of an office and high-tech industry project in the Holon Industrial Zone, as part of a combination agreement with the municipality, according to which, in return for the provision of the land for the project, the municipality will receive 22.2% of the rights in the building, while Amot will plan and build the project, and in return, the city will lease Amot's share in the project to Amot for a 99-year period from the completion of construction, with an option to extend the lease period by an additional 99 years.
The project is being built on an 11 dunam land division, located in the southwestern part of the Holon Industrial Zone C, on the corner of Hamelacha St. and Jerusalem Blvd. A Green Line light rail station is planned for this intersection (according to NTA publications, this station will be connected to the M3 Metro line in the future). The project will include a 20-story office tower with a total above-ground space of 56 thousand sq.m., over a 5-level underground parking garage, after the addition of building rights to the project for 20 thousand sq.m. (Amot's share - 77.8%). The tower will be built and operated as an income-generating rental property that will be managed by a joint Amot and Municipality management company. As of the date of the report, the project is nearing completion of the skeleton construction of the above ground building and a final completion of the parking basement. Amot estimates that the project will be completed over the course of 2021. Amot estimates the amount of its investment in the project at 515 million NIS. As of the date of the Statement of Financial Position, NIS 200 million have been invested.

Note 4 - Investment Property; Investment Property in Development (continued)

Modi'in logistic project

In December 2016, Amot purchased a 34 dunam plot in Modi'in from the Israel Land Authority, for a consideration of NIS 70 million for discounted lease fees and development expenses. In May 2018, Amot entered into an agreement with Shufersal Ltd. according to which Amot would sell Shufersal 25% of the land lease rights in Modi'in. Amot promoted a city building plan to increase the building area on the plot to a total area of 53,000 sq.m. (the city building plan is in effect). The parties agreed to jointly construct a 42,700 sq.m. logistic center and a 9,150 sq.m. office building. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period. The expected investment amount for the partnership in the construction of the project was estimated at NIS 400 million (Amot's share of the investment (75%) is estimated at NIS 300 million). The Group's expected revenue is estimated at NIS 24 million per year. As of the reporting date, the project is in the final stages of the skeleton construction of the logistic center and in advanced stages of completion of the basement skeleton of the office building. Until the date of the Statement of Financial Position, NIS 148 million was invested in the property (Amot's share – 75%).

Lehi Complex – Bnei Brak

In July and November 2018, Amot signed an agreement and an addendum to the agreement, respectively, with Allied Real Estate Ltd. ("Allied") according to which Allied would sell to Amot half of the discounted lease rights (subject to Allied's signature on a new discounted lease agreement with the Israel Land Authority) on a 16.4 dunam plot on Lehi Street in Bnei Brak for a total of NIS 100 million, plus VAT. The plot is located in Bnei Brak's northern business complex, adjacent to the south of the Hayarkon Park and the Ramat Hahayal complex and close to the Ayalon Mall. The parties are working together to plan, develop and build an office and commercial project on the plot, which will include 75,000 sq.m. of above-ground space for marketing (of which 62,000 sq.m. will be offices and approx. 13,000 sq.m. will be commercial space). The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,100 million (Amot's share - 50%). The project is in the process of executing reinforcement, excavation, groundwater degradation and foundation work.

1000 Compound – Western Rishon Letzion

In June 2018 Amot won a tender for the purchase of land in the 1000 Compound in Western Rishon Letzion for a consideration of NIS 30 million. The land has rights for the construction of an employment structure with an area of 19,000 sq.m. The project is in the planning and licensing stages.

Preparations for the construction of the ToHa2 parking lot (Totzeret Ha'aretz Compound)

Amot and its partner in the project are in the construction stages of a parking lot in the Totzeret Ha'aretz Compound – Stage B (Amot's share – 50%). The project is in its completion stages of the parking lot reinforcement work.

In August 2018, the Tel Aviv local planning and building committee approved, for deposit, a local city building plan for additional construction rights (under TA\5000) for the construction of another office tower in the compound, with a gross above-ground area of 140 thousand sq.m. (the Company's share - 50%). Under the plan, an underground connection was planned from the compound to the metro station Lines M1 and M2 (in accordance with NTA publications) and to the Hashalom railway station. The plan is in the process of dealing with objections. The investment amount for the construction of ToHa2 (including payments for the land component) is estimated at NIS 2 billion (Amot's share - NIS 1 billion).

Projects in planning and development stages

Amot has 3 medium-range projects in planning and development stages (3-8 years) for which no decision has yet been reached to construct them.
Amot's share in them is an above-ground area of 115 thousand sq.m. and the total investment expected for these projects in the next few years is NIS 1.4 billion (Amot's share). The cost of construction includes the land component and parking garages and does not include adjustments to tenants and capitalizations.

Note 4 - Investment Property; Investment Property in Development (continued)

Platinum Stage B

The Company is planning to exercise the balance of its rights in the project in the amount of 17,000 sq.m. and complete additional building rights in order to build a twin tower for the Platinum Stage A tower.

Land at the Kfar Saba - Ra'anana North Interchange

Amot has land with building rights for the construction of employment structures with an above-ground area of approx. 70,000 sq.m. (Amot's share – 50%). Amot and its partner to the land rights intend to begin construction of a total of 30,000 sq.m. of above-ground space (Amot's share – 50%).

Realization of assets

In October 2018, Amot sold non-income generating land in the amount of approx. NIS 103 million. In addition, Amot sold 25% of the land lease rights in Modi'in to Shufersal, see above. The betterment tax paid for these sales in 2018 is approx. NIS 15 million.

BE

During the reporting period and subsequent to the balance sheet date, BE engaged in transactions in connection with the purchase of investment property for a total consideration of approx. GBP 598 million (approx. NIS 2.8 billion) (not including transaction costs of approx. GBP 16 million (approx. NIS 75 million)), as follows:

169 Union Street

In March 2019, BE acquired a property located on the south bank of London near the Borough Market and the Tate Modern Museum, with a rental space of 117 thousand sq.ft. (approx. 11 thousand sq.m.), which is rented in full to the London Metropolitan Fire and Emergency Planning Authority until the end of 2027 with no right of return on the space. The property was purchased for a total consideration of GBP 100 million (before transaction costs) and generates an annual NOI of approx. GBP 5 million.

Devonshire Quarter

In March 2019, BE purchased a property (consisting of four adjoining buildings) located in the heart of the City of London near Liverpool Street Crossrail Station, with a total rental space of 122 thousand sq.ft. (approx. 12 thousand sq.m.), leased to a number of tenants at an occupancy rate of 95% for an average period of approx. 6 years (BE has an option for early termination of the lease in approx. three years). The property was purchased for the amount of GBP 95 million (before transaction costs) and generates an annual NOI of GBP 5 million.
Over the course of the coming years, BE will examine the promotion of a specific city building plan for the construction of a modern office structure with a rental area of 410 thousand sq.ft. to replace the existing building.

Waterside House

In April 2019, BE purchased an office building located near Paddington Station (one of central London's largest railway stations) with a total rental area of 238 thousand sq.ft. (approx. 22 thousand sq.m.) for a total consideration of GBP 220 million (approx. NIS 1 billion). The property is fully rented to Marks & Spencer plc and serves as its global management HQ, generating an annual NOI of GBP 11 million.

Telephone House

In August 2019, BE signed an agreement and completed the purchase of an office building located in the Shoreditch area of London, for GBP 106 million (approx. NIS 450 million) (not including transaction costs). The property has an area of approx. 125 sq.ft.

Note 4 - Investment Property; Investment Property in Development (continued)

(approx. 12 thousand m²) and generates an annual NOI of GBP 4.8 million (approx. NIS 20 million) and is leased to a number of tenants at an occupancy rate of 100%. BE estimates that he property has substantial betterment potential through the addition of building rights.

Seacourt Tower

Following the balance sheet date, in January 2020, BE completed the acquisition of a business park located adjacent to the Oxford city center in the UK, for approx. GBP 80 million (not including transaction costs). The business park, which includes office space and an open commercial center, with a total rental area of approx. 16 thousand sq.m., is located on an 11-acre land division (approx. 44 dunams). The business park is leased at full occupancy and generates an annual NOI of GBP 4 million, approx. half from the office space and half from the commerce space.

That stated in this Section d regarding the expected NOI, expected rental income, expected investment costs and expected completion of construction, is forward-looking information.

e. Determining fair value:

The following table presents the investment properties measured at fair value according to Level 3 (not including investment property in Amot's joint ventures). For definitions of the various levels of the hierarchy see Note 23(b).

Investments in Investment Property in Israel	Fair Value as of December 31, 2019 In NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)	Area (sq.m.)
Offices	6,378,920	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	78 6.1%-7.25% 96.20%	374,869
Commercial centers	2,628,641	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	100 6.25%-7% 97.70%	124,791
Supermarkets	690,583	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	97 6.75%-6.25% 100%	36,233
Industrial and logistic parks	2,346,582	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	29 6.5%-7.75% 99.30%	348,786
Others	206,370	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	58 6.25%-7% 100%	20,988
Assets for betterment	67,150	Comparison	-	-	-
Property in development	550,354	Comparison, costs, discounted cash flow (DCF)	-	-	-

Investments in Investment Property in the UK	Fair Value as of December 31, 2019 In NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)	Area (Square Feet)
Offices (*)	2,573,708	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	52£ 5.7%-4.63% 100%-97.8%	601,348

(*) For one of the four BE assets, the appraiser used the extraction method.

Note 4 - Investment Property; Investment Property Under Construction (Continued)

Description of valuation processes used to determine fair value

The entities at Amot and BE responsible for the fair value measurement process for items classified at Level 3 is the companies' senior management. The management of Amot and BE report to the Financial Statements Committee on the fair value of investment property, and examine the appropriateness of the data and valuation methodology used to determine the fair value.

Amot's and BE's valuations are examined quarterly and when needed, adjustments are made in order to estimate the fair value in the most precise manner Amot and BE believes possible.

Fair value is measured based on valuation techniques, such as: the market approach - an approach that uses prices and relevant information created by comparable market transactions, to which adjustments are made, such as the comparison method. Revenue approach – an approach that converts future amounts (for example, future cash flows) to the current amount (discounted), such as the Discounted Cash Flow method (DCF).

In determining fair value, the following, among other things, are taken into account: the discount rates used to discount future cash flows, the length of the rental period, the stability of the tenants, the amount of available space in the property, the lengths of the lease agreements and the amount of time required to rent out the vacant properties, the implications of investments needed for the development, completion of the project and/or maintenance of existing properties and deduction of uncovered operating costs, etc.

Regarding investment property in development, its fair value is determined by estimating the fair value of the investment property after completion of its construction less the current value of estimated construction costs expected for its completion and less development profit, when relevant, taking into account the rate of return adjusted for the relevant risks and characteristics of the investment property.

f. **Sensitivity analysis:**

The following is a sensitivity analysis of the value of the Amot Group's investment property at a cap rate on the basis of a standardized NOI (including joint arrangements):
Based on an annual NOI of approx. NIS 728 million, any 0.25% change in the cap rate will result in a change in fair value of approx. NIS 421 million (less deferred taxes at a rate of 23% – approx. NIS 324 million).

The following is a sensitivity analysis of the value of the BE Group's investment property at a cap rate on a NOI basis:
Based on an annual NOI of approx. GBP 25 million, any 0.25% change in the cap rate will result in a change in fair value of approx. GBP 33 million (approx. NIS 149 million) (less deferred taxes at a rate of 23% – approx. NIS 115 million).

g. **Additional information:**

For information on liens, see Note 13.

Note 5 - Securities Measured at Fair Value through Profit or Loss

			As of December 31	
			2019	2018
		Exposure Currency	NIS thousands	NIS thousands
Securities measured at fair value through profit or loss				
Brockton Real Estate Investment Fund (partnership)	(1)	GBP	176,036	172,486
Other investments in tradable and other securities		NIS	27,767	17,221
			203,803	189,707

(1) Brockton Real Estate Investment Funds (hereinafter "the Funds")

As of December 31, 2019, the Company is a partner in three real estate funds (Brockton Capital Fund I LP, Brockton Capital Fund II LP, Brockton Capital Fund III LP). The Company's share in the total value is NIS 176 million (GBP 39 million). The funds are in the process of realizing the balance of their portfolio, which is expected to be completed by the end of 2021.

In the reporting period, the Group invested in funds the amount of NIS 62 million (approx. GBP 13.8 million) and had receipts from funds totaling NIS 65 million (approx. GBP 14.3 million) in respect of the Group's share in receipts from the realization of assets in the funds.

Note 6 - Investments in Investees

A. Significant Group Subsidiaries

(1) List of Subsidiaries

Name of Subsidiary	See Section	Main Location of Activity	Holding Rate in Subsidiary's Capital Rights		Voting Rate		Value of Holdings at Stock Market Prices		Amount of Investment in Investee (*)	
			As of December 31		As of December 31		As of December 31		As of December 31	
			2019	2018	2019	2018	2019	2018	2019	2018
				%		%	NIS thousands		NIS thousands	
Amot Investments Ltd. (**)	c.	Israel	55.22%	58.22%	55.22%	58.22%	5,273,697	3,678,314	3,356,383	2,793,333
Energix Renewable Energies Ltd. (**)	e.	Israel	59.79%	65.72%	59.79%	65.72%	2,629,399	1,193,960	579,840	469,238
Brockton Everlast Limited Inc. (*)	d.	Guernsey	95.35%	76.98%	95.35%	76.98%	-	-	1,246,092	171,882

(*) The Company's share in the consolidated companies' equity (not including options (Series 3) in Energix and not including options (Series 9) in Amot).

(**) As of December 31, 2019, the Company also held a total of 2,898,000 options (Series 3) in Energix, and as of December 31, 2019, a total of 7,500,000 options (Series 9) of Amot.

(***) Through Brockton Holdings LP, a partnership in Guernsey.

Note 6 - Investments in Investees (continued)

B. Subsidiaries that have non-controlling interests that are material to the Group

The following is condensed financial information from Amot's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	44.78%	41.78%
Current assets	117,901	349,322
Non-current assets	13,456,642	11,089,550
Current liabilities	1,178,191	1,013,877
Non-current liabilities	6,293,098	5,588,172
Total assets, net	6,103,254	4,836,823
Book value of Amot's non-controlling interests	2,736,849	2,019,131

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	759,064	707,672	662,555
Fair value adjustments of investment property, net	847,259	262,975	173,704
Profit	1,070,423	566,887	428,200
Other comprehensive income (loss)	(37)	(18)	102
Total comprehensive income	1,070,386	566,869	428,302
Profit attributable to Amot's non-controlling interests	467,197	233,179	169,600
Net cash flows provided by operating activities	461,314	414,138	389,821
Net cash flows used in investing activities	(1,365,258)	(682,003)	(479,566)
Net cash flows provided by financing activities, without dividends to non-controlling interests	855,517	422,995	(36,140)
Dividend paid to non-controlling interests	191,916	171,576	147,684

Note 6 - Investments in Investees (continued)

The following is condensed financial information from Energix's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	40.21%	34.28%
Current assets	369,633	167,581
Non-current assets	2,183,160	1,556,058
Current liabilities	232,277	113,900
Non-current liabilities	1,319,334	877,630
Total assets, net	1,001,182	732,109
Book value of Energix's non-controlling interests	407,395	252,489

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Total revenues	238,559	170,634	141,367
Profit	62,972	30,892	16,020
Other comprehensive income (loss)	(48,557)	(4,037)	10,387
Total comprehensive income	14,415	26,855	26,407
Profit (loss) attributable to Energix's non-controlling interests	24,207	10,782	5,264
Net cash flows provided by (used in) operating activities	151,588	72,453	78,893
Net cash flows used in investing activities	(606,273)	(251,447)	(203,021)
Net cash flows provided by financing activities	518,254	173,695	178,672

Note 6 - Investments in Investees (continued)

The following is condensed financial information from BE's statements:
The following amounts are before inter-company cancellations:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	4.65%	23.02%
Current assets	110,015	121,889
Non-current assets	2,672,068	69,837
Current liabilities	60,882	3,992
Non-current liabilities	1,456,718	18,913
Total assets, net	1,264,483	168,821
Book value of BE's non-controlling interests	18,391	(3,062)

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	74,487	-	-
Fair value adjustments of investment property, net	152,608	-	-
Profit (loss)	90,662	(27,920)	-
Other comprehensive income	539	-	-
Total comprehensive income (loss)	91,201	(27,920)	-
Profit (loss) attributable to BE's non-controlling interests	283	(6,427)	-
Net cash flows provided by (used in) operating activities	18,392	(7,360)	-
Net cash flows used in investing activities	(2,460,007)	(193,833)	-
Net cash flows provided by financing activities	2,413,482	46,023	-

C. Information regarding significant consolidated companies – Amot Investments Ltd. (hereinafter - "Amot")

(1) Amot's business

Amot is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company.

Note 6 - Investments in Investees (continued)

Amot deals, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel and in the development of land for its own use for rental properties. Amot owns, directly and indirectly, real estate assets that include offices, commercial centers, supermarkets, a central bus station, industrial parks and industrial buildings.

(2) The Company's holdings in Amot

In 2017, 2018 and 2019, Amot raised capital in the amount of NIS 277 million, NIS 386 million and NIS 636 million, respectively. In addition, in 2017, 2018 and 2019 the Company invested in Amot as part of Amot's offerings, stock market purchases and the exercise of options it held, a total of NIS 117 million, NIS 157 million and NIS 162 million, respectively.

As of December 31 2019, the rate of the Company's holdings in Amot was 55.22% and fully diluted, taking into account convertible securities issued by Amot, the rate of holdings will be 54.33% (in 2018: 58.22% and 55.59%, respectively, and in 2017: 59.72% and 57.86%, respectively).

(3) Amot's dividend distribution policy

In January 2007, Amot's Board of Directors adopted a dividend policy, according to which during the first quarter of each calendar year, Amot will announce the minimum dividend distribution amount for that year. The dividends will be distributed at the end of each quarter (the relative portion), subject to the decision of Amot's Board of Directors, as long as the dividend distribution does not harm Amot's cash flow, and taking into account Amot's future investment plans that may exist from time to time and subject to the law. As part of the above decision, Amot's Board of Directors decided that it would be permitted at any time, taking into account business considerations and the provisions of the law, to change the dividend policy, and to change the dividend amounts distributed or to decide not to distribute them at all.

In accordance with this decision, each year Amot declares the minimum dividend to be paid that year.

In accordance with the decisions made by Amot's Board of Directors regarding the years 2017-2019, in 2017 Amot paid its shareholders a current dividend in the amount of NIS 0.84 per share (approx. NIS 262 million) (Company's share – NIS 158 million) and for 2017 Amot paid an additional dividend in 2018 in the amount of NIS 0.36 NIS per share (approx. NIS 117 million) (Company's share – NIS 70 million), in 2018 a current dividend in the amount of NIS 0.90 per share (approx. NIS 303 million) (Company's share – NIS 178 million), and for 2018 Amot paid an additional dividend in 2019 in the amount of NIS 0.30 per share (approx. NIS 108 million) (Company's share – NIS 62 million), in 2019 a current dividend of NIS 0.94 per share (approx. NIS 338 million) (Company's share – NIS 193 million).

In March 2020, Amot's Board of Directors determined that in 2020, Amot intends to distribute a minimum annual dividend in the amount of NIS 0.98 per share, to be paid in 4 quarterly payments, with a dividend of NIS 0.24 per share in the first and second quarters and a dividend of NIS 0.25 per share in the third and fourth quarters, subject to a specific decision of the Board of Directors at the end of each quarter.
In accordance with this policy, in March 2020 Amot announced that it would be distributing a dividend for the first quarter of 2020 in the amount of NIS 0.24 per share. The total dividend to be paid by Amot as stated above, in March 2020, will amount to approx. NIS 92 million (Company's share – approx. NIS 50 million).

Note 6 - Investments in Investees (continued)

In addition, on March 2020 the Company's Board of Directors decided to distribute an additional dividend for 2019 in the amount of NIS 0.31 per share, which will be paid in March 2020 (approx. NIS 118 million), (Company's share – NIS 65 million).

(4) Management fee agreement with Amot

In December 2018, the Company signed a management agreement with Amot for the years 2019-2021 according to which the management fees for those years will amount to NIS 9 million, linked to the CPI for the month of June 2018. The agreement was approved by Amot's General Assembly on November 1, 2018. The Company's Audit Committee meeting on November 15, 2018 and the Company's Board of Directors meeting on November 21, 2018 approved the Company's engagement in the new agreement.

D. Information regarding significant consolidated companies – Brockton Everlast Inc. Limited (hereinafter: "BE") [1]

(1) BE's business

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "Brockton") (hereinafter: "BE Managers") in a series of agreements according to which the Company, together with Brockton Managers, established a new company called BE that deals with the acquisition, development, improvement, construction, management and maintenance of commercial income-generating property in the UK, with a focus on the London metropolitan area. In addition, BE bought Brockton for the amount of GBP 40 million.

During the reporting period, BE purchased four income-generating properties with a total area of 601 thousand sq.ft. (approx. 56 sq.m.) and a total investment of GBP 518 million (approx. NIS 2.4 billion) before transaction costs. Subsequent to the balance sheet date, BE purchased another income-generating property for a total investment of approx. GBP 81 million (approx. NIS 365 million) before transaction costs.
For details of Brockton's transactions for the acquisition of real estate during the reporting period and subsequent to the balance sheet date – see Note 4d above.

The total fair value of BE assets as of December 31, 2019 is GBP 566 million (NIS 2.6 billion) and the occupancy rate on that date was 97.8%. The properties are leased to various long-term tenants.

At the same time, Brockton continues to manage the three existing funds until completion of the realization of all their investments, a process that is expected to be completed over the course of 2021.

As of December 31, 2019, the Company indirectly held approx. 95.35% of the rights in BE.

(2) The Company's undertaking for future capital investments subject to the BE Board's decision

During 2019, the Company invested the amount of GBP 219 million (approx. NIS 1 billion) in BE's capital. After the balance sheet date, the Company also invested GBP 29 million (approx. NIS 132 million) in BE's capital. These investments are from a GBP 300 million investment commitment given by the Company.

[1] BE is held through Brockton Holdings LP.

Note 6 - Investments in Investees (continued)

(3) Corporate Governance in BE and in the BE Group

As long as the Company is the largest shareholder in BE, the Company will be entitled to appoint the majority of BE's Board of Directors. The Board of Directors established an Operations Committee and an Audit Committee in which the Company's representatives will hold a majority. The Brockton partners undertook to manage BE for at least 8 years.

(4) Limitation on the transferability of rights

In the partnership agreement between the Company and the BE Managers, a number of limitations were determined on the transferability of rights in BE, as follows: (1) In a four-year period ending in March 2022, there will be no transfer of rights in BE, except by "authorized transfers", to certain transferees and under conditions specified in the partnership agreement; (2) As long as the Company is the sole largest holder of rights, it will have the right to sell or transfer all of its rights in BE to a third party, and to drag along the other rights holders, subject to conditions specified in the partnership agreement; (3) As long as the Company is the sole largest holder of rights, it will have the right to sell or transfer some or all of its rights in BE to a third party, subject to the granting of a tag along right to the Brockton Managers. In such a case, the Brockton Managers will have the right to join the sale, under the same conditions and in equal proportion to the sale of rights by the Company; (4) As of March 2022, all BE rights transfers made by rights holders who are not the Company will be subject to the Company's Right of First Refusal.

(5) Indemnity obligation

In accordance with the terms of the agreements, Brockton executives have pledged to indemnify BE for violations of representations and statements, including with respect to losses that may result from Brockton's operations prior to completion of the transaction in its capacity as a Investment Advisor for Brockton Funds for a period ending on the Funds' closing date. The indemnification amounts are limited to the compensation the Brockton Managers received from the realization of their holdings in Brockton.

(6) Subsequent to the balance sheet date, BE was registered as a REIT for tax purposes in the UK. Therefore it will be required to meet certain conditions, including a dividend distribution of at least 90% of its adjusted income for tax purposes.

(7) Regarding the accounting treatment of Brockton Capital LLP, see Note 6j.

E. Information regarding significant consolidated companies – Energix Renewable Energies Ltd. (hereinafter – "Energix")

(1) Energix's business –

Energix is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company.

Energix is engaged in the construction and maintenance of electricity-generating facilities in the renewable energies sector (photo-voltaic energy and wind energy). As of the reporting date, Energix has facilities connected to the electricity grid with a total capacity of approx. 320 MW[2] – see Note 7.

[2] With respect to systems in a second competitive procedure with a total capacity of 62 MWp, as of the reporting date 3 facilities with a total capacity of approx. 24 MWp were connected to the electricity grid. As of the date of approval of the report, 5 systems were connected to the electricity grid with a capacity of 40 MWp, and regarding the additional systems, the construction has been completed and the Company is in compliance with the competitive procedure to secure the winning tariff.

Note 6 - Investments in Investees (continued)

The total representative annual revenue expected in 2020 from all facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2020 (according to Energix's share of the cash flow), is approx. NIS 263-273 million.

Information regarding the representative annual revenue for 2020 constitutes forward-looking information.

Regarding financing arrangements for the projects, see Note 12d.

In addition, Energix is acting and examining the possibility of constructing additional facilities in Israel under new arrangements as well as the construction of photo-voltaic and/or wind farm projects in Israel, Poland and in the United States – see Note 8 below.

(2) The Company's holdings in Energix –

In July 2019, Energix made an offering of Energix common stock and of options convertible into Energix common stock for a gross consideration of NIS 139 million (the exercise addition for these options, if exercised, is NIS 94.5 million. The final exercise date is December 31, 2020). In the framework of the above issue, the Company purchased common stock and options convertible into Energix common stock for a total consideration of NIS 36 million.

As of December 31, 2019 the Company holds 254,455,683 shares which, on that date, constituted 59.79% of Energix's capital stock (approx. 56.27% fully diluted).

Subsequent to the balance sheet date, in January 2020, Energix raised capital in the amount of NIS 240 million in a public offering. In the framework of the above issue, the Company purchased 2,998,600 PV shares of Energix’s common stock for a total amount of NIS 34.5 million.

Near the publication of the financial statement, the Company’s rate of holdings in Energix’s capital stock is 57.42% (approx. 54.38% fully diluted).

(3) Energix’s rental agreements for electricity generation facilities

(1) For details regarding rental agreements pertaining to the land on which the Neot Hovav project was constructed, see Note 7c.
(2) For details regarding rental agreements pertaining to the land on which the Banie Project and the Iława Project in Poland was constructed, see Notes 7(e) and 7(f).
(3) Energix, through companies under its control, engaged in agreements with Amot regarding the rental of rooftops on which small and medium-sized systems were installed and connected to the electricity grid (“**the Systems**”). According to the terms of these rental agreements, Energix rents the rooftops of the structures on which the systems are installed for a period of 20 years from the date of delivery of possession of the roof, for monthly rental fees of 10% of the receipts Energix actually receives from the Electric Company for the generation of electricity for each system. The agreements include a minimal rental fee mechanism.
(4) Energix, through a partnership, engaged in a rental agreement for rooftops on which medium-sized facilities are installed for a consideration reflecting a payment rate of 10% of the revenues received from the Electric Company (for the sale of electricity to the electricity grid, based on a yearly calculation), but no less than NIS 18 thousand per year for each dunam of roof in use. As of the date of approval of the statements, Energix has 5 medium-sized systems owned by the partnership (in which Energix holds 50%), liable for rental fees according to the mechanism described above.
(5) Energix pays fixed rental fees for the lease of areas in its other projects, from the beginning of their construction until the end of the relevant arrangement period.

Note 6 - Investments in Investees (continued)

(6) The following is information regarding the minimal rental fees to be paid for rental agreements that cannot be canceled by Energix for systems connected to the electricity grid (the amounts do not include the minimal rental fees to be paid at the partnership's connected facilities (in which Energix holds 50%) and accounted for using the equity method):

	NIS thousands (*)
Up to 1 Year	8,727
From the second year to five years	35,081
Over five years	151,425
	195,233

(*) Of this amount, an amount of approx. NIS 803 thousand is a payment guaranteed to Amot.

The total rental expense cash flow recorded for Energix's connected systems in 2019 amounted to NIS 8,985 thousand (in 2018 and 2017, rental expenses amounted to NIS 6,905 thousand and NIS 6,529 thousand, respectively). As of 2019, Energix implements IFRS 16 "Leases" in its financial statements, and consequently no rental expenses were recorded in its 2019 financial statements. For further details regarding the implementation of the standard, see Note 2.bb.a.

(4) **Management fee agreement with Energix**

In August 2017, a management agreement was signed between the Company and Energix for three additional years ending June 30, 2020.
For the management services, Energix pays the Company a management fee consisting of a fixed payment of NIS 125 thousand per quarter (linked to the CPI) and a variable payment of 0.075% per quarter (i.e. 0.3% on an annual basis) of the original cost in Energix's books for its electricity generating facilities, which are actually producing electricity (Energix's share). In total, the variable payment will not exceed NIS 4.3 million per year (linked to the CPI). The maximum annual management fee ceiling will be NIS 4.8 million (linked to the CPI).
The engagement in the management agreement with Energix was approved by the Audit Committee and the Company's Board of Directors at their meetings of May 16, 2017 and May 23, 2017, respectively, and by Energix's General Assembly in July 2017.
The management fees paid to the Company in the years 2019, 2018 and 2017 amounted to NIS 4,811, 4,178 and 3,789 thousand, respectively.

Note 6 - Investments in Investees (continued)

F. Investments in associates and joint ventures

(1) Composition of Investments

Name of Associate	See Section		Country of Incorporation	Rate of Holdings in Associate's Capital Rights As of December 31 2019	2018	Amount of Investment in Associate As of December 31 2019	2018	Stock Exchange	Fair Value As of December 31 2019	2018
				%		NIS thousands			NIS thousands	
PSP Swiss Property	h.	Associate	Switzerland	7.96%	10.03%	1,381,418	1,742,011	Switzerland	1,743,313	1,696,146
Carr Properties Holdings LP (**)	g.	Jointly controlled entity	USA	50.77% (*)	50.57% (*)	3,135,978	3,274,323		-	-
OPG 125 Summer REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	55% (*)	55% (*)	477,845	364,180		-	-
OPG 745 Atlantic REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	55% (*)	55% (*)	117,535	119,505		-	-
Davenport REIT Investor (DE) LLC		Jointly controlled entity	USA	55% (*)	55% (*)	249,072	250,626			
Brockton Capital LLP	j.	Associate	UK	100%	100%	49,617	69,837		-	-
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	Associate	Israel	10.00%	10.00%	17,788	22,001		-	-
Others (mainly Amot and Energix joint ventures)	k.					488,298	454,010		-	-
						5,917,551	6,296,493			

(*) Voting rights – 50%.

(2) Composition of the Group's share in the profits of associates, net

Name of Associate	See Section	Details of Equity Gains For the Year ended December 31 2019	2018	2017
		NIS thousands		
PSP Swiss Property	h.	154,088	135,913	114,375
Carr Properties Holdings LP (**)	g.	81,311	135,658	237,048
OPG 125 Summer REIT Investor (DE) LLC	i.	120,662	27,555	27,439
OPG 745 Atlantic REIT Investor (DE) LLC	i.	13,861	18,696	7,398
Davenport REIT Investor (DE) LLC	i.	29,119	23,412	25,177
Brockton Capital LLP	j.	(34,161)	(20,719)	-
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	(2,578)	1,332	3,288
Others (mainly Amot and Energix joint ventures)	k.	51,135	19,890	17,220
		413,437	341,737	431,945

(**) In 2019, equity gains include amortization of excess cost in the amount of NIS 22 million.

Note 6 - Investments in Investees (continued)

G. The Company's holdings in Carr (joint ventures)

Carr Properties Holdings LP (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of the report, **Carr Holdings** is held directly and indirectly by the Group at a rate of 50.77% and by **JPM** at a rate of 40.16%. In January 2020, JPM began the process of selling its holdings to the sale of its holdings in Carr Properties. At this stage, there is no certainty regarding the realization of this process.

Carr Holdings has full control (through a corporation under its full control) and holdings of 86.7% in the Carr Properties Partnership (hereinafter: "**Carr**" or "**Carr Properties**").

As of December 31, 2019, the Group's weighted rate of holdings in Carr Properties is 44.01% (and JPM's is 34.82%).

At the time of the investment in Carr Holdings (August 2013), the Group and JPM engaged in a number of agreements regarding Carr Holdings' corporate governance as well as arrangements for joint control. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the limitation on the transfer of rights.

In view of the above, the Group's investments in Carr Holdings is considered a joint venture presented in the Company's financial statements according to the equity method starting from Q3/2013.

In January 2018, Carr raised a total of USD 300 million (NIS 1.06 billion) from Clal Insurance (for itself and for institutional bodies it manages) (hereinafter: "**Clal's Investment**"). Clal's rate of holdings in Carr after the above fundraising amounted to 13.65% while the Company and JPM had holdings of 43.65% and 34.81% in Carr, respectively. As a result of the transaction, the Group recorded a profit in 2018 in the amount of approx. USD 12 million (approx. NIS 42 million) due to the decrease in holdings in Carr.

The Company, together with JPM, continues to maintain joint control in Carr with no change in the shared control agreement prior to Clal's investment.

For additional information on the agreements between the Group, JPM and Clal Insurance (including provisions regarding the transferability of rights), see Note 6g below.

H. Investments in Carr Holdings in the reporting periods

In August 2019, Carr raised a total of USD 144 million (NIS 510 million) from its shareholders, from which the Group invested a total of approx. USD 70 million (NIS 246 million).

The total cost of the Group's cumulative investment in Carr Holdings as of December 31, 2019 is USD 768 million.

The Group's investment in Carr Holdings as of December 31, 2019, which is presented in the Group's financial statements based on the equity method, amounts to USD 907 million (NIS 3.1 billion).

Note 6 - Investments in Investees (continued)

I. Carr's Business

Carr deals in investment, acquisition and developing income-generating property for rental purposes, including the management and maintenance of office buildings under its ownership in urban areas in the metropolitan Washington DC and Boston, Massachusetts areas in the United States.

Carr fully or partially owns 14 office buildings with a total rental space of 3.7 million sq.ft. (347 thousand sq.m.) (Carr's share) and a value of USD 2.9 billion (Carr's share). The properties are rented to hundreds of tenants for various time periods. As of December 31, 2019, the occupancy rate in Carr's properties is 93.5% (rental rate of 96%).
In addition, Carr owns 4 properties in development and under construction with a total area of 2.2 million sq.ft. (202 thousand sq.m.) (Carr's share) the balance of which, as of December 31, 2019, amounts to USD 630 million (Carr's share) with a construction budget of USD 1.5 billion (Carr's share).

The following are the main transactions carried out by Carr over the course of the reporting period:

(1) One Congress transaction

In September 2018, Carr engaged in an agreement with a third party (hereinafter: "**the Partner**") regarding the conditional purchase of half rights to the land owned by the partner , enabling the construction of an office tower in Boston (whose intended name is "**One Congress**") with a rental space of 987 thousand sq.ft. (92 thousand sq.m.) (hereinafter: "the Joint Venture").

Carr and the partner will jointly lead the tower's development, construction, management and rental process of the tower.

In the third quarter of 2019, the closing of the transaction took place, under which the partner transferred the rights to erect the tower to the joint venture.

In addition, on the closing date, Carr increased its share in the project by 25% by purchasing these rights from the partner for USD 59 million, so that presently, Carr holds 75% of the rights in the One Congress project.

Carr's total investment in the project (75%) as of December 31, 2019, including the acquisition of the additional rights as described above, is approx. USD 172 million.

The parties estimate that the total estimated cost of the project is approx. USD 900 million and that construction will be completed by the end of 2022.

In the course of 2019, revaluations were recorded in respect of the One Congress project in the amount of USD 60 million (Carr's share in the revaluation is USD 45 million).

- In January 2019, Carr Properties and its partner signed a binding agreement according to which the joint venture would rent to State Street Corporation (hereinafter: "SSC") a space of 510 thousand sq. ft. (approx. 46 thousand m^2), constituting approx. half of the total planned office space in One Congress Tower, Boston. According to the agreement, SSC undertook to rent these areas for the use of its main global HQ for a period of 15 and a half years beginning January 2023 (the building's expected completion date).

Note 6 - Investments in Investees (continued)

In addition to the above, Carr and its partner to the project are negotiating the rental of additional space in One Congress.

The information in this section above regarding the estimated cost of the One Congress project, the estimated date of completion of the project's construction and the equity component to be invested by Carr is forward-looking information.

(2) Transaction for the acquisition of a Boston property complex

In March 2020, Carr acquired 50% of the rights to the complex of two adjacent and connected office buildings located in Boston (75-101 Federal Street) (hereinafter: "the Complex"), according to a value of USD 485 million for the entire complex
(Carr's share – USD 242.5 million).

The Complex is a Class A complex with a total rental space of 853 thousand sq.ft. (73 thousand sq.m.) and is located in Boston's main business center. The Complex is currently 89% occupied, mainly by high-tech companies, and generates an annual NOI of approx. USD 23 million. According to Carr, the Complex is expected to generate an average annual NOI of approx. USD 27 million over the next five years, as a result of an increase in occupancy and a substantial increase in rental fees.

Carr and the partner took a loan in the amount of approx. USD 280 million against a lien on the Complex, such that the equity component invested by Carr in the transaction was approx. USD 105 million.

Near the above, Carr realized a property under its sole ownership (see 3.2 below) for a consideration of USD 160 million, some of which was used by Carr to provide the capital needed to purchase the Complex.

(3) Property realizations in the reporting period and subsequent to the balance sheet date

3.1 During 2019, Carr sold 3 properties located in the Washington DC metropolitan area, one of which was wholly-owned and two were jointly owned with others, for a consideration of USD 194 million (Carr's share). The properties have a rental area of 562 thousand sq.ft. (52 thousand sq.m.) (Carr's share), which generated a representative annual NOI of USD 20 million (Carr's share).

3.2 Following the balance sheet date, in March 2020, Carr sold another wholly-owned property (Barlow Building) located in the Washington DC metropolitan area, for a consideration of USD 160 million (similar to the property's book value). The property has a rental area of 228 thousand sq.ft. (21 thousand sq.m.) and generated a representative annual NOI of USD 8 million.

The proceeds from the sale of the property were used by Carr to finance the equity component in the amount of USD 105 million that it invested in the transaction for the acquisition of the Boston office building Complex (see details in Section 2 above) and for the repayment of credit facilities in the amount of USD 55 million.

Note 6 - Investments in Investees (continued)

(4) Carr’s financial debt

During the reporting period, Carr signed a credit facility for the financing of construction in the amount of USD 730 million (Carr’s share).

As of December 31, 2019, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.4 billion (Carr’s share) at a weighted interest rate of 3.47% and for an average duration of 5.44 years.[3]

The balance includes the utilized credit facility (without taking into account the bank financing of real estate in development) in the amount of USD 476 million from a total facility of USD 650 million, so that as of December 31, 2019, Carr's unused balance amounted to USD 174 million. dollar.

(5) Carr's dividend distribution and capital reduction policy

The corporation through which **Carr Holdings** owns **Carr Properties** is defined as a REIT for United States tax purposes and must meet certain conditions, which include, among other things, the obligation to distribute a dividend of at least 90% of its adjusted taxable income.

In 2019, Carr made an annual distribution to its shareholders in the amount of USD 0.06 per share. The company's total receipts from Carr in 2019 totaled approx. USD 38 million (NIS 135.2 million).

Carr's Board of Directors determined that in 2020, Carr will make an annual distribution to its shareholders of USD 0.04 per share. According to this policy, the Company is expected to receive a total of USD 27 million in 2020 (approx. NIS 94 million).
In accordance with the aforementioned distribution policy, subsequent to the balance sheet date (in February 2020), the Company received a distribution in the amount of USD 6.7 million (NIS 23 million), which constitutes a distribution of USD 0.01 per share.

The information regarding the total dividend the Company expects to receive from Carr in 2020 is forward-looking information.

[3] Does not include a USD 129 million ground lease commitment.

Note 6 - Investments in Investees (continued)

(6) Condensed financial information on Carr Holdings

	For the Year ended December 31		
	2019	2018	2017
	USD thousands		
Revenues (not including real estate valuations)	242,543	177,223	148,005
Adjustment of investment property value (*)	(54,828)	12,398	85,967
Net profit from continuing operations	60,704	70,232	127,285
Other comprehensive income (loss)	(44,156)	8,862	(674)
Total comprehensive income (including share of non-controlling interests in profit)	16,548	79,094	126,611
Company share in Carr's net income in USD thousands	29,354	37,974	65,791
Company share in Carr's comprehensive income (loss) in USD thousands	8,423	41,843	66,135
Company's share in Carr's net income in NIS thousands	102,836	135,657	237,048
Company share in Carr's comprehensive income (loss) in NIS thousands	27,855	148,077	238,386

(*) Carr's share in the adjustment of the investment property value in 2019, including a revaluation recorded in Carr's associates, amounted to a USD 8 million loss.

	As of December 31	
	2019	2018
	USD thousands	
Investment Property	2,805,605	2,715,234
Property under construction and land intended for development	437,148	439,489
Investment in investees	215,639	83,076
Other non-current assets	175,083	144,690
Other current assets	60,731	57,361
Total assets	3,694,206	3,439,850
Current liabilities	290,322	240,918
Non-current liabilities	1,473,131	1,342,988
Total liabilities	1,763,453	1,583,906
Equity attributable to shareholders	1,787,439	1,715,550
Non-controlling interests	143,314	140,394
Equity (including non-controlling interests)	1,930,753	1,855,944
Total liabilities and equity	3,694,206	3,439,850
Company share in net assets	907,400	867,498
Adjustments	-	6,121
Book value of investment – in USD thousands	907,400	873,619
Book value of investment – in NIS thousands	3,135,978	3,274,323

Note 6 - Investments in Investees (continued)

(7) Significant agreements

The Group and JPM have a number of agreements regarding the corporate governance of corporation that is 100% controlled by Holdings Carr (in this section only – "**Carr**") and their relationship as Carr's equity holders, including, among other things, the following provisions, determined (or executed, as appropriate):

(1) Corporate governance:

- Carr's Board of Directors will, at any time, consist of eight representatives (three representatives appointed by the Group, three representatives appointed by JPM, one representative appointed by other equity holders, and Mr. Oliver Carr, the General Manager of Carr).
- The Board of Directors quorum required to approve operations is the presence of at least two representatives appointed by the Group and at least two representatives appointed by JPM.
- All decisions under the authority the Board of Directors of Carr and its subsidiaries will require the agreement of all members of the Board of Directors appointed by the Group participating in the meeting and of all of the Board members appointed by JPM participating in the meeting.
- The Board of Directors established an Operations Committee consisting of three members – one representative appointed by the Group, one representative appointed by JDM and Oliver Carr. Any decision by the Operations Committee will require the approval of the two representatives appointed by the Group and JPM.
- The Board of Directors established an Audit, Remuneration and Financial Statements Committee consisting of two members – one representative appointed by the Group and one representative appointed by JPM.
- Nathan Hetz serves as Chairman of Carr’s Board of Directors, with the Chairman of Carr’s Board of Directors not having a deciding vote. The Company and JPM have the right to replace the serving chairman as their own representative every two years.

(2) Provisions regarding the transferability of rights between the Company and JPM:

A. Any transfer of direct or indirect rights in Carr’s capital by one party to a third party is subject to a right of first offer or a tag along right in the other party’s favor. When a party wishes to transfer their rights (hereinafter: “**the Offeror**”), the other party (“**the Offeree**”) may purchase the rights at a price suggested by the Offeror (hereinafter: “**the Offered Price**”). In the event that the Offeree decides not to purchase the rights, the Offeror may offer (a) to transfer the capital stock to an accredited institutional investor (as defined in the agreement) and (b) start a drag along procedure as detailed below, in order to cause the Offeree sell their rights in Carr along with the Offeror to a third party.

B. Until August 2023, to the extent that one of the parties initiates a drag along procedure, the dragged party will have a right of first refusal under terms identical to the terms offered by the proposed buyer as part of the drag along procedure. In the event that a drag along procedure is carried out, the proceeds paid to the dragged party for the realization of their rights will be no less than the higher of: (a) Carr’s net asset value (NAV) determined according to generally accepted accounting standards in the United States (US GAAP), (b) the NAV determined according to IFRS principles, and (c) the proposed price.

Note 6 - Investments in Investees (continued)

C. The limitation on the transferability described above will end on the date of the initial public offering (IPO) of Carr shares, raising equity in an amount exceeding USD 100 million (hereinafter: "Approved Offering").

(3) Provisions regarding the transferability of rights between the Company and JPM, and Clal:

Following Clal's investment agreement (see this Note above), the Company and JPM signed an agreement arranging the transferability of their rights as a group with Clal, including a specific provision pertaining to the relationship between the Company and Clal.

In addition, the Company and JPM committed to Clal that if until January 2, 2022, a drag-along procedure occurs that is not according to the format of a public offering on the U.S. Stock Exchange or in a procedure of merging Carr into a receiving public company, and during which the future buyer objects to Clal continuing to hold Carr's shares, then to the extent that the sale price per share is lower than USD 1.54, the Company and JPM will pay Clal the difference (on a pro rata basis) up to the above price for its holdings sold.

In addition, the above agreement includes provisions regarding Clal's right to join the Company (on a pro rata basis) in cases in which the Company realizes shares on a tag-along basis for sales made by JPM or if the Company purchases shares from JPM whether as a result of exercising its right of first offer or its right of first refusal granted by JPM.

(4) Provisions regarding non-controlling interests:

- A non-controlling interest may transfer his rights in the partnership, with the consent of the Group and JPM, as long as any such agreed-upon transfer will be to an institutional investor and will be subject to the Group's and JPM's right of first refusal.
- Until the date of an approved offering, a non-controlling interest (except Clal) is entitled to compel the partnership to acquire his rights in the partnership (in certain cases the partnership has the right to reject the obligation). The purchase price of such a purchase will be equal to the net asset value (NAV) of his rights in the partnership; and for non-controlling interests who are not Carr employees, it will be 97% of the NAV of these rights in the partnership. Therefore, these rights are presented in Carr's financial statements as a liability.

J. The Group's Holdings in PSP Swiss Property (hereinafter: "PSP") – an associate

(1) PSP's business

PSP is a company whose securities are traded on the Zurich Stock Exchange, Switzerland. PSP is one of the two largest public income-generating property companies in Switzerland.

PSP specializes in income-generating property in the Swiss market and based on its financial statements, as of December 31, 2019, it owns 162 income-generating properties with an estimated fair value of CHF 7.3 billion (NIS 26 billion), 63% of which are used for offices, 17% for commerce, and the remainder for other uses. PSP's income-generating properties are spread over a total area of 913 thousand sq.m., 54% of PSP's total rental space is in Zurich, 11% in Geneva, and the rest is in other cities. Furthermore, none of PSP's income-generating properties is in and of itself material to PSP. PSP has one tenant the revenues from whom constitute 9% of its total revenues. In addition to the properties mentioned above, as of December 31, 2019, PSP is developing the construction of 12 real estate projects, the total investment in which as of that date was CHF 722 million (NIS 2.6 billion).

Note 6 - Investments in Investees (continued)

During 2019, the Company sold 950 thousand PSP shares for a consideration of CHF 123.5 million (NIS 440.4 million). As a result of the sale, the Company listed a profit (before tax) of NIS 96.7 million (an after tax capital gain of NIS 71.1 million)[4].

As of December 31, 2019, the Group held 3.65 million PSP shares, constituting 7.96% of PSP's capital stock.

Subsequent to the balance sheet date, the Company sold an additional 850 thousand PSP shares for a consideration of CHF 124 million (approx. NIS 450 million). As a result of this sale, the Company is expected to record a capital gain (before tax) of NIS 130 million in the first quarter of 2020.

After the sale and as of the date of approval of the financial statements, the Group holds 2.8 million PSP shares, constituting 6.1% of PSP's capital stock.

(2) Accounting policy (Investment in PSP)

The Company’s investment in PSP is presented according to the equity method, since the Company’s management believes that it can clearly demonstrate that the Company has significant de facto and effective influence in PSP. The following are the main information and representations used by the Company's management to form its above assessment:

- According to information available on PSP and published on the Swiss Stock Exchange, near the date of approval of the financial statements and in the years 2017, 2018 and 2019, the Group is the largest interested party and shareholder in PSP (according to Swiss law there is a reporting obligation for holders of over 3% of the company's capital stock). In addition, the other holdings in PSP are characterized by high dispersion and very low holding rates.
- PSP's senior management consults with the Company's CEO from time to time on subjects related to the determining of PSP's business policy, for making significant decisions for PSP's operations (such as the acquisition or realization of assets) and for the management of its lines of credit.
- Until the Company CEO's appointment as a director at PSP, PSP only prepared interim semiannual financial statements, according to accepted practice in Switzerland. At the Company's request, and as a condition for the appointment of the Company’s CEO to PSP's Board of Directors, and for the Company to comply with its reporting obligations in Israel, PSP’s Board of Directors decided to make the transition to quarterly financial statements.
- The Company’s CEO has served on the PSP Board of Directors since April 2007 (in addition to being a member of the Audit Committee and the Remuneration Committee) and the Chairman of the Company’s Board of Directors has served as a director since April 2009. In total, 7 directors serve on PSP’s Board of Directors, 2 of them, as noted, on behalf of the Company.

In April, 2020, the reappointment of Aviram Wertheim and Nathan Hetz will be brought for the approval of the PSP General Assembly.

In view of the sale of PSP shares subsequent to the balance sheet date and depending on the results of the Assembly regarding the appointment of directors, whatever they may be, the Company will examine the continued implementation of the accounting treatment whereby PSP is presented using the equity method.

[4] As detailed in Section (2) below, the accounting treatment of the investment uses the equity method, and therefore the Company records its share in PSP’s profits on a quarterly basis.

Note 6 - Investments in Investees (continued)

(3) PSP dividend distribution policy

According to its publications, PSP has a dividend payment policy amounting to at least 70% of the profits from current operations (not including the revaluation of income-generating property) based on its funds from operations (FFO).

In accordance with this policy, PSP paid its shareholders dividends of CHF 3.40 and 3.50 per share for 2017 and 2018, respectively (the Company's receipts – approx. NIS 70 million and approx. NIS 58 million, respectively).

On April 9, 2020, the PSP General Assembly will decide on a dividend distribution in the amount of CHF 3.6 CHF for 2019, which is planned for April 2020. The service of the members of the Board of Directors will also be presented for reapproval, including two representatives of the Company.

PSP reported profits for 2019 amounting to CHF 453 million. The Company recognized its share in PSP's profits for 2019 in the amount of NIS 154 million (CHF 43 million).

(4) Condensed financial information PSP

	For the Year ended December 31		
	2019	2018	2017
	CHF thousands		
Revenues (not including real estate valuations)	311,252	298,029	297,111
Fair value adjustment of investment property and profit from its realization	259,137	169,184	83,880
Profit from continuing operations	453,425	308,152	256,890
Other comprehensive income	431	16,135	18,088
Comprehensive income	453,856	324,287	274,978
Company share in net profits in CHF thousands	43,009	37,039	31,426
Company share in comprehensive income in CHF thousands	42,967	38,979	33,633
Company share in net profits in NIS thousands	154,088	135,913	114,411
Company share in comprehensive income in NIS thousands	153,906	143,043	122,485

	As of December 31	
	2019	2018
	CHF thousands	
Current assets	110,263	200,594
Non-current assets	7,925,982	7,418,689
Current liabilities	642,024	684,041
Non-current liabilities	2,944,001	2,778,335
Equity attributable to PSP shareholders ("net assets")	**4,450,220**	**4,156,907**
Company share in net assets	354,169	416,924
Goodwill	32,241	40,633
Book value of investment in CHF	386,410	457,557

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Book value of investment	1,381,418	1,742,011

Note 6 - Investments in Investees (continued)

(5) As of December 31, 2019, PSP's total market value was CHF 6.1 billion (near the date of publication of the report – CHF 4.8 billion), and according to its financial statements its equity as of December 31, 2019 was CHF 4.45 billion.

PSP has been rated A- International with a stable outlook by the Fitch international rating agency and A3 with a stable outlook by Moody’s.

K. The Company's holdings in Boston – associates

(1) As of December 31, 2019, the Company holds approx. 55% of the equity rights and 50% of the controlling rights (through wholly owned corporations), in three companies that hold a cumulative three office towers (2 in Boston's CBD and one in East Cambridge) the total value of which at the end of 2019 is USD 764 million (NIS 2.6 billion) (hereinafter together: "**Boston Partnerships**"). The Company’s partner in the Boston corporations is the Oxford Properties Group (hereinafter: “Oxford”), which provides asset management services under agreed terms identical to market terms.

The total rental area of the three buildings is 870 thousand sq.ft. (81 thousand sq.m.) and the weighted occupancy rate as of December 31, 2019 is 92.5%. The rental rate (i.e., the rate of the rented area, based on signed contracts, even if not occupied) as of December 31, 2019 is 100%. The three buildings generated a total annual NOI in 2019 in the amount of USD 33 million (NIS 117 million).
The Boston partnerships took long-terms loans in the total amount of USD 325 million (NIS 1.1 billion) at 3.9% weighted interest.

In 2019, real estate valuations were recorded for the three properties in the cumulative amount of USD 63.7 million (before tax) (Group's share – USD 35 million, approx. NIS 124 million).

The balance of the Group’s investment in the three Boston companies as of December 31, 2019 amounts to USD 244 million (NIS 844 million).

(2) Limitation on the transferability of rights

As part of the series of agreements the Company entered into, through its partially and/or wholly owned companies, a number of provisions were determined in connection with the limitation on the transferability of rights in the three Boston partnerships as follows:

- **Right of first offer –** The sale of rights will be by way of selling all rights to a qualified investor, as defined in the agreement, subject to the granting of the right of first offer to the remaining partner, as specified in the agreement, with the exception of a sale or transfer to related parties, which is not subject to the right of first offer.
- **Compelled sale –** five years from the date of closing of each transaction, which end in December 2020 or February 2022, as the case may be, the sale of rights to a third party, subject to the granting the right of first offer to the remaining partner, as noted above, will grant the selling party the right to compel the remaining party to sell their rights to the same third party, subject to terms specified in the agreement.
- **Purchase-Sale** – Each of the partners will have the right to activate a purchase-sale mechanism, through an irrevocable notice to the other partner, as specified in the agreement.

(3) Dividend distribution and capital reduction policy

The corporations through which the Group holds office buildings are defined as REIT for US tax purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of their adjusted taxable income.

Note 6 - Investments in Investees (continued)

In 2019, the Group received dividends and capital reductions from the Boston companies in the amount of USD 10 million (NIS 36 million).

L. Investment in Brockton Capital LLP

As stated in Note 6d. Regarding the establishment of BE, in March 2018, BE acquired the full rights in Brockton Capital LLP (hereinafter: "Brockton LLP"), which manages the Brockton Funds, for a total of GBP 40 million (NIS 194 million).

Brockton LLP will continue to manage the three existing Brockton Funds until all of the fund assets are realized. The Company has no control over this activity and therefore, Brockton LLP is presented according to the equity method. For additional information on the Company's investments in the Brockton Funds – see Note 5 above.

Cash flow in purchase:

	GBP thousands	NIS thousands
Consideration paid in cash	39,748	193,787

Amounts recognized for assets and liabilities:

	GBP thousands	NIS thousands
Working capital	249	1,212
Fixed assets	595	2,899
Trade name (1)	1,700	8,288
Existing contracts (2)	3,500	17,064
Amount attributed to a contingent consideration arrangement with the Brockton partners (3)	28,551	139,199
Tax reserve	(5,624)	(27,421)
Goodwill (4)	10,777	52,546
Total	39,748	193,787

(1) Trade name – the “Brockton” trade name has been in use since the founding of Brockton LLP in May 2005 and significantly supports the revenues of the Brockton Group. The trade name's estimated useful life span is 15 years and the asset will be amortized on a straight line basis over this period.

(2) Existing contracts – the estimated useful life span for existing contracts from the management of the Brockton II Fund and the Brockton III Fund is 3 years, and the asset will be amortized over this period.

(3) An amount attributable to a contingent consideration agreement with the Brockton partners – under the Brockton LLP acquisition agreement, it was determined that if the Brockton partners retire during the period from the date of acquisition until December 2025, BE will have the right to appropriate the partners’ holdings in BE for GBP 1. In addition, should the Brockton partners retire by December 2021, they will have to complete in cash the value of the appropriated in on the value of the forfeited shares to GBP 28.6 million (inasmuch as the value will be less than that amount). In accordance with IFRS principles, this amount is attributed to future services to be provided by the Brockton partners until December 2025 and therefore constitutes a share-based remuneration that will be recognized in the Statement of Income over the service period.

Note 6 - Investments in Investees (continued)

The amount of GBP 12.9 million invested by the Brockton partners in BE is treated as a share-based payment settled in equity instruments, and the balance in the amount of 15.7 is treated as a share-based payment settled in cash.
The balance attributable to the payment settled in cash is presented in “other receivables", while the balance attributable to the payment settled in equity instruments is presented in “non-controlling interests”.

The following are amortization rates over the period:

	Annual Amortization Rate
2018	16.27%
2019-2021	21.69%
2022-2025	7%-1.6%

(4) Goodwill – goodwill created in the acquisition of an entity represents the excess of the purchase cost over the Company's rights in the net fair value of the entity’s identifiable assets, identifiable liabilities and contingent liabilities recognized on the purchase date.

In the reporting period, the Company recorded a loss in the amount of GBP 6 million (NIS 28 million) for the amortization of intangible assets as detailed above (of which the share attributed to the shareholders – 93%). In the previous period, the Company recorded a loss in the amount of GBP 5 million (NIS 23 million) for the amortization of intangible assets as detailed above (of which the share attributed to the shareholders – 77%).

M. Immaterial joint ventures

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Total book value of joint ventures which in themselves are immaterial (*)	488,602	454,213

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Group’s share in profits of joint ventures (*)	51,135	19,919	17,280

(*) These joint ventures are mainly with Amot.

N. Associates whose statements were / were not attached to the Company's financial statements

The Company attaches PSP’s and Carr Holdings’ financial statements to its own financial statements.
The Company does not attach to its financial statements the statements of the Aviv Fund, OPG 125 Summer REIT Investor (DE) LLC, OPG 745 Atlantic REIT Investor (DE) LLC, Davenport REIT Investor (DE) LLC, Brockton Capital LLP and of the joint ventures with Amot and Energix, as their financial statements are immaterial relative to the Company's financial statements.

Note 7 – Connected Electricity-generating Facilities

(a) Composition and movement of connected electricity-generating facilities, fixed assets and right-of-use asset:

	Photovoltaic Systems	Wind Systems	Total Electricity-generating Facilities	Fixed Assets	Right-of-use Asset	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost						
Balance as of January 1, 2018	368,348	807,434	1,175,782	98,038	-	1,273,820
Disposals during the year	-	-	-	(242)	-	(242)
Effect of changes in exchange rate	-	3,108	3,108	-	-	3,108
Reclassification of systems in development to connected systems	268,185	-	268,185	-	-	268,185
Additions during the year	-	32	32	3,033	-	3,065
Balance as of December 31, 2018	636,533	810,574	1,447,107	100,829	-	1,547,936
Initial implementation of IFRS 16 (*)	-	-	-	-	121,184	121,184
Reclassification of systems in development to connected systems	66,246	-	66,246	-	-	66,246
Disposals during the year	-	-	-	(229)	-	(229)
Effect of changes in exchange rate	-	(71,889)	(71,889)	3	(2,835)	(74,721)
Additions during the year	-	-	-	5,014	47,626	52,640
Balance as of December 31, 2019	702,779	738,685	1,441,464	105,617	165,975	1,713,056
Accumulated Depreciation						
Balance as of January 1, 2018	55,402	46,735	102,137	19,476	-	121,613
Additions during the year	17,110	25,623	42,733	3,950	-	46,683
Disposals during the year	-	-	-	(193)	-	(193)
Effect of changes in exchange rate	-	288	288	-	-	288
Balance as of December 31, 2018	72,512	72,646	145,158	23,233	-	168,391
Additions during the year	26,286	24,388	50,674	4,514	5,361	60,549
Disposals during the year	-	-	-	(28)	-	(28)
Effect of changes in exchange rate	-	(6,930)	(6,930)	-	-	(6,930)
Balance as of December 31, 2019	98,798	90,104	188,902	27,719	5,361	221,982
			-			-
Depreciated cost			-			-
Balance as of December 31, 2019	603,981	648,581	1,252,562	77,898	160,614	1,491,074
Balance as of December 31, 2018	564,021	737,928	1,301,949	77,596	-	1,379,545

Note 7 – Connected Electricity-generating Facilities (continued)

(b) Details regarding Energix systems:

		Energix's Share	Country	Revenues in 2019	As of December 31 2019	2018	
					Depreciated Cost		
				NIS millions	NIS thousands	NIS thousands	Reference
Neot Hovav	Photovoltaic	37.5 MWp	Israel	44.6	231,023	243,113	(c)
Small and medium-sized projects	Photovoltaic	122.2 Mwp (**)	Israel	45.3	372,958	320,905	
Banie Project (Stage A+B)	Wind farm	106 MW	Poland	134.0	579,083	658,899	(d) (e)
Iława Project	Wind farm	13.2 MW	Poland	14.5	69,498	79,032	(f) (g)
Total assets, net				238.4	1,252,562	1,301,949	

(*) These revenues do not include revenues in the amount of NIS 3 million in respect of Energix's share in the revenues of a partnership included under "revenues from the profits of associates".

(**) Of this total capacity, the amount of 24 Mwp was connected in the fourth quarter of 2019 and generated revenues approx. NIS 0.6 million. Approx. 40 Mwp of the capacity was connected to the electricity grid subsequent to the balance sheet date.

(c) Neot Hovav project

The Neot Hovav project is a photovoltaic project with a capacity of 37.5 MWp located in the Neot Hovav Eco-Industrial Council area (hereinafter - "**the Land**" and "**the Council**" ,respectively) and is fully owned by Energix through a designated project company (hereinafter - "**the Neot Hovav Project**" or "**Neot Hovav**").

Land Rights: Through its Neot Hovav project company, Energix has a leasehold right for a period of 20 years (as of December 2014). Energix made a single one-time advance payment of the rental fees in the amount of NIS 35 million to the Council for the entire rental period. In accordance with the agreements between the project company and the Council, Energix provided a bank guarantee in the amount of NIS 3 million to secure the project company's obligations according to the rental agreement with the Council.

For details regarding the terms of the financing, see Note 12.d.(1).

(d) Winning projects in the Electricity Authority's first tender - 90 MWp:

Energix has 9 high-voltage photovoltaic facilities with a total capacity of 90 MWp located in southern Israel, which were constructed and connected during 2018. Energix's share in the project is 94%. The facilities are entitled to a guaranteed CPI-linked rate of NIS 0.20 per 1 KWh produced for a period of 23 years from the date of their commercial operation.

For details regarding the terms of financing, see Note 12d(4).

(d) Winning projects in the Electricity Authority's second tender - 62 MWp:

Energix has 7 photovoltaic facilities located in southern Israel, which were constructed in 2019, of which 3 (24 MWp) were connected to the electricity grid as of the date of the report. As of the date of approval of the report, 5 systems were connected to the electricity grid with a capacity of approx. 40 MWp, and regarding the additional 2 systems, the construction has been completed and Energix is in compliance with the competitive procedure to secure the winning tariff. Energix's share in the project is 70%. The facilities are entitled to a guaranteed CPI-linked rate of NIS 0.20 per 1 KWh produced for a period of 23 years from the date of their commercial operation.

Note 7 – Connected Electricity-generating Facilities (continued)

(f) Banie project

In northwestern Poland, Energix holds (through a dedicated company) a wind farm (for the generation of electricity) connected to the electricity grid with a capacity of 106 MW (hereinafter in this section - "**the Banie Project**" or "**the Project**"). All of the electricity produced and the Green Certificates issued for it can be sold by the project company to a local electricity broker or to the local marketer according to their price

(1) Project operation

Energix has engaged with the construction contractor (turbine manufacturer) of the project in an operating agreement until June 2036, under terms customary for projects of this type.

(2) Sale of electricity and green certificates

Starting in January 2018, Energix sells (through a project company) the full amount of electricity produced in the project to a local electricity broker. According to the agreement, the electricity will be sole according to the price of electricity on the local electricity exchange or according to a fixed price that will be determined as part of a sale price fixing transaction between the parties, less adjustments stipulated in the agreement, which reflect, among other things, the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). The green certificates are sold within the framework of a sale on the green certificate exchange in Poland according to the price on the exchange, as well as through future sale transactions at a predetermined price, in which Energix periodically engages with local electricity brokers.

Energix has made transactions determining the price of electricity sales at the Company's two wind farms in Poland, with respect to approx. 76% of the project's total electricity production for 2020 at a price of approx. PLN 282 per 1 MWh produced. It should be clarified that the final electricity price to be taken into account in the price fixing transactions will be determined subject to an adjustment of the price according to the profile of the actual electricity generation hours in the wind farm. In addition, Energix has made transactions determining the price of green certificates for 2020, in respect of approx. 70% of the expected volume of green certificates to be issued to the wind farm in that year at a price of approx. PLN 146.5 per certificate; as well as transactions determining the price of green certificates for 2021 in respect of approx. 47% of the expected volume of green certificates to be issued to the wind farm that year at an average price of approx. PLN 147.5 per certificate.

Sale of "Green Certificates" – Green Certificates are issued to producers of electricity from renewable energy, according to one green certificate for each 1 MWh of electricity produced from renewable energy. The green certificate entitlement period is 15 years. Electricity producers, not using renewable energy, are required by law to hold green certificates at a certain percentage of their electricity sales or alternatively, to pay a fee (fine) set by the regulator. The green certificates can be traded on the Polish electricity exchange or sold directly to electricity producers (instead of them paying the fine).

(3) Regarding voluntary early repayment of the project financing received in connection with the project, see Note 12d. (3)

Note 7 – Connected Electricity-generating Facilities (continued)

(4) Land rights

The project company has rental rights for the land on which the project is constructed, through a subsidiary fully owned by the project company. The rental rights are for a period of 29 years from the signing of the rental agreements. The total expected rental expenses for the year for Stages A and B together amount to a total of PLN 4.2 million (NIS 3.9 million).

(5) Regarding the project's financing, see Note 12.d.(3).

(g) Iława Project

Energix owns 100% of the rights in a wind project in Poland with a capacity of approx. 13.2 MW (hereinafter - "the **Iława** Project"), which was connected to the electricity grid in June 2016. The project comes under the arrangement granting green certificates to wind farms, in addition to the sale of "black" electricity on the market.
Regarding the sale of electricity and green certificates, see Section (f)(2) above.
Energix has a long-term agreement for the receive of operating services from Vestas, the turbine manufacturer, for a period of 15 years.

Note 8 – Electricity-generating Facilities in Development and in an Advanced Initiative

The balance of systems in development as of the reporting date is mainly in respect of payments in connection with projects as detailed below:

A. ARAN project – wind energy initiative in Israel:
Energix holds 100% of the shares granting management rights (including the appointment of all members of the Board of Directors) and 73% of the shares granting the right to receive dividends in a private company that holds the rights to initiate and develop a project for the construction of a wind farm in the Golan Heights with a capacity of approx. 110-120 MW (hereinafter - "the Project Company" and "**the ARAN Project**", respectively).

During the reporting period, the government approved the National Infrastructure Committee's plan for 24 turbines (110-120 MW) followed by the granting of a conditional license for the capacity as stated. In accordance with the National Infrastructure Committee's decision, the approved plan includes the possibility of adding 7 turbines with an additional capacity estimated at approx. 30-40 MW, subject to obtaining confirmation that there is no impediment to their construction due to land-related aspects, within a 12-month period from September 2019.

As of the date of approval of the report, Energix is continuing to develop the project with the aim of obtaining all required approvals as a condition for its establishment, including a building permit, tariff approval, financial closure, etc., and is in negotiations with turbine suppliers for the project.

In view of the progress in the statutory procedure in the National Infrastructure Committee, the Electric Company and other entities, Energix capitalizes the associated costs and commitments for the promotion of the project to the property even before the project has tariff approval or a commitment for financing. Accordingly, Energix recognized the asset in the amount of NIS 36.3 million against current costs and contingent liabilities.

Note 8 – Electricity-generating Facilities in Development and in an Advanced Initiative (continued)

B. Projects nearing construction and advanced photovoltaic development in Israel:

1) **Projects nearing construction with a capacity of approx. 104 MWp -**
In April 2019, Energix won the third competitive tender (Energix's share - 70%, with the exception of net cash flow, for which the Company's share is approx. 91%) published by the Electricity Authority for the construction of high-voltage facilities with a capacity of approx. 104 MWp. The rate set in the tender is NIS 0.1818 per 1 KWh produced, for 23 years, to the extent the project's construction is completed by August 2021.

As of the date of approval of the report, Energix is preparing for the construction of the projects and, for this purpose, has engaged in agreements for the purchase of the main equipment for their construction. In addition, in February 2020, Energix engaged in a memorandum of understanding for project financing on a non-recourse basis in an amount up to NIS 320 million.

The expected construction cost is NIS 265-315 million and the expected annual revenue is NIS 33-35 million. as of the reporting date, the balance of the investment in the project is immaterial. The information included in this section regarding the expected construction cost and annual revenue is forward-looking information.

2) **Projects in the advanced development stage with a capacity of 39 MWp -**
Energix is working to complete the development and initiation of high-voltage facilities with a capacity of 39 MWp, which it intends to establish as part of the quota it won for a guaranteed tariff (Energix's share - 70%, with the exception of net cash flow, for which the Company's share is approx. 91%) as part of the fourth competitive procedure issued by the Electricity Authority. The rate set in the tender is NIS 0.1798 per 1 KWh produced, for 23 years, to the extent the project's construction is completed by July 2021.
It should be clarified that unlike previous competitive procedures published by the Electricity Authority, the fourth procedure gives the entrepreneur the right to notify the Electricity Authority of a reduction or even an elimination of his share of the winning quota, to the extent that a place in the electricity grid is not found for the projects he wishes to establish within the winning quota. At this point, Energix is not able to estimate the capacity of the actual projects that will be established within this quota.

The expected construction cost is NIS 100-120 million and the expected annual revenue is NIS 12-14 million. As of the reporting date, the balance of the investment in the project is immaterial. The information included in this section regarding the expected construction cost and annual revenue is forward-looking information.

3) **High-voltage project in the advanced development stage with a capacity of 90 MWp -**

Energix is working to promote the development and planning of a project with a capacity of up to 90 MWp of extra-high voltage, which it intends to establish as part of the quota it won for a guaranteed tariff (Energix's share - 70%, with the exception of net cash flow, for which the Company's share is approx. 91%) as part of the first competitive procedure issued by the Electricity Authority for extra-high voltage.

The tariff set in the competitive procedure is NIS 0.156 per 1 KWh produced, CPI-linked, for 23 years from the date of the facility's commercial operation and dependent on completion of the project's construction by the fourth quarter of 2022.

The expected construction cost is NIS 240-280 million and the expected annual revenue is NIS 28-30 million. As of the reporting date, the balance of the investment in the project is immaterial. The information included in this section regarding the expected construction cost and annual revenue is forward-looking information.

C. Projects in Poland (wind energy):

Energix 2 has a wholly owned wind farm with a total capacity of approx. 126 MW, which has completed the initiation and development stage and is ready for construction. In December 2019, these two projects won a wind tender for a guaranteed electricity production tariff issued by the Polish Electricity Authority. This is in accordance with the regulation based on tariff tenders in effect as of the reporting period. Under the terms of the tender, each of the wind farms that won, upon its commercial operation, will be eligible for a guaranteed index-linked tariff for 15 years relative to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. The balance will be sold by the Company at market prices.

As of the date of approval of the report, Energix is in the process of negotiating the purchase of turbines and engaging with contractors to carry out the civil and electrical work for the construction of the wind farm. At the same time, Energix is exploring several alternatives for the financing of the project's construction.

The expected construction cost, to the extent these farms are built, is in the amount of NIS 530-630 (PLN 480-570 million) and the expected annual revenue from the projects is NIS 75-85 million. As of the reporting date, the balance of the investment in these projects is NIS 27 million.

In addition, Energix is engaged in the initiation of a wind farm project with a capacity of approx. 56 MW (Energix's share - 68%). After the reporting period, Energix acquired 68% of the ownership rights in a wind farm located near Stage C of the Banie project against Energix's commitment to complete, at its expense, the development of the wind farm and the establishment of a connection to the grid.
As of the date of approval of the report, Energix has completed all of the permits required to start the project and the project is currently awaiting approval for its connection to the electricity grid. Energix intends to participate in a tariff tender in connection with the project.

The information regarding the expected cost of construction is forward-looking information.

D. Photovoltaic project development activity in the United States:

1) Projects in development with a capacity of approx. 82 MWp -

During the reporting period, Energix began construction of four 82 MWp projects in the state of Virginia, as part of a joint venture (Energix's share - 58%) through which Energix operates in the U.S. As part of the projects' financial closing, in August 2019, Energix entered into an agreement with a subsidiary of the global energy company Shell to fix electricity prices of approx. 80% of the expected electricity production output of the project and for the sale of all green certificates from the project for a period of approx. 12 years. The sale of all of the electricity actually produced will be carried out in accordance with the agreements signed with the local electric company for 13 years at market prices.

Note 8 – Electricity-generating Facilities in Development and in an Advanced Initiative (continued)

At the same time, in September 2019, Energix entered into a series of binding agreements with a leading financial institution (hereinafter: "the Tax Partner") whereby the tax partner will invest an estimated USD 47 million against receiving final rights in a project, mainly the federal tax benefit (ITC) stemming from the project. The investment will be made subject to completion of the stipulated preconditions, including completion of the projects' construction by an agreed date.

In March 2020, subsequent to the date of the financial statements, the threshold conditions for the transaction for the project at a capacity of 21 Mwp were completed and accordingly the tax partner invested an initial amount of approx. USD 12 million from his total investment.

The expected construction cost is NIS 320-350 million and the expected annual revenue is NIS 16-22 million. As of the reporting date, the balance of the investment in the project is approx. NIS 215 million.
The information included in this section regarding the expected construction cost and annual revenue is forward-looking information.

2) Projects nearing construction with a capacity of approx. 104 MWp -

Energix is preparing for the construction of 5 photovoltaic projects, which are in advanced development stages, with a cumulative capacity of approx. 115 MWp in Virginia (Energix's share - 100%), which it acquired in a property acquisition transaction in December 2019 with an entrepreneurial company in the United States, for the amount of approx. USD 7.6 million.
In addition, Energix is preparing to establish another photovoltaic project in Virginia with a capacity of approx. 25 MWp, in the framework of its operations as part of the United States venture.
Energix is working to complete the conditions for financial closure (among other things, signing binding agreements for the purchase of electricity from the projects and engaging with a tax partner).

The expected construction cost is NIS 500-575 million. As of the reporting date, the balance of the investment in the project is approx. NIS 62 million.

The information included in this section regarding the expected construction cost is forward-looking information.

3) Solar panel purchase agreement -
In April 2019, Energix signed a series of agreements with First Solar for the purchase of panels totaling approx. USD 120 million for the years 2019-2021 for projects in the United States and in Israel. The panels ordered are recognized in "systems in development" in the financial statements.

It should be noted that in accordance with United States law, the purchase of equipment that is at least 5% of the cost of construction of any project by 2019 will allow that project to maintain the tax benefit rate of 30% (hereinafter: "**ITC**"), provided that the construction of the project is completed by 2023. Accordingly, due to this purchase, Energix has panels worth approx. USD 65 million that are expected to be used to maintain the ITC tax benefit rate of 30% (which, without the purchase of the panels, would have been gradually reduced to 10%), with respect to projects constructed in the United States by the end of 2023.

Note 9 - Restricted Deposits

The balance of long-term restricted cash in the amount of NIS 41 million as of December 31, 2019 (a total of NIS 48 million as of December 31, 2018) is cash that Energix has deposited into reserve funds for debt service as required by the terms of the financing agreements in connection with loans taken from financial institutions. For further details, see Note 13. Short-term pledged deposits include cash deposited in the Bank for the provision of letters of credit to suppliers for construction projects and guarantees in connection with tenders in which Energix participated and won.

Note 10 - Additional Information regarding Current Liability Items

Composition:	Annual Interest as of December 31	As of December 31	
	2019	2019	2018
a. Short-term credit and current maturities of long-term loans	%	NIS thousands	NIS thousands
Short-term loans			
In unlinked NIS (variable interest) - (2) below	p-0.5/p-0.1	265,491	-
Commercial securities – (1) below	P-1.11%	-	343,562
Current maturities of long-term loans	Note 12a.	84,761	93,903
Interest component in bond expansion		1,116	5,752
		351,368	443,217

(1) **Commercial securities**
On August 21, 2019, Amot initiated repayment of all the commercial securities it issued for the amount of NIS 344 million.

(2) **Short-term loans**
In February 2020, subsequent to the date of the financial statement, the Group repaid the short-term credit.

	As of December 31	
	2019	2018
b. Other payables	NIS thousands	NIS thousands
Interest payable in respect of long-term loans and bonds	200,017	166,333
Interest payable in respect of lease liabilities (*)	3,163	-
Suppliers and service providers	160,302	54,796
Advance income	41,562	15,213
Accrued expenses	31,340	27,229
Accounts payable in respect of investment property	115,610	37,739
Derivative financial instruments, designated as hedges (see Note 23)	9,141	62,085
Liabilities to partners	1,242	1,294
Others (**)	86,956	43,862
	649,333	408,551

(*) Regarding the initial implementation of IFRS 16, see Note 2.bb.a.
(**) This balance includes, among other things, a liability for payment in respect of projects nearing construction in Poland.

Note 11– Bonds

A. Composition:

	As of December 31 2019			As of December 31 2018		
	Current Maturities	Long-term Bonds	Total	Current Maturities	Long-term Bonds	Total
	NIS thousands			NIS thousands		
Bonds (Series F) – b. below	-	-	-	258,320	-	258,320
Bonds (Series H) – c. below	215,992	684,324	900,316	145,813	609,799	755,612
Bonds (Series I) – d. below	132,044	1,225,135	1,357,179	-	1,365,828	1,365,828
Bonds (Series J) – e. below	-	1,336,392	1,336,392	-	921,838	921,838
Bonds (Series K) – f. below	-	197,685	197,685	-	-	-
Bonds (Series L) – g. below	-	397,085	397,085	-	-	-
Amot bonds (Series A) – h. below	-	-	-	153,912	-	153,912
Amot bonds (Series C) – i. below	109,304	-	109,304	107,607	111,670	219,277
Amot bonds (Series B) – j. below	418,486	869,189	1,287,675	139,053	1,305,916	1,444,969
Amot bonds (Series D) – k. below	-	1,753,728	1,753,728	-	1,764,345	1,764,345
Amot bonds (Series E) – l. below	-	1,103,227	1,103,227	-	1,103,349	1,103,349
Amot bonds (Series F) – m. below		1,003,668	1,003,668	-	-	-
Amot bonds to others – o. below	4,394	9,548	13,942	4,146	13,899	18,045
Energix bonds (Series A) – p. below	-	423,409	423,409	-	-	-
	880,220	9,003,390	9,883,610	808,851	7,196,644	8,005,495

Note 11 – Bonds (continued)

B. Bonds (Series F)

During 2007-2011, the Company issued 1,828 million par value bonds (Series F) for a net amount of NIS 1,890 million.

The bonds bore annual interest of 4.25% and were linked (principal and interest) to the CPI published for January 2007.

In February of 2013-2019, repayments of linked principal in the amount of NIS 232-235 million were made each year. In February 2019, the bonds (Series F) were fully repaid.

C Bonds (Series H)

During 2012-2019, the Company issued 1,234 million par value bonds (Series H), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 13) for bonds (Series H), for a net amount of NIS 1,384 million (the above includes the consideration for the bonds (Series H), the consideration for the options (Series 13), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The outstanding balance of the bonds (Series H) as of December 31, 2019, is repayable in four annual payments (at a rate of 25% of the principal balance, each), in February of each of the years 2020-2023 (inclusive), bearing annual interest at a rate of 4.45% and linked (principal and interest) to the CPI published for January 2012. The total effective interest rate for the bonds (Series H) is 1.83%.

The balance of bonds (Series H) in circulation as of December 31, 2019 is NIS 832 million PV, and as of the publication of the financial statements, NIS 624 million PV.

The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series H) will increase by 0.25% for each drop of one "abandoner" (meaning one variable of 3 variables existing as sub-steps in each rating category), but no more than the addition of a single percentage point.

The bonds (Series H) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K and L. See Subsection (f) below.

D. Bonds (Series I)

During 2015-2018, the Company issued 1,320 million par value bonds (Series I), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 14) for bonds (Series I), for a net amount of NIS 1,408 million (the above includes the consideration for the bonds (Series I), the consideration for the options (Series 14), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).
The balance of bonds (Series I) in circulation as of December 31, 2019 is NIS 1,320 million PV, and as of the publication of the financial statements, NIS 1,188 million PV.

The bonds (Series I) are repayable in eight annual payments (the first four payments at a rate of 10% of the principal and the last four payments at a rate of 15% of the principal, each, in February of each of the years 2020-2027 (inclusive), bearing annual interest at a rate of 3.85% and are not linked. The total effective interest rate for the bonds (Series I) is 3.09%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series I) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

Note 11 – Bonds (continued)

In addition, the Company performed cross currency swaps with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 374 million to CHF cash flows for the life span of the bonds at an annual interest rate (in CHF) of 1.23%. In addition, the Company performed cross currency swaps with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 341 million to USD cash flows for the life span of the bonds at an annual interest rate (in USD) of 3.69%. These transactions are intended for accounting hedging of net investments in foreign activity.

The bonds (Series I) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, J, K and L. See Subsection (f) below.

E. Bonds (Series J)

During 2015-2019, the Company issued 1,315 million par value bonds (Series J), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,342 million (the above includes the consideration for the bonds (Series J) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The remaining par value of the bonds (Series J) as of December 31, 2019 and as of the date of publication of the financial statements was NIS 1,315 million PV.

The bonds (Series J) are repayable in four annual payments at a rate if 25% of the principal in February of each of the years from 2024 to 2027 (inclusive), bearing variable annual interest at a margin of 2.24% above the average weighted Bank of Israel interest rate for the period, and are unlinked. The total effective interest rate for the bonds (Series J) is 2.20%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series J) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

The bonds (Series J) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, I, K and L. See Subsection (f) below.

F. Bonds (Series K)

In August, 2019, the Company issued NIS 201 million PV of bonds (Series K) for a gross consideration of NIS 201 million (before issuance expenses).
The bonds (Series K) are in NIS and are not linked (principal and interest) to any index or currency. The bonds (Series K) will be repaid in six installments (in cash or in Company shares, at the Company's sole discretion) on February 28 of the following years and at the following rates: (1) 10% of the PV principal in each of the years 2022 and 2023; (2) 25% of the PV principal in each of the years 2028 and 2029, and (3) 15% of the PV principal in each of the years 2030 and 2031. The unpaid principal of the bonds will bear fixed annual interest of 2.66% and this will be paid (in cash or, starting February 28, 2022, in Company shares at the Company's sole discretion) on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series K) is 2.89%.

The bonds (Series K) include financial stipulations , the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds[5]:

(a) The Company's equity (less non-controlling interests) according to its Consolidated Financial Statements, may not be less, on the date of the Financial Statements and for four consecutive quarters, than an amount in NIS equal to NIS 2.1 billion[6].

[5] The description of the above financial stipulations applies to all of the Company's bonds.

[6] A minimum equity of NIS 1.2 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.

Note 11 – Bonds (continued)

(b) The ratio between the net financial debt and the value of the Company's holdings, based on the expanded solo statements as detailed in the Company latest audited or reviewed statements, may not exceed 0.8 at the end of the quarter for four consecutive quarters.
(c) The ratio between the Company's net financial debt and the FFO on the Company's expanded solo basis, as detailed in the Company's annual periodic report may not exceed 25 for two consecutive calendar years.
(d) The Company declares a dividend which will result in a reduction of equity to below NIS 2.1 billion[7].
(e) The Company declares a dividend in excess of the allowable amount (as defined in the Deed of Trust), at a time when the Company's equity, including as a result of the dividend distribution, will be less than the amount in NIS equal to NIS 2.5 billion[8].

If the bond rating is lower than the BBB minus rating for two consecutive quarters (with the exception of a technical lowering of the rating, as defined in the deed of trust).

Notwithstanding the above, the stipulations in subsections (b) and (c) above will not be valid in the event that the Company, if the events mentioned in (b) and (c) above occur by the end of the remedy period for these events, pledges assets with a senior lien in favor of the bondholders and for as long as the lien is in effect.

In addition, the bonds (Series K) include additional generally accepted conditions for their immediate repayment including the following events: (1) there has been a material deterioration in the Company's business; (2) structural change and merger; (3) liquidation, bankruptcy and asset realization, stay of proceedings and execution; (4) change in control under certain conditions; (5) trading halt and suspension of trading in bonds; (6) cross default; (7) cessation of payments; (8) failure to publish financial statements; (9) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation as defined in the Securities Law; (11) distribution of dividends when the equity is lower than a certain threshold, etc.

The bonds (Series K) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with the financial covenants stipulated in Subsections (a)-(c) above.

The remaining par value of the bonds (Series K) as of December 31, 2019 and as of the date of publication of the financial statements was NIS 201 million PV.

G. Bonds (Series L)

In August, 2019, the Company issued NIS 401 million PV of bonds (Series L) for a gross consideration of NIS 401 million (before issuance expenses).

The bonds (Series L) are in NIS and are not linked (principal and interest) to any index or currency. The amortization schedule of the bonds (Series L) is identical to the amortization schedule of the bonds (Series K) above. The unpaid principal of the bonds will bear fixed annual interest of 2.41% and this will be paid in cash on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series L) is 2.54%.

The bonds (Series L) include financial stipulations and additional generally accepted conditions for the their immediate repayment, identical to the financial stipulations and additional terms detailed in Section (d) above regarding the bonds (Series K).

[7] A minimum equity for a dividend distribution of NIS 1.3 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.

[8] A minimum equity for a dividend distribution exceeding the allowable amount in the amount of NIS 1.8 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 2.1 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.5 billion.

Note 11– Bonds (continued)

The bonds (Series L) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section (f) above.

The remaining par value of the bonds (Series L) as of December 31, 2019 and as of the date of publication of the financial statements was NIS 401 million PV.

As of the date of the report, the Company is in compliance with all financial covenants regarding the bonds (Series F), the bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L).

Collateral – The bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L) are not secured by liens.
Within the framework of the bond issues (Series H, Series I, Series J, Series K and Series L), the Company committed in a negative pledge that it would not create any floating liens on all of its whole property, unless it would create a floating lien of the same level pari passu in favor of the bondholders (Series H, Series I, Series J, Series K and Series L).

H. Amot Bonds (Series A)

From May 2006 to November 2009, Amot issued NIS 1,290 million PV bonds (Series A). The bonds were payable in 10 equal annual payments in July of each of the years 2010 through 2019, bearing annual interest of 4.95% and were linked (principal and interest) to the CPI for April 2006. The bonds were guaranteed by a symbolic lien on a deposit of 1 NIS. The bonds' weighted effective interest rate was 4.92%. On July 5, 2019, full and final repayment of the bonds (Series A) was made.

I. Amot Bonds (Series C)

From December 2009 to June 2015, Amot issued NIS 762 million PV bonds (Series C), linked to the CPI (for November 2009) and bearing annual interest of 4.9%. The bonds are payable in 8 equal annual payments at the end of December of each of the years 2013 to 2020 (inclusive).

The interest on the bonds is paid each December of the years 2010 through 2020 (inclusive). The bonds' weighted effective interest rate is 3.55%.

J. Amot's Bonds (Series B)

From July 2012 to October 2016, Amot issued NIS 1,360 million PV bonds (Series B), linked to the CPI (for June 2012) and bearing annual interest of 4.8%. The bonds are payable in 4 annual payments, the first payment at a rate of 10% on July 2, 2019 and three more payments of 30% each, starting July 2, 2020 and ending July 2, 2022. The interest payments will be made on July 2 of each of the years from 2013 to 2022 (inclusive). The weighted effective interest on the bonds is 2.97%.

The bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control;
- The net financial debt ratio (less the value of investment property in development) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating of Amot's bonds (Series B) is BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of the total statement of financial position less cash and cash equivalents and less tradable securities for two consecutive quarters;

Note 11 - Bonds and Bond Options (continued)

- The value of the unencumbered assets over the course of two consecutive quarters will not be less than NIS 1 billion, or of 125% of the balance of the Amot bonds (Series B), whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of a bond traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, the bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

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

K. Amot Bonds (Series D)

From July 2014 to May 2018, Amot issued NIS 1,650 million PV bonds (Series D), linked to the CPI (for July 2014), bearing annual interest at a rate of 3.2% and payable in six (6) unequal annual payments, to be paid on July 2 of each of the years from 2023 to 2028 (inclusive), as follows: (a) two payments of 20% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2023 and 2024 (inclusive). (b) Four payments of 15% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2025 through 2028 (inclusive). The interest payments will be made on July 2 of each of the years from 2015 to 2028 (inclusive). The effective interest on the bonds is 2.09%.

The bonds include a commitment not to create floating liens on Amot's assets (a negative pledge) in favor of any third party in order to guarantee any debt or obligation, unless it would create a floating lien of the same level pari passu in favor of the bondholders. This commitment will not apply under certain conditions as detailed in the bonds' deed of trust.

In addition, the bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- Amot's equity, according to its consolidated financial statements, has been less than the amount equal to NIS 1 billion for two consecutive quarters.
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Balance Sheet.
- The bond rating (Series D) is BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of the total balance sheet less cash and cash equivalents and less tradable securities, on a consolidated basis, for two consecutive quarters;
- The value of the unencumbered assets over the course of two consecutive quarters will not be less than NIS 1 billion, or of 125% of the liability value balance of the Amot bonds (Series D), whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan (a loan constituting 7.5% of more of Amot's total gross liabilities of NIS 180 million, linked, whichever is higher) or of a bond traded on the Tel Aviv Securities Exchange.
- The Amot bonds (Series D) include directives regarding restrictions on the distribution of dividends under certain conditions;

Note 11 - Bonds and Bond Options (continued)

- In addition, the Amot bonds (Series D) include additional generally accepted conditions for their immediate redemption including as regards the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution processes; (3) changes in control; (4) trading halt; (5) cross default, etc.

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

L. Amot Bonds (Series E):

From March 2016 to May 2018, Amot issued NIS 1,085 million PV bonds (Series E). The bond principal (Series E) is payable in six annual payments: 2 payments of 10% of the principal, each, on January 4 of each of the years from 2021 to 2022 (inclusive), and payments of 20% of the principal, each, on January 4 of each of the years from 2023 to 2026 (inclusive).
The annual interest on the bonds (Series E) at a rate of 3.39% will be paid in annual payments on January 4 of each of the years from 2017 through 2026 (inclusive).
The principal and interest on the bonds (Series E) are not linked to any index or currency.
The bonds include conditions for their immediate repayment in the event of certain events which are essentially similar to the terms for immediate repayment stipulated in Amot's bonds in circulation from Series B and D, which include, among other things, events related to the transfer of control under special circumstances; compliance with financial stipulations, including maintaining equity that will not be less, for two consecutive quarters, than an amount equal to NIS 1.2 billion (instead of NIS 1 billion as stipulated in Series B and D bonds).
As of the reporting date, Amot is in compliance with all financial covenants.

Following the issue of the bonds (Series E), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 3.39% into a CPI-linked principal and a linked interest rate of 2.125%-2.49%, with a principal amount of NIS 875 million.

M. Amot Bonds (Series F):

From June to December 2019, Amot issued to the public, through a shelf offering report dated June 26, 2019 and September 19, 2019, bonds (Series F) totaling NIS 1,012 million. The total net proceeds received by Amot for the offering amount to a total of approx. NIS 1,005 million. The bonds (Series F) reflect a CPI-linked effective interest rate of 1.13% and an average duration of approx. 8 years.

In February 2020, subsequent to the date of the Statement of Financial Position, Amot issued to the public, through a shelf offering report dated February 5, 2020, bonds (Series F) by way of an expansion of the traded series in the amount of NIS 343 million PV. The total net proceeds received by Amot for the offering amounts to a total of 352 million NIS. The series expansion of the bonds (Series F) reflects a CPI-linked effective interest rate of 0.9%.

The bonds (Series F) are linked to the CPI (for May 2019) and bear annual interest at a rate of 1.14%. The bonds are repayable in 5 annual payments , two payments of 10% each, payable on October 3, 2025 and on October 3, 2026, two payments at a rate of 30% each, payable on October 3, 2027 and on October 3, 2028. The fifth and final payment at a rate of 20% will be paid on October 3, 2029. The interest payments will be made on October 3 of each of the years from 2019 to 2029 (inclusive).

The bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;

Note 11 - Bonds and Bond Options (continued)

- Amot's equity may not be less than NIS 2 billion as of the date of the relevant financial statements and for two consecutive quarters.
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: the Company's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating of Amot's bonds (Series F) is less than BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the unencumbered assets over the course of two consecutive quarters will not be less than NIS 1 billion, or of 125% of the balance of the Amot bonds (Series F), whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, the bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

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

N. Amot Bonds (Series G):

In February 2020, subsequent to the date of the Statement of Financial Position, Amot issued to the public, through a shelf offering report dated February 5, 2020, a new series of bonds (Series G) in the amount of NIS 465 million PV. The total net proceeds received by Amot for the offering amount to a total of approx. NIS 460 million. The bonds (Series G) reflect an effective NIS interest rate of 2.55% and an average duration of approx. 9 years.

The bond principal (Series G) is payable in four annual payments at a rate of 25% of the principal, each, on January 5 of each of the years from 2029 to 2032 (inclusive).
The interest on the bonds (Series G) at a rate of 2.44% per year will be paid in annual payments on January 5 of each of the years from 2021 to 2032 (inclusive).
The principal and interest on the bonds (Series G) are not linked to any index or currency.

The bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;
- Amot's equity may not be less than NIS 2.2 billion as of the date of the relevant financial statements and for two consecutive quarters.
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: the Company's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating (Series G) is less than BBB- for two consecutive quarters;

Note 11 - Bonds and Bond Options (continued)

- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the unencumbered assets over the course of two consecutive quarters will not be less than NIS 1 billion, or of 125% of the balance of the Amot bonds (Series G), whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, the bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.
Following the issue of the bonds (Series G), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 1.025%, with a principal amount of NIS 450 million.

O. Amot Bonds for Others

Amot bonds for others are CPI-linked, bear 5.5%-6.5% annual interest, and are payable in semiannual payments until 2022.

P. Energix Bonds (Series A)

On December 15, 2019, Energix issued bonds (Series A) in the total amount of NIS 427 million PV for net proceeds (net of direct commissions and costs in respect of the bonds) of approx. NIS 423 million. The bond principal (Series A) will be repaid in 18 (eighteen) equal semi-annual payments, payable on February 1 and August 1 of each of the years 2022 to 2030 (inclusive). The bonds bear annual interest of 2.05%, which will be paid in twice annually on February 1 and on August 1 of each of the years from 2020 to 2030 (inclusive).
The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency.

Energix's bonds (Series A) include financial stipulations , the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds:

The bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- The equity may not be less than NIS 360 million for two consecutive quarters.
- The ratio of net solo financial debt to net solo balance sheet may not exceed a rate of 80% for a period of four consecutive quarters.
- The ratio of net consolidated financial debt less systems in development and initiative, and the adjusted EBITDA may not exceed 18 for a period of four consecutive quarters.
- The lack of compliance with the financial stipulations for immediate repayment, as specified in Subsection (1) above, unless the company pledges assets as stated in the bond's deed of trust.
- In the event of a decline in Alony-Hetz's holding rate in the company below 35%, when there is another shareholder holding a higher rate, resulting in the company rating being lowered during the 6 consecutive months to a rating lower than BBB+.
- If the bond rating is lower than the BBB- rating for one quarter, except as a result of a technical lowering of the rating (as this term is defined under the terms of the bond).

Note 11 - Bonds and Bond Options (continued)

- A change in the Company's main activity in a way that most of its activities are not in the field of electricity generation.
- Immediate repayment of another of the Company's bond series (one or more) that is not traded or a loan (one or more) whose balance at the time of immediate repayment constitutes (cumulatively) 20% or more of the Company's financial liabilities or NIS 250 million linked to the CPI, whichever is higher, and the demand for immediate repayment has not been withdrawn/repaid within 30 days.
- If there has been a sale of most of the Company's assets and consent for the sale has not been received from the bondholders, where the "sale of most of the Company's assets" means the sale of the Company's (consolidated) assets during 12 consecutive months, the value of which, less the cost of their acquisition, exceeds 40% of the Company's total consolidated assets.
- Other common grounds for the immediate repayment of bonds, such as liquidation, receivership, rating cessation, discontinuation of tradability, etc.

Subsequent to the reporting date, no event occurred in Energix that gives holders the right to demand immediate payment of the bonds.

In addition, subsequent to the balance sheet date, Energix performed cross currency swaps with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 272 million to PLN cash flows for the life span of the bonds at an annual interest rate (in PLN) of 4.11%. These transactions are designated for accounting hedging of the net investments in foreign activity.

Q. Pledges – see Note 13 below.

Note 12 - Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants

A. Composition, linkage conditions and interest rates

	Annual Interest (*) As of December 31	As of December 31 2019			As of December 31 2018		
	2019	Current Maturities	Long-term Loans	Total	Current Maturities	Long-term Loans	Total
	%	NIS thousands			NIS thousands		
Loans from banking corporations							
In or linked to foreign currency							
In USD	LIBOR + 1.5%	850	1,487	2,337	922	2,535	3,457
In GBP	Libor + 1.45%-1.9%	-	1,408,136	1,408,136	-	-	-
In CHF b.(2)	LIBOR + 1.85%	-	357,500	357,500	-	380,720	380,720
In PLN		-	-	-	18,592	282,418	301,010
		850	1,767,123	1,767,973	19,514	665,673	685,187
CPI-linked c(1), d	5.34%-4.3%	83,911	886,244	970,155	74,389	791,802	866,191
Total loans from banking corporations		84,761	2,653,367	2,738,128	93,903	1,457,475	1,551,378

(*) The Libor rate on the USD for three months (in annual terms) as of December 31, 2019, was 1.91%. The Libor rate on the CHF for three months (in annual terms) as of December 27, 2019, was -0.6106% (minus). The Libor rate for 3 months, as of December 31, 2019, was 0.7916%.

b. Financing arrangements

(1) In January 2019, a new facility agreement was signed between the Company and the Bank of Israel (hereinafter: "**the Bank**") regarding the provision of a credit facility in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter: "**the utilization period**") to repayment by the end of two years from the end of the utilization period ("**the Facility Agreement**"). The facility agreement is not guaranteed by liens. In January 2020, the facility agreement was renewed for another one-year utilization period, the main points of which are identical to the previous facility agreement, and relates to a one-year cash availability period, which allows for the utilization of a financing facility for up to three years from its establishment ("**the Credit Period**" and "**the New Facility Agreement**", as applicable).

The utilized credit will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or Libor according to the utilized currency) plus a 2% margin on credit that is repayable for a period of up to one year and a margin of 2.2% for credit that is repayable in more than one year from the date of granting.

Under the new facility agreement, the Company committed, among other things, to financial ratios as follows:

a) A ratio of equity to total balance sheet of at least 0.3;
b) The ratio of the Company's net financial debt (LTV) (on an expanded solo basis) to the value of the Company's holdings will not exceed 0.7 at any time;
c) The ratio of the amount of current dividends declared in 4 consecutive quarters, which were actually received by the date of the examination by the significant companies in which the Company invests, to the Company's total interest payments during the period, will not be less than 1.2;

d) The ratio of cash and cash equivalents according to the Company's latest financial statements plus expected cash flow from dividends in 4 consecutive quarters, to the total expected repayments on an expanded solo basis, will not be less than 1 at any time during 6 consecutive months;
e) The rate of the Company's holdings in Amot shares will not be less than 40% at any time;
f) The rate of the Company's holdings in Carr shares will not be less than 30% at any time, except in a case of Carr's issuance on the stock exchange;
g) The ratio of net financial debt (expanded solo) to the FFO will not exceed 25 at any time during two consecutive years;
h) The value of the Company's holdings in unencumbered shares will not at any time be less than twice the amount of credit granted to the Company without collateral in Israel and abroad (including approved credit facilities, whether utilized or not, but excluding bonds).

In addition, the Bank has the right to shorten the credit period to one year from the date of the change, in each of the following cases:
(1) If they reduce, or are likely to reduce, Nathan Hetz's ownership or holding rates below a minimum of 10%; and/or
(2) If any third party has holdings in Alony-Hetz at a rate greater than 14.53% (Mr. Nathan Hetz's holding rate at the time of signing the agreement); and/or
(3) If any third party acquires control in Alony-Hetz.
All of this – whether as a result of an action by Alony-Hetz or as a result of an action by any third party without an action by Alony-Hetz or any involvement of Alony-Hetz.
In this regard, a third party includes a number of third parties jointly, not including institutional holders from pension funds, provident funds, mutual funds, portfolio management, etc.

As of the reporting date, the Company has not utilized the new credit facility.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) minimal Company equity of NIS 2.2 billion; (2) various financial cash flow and operational ratios in the Group and in investees; (3) cross default and (4) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party.

(2) In accordance with the Company's foreign financing agreement from October 2015 and the letters of amendment, the latest of which is from May 2019, the Company has a non-recourse loan from a foreign bank in the amount of CHF 100 million. The loan is guaranteed by a basket of securities including, as of the reporting date, 1.75 million PSP shares and 15 million Amot shares. It was agreed that the ratio of the loan to the pledged share value (LTV) will not exceed 60%. The loan bears annual interest of Libor plus a margin of 1.85%. The loan repayment date is May 2022. This loan is designated for hedging a net investment in foreign activity.

(3) In January 2016, the Company signed, along with a letter of amendment in August 2018, a facility agreement with an Israeli institutional body (hereinafter: "**the Agreement**"). In accordance with the agreement, the Company was granted a NIS 250 million credit facility for the period ending May 2022. The utilized credit will bear annual interest at Bank of Israel rates plus a 2.15% margin (subject to adjustments when the rating drops below A-). The facility is not backed by any collateral. As of December 31, 2019, the credit facility is not utilized.

As part of the facility agreement the Company committed, among other things, to the following financial ratios:

(1) The ratio between the net financial debt and the FFO will not exceed 25 for two consecutive years;
(2) The net financial debt ratio (LTV) of the Group (on an expanded solo basis) will not exceed 70% of its total assets for four consecutive quarters, according to calculation formulas determined in the agreement;
(3) A ratio of equity to total balance sheet of at least 0.3 for four consecutive quarters (a ratio of 0.2 for one quarter will constitute grounds for immediate repayment);
(4) The ratio of dividend revenues to cash flow interest expenses (on an expanded solo basis) in the 12-month period prior to the examination date will not be less than 1.2.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) changes in control of the Company; (2) the Company's minimum equity will not be less than NIS 1.8 billion for four consecutive quarters; (3) various financial cash flow and operational ratios in the Group and in investees; (4) cross default (5) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party; (6) merger/split without receipt of consent; (7) insolvency, liquidation, etc.; (8) cessation of the management of business / change in area of activity and/or sale of most assets; (9) rating under BBB-; (10) suspension of trading.

(4) In January 2017, an agreement was signed between the Company and an institutional body, which is an interested party in the Company by virtue of its holdings, which was amended in a written amendment dated May 2019 (hereinafter: "**the Agreement**") regarding the provision of a credit facility of NIS 100 million for a period of 4 years from the date of its granting (i.e., until January 2023). The utilized credit will bear annual interest at the Prime rate plus a margin of 0.7% (subject to adjustments when the rating drops below A-). The facility is not backed by any collateral.
As of the date of publication of the report, the facility is not utilized.

As part of the credit facility agreement, the Company has committed to financial ratios and conditions that are essentially similar to those mentioned in Subsection (3) above.

As of December 31, 2019 and as of the date of publication of the report, the Company did not utilize the above credit facilities.

As of December 31, 2019, the Company is in compliance with all of the financial covenants referred to in this Section (b).

c. Amot's financing arrangements:

(1) Early repayment of bank loans initiated by Amot

In September 2020, subsequent to the date of the Statement of Financial Position, at its own initiative, Amot made an early repayment of loans to a banking institution in the amount of approx. NIS 243 million (not including the early repayment fee). Following the early repayment, in 2019, Amot recorded approx. NIS 39 million as non-recurring financing expenses paid in cash on the repayment date.

Note 12 - Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

(2) Long-term and short-term credit facilities:

A. Lines of credit – the Amot Group has three credit facilities from commercial banks and a financial body in Israel in the amount of NIS 800 million.

1. A credit facility from a bank in the amount of NIS 400 million is in effect until December 28, 2020.
2. A credit facility from a bank in the amount of NIS 200 million is in effect until December 31, 2023.

   To utilize this credit facility, Amot must meet the following conditions:
   - The rate of equity from the Company's total balance sheet (less cash and cash equivalents and less securities related to discontinued activity) on a consolidated basis will not at any time fall below 25%.
   - The ratio of Amot's net financial debt (less investment property in development) to the NOI will not exceed 10 at any time.
   - The Company is the controlling shareholder in Amot.

3. A credit facility from an institutional body in Israel in the total amount of NIS 200 million, extended to May 31, 2022. The credit facility is not backed by any securities and can be withdrawn at any time according to Amot's compliance with various financial ratios and stipulations.

As part of the agreement, Amot committed, among other things, to maintain financial ratios, the main ones are as follows:

- The ratio of equity to total net balance sheet will not be less than 25% for 4 consecutive quarters or 20% for one quarter;
- The ratio of Amot's net financial debt to the CAP will not exceed 70%;
- The ratio of Amot's net financial debt, less the value of investment property in development, to Amot's annual standardized NOI will not exceed 10 for two consecutive quarters;
- Ratings will not drop below A- on any withdrawal date;

In addition, Amot committed to comply with various financial stipulations, mainly: changes in control of Amot under certain circumstances; Amot's minimum equity of NIS 1.2 billion; various financial cash flow and operational ratios; cross default; Amot's commitment not to create any general floating lien on all of its assets in favor of a third party (with the exception of a floating lien associated with a fixed lien).

The agreement includes customary grounds for immediate repayment of the credit, such as significant legal proceedings (liquidation, receivership, merger, etc.).

As of December 31, 2019, Amot has unutilized credit facilities in the amount of NIS 552 million. In addition, Amot is in compliance with all financial covenants.

Note 12 - Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

d. Energix's financing arrangements:

(1) **Financing loan for the Neot Hovav project**

The balance of the credit for the financing of the Neot Hovav project that was provided by a consortium of institutional bodies, as of the reporting date, is NIS 284.7 million.

The financing was provided to a project company fully owned by Energix under terms customary in project finance transactions and is guaranteed by the project assets and revenues, by the project company's shares, its rights and means of control (non-recourse). In addition to the above, in its capacity as a shareholder in the project company, Energix has undertaken certain liabilities that will expire during 2020 with respect to additional financing taken by Energix in 2017, and a number of other limited liability commitments.

The financing agreement includes a variety of representations and breach events as is customary in project financing agreements (the breach events include: change of Energix's control in the project company, non-compliance with minimum coverage ratios of [9]an ADSCR less than 1.1 and a DSCR[10] (on a quarterly calculation date) less than 1.05 together with the predicted ADSCR less than 1.2).

The loan will be repaid (in quarterly payments) over a period ending December 2032, at an interest rate of 3.20% linked to the CPI, with the exception of the balance in the amount of NIS 65.3 million attributable to the additional financing, for which the interest rate is 3.05%.

For information regarding the projects covered by the above financing agreement, see Note 7(c).

(2) **Financing agreement for small and medium-sized systems**

The number of financing transactions for financing small and medium-sized systems, the balance of which, as of the reporting date, is NIS 69.7 million.

The financing agreements include various representations and breach events as is customary in non-recourse project financing agreements (except for a few exceptions relating to breaches of the partnership and/or relating to assets leased by it for the pledged facilities), against a lien on small and medium-sized capacity systems.

The CPI-linked loans bear an annual interest rate of 3.2%-4.6% and are repaid in semi-annual payments over periods of 12-16 years ending 2028-2032.

[9] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

[10] DSCR – Debt Service Cover Ratio – The excess available cash for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.

(3) **Voluntary early repayment of the Banie project financing (wind farm in Poland)**

In May 2016, Energix signed an agreement through the project company with a consortium of three financial institutions in Poland for a project financing agreement for the Banie wind farm ("the Loan"). The total financing provided to Energix under the loan was approx. PLN 347 million. Until the early repayment date, as detailed below, the loan was repaid in fixed quarterly payments over a 15-year period and bore Wibor 3-month annual interest plus a margin of 2.8% (approx. 75% of the loan was hedged at a fixed interest rate for a 5-year period). The financing transaction was subject to terms customary for non-recourse project finance transactions, except for a number of commitments that Energix has undertaken in accordance with agreements between the parties.
In December 2019, Energix made a voluntary early repayment of the loan balance (at the same time repaying the balance of the transaction to fix the interest rate as stated above), for a total of approx. PLN 294.5 million (approx. NIS 268.7 million). The early repayment was carried out using amounts raised by the Company through the issuance of Energix's bonds (Series A) (see Note 11p).

(4) **Loan for projects in the first competitive procedure (projects with a total capacity of approx. 90 MWp) -**

The balance of the credit for the financing of the projects with a total capacity of 90 Mwp that was provided by an institutional body, is NIS 232.3 million.
(see Note 7(d)).

The financing was provided to the project partnership in 2018 under terms customary for project finance transactions and is guaranteed by the project assets and revenues, the rights of the partnership in the project, its rights and means of control (non-recourse).

The financing agreement includes a variety of representations and breach events as is customary in project financing agreements (the breach events include: change of Energix's control in the project company, non-compliance with minimum coverage ratios of [11]an ADSCR less than 1.1.
The loan will be repaid (in quarterly payments) over a period of 21.5 years from the start of the commercial operation, ending in 2040, CPI-linked and bearing an annual interest rate of 2.885%.

(5) **Loan for projects in the second competitive procedure (projects with a total capacity of approx. 62 MWp) -**

In December 2018, Energix engaged (through its wholly-owned partnership) with an institutional body in an agreement for financing of up to NIS 180 million for the construction of projects with a capacity of 62 Mwp (see Note 7(e)) ("**Construction Financing**").

[11] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

The financing will be provided to the project partnership under terms customary for project finance transactions and is guaranteed by the project assets and revenues, the rights of the partnership in the project, its rights and means of control (non-recourse). During the construction period, Energix provides a guarantee to the institutional body for the full amount of the financing provided, until the facilities' date of first operation. As of the balance sheet date, Energix has withdrawn NIS 145 million from the facility.

The refinancing agreement includes an array of presentation and violation events as accepted in project financing agreements (the violation events include change in Energix's control of the project company, failure to meet a minimal ADSCR[12] coverage ratio lower than 1.1.
The loan will be repaid (in quarterly payments) over a period of 21.5 years from the date of commercial operation of the facilities. The loan is CPI-linked and bears interest as follows: the amount of NIS 145 million bears annual interest of approx. 2.6%, an amount of up to NIS 35 million bears interest that will be determined at the time of the loan's withdrawal based on the return on government bonds plus a margin of 2.55%. CPI-linked and bearing annual interest of 2.6%. In August 2019, Energix (as part of the joint venture) withdrew the amount of NIS 145 million, the use of which was conditional on completion of the full requirements for financial closure of the projects. In February 2020, subsequent to the date of the financial statements, upon completion of the conditions for some of the projects, Energix was approved for the use of approx. NIS 105 million of the withdrawal.

E. BE's financing arrangements:

(1) **Loan for the financing of the 169 Union Street and the Devonshire Quarter acquisitions:**

In order to finance the acquisition of 169 Union Street and Devonshire Quarter as detailed in Note 4d above, BE took a non-recourse loan in April 2019 in the amount of GBP 117 million for a period of 3 years, bearing Libor interest (on a three-month basis) plus a yearly margin of 1.7%. The loan principal will be repaid at the end of 3 years. To guarantee the loan, BE pledged the two properties purchased in favor of the lender with a senior lien. In addition, BE entered into a CAP transaction with the financing bank such that the maximum yearly Libor interest rate would not exceed 1.25% during the entire loan period.

This transaction is designated as an accounting cash flow hedge transaction.

Under the agreement, BE committed to maintain a minimum LTV ratio of 70% and a minimum interest coverage ratio of 1.8.

(2) **Loan for the financing of the Waterside House acquisition:**

To finance the acquisition of Waterside House, as detailed in Note 4d, in April 2019, BE took a non-recourse loan of GBP 132 million for a 5-year period, bearing Libor interest (on a three-month basis)

[12] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

plus an annual margin of 1.45%. The loan principal will be repaid at the end of 5 years. To guarantee the loan, BE pledged the property purchased in favor of the lender with a senior lien. In addition, BE entered into a CAP transaction with the financing bank such that the maximum yearly Libor interest rate would not exceed 2% during the entire loan period. This transaction is designated as an accounting cash flow hedge transaction.

Under the agreement, BE committed to maintain a minimum LTV ratio of 75% and a minimum interest coverage ratio of 1.95.

(3) **Loan for the financing of the Telephone House acquisition:**

To finance the acquisition of Telephone House, as detailed in Note 4d, in August, BE took a non-recourse bank loan of GBP 63 million for a 3.5-year period, bearing Libor interest plus an annual margin of 1.9%. The loan principal will be repaid at the end of 3.5 years. To guarantee the loan, BE pledged the property in favor of the lender with a senior lien. In addition, BE entered into a SWAP transaction with the financing bank such that the maximum yearly Libor interest rate will be 0.7% throughout the entire loan period. This transaction is designated as an accounting cash flow hedge transaction.

Under the agreement, BE committed to maintain a minimum LTV ratio of 65% and a minimum interest coverage ratio of 1.95.

(4) **Loan for the financing of the Seacourt Tower acquisition:**
To finance the acquisition of Seacourt Tower, as detailed in Note 4d, in February 2020, BE took a non-recourse bank loan in the amount of GBP 49 million for a 5-year period, bearing Libor interest plus an annual margin of 2%. The loan principal will be repaid at the end of 5 years. To guarantee the loan, BE pledged the property in favor of the lender with a senior lien. In addition, BE entered into a CAP transaction with the financing bank such that the maximum yearly Libor interest rate would not exceed 2% during the entire loan period. This transaction is designated as an accounting cash flow hedge transaction.

f. As of December 31, 2019 and near the publication of the financial statements, the Group is in compliance with all covenants to which it committed in conjunction with the loans mentioned in Sections (b) - (d) above.

g. Liens - see Note 13.

Note 13 - Liens, Collateral and Guarantees

A. The following is a description of the liabilities secured by liens on Group assets or for which the Group has provided some security for their repayment and a description of the assets pledged or provided as collateral as of December 31, 2019:

	Asset Pledged	Book Value of Liability	Book Value of Pledged Asset	Type of Lien	Comments
		As of December 31			
		2019	2019		
		NIS thousands			
Company liabilities:					
Loan from banking corporation	Amot shares and PSP shares	357,500	901,656	Fixed senior lien	See Note 12(b)(2) above
Loan from banking corporation	Amot shares	2,337	11,025	Fixed senior lien	
Liabilities of consolidated companies:					
Energix's liabilities:					
Loan in the amount of NIS 370 million	(1) Lien on all of the assets of the Project Company, Energix Neot Hovav Ltd., and Energix's rights in the Project Company (2) Bank deposit (reserve fund for debt service)	282,623	251,575	Fixed senior lien	See Note 12d. (1)
Loan in the amount of NIS 240 million	(1) Lien on all of the assets of Projects 2 Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	230,464	270,415	Fixed senior lien	See Note 12d. (4)
NIS facility loan in the amount of NIS 180 million, of which approx. NIS 145 million has been withdrawn as of the reporting date	(1) Lien on all of the assets of Projects 3 Partnership, Limited Partnership and Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	145,000	330,400	Fixed senior lien	See Note 12d. (5)
2 loans in the cumulative amount of NIS 60 million	(1) Lien on all of the project assets and Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	39,845	40,280	Fixed senior lien	See Note 12d. (2)
Loan in the amount of NIS 35 million	(1) Lien on all of the assets of the Meitarim Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposits (reserve fund for debt service) and equipment	29,610	27,316	Fixed senior lien	See Note 12d. (2)
Bank guarantee in connection with photovoltaic projects in development and advanced initiative	Pledged bank deposit	-	6,402	Fixed senior lien	See Note 9.
AMOT liabilities:					
Amot's private CPI-linked bonds	(1) Investment property and part of the revenues derived from owned properties (2) Half of the revenues from an investment property	13,942	18,045	Senior lien and/or mortgage on Amot's rights in the property	
Bonds (Series A)	Token lien on a NIS 1 deposit	-	-	Fixed senior lien	
BE liabilities:					
Loan in the amount of GBP 313 million	Investment property, including shares in the property companies and the revenues derived from the properties	1,408,136	2,573,708	Fixed senior lien and floating lien	See Note 12e.

Note 13 - Liens, Collateral and Guarantees (continued)

B. Guarantees provided by the Group:

As of December 31, 2019 and 2018, there are contingent liabilities in respect of the following guarantees:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Guarantees provided by consolidated companies:	129,171	105,538

Note 14 - Other Long-Term Liabilities

	As of December 31	
Item composition:	2019	2018
	NIS thousands	NIS thousands
Severance-pay liabilities	3,057	3,493
Less severance pay reserve deposits	155	594
	2,902	2,899
Advance income and deposits from building tenants and leasing fees payable	26,374	22,824
Leasing fees payable	39,622	22,431
Derivative financial instruments designated as hedge items (see Note 23)	38,915	72,399
Liability in connection with project in development	5,252	10,987
Others	13,353	8,737
	126,418	140,277

Note 15 - Engagements and Contingent Liabilities

a. Legal and tax proceedings against the Amot Group

Pending against the Amot Group and other parties, as of the reporting date and as of the approval of the financial statements, are 14 lawsuits, tax procedures and property tax charges, excises and levies pertaining to investment property totaling approx. NIS 40 million, with the Amot Group's share as a defendant amounting to NIS 32 million.

For claims filed against the Amot Group and for exposure to tax levies, provisions were recorded in the financial statements in the amount of approx. NIS 16.5 million as of December 31, 2019 and NIS 18 million as of December 31, 2018. The Amot Group management is of the opinion, based on the opinion of its legal and professional counsel, that these provisions are sufficient under the circumstances.

Note 15 - Contracts and Contingent Liabilities (continued)

The following is the composition of the balance of the provision and the movement therein as of December 31, 2018 and 2019 and for the years ended on those dates:

	2019	2018
	NIS thousands	NIS thousands
Provision balance at the end of the year	16,483	17,821

The following is a description of the most material of the above claims, the amounts of which are stated in nominal values as of the date of filing, unless otherwise stated:

(1) In 1965, Amot purchased from the Jerusalem Central Bus Station Company (of the Nitzba Group) 50% of the ownership rights in the land on which the new Jerusalem Central Bus Station was built (hereinafter: "**the Project Land**"). In November 2000, the Jerusalem District Court ordered that an estate be recorded (hereinafter: "the Estate") as the owner of approx. 3.097% of the project land jointly with Amot and Nitzba as a result of a parcel that was in dispute between Nitzba and the third parties (hereinafter: "the parcel in dispute").

In June 2006, the Jerusalem Magistrate's Court issued a declaratory judgment in a claim filed against Amot and Nitzba (hereinafter: "**the Companies**") by the estate, stating that the estate was entitled to receive proper compensation in connection with the exclusive use made by Amot and its partner in the property, at a rate of approx. 3.097% of the fruits generated from the property starting October 24, 2000, plus linkage differentials and interest from the date of receipt of each payment.

In 2008, the companies filed a claim against the estate for payment of approx. NIS 9.3 million, reflecting a reimbursement of the relative share of 3.097% of the investments made in the construction of the central bus station by the companies, less the amounts owed to the estate as current profits, as stated.

Amot's management estimates that the amount to which the estate is entitled, if any, is not material. Nitzba has made irrevocable commitments to Amot, both in letters of indemnity and by virtue of the acquisition agreement, to indemnify it for any damages it may incur, inter alia, for the above claim and for any claims filed against Amot by third parties arising from its part in the dispute and for failure to register half of the parcel in dispute in the Land Registration Office. In addition, Amot is entitled to remedies from its partner according to the law and the acquisition agreement. In view of the above, Amot's management estimates, based on the opinion of its legal advisors, that the chances of the lawsuit against Amot are slim and Amot is not expected to have exposure in respect of the above.

(2) In June 2015, a monetary claim was filed against Amot by Alhar Engineering and Construction Ltd., which had been the construction contractor for the Amot Atrium Tower project built by Amot in Ramat Gan (hereinafter: "**the Contractor**" and "**the Project**", respectively). As part of the lawsuit, the contractor sued Amot for approx. NIS 70 million in respect of disputes that arose between the parties in connection with the project's construction. The claim was submitted to an engineering arbitration proceeding, according to an arbitration clause in the agreement between the parties.

Amot filed a statement of defense in which it rejected all of the contractor's claims. At the same time, Amot also filed a counterclaim for a total of approx. NIS 162 million for compensation for damages incurred due to a breach of the agreement by the contractor, which was expressed, inter alia, in the contractor's failure to act as the main contractor in the project and for damages caused as a result of the lengthening of the project's duration, including loss of income and financing expenses.

Note 15 - Contracts and Contingent Liabilities (continued)

Recently, the parties reached agreements that formed a settlement agreement, signed by the parties on December 15, 2019, for the full and final settlement of all mutual claims in connection with the project and without each party admitting to the other's claims, Amot paid the contractor a total of NIS 18 million. The contractor will continue to be responsible under the provisions of the contracting agreement between the parties and according to the law regarding the quality of the work, the inspection repairs and responsibility for the work performed by him in the project. On December 17, 2019, the settlement agreement was granted validity in an arbitration award.

B. Main liabilities and covenants:

Regarding the Group's main liabilities and covenants to banks and others, see Notes 11 and 12 above.

Note 16 - Equity

a. Composition of capital stock in nominal NIS

	As of December 31, 2019		As of December 31, 2018	
	Listed	Issued and Paid-up	Listed	Issued and Paid-up
	Thousands of Shares		Thousands of Shares	
Common stock of NIS 1 PV each (*)	500,000	172,828	500,000	171,228
Preferred shares of NIS 1 PV each (**)	500,000	-	500,000	-

(*) The shares are listed and traded on the Tel Aviv Stock Exchange. The number of shares includes dormant shares held by the Company.

(**) The shares are cumulative, participating and registered in the owner's name.

b. Capital stock developments

The following are developments in the Corporation's stock capital over the past three years:

Date	Details	PV in thousands	Proceeds (Gross) in NIS thousands (4)	Share Price in NIS
2017				
April 2017	Issuance of capital (1)(2)	9,350	327,243	35.00
September-December 2017	Exercise of options (Series 15) (3)	5,471	198,081	36.21
	Exercise of employee options	787	20,900	26.56
2018				
	Exercise of employee options	557	14,634	26.27
2019				
	Exercise of employee options	1,600	47,093	29.43

(*) Weighted average price

(1) As part of the issue, 9,350 thousand shares and 5,610 thousand options (Series 15) exercisable as shares were offered to the public. The share price presented above represents the package price including options issued free of charge.

(2) The Company's controlling shareholders participated in the public offering of shares and invested the amount of NIS 19 million in the offering.

(3) The Company's controlling shareholders participated in the exercise of options (Series 15) and invested the amount of NIS 12 million.

(4) Gross proceeds before issue expenses.

Note 16 - Equity (continued)

c. Balance of Company shares held by the Company

As of December 31, 2019 and 2018, the Company holds 85 thousand shares of the Company's common stock of NIS 1 PV each, which constitute 0.050% and 0.050%, respectively, of its issued and paid-up capital stock as of those dates.

d. Dividend paid and dividends declared subsequent to the date of the Statement of Financial Position

In March 2001, the Company's Board of Directors decided to adopt a policy according to which the Company's management will announce, at the beginning of each year, the minimum dividend amount the Company intends to distribute (subject to the law) in the following year. The minimum annual dividend amount will be divided into 4 payments to be made at the end of each calendar quarter, and talking into account the Company's operating results according to its latest financial statements, the Board of Directors may make adjustments to the amount distributed. It should be emphasized that the Board of Directors may at any time, taking into account business considerations and in accordance with the provisions of any law, change the amounts to be distributed as dividends or decide not to distribute them at all.

In accordance with this decision, the Company annually announces the current dividend to be paid that year.

In March 2019, the Company's Board of Directors made a decision regarding the dividend policy for 2019 in the amount of NIS 1.14 per share, which will be paid in four quarterly payments, with a dividend of NIS 0.28 per share in the first and second quarters and a dividend of NIS 0.29 per share in the third and fourth quarters. In addition, at the same time, the Company's Board of Directors approved an additional dividend for 2018 profits of NIS 0.42 per share.
Accordingly, during 2019, the Company paid its shareholders a dividend of NIS 1.56 per share (NIS 269 million).

In March 2020, the Company's Board of Directors made a decision regarding the dividend policy for 2020 according to which a total dividend of NIS 1.16 per share will be paid in 2020, which will be paid in 4 quarterly payments of NIS 0.29 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law). In accordance with the above, the Company announced a dividend for the first quarter of 2020 in the amount of NIS 0.29 per share (NIS 50 million) to be paid in April 2020.

As of December 31, 2019, the Company has retained earnings (distributable profits) of NIS 3,956 million.

The following are details of the dividends paid by the Company, from its distributable profits, over the past two years:

Payment Date	Declaration Date	Dividend per Share	NIS thousands
09/04/2018	21/03/2018	0.65	111,012
11/06/2018	23/05/2018	0.27	46,118
06/09/2018	23/08/2018	0.28	47,861
09/12/2018	22/11/2018	0.28	47,918
08/04/2019	28/03/2019	0.70	120,337
16/06/2019	06/06/2019	0.28	48,167
10/09/2019	01/09/2019	0.29	49,980
10/12/2019	01/12/2019	0.29	50,079
Total		**3.04**	**521,472**

Note 16 - Equity (continued)

e. Share-based payment

The following are executive and employee remuneration plans in effect as of December 31, 2019:

(1) Capital Remuneration Framework Plan

At the shareholders' meeting of November 4, 2015, a remuneration policy for the Company's officers was approved for the years 2016-2018, in accordance with the provisions of Amendment 20 to the Companies Law, which replaced a previous remuneration plan.
As part of the remuneration policy, The Company has a multi-year remuneration framework on a capital basis for Company employees and executives from August 2014 according to which each year near the publication of the yearly report Company employees and executives would be allocated non-tradable options of a economic value determined from time to time by the relevant Company organs (hereinafter: "**the Annual Portion**"). The annual portion allocated will have a vesting period of two years, and will be exercisable up to three years from its date of issue. The exercise price of any such annual portion will be determined based on the higher of the following: (1) a weighted average of the Company's share price on the stock exchange in the 20 days of trade prior to granting the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 8%. The exercise bonus is nominal and is dividend-adjusted.
Allocation of the annual portion, each year, will be subject to the specific approval by the Company's Board of Directors (and regarding officers, the approval of the Remuneration Committee as well).

On February 19, 2018, the Board of Directors adopted a new framework agreement for capital remuneration replacing the plan from August 2014, which is essentially similar to it, with the exception of the addition of the vesting acceleration component for options granted in the event of directors ending their service.
On October 9, 2018, the General Assembly approved the new remuneration policy for the years 2019-2021. The new remuneration policy implementation document states that the exercise price of any such annual portion will be determined based on the higher of the following: (1) a weighted average of the Company's share price on the stock exchange in the 20 days of trade prior to granting the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4% (instead of the 8% in the previous remuneration policy).
As part of the remuneration policy, as it was from time to time, and the capital remuneration framework plan, the Company allocated yearly portions from the capital remuneration framework plan, as follows (the allocation in 2019 is in accordance with the new remuneration policy and according to the framework agreement from February 2018):

	Number of Recipients	Number of Options	Economic Value on Grant Day, in NIS thousands	Exercise Bonus per Option in NIS (before adjustments)	Vesting Period in Years	Expiry Date
2016	18(*)	1,107,600	2,945	29.79	2	21.2.19
2017	18(*)	833,283	3,132	37.64	2	30.4.20
2018	18(*)	920,619	3,197	35.18	2	30.4.21
2018	1(**)	7,676	27.5	38.92	2	21.8.21
2019	18(*)	735,338	3,411	41.22	2	30.4.22
2020	17 (***)	1,512,495	3,378	49.64	2	30.4.23

(*) Including the Chairman of the Board of Directors and 6 directors. For further information on the remuneration of directors and officers, see Note 18.
(**) External director appointed in July 2018.
(*) Including the Chairman of the Board of Directors and 5 directors. For further information on the remuneration of directors and officers, see Note 18.

Note 16 - Equity (continued)

(2) Parameters used in calculating the benefit inherent in the options

The cost of the total benefit inherent in all the options in effect as of December 31, 2019 (the March 2017, March 2018 and March 2019 plans), based on the fair value on the date of granting, has been estimated at a total of NIS 9.8 million, of which a total of NIS 7.3 million has been amortized as of December 31, 2019. This amount is amortized to the Statement of Income over the vesting periods.
The fair value of the option warrants granted has been estimated using the Black and Scholes model.
The parameters used to apply the model are as follows:

Plan	March 2020	March 2019	August 2018	March 2018	March 2017	March 2016	March 2015
Share price (in NIS)	38.66	39.63	36.04	32.57	34.85	27.58	29.58
Exercise price (in NIS)	49.64	41.22	38.92	35.18	37.64	29.79	31.95
Expected weighted volatility (*)	20.66%	18.55%	18.79%	19.76%	19.72%	19%	20%
Life span of options (in years)	2.87	2.87	2.75	2.86	2.86	2.75	2.75
Risk-free interest rate		0.74%	0.65%	0.46%	0.59%	0.37%	0.25%
Expected dividend rate (**)	-	-	-	-	-	-	-
Total benefit (NIS thousands)	3,378	3,411	28	3,197	3,132	2,945	2,185
Amortization amount (NIS thousands)							
In 2019	-	1,314	14	1,632	391	-	-
In 2018	-	-	3	1,199	1,566	368	-
In 2017	-	-	-	-	1,174	1,473	273

(*) The expected volatility is determined based on historical volatility in the price of the Company's share. The lifespan of the average option warrant is determined based on management's forecast regarding the duration of the holding period of option warrants by option receivers taking their position in the Company and the Company's past experience regarding employee departure into consideration.

(**) Dividend-adjusted exercise bonus

(3) The following are developments in the option warrants granted to Company employees and officers:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	In thousands	NIS	In thousands	NIS
Balance as of January 1	2,515	31.33	2,144	30.25
Grants per year	735	41.22	928	35.21
Exercised during the year (1)	(1,600)	29.43	(557)	26.26
Balance as of December 31	1,650	35.47	2,515	31.33
Option warrants exercisable as of December 31	28		753	
Expected proceeds from the exercise of option warrants outstanding as of December 31 (in NIS thousands)	58,512		78,799	

(1) The weighted average of the share price on the options' exercise date for options exercised in 2019 was NIS 43.29 (2018 – NIS 35.53).

Note 17 – Additional Information on Income and Expense Items

A. Revenues from rental fees and management of investment property

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Rental fees (1)	778,992	653,402	606,788
Management of investment property	51,164	50,897	52,351
	830,156	704,299	659,139

(1) Revenues from future minimum rental fees – the aggregate amount of future minimum rental fee revenues based on signed irrevocable rental agreements in effect as of December 31, 2019 is as follows:

	As of December 31	
	2019	2018
	NIS thousands	
First Year	811,676	585,055
Second year	673,331	474,443
Third year	536,561	349,561
Fourth year	373,714	255,930
Fifth year	285,669	159,842
Sixth year onward	974,128	534,588
	3,655,079	2,359,419

B. Dividend revenues from investments in securities measured at fair value through profit and loss

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
FCR	-	-	2,228
Medipower	576	-	-
Brockton Real Estate Investment Fund - Note 5(1)	-	1,833	26,347
	576	1,833	28,575

C. Cost of rental and operation of investment property

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Property maintenance and management costs	50,065	45,630	44,615
Taxes and fees	6,659	5,098	4,992
Wages and related expenses	8,745	8,783	9,101
Others	2,521	1,779	2,010
	67,990	61,290	60,718

Note 17 – Additional Information on Income and Expense Items (continued)

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Total direct operating costs pertaining to the investment property are divided as follows:			
Investment property producing rental revenues	62,242	54,376	53,474
Investment property not producing rental revenues	5,748	6,914	7,244
	67,990	61,290	60,718

D. Administrative and general expenses

	For the Year ended December 31		
	2019 (*)	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Wages and related expenses, management fees and grants	66,589	46,498	40,589
Amortization of benefit in respect of option warrants	14,385	11,345	13,172
Directors' wages and related expenses	1,076	1,138	941
Professional services	18,728	14,039	13,140
Charitable donations	5,599	4,280	6,064
Others	15,422	11,106	6,626
	121,799	88,406	80,532

(*) In 2019, BE's administrative and general expenses amounted to NIS 32 million, compared to NIS 7 million in 2018.

E. Net profits on long-term investments in securities intended for sale

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Profit from the sale of securities measured at fair value through profit and loss (*)	-	17,636	111,315
Fair value adjustment of securities at fair value through profit and loss, net	24,711	15,514	-
	24,711	33,150	111,315

(*) In 2017 – includes profits from the realization of FCR shares in the amount of NIS 111 million.

F. Development, maintenance and operation costs of electricity-generating facilities

In 2018 and 2017, the expenses include rental expenses in the amount of approx. NIS 7 million. Starting in 2019, the Group applies IFRS 16 (see also Note 2.bb.a). Therefore, these expenses are not included in this section in 2019.

Note 17 – Additional Information on Income and Expense Items (continued)

G. Financing expenses

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Interest in respect of short-term credit	6,562	6,909	6,303
Interest in respect of long-term bank loans	82,630	51,103	67,909
Early repayment fees	33,172	-	38,679
Financing expenses according to IFRS 16	2,602	-	-
Interest (including discount amortization) in respect of bonds	214,027	218,585	203,842
	338,993	276,597	316,733
CPI-linkage differentials in respect of loans	3,302	4,791	2,031
Linkage differentials in respect of bonds	18,274	43,910	11,589
Total credit costs	360,569	325,298	330,353
Less credit costs capitalized to systems in development	(8,411)	(1,841)	(339)
Less financing capitalized to self-constructed investment property	(8,468)	(10,731)	(4,402)
	343,690	312,726	325,612
Others, net	19,700	6,536	11,757
	363,390	319,262	337,369

H. Financing income

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Interest on bank deposits, ETFs and monetary funds	3,931	1,882	944
Exchange rate differences, net	-	1,041	267
Profit from the purchase of loans (*)	-	6,907	-
Interest in respect of loans to companies accounted for using the equity method	6,009	6,757	-
Profits from transactions in financial derivatives	171	4,384	-
Profit from tradable securities held for trade	11,604	-	2,835
Others, net	24	214	4,602
	21,739	21,185	8,648

(*) Energix's profit in respect of the purchase of all the holdings of the other partners in the Iława project and their full rights in inferior shareholder loans they provided to the project.

Note 18 - Transactions with Related Parties and Interested Parties

a. Management agreement with the Company CEO

In November 2018, the Company entered into a management agreement with Adva Financial Consulting Ltd. (hereinafter in this subsection: "**Adva**" or "**the Management Company**") (a company owned by Mr. Nathan Hetz (the Company CEO, director and a controlling shareholder until November 26, 2019) and by his wife Mrs. Clara Hetz equally) to receive management services provided by Mr. Nathan Hetz for a three-year period starting January 1, 2019, after which it will be possible to extend the agreement for the second time for an additional three years, subject to the approval of the Company's authorized organs and subject to the Company's remuneration policy in effect at that time, in accordance with the approval of the General Assembly of October 2018 ("**the Management Agreement**"). The Management Agreement replaces a previous agreement that ended on December 31, 2018.

The following are the main points of the management agreement, on the basis of which the Company paid Adva for the management services of the Company CEO in 2019:

a) **Fixed component** – monthly management fees of NIS 275 thousand linked to the CPI for December 2018, plus VAT (in any case, the management fees will not be less than this nominal amount). Management fees for December 2019 amounted to a total of NIS 253 thousand.
The management fees will also be paid for periods in which the management company will not provide management services to the Company, as follows: (1) 25 days for Mr. Nathan Hetz's annual vacation period; (2) up to 30 business days per calendar year for Mr. Nathan Hetz's sick days (which can be accumulated to up to 90 days).

b) **Annual bonus –** a bonus of NIS 2.4 million, which will be paid in the following manner and under the following conditions:
- NIS 1.2 million will be paid each year in which the annual FFO yield exceeds 6% (according to the equity at the beginning of that year).[13]
- The balance of the bonus, which is not paid in any annual measurement, will be paid at the end of the 3-year agreement if the average FFO yield during the three-year agreement period exceeds 6%.[14][15]

* The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2019-2021.

In 2019, the Company paid the management company a total of NIS 1 million as a cash bonus for 2018. And the balance of the additional NIS 3 million bonus for the years 2016-2018, at the end of the 3-year agreement (in April 2019), since the average FFO yield during the 3-year agreement exceeded 6%, in accordance with the terms of the previous management agreement.

c) **Additional conditions:**
1) In any event of termination of the agreement (whether due to its expiry or its cancellation by any of the parties), the Management Company will be entitled to receive what it is owed in accordance with the agreement for 3 additional months from the end of the agreement, including an annual bonus, until the end of the additional 3 months.
2) The Company and/or the Management Company have the right to cancel the agreement at any time before the end date, with 6 months advance written notice (during which the agreement will continued to apply and Mr. Nathan Hetz will continue to provide the Company with management services), regarding its desire to end the agreement.

---

[13] Company equity – Equity as of the beginning of the period of the Company's remuneration policy (December 31, 2018), plus capital raising and less special dividends during the period, and all time-weighted.

[14] The cash bonus will first be awarded in March 2020 for 2019. The cash bonus for 2021 will be awarded at the end of the 3-year agreement, in March/April 2022, according to the provisions of the agreement.

[15]As of the publication of these Financial Statements, Nathan Hetz is serving as a director of PSP Swiss Property (PSP) (in which the Company has holdings of approx. 6.1%). For his service as a director in that company, Nathan Hetz is entitled to participation remuneration according to the remuneration plans for PSP directors. The total remuneration the Company CEO received from PSP in the years 2018-2019 amounted to approx. CHF 99 thousand and CHF 91 thousand, respectively.

Note 18 - Transactions with Related Parties and Interested Parties (continued)

3) The Company will provide Mr. Nathan Hetz with a vehicle and bear its maintenance costs, the cost of the tax for providing the vehicle to Mr. Nathan Hetz will be borne by Mr. Nathan Hetz. The Company will also bear all expenses of Nathan Hetz and/or the management company for Nathan Hetz's activity as Company CEO as is customary in the Company.
4) In accordance with Amendment 20 to the Companies Law, 1999 (hereinafter: "**the Companies Law**") and the remuneration policy, the agreement includes a provision according to which the management company will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements.

b Management agreement with the Chairman of the Company's Board of Directors

In November 2018, the Company entered into an agreement with Orwer Ltd. (hereinafter: "**Orwer**" or "**the Management Company**") (a company owned by Mr. Aviram Wertheim (the Chairman of the Company's Board of Directors) and by his wife equally) to receive management services provided by Mr. Aviram Wertheim, as the Chairman of the Company's Board of Directors, in partial position in the amount required to fulfill his duties for the period starting January 1, 2019 and ending December 31, 2021, as long as Mr. Aviram Wertheim serves as the Chairman of the Company's Board of Directors, as approved by the General Assembly in October 2018 ("**the 2019 Agreement**").

[16] The 2019 Agreement replaces a previous agreement from May 2016.

The following are the main points of the 2019 Agreement, on the basis of which the Company paid Orwer for the management services of the Chairman of the Board of Directors, in 2019:

(1) **Fixed component**[17] – monthly management fees of NIS 50 thousand, plus VAT, linked to the CPI for December 2018, but no less than the above nominal amount. As of December 31 2019, the monthly management fees amounted to NIS 50 thousand.
(2) **Annual cash bonus** (for the years 2019-2021) to be derived from the Company's annual FFO return on the Company's capital[18], where the minimum bonus (with a 6% FFO yield) is NIS 360 thousand and the maximum bonus (with an FFO yield of 10% or more) is NIS 600 thousand.
* The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2019-2021. The above bonus amounts are linked to the CPI for December 2018 and will not be less than the nominal amounts. The amount of the bonus between floor and ceiling is calculated linearly. The annual bonus, determined according to the FFO yield as stated above, will be increased or decreased according to the Company's rating by the credit rating companies, so the credit rating could lead to a decrease in the bonus even to the canceling of the Chairman's bonus on the one hand (in the event that the rating drops below B- (Maalot rating), B3 (Midroog rating)) or to its increase by up to 10% on the other hand (in the event that the rating exceeds AAA (Maalot rating) or Aa1 (Midroog rating). In the event that the rating companies' rating is not identical, the calculation will be made according to the average factor of the two rating companies;
In 2019, the company paid Orwer the amount of NIS 453 thousand for a cash bonus for 2018 in accordance with the terms of the previous agreement. In April 2020, the Company will pay NIS 452 thousand for the cash bonus for 2019 in accordance with the grant formula detailed above.

[16] The scope of the positon is estimated at 40%.

[17] Not including directors' wages for companies on the PSP Board of Directors in which the Company has holdings. In addition Mr. Wertheim is serving (for no compensation) as a director in two of the Company's subsidiaries: Amot Investments Ltd. and Energix Renewable Energy Ltd. in the Company's private subsidiaries, including Carr Properties and jointly owned companies of the Company and Oxford Properties in Boston. For his service as a director at PSP, the Chairman of the Board is entitled to participation payments according to the remuneration plan for directors at PSP. The total remuneration received by the PSP Chairman in 2018 amounted to CHF 99 thousand, and in 2019 it was CHF 107 thousand.

[18] "Company's capital" - the capital as of December 31, 2018 plus capital raising and less additional dividends during the period.

Note 18 - Transactions with Related Parties and Interested Parties (continued)

(3) **Additional conditions –** Orwer is entitled to a retirement grant equal to management fees for 6 additional months from the end of the agreement, including an annual bonus (calculated on a relative basis), until the end of the 6 months.
According to the agreement, in return or his service as a Company officer, Aviram Wertheim will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. This insurance will cover Aviram Wertheim for the entire period of his service as officer and for a period of seven years after he ceases his service as an officer. In return or his service as Company officer, Aviram Wertheim will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

Regarding the capital remuneration granted to Mr. Aviram Wertheim in recent years, in accordance with the decision of the General Assembly, see Note 18c(2) below.

According to Amendment 20 to the Companies Law and the remuneration policy, the agreement includes a provision according to which Orwer will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements.

c Remuneration of directors

(1) Remuneration of directors -
On January 11, 2010, the Company's Board of Directors decided, following the approval of the Audit Committee on that day according to the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000 ("**the Remuneration Regulations**") and according to the Companies Regulations (Easements on Transactions with Interested Parties), 2000 ("**the Easements Regulations**"), that as of April 1, 2010, the Company will pay the external directors, and the other directors who are not external directors and who are not employed by the Company, an annual remuneration equal to the maximum amount as detailed in the Second Supplement to the Remuneration Regulations, as will be applicable from time to time, depending on the Company's rating as it will be from time to time.
The participation remuneration for attendance at meetings of the Board of Directors and its committees is at the fixed amount as specified in the Third Supplement to the Remuneration Regulations.
For attendance at meetings of the Board of Directors and/or Board committees via telecommunications and for participation in the decisions of the Board of Directors and of its committees without actually convening, these directors will be paid a relative portion of the fixed amount as determined in Regulation 5 of the Remuneration Regulations.

The decision by the Company's Board of Directors to compensate Board members, as detailed above, is also compatible with the Company's new remuneration policy (applicable for the years 2019-2021). As of the date of publication of these financial statements, the maximum annual remuneration is NIS 112 thousand and the fixed participation remuneration is NIS 3 thousand (these amounts are updated from time to time according to the updating mechanism in the Remuneration Regulations).

The total payments to which the external directors and the other directors are entitled, including a director who is a relative of a person who, until November 26, 2019, was one of the controlling shareholders of the Company (except for Nathan Hetz and Aviram Wertheim), for 2019 (9 directors until April 1, 2019, 8 directors until November 27, 2019 and 7 directors currently) totaled NIS 890 thousand.

Note 18 - Transactions with Related Parties and Interested Parties (continued)

(2) Capital remuneration of directors -

Capital Remuneration

In accordance with the principles of the remuneration policy, and according to the authority given the Company's authorized organs under the remuneration policy to approve capital remuneration to entitled directors by way of an annual issue of options, the entitled directors were granted options in the years 2017-2020 according to the terms of the options framework plans for officers and employees at the Company adopted by the Company in August 2014 (regarding grants in 2017) and in February 2018 (regarding grants in 2018 and thereafter) (hereinafter: "**the Framework Plan**") as detailed below:

Date of the Decision	**Offeree Directors** (Entitled directors serving on the date of the decision regarding the grant)	**Number of Board Members**	**Number of Options Granted** (Includes 50% of the annual remuneration paid to each of the above directors (not including participation remuneration)	**Option Exercise Price on Allocation Date In NIS** (Unlinked, subject to adjustments)	**The cost of the total benefit included in the options issued to directors based on fair value according to the Black & Scholes Model on the granting date in accordance with guidelines in IFRS 2 ("Share-Based Payment") In NIS**
Board of Directors decision of March 21, 2017	Yitzhak Forer (external director), Yarom Ariav (external director), Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit (daughter of the Company's controlling shareholder) and Aaron Nahumi.	6	87,810	37.64	330,000
Board of Directors decision of March 21, 2018	Yarom Ariav (external director), Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit (daughter of the Company's controlling shareholder), Aaron Nahumi and Zvi Eckstein.	6	95,016	35.18	330,000
Board of Directors decision of August 22, 2018	Shlomi Shuv	1	(*) 7,676	38.92	27,500
Board of Directors decision of March 19, 2019	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit (daughter of the Company controlling shareholder), Aaron Nahumi, Zvi Eckstein and Shlomi Shuv	6	71,856	41.22	333,342
Board of Directors decision of March 18, 2020	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit, Zvi Eckstein and Shlomi Shuv	5	(**) 124,565	49.64	278,200

(*) Partial allocation, relative to Shlomi Shuv's term of service during 2018 rounded to whole months, which is half of 2018.

(**) Options have yet to be allocated.

Note 18 - Transactions with Related Parties and Interested Parties (continued)

The options were granted under the terms detailed above and subject to the terms of the applicable framework plan.

In addition, according to the decision of the authorized Company organs, each year from 2019 to 2021 in which Mr. Wertheim serves as Chairman of the Board of Directors, he will be granted a capital bonus through the allocation of non-tradable options at economic value (calculated according to an accepted economic model) in the amount of NIS 300 thousand (linked to the CPI for December 2018, and in any event no less than the above nominal amount).

In the years 2017-2020, the Company granted the Chairman of the Board of Directors, Aviram Wertheim, the options mentioned above, as follows:

Date of the Decision	**Number of Options Granted**	**Option Exercise Price on Allocation Date In NIS** (Unlinked, subject to adjustments)	**The cost of the total benefit included in the options issued to the Chairman of the Board of Directors based on the fair value according to the Black & Scholes Model on the granting date in accordance with guidelines in IFRS 2 ("Share-Based Payment") In NIS**
Board of Directors decision of March 21, 2017	72,281	37.64	272,000
Board of Directors decision of March 21, 2018	78,448	35.18	272,000
Board of Directors decision of March 19, 2019	64,667	41.22	300,000
Board of Directors decision of March 18, 2020	(*) 135,132	49.64	301,803

(*) The options have yet to be allocated

On February 19 2018, the Company's Board of Directors adopted a new options plan in accordance with Section 102 of the Income Tax Ordinance in a capital plan with a trustee (hereinafter: "**the 2018 Plan**"); the 2018 Plan is essentially similar to the August 2014 options plan, with the exception of a provision regarding directors whose term in office has ended, according to which options that have not vested by the end of their service will vest at the end of their service and will not expire and will be exercisable for up to one year from the end of their service.

In the spirit of the above principle, in March 2019, the Company's Board of Directors decided, regarding options granted in 2017 according to the August 2014 plan (see Note 16.e(1)) to an external director before leaving his service, to alter the terms of the options granted him and allow him to exercise the options granted him in 2017 that have not yet vested as of his departure, up to one year from his expected end of term in office.

At the General Assembly dated October 9, 2018, a decision was made to approve the grant of options, to the directors (including Adva Sharvit (daughter of Nathan Hetz, who was one of the Company's controlling shareholders, until November 26, 2019)) who are not employed by the Company, in accordance with the Company's stock option plan in effect as determined by the Board of Directors. The options will be granted each calendar year in the years 2019-2021, and their value each year will be an amount equal to one half (50%) of the annual remuneration to which the directors are entitled as member of the Board of Directors (not including remuneration for meeting attendance) for the calendar year ending before granting the options. The exercise price, the vesting period, the exercise dates, the right to exercise options that have yet to be realized in the event of the end of service, and the other terms of the options will be determined in accordance with the existing remuneration policy.

Note 18 - Transactions with Related Parties and Interested Parties (continued)

(3) Insurance, indemnity and exemption[19][20]

The director and officer insurance arrangement is an umbrella arrangement for the entire Group, which includes the directors and officers at the Company, Amot and Energix, as well as officers serving as directors on the Company's behalf in subsidiaries and in companies not fully owned or controlled by the Company. The arrangement is for a period of 6 years starting July 1, 2013 and ending at the end of June 2019, in practice (see below), the arrangement period was shortened to June 30, 2018.
According to this arrangement, the liability limit is up to USD 50 million per event and period, plus coverage of legal fees. The maximum premium will not exceed USD 70,000 (for the entire Group) (with the option, in the event of price increases, of an increase of another 50%).

The policies purchased under the arrangement will also cover events that may be insured under the Enforcement Procedures Streamlining in the Securities Authority Law (Legislative Amendments), 2011.
According to the above arrangement, the Company purchased a policy for the period from July 1, 2016 to June 30, 2017 with a liability limit of USD 40 million plus coverage for legal expenses ("**the 2016 Policy**") and a policy for the period from July 1, 2017 to June 30, 2018 with a liability limit of USD 50 million ("**the 2017 Policy**") plus coverage for legal expenses, according to Section 66 of the Insurance Contract Law, 1981. According to the terms of these policies, there is no deductible for the officers themselves and the deductible for the corporations covered by the policy is USD 7,500 per claim, USD 25 thousand for a claim in the US/Canada and USD 35 thousand in the event of a securities claim in the 2016 Policy and USD 5,000 per claim, USD 25 thousand per claim in the US/Canada and $25,000 in the event of a securities claim in the 2017 Policy. The annual premium of the 2017 policy amounted to USD 50 thousand. The annual premium for the 2016 Policy was USD 42.5 thousand. The territorial limits of the coverage are global, including the US and Canada.

In accordance with decisions reached by the various Company organs and by the various Amot and Energix organs, the arrangement also includes the directors and officers of Amot and Energix, and they participate in the premium payments according to the three companies' equity ratio according to the latest annual financial statements prior to the purchase of the policy.
The participation in this arrangement and Amot's and Energix's participation in the premium for the policies to be purchased was approved by the Amot General Assembly on March 21, 2013 and by the Energix General Assembly on April 30, 2013, for a 6-year period.
In addition, the Company and Amot granted letters of indemnity and exemption to the officers, including directors who are also controlling shareholders21 or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount will not exceed 25% of the Company's or Amot's equity (as applicable) according to the latest financial statements published prior to the payment date.

19 This section applies to all Company officers (including those who are not directors).

20 In return for his service as a Company officer, Mr. Nathan Hetz (CEO and director) and Aviram Wertheim (Chairman of the Company's Board of Directors) will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. The above insurance will provide Nathan Hetz and Aviram Wertheim with coverage during their entire term as officers and for a period of seven years after they serving as officers.
Regarding the exemption to which Mr. Nathan Hetz (CEO and Director) and Mr. Aviram Wertheim (Chairman of the Board) are entitled, see below.

21 Regarding the Company, the continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its October 6, 2014 meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and in the General Assembly of October 3, 2017 for a 3-year period from October 11, 2017 to October 10, 2020. On the other hand, the continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives in the same format was not renewed. Regarding a new exemption arrangement, see below.
Regarding Amot, the continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its February 16, 2015 meeting for a period of 3 years from November 15, 2014 to November 14, 2017. In its February 16, 2015 meeting, Amot's General Assembly did not approve the exemption for Company directors and officers who are controlling shareholders or related to controlling shareholders in the same format.
On May 2, 2018, Amot's General Assembly approved new letters of indemnity for directors and officers, which replaced the previous letters of indemnity, and

Energix granted letters of indemnity and exemption to the Company's officers, including directors who are also controlling shareholders or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount for all officers on a cumulative basis will not exceed 25% of Energix's equity according to the latest financial statements published prior to the payment date[22].

In March 2018, the Audit/Remuneration Committees (as applicable) and the Boards of Directors of Amot and Energix approved changes to the insurance, indemnity (and in Amot, also regarding the exemption) arrangement23 for directors and officers. The changes were also approved by the General Assemblies of Amot and Energix of May 2, 2018, as the case may be, and in part of the insurance issue (meaning the umbrella insurance policies for directors and officers throughout the Group), they were also approved by the relevant organs in these companies.

On July 12, 2018, the Company's General Assembly approved an update to the insurance coverage that will apply to the Company's directors and other officers under a new insurance arrangement. The new arrangement will also apply to directors and other officers who are controlling shareholders or their relatives, as the new arrangement meets the conditions in Regulation 1b(a)(5) of the Companies Regulations (Relief for Transactions with Interested Parties), 2000 ("**the Relief Regulations**"), and to the Company CEO, by virtue of Regulation 1.a.1 of the Relief Regulations, in accordance with the decision of the Company's Board of Directors of May 23, 2018.
The principles of the Group's new arrangement are as follows ("**The New Framework Arrangement**"):

A. The policies will be purchased for several insurance periods which will not cumulatively exceed six years starting July 1, 2018.
B. The liability limit for officers' liability insurance in the umbrella insurance policy will be up to USD 75 (seventy-five) million per claim event and in aggregate, plus coverage for legal expenses (instead of USD 50 million in the previous framework agreement).

c.1. The total annual insurance premiums payable by all Group companies in aggregate for any insurance year, for officers' liability insurance under the umbrella policy, will not exceed USD 112,500 ("**the Annual Premium**"), subject to the provisions of Subsection c(2) below. In the event that the insurance period is shorter than one year, the insurance premium will be determined relative to the above amount of USD 112,500.

c.2. If the price of the insurance premium the Company is required to pay rises in the coming insurance years, the following rules will apply: the premium paid for the insurance year will not increase by more than 50% each year over the amount of the annual premium, and an increase in the premium by over 25% per year will be contingent on the existence of significant changes in the insurance market for directors and officers, which had a material impact on the acceptable premium rates under the circumstances. Exceeding these limits, respectively, will require the approval of the General Assembly.

will be in effect, in relation to the controlling shareholders or their relatives, during the period from November 14, 2017 to November 30, 2020. The General Assembly of May 2, 2018, also approved the granting of new letters of exemption, which will replace the existing letters of exemption from the granting date, in relation to events only from the granting date. The Assembly's approval is in relation to all directors and officers, as they will be from time to time (including directors and officers who are controlling shareholders or their relatives).

[22] The continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by Energix's General Assembly in its October 4, 2014 meeting for a period of 3 years from April 6, 2014 to April 5, 2017 and in Energix's General Assembly of July 9, 2017 for a 3-year period from April 6, 2017 to April 5, 2020. The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives, was not approved in Energix's July 30, 2014 General Assembly. In addition, in Energix's General Assembly of July 9, 2017, the meeting approved the issue of new letters of exemption to Energix's directors and officers, including directors and officers who are controlling shareholders or their relatives, serving on the date of the meeting's approval and who will serve from time to time (regarding the controlling shareholders, the approval is for 3 years starting from the meeting's approval from July 9, 2017 to July 8, 2020).

[23] The exemption in its new format was approved by Energix's General Assembly on July 9, 2017.

Each Group member (including the Company itself) retains the right to decide, at its own discretion, to purchase additional insurance in a separate and independent policy or in a joint policy, for a coverage amount of up to an additional USD 25 (twenty-five) million per claim and in aggregate, plus a premium not exceeding USD 37,500 (subject to that stated in Subsection c(2) above) ("**the Additional Policy**").
It should be clarified that to the extent that the additional policy is purchased for the Company alone (and not together with other Group companies), the Company will bear the full added premium and in the event of a joint purchase, the premium will be divided according to the principles in Subsection (i) below.

D. No deductible will apply to the officers and the Company will bear the deductible in an amount to be agreed with the insurer.

E. The policies will insure the liability of Company officers, officers at Company subsidiaries and in other corporations under the Company's control, Company officers serving as directors on the Company's behalf in subsidiaries and in other controlled corporations as well as in other companies and corporations in which the Company has holdings that are not fully owned or controlled by the Company, as may be from time to time.

F. The policies purchased will also insure, as much as possible, events that may be insured under the Enforcement Procedures Streamlining in the Securities Authority Law (Legislative Amendments), 2011, in accordance with the Antitrust Law, 1988 ("**the Antitrust Law**"), and/or any other law regarding officers' insurance in general and/or officers' insurance for administrative enforcement in particular, including and without detracting from the generality of the above, in accordance with Section 56h of the Securities Law and/or Section 50p of the Antitrust Law.

G. The Company will maintain the above insurance (according to the format specified in Subsections a-g above, and if, following a decision by the Company's authorized organs, the insurance format is replaced with a new format) for the entire duration of an officer's service as well as for a period of 7 years from the end of service, will renew the policy on the proper date and bear all premium expenses and any associated or related expenses.
It should be clarified that this will not compel the Company to prepare or renew the additional policy.

H. The premium for each policy within the framework of the umbrella insurance as noted above, will be paid by the Company, Amot and Energix (and any additional public subsidiary of Alony-Hetz, to the extent such exists during the period of the new framework agreement) according to the ratio of equity attributable to the companies' majority shareholders according to the latest (consolidated) annual or quarterly financial statements published before renewal of the engagement in each and every policy.

In the event that upon renewal of the policy at the end of the insurance period the premium will increase following the filing of a claim or a notice to the insurer in respect of a corporation from the "Alony-Hetz Group" or from the "Amot Group" or the "Energix Group", the distribution of the liability for the premium payment will be adjusted between the Company and those companies such that the share of the Group/Company including the corporation for which the claim or notice was submitted will increase accordingly.

According to the above arrangement, the Company purchased a policy for the period from July 1, 2018 to July 14, 2019 ("**the 2018 Policy**") and a policy for the period from July 15, 2019 to July 14, 2020 ("**the 2019 Policy**"), both with a liability limit of USD 75 million plus coverage for legal expenses, according to Section 66 of the Insurance Contract Law, 1981. According to the terms of these policies, there is no deductible for the officers themselves and the deductible for the corporations covered by the policy is USD 5,000 per claim, USD 25 thousand per claim in the US/Canada and USD 25 thousand in the event of a securities claim. The annual premium of the 2018 policy is USD 75 thousand. The annual premium of the 2019 policy is USD 125 thousand (due to an increase in the directors 'and officers' insurance in the global market). The territorial limits of the coverage are global, including the US and Canada.

Regarding the Company's existing remuneration arrangement:

Note 18 - Transactions with Related Parties and Interested Parties (continued)

On July 12, 2018 the Company's General Assembly approved the replacement of the letter of indemnity used at the Company with a new letter of indemnity, granted by the Company to the directors and the other officers, as they may exist from time to time, including replacing the letters of indemnity of the directors and officers at the Company who are controlling shareholders or their relatives, and as they may be from time to time, all relative to the grounds occurring from the General Assembly's approval date (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity will continue to apply to grounds that occurred up to the General Assembly's approval date (July 12, 2018).

Regarding the Company's existing exemption arrangement:

On July 12, 2018, the Company's General Assembly approved a new arrangement for the granting of new letters of exemption to Company directors and officers, including Company directors and officers who are controlling shareholders in the Company or their relatives, currently serving and as may serve from time to time, as long as the letters of exemption granted by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered thereby that occurred up to the General Assembly approval date and the exemption granted by the Company to directors and officers who are controlling shareholders or their relatives (i.e., Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered thereby occurring up to October 11, 2011.

The exemption in accordance with the new arrangement will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than one granted the letter of exemption) has any personal interest.

(4) Additional details -

For additional details regarding remuneration amounts paid to Company directors for 2018, see Note 18k. below.

d Regarding the management fee agreement with Amot, see Note 6.c.(4).

e Regarding the management fee agreement with Energix, see Note 6.e.(4).

f A partnership in which Energix holds 50.1%, entered into a transaction for financing of up to NIS 35 million, from Mizrahi Bank, in which Mr. David Wertheim (until November 26, 2019, a controlling shareholder in the Company), is one of its controlling shareholders. The balance of the above loan as of December 31, 2019 is NIS 30 million.

g The Company has a facility agreement (in effect until May 2020) for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties.

h Until May 31, 2019, Energix employed the son-in-law of the Company's controlling shareholder at the time, Mr. Nathan Hetz (hereinafter: "the Employee"). The employee's monthly salary (employer cost, not including grants) in the reporting period and until the end of the employee's employment with Energix, was approx. NIS 41 thousand per month.

i Engagement with Altshuler Shaham Provident and Pensions Ltd. (hereinafter: "Altshuler Shaham") in an agreement for a line of credit – In March 2019, the Company's Board of Directors approved the Company's engagement with Altshuler Shaham (an interested party in the Company by virtue of its holdings), on behalf of provident funds managed thereby, in an agreement for a line of credit, which constitutes an amendment to an existing agreement dated January 25, 2017, according to which Altshuler Shaham, through its managed provident funds, will provide a line of credit in the amount of NIS 100 million for a period of 6 years beginning on January 25, 2017. For further details, see Note 12b. (4).

Note 18 - Transactions with Related Parties and Interested Parties (continued)

j Negligible transaction

The Company's Board of Directors has determined that a negligible transaction would be one meeting the following conditions:

(1) It takes place in the ordinary course of the Company's business;
(2) The transaction takes place under market conditions – the terms of the engagement are terms customary in the relevant market;
(3) The transaction's projected contribution to profit and loss in annual terms (before the tax effect) or its annual financial scope in the event that the transaction is not recorded through the Statement of Income does not exceed 0.125% of the Company's equity according to its audited consolidated financial statements published as of December 31 of the year preceding the date on which the transaction was reported, or 0.5% of the Company's average profit or loss in absolute terms in the three calendar years preceding the date on which the transaction was reported according to the Company's audited consolidated financial statements; whichever is lower, whether in a single engagement or a series of engagements on the same issue over the course of the year.

In this regard, in the event that the Company does not possess the full rights and obligations involved in the transaction, the transaction will be tested according to the Company's relative share in the transaction.

(4) The transaction was approved by the Company's Board of Directors and the controlling shareholder/officer has informed the Company of his interest in the transaction (unless the personal interest is due solely to the presence of personal interest by a "relative" as defined in the Companies Law in a non-exceptional transaction).

The following is the list of negligible transactions in which the Group has engaged during and subsequent to the reporting period:

1. The engagement of the Company, Amot and Energix with Value Base Issuing Underwriting and Management Ltd. ("Value Base") – a company whose parent company's shareholders include, among others, Nathan Hetz (19.95%) and M. Wertheim (Holdings) Ltd. (19.95%) (a private company registered in Israel that is wholly owned by a private company registered in Israel that is wholly owned by David Wertheim), who were, until November 26, 2019, controlling shareholders of the Company.
As part of the public offerings and private offerings carried out by the Company, Amot and Energix as follows:

a) The Company – (a) in February 2019, for the expansion of the bonds (Series J); (b) in March 2019, for the expansion of the bonds (Series H); and (c) in August 2019, for the issuance of the bonds (Series K) and bonds (Series L) through an initial offering. In total, the Company paid Value Base commissions in 2019 in the amount of NIS 801 thousand (not including VAT).
b) Amot – (a) in June 2019, for the issuance of Amot's bonds (Series F) through an initial offering; (b) in September 2019, for the expansion of Amot's bonds (Series F); and (c) in February 2020, for the expansion of Amot's bonds (Series F) and for the issuance of Amot's bonds (Series G) through an initial offering[24].
c) Energix – (a) in July 2019, for the issuance of Energix's common stock and option warrants (Series 3); (b) in December 2019, for the issuance of the Energix's bonds (Series A) through an initial offering [25]; and (c) in January 2020, for the issuance of Energix's common stock and in December, for the issuance of Energix's common stock[26].

[24] It should be noted that at that time, M. Wertheim (Holdings) Ltd. and Mr. Nathan Hetz, were no longer controlling shareholders of the Company (and indirectly, in Amot and Energix) but Mr. Nathan Hetz is a director in the Company and Chairman of the Board of Directors of Amot and Energix.
[25] See footnote 25 above
[26] See footnote 25 above

Note 18 - Transactions with Related Parties and Interested Parties (continued)

The engagement of the Company, Amot and Energix (each separately) as mentioned above, is with a number of distributors including Value Base, for consultation and management of the offering, and for its distribution. These transactions are (each one) is a negligible transaction within the meaning of the term in Section (a) above.

2. Engagement with the Central Bottling Company Ltd. – The Company and Energix periodically purchase a non-material amount of soft drinks for refreshments from the Central Bottling Company Ltd. To the best of the Company's knowledge, Mr. David Wertheim (who was, until November 26, 2019, a controlling shareholder, indirectly, in the Company), is the controlling shareholder in the Central Bottling Company Ltd. The purchases are made under market conditions and in the ordinary course of business and are negligible transactions.

3. Amot’s engagements in agreements with the United Mizrahi Bank Ltd. (hereinafter: "Mizrahi Bank") (including through Netzivim Assets and Equipment Ltd.) (a company controlled by the Wertheim family, which was one of the controlling shareholders in the Company until November 26, 2019):
   - An agreement whereby a property was leased to Mizrahi Bank for a period of 15 years, a property in Holon with an area of approx. 260 sq.m., for a bank branch.
   - A lease agreement under which a commercial unit of approx. 490 sq.m. at the Orot Mall in Or Akiva is leased to the United Mizrahi Bank Ltd. for a 23-year lease period (at the end of 8 years, the Bank has the right to terminate the lease period with a one-year notice) for the management of a bank branch.
   - A lease agreement according to which a property in Ramat Gan with an area of approx. 330 sq.m. is leased to the United Mizrahi Bank Ltd. for a rental period until 2029, for the management of a bank branch.
   - Lease agreements with Mizrahi Bank according to which space for the placement of cash withdrawal instruments are leased to Bank Mizrahi at three of Amot’s commercial centers.

   All of the aforementioned engagements are under market conditions and in the ordinary course of business for Amot.

   During the reporting period, Amot was a party to a lease agreement with IBBL Spirit Ltd. (a company under the control of the Wertheim family that was one of the controlling shareholders of the Company until November 26, 2019), according to which storage and logistics space at the Modi’in Logistic Center with an area of approx. 4,758 sq.m. are leased for a rental period until 2023 (when the tenant is given two 5-year extension options). The engagement is under market conditions and in the ordinary course of business for Amot.

4. Allocation of options to Adva Sharvit (Company director, daughter of Nathan Hetz, a controlling shareholder of the Company until November 26, 2019).
   - In accordance with the previous remuneration policy and the Board of Directors decision of March 21, 2018, carried out in accordance with the approval of the General Assembly of March 31, 2016, 15,836 option warrants were issued to Adva Sharvit in 2018, with an economic value of NIS 55 thousand (similar to other Company directors who are not employed by the Company).
   - In accordance with the new remuneration policy, in the Board of Directors decision of March 19, 2019, carried out with the approval of the General Assembly of October 9, 2018, it was decided to allocate 11,976 option warrants to Adva Sharvit with an economic value of NIS 55,557 (half of the annual remuneration for 2018) (similar to other Company directors who are not employed by the Company).

Note 18 - Transactions with Related Parties and Interested Parties (continued)

5. Crime insurance policy:
In its May 23, 2018 meeting, the Company's Board of Directors confirmed that the division of the premium between the Company, Amot and Energix for the crime insurance policy for the period from July 1, 2018 to June 30, 2019 will be such that each company will bear one third of the cost of the premium (approx. NIS 32 thousand for each of the companies for the above policy). In its May 28, 2019 meeting, the Company's Board of Directors confirmed that the division of the premium between the Company, Amot and Energix for the crime insurance policy for the period from July 1, 2019 to June 30, 2020 will be such that each company will bear one third of the cost of the total annual premium for the Group in the amount of approx. USD 39 thousand (i.e., the annual premium is approx. NIS 46 thousand for each of the companies for the above policy).

K. Benefits to key management personnel of the Company

	Number of Recipients	For the Year ended December 31		
	2019	2019	2018	2017
		NIS thousands	NIS thousands	NIS thousands
Management fees and grants	4	12,130	10,974	10,725
Amortization of benefits relating to share-based payments	10	2,309	2,186	2,044
Other directors' wages	7	890	1,018	836
Directors' and officers' insurance	16	126	120	105
		15,455	14,298	13,710

L. Additional information on transactions with related parties

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Under current assets		
In other receivables	403	382
Under current liabilities		
In other payables	7	25

Note 19 - Earnings per Share

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Profit used to calculate basic earnings per share from continuing operations	956,100	514,146	594,142
Adjustments:			
Adjustment of diluted profit from consolidated companies	(1,101)	(459)	(248)
Profit used to calculate diluted earnings per share	954,999	513,687	593,894
	Thousands of Shares		
Weighted average number of shares of common stock used to calculate basic earnings per share from continuing operations	172,170	170,744	161,839
Adjustments:			
Option warrants	822	269	361
Weighted average number of shares of common stock used to calculate diluted earnings per share	172,992	171,013	162,200
Weighted average number of securities excluded from the calculation of diluted earnings per share, as their effect was anti-dilutive:			
Option warrants	-	14	-
	-	14	-

Note 20 - Taxes on Income

a. Composition of tax expenses

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Current taxes			
Current tax expenses	48,093	38,204	50,173
Betterment tax expenses due to sale of assets	(499)	15,358	-
Taxes for previous years	(549)	(1,160)	(4,368)
	47,045	52,402	45,805
Deferred taxes			
Deferred tax expenses due to the creation and reversal of temporary differences	481,337	223,167	197,843
Adjustment of deferred tax balances due to changes in tax rate	-	-	(14,900)
	481,337	223,167	182,943
Total tax expenses recognized in the statement	528,382	275,569	228,748

b. Tax laws applicable to the Group

The provision for current taxes made by the Company and its subsidiaries in Israel was determined based on the provisions of the Income Tax Ordinance (New Version) 1961.

The provision for current taxes of consolidated companies operating outside of Israel was determined taking into account the tax laws applicable in those countries.

c. Tax rates applicable to the Group

1. Tax rates applicable to companies in Israel:

The income tax rates applicable to the Company and the consolidated companies in Israel in 2017, 2018 and 2019 are 24%, 23% and 23%, respectively.

2. Tax rates applicable to companies operating outside of Israel:

Tax rates applicable to companies operating in the United States range mainly between 21% and 30.88% (after the US tax reform). In December 2017, the United States government published a tax reform in effect from January 1, 2018, the main point of which is a decrease in the federal tax rate from 35% to 21%. As a result, the Company remeasured its tax reserves in connection with its activity in the United States (investment in Carr and assets in Boston) and decreased its tax reserves by NIS 15 million.

Note 20 - Taxes on Income (continued)

Subsequent to the Balance Sheet date, BE chose to operate as a REIT according to UK tax provisions. Therefore, the Group records the tax reserves mainly for real estate assets according to the tax rate in Israel at 23%.

Dividends distributed by PSP will be deductible at source in Switzerland at a rate of 15% and taxed in Israel at the corporate tax rate while receiving a credit for the tax deducted at source in Switzerland.

d. Tax assessments

1. The Company and four fully-owned consolidated companies in Israel have final tax assessments and self-assessments considered final, up to and including the 2014 tax year.

2. Two of the Company's fully-owned consolidated companies in Israel have been issued tax assessments considered final up to and including the 2015 tax year.

3. Four fully-owned consolidated companies in the United States have been issued tax assessments considered final up to and including the 2015 tax year.

4. Four fully-owned, directly and indirectly, corporations in the United States have yet to receive tax assessments since their establishment.

5. A fully-owned consolidated company in Canada has final tax assessments up to and including the 2015 tax year.

6. In February 2018, Amot signed a final tax assessment agreement with Income Tax for the years 2012-2015 following which Amot paid taxes in the amount of NIS 25 million (for which Amot had made full provisions). As part of the agreement, Amot's losses were recognized for carrying forward in the amount of approx. NIS 175 million, to be utilized over the years 2018-2024. The assessment agreement also arranged the open issue in respect of losses carried forward for tax purposes in the amount of NIS 35 million, for which a district court ruling was handed down against Amot.
7. Amot and one of its consolidated companies have been issued final tax assessments up to and including the 2015 tax year, 11 of Amot's consolidated companies and 7 companies accounted for using the equity method have been issued final assessments up to and including the 2014 tax year, and one company accounted for using the equity method has been issued tax assessments considered final up to and including the 2016 tax year.

8. Energix has tax assessments considered final up to and including the 2014 tax year. Energix's consolidated companies in Israel have yet to receive tax assessments since their establishment. Energix's consolidated companies in Poland have tax assessments considered final up to and including the 2013 tax year. Energix has final income tax payroll withholding assessments up to and including the 2017 tax year.

Note 20 - Taxes on Income (continued)

e. Tax balances presented in the Statement of Financial Position:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Tax balances presented in the Statement of Financial Position		
Current assets (liabilities):		
Current tax assets	5,434	16,966
Current tax liabilities	(47,685)	(34,160)
	(42,251)	(17,194)
Non-current assets (liabilities) (*):		
In non-current assets	3,895	9,649
In non-current liabilities	(1,720,121)	(1,247,691)
	(1,716,226)	(1,238,042)

(*) Deferred taxes in respect of depreciation differences, income and expense timing differences, losses for tax purposes and expected capital gains were recorded according to expected tax rates of between 23% and 30.88%, mainly 23%.

f. Composition of and movement in deferred taxes

For 2019	As of December 31, 2018	Application of IFRS 16	Recorded to Profit or Loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,013,902)	-	(312,319)	(58)	-	(1,326,279)
Electricity-generating Facilities	(71,322)	-	(9,286)	-	-	(80,608)
Associates	(373,733)	185	(111,339)	39,973	40,462	(404,452)
Financial assets measured at fair value through profit or loss	(1,390)	-	2,700	-	4,880	6,190
Hedging	34,023	-	-	(43,914)	-	(9,891)
Losses for tax purposes	229,060	-	(55,836)	494	(45,342)	128,376
Others	(40,778)	1,239	9,548	429	-	(29,562)
	(1,238,042)	1,424	(476,532)	(3,076)	-	(1,716,226)

(*) Difference from recording of profit and loss against deferred tax expenses is due to the updating of reserves through equity profits.

Note 20 - Taxes on Income (continued)

For 2018	As of December 31, 2017	Creation against Investment in Associate (**)	Recorded to Profit and Loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liability	As of December 31, 2018
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(919,728)	-	(92,549)	-	(1,625)	(1,013,902)
Electricity-generating Facilities	(59,642)	-	(11,680)	-	-	(71,322)
Associates	(310,054)	-	(78,367)	(23,725)	38,413	(373,733)
Financial assets measured at fair value through profit or loss	(11,637)	-	10,247	-	-	(1,390)
Hedging	(28,142)	-	-	62,165	-	34,023
Losses for tax purposes	274,085	-	(8,237)	-	(36,788)	229,060
Others	20,737	(23,111)	(38,794)	390	-	(40,778)
	(1,034,381)	(23,111)	(219,380)	38,830	-	(1,238,042)

(*) Difference from recording of profit and loss against deferred tax expenses is due to the updating of reserves through equity profits.
(**) Regarding the acquisition of Brockton LLP, see Note 6d.

I. Losses for tax purposes carried forward to the coming years

As of December 31, 2019 the Company and its consolidated companies in Israel and abroad (not including companies in the Amot and Energix Group) have a tax loss carried forward to the coming years in the amount of NIS 494 million.

3 of Amot's consolidated companies have losses for tax purposes carried forward to the coming years in the total amount of NIS 36 million.

The loss of each of these consolidated companies can only be utilized against its own profits.

J. Amounts not recognized for deferred taxes

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Losses for tax purposes for which deferred taxes were not recognized	45,387	23,084

As of December 31, 2019, the Company did not recognize deferred tax liabilities for a total of NIS 418 million for temporary differences relating to investments in investees due to the lack of expected realization of these investments and the decision not to distribute taxable dividends in the foreseeable future.

Note 20 - Taxes on Income (continued)

As of December 31, 2019, the balance of undistributed profits of consolidated companies abroad amounts to NIS 924 million, which the Group does not currently intend to distribute as a dividend to the Company. In the event that these profits are distributed in the future as a dividend, they will be taxed at a rate of 25% while receiving a tax credit in respect of the tax deducted at source overseas, or alternatively, corporate tax on the inherent dividend, and receipt of an indirect credit for the tax paid by the distributing company abroad and the tax deducted at source, all in accordance with the conditions specified in Section 126(c) of the Income Tax Ordinance.

K. Taxes on income related to other comprehensive income components:

For the year ended December 31, 2019	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(464,344)	-	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(11,213)	-	(11,213)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	2,305	-	2,305
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	218,087	(46,228)	171,859
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(24,616)	2,944	(21,672)
Company's share in other comprehensive income (loss) of associates	(75,167)	17,421	(57,746)
Total	(351,927)	(25,863)	(377,790)

Note 20 - Taxes on Income (continued)

For the Year ended December 31, 2018	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	418,532	-	418,532
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	2,250	-	2,250
Net change in fair value of instruments used for cash flow hedging	-	-	-
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	-	-	-
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(263,286)	61,712	(201,574)
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	1,942	442	2,384
Company's share in other comprehensive income (loss) of associates	19,136	(4,139)	14,997
Total	163,258	58,015	221,273

For the Year ended December 31, 2017	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Loss from the translation of financial statements of associates constituting foreign activities	(408,622)	-	(408,622)
Loss from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in associates that constitute foreign activity, net of tax	124,923	(24,207)	100,716
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	511	-	511
Company's share in other comprehensive loss of associates	9,500	(2,284)	7,216
Profit (loss) from fair value adjustment of assets classified in the past as available-for-sale financial assets, net of tax	6,310	(7,345)	(1,035)
Allocation of capital reserve in respect of available-for-sale financial assets to profit and loss, net of tax, due to the realization of investments	(110,742)	20,314	(90,428)
Allocation of profit from exchange rate differences relating to credit and derivatives designated as fair value hedging of available-for-sale financial assets to profit and loss due to the realization of investments	(26,921)	-	(26,921)
Loss from exchange rate differences relating to credit and derivatives designated as fair value hedging of available-for-sale financial assets	1,394	-	1,394
Total	(403,647)	(13,522)	(417,169)

Note 20 - Taxes on Income (continued)

L. Theoretical tax

The difference between the tax amount calculated according to regular tax rates and the amount of provisions for taxes is explained as follows:

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	1,976,457	1,026,669	996,766
Statutory tax rate	23.00%	23.00%	24.00%
	454,585	236,134	239,224
Group's share in the profits of associates for which deferred taxes were not recognized	(5,869)	168	(4,534)
Exempt income, non-deductible expenses, taxable income not recorded in the books and expenses not recorded in the books but recognized for tax purposes	18,909	13,089	7,864
Tax effect in respect of temporary differences for which deferred taxes were not recorded (deferred taxes created against losses carried forward)	45,622	24,419	144
Taxes for previous years	(549)	(1,160)	(4,368)
Effect of deferred taxes created at tax rate different from the main tax rate	3,920	14,584	6,373
Differences in respect of changes in tax laws (see (c) above)	-	-	(14,900)
Differences relating to investment property	1,598	(12,392)	(4,300)
Others, net	10,166	727	3,245
	73,797	39,435	(10,476)
	528,382	275,569	228,748
Effective tax rate	26.73%	26.84%	22.95%

Note 21 - Operating Segments

The Group has two areas of activity: (1) main area of activity – long-term investments in income-generating property companies in Israel and in other western countries, which includes its investments in Amot, Carr, BE and PSP;
and (2) additional area of activity – investment in renewable energy, which consists of its investment in Energix.
Segment results are measured based on the Company's share in the operating results of each investment as included in the reports reviewed regularly by the chief decision maker and by management.

Segment revenues and results

	For the year ended December 31, 2019								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	598,707	81,311	154,088	90,379	163,641	38,549	(2,580)	(710,658)	413,437
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	576	-	-	-	576
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	24,547	-	164	-	24,711
Revenues from decrease in holdings in investees	-		96,680	-	-	-	-	-	96,680
Other revenues, net (*)	9,059	-	-	-	(22)	4,811	-	2,049,676	2,063,524
	607,766	81,311	250,768	90,379	188,742	43,360	(2,416)	1,339,018	2,598,928
Administrative and general	-	-	-	-	-	-	37,392	84,407	121,799
Financing expenses, net	-	-	-	-	-	-	97,447	244,204	341,651
Other expenses, net (*)	-	-	-	-	-	-	-	159,021	159,021
	-	-	-	-	-	-	134,839	487,632	622,471
Profit before tax	607,766	81,311	250,768	90,379	188,742	43,360	(137,255)	851,386	1,976,457
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	1,606,323	666,540	2,041,598	227,095		238,559			
Revaluation profits (in the investee's books), before tax	847,259	(197,602)	872,145	152,608		-			
Net profit (in the investee's books)	1,070,423	212,969	2,722,158	90,662		62,972			
Company's share in net profits	598,707	81,311	154,088	90,379		38,549			

For additional details regarding condensed financial information on Carr and PSP, see Notes 6(g) and 6(h), respectively, above.
(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 21 - Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2019								
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,356,383	3,135,978	1,381,418	1,246,092	844,452	585,801	17,626	(4,650,199)	5,917,551
Investment in securities measured at fair value through profit and loss	-	-	-	-	203,168	-	635	-	203,803
Other assets	-	-	-	-	-	-	628,697	15,190,594	15,819,291
	3,356,383	3,135,978	1,381,418	1,246,092	1,047,620	585,801	646,958	10,540,395	21,940,645
Liabilities	-	-	-	-	-	-	5,063,705	9,898,725	14,962,430

Note 21 - Operating Segments (continued)

Segment revenues and results

	For the Year ended December 31, 2018							
	Income-Generating Property Segment				Energy Segment	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	Others	Energix			
	NIS thousands							
Group's share in profits of investees, net	330,491	135,658	135,913	48,170	21,069	1,304	(330,868)	341,737
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	1,833	-	-	-	1,833
Net profit, relating to investments in long-term securities intended for sale	-	-	-	32,817	-	333	-	33,150
Revenues from decrease in holdings in investees	-	41,787	5,889	-	-	-	-	47,676
Other revenues, net (*)	8,064	-	-	58	4,178	-	1,122,938	1,135,238
	338,555	177,445	141,802	82,878	25,247	1,637	792,070	1,559,634
Administrative and general	-	-	-	-	-	32,164	56,242	88,406
Financing expenses, net	-	-	-	-	-	107,411	190,666	298,077
Other expenses, net (*)	-	-	-	-	-	-	146,482	146,482
	-	-	-	-	-	139,575	393,390	532,965
Profit before tax	338,555	177,445	141,802	82,878	25,247	(137,938)	398,680	1,026,669
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits	970,647	681,230	1,715,274		170,634			
Revaluation profits (in the investee's books), before tax	262,975	42,229	611,350		-			
Net profit (in the investee's books)	566,887	287,035	1,131,249		30,892			
Company's share of net profits	330,491	135,658	135,913		21,069			

For additional details regarding condensed financial information on Carr and PSP, see Notes 6(g) and 6(h), respectively, above.

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 21 - Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2018							
	Income-Generating Property Segment				Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	2,802,378	3,274,323	1,742,011	906,192	469,238	21,819	(2,919,468)	6,296,493
Investment in available-for-sale securities	-	-	-	189,236	-	471	-	189,707
Other assets	-	-	-	2,051	-	581,757	12,823,168	13,406,976
	2,802,378	3,274,323	1,742,011	1,097,479	469,238	604,047	9,903,700	19,893,176
Liabilities	-	-	-	-	-	4,137,973	7,616,714	11,754,687

Note 21 - Operating Segments (continued)

Segment revenues and results

	For the Year ended December 31, 2017								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	FCR	Others	Energix			
	NIS thousands								
Group's share in profits of investees, net	257,003	237,048	114,411	-	60,013	11,577	3,193	(251,300)	431,945
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	2,228	26,347	-	-	-	28,575
Net profit, relating to investments in long-term securities intended for sale	-	-	-	111,315	-	-	-	-	111,315
Other revenues, net (*)	8,008	(63)	-	-	162	3,788	-	961,205	973,100
	265,011	236,985	114,411	113,543	86,522	15,365	3,193	709,905	1,544,935
Administrative and general	-	-	-	-	-	-	32,852	47,680	80,532
Financing expenses, net	-	-	-	-	-	-	110,814	217,907	328,721
Other expenses, net (*)	-	-	-	-	-	-	-	138,916	138,916
	-	-	-	-	-	-	143,666	404,503	548,169
Profit before tax	265,011	236,985	114,411	113,543	86,522	15,365	(140,473)	305,402	996,766
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	836,259	843,208	1,389,253			141,367			
Revaluation profits (in the investee's books), before tax	173,704	310,708	297,647			-			
Net profit (in the investee's books)	428,200	503,043	937,109			16,020			
Company's share in net profits	257,003	237,048	114,411			11,577			

For additional details regarding condensed financial information on Carr and PSP, see Notes 6(g) and 6(h), respectively, above.

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 21 - Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2017							
	Income-Generating Property Segment				Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	2,560,183	2,968,384	1,906,921	620,267	448,713	23,778	(2,540,234)	5,988,012
Investment in available-for-sale securities	-	-	-	215,585	-	114	-	215,699
Other assets	-	-	-	4,742	-	235,855	11,546,203	11,786,800
	2,560,183	2,968,384	1,906,921	840,594	448,713	259,747	9,005,969	17,990,511
Liabilities	-	-	-	-	-	3,626,459	7,036,892	10,663,351

Note 21 - Operating Segments (continued)

Geographic information

	For the Year ended December 31, 2019							
	Income-Generating Property				Energy			
	Israel	USA	Switzerland	The UK	Israel	Poland	Others and Unassigned Expenses	Total
	NIS thousands							
Revenues and Profits								
Revenues from rental fees and management of investment property	755,669	-	-	74,487	-	-	-	830,156
Fair value adjustments of investment property	843,184	-	-	152,607	-	-	-	995,791
Group share in profits (losses) of associates, net	50,030	244,952	154,088	(34,160)	1,105	-	(2,578)	413,437
Revenues from sale of electricity and green certificates	-	-	-	-	89,833	147,293	-	237,126
Other	10,027	-	96,680	14,138	257	1,176	140	122,418
	1,658,910	244,952	250,768	207,072	91,195	148,469	(2,438)	2,598,928
Costs and expenses								
Cost of investment property rental and operation	62,882	-	-	5,108	-	-	-	67,990
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	9,802	20,680	-	30,482
Depreciation and amortization	2,073	-	-	212	29,407	26,661	2,196	60,549
	64,955	-	-	5,320	39,209	47,341	2,196	159,021
Administrative and general expenses							121,799	121,799
Profit before financing	1,593,955	244,952	250,768	201,752	51,986	101,128	(126,433)	2,318,108

Note 21 - Operating Segments (continued)

Geographic information

	As of December 31, 2019								
	Income-Generating Property				Energy				
	Israel	U.S.A. (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
Main assets									
Investment property (including property under construction and property intended for sale)	12,868,600	-	-	2,573,708	-	-	-		15,442,308
Investments in associates	478,446	3,980,430	1,381,418	49,617	10,144	-	-	17,496	5,917,551
Connected electricity-generating facilities	-	-	-	-	603,981	648,581	-	-	1,252,562
Electricity-generating facilities in development	-	-	-	-	187,320	25,960	468,873	-	682,153
Right-of-use asset	-	-	-	-	92,074	55,281	13,259	-	160,614
Securities measured at fair value through profit and loss (***)	27,133	-	-	176,036	-	-	-	634	203,803
	13,374,179	3,980,430	1,381,418	2,799,361	893,519	729,822	482,132	18,130	23,658,991

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,135,978 thousand and for an investment in Boston in the amount of NIS 844,452 thousand.
(**) The entire balance is in respect of the investment in PSP.
(***) The investment in securities measured at fair value through profit and loss is presented above despite its inclusion in the financial assets category.

Note 21 - Operating Segments (continued)

Geographic information (continued)

	For the Year ended December 31, 2018								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands								
Revenues and Profits									
Revenues from rental fees and management of investment property	704,299	-	-	-	-	-	-	-	704,299
Fair value adjustments of investment property	260,200	-	-	-	-	-	-	-	260,200
Group share in profits (losses) of associates, net	18,627	205,321	135,913	(20,719)	1,263	-	-	1,332	341,737
Revenues from sale of electricity and green certificates	-	-	-	-	58,502	111,938	-	-	170,440
Other	(4,319)	47,676	-	39,064	16	178	-	343	82,958
	978,807	252,997	135,913	18,345	59,781	112,116	-	1,675	1,559,634
Costs and expenses									
Cost of investment property rental and operation	61,290	-	-	-	-	-	-	-	61,290
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	8,324	30,167	18	-	38,509
Depreciation and amortization	1,868	-	-	-	17,113	25,621	-	2,081	46,683
	63,158	-	-	-	25,437	55,788	18	2,081	146,482
Administrative and general expenses								88,406	88,406
Profit before financing	915,649	252,997	135,913	18,345	34,344	56,328	(18)	(88,812)	1,324,746

Note 21 - Operating Segments (continued)

Geographic information (continued)

	As of December 31, 2018								
	Income-Generating Property				Energy				
	Israel	U.S.A. (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
Main assets									
Investment property (including property under construction and property intended for sale)	10,552,489	-	-	-	-	-	-		10,552,489
Investments in associates	442,528	4,008,633	1,742,011	69,837	11,685	-	-	21,799	6,296,493
Connected electricity-generating facilities	-	-	-	-	564,018	737,931	-	-	1,301,949
Electricity-generating facilities in development	-	-	-	-	110,962	2,639	36,883	-	150,484
Securities measured at fair value through profit and loss (***)	16,750	-	-	172,486	-	-	-	471	189,707
	11,011,767	4,008,633	1,742,011	242,323	686,665	740,570	36,883	22,270	18,491,122

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,274,323 thousand and for an investment in Boston in the amount of NIS 734,310 thousand.
(**) The entire balance is in respect of the investment in PSP.
(***) The investment in securities measured at fair value through profit and loss is presented above despite its inclusion in the financial assets category.

Note 21 - Operating Segments (continued)

Geographic information (continued)

	For the Year ended December 31, 2017									
	Income-Generating Property					Energy			Others and Unassigned Expenses	Total
	Israel	Canada	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands									
Revenues and Profits										
Revenues from rental fees and management of investment property	659,139	-	-	-	-	-	-	-	-	659,139
Fair value adjustments of investment property	172,548	-	-	-	-	-	-	-	-	172,548
Group share in profits (losses) of associates, net	15,757	-	297,061	114,375	-	1,537	-	-	3,215	431,945
Revenues from sale of electricity and green certificates	-	-	-	-	-	57,431	83,781	-	-	141,212
Other	46	113,543	-	-	26,347	138	17	-	-	140,091
	847,490	113,543	297,061	114,375	26,347	59,106	83,798	-	3,215	1,544,935
Costs and expenses										
Cost of investment property rental and operation	60,718	-	-	-	-	-	-	-	-	60,718
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	-	9,775	22,170	887	-	32,832
Depreciation and amortization	2,463	-	-	-	-	16,109	24,969	-	1,825	45,366
	63,181	-	-	-	-	25,884	47,139	887	1,825	138,916
Administrative and general expenses									80,532	80,532
Profit before financing	784,309	113,543	297,061	114,375	26,347	33,222	36,659	(887)	(79,142)	1,325,487

Note 22 - Financial Instruments

a. Capital Management Policy

The Group manages the capital to ensure that the Group's companies will be able to continue to operate as a going concern while maximizing the return for shareholders and optimizing the Company's debt and equity balances.

The Company's capital structure includes debt instruments, cash and cash equivalents and the equity of the Company’s majority shareholders. The Company's Board of Directors and the Company's CEO regularly monitor the Company's capital structure. This monitoring includes, among other things, an examination of the cost of capital and an examination of the risks associated with each of the capital components. Based on the recommendations of the Company's Board of Directors, the Group manages its capital structure by paying dividends, issuing capital, buying-back Group shares, raising debt and repaying debt.

The Company’s bonds (Series H, I, J, K and L) are rated AA- with stable outlook by Maalot the Israel Securities Rating Company Ltd. (hereinafter: "**Maalot**"). The issuer’s rating is the same.

The Company’s bonds (Series H, I, J and L) are rated Aa3 (with a stable outlook) by Midroog Ltd. (hereinafter: “**Midroog**”). The issuer’s rating is the same.

Amot’s bonds (Series B, C, D, E, F and G) are rated Aa2 with a stable outlook by Midroog Ltd., and are rated ilAA with a stable outlook by Ma’alot, the Israel Securities Rating Company Ltd.

Regarding the main financial covenants with banks, see Note 12.

B. Financial instrument groups

Financial instrument balances by category

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Financial assets		
Cash and cash equivalents	771,749	1,014,115
Deposits and tradable securities	226,656	63,853
Loans and receivables	235,740	209,689
Derivative financial instruments	74,646	3,490
Financial assets measured at fair value through profit or loss	203,803	189,707
	1,512,594	1,480,854
Financial liabilities		
Derivative financial instruments	48,056	134,457
Lease liability	142,645	-
Financial liabilities measured at amortized cost	13,482,861	10,505,301
	13,673,562	10,639,758

Note 22 - Financial Instruments (continued)

C. Financial risk management

The Group's activities expose it to risks related to various financial instruments, such as market risk (including currency risk, fair value interest rate risk, cash flow risk for interest rates, changes in CPI and price risk), liquidity risk and credit risk. The Group's risk management plan focuses on minimizing potential adverse effects on the Group's financial performance. In some cases, the Group uses derivative financial instruments to hedge certain exposures to risks.

Risk management is primarily carried out by the Company's CEO and CFO through regular monitoring of developments in the relevant markets. In the event of unusual developments in the currency and interest rate markets, the data is reviewed by the Company's CEO and the Chairman of the Company's Board of Directors, and decisions are made from time to time to operate in the derivative markets to protect against interest rate risk and exchange rate differentials.

The following is information regarding the risks associated with financial instruments:

(1) Credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group.
According to Company management's estimates, the Group does not have significant concentrations of credit risk. Cash and cash equivalents, deposits, monetary funds and financial instruments in Israel and abroad are held in institutions which the Company management believes estimates possess a high level of financial strength.

In Israel and the UK, the Group has a policy that ensures that the revenues from rental fees and property management are received after contracting with clients who have an appropriate payment history, while providing appropriate collateral to secure future payments. In some of the cases the rental fees are paid in advance.

Most of the Group's revenues from the sale of electricity are received from the essential service provider, the Electric Company.

Most of the Group's revenues from the sale of electricity and green certificates in Poland are received from an international broker. Based on the Group's past experience, payments from the broker are paid regularly to the Group. The Group also has the option of selling the electricity to the local electric company according to local regulation or alternatively, to many other brokers in the market or alternatively, directly on the exchange.

(2) Liquidity risk

Liquidity risk management

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Group manages liquidity risk by managing the available credit facilities (see Note 12), bank and loan instruments, through continuous supervision of actual and expected cash flows and adjusting the maturity characteristics of financial assets and liabilities.

Note 22 - Financial Instruments (continued)

Interest and liquidity risk tables:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates: For information regarding financial liabilities that constitute derivative financial instruments, see Section 3 below:

	As of December 31, 2019							
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth year onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS Loans – CPI-linked with fixed interest	**3.49**	115,135	115,897	115,520	115,118	116,218	609,741	1,187,629
NIS loans – variable interest	**1.54**	266,470	-	-	-	-	-	266,470
USD loans – variable interest	**3.41**	885	870	643	-	-	-	2,398
CHF loans – variable interest	**1.24**	4,431	4,431	359,002	-	-	-	367,864
GBP loans – variable interest	**2.98**	26,874	26,815	283,471	287,095	613,436	-	1,237,691
GBP loans – fixed interest (*)	**3.33**	6,913	7,499	7,499	290,361	-	-	312,272
NIS bonds – unlinked with variable interest	**2.20**	32,837	32,747	32,747	32,747	355,435	1,016,981	1,503,494
NIS bonds – unlinked with fixed interest	**2.79**	123,890	129,032	231,404	223,970	186,642	1,165,436	2,060,374
NIS bonds – CPI-linked with fixed interest	**2.10**	933,682	910,688	878,218	863,345	621,606	2,582,841	6,790,380
USD bonds – fixed interest	**3.69**	40,519	40,519	39,923	39,327	56,012	164,459	380,759
CHF bonds – fixed interest	**1.23**	43,907	43,907	43,091	42,276	59,335	173,110	405,626
		1,595,543	1,312,405	1,991,518	1,894,239	2,008,684	5,712,568	14,514,957

	As of December 31, 2018							
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth year onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS Loans – CPI-linked with fixed interest	**3.63**	104,625	104,693	104,318	103,942	103,771	544,245	1,065,594
NIS loans – variable interest	**0.64**	345,761	-	-	-	-	-	345,761
USD loans – variable interest	**4.31**	976	960	944	697	-	-	3,577
CHF loans – variable interest	**1.20**	4,568	4,568	382,255	-	-	-	391,391
PLN loans (**)	**5.07**	33,737	33,762	33,765	33,780	33,824	238,362	407,230
NIS bonds – unlinked with variable interest	**2.34**	22,716	22,778	22,716	22,716	22,716	952,006	1,065,648
NIS bonds – unlinked with fixed interest	**2.99**	25,583	92,032	89,571	86,916	84,357	437,119	815,578
NIS bonds – CPI-linked with fixed interest	**2.64**	1,015,950	847,507	817,823	788,545	776,877	1,923,125	6,169,827
USD bonds – fixed interest	**3.69**	17,567	51,097	49,369	47,584	45,827	227,547	438,991
CHF bonds – fixed interest	**1.23**	7,404	43,520	42,744	42,039	41,298	227,783	404,788
		1,578,887	1,200,917	1,543,505	1,126,219	1,108,670	4,550,187	11,108,385

(*) The above loan bears variable interest. The Group fixed the interest rate for the full balance of the loan at a fixed interest rate using a hedging instrument (SWAP).

(**) As required in the financing agreement, the Group has fixed 75% of the loan at a fixed interest rate using hedging instruments (SWAP) so that the 25% balance of the loan is at a fixed interest rate.

Financial assets:

The Group has several main sources for repayment of its financial liabilities. The sources include cash and cash equivalents in the amount of approx. NIS 0.8 billion and unutilized credit facilities of NIS 1.2 billion. The Company also has non-pledged tradable assets in the amount of approx. NIS 8.5 billion.

Note 22 - Financial Instruments (continued)

(3) Market risk

Market risk is the risk that a change in market prices such as: price, foreign currency exchange rates, the CPI and interest rates will affect the Group's income or the value of its holdings in financial instruments. The purpose of market risk management is to manage and supervise exposure to market risk using accepted parameters.

The following are the groups exposed to market risk:

a) Foreign currency risks

The group operates internationally and is exposed to currency risk resulting from changes in the exchange rates of various foreign currencies, mainly the USD, the CHF, the GBP and the PLN. Currency risk stems from transactions denominated in foreign currency and from the existence of financial assets and financial liabilities denominated in foreign currency that is not the Company's functional and reporting currency (NIS).

The Company’s practice is to hedge its exposure to foreign currency for investments abroad, as follows:

(1) The investment component financed in foreign capital is hedged through credit in the investment currency or through financial derivatives (forward and cross currency swap transactions). Therefore, this component is not exposed to changes in the foreign currency against the NIS.

(2) The investment component financed by equity is not partially hedged as follows and is therefore exposed to changes in foreign exchange rates against the NIS.

(3) 35%-45% of the Company's equity is "allocated" (through hedging, as needed) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio on an expanded solo basis, but management will have the authority to increase or decrease exposure in each currency.

(4) The investment ratio is determined according to market value.

The Company's CEO and CFO routinely monitor the net position of all foreign currency activities and, as necessary, derivative transactions are executed on the same currency. From time to time, the Group has a positive or negative cash flow from the payment of transactions in the above currencies. The currency exposure stemming from the expected net cash flow is mainly managed through currency swap transactions between the various currencies.

Energix routinely hedges its net investments in projects exposed to changes in foreign exchange rates against the NIS, so that no more than 20% of the equity invested in those projects, relative to an individual currency, will be exposed to foreign currency. The net hedge of the investment is executed through derivative transactions.

The following are details regarding the main foreign currency risk hedging agreements:

Hedge of investment in foreign activity:

- Foreign currency risk for investments in foreign activity (for PSP holdings as an investment in an associate), the balance of which, as of December 31, 2019, is CHF 386 million, is partially hedged by cross currency swap transactions in foreign currency in the amount of CHF 100 million, by forward transactions in the amount of CHF 33.5 million and by loans in the amount of CHF 100 million.

Note 22 - Financial Instruments (continued)

- Foreign currency risk for investments in foreign activity (for Carr holdings as an investment in an associate), the balance of which, as of December 31, 2019, is USD 907 million, is partially hedged by foreign currency forward transactions in the amount of USD 390 million and by a cross currency swap transaction in foreign currency in the amount of USD 80 million.

- Foreign currency risk for investments in foreign activity (for holdings in the Boston property companies as an investment in an associate), the balance of which, as of December 31, 2019, is USD 244 million is partially hedged by foreign currency forward transactions in the amount of USD 96 million and by a cross currency swap transaction in the amount of USD 20 million.

- Foreign currency risk for investments in foreign activity (for holdings in BE as an investment in investees), the balance of which, as of December 31, 2019, is GBP 273 million, is partially hedged by foreign currency forward transactions in the amount of GBP 200 million.

- Foreign currency risk for Energix's activity in Poland, the foreign currency exposure balance of which, as of December 31, 2019, is PLN 662 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of PLN 549 million. In addition, Energix has hedging transactions in the amount of approx. USD 80 million for the hedging of Energix's exposure to changes in the value of its investment in the United States.

The following table lists the foreign currency swap derivative transactions as of December 31, 2019:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Settlement Type
		In Thousands		In Thousands			NIS thousands	
Short-term	Forward	565,863	USD	1,969,892	NIS	3.481	29,375	Gross
Short-term	Forward	33,500	CHF	118,542	NIS	3.539	(1,396)	Gross
Short-term	Forward	200,065	GBP	902,734	NIS	4.512	(7,272)	Gross
Short-term	Forward	378,500	PLN	344,726	NIS	0.912	2,123	Gross
(*)	CCS	100,000	CHF	374,009	NIS	3.740	38,972	Gross
(*)	CCS	100,000	USD	341,000	NIS	3.410	(8,129)	Gross
Long-term	Forward	170,000	PLN	157,051	NIS	0.924	5,956	Gross

The following table lists the foreign currency swap derivative transactions as of December 31, 2018:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Settlement Type
		In Thousands		In Thousands			NIS thousands	
Short-term	Forward	446,863	USD	1,607,341	NIS	3.597	(49,544)	Gross
Short-term	Forward	38,000	CHF	140,927	NIS	3.709	(3,967)	Gross
Short-term	Forward	40,000	GBP	189,542	NIS	4.739	(2,037)	Gross
Short-term	Forward	145,000	PLN	137,403	NIS	0.950	(5,653)	Gross
(*)	CCS	100,000	CHF	374,009	NIS	3.740	(3,896)	Gross
(*)	CCS	100,000	USD	341,000	NIS	3.410	(41,112)	Gross
Long-term	Forward	175,000	PLN	161,373	NIS	0.922	(8,691)	Gross

(*) Cross currency swap transactions with a financial body in Israel so that the bonds (Series I) in the amount of approx. NIS 715 million were converted into a liability in the amount of CHF 100 million and in the amount of USD 100 million. The transactions will be settled in accordance with the amortization schedule of the bonds (Series I).

Note 22 - Financial Instruments (continued)

Sensitivity analysis of financial instruments to changes in exchange rates

The following table lists sensitivity tests for changes of 10% in the main foreign currency exchange rates against the NIS and their effect on equity (before the tax effect) as of December 31, 2019 and 2018 (before the tax effect). 10% is the rate that is analyzed by the Company's management and presented to the Board of Directors because the Company's management believes that it represents the reasonably possible change in the exchange rates.

As of December 31, 2019

	Effect on Equity				
	In USD	In PLN	In CHF	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands				
Assets					
Cash and cash equivalents	1,095	2,509	1	425	5,183
Restricted deposits	380	12	-	-	-
Financial assets at amortized cost	14	1,689	8	-	2,209
Financial assets measured at fair value through profit or loss	-	-	-	-	5,612
Liabilities					
Financial liabilities at amortized cost	(11,267)	(7,292)	(35,761)	(2,550)	(179,543)
	(9,778)	(3,082)	(35,752)	(2,125)	(166,539)

- **The effect of a change in the exchange rate on derivative financial instruments (which are not shown in the above table) is as follows:**

  An increase (decrease) of 5% and 10% in the USD will increase (decrease) the value of liabilities for derivative financial instruments by NIS 115 million and by NIS 230 million, respectively.

  An increase (decrease) of 5% and 10% in CHF will increase (decrease) the value of liabilities for derivative financial instruments by NIS 24 million and by NIS 48 million, respectively.

  An increase (decrease) of 5% and 10% in GBP will increase (decrease) the value of liabilities for derivative financial instruments by NIS 46 million and by NIS 91 million, respectively.

  An increase (decrease) of 5% and 10% in PLN will increase (decrease) the value of liabilities for derivative financial instruments by NIS 25 million and by NIS 50 million, respectively.

- Subsequent to the Balance Sheet date, there was a significant devaluation of the NIS in relation to the main currencies in which the Group operates. As a result of this devaluation, equity attributable to the Company's shareholders increased by approx. NIS 240 million, before the tax effect.

As of December 31, 2018

	Effect on Equity				
	In USD	In PLN	In CHF	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands				
Assets					
Cash and cash equivalents	321	2,509	57	105	22,992
Restricted deposits	-	1,767	-	-	-
Financial assets at amortized cost	35	3,097	7	1	3
Financial assets measured at fair value through profit or loss	-	-	-	-	17,249
Liabilities					
Financial liabilities at amortized cost	(862)	(30,864)	(38,072)	(557)	-
	(506)	(23,491)	(38,008)	(451)	40,244

Note 22 - Financial Instruments (continued)

(b) Market risks – Price risk

The Group has investments in tradable financial assets classified as held for trading and classified as measured at fair value through profit or loss. The Group has exposure to changes in the fair value of these financial instruments as a result of changes in their market prices.

The Group estimates that a 10% change in asset prices represents a reasonable rate of change. A 10% change in financial asset prices exposed to the price risk (before the tax effect) as of December 31, 2019 and 2018, before the tax effect, is as follows:

	As of December 31, 2019		As of December 31, 2018	
	10% change (+/-)		10% change (+/-)	
	Profit and Loss	Equity	Profit and Loss	Equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
In financial assets	4,088	1,722	205	1,722

(c) Market risks – Interest risk

Fair value risk – The Group has investments in financial instruments bearing fixed interest, as well as financial liabilities classified as long-term loans and bonds issued by the Company and Amot bearing fixed interest. The Group does not have exposure to the risk of a change in the fair value of these financial instruments, which will affect the Company's profit or loss, as these financial instruments are measured at amortized cost.

Cash flow risk – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates. As of December 31, 2019, 78% of the long-term financial liabilities (loans and bonds) bear fixed interest (as of December 31, 2018 – 83%).
The interest rate risk is managed by the Company's management by maintaining a mix of fixed- and variable-interest loans as well as by examining engagement in interest-rate swaps.

The following table details the effect of an increase or decrease of 3% in the Libor/Prime interest rate on the profit and loss in respect of financial liabilities exposed to cash flow risk due to a change in interest rate (before the tax effect):

	As of December 31, 2019		As of December 31, 2018	
		Change of 3% (+/-)		Change of 3% (+/-)
	Balance in Books	Profit and Loss	Balance in Books	Profit and Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans in NIS	-	-	343,562	10,307
Loans in CHF	357,500	10,725	380,720	11,422
Loans in GBP	1,124,055	22,481	-	-
Loans in PLN	-	-	77,175	2,315
Loans in USD	2,337	70	3,457	104
Variable interest bonds	1,336,392	40,092	921,838	27,655
Total	2,820,284	73,368	1,726,752	51,803

Note 22 - Financial Instruments (continued)

(*) For a loan of GBP 116 million (NIS 528 million) and for a loan of GBP 131 million (NIS 596 million), the Group engaged with the financing bank in a CAP transaction so that the maximum annual Libor interest rate will not exceed 1.25% and 2%, respectively, over the entire term of the loan. In addition, the balance of the GBP loan does not include a variable-interest loan, which was converted into a fixed-interest loan through a SWAP transaction. For details, see Note 12e above.

(**) The balance in PLN does not include a variable-interest loan, which was converted into a fixed-interest loan through an IRS transaction.

Interest rate sensitivity analysis

The sensitivity analysis is determined on the basis of the exposure to interest rates of non-derivative financial instruments as of the date of the Statement of Financial Position. The sensitivity analysis regarding liabilities bearing variable interest was prepared assuming that the liability amount as of the date of the Statement of Financial Position was the same throughout the entire reporting year. In order to report on interest rate risk, an increase or decrease of 300 base points was used, which represents management's assessment of a reasonably possible change in interest rates.

(d) Market risks – Risks due to changes in the CPI

CPI-linked loans expose the Group to cash flow risk due to changes in the CPI that are not accompanied by a corresponding change in the fair value of the financial instruments. As of December 31, 2019, approx. 54% of the long-term financial liabilities (loans and bonds) are CPI-linked (as of December 31, 2018 – 64%).

The effect of a 3% change in the CPI on profit and loss for financial liabilities exposed to such risk (before the tax effect) is as follows:

	As of December 31, 2019		
		3% Increase	3% Decrease
	Balance in Books	Profit (Loss)	Profit (Loss)
	NIS thousands	NIS thousands	NIS thousands
NIS loans	970,155	(29,105)	29,105
Tradable NIS bonds (*)	5,920,257	(177,608)	177,608
Other NIS bonds	13,942	(418)	418
Total	6,904,354	(207,131)	207,131

	As of December 31, 2018		
		3% Increase	3% Decrease
	Balance in Books	Profit and Loss	Profit and Loss
	NIS thousands	NIS thousands	NIS thousands
NIS loans	829,988	(24,900)	24,900
Tradable NIS bonds (*)	5,459,773	(163,793)	163,793
Other NIS bonds	21,709	(651)	651
Total	6,311,470	(189,344)	189,344

(*) The effect of the decrease in the CPI on part of the above loan balances is limited to the level of the base index.

(**) Including NIS bonds converted to CPI-linked bonds through a swap transaction.

(e) Collateral – For information on the book value of financial assets used as collateral for the liabilities listed above, see Note 13.

Note 23 - Fair Value of Financial Instruments

The Group's financial instruments mainly include cash and cash equivalents, deposits, tradable securities, customers, other receivables, long-term investments in tradable securities, short-term credit, other payables and long term financial liabilities (mainly loans and bonds), foreign currency forward transactions and cross currency swap transactions.

a) Financial instruments not presented in the financial statements at fair value:

The following table lists the book value and fair value of financial assets and liabilities presented in the financial statements, not at fair value. Except as detailed in the following table, the Group believes that the book value of financial assets and liabilities presented at amortized cost in the financial statements is nearly identical to their fair value:

	As of December 31, 2019		As of December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities				
Long-term loans (including maturities) (1)	1,254,236	1,365,303	1,091,947	1,122,477
Bonds (including maturities)	9,896,527	10,182,237	8,019,489	8,364,273
	11,150,763	11,547,540	9,111,436	9,486,750

(1) Fair value is determined by discounting cash flows. Interest rates used for discounting are based on a quote obtained from a financial institution for a loan under similar conditions. The fair value of the Group's variable interest loans is near their book value, and therefore these loans are not presented in the above note.

(2) The fair value of the traded bonds is determined based on prices quoted on the Israeli stock exchange. The fair value of non-tradable bonds is determined by discounting the expected cash flows at a discount rate that reflects management's assessment of the level of risk inherent in the financial instrument.

b) Financial instruments presented in the financial statements at fair value:

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the Statement of Financial Position according to their fair value, to a hierarchy that includes the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

- The fair value of tradable securities is determined according to the closing rates as of December 31, 2019 and 2018, quoted on the various stock exchanges, multiplied by the quantity of the tradable financial instrument held by the Group on that date.

Level 2: Data that are not the quoted prices included in Level 1, that are observed directly (i.e. prices) or indirectly (data derived from prices) regarding financial assets and liabilities.

- Financial derivatives (forward contracts and cylinder) – The fair value of assets and liabilities is determined according to quotes from banking institutions with which the Company has engaged. These quotes are derived from spot rates and interest rate differences between the currencies in the transactions.

Level 3: Data regarding financial assets and liabilities not based on observable market data.

- The fair value of other non-tradable investments is determined based on the current value of future cash flows discounted at the cap rate reflecting the level of risk inherent in the financial instrument.

Classification of financial instruments measured at fair value is based on the lowest level significantly used to measure the fair value of the entire instrument.

Note 23 - Fair Value of Financial Instruments (continued)

The following are details of the Group's financial instruments measured at fair value, by level:

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
				NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (contract for swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	33,393	-	33,393
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	39,301	-	39,301
Financial derivatives (CAP options and Swap transaction for fixing interest) designated for hedging	-	1,952	-	1,952
Financial assets measured at fair value through profit and loss:				
Tradable securities	68,644	-	-	68,644
Real estate investment funds (1)	-	-	176,035	176,035
	68,644	74,646	176,035	319,325
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(22,074)	(22,074)
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(3,443)	-	(3,443)
Financial derivatives (contract for swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(12,918)	-	(12,918)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(9,621)	-	(9,621)
	-	(25,982)	(22,074)	(48,056)

(1) **Financial instruments at fair value measured according to Level 3:**

	Financial assets measured at fair value through profit and loss
	NIS thousands
Balance as of January 1, 2019	172,485
Investments	61,716
Realizations	(65,090)
Amounts recorded to comprehensive income for the period	(15,150)
Balance as of December 31, 2019	153,961

Note 23 - Fair Value of Financial Instruments (continued)

(2) **Description of valuation processes used to determine the fair value of Brockton Real Estate Investment Funds:**

Brockton I Fund:

The fair value of the investment in the Brockton I Fund is calculated according to the discounted cash flow (DCF) method. Estimated cash flows expected to be distributed to the Company are discounted to their present value using a discount rate that reflects market estimates of the time value of money and the specific risks in estimating future cash flows.

The fair value of the Fund is estimated based on the present value of the expected cash flows from the sale of its assets. As of the date of the report, the Fund’s balance derives mainly from the cash flow estimates, which are discounted to their present value using a discount rate of 8% (which, in the opinion of the Fund’s management, represents the discount rate most appropriate for estimating fair value). A sensitivity analysis of fair value indicated that each 0.5% change in the interest according to which cash flows would be discounted would decrease/increase fair value by an insignificant amount.

Brockton II Fund and Brockton III Fund

Investment in the Brockton II Fund is recorded in the Company's books according to the Company's share in the Fund's equity, which approximates the Fund's fair value. The fair value of the Fund’s assets is measured based on various valuation methodologies, the common valuation methodologies including:

- Use of an EBITDA multiplier based on multipliers used in fair value assessments in traded companies or in data from the most recent transactions carried out in the market.
- Discounting of cash flows from net rental revenues according to discount rates used for the most recent real estate transactions.
- For properties in development, a property’s fair value is determined by estimating the fair value of the property after its completion, net of the present value of estimated construction costs expected for its completion.

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (contract for swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	2,533	-	2,533
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	957	-	957
Financial assets at fair value through profit and loss:				
Tradable securities	19,273	-	-	19,273
Real estate investment funds (1)	-	-	172,485	172,485
	19,273	3,490	172,485	195,248
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (contract swapping variable interest with fixed interest) designated for hedging	-	(2,073)	-	(2,073)
Financial derivatives (contract for swapping NIS principal and interest with CHF principal and interest and USD principal and interest) designated for hedging	-	(47,614)	-	(47,614)
Financial derivatives (contract for swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(13,994)	-	(13,994)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(70,776)	-	(70,776)
	-	(134,457)	-	(134,457)

Note 23 - Fair Value of Financial Instruments (continued)

(1) Financial instruments at fair value measured according to Level 3:

	Financial assets measured at fair value through profit and loss
	NIS thousands
Balance as of January 1, 2018	194,389
Investments	27,730
Realization	(90,940)
Amounts recorded to profit and loss in the period	41,306
Balance as of December 31, 2018	172,485

(2) Sensitivity of fair values to reasonably potential alternative assumptions as of December 31, 2018:

The value of the investment in the Real Estate Investment Fund I was calculated according to the DCF model and the cash flows were discounted at interest of 8%, which, in management's opinion, represents the discounting interest rate most appropriate for the fair value estimate. A sensitivity analysis of fair value indicated that each 0.5% change in the interest according to which cash flows would be discounted would decrease/increase fair value by an insignificant amount.

The fair value of non-traded financial instruments is estimated using accepted pricing models, such as the present value of future cash flows discounted at discount rates reflecting, according to the Company's management, the level of risk inherent in the financial instrument. The Company relies partially on discount interest rates quoted in an active market as well as on various valuation techniques based, among other things, on interest quotes from financial bodies. The fair value estimate was calculated by estimating future cash flows and determining the discount rate according to rates close to the date of the Statement of Financial Position and based, among other things, on assumptions by the Company's management. Therefore, for most of the financial instruments, the fair value estimate below is not necessarily an indication of the realization value of the financial instrument as of the end of the reporting period. The fair value assessment was prepared in accordance with discount rates close to the date of the Statement of Financial Position and does not take into account the interest rate fluctuations from the calculation date until the date of publishing of the financial statements. Under other discount rate assumptions, fair values will be received that may be significantly different from those estimated by the Company's management, mainly with regards to financial instruments at fixed interest or those bearing no interest. Furthermore, in determining fair value, the Company did not account for commissions that may be payable upon repayment of the instrument nor do they include the tax effect. The gap between the balances in the Statement of Financial Position as of December 31, 2019 and 2018 and the fair value balances as estimated by Company's management may not necessarily materialize.

c) The main methods and assumptions used to calculate the fair value of financial instruments (whether for the purpose of determining their value in the financial statements or for the presentation of their fair value in this note only):

(1) **Financial instruments included under current asset items** – (cash and cash equivalents, deposits, trade receivables and other receivables) – The balance in the Statement of Financial Position as of December 31, 2019 and 2018 approximates the fair value.

(2) Financial instruments included under current liability items – (short term credit and other payables) – The balance in the Statement of Financial Position as of December 31, 2019 and 2018 approximates the fair value.

(3) Financial instruments included under non-current liability items – The fair value of tradable securities is determined according to the closing rates as of December 31, 2019 and 2018, quoted on the TASE, multiplied by the quantity of the tradable financial instrument issued.

Note 24 – Changes in Liabilities due to Financing Activity

	Balance as of January 1, 2019	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	349,314	(82,707)	-	-	-	266,607
Bonds	8,005,495	1,933,712	(57,437)	-	1,840	9,883,610
Loans from banking corporations	1,551,378	1,229,998	14,932	(55,352)	(2,828)	2,738,128
Finance lease liability	22,431	(1,340)	1,681		16,850	39,622
Lease liability – IFTS 16 (*)	100,762	(4,556)	2,635	(5,700)	49,504 (*)	142,645
Others	937	-	-	-	(73)	864
	10,030,317	3,075,107	(38,189)	(61,052)	65,293	13,071,476

(*) The balance as of January 1, 2019 is due to the retrospective application of IFRS 16 in respect of leases beginning on that date.

(**) Application of IFRS 16 for leases added during 2019.

	Balance as of January 1, 2018	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2018
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	411,640	(62,326)	-	-	-	349,314
Bonds	7,329,889	715,961	(21,351)	-	(19,004)	8,005,495
Loans from banking corporations	1,394,391	122,926	-	26,291	7,770	1,551,378
Finance lease liability	15,042	-	1,006	-	6,383	22,431
Others	866	-	-	-	71	937
	9,150,962	776,561	(20,345)	26,291	(4,851)	9,928,618

Note 25 - Events Subsequent to the Balance Sheet Date

(1) Following the outbreak of the Corona virus and the measures taken by governments in Israel and around the world, the chances of damage to the local and global economies are increasing. At this stage, the extent of the damage to the local and global economy cannot be estimated.
(2) Subsequent to the Balance Sheet date, there was a significant devaluation of the NIS in relation to the main currencies in which the Group operates. As a result of this devaluation, equity attributable to the Company's shareholders increased by approx. NIS 240 million, before the tax effect.
(3) Regarding the Board of Directors' decision on the dividend policy for 2020, and regarding the dividend for the first quarter of 2020, see Note 16d.
(4) Regarding the decision of the Company's Board of Directors on capital remuneration for directors, officers and employees in 2020, see Note 16(1).
(5) Regarding a capital issuance by Energix subsequent to the balance sheet date, see Note 6e. (2).
(6) Regarding the sale of PSP shares subsequent to the balance sheet date, see Note 6h. (1).
(7) Regarding the issuance of bonds (Series F and Series G) by Amot subsequent to the balance sheet date, see Note 11m. and 11n.
(8) Regarding an engagement in a credit facility agreement with the Bank of Israel subsequent to the balance sheet date, see Note 11b. (1)
(9) Regarding the acquisition of a business park subsequent to the balance sheet date by Brockton Everlast-see Note 6d.
(10) Regarding the beginning of a sale process of JPM Holdings in Carr Properties subsequent to the balance sheet date, see Note 6g.
(11) Regarding the acquisition of rights in an office complex in Boston subsequent to the balance sheet date by Carr Properties, see Note 6g.

Alony-Hetz

Separate Financial Information

Deloitte.

Date: March 18, 2020

To
The Board of Directors of **Alony Hetz Properties and Investments Ltd. ("the company")**

Dear Sir/Madam,

Re: <u>Consent letter in term of Alony Hetz Properties and Investments Ltd. Shelf Offering from May 2018</u>

We hereby advise you that we agree to the inclusion (including by way of reference) of our statements detailed below in connection with the May 2018 shelf prospectus.

(1) Auditors' Report dated March 18, 2020 regarding the Consolidated Financial Statements of the Company as of December 31, 2019 and 2018 and for the three years periods ended December 31, 2019.

(2) Auditors' Report dated March 18, 2020 regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2019.

(3) Auditors' Report dated March 18, 2020 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2019 and 2018 and for the three years periods ended December 31, 2019.

Respectfully,

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Alony-Hetz Properties and Investments Ltd.
Financial Position Data

	Note	As of December 31	
		2019	2018
		NIS thousands	NIS thousands
		(Unaudited)	
Assets			
Current Assets			
Cash and cash equivalents	(d)	350,976	428,282
Deposits and tradable securities		40,876	2,052
Current tax assets, net		3,086	8,912
Related party receivables		12,511	68,650
Other receivables		27,308	318
Total current assets		434,757	508,214
Non-current assets			
Long-term investments in securities:			
Securities designated at fair value through profit and loss:		203,803	189,707
Investments in investees		8,736,732	8,610,409
Loans and capital notes to investees	(i)	1,894,324	623,468
Fixed assets, net		2,967	3,525
Other assets		33,393	2,533
Total non-current assets		10,871,219	9,429,642
Total assets		11,305,976	9,937,856

The attached notes constitute an integral part of the Separate Financial Information.

Alony-Hetz Properties and Investments Ltd.
Financial Position Data

	Note	As of December 31 2019 NIS thousands (Unaudited)	As of December 31 2018 NIS thousands
Liabilities and equity			
Current liabilities			
Short-term credit and current maturities of long-term loans		1,965	3,930
Current maturities of bonds		348,036	404,133
Current tax liabilities		6,965	2,977
Related party payables		846	3,431
Other payables	(e)	102,868	146,380
Total current liabilities		460,680	560,851
Non-current liabilities			
Bonds and bond options	(f)	3,840,621	2,897,464
Long-term loans and credit facilities from banking corporations		358,987	383,255
Deferred tax liabilities	(h)	305,485	196,953
Other liabilities		3,658	47,830
Total non-current liabilities		4,508,751	3,525,502
Equity		6,336,545	5,851,503
Total liabilities and equity		11,305,976	9,937,856

The attached notes constitute an integral part of the Separate Financial Information.

On behalf of the Board of Directors:

Aviram Wertheim ______________________ **Chairman of the Board of Directors**

Nathan Hetz ______________________ **Member of the Board of Directors and CEO**

Oren Frenkel ______________________ **Chief Financial Officer**

March 18, 2020

____

Financial Statements Date of Approval

Alony-Hetz Properties and Investments Ltd.
Profit and Loss Data

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Revenues and profits			
Group share in the profits of investees, net	1,068,159	578,846	789,055
Dividend revenues from investments in securities measured at fair value against profit and loss	576	1,833	26,347
Net gain (loss) with respect to investments in long-term securities	24,711	33,151	9,777
Net profits from changes in holding rate and from realization of investments in investees	96,680	5,889	-
Management fee revenues from investees	27,561	35,088	20,958
Other revenues, net	3	49	161
	1,217,690	654,856	846,298
Costs and expenses			
Administrative and general	34,876	28,559	29,485
Administrative and general for investees	1,555	1,546	1,546
Financing expenses (income) in respect of investees	16,077	(85,260)	61,961
Financing revenues	(12,018)	(5,424)	(4,143)
Financing expenses	109,022	113,218	109,640
	149,512	52,639	198,489
Profit before taxes on income	1,068,178	602,217	647,809
Taxes on Income	112,078	88,071	53,667
Net profit for the period	956,100	514,146	594,142
Net earnings per share (in NIS):			
Basic	5.55	3.01	3.67
Fully diluted	5.52	3.00	3.66
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)			
Basic	172,170	170,744	161,839
Fully diluted	172,992	171,013	162,200

The attached notes constitute an integral part of the Separate Financial Information.

Alony-Hetz Properties and Investments Ltd.
Comprehensive Income Data

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	956,100	514,146	594,142
<u>**Other comprehensive loss**</u>			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	(89,601)	117,601	(96,890)
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	153,855	(195,009)	130,348
Loss from exchange rate differentials in respect of cash flow hedging	(4,729)	4,277	(663)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	(15,742)	-
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,176	-	-
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(11,213)	426	-
Company share in other comprehensive income (losses) of associates, net of tax	(411,647)	312,088	(418,033)
Profit (loss) from fair value adjustment of financial assets classified in the past as financial assets available for sale, net of tax	-	-	(1,188)
Allocation of capital reserve in respect of financial assets previously classified as available-for-sale financial assets, to profit and loss, net of tax, in respect of the realization of investments	-	-	(15,488)
Allocation of profit from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of financial assets previously classified as available-for-sale financial assets to profit and loss in respect of the realization of investments	-	-	(19,901)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of financial assets at fair value through profit or loss previously classified available-for-sale assets	-	-	1,394
	(359,138)	223,641	(420,421)
	596,962	737,787	173,721

The attached notes constitute an integral part of the Separate Financial Information.

Alony-Hetz Properties and Investments Ltd.
Cash Flow Data

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net profit for the period	956,100	514,146	594,142
Income (expenses) not entailing cash flows (Appendix A)	(805,491)	(239,271)	(454,290)
	150,609	274,875	139,852
Changes in working capital (Appendix B)	27,673	(15,377)	(52,270)
Net cash provided by (used in) operating activities	178,282	259,498	87,582
Cash flows - Investing activities			
Investment in investment property funds	(61,716)	(27,730)	(79,685)
Proceeds from the repayment of investments in investment property funds	65,089	90,941	207,579
Investment in consolidated companies	(198,716)	(366,676)	(234,865)
Proceeds from the sale of shares of associate	440,373	363,989	-
Provision of loans and capital notes to investees	(1,109,421)	(16,328)	(84,081)
Decrease in deposits and tradable securities, net	(27,387)	2,366	16,932
Repayment of loans provided to investees	93,892	26,604	34,818
Investment in investees, net	(163,771)	-	(223)
Repayment of investment in investees	-	66,112	-
Cash provided by (used in) forward transactions intended for hedging	21,286	(84,476)	80,438
Miscellaneous, net	(133)	(239)	(711)
Net cash provided by (used in) investing activities	(940,504)	54,563	(59,798)
Cash flows – Financing activities			
Proceeds from the issue of bonds and bond options	1,318,037	672,429	374,063
Repayment of long-term loans	(879)	(873)	(365,832)
Proceeds from issues of stocks and options	47,093	14,633	538,035
Repayment of bonds	(402,748)	(344,091)	(343,748)
Change in short-term credit and long-term credit facility from banks	(1,924)	3,033	(6,398)
Dividends paid to Company shareholders	(268,559)	(252,906)	(285,521)
Net cash provided by (used in) financing activities	691,020	92,225	(89,401)
Increase (decrease) in cash and cash equivalents	(71,202)	406,286	(61,617)
Effect of changes in exchange rates on foreign currency cash balances	(6,104)	1,137	(1,393)
Cash and cash equivalents at beginning of year	428,282	20,859	83,869
Cash and cash equivalents at end of year	350,976	428,282	20,859

The attached notes constitute an integral part of the Separate Financial Information.

Alony-Hetz Properties and Investments Ltd.
Cash Flow Data

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Adjustments Required to Present Cash Flows from Current Activity			
a. Income not entailing cash flows:	-		
Adjustment differences in respect of long-term liabilities and cash balances	(28,204)	(30,501)	26,024
Company share in profits of associates, less dividends and reductions of capital received	(756,006)	(261,030)	(494,126)
Profits pertaining to investments in long-term securities and assets intended for sale	(17,591)	(37,219)	(31,306)
Net loss (gain) from change in holding rate and realization of investments in investee	(96,682)	(5,891)	2,489
Net loss (profit) from negotiable securities	(11,437)	324	(2,835)
Deferred taxes, net	100,559	91,079	40,860
Miscellaneous, net	3,870	3,967	4,604
	(805,491)	(239,271)	(454,290)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in accounts receivable and debit balances	22,806	(1,723)	14,737
Decrease (increase) in current tax assets, net	5,826	(5,289)	(3,623)
Decrease in other accounts payable	(4,947)	(5,314)	(70,026)
Increase (decrease) in current tax liabilities, net	3,988	(3,051)	6,642
	27,673	(15,377)	(52,270)
c. Non-cash activity			
Dividend receivable from associate	3,491	-	-
d. Additional Information			
Interest paid	129,095	113,552	107,083
Interest received	195	692	52
Taxes paid	3,212	242	3,446
Taxes received	1,818	-	145
Dividends and receipts for reductions of capital received	312,730	317,863	294,352

The attached notes constitute an integral part of the Separate Financial Information.

(a) Overview:

The Company's separate Financial Statements have been compiled pursuant to provisions of Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970.

(b) Definitions

The Company - Alony-Hetz Properties and Investments Ltd.

Investee – as defined in the note on generally accepted accounting standards.

(c) Accounting policy:

The Separate Financial Statements have been prepared in accordance with the accounting policy described in Note 2 to the Company's Consolidated Financial Statements, other than sums of assets, liabilities, revenues, expenses and cash flows with respect to investees, as detailed below:

a Assets and liabilities reflect the assets and liabilities that are included in the Consolidated Financial Statements and are attributable to the Company itself as parent company (excluding investments in investees).

b Investments in investees are presented based on the Company's share on net basis of total assets less total liabilities included on the Company's consolidated financial statements.

c Sums of revenues and expenses reflect the revenues and expenses included on the Consolidated Financial Statements attributable to the Company itself as parent company, cross-sectioned by gain/loss or other comprehensive income, except for sums of revenues and expenses with respect to investees.

d The Company's share of the results of investees are presented at the Company's share, on a net basis, of total revenues less total expenses included in the Company's Consolidated Financial Statements and which present the operating results of investees, cross-sectioned by gain/loss or other comprehensive income.

e Cash flow sums reflect the sums included in the Consolidated Financial Statements attributable to the Company itself as parent company, including cash flows from transactions between the Company and investees, which have been reversed in the consolidated financial statements, and except for cash flow sums arising from transactions made by investees.

Loans granted to and/or received from investees are presented at the sum attributable to the Company itself as parent company.

f Balances (including loans granted and received) and revenues and expenses with respect to transactions with investees that have been reversed on the consolidated financial statements are measured and presented under the relevant balance sheet items and gain/loss or comprehensive income, in the same manner these transactions would have been measured and presented had they been carried out with third parties.

(d) Cash and cash equivalents:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Cash and cash equivalents - denominated in NIS	262,573	258,440
Cash and cash equivalents - denominated in USD	1,196	1,446
Cash and cash equivalents - denominated in EUR	6	6
Cash and cash equivalents - denominated in CHF	7	572
Cash and cash equivalents - denominated in CAD	4	8
Cash and cash equivalents - denominated in GBP	7,061	167,810
Monetary funds	80,129	-
	350,976	428,282

(e) Accounts payable and other credit balances:

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Interest payable in respect of bonds	82,775	78,306
Accrued expenses	10,666	11,605
Financial derivatives designated as hedging items	8,668	55,589
Others	759	880
	102,868	146,380

(f) Bonds - For information regarding the Company’s bonds, see Note 11 to the Consolidated Financial Statements.

(g) Financial assets and liabilities:

(1) Financial Instrument Groups

	As of December 31	
	2019	2018
	NIS thousands	NIS thousands
Financial Assets		
Cash and Cash Equivalents and Tradable Securities		
Cash and cash equivalents	350,976	428,282
Tradable securities	40,876	2,052
Loans and accounts receivable:		
Loans to associates	1,894,324	623,468
Loans and other receivables	12,511	68,713
Derivatives:		
Financial derivatives (contract swapping the NIS principal and interest with CHF principal and interest) designated for hedging	33,393	2,533
Financial derivatives (forward contract for foreign currency swap) designated for hedging	27,168	114
Securities measured at fair value through profit and loss:		
Shares	27,768	17,222
Real Estate Investment Fund	176,035	172,485
	2,563,051	1,314,869
Financial Liabilities		
Derivatives:		
Financial derivatives (forward contract for foreign currency swap) designated for hedging	8,668	55,589
Financial derivatives (contract swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	6,502
Financial derivatives (contract swapping the NIS principal and interest with USD principal and interest) designated for hedging	3,443	41,112
Financial liabilities measured at depreciated cost		
Other payables	87,340	84,712
Short-term credit and loans from banking corporations	360,952	387,185
Bonds	4,188,657	3,301,597
	4,649,060	3,876,697

(2) Liquidity Risk Management

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages the liquidity risk by maintaining adequate cash surpluses, making financial forecasts and by comparing future returns on financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Company manages liquidity risk by maintaining available credit facilities, banking and loan means, by continuously monitoring actual and expected cash flows and adjusting maturity characteristics of financial assets and liabilities.

a. Financial liabilities that do not constitute derivative financial instruments:

The following tables list the Company's remaining contractual maturity dates for financial liabilities, which do not constitute derivative financial instruments. The tables have been prepared based on the financial liabilities' non-discounted cash flows, based on the earliest date on which the Company may be required to repay them. The table includes cash flows in respect of both principal and interest.

	As of December 31, 2019							
	Average Effective Interest Rate	**Projected Cash Flow**	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year**	**Sixth Year Onward**
	%	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Variable-interest CHF loans	**1.24**	367,864	4,431	4,431	359,002	-	-	-
Variable-interest USD loans	**3.41**	2,398	885	870	643	-	-	-
Unlinked variable-interest NIS bonds	**2.20**	1,503,494	32,837	32,747	32,747	32,747	355,435	1,016,981
Unlinked fixed-interest NIS bonds	**2.88**	1,576,972	118,356	120,269	175,386	168,926	132,572	861,463
Linked fixed-interest NIS bonds	**1.83**	960,083	254,438	244,827	235,215	225,603	-	-
Fixed-interest USD bonds	**3.69**	380,759	40,519	40,519	39,923	39,327	56,012	164,459
Fixed-interest CHF bonds	**1.23**	405,626	43,907	43,907	43,091	42,276	59,335	173,110
		5,197,196	495,373	487,570	886,007	508,879	603,354	2,216,013

	As of December 31, 2018							
	Average Effective Interest Rate	**Projected Cash Flow**	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year**	**Sixth Year Onward**
	%	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Variable-interest CHF loans	**1.20**	391,391	4,568	4,568	382,255	-	-	-
Variable-interest USD loans	**4.31**	3,577	976	960	944	697	-	-
Unlinked variable-interest NIS bonds	**2.34**	1,065,648	22,716	22,778	22,716	22,716	22,716	952,006
Unlinked fixed-interest NIS bonds	**2.99**	815,578	25,583	92,032	89,571	86,916	84,357	437,119
Linked fixed-interest NIS bonds	**3.19**	1,095,910	447,769	171,768	165,280	158,791	152,302	-
Fixed-interest USD bonds	**3.69**	438,991	17,567	51,097	49,369	47,584	45,827	227,547
Fixed-interest CHF bonds	**1.23**	404,788	7,404	43,520	42,744	42,039	41,298	227,783
		4,215,883	526,583	386,723	752,879	358,743	346,500	1,844,455

(g) Financial assets and liabilities (continued):

b. Financial assets:

The Company has several main sources for repayment of its financial liabilities. The sources include cash and cash equivalents in the amount of approx. NIS 351 million and unutilized credit facilities of NIS 500 million. The Company also has non-pledged tradable assets in the amount of approx. NIS 8.5 billion.

c. Financial assets and liabilities that constitute derivative financial instruments:

For a liquidity analysis of the Company's derivative financial instruments (including the currency swap forward contracts table as of December 31, 2019 and December 31, 2018) – see Note 22(3)(a) to the Company's consolidated financial statements.

(3) Consumer Price Index Risk

As of December 31, 2019 and December 31, 2018, the Company's net exposure to the Consumer Price Index was NIS 0.9 billion and NIS 1.1 billion, respectively (excess financial liabilities over financial assets). Because the Company considers its investment in Amot and part of its investment in Energix (the CPI-linked part) as an instrument that simulates investment in a CPI-linked financial asset over the long term, as of December 31, 2019 and December 31, 2018, this exposure amounts to a net amount of NIS 2.7 billion and 2.1 NIS billion, respectively (excess assets over liabilities).

(h) Taxes on income:

(1) Deferred tax balances:

The composition and movement in deferred taxes as of December 31, 2019 is as follows:

For 2019	As of December 31, 2018	Application of IFRS 16	Allocated to Profit and Loss	Allocated to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2019
Fair value and foreign activity hedges	(26,562)	-	-	40,850	-	14,288
Available-for-sale financial assets	1,215	-	(2,700)	-	(4,880)	(6,365)
In respect of associates	309,420	(160)	62,616	(32,716)	(40,462)	298,698
Losses for tax purposes	(133,315)	-	40,642	-	45,342	(47,331)
Others	46,195	-	-	-	-	46,195
	196,953	(160)	100,558	8,134	-	305,485

(h) Taxes on income (continued):

The composition and movement in deferred taxes as of December 31, 2018 is as follows:

For 2018	As of December 31, 2017	Allocated to Profit and Loss	Allocated to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2018
Fair value and foreign activity hedges	33,189	-	(59,751)	-	(26,562)
Available-for-sale financial assets	11,546	(10,331)	-	-	1,215
In respect of associates	269,025	57,056	20,135	(36,796)	309,420
Losses for tax purposes	(168,270)	(1,841)	-	(36,796)	(133,315)
Others	-	46,195	-	-	46,195
	145,490	91,079	(39,616)	-	196,953

(2) Amounts for which deferred tax assets were not recognized:
For information regarding temporary differences with respect to investments in investees for which deferred tax liabilities were not recognized – see Note 20.h to the Consolidated Financial Statements.

(3) Taxes related to other comprehensive income components:

	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income (net, after reclassification to profit and loss):			
For the year ended December 31, 2019			
Profit (loss) from the translation of financial statements for foreign activities	(89,601)	-	(89,601)
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	194,705	(40,850)	153,855
Loss from exchange rate differentials in respect of cash flow hedging	(4,729)	-	(4,729)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,176	-	1,176
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(11,213)	-	(11,213)
Company share in other comprehensive income (losses) of associates, net of tax	(444,363)	(32,716)	(411,647)
Total	(351,004)	(8,134)	(359,138)

(h) Taxes on income (continued):

Other comprehensive income (net, after reclassification to profit and loss):			
For the year ended December 31, 2018			
Net profit for the period			
Profit (loss) from the translation of financial statements for foreign activities	117,601	-	117,601
Profit (loss) from exchange rate differentials in respect of loans intended for the hedging of investments in associates that constitute foreign activity, net of tax	(254,760)	59,751	(195,009)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(15,742)	-	(15,742)
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	426	-	426
Profit (loss) from exchange rate differentials in respect of cash flow hedging	4,277		4,277
Company share in other comprehensive loss of investees, net of tax	332,223	(20,135)	312,088
Total	184,025	39,616	223,641
Other comprehensive income (net, after reclassification to profit and loss):			
For the year ended December 31, 2017			
Profit (loss) from the translation of financial statements for foreign activities	(96,890)	-	(96,890)
Profit (loss) from exchange rate differentials in respect of loans intended for the hedging of investments in associates that constitute foreign activity, net of tax	163,557	(33,209)	130,348
Profit (loss) from exchange rate differentials in respect of cash flow hedging	(663)	-	(663)
Company share in other comprehensive loss of investees, net of tax	(431,337)	13,304	(418,033)
Profit (loss) from fair value adjustment of financial assets at fair value through profit and loss that were previously classified as available-for-sale financial assets, net of tax	6,167	(7,355)	(1,188)
Allocation of capital reserve in respect of assets previously classified as available-for-sale financial assets to profit and loss, net of tax	(19,428)	3,940	(15,488)
Allocation of profit from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of assets previously classified as available-for-sale financial assets to profit and loss due to the realization of investments	(19,901)		(19,901)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for fair value hedging of assets previously classified as available-for-sale assets	1,394	-	1,394
Share in other comprehensive income of investees, net of tax	(397,101)	(23,320)	(420,421)

(4) Tax expenses on income recognized in profit and loss:

	For the Year ended December 31		
	2019	**2018**	**2017**
	NIS thousands	**NIS thousands**	**NIS thousands**
Current tax expenses	11,331	3,131	16,772
Taxes in respect of previous years	189	(6,139)	(3,965)
Deferred tax income	100,558	91,079	40,860
Total tax expenses (income)	112,078	88,071	53,667

(h) Taxes on income (continued):

(6) Additional Information:

a. The Company has been issued final tax assessments until the 2014 tax year, inclusive.

b. **Tax rates applicable to the Company:**

The income tax rates applicable to the Company and the consolidated companies in Israel in 2017, 2018 and 2019 are 24%, 23% and 23%, respectively.

(i) Engagements and significant transactions with related parties and interested parties:

(1) **Loans**

The following are detailed terms of the loans that the Company granted to (received from) investees:

	Interest Rate As of December 31 2019	As of December 31 2019	As of December 31 2018
	%	NIS thousands	NIS thousands
Linkage Terms			
Loans and capital notes to investees			
USD		-	39,354
Unlinked NIS	-	1,558,184	265,422
Unlinked NIS	4.92%	336,140	318,692
		1,894,324	623,468

(2) The Company has a balance of receivables from related party balances in the amount of NIS 13 million and NIS 69 million as of December 31, 2019 and December 31, 2018, respectively.

(3) The Company has a balance of payables from related party balances in the amount of NIS 1 million and NIS 3 million as of December 31, 2019 and December 31, 2018.

(4) For information regarding the management fees agreement with Amot – see Note 6.c. (4) to the Consolidated Financial Statements published with this financial information. Management fees for 2019 amounted to a total of approx. NIS 9 million.

(5) For information regarding the management fees agreement with Energix – see Note 6.e. (4) to the Consolidated Financial Statements published with this financial information. Management fees for 2019 amounted to a total of approx. NIS 4.8 million.

(6) Regarding the approval of transactions with controlling shareholders and officers or controlling shareholders – see Note 18 to the Consolidated Financial Statements published with this financial information.

(j) Additional Information

(1) For information regarding the Company's investments in the Brockton Funds - see Note 5(1) to the Consolidated Financial Statements published with this financial information.
(2) For information regarding the Company's investments in the capital of Amot - see Note 6.c to the Consolidated Financial Statements published with this financial information.
(3) For information regarding the Company's investments in the capital of Brockton Everlast Inc. Limited - see Note 6d. to the Consolidated Financial Statements published with this financial information.
(4) For information regarding the Company's investments in the capital of Energix - see Note 6e to the Consolidated Financial Statements published with this financial information.
(5) For information regarding the Company's investment in PSP, see Note 6h to the Consolidated Financial Statements published with this financial information.
(6) For information on bonds (Series F) – see Note 11b. to the Consolidated Financial Statements published with this financial information.
(7) For information on bonds (Series H) – see Note 11c. to the Consolidated Financial Statements published with this financial information.
(8) For information on bonds (Series I) – see Note 11d. to the Consolidated Financial Statements published with this financial information.
(9) For information on bonds (Series J) – see Note 11e. to the Consolidated Financial Statements published with this financial information.
(10) For information on bonds (Series K) – see Note 11f. to the Consolidated Financial Statements published with this financial information.
(11) For information on bonds (Series L) – see Note 11g. to the Consolidated Financial Statements published with this financial information.
(12) For information on loans and credit facilities – see Note 12 to the Consolidated Financial Statements published with this financial information.
(13) For information on liens, collateral and guarantees – see Note 13 to the Consolidated Financial Statements published with this financial information.
(14) For information on developments in the Company's capital stock – see Note 16b. to the Consolidated Financial Statements published with this financial information.
(15) For information regarding the Company's dividend policy – see Note 16d to the Consolidated Financial Statements published with this financial information.
(16) For information regarding the remuneration policy for employees and officers – see Note 16e to the Consolidated Financial Statements published with this financial information.
(17) For information regarding events subsequent to the balance sheet date – see Note 25 to the Consolidated Financial Statements published with this financial information.

Alony-Hetz

Report on Effectiveness of Internal Controls

Annual Report on the Effectiveness of the Internal Control on Financial Reporting and Disclosure according to Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 1970, for 2019

Management, under the supervision of the Board of Directors of Alony Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**"), is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;
2. Moti Barzilay, VP of Business Development;
3. Oren Frenkel, Chief Financial Officer;
4. Hanan Feldmus, Legal Counsel and Company Secretary;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which have been designed by the CEO and the senior executive in finance or under their supervision, or by those who actually perform these functions, under the supervision of the Corporation's Board of Directors, which are intended to provide reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in its reports according to the provisions of the law has been collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Internal control includes, among other things, controls and procedures designed to ensure that information the Corporation is required to disclose has been accumulated and passed on to the Corporation's management, including the CEO and the senior executive in finance or whoever actually performs these functions, in order to allow decisions to be made in a timely manner, taking the disclosure requirement into consideration.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute certainty that misrepresentation or omission of information in the statements will be avoided or discovered.

Management, under the supervision of the Board of Directors, conducted an examination and assessment of the internal control over financial reporting and disclosure in the corporation and its effectiveness. The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by management under the supervision of the Board of Directors included the implementation of the guidelines published by the Securities Authority in November 2010 in connection with the implementation of the evaluation of the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, in accordance with Regulation 9b of the Securities Regulations (Periodic and Immediate Reports), 1970.

Management's assessment of the effectiveness of internal control over financial reporting and disclosure under the supervision of the Board of Directors: A process based on the Corporation's assessment of risks pertaining to the financial reporting and disclosure. The Company's management, under the supervision of the Board of Directors, examined the potential risks of material misstatement in the financial statements, based on its knowledge of the Corporation, its operations, organizational structure and its various processes, and based on its understanding of the Corporation's reporting and disclosure risks. The Company's management focused on the financial reporting items and disclosure items which may be more likely to include a material error. The Company's management, under the supervision of the Board of Directors, has examined the planning and operational effectiveness of the controls and the procedures that adequately address these risks.

The Company's assessment of the effectiveness of the internal control was based on the following four components:

1. Organization-level controls;
2. General information system controls;
3. Controls in very significant business processes:
    3.1 Very significant business process – investments in companies.
    3.2 Very significant business process – accounts and debt management.
    3.3 Very significant business processes in the subsidiary Amot Investments Ltd. (hereinafter: "**Amot**"): investment property and revenues from rental fees and investment property management.
    3.4 Very significant business processes in the subsidiary Energix Renewable Energies Ltd. (hereinafter: "**Energix**"): procurement for projects and revenues from the sale of electricity.
    3.5 Very significant business processes in the subsidiary Brockton Everlast Inc. Limited (hereinafter: "**BE**"): investment property and revenues from rental fees of investment property.
4. Controls over the accounting period closing processes, preparation and presentation of the financial statements and disclosures.

The effectiveness assessment included, among other things:

- Updating of the document "Mapping and Identifying the Accounts and Business Processes" regarding the processes which the Company considers to be very significant for the financial reporting and disclosure.
- Updating of the processes and controls, examining key controls and examining the effectiveness of controls in the context of internal control components.
- Performing a validation (testing) process for the effectiveness of internal control on the financial reporting and disclosure.

The management of the subsidiaries, Amot, Energix and BE, independently performed the process of assessing the effectiveness of the internal control over financial reporting and disclosure under the supervision of the Amot, Energix and BE Boards of Directors, respectively. With regard to Amot, Energix and BE, the Company's Board of Directors and management relied on the process of examining and assessing the effectiveness of internal control and the report on the effectiveness of the internal control over the financial reporting and disclosure reported by the management of Amot, Energix and BE.

Based on the management's assessment of the effectiveness under the supervision of the Board of Directors as described above, and based on the assessment of the effectiveness of the management of Amot, Energix and BE under the supervision of the Board of Directors of Amot, Energix and BE, respectively, the Company's Board of Directors and management have concluded that the internal control over the financial reporting and disclosure in the Corporation, as of December 31, 2019, is effective.

Executive statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement
<u>Statement of the CEO</u>

I, Nathan Hetz, do hereby state that:

1. I have reviewed the periodic reports of Alony Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2019 (hereinafter: "**the Reports**");

2. To the best of my knowledge, the statements do not include any misrepresentation of a material fact nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

   A. All significant deficiencies and weaknesses in the determination or operation of internal controls over financial reporting and disclosure that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law, and –

   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as of the reporting date.

The above does not detract from my responsibility or the responsibility of any other person according to the law.

March 18, 2020

Signature

Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 38C(d)(2) of the Securities Regulations (Periodic and Immediate Reports),
1970

Executive Statement
Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have reviewed the financial statements and other financial information included in the reports of Alony Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2019 (hereinafter: "**the Statements**");
2. To the best of my knowledge, the financial statements and other financial information included in the reports do not include any misrepresentation of a material fact and do not lack the representation of a material fact that is necessary in order that the representations included therein, in view of the circumstances in which those representations are included, not be misleading in relation to the reporting period;
3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;
4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure, as it relates to the financial statements and the other financial information included in the financial statements, that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law; and –

   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, by myself or with others in the Corporation:
   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent that it is relevant to the financial statements and to other financial information included in the statements, is brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports as of the reporting date; my conclusions regarding my assessment have been brought up before the Board of Directors and management, and are integrated into this report.

The above does not detract from my responsibility or the responsibility of any other person according to the law.

March 18, 2020	Signature
	Oren Frenkel, Chief Financial Officer

Alony-Hetz

Additional Information
Regarding the Corporation

Additional Information Regarding the Corporation

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970

(Hereinafter: "**the Regulations**")

Contents

Company name:	**Alony-Hetz Properties and Investments Ltd.**
Company registration no.:	520038506
Address:	Amot Atrium Tower, 2 Jabotinsky Street, Ramat Gan
Telephone no.:	03-7521115
Fax:	03-7514730
Email:	office@alony-hetz.com
Website:	www.alony-hetz.com
Balance sheet date:	December 31, 2019
Report date:	March 18, 2020
Reporting period:	The year ended December 31, 2019

All data in this report is presented in the presentation currency, as defined in Note 2(i) to the financial statements, unless stated otherwise.

Regulation 10C – Use of the proceeds from securities taking into consideration the goals of the proceeds according to the prospectus

In the Company's shelf prospectus dated May 4, 2018 ("**the Shelf Prospectus**") and in the previous shelf prospectus, no amount was raised. In the above shelf prospectuses, it was determined that if securities are offered according to the shelf prospectuses, the proceeds received from these offerings will be designated for various purposes, as the Company decides from time to time and/or as specified in the shelf offer report.

The proceeds raised by the Company in respect of the issuance of NIS 402,869 thousand PV of bonds (Series J) according to a shelf offer report of February 20, 2019, were and are used by the Company for an investment in London, for recycling existing debt and for financing of the Company's ongoing operations, in accordance with the decisions of the Company's Board of Directors and/or the Company's management as decided and/or to be decided from time to time.

The proceeds raised by the Company in respect of the issuance of NIS 268,507 thousand PV of bonds (Series H) according to a shelf offer report of March 26, 2019, were and are used by the Company for investments, for recycling existing debt and for financing of the Company's ongoing operations, in accordance with the decisions of the Company's Board of Directors and/or the Company's management as decided and/or to be decided from time to time.

The proceeds raised by the Company in respect of the issuance of NIS 200,932 thousand PV of bonds (Series K) and in respect of the issuance of 400,730 thousand PV bonds (Series L) according to a shelf offer report of August 7, 2019, were and are used by the Company for recycling existing debt and/or for investments (mainly for investments in Carr and in Brockton Everlast) and for financing of the Company's ongoing operations, in accordance with the decisions of the Company's Board of Directors and/or the Company's management as decided and/or to be decided from time to time.

Regulation 11 – Investments in significant subsidiaries and significant associates as of December 31, 2019

A.

Company Name	Number of Shares	Market Value as of December 31, 2019 NIS thousands	Balance Sheet Value as of December 31, 2019 NIS thousands	Ownership as of the Date of the Statement of Financial Position	Right to Appoint Directors
Amot Investments Ltd.	210,358,892	5,273,697	3,363,706	55.22%	55.22%
Energix – Renewable Energies Ltd.[1]	254,455,683	2,623,438	590,188	59.79%	59.79%
PSP Swiss Property AG	3,650,000	1,743,313	1,381,418	7.96%	7.96%
Carr Properties Holdings LP	674,488,569	-	3,135,978	50.77%	50%
Brockton Everlast Inc.	277,057,777	-	1,246,092	95.35%	95.35%

B. Material loans and material capital notes issued (received) by the Company to subsidiaries and associates:

As of December 31, 2019, the Company has loans and capital notes to subsidiaries, wholly owned by the Company, in the amount of NIS 1,894 million. For further details, see Note (h)(1) to the separate reports.

Regulation 12 – Changes in investments in significant subsidiaries and in significant associates in the reporting period

Date	Description	Company Name	Number of Shares/Options	Cost (Proceeds) in NIS thousands
March 2019	Investment in units	BE(*)	36,800,000	174,752
March 2019	Investment in units	BE(*)	39,800,000	187,315
July 2019	Acquisition of shares and option warrants as part of a public offering	Energix	4,830,000 shares of common stock and 2,898,000 option warrants (Series 3)	36,225
April 2019	Investment in units	BE(*)	95,651,000	445,294
August 2019	Exercise of options (Series 9)	Amot	7,500,000	148,223
August 2019	Investment in units	BE(*)	44,791,660	182,079
August 2019	Investment in units	CARR	52,446,095	246,427
August 2019	Sale of shares	PSP	450,000	210,275
September 2019	Off-market acquisition of shares	Amot	583,859	14,269
November 2019	Sale of shares	PSP	500,000	230,098
December 2019	Investment in units	BE(*)	4,040,400	18,328

(*) Indirectly, through wholly owned private subsidiaries. The investment is in units of Brockton Holding LP, which owns BE.

[1]The par value of Energix shares is NIS 0.01 PV per share.

Regulation 13 – <u>Income from significant subsidiaries and associates and the corporation's income from them for the year ended December 31, 2019</u>

(in Thousands of NIS) (*)

Company Name	Net Profit (Loss) for the Period	Other Comprehensive Income (Loss) for the Period	Dividend / Capital Reduction Received	Management Fees and Participation in Expenses, net	Net Interest Income (Expenses)
Amot Investments Ltd.	1,070,423	(37)	254,556	9,059	-
Energix – Renewable Energies Ltd.	62,972	(48,557)	-	4,811	-
PSP Swiss Property AG	1,623,090	1,166	57,598	-	-
Carr properties Holdings LP (*)	212,666	(158,180)	135,190	565	-
Brockton Everlast Inc.	90,662	91,201	-	728	1,835

(*) The data for net income for the period and other comprehensive income include non-controlling interests.

Regulation 20 – Trading on a stock exchange – Securities listed for trade – Dates and reasons for suspension of trade

- During 2019, 1,600,707 non-tradable option warrants, which were issued to directors, officers and employees, were exercised for NIS 1,600,707 PV shares of common stock.
- On February 24, 2019, NIS 402,869 thousand PV of bonds (Series J) were listed for trading for a gross total of NIS 421 million, according to a shelf offer report dated February 20, 2019.
- On March 28, 2019, NIS 268,507 thousand PV of bonds (Series H) were listed for trading for a gross total of NIS 308 million, according to a shelf offer report dated March 26, 2019.
- On August 11, 2019, NIS 200,932 thousand PV of bonds (Series K) and NIS 400,730 thousand PV of bonds (Series L) were listed for trading for a gross total of NIS 602 million, according to a shelf offer report dated August 7, 2019.
- There was no suspension of trading during the reporting period, except in respect of the publication of financial statements.

Regulation 21 – Remuneration of interested parties and senior officers

21.1 The following are details regarding the remunerations granted in the reporting year, as recognized in the Company's financial statements for the reporting year, which were paid to each of the nine highest remunerated senior officers of the Company or in a corporation under its control that were granted in connection with their term in the Company or in a corporation under the Company's control (of which, 3 officers serve in the Company itself) (the data are in NIS thousands):

RECIPIENT DETAILS				REMUNERATION FOR SERVICES				BENEFIT IN RESPECT OF SHARE-BASED PAYMENT	VALUE OF ADDITIONAL BENEFITS	TOTAL
NAME	POSITION	PERCENTAGE EMPLOYMENT	HOLDINGS IN COMPANY CAPITAL[2]	MANAGEMENT FEES / WAGES[3]	CASH BONUS	DEFERRED BONUS	TOTAL			
MR. AVSHALOM MOSLER	CEO, AMOT INVESTMENTS LTD.	FULL TIME	-	2,205	2,500	-	4,705	1,085	151 [4]	5,941
Mr. Nathan Hetz	CEO	Full time	14.53%[5]	3,320	1,207	1,207	5,734	-	151 [4]	5,885
Mr.Oliver Carr[6]	CEO of Carr	Full time	-	1,833	1,833	-	3,666	1,649	238 [4]	5,553
Mr. Asa Levinger	CEO of Energix Renewable Energies Ltd.	Full time	-	1,331	-	-	1,331	2,875	231 [4]	4,437
Mr. Moti Barzilay	VP of Business Development	Full time	-	2,016	1,000	-	3,016	1,000	[4]129	4,144
MR. JASON BLANK	Acting Deputy Chairman of the Board of Directors Brockton Everlast Inc.	Full time	-	3,990	-	-	3,990	-	56[7]	4,046
Mr. David Marks	CEO Brockton Everlast Inc.	Full time	-	3,990	-	-	3,990	-	[7]45	4,035
Mr. Richard Shelby	Investments and Initiatives Manager Brockton Everlast Inc.	Full time	-	3,990	-	-	3,990	-	[7]58	4,048
Mr. Oren Frenkel	CFO	Full time	-	1,485	740	-	2,225	725	[4]131	3,081

[2] Holdings in Company capital as of December 31, 2019 (not including reference to options in circulation of each officer).
[3] With the exception of Oliver Carr, Avshalom Mosler, Asa Levinger, Jason Blank, David Marks and Richard Shelby, who receive remuneration as wages, the other remunerations recipients receive management fees.
[4] Mainly for a company car benefit.
[5] Together with his wife, Ms. Clara Hetz, directly and indirectly (through holdings in wholly owned companies).
[6] The amounts stated in relation to Carr's CEO are the amounts appearing in Carr's financial statements, which are attached to this periodic report. The company's share as of the balance sheet date is 44.01%.
[7] Mainly for insurance benefits.

21.2 Additional information on the terms of employment of senior officers

21.2.1 **Background – remuneration policy:**

On October 9, 2018, the Company's General Assembly approved the remuneration policy for officers that adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: "**the Remuneration Policy**"). For further details regarding the remuneration policy, please refer to the Supplemental Immediate Report for the convening of the General Assembly on October 4, 2018 (Ref: 2018-01-092115) and to the Immediate Report on the Results of the General Assembly published on October 9, 2018 (Ref: 2018-01-094626) (together: "**the October 2018 Assembly Reports**").

21.2.2 - The Company CEO

On October 9, 2018, the General Assembly confirmed new terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2019. For further details, see the October 2018 Assembly Reports and Note 18(a) to the financial statements.

21.2.3 - Other Senior Officers

In accordance with the remuneration policy, the Remuneration Committee and the Company's Board of Directors, in their March 2019 meetings, confirmed that the monthly management fees paid to the VP of Business Development and to the CFO, starting May 1, 2019 (meaning the payment for April 2019), will amount to a total of NIS 170 thousand and NIS 125 thousand, respectively[8].

In addition, the Remuneration Committee and Board of Directors, at their meetings on the same day, confirmed that in the formula for the annual cash bonus for the years 2019-2021, minimum and maximum bonus amounts will be determined, inter alia, with respect to the Company's VP of Business Development and the CFO, as follows:

Name of Officer	Minimum Bonus Amount (at an annual FF0 yield[9] of 6%) in NIS thousands	Maximum Bonus Amount (at an annual FF0 yield of 10%) in NIS thousands
VP of Business Development	255	765
Chief Financial Officer	205	615

The above amounts are linked to the CPI, with the base index being the CPI for February 2019, and adjusted to the data from the ratings performed by the rating companies[10].

8 Linked to the CPI for February 2019, but not less than the above nominal amount.

9 The bonus is derived from the annual FFO return on the Company's capital, with the Company's capital being capital at the beginning of the period plus capital raised and less special dividends during the period, all time-weighted.

10 The Company's rating adjustment mechanism, in accordance with the remuneration policy and as approved at the Remuneration Committee meeting and at the Board of Directors meeting dated March 19, 2019, determines that the amount of the bonus according to the above formula will be increased or reduced according to the Company's rating by the credit rating companies, so that the credit rating may reduce the bonus even to the cancellation of the annual bonus to the VPs on the one hand or increase it by up to 10% on the other hand. As of the date of publication of this report, the above amounts, linked (with the new index being the known CPI on December 31, 2019) and adjusted for the last rating of the Company performed by the rating companies, as follows:

	MINIMUM BONUS AMOUNT (AT AN ANNUAL FF0 YIELD OF 6%)	MAXIMUM BONUS AMOUNT (AT AN ANNUAL FF0 YIELD OF 10%)
VP of Business Development	NIS 257 thousand	NIS 770 thousand
CFO	NIS 206 thousand	NIS 618 thousand

In addition, it should be noted that the CEO, with the approval of the Remuneration Committee and the Board of Directors, has the discretion to grant additional cash bonuses, all as specified in the remuneration policy.

1. **VP of Business Development**

   The Company has an agreement with Mr. Moti Barzilay dated June 26, 2019 (which has replaced and canceled, as of April 1, 2018, an earlier agreement dated June 20, 2011, as amended from time to time), for management services as the Company's VP of Business Development. Under the agreement, each party may terminate the agreement at any time, with written notice of 180 days. According to the agreement, the monthly management fees for February 2020 were approx. NIS 170 thousand, CPI-linked, with the base index being the CPI for February 2019. In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the VP of Business Development for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy.
   Regarding the officers liability insurance and provision of exemptions and indemnities to the VP of Business Development, see Note 18c(3) to the financial statements and Regulation 22A(3), respectively.

2. **Chief Financial Officer**

   The Company has an agreement with Mr. Oren Frenkel (which replaced a previous agreement from April 2019) for the receipt of management services as the Company's CFO. Under the agreement, each party may terminate the agreement at any time, with advanced written notice of 6 months. According to the agreement, the monthly management fees for February 2020 were approx. NIS 125 thousand, CPI-linked, with the base index being the CPI for February 2019. In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the CFO for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy.
   Regarding the officers liability insurance and provision of exemptions and indemnities to the CFO, see Note 18c(3) to the financial statements and Regulation 22A(3), respectively.

3. **Capital remuneration for the VP of Business Development and for the CFO**

   The following are details on option warrants (non-tradable) exercisable into Company shares, which, according to the remuneration policy and according to the Company's previous remuneration policy, have been allocated to the Company's VP of Business Development and to the CFO and have not yet been exercised as of the publication of this report, and option warrants for which a decision was made for their allocation on March 19, 2019, but have not yet been allocated:

date of the board of directors' decision to grant the options	vp of business development		chief financial officer	
	economic value of the options in nis thousands	number of options	economic value of the options in nis thousands	number of options
March 21, 2018	935	269,206	675	194,346
March 19, 2019	1,000	215,556	725	156,278
18.3.2020	1,000	447,748	720	322,378

4. According to the agreements signed with the Company's VP of Business Development and the CFO, they are entitled to a company car and mobile phone. In addition, the agreements with them determine that management fees will also be paid for up to 22 business days (monthly gross) per calendar year, in which the management services are not provided and that failure to provide management services for a period of up to 18 business days per calendar year as a result of illness will not impact the payment of full management fees.
The management agreements with the Company's VP of Business Development and the CFO determine that the officers will repay the company or receive from the company, as applicable, amounts paid or which should be paid to them as a capital bonus or a cash bonus, if the amounts paid to them were paid on the basis of data that turned out to be misrepresented and restated in the Company's financial statements.

5. **CEO of Carr**

Carr's CEO, Mr. Oliver Carr (hereinafter: **"Carr's CEO"**), has an agreement with the Carr Properties Corporation, a company controlling Carr (in this section, hereinafter: "**CPC**"), from December 30, 2015, for a 4-year period starting December 1, 2015, and as of December 1, 2019, it was renewed for a period of one additional month, each month[11] (hereinafter in this section only: "**the Agreement**").
According to the agreement, Carr's CEO is entitled to a basic consideration in the amount of USD 500,000 per year[12] (before social benefits) and to an annual cash bonus for reaching Carr Group targets and personal targets determined by the CPC Board of Directors, based on the annual work plan and operating plan as will be determined by the CPC Board of Directors, while consulting with Carr's CEO (hereinafter: "**the Annual Bonus**"). The amount of the annual bonus payable will be USD 500,000 (hereinafter: "**the Target Bonus**"). As of the reporting date, the basic consideration amount and the target bonus are USD 530,451 for each component. The amount (of the basic consideration and the target bonus), will increase (up to 133%, i.e. up to USD 750 thousand) or decrease (up to 75%, i.e. not less than USD 398 thousand) given his achievement of that year's goals. It should be noted that the CPC Board of Directors has the authority to increase the annual bonus amount paid beyond the ceiling mentioned above. The annual bonus will be paid on the basis of CPC's audited annual financial statements, approved by CPC's Board of Directors, immediately after CPC's Board of Directors has determined that the targets have been reached but no later than March 15 of the subsequent year. CPC's Board of Directors made a decision to grant the CEO an increased annual bonus in the amount of approx. USD 530 thousand for 2019. In the past, Carr's CEO was allocated 31.4 million EAR units from Carr's previous capital remuneration plan, which were paid in cash in the years 2016-2018.
According to the agreement, Carr's CEO is subject to standard non-compete, non-solicitation and confidentiality conditions, which, if violated, he will not be entitled to payments from CPC in the event of termination of employment, except for the accrued benefits.
Carr's CEO is entitled to officers insurance, to 30 days of paid absence, due to vacation or illness (with the option of accumulating up to one week of such absence days, not used from year to year), additional absence days and sick days, according to the CPC policy in effect from time to time, reimbursement of reasonable expenses incurred on the job and for the promotion of Carr Group business, as well as participation in senior executive remuneration plans that the Carr Group will adopt from time to time, such as retirement benefits and/or other social benefits.

[11] Without detracting from the above, the agreement establishes a number of circumstances that upon their occurrence, each party may terminate the agreement.
[12] This amount is updated by a rate of 3% per year, as is customary.

In the event of CPC's initial listing for trading on the US Stock Exchange, the terms of employment of Carr's CEO will be rediscussed but will not be less than the remuneration terms determined in the agreement.

The terms of employment of Carr’s CEO for 2020-2026 are, as of the date of publication of the report, in negotiations, which are expected to be completed by March 31, 2020.

As of the reporting date, Carr’s CEO holds, directly and indirectly, approx. 0.03% of Carr’s capital rights.

Long-term incentive plan (LTIP): on March 7, 2018, CPC’s Board of Directors decided to adopt a new long-term remuneration plan for Carr employees and to allocate units from this plan, starting from the date of the Board’s decision, with a value of USD 6.5 million per year (from this amount, units valued at USD 2 million were allocated to Carr’s CEO in March 2019 and in March 2020, units at a total value of approx. USD 4 million) as follows:

<u>**Composition of Units**</u>

(1) **Performance Units – “Performance Grant”** – 2/3 of the value of the total remuneration plan belongs to this part of the plan, meaning a remuneration of approx. USD 4.33 million per year (hereinafter: **“Total Remuneration in Performance Units**”). Eligibility for performance units is conditional on the achievement of cumulative return, over 3 years from January 1, 2018 to the end of 2020, of 19.1%, which represents a return of 6% per year (hereinafter: “**the minimum return**”). For a return that exceeds the minimum return , the total remuneration in performance units will increase in steps proportion to the yields, with the total remuneration in maximum performance units (which includes a 25% increase in the total remuneration in performance units) granted in the event that the cumulative return in the above period will exceed 29.5%, i.e. 9% per year. On December 31, 2020, to the extent that the minimum return is reached (and subject to the adjustment of the total remuneration in performance units in accordance with the above-mentioned excess return), CPC shares will be allocated to employees with a total value of the total remuneration in performance units (adjusted as required) according to CPC’s NAV per share at the end of 2020 (before the allocation of shares to employees). The NAV will be calculated according to the latest CPC financial statements (based on IFRS). Half of these units will be allocated at the end of 3 years of the program (i.e. on December 31, 2020) and the balance at the end of 4 years (i.e. on December 31, 2021).

(2) **Time Units – “Service Grant”** – 1/3 of the value of the total remuneration plan belongs to this part of the plan, meaning a remuneration of USD 2.17 million per year (hereinafter: **“Total Remuneration in Time Units**”). At the end of the three years of the plan, on December 31, 2020, employees will be allocated CPC shares at a total value of the total remuneration in time units according to CPC’s NAV per share at the end of 2020 (before the allocation of shares to the employees), which will be calculated as stated in Subsection a(1) above. Half of the quantity will be redeemable immediately on the date of allocation and the balance will be redeemable at the end of four years (i.e. as of December 31, 2021).

Regarding the two types of units, the employee has the right to sell to the Company the released shares allocated to him during a two-year period from the date of their release, according to the NAV per share known on the date of sale. The NAV per share will be calculated as detailed in Subsection (1) above.

Employees who choose not to sell their shares will continue to hold the shares and will have no right of sale (put option) to the Company.

On March 4, 2020, CPC's Board of Directors decided to update the long-term remuneration plan, with the main changes to the plan (compared to the existing plan as detailed above), as follows:

A) Increase to the value of the plan to USD 8 million per year;
B) The blocked and vesting period for all allocated units will be three years (instead of three and four years in the existing plan);

There is no change in the composition of the units, as described above.

6. **CEO of Amot Investments Ltd. ("Amot")**

Mr. Avshalom Mosler was appointed Amot CEO on April 10, 2006(in this section: **"Amot's CEO"**).

On September 28, 2016, the Amot General Assembly (after receiving the approval of the Remuneration Committee and the Board of Directors) approved a new remuneration policy for Amot for the next three years, which is based on the existing Amot remuneration policy, updated and adapted to changes at Amot and in the law. Approved in this framework were, among other things, an amendment of the remuneration policy with respect to the remuneration components and their implementation regarding Amot's CEO and the terms of service and employment of Amot's CEO were updated regarding the CEO's monthly salary, to the annual bonus components (medium/short-term variable component) and to the capital remuneration component ("**Amot's existing remuneration policy**").

On September 20, 2020, the Amot General Assembly (after receiving the approval of Amot's Remuneration Committee and the Board of Directors) approved a remuneration policy for officers based on Amot's existing remuneration policy, in effect for three years starting on September 28, 2019 ("**Amot's new remuneration policy**").

The following are details of the terms of service and employment of the Amot CEO applicable to the relationship between Amot and the Amot CEO from the date of their approval by the General Assembly (from September 28, 2016), for the period of engagement with Amot's CEO:

A. Annual bonus (medium/short-term variable component), calculated according to the compliance with four separate performance indices, on a cumulative basis:

(1) **Rate of return on equity** – For a return on equity of less than 6%, Amot's CEO is not entitled to a bonus. For a return on equity of between 6% and 14%, Amot's CEO is entitled to a bonus of between NIS 200,000 and NIS 600,000. The amount of the bonus to which Amot's CEO is entitled in respect of this index will not exceed NIS 600,000 in any case.

(2) **FFO rate of return per share –** For an FFO return of less than 7.5%, Amot's CEO is not entitled to a bonus. For an FFO return of between 7.5% and 12.5%, Amot's CEO is entitled to a bonus of between NIS 100,000 and NIS 900,000. The amount of the bonus to which Amot's CEO is entitled in respect of this index will not exceed NIS 900,000 in any case.

(3) **Compliance with projected FFO budget –** For a result in this index of less than 90%, Amot's CEO is not entitled to a bonus. For a result in this index of between 90% and 110%, Amot's CEO is entitled to a bonus of between NIS 100,000 and NIS 800,000. The amount of the bonus to which Amot's CEO is entitled in respect of this index will not exceed NIS 800,000 in any case.

(4) **Total Shareholder Return (TSR)** – Examination of the performance of Amot's stock over a period of three years compared to a peer group of similar companies. The group of comparison companies includes real estate companies operating in Israel with similar characteristics to Amot, where Amot's Board of Directors can make a change in the composition of the

comparison companies and the weight of each of the comparison companies in the index, as exogenous changes in the list of companies occur.

For a result in this index of between 0% and 15%, Amot’s CEO is entitled to a bonus of between NIS 0 and NIS 300,000. The amount of the bonus to which Amot’s CEO is entitled in respect of this index will not exceed NIS 300,000 in any case.

- Calculation of the bonus amounts for each of the above quantitative component indices is performed linearly.
- In the event that Amot presents a net annual accounting loss (after neutralizing non-recurring events as a result of regulatory and other changes, which Amot’s Board of Directors estimates are not connected to Amot’s performance (such as changes in corporate tax rates as a result of legislation, etc.), but the result of the calculation of the above four indices will entitle a bonus, a 50% discount will be made from the annual bonus calculated according to the indices.
- The full amount of the annual bonus will be paid in cash.

B. **Board of Directors’ discretionary bonus** – Amot’s Board of Directors, at its own discretion, will be entitled to increase the annual bonus and determine that an immaterial part of the remuneration of Amot’s CEO, in an amount that does not exceed three monthly salaries per year, will be granted according to non-measurable criteria (subject to the maximum annual bonus to Amot’s CEO, which amounts to NIS 2.6 million, linked to the CPI for June 2016). Amot’s Board of Directors will exercise its discretion in accordance with the criteria in Amot's remuneration policy and in accordance with any other criteria determined by the Board of Directors in this regard.

C. **Capital remuneration (long-term variable component)** – An annual grant of options, as part of the Capital Gain Track under Section 102 of the Income Tax Ordinance, at a value of 48% of the annual salary cost of Amot’s CEO (i.e. option warrants with a fair value of NIS 1.1 million per year). The exercise price of the warrants will be determined in accordance with the terms of Amot's remuneration policy, as they may from time to time.

Alternatively, Amot will be able to grant the CEO a capital remuneration through similar mechanisms for the allocation of securities under the terms detailed in this section.

D. **Salary and related benefits (fixed component) –** A gross monthly salary of NIS 140,000 linked to the CPI for June 2016 and he will also be entitled to related social benefits as customary, and a company car, including full maintenance expenses; cell phone; reimbursement of expenses on the job (as is customary in Amot); indemnification, exemption and officers’ insurance according to the terms of indemnification, exemption and insurance customary at Amot.

E. **Retirement –** The end of employment will require mutual advance notice of 4 months, except under special circumstances.

Implementation of capital remuneration

The following are details regarding options (non-tradable) that may be exercised for Amot shares, which according to Amot's existing remuneration policy and Amot's new compensation policy, have been allocated to Amot's CEO from 2017 until the date of publication of this report:

date of the board of directors' decision to grant the options	**economic value of the options in nis millions,** according to black and scholes economic model	**number of options**	**exercise price (in nis)** [13]
March 14, 2017	1.076	583,859[14]	18.05
March 11, 2018	1.1	531,401	20.17
March 10, 2019	1.1	488,889	21.63
March 8, 2020	1.1	404,412	26.13

Additional directives regarding the terms of employment:

1. Amot's CEO will repay Amot any amounts paid to him on the basis of data that was found to be incorrect, corrected and restated in Amot's financial statements;
2. Amot's Board of Directors is given the discretion to reduce the above remuneration at its full and exclusive discretion if it is found that circumstances justify such a reduction and it may determine a ceiling on the exercise value of the above capital remuneration;
3. Regarding the total remuneration of Amot's CEO, it was determined that the ratio between the variable components granted in a certain year and the fixed component will not exceed 1.7.

The annual bonus for 2019

On March 8, 2020, following the approval and recommendation of Amot's Remuneration Committee, Amot's Board of Directors decided to approve a grant to the Amot CEO for 2019 in the total amount of NIS 2,500 thousand, of which NIS 2,015 thousand is the application of the formulas determined in the terms of employment of the Amot CEO detailed above, and the balance of the grant of NIS 485 thousand is a discretionary grant of Amot's Remuneration Committee and the Board of Directors, which exercised their discretion in accordance with their authority under Amot's remuneration policy.
The full amount of the bonus will be paid in cash.

Amot's CEO salary

The cost of the monthly salary of Amot's CEO as of December 2019 was approx. NIS 196 thousand (gross).

7. **<u>CEO of Energix Renewable Energies Ltd.</u>**

Mr. Asa (Assi) Levinger, the Energix CEO, is employed at Energix according to an employment agreement signed with him and updated from time to time. In July 2019, the Energix General Assembly approved a new remuneration package and updated the terms of employment of the Energix CEO, according to the decisions of the Energix Remuneration Committee and Board of Directors at their meetings in June 2019. According to the terms of the remuneration package, the terms of employment of the

[13] Unlinked, subject to adjustments.
[14] The above options were fully exercised by Amot's CEO during 2019.

Energix CEO, in effect for three years starting July 1, 2019 (hereinafter: "**the 2019 Agreement**") are as follows:

1) The Energix CEO's (gross) salary is NIS 98 thousand. The monthly salary of the Energix CEO is linked (on a monthly basis) to the last known index published as of the date of approval of the Energix General Assembly, as long as it is no less than NIS 98 thousand plus the related terms, social benefits and company car. The monthly salary cost of the Energix CEO will amount to a total of NIS 136 thousand ("**the Salary Cost**").
2) The Energix CEO will be entitled to a fixed annual grant of up to 6 months of the salary cost starting in 2019, with the actual amount of remuneration being dependent on performance according to the measurable component of the remuneration plan. In addition, the Board of Directors, on the recommendation of Energix's Remuneration Committee, has the authority to grant the Energix's CEO a discretionary grant of up to 3 months of the salary cost, provided that the total annual grant to be paid to the Energix CEO does not exceed 8 monthly salaries. It should be clarified that the annual grant may be paid in cash or as a capital remuneration instead of cash.
3) The Energix CEO will be entitled to a medium-term capital remuneration at a value of 3 months if the salary cost per year, each year. The medium-term capital remuneration will be granted in the framework of the 2014 Energix options plan, based on an annual allocation, vesting over a period of two years and expiring in 3 years.
4) In addition, the long-term capital remuneration granted to the Energix CEO according to the 2016 remuneration package was extended for an additional three years, beginning at the end of the first long-term remuneration period, with the required adjustments. Accordingly, after the approval of Energix's Assembly, the Energix CEO was granted stock options to purchase Energix shares of common stock with a total value of NIS 3,375 thousand, which will vest to realization in three equal portions over a period of 4, 5 and 6 years from the date of approval of Energix's Board of Directors for the updated remuneration package. The exercise price will be NIS 11.07, the exercise of the warrants is in a cashless mechanism and is subject to achieving a target price per share of NIS 13.02 (reflecting a price which is twice the share price prior to the approval of the Board of Directors (subject to adjustments)).

The employment agreement of the Energix CEO expires on July 1, 2022, or earlier, subject to advance notice of 90 days by Energix or 6 months by the Energix CEO. In the event that the employment of the Energix CEO is terminated by Energix (not under circumstances that disqualify him for severance pay), the Energix CEO will be entitled to a 3-month adaptation period, during which he will be entitled to full pay, including the related conditions.

The salary cost of the Energix CEO (employer cost, not including grants) in 2019 amounted to approx. NIS 1,562 thousand.[15]

The following are details regarding the annual bonus to which the Energix CEO is entitled, as approved by Energix's Remuneration Committee and Board of Directors in their meetings on March 11, 2019 and on March 5 and 11, 2020, respectively –

[15] The salary of the Energix CEO was updated as mentioned on July 1, 2019. The salary cost (employer cost, not including grants) when standardized for a full year, according to the new salary, amounts to NIS 1,724 thousand.

Type of Remuneration	**Grant Ceiling according to Remuneration Plan and in accordance with the Energix CEO's Employment Agreement**	**Grant Ceiling for 2019 according to Decisions by Energix's Remuneration Committee and Board of Directors**	**Actual Entitlement**	**Value in NIS**	**Actual Grant**
Measurable bonus component A	A maximum of 6 months of salary cost The annual ceiling and the weighting for each component are determined in advance in the Remuneration Committee and the Board of Directors	1.8 months of salary cost (30% of 6 months)	5.17 months of salary cost	For the measurable component: Approx. NIS 704 thousand Discretionary grant: Approx. NIS 384 thousand	The total grant in the amount of NIS 1,088 thousand was converted into 691 thousand options that vested immediately *
Measurable grant component B		1.8 months of salary cost (30% of 6 months)			
Measurable grant component C		2.4 months of salary cost (40% of 6 months)			
Discretionary grant	Up to 3 months of salary cost and not exceeding 8 months of total annual salary grant, determined close to the date of approval of the financial statements (retroactively)	Up to 3 months of salary cost	2.8 months of salary cost		

Within the framework of the medium-term capital remuneration, the Energix CEO was granted option warrants with a value of NIS 408 thousand.

(*) The following are details regarding the capital remuneration granted to the Energix CEO in 2019, as detailed in Energix's financial statements:

Number of Options	950,000
Of which, options replacing a cash bonus, fully accelerated	691,000
Share price (in NIS)	10.70
Exercise price (NIS) (determined according to the weighted average of the share prices on the stock exchange in the 30 trading days preceding the date of the decision of Energix's Board of Directors to grant the options.	11.883
Fair value of options	1.5747
Expected volatility	26.47%
Life span of options (in years)	3.08
Final exercise date	36 months from actual date of granting
Risk-free interest rate	0.332%
Expected dividend rate	-

8. **Senior executives at Brockton Everlast Inc.**

Jason Blank (Acting Deputy Chairman of the Board of Directors), David Marks (CEO) and Richard Shelby (Investments and Initiatives Manager) constitute the active senior management team of Brockton Everlast Inc. (hereinafter: "**BE**" and "**BE Managers**", respectively). Two of BE's managers, Jason Blank and David Marks, also serve as directors of BE. The main terms of employment of BE managers until the end of 2025, as agreed under the partnership agreement, are as follows:

A. An annual salary for each of the BE managers, including related expenses, of GBP 886,000 in return for their work at BE. This amount also includes GBP 20,000 for directors' wages.
At the beginning of 2021, their wages will be updated in line with what is customary in the industry at that time, taking into consideration public real estate companies with similar assets in the UK.
Brockton managers will also be entitled to this salary for absence from work for annual vacation and for sick leave.

B. Under the Long Term Incentive Plan ("**LTIP**") adopted by BE, BE executives are entitled to 60% of an amount equal to 14% of the future growth in BE's NAV beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2019 to December 21, 2021 (hereinafter: "**the First Period**") and the second from January 1, 2011 to December 31, 2025 (hereinafter: "**the Second Period**"), which includes a maximum grant ceiling (to all BE employees) of GBP 40 million.
The BE managers are committed to investing in BE 50% of the proceeds they receive (net of tax) as part of the LTIP plan, against the allocation of BE shares.

C. As part of a cash remuneration plan, the BE managers will be entitled, in the second period, to an annual bonus of GBP 2.5 million, and a total of GBP 10 million for the entire second period, subject to targets to be determined by BE's Board of Directors.

D. The BE managers must invest 50% of the total carry interest (less applicable tax) if and when they are paid by the Brockton Funds (regarding the Brockton Funds, see Chapter F, Section 3 of the Description of Corporate Business in this report), against the allocation of BE shares.

E. The BE managers are committed to secrecy, non-solicitation of employees and non-competition. The agreement with them includes a mechanism determining different results, including expropriation of their holdings in BE, in the event that one of them ceases working at BE on a date before 2025, whether voluntarily or if they violated their commitment to BE.

As of December 31, 2019, the holdings of the BE managers in BE was 4.65%, and as of the date of publication of this report they amount to 4.22%.

21.3 Details of the remuneration granted to interested parties in the Company not listed in Section 1 above, by the Company or by a corporation under its control

21.3.1 Chairman of the Company's Board of Directors

For information on the existing management agreement with the Chairman of the Company's Board of Directors and for the capital remuneration granted to the Chairman of the Board of Directors, see Note 18b to the financial statements.

On October 9, 2018, the General Assembly approved changes in the terms of the management agreement of the Chairman of the Company's Board of Directors regarding the years 2019-2021. For further details, see the October 2018 Assembly Reports and Note 18b to the financial statements.

21.3.2 Remuneration of directors

For details regarding the remuneration of directors and capital remuneration of directors, see Note 18c to the financial statements.

On March 18, 2020, the Company's Board of Directors, in accordance with the remuneration policy and the decision of the General Assembly dated October 9, 2018, decided to allocate 1,118,565 option warrants to directors and officers (it was also decided to grant 135,132 options to the Chairman of the Board), and from this amount, 124,565 options will be allocated to 5 directors not employed by the Company, at an economic value for each director of half of the annual remuneration to which the directors are entitled due to their position on the Board of Directors (not including compensation for participation in the meetings for the year ended December 31, 2019).[16][17] The options will be allocated according to an option plan in accordance with Section 102 in a capital track with a trustee adopted by the Company's Board of Directors on February 19, 2018.

21.3.3 Exemption and indemnity

Regarding letters of exemption and letters of indemnity that were given to the Company's directors and officers, see Regulation 22.a.3 below.

21.3.4 Liability insurance for officers

Regarding officers' liability insurance, including directors' liability insurance, see Note 18.c.3 to the financial statements.

21.4 Further Details

For the service of Nathan Hetz (CEO, Director and a controlling shareholder in the Company) and Aviram Wertheim (Chairman of the Company's Board of Directors) as directors at PSP Swiss Properties (PSP), each is entitled to remuneration according to the remuneration plan for PSP directors.

21a. The Company's controlling shareholders

On November 26, 2019, the voting agreement between M. Wertheim (Holdings) Ltd. and Mr. Nathan Hetz expired concerning their voting in the General Assemblies of the Company's shareholders. Therefore, as of that date, the Company does not have a controlling interest. For further details, see the Company's immediate report published on November 27, 2019 (Ref: 2019-01-103038).

22. Transactions with controlling shareholders or transactions in which controlling shareholders have a personal interest

The following are details, to the best of the Company's knowledge, of every transaction with anyone who was, up to November 26, 2019, a controlling shareholder in the Company, or anyone for whom a controlling shareholder in the Company had a personal interest in its approval (hereinafter: "**transaction with a controlling shareholder**") to whom the Company, companies under its control and related companies engaged with them in the reporting year up to the date the Company no longer had a controlling shareholder.

[16] In addition, the Board of Directors' decision also included an approval to allocate 258,798 options to Company employees.
[17] NIS 55,640.

A. **<u>Transactions listed in Section 270(4) of the Companies Law, in which the Company has engaged</u>**

1. Regarding an agreement between the Company and Adva Financial Consulting Ltd., on the receipt of CEO services from Mr. Nathan Hetz, see Note 18a to the financial statements and the October 2018 Assembly Reports.
2. **<u>The Group's insurance for directors and officers</u>** – see Note 18.c.3 to the financial statements.
3. **<u>Indemnity and exemption of directors and officers</u> –** On October 15, 2007, the General Assembly approved the granting of letters of indemnity (and letters of exemption) to Company officers (including directors who are controlling shareholders and their relatives) and including officers of the Company serving in subsidiaries and in companies in which the Company has holdings and which are not under the full control or ownership of the Company, serving and who may serve from time to time, according to which the indemnity to be paid by the Company to all officers of the Company and/or of its investees or both, according to the letters of indemnity issued (including previous letters of indemnity issued by the Company) or to be issued by the Company, for liabilities as stated in the letters of indemnity, will not exceed 25% (twenty five percent) of the Company's equity as presented in the latest (consolidated) financial statements published by the Company prior to the date of payment according to the letter of indemnity, this under the additional condition that the amount of the indemnity does not exceed USD 100 (one hundred) million.[18] The General Assembly, at its October 11, 2011 meeting, approved the granting of an addition to the letters of indemnity to Company officers (and regarding officers who are controlling shareholders or their relatives, for a period of three years), serving and who may serve from time to time, which enables the Company to indemnify directors and officers of the Company for expenses and events that may be insured and indemnified in accordance with the Administrative Enforcement Law. On October 20, 2015, the General Assembly decided to amend the letters of indemnity for directors and officers so as to remove the limit according to which the amount of the indemnity may not exceed USD 100 (one hundred) million. See the immediate report on the results of the October 20, 2015 General Assembly (Ref: 2015-01-138408).
   The continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was confirmed by the General Assembly in its October 6, 2014 [19]meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and by the General Assembly of October 3, 2017 for a period of 3 years from October 11, 2017 to October 10, 2020[20]. Starting October 11, 2011, the exemption was not renewed for three additional years for directors who are controlling shareholders and their relatives.[21]
   For further information regarding the letters of indemnity and letters of exemption described in this section above, reference is made to Section 6.9.1 of the Shelf Prospectus.

   On July 12, 2018, the General Assembly approved the following:
   A. Granting of a letter of indemnity with new text that replaced, as will be detailed below, from the date of the Assembly, the Company's existing letter of indemnity.

[18] This is in addition to the amounts that may be received from the insurance company within the framework of the insurance in which the Company and/or the Company's investees have engaged.
[19] See the immediate report on the results of the General Assembly published by the Company on October 6, 2014 (Ref: 2014-01-171846).
[20] See the immediate report on the results of the General Assembly published by the Company on October 3, 2017 (Ref: 2017-01087838).
[21] The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives was not discussed at the October 11, 2011 General Assembly and was not approved by the General Assembly (in a different exemption format) at the October 3, 2017 General Assembly.

The new letter of indemnity, was / will be granted by the Company to the directors and the other officers serving, as they may be from time to time, including to Company directors and officers who are controlling shareholders or their relatives, and as they may be from time to time, all in relation to the cause that occurred from the date of approval of the General Assembly (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity continues to apply to the cause that occurred until the date of the General Assembly (July 12, 2018). For the text of the new letter of indemnity, please refer to Appendix A of the amending immediate report regarding the summoning of the Assembly published by the Company on June 27, 2018 (Ref: 2018-01-056649) ("**the July 2018 Amending Summons Report**").

B. Granting letters of exemption to Company directors and officers, including to Company directors and officers who are the Company's controlling shareholders or their relatives, serving today and as they may serve from time to time, in a new version, attached as Appendix B to the July 2018 Amending Summons Report, as long as the letters of exemption issued by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval (July 12, 2018) and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered by them that occurred as of the date of the General Assembly approval (July 12, 2018) and the exemption granted by the Company to directors and officers who are controlling shareholders or their relatives (meaning to Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered by it occurring up to October 11, 2011.
The exemption will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than the one for whom the letter of exemption was granted) has a personal interest.

For additional details regarding the letters of indemnity and the letters of exemption approved in the General Assembly held July 12, 2018, see the July 2018 Amending Summons Report and the immediate report on the results of the General Assembly published by the Company on July 12, 2018 (Ref: 2018-01-063432) (hereinafter together: "**the July 2018 Assembly Reports**").

B. **Transactions listed in Section 270(4) of the Companies Law in which the companies under the Company's control have engaged with the Company's (former) controlling shareholder or in which the (former) controlling shareholder has a personal interest**

1. **Amot letters of exemption and indemnity**

On November 22, 2011, the Amot General Assembly approved, for the Amot officers serving and officers to be appointed from time to time, including those serving in subsidiaries and in companies which are not under the full control or ownership of Amot and including Mr. Nathan Hetz, Chairman of the Board of Directors and until November 26, 2019, a controlling shareholder (indirectly) in Amot and officers who will serve in the future at Amot, who and/or their relatives are controlling shareholders of Amot and/or will be controlling shareholder of Amot, from time to time, the granting of new letters of indemnity adjusted for changes that have been made in legislation, and in particular amendments to the Securities Law, 1968 and the provisions of the Administrative Enforcement Law. These letters of indemnity replace existing letters of indemnity, except regarding officers who no longer serve as of the date of granting the letters of indemnity.
According to the existing arrangement at Amot on exemptions to directors and officers, Amot exempts its officers from any liability due to damage that will be caused and/or

that was caused, directly or indirectly, due to the breach of the officer's duty of care to it and/or to it's consolidated companies in his actions taken in good faith and in his service as an officer at Amot and/or by his service as an officer in its investees.

On November 22, 2011, the Amot General Assembly decided not to confirm the extension of the existing agreement regarding the exemption given to the Amot directors and officers who are controlling shareholders or their relatives, for the period starting November 15, 2011.

On February 16, 2015, the Amot General Assembly approved, among other things, the continued application of the letters of indemnity for a period of three years ending on November 14, 2017 to the Amot directors and officers who are controlling shareholders and their relatives serving on that date and who will be serving from time to time. In its meeting on that date, the Amot General Assembly did not approve the granting of letters of indemnity to the Amot directors and officers who are controlling shareholders or their relatives serving at the time and as they may serve from time to time.

On May 2, 2018, the Amot General Assembly approved (after receiving the approval of the Amot Board of Directors in its March 11, 2018 meeting and the approval of Amot's Remuneration Committee meeting on March 5, 2018), the adoption of a new letter of indemnity that will replace the existing letter of indemnity and will be the letter of indemnity used at Amot starting May 2, 2018 and will be granted by Amot to officers serving at Amot and to officers appointed from time to time, including officers serving at subsidiaries and at companies in which Amot has holdings and which are not under Amot's full control or ownership, and including to Mr. Nathan Hetz, Chairman of the Amot Board of Directors and, until November 26, 2019, the controlling shareholder at Amot, and officers serving at Amot in the future, who are, and/or whose relatives are, Amot's controlling shareholders from time to time. The new letter of indemnity will already be considered to be in effect from the start of service of Amot's officers. The Amot General Assembly also approved, in its above decision, the replacement of the letters of indemnity granted by Amot as of the Assembly date (May 2, 2018) for the officers serving at Amot on the date of the Amot General Assembly's approval of this decision, including directors and officers who are controlling shareholders or their relatives, regarding the latter the new letter of indemnity will be in effect for the period from November 14, 2017 to November 30, 2020.

The new letters of indemnity have been adjusted for changes in legislation and in particular for amendments to the Economic Competition Law, 1988, and also include expansions of the list of events constituting grounds for indemnification. The new letters of indemnity will replace the existing letters of indemnity, except regarding officers who have ended their service were no longer serving as of the date of granting the new letters of indemnity.

According to the new letter of indemnity (similar to the existing letter of indemnity) the maximum indemnity amount will not exceed 25% of Amot's equity as presented in the latest (consolidated) financial statements published by Amot prior to the date of payment according to the letter of indemnity, in addition to amounts received, if any, from the insurance company.

In its May 2, 2018 meeting, the Amot General Assembly also approved (after receiving the approval of Amot's Board of Directors in its March 11, 2018 meeting and the approval of the Amot Remuneration Committee of March 5, 2018) the following:

A. To amend Section 143 of Amot's Articles of Association, on the subject of exemptions for Amot's officers, so that starting from General Assembly's approval of the decision (meaning from May 2, 2018), the letters of exemption granted by Amot will not apply to decisions and/or transactions in which the controlling shareholder or some other Amot officer (including an officer other than the one to whom the letter of exemption was granted) has a personal interest, as long as the letters of exemption granted by Amot prior to the date of the General Assembly's approval and which are still in effect will continue to be fully applicable, unchanged, regarding all the events they covered that occurred up to the date of the Assembly's approval.

B. To approve the granting of letters of indemnity to the Amot directors and officers, including the Amot directors and officers who are Amot's controlling shareholders or their relatives, and including the Amot CEO, serving on the date of the Assembly's approval and as they may serve from time to time, as long as the letters of indemnity issued by Amot up to the date of the General Assembly's approval and which are still in effect, will continue to be fully applicable, unchanged, regarding all grounds covered by them that occurred up to the date of the Assembly's approval.

2. **Energix letters of indemnity and exemption**

On October 4, 2011, the Energix General Assembly approved a change in Energix's Articles and accordingly included changes in the letter of indemnity and inasmuch as required, an expansion of the insurance policy for the Energix officers, permitting Energix to indemnify and insure Energix directors and officers (including controlling shareholders or their relatives) for events and expenses that can be insured and indemnified in accordance with the Enforcement Proceedings Streamlining of the Securities Authority Law (Legislative Amendments), 2011 (**"the Administrative Enforcement Law**").

On May 2, 2018, after receiving the approval of the Energix Remuneration Committee and Board of Directors, Energix's General Assembly approved the replacement of the letters of indemnity used at Energix with new and updated letters of indemnity (in this subsection: "**the Energix General Assembly Decision**"). Within this framework and in order to best adapt the text of the letter of indemnity to Energix's activity and to changes in legislation, the test of the letter of indemnity was improved by adding sections to the letter of indemnity text and the application of indemnity was extended to other events.

In accordance with the decision of the Energix General Assembly, the letters of indemnity, in their new version, were granted to the Energix directors and officers, including to officers who are controlling shareholders or their relatives and to the Energix CEO.

The amount of the indemnity to be paid by Energix to all the Energix officers or to any of them, cumulatively, according to all the letters of indemnity issued or to be issued, will be limited to a total amount not exceeding 25% of Energix's equity, as presented in the last consolidated financial statements published by Energix before the actual granting of indemnity.

In addition, Energix officers will be given letters of exemption from liability, in the text customary at Energix, in accordance with the Companies Law and with the approval of the Energix General Assembly on July 9, 2017.

3. **Carr indemnity arrangement**

The Articles of Association of Carr and its subsidiaries state that Carr will compensate its directors, officers, employees and representatives, past and present, for any liability imposed on them or an expense they may bear subject to the fact that they have acted in accordance with the law in their positions as directors, officers, employees or representatives, as the case may be, in the broadest manner allowed according to the laws of the State of Delaware. As of the reporting date, the key Delaware legal requirements regarding the indemnification of directors and officers are:

A. A corporation will have the power to indemnify any person who was or is a party, or who is expected to become a party, to a lawsuit, claim or legal proceeding, expected, suspended or concluded, civil or criminal, investigative or administrative (with the exception of a claim by the corporation or by virtue of the corporation's right), due to the fact that that person was or is a director, officer, employee or emissary of the corporation, or due to the fact that the person served or serves, at the request of the corporation, as a director, officer, employee or emissary of the company, partnership, joint venture, trust or other enterprise, for expenses (including attorneys' fees), judgments, fines and amounts paid in a settlement, actual and likely, by the same person in connection with the lawsuit, claim or legal proceeding as aforesaid, if that person acted in good faith and in the manner that such person reasonably believed to be in the best interest of the corporation, or not contrary to its best interest, and in any case involving a lawsuit or a criminal proceeding, provided that person had no reasonable cause to believe that his conduct was illegal. The conclusion of the lawsuit, claim or legal proceeding in a ruling, order, settlement, conviction or claim for which the charge cannot be answered or any equivalent claim, will not in and of itself create the pretense that that person had not acted in good faith and in a manner that he reasonably believes is in the best interest of the corporation, or which is not in contradiction with its best interest, and in connection with a lawsuit or legal proceeding, that he had probable cause to believe that his behavior was illegal.

B. The corporation will have the power to indemnify any person, who was in the past or is presently, or is being threatened to be a party in a lawsuit or claim against the corporation, expected, suspended or concluded, or a lawsuit by the corporation or by virtue of the corporation's right to issue a ruling in favor of the corporation, due to the fact that that person was or is a director, officer, employee or emissary of the corporation, or has served in the past or serves presently at the corporation's request as a director, officer, employee or emissary of the company, partnership, joint venture, trust or some other venture for the expenses that person has actually paid (including legal fees) and on a reasonable basis, in connection with a defense or as part of a settlement or an arrangement in connection with such a lawsuit or claim, if the person had acted in good faith and in a manner that he reasonably believed that he had acted in the corporation's best interest, or not in violation of the corporation's best interest, subject to the reservation that the corporation will not indemnify any claim, issue or matter in which it was ruled that the person in question was liable toward the corporation, unless and only in the event that a Court of Chancery or the court in which the lawsuit or claim was filed rules, upon request, that despite the ruling of liability and in view of the circumstances, this person is entitled, in a fair and reasonable manner, to indemnification for expenses as the Court of Chancery or the other court have seen fit.

C. To the extent that the protection of a director or officer of the corporation, past or present, has succeeded in the matter, or otherwise, in defending against any lawsuit, claim or legal proceeding referred to in subsections (a) and (b) of this section, or as part of the defense against any claim, issue or matter raised in the framework of such a claim, that person will actually be indemnified for his expenses (including attorneys' fees) and reasonably in this matter.

D. Any indemnification in accordance with subsections (a) and (b) of this section (unless a court order has been issued) will be paid by the corporation only as permitted in the specific case on the basis of a decision that the indemnification of the director, officer, employee or emissary, past or present, is appropriate under the circumstances, as that person meets the standard of behavior required as according to subsections (a) and (b) of this section. Such a decision will be determined for a person who is a director or officer of the corporation on the date of this decision: (1) by a vote of a majority of the directors who are not parties to this lawsuit, claim or legal proceedings, even if they are fewer than a legal quorum; or (2) by a committee of these directors appointed by a majority vote of these directors, even if they are fewer than a legal quorum; or (3) if there are no such directors, or if these directors will instruct in this way, by an independent legal counsel in a written opinion; or (4) by the shareholders.

E. The corporation may pay expenses (including attorney's fees) that an officer or director of the corporation had paid for their defense in a lawsuit, claim or legal proceeding, civil, criminal, administrative or investigative, before the final ruling in the lawsuit, claim or legal proceeding, against the receipt of a commitment from the officer or the director, or his representative, to repay the amount paid to him if it is ultimately ruled that he is not entitled to indemnification from the corporation in accordance with its authority to indemnify according to this section. Such expenses (including attorney's fees) paid by those who were directors and officers or employees and other emissaries of the corporation, or by people serving at the corporation's request as directors, officers, employees or emissaries of a company, partnership, joint venture, trust or other venture, can be paid subject to terms and directives, if any, as the corporation sees fit.

F. The indemnification, and advance expenses paid or granted under the other subsections of this section will not be considered as exercising any other rights that indemnification or advance payment applicants may be entitled to under any bylaw, agreement, voting of shareholders or voting of directors who have no interest in the matter, or otherwise, whether in relation to an action in that person's official duties or in respect of his acting in another position while serving in that position. The right to indemnification or to advance expenses due to a provision in the certificate of incorporation or bylaw will not be canceled or damaged by amendment of the certificate of incorporation or bylaw after the act or omission which is the subject of the lawsuit, claim or legal proceedings, civil, criminal, administrative, or investigative, for which indemnification or advance payment of expenses is requested, unless the provision in effect at that time expressly permits cancellation or damage regarding the act or omission after the act or omission has occurred.

G. The indemnification and advance payment of expenses as determined, and as granted in this section will continue to exist, unless determined otherwise on the date of approval or confirmation, regarding a person is no longer a director, officer, employee or emissary and will act in favor of that person's heirs, executors of their will and managers of their estate.

4. **Directors, officers and corporate liability insurance at Carr**

Carr purchased a directors', officers' and corporate liability insurance policy for a period of one year ending on November 15, 2019, which was extended for another year ending on November 15, 2020. The liability limit for the insurance policy (for the two aforementioned periods) was USD 10 million, cumulatively for the entire policy period, including coverage for legal expenses. The insurance premiums for the insurance policy for the period from November 15, 2018 to November 15, 2019 amounted to USD 72 thousand and for the period from November 15, 2019 to November 11, 2020 it was USD 75 thousand.

5. **Indemnification and insurance arrangements at Brockton Everlast ("BE")**

Under the agreements for establishing and investing in BE, it was agreed to grant entitlement to indemnity and insurance to directors.
In March 2019, the BE General Assembly adopted a resolution regarding the addition of articles to its Articles of Association, including the authority to provide insurance and indemnity to the Company's Board of Directors as the applicable law allows.
A similar provision was adopted by the other legal entities connected to BE.

In February 2020, the BE Board of Directors approved the granting of letters of indemnity to BE's directors.

6. **Directors, officers and corporate liability insurance at BE**

BE purchased a directors', officers' and corporate liability insurance policy for a period of one year ending on March 21, 2019. Thereafter, BE purchased a new insurance policy for the period from March 31, 2019 to March 31, 2020. The liability limit for the insurance policy (for the two aforementioned periods) was GBP 5 million, cumulatively for the entire policy period, including coverage for legal expenses. The insurance premiums for the insurance policy amounted to GBP 10,000 and GBP 25,350, respectively.

C. **Negligible transactions**

Regarding the definition of negligible transactions, see Note 18j to the financial statements. During 2019 and up to the publication of this report, the Company engaged in the following transactions, which constitute negligible transactions:

- **The engagement of the Company, Amot and Energix with Value Base Underwriting And Securities Distribution Ltd. ("Value Base"), a company whose parent company's shareholders is, among others, Nathan Hetz (19.95%) and M. Wertheim (Holdings) Ltd., under the full ownership of David Wertheim, (19.95%) who were the Company's controlling shareholders** until November 26, 2019. See Note 18.j.1 to the financial statements.

  On March 21, 2017, the Company's Board of Directors (after a discussion in the Audit Committee meeting on January 19, 2017) approved a **framework decision** for a period of one year for the receipt of management, consulting and distribution services for the Company's debt and capital raising from the public, under the terms detailed in the decision, as long as the amount paid to Value Base constitutes a "negligible transaction". The Audit Committee, at its meeting on March 18, 2018, and the Board of Directors, at its meeting on March 21, 2018, decided to extend the framework decision for a period of three years starting on the date of the Board of Directors decision, under the terms detailed in the decision, and as long as the amount paid to Value Base in each year of the above three years constitutes a "negligible transaction"[22].

- **The Central Bottling Company Ltd.**
  The Company and Energix periodically purchase a non-material amount of soft drinks for refreshments from the Central Bottling Company Ltd. To the best of the Company's knowledge, Mr. David Wertheim (who was, until November 26, 2019, a controlling shareholder, indirectly, in the Company), is the controlling shareholder in the Central Bottling Company Ltd. The purchases are made under market conditions and in the ordinary course of business and are negligible transactions, in its meaning in Section J of Note 18 to the financial statements.

[22]In accordance with the above-mentioned three-year framework decision, the Company paid Value Base: (a) fees in the amount of approx. NIS 140 thousand (before VAT) for advisory and distribution services for bonds (Series J), issued by way of a series extension according to a shelf offer report dated February 20, 2019; (b) fees in the amount of approx. NIS 198 thousand (before VAT) for distribution services for bonds (Series H), issued by way of a series expansion according to a shelf offer report dated March 26, 2019; and (c) fees in the amount of approx. NIS 463 thousand (before VAT) for advisory and distribution services and carry interest for the issuance of bonds (Series K) and bonds (Series L), issued by way of a first issue according to a shelf offer report dated August 7, 2019.

- **Amot's engagement in agreements with Bank Mizrahi Me'uchad Ltd. (which is under the control of the Wertheim family, a former controlling shareholder of Alony-Hetz and others) (hereinafter: "Bank Mizrahi") (through Netzivim Assets and Equipment Ltd.) (except regarding ATMs, where the engagement is directly with Bank Mizrahi)).**
  See Note 18j(4)3 to the financial statements.

- A limited partnership held 50.1% by Energix Renewable Energy Ltd. engaged in a transaction for financing of up to NIS 35 million with Bank Mizrahi.

- **Allocation of options to Adva Sharvit (Company director, daughter of Nathan Hetz, a controlling shareholder of the Company until November 26, 2019).**
  In accordance with the new remuneration policy, in the Board of Directors decision of March 19, 2019, carried out with the approval of the General Assembly of October 9, 2019, it was decided to allocate 11,976 option warrants to Adva Sharvit with an economic value of NIS 55,557 (half of the annual remuneration (not including participation in meetings) for 2019), which is similar to the Board of Directors and others. In 2020, Ms. Adva Sharvit will be allocated 24,913 option warrants in accordance with the Company's existing capital remuneration policy for directors.

D. **Other transactions (transactions not covered by Section 270(4) of the Companies Law and transactions that are not negligible transactions):**

E. **Activity delimitation arrangements with officers:**

As part of a prospectus published by the Company in January 1993, and as requested by the Tel Aviv Stock Exchange at that time, Mr. Nathan Hetz, the Company CEO, undertook the following:

A. Mr. Nathan Hetz has undertaken to the Company that as long as he holds at least 25% of the Company's capital stock or serves as a director or senior officer of the Company, he will not acquire any commercial assets other than through the Company.

   Notwithstanding the foregoing, if Nathan Hetz accepts any offer or initiates the purchase of an income-generating commercial property, he will forward the offer to the Company. If the Company does not purchase the property and Nathan Hetz is interested in the purchase, he will notify the Company of this and the Company will discuss this as an "exceptional transaction" in accordance with the law.

B. Nathan Hetz undertook not to conduct financing transactions with the Company, neither directly nor indirectly.

Nathan Hetz informed the Company that he intends to take the appropriate actions in order to end the above archaic commitments.

To the best of the company's knowledge, Mr. Nathan Hetz has no additional businesses in the Company's area of activity.

Regulation 24 – Shares and other Company securities held by the interested parties and senior officers in the corporation

For details regarding holdings of interested parties and senior officers in shares and other securities of the Company, and in the securities of Amot and Energix as of December 31, 2019, see the immediate report published by the Company on January 7, 2020 (Ref: 2020-01-002970 (in this section: "**the immediate report**")).

The information presented in the report is presented here by way of reference.

The following are updates to the information included in the immediate report[23]:

1.) Ms. Maya Yaacov, the Company Comptroller, purchased 10,000 shares of common stock of Energix Renewable Energy Ltd. (see the immediate report published by the Company on January 14, 2012 (Ref: 2020-01-005481).
2.) The Clal Insurance Enterprises Holdings Group Ltd. ceased to be an interested party in the Company, by virtue of its holdings in the Company, on January 2, 2020 (see the immediate report published by the Company on January 6, 2020 (Ref: 2020-01-002076).
3.) The Clal Insurance Enterprises Holdings Group Ltd. became an interested party in the Company, by virtue of its holdings in the Company, on January 28, 2020 (see the immediate report published by the Company on January 30, 2020 (Ref: 2020-01-011619).

The rate of holdings in capital and voting, as of the date of this report, of interested parties and senior officers in the Company, whose holdings in the Company, and in the rate of their fully diluted holdings, have undergone changes, is as follows:

Name of Holder	**Rate of Holdings in Capital and in Voting (in percentage points)**	**Rate of Holdings in Capital and in Voting (Fully Diluted) (in percentage points)[24]**
Nathan and Clara Hetz[25]	14.52	14.39
Altshuler Shaham Provident and Pension Ltd.	9.89	9.79
Altshuler Shaham Mutual Fund Management Ltd.	3.16	3.13
Altshuler Shaham Yanshuf Hedging Ltd. (nostro)	0.22	0.22
Clal Insurance Enterprises Holdings Ltd. (nostro)	0.27	0.27
Clal Insurance Enterprises Holdings Ltd. (Provident and Pension Funds)	4.74	4.69
Menora Mivtachim Holdings Ltd. (nostro)	0.12	0.12
Menora Mivtachim Holdings Ltd. (Provident Fund)	6.18	6.12
Aviram Wertheim	0.03	0.11
Adva Sharvit	0.58	0.59
Gitit Guberman	0.00	0.02
Amos Yadlin	0.01	0.03
Zvi Eckstein	0.00	0.02
Shlomi Shuv	0.00	0.01
Moti Barzilay	0.00	0.28
Oren Frenkel	0.00	0.20
Hanan Feldmus	0.00	0.14
Oshrit Bar-David	0.01	0.04
Maya Yaakov	0.00	0.04
Naama Emmanuel	0.00	0.03

[23] The updates are based on regular reports to the Company by officers, but it should be noted that according to the law with respect to the reports of other interested parties (as well as those who are not the Company itself or corporations under its control), the reporting obligation only applies when the cumulative change reaches the threshold set in the law, and therefore the above-mentioned updates to the information included in the immediate report does not necessarily reflect the holdings of the above interested parties as of the date of this report.

[24] Not taking into account any option warrants granted by the Board of Directors on March 18, 2020 and not yet actually allocated.

[25] (*) Directly and indirectly, through wholly-owned companies.

Regulation 24A – **Registered and issued capital and convertible securities, as of March 18, 2020**

	Number of Shares / Convertible Securities
Registered capital	1,000,000,000 (*)
Issued capital	172,840,005
Issued capital held by shareholders who are not the Company or a subsidiary	172,754,665**
Issued capital owned by the Company (dormant shares)	85,340
Non-tradable options to employees and officers[26]	1,638,125

(*) Of which 500,000,000 PV are shares of common stock and 500,000,000 are preferred shares.

(**) This total does not include 85,340 dormant shares owned by the Company.

Regulation 24B – **Shareholders' registry**

For the Company's shareholders' registry, see the immediate report published by the Company on March 1, 2020 (Ref: 2020-01-020385). The information presented in the report is presented here by way of reference.

Regulation 25A – **Registered address**

See the beginning of first page of this report for Additional Information Regarding the Corporation (Page 2 above).

[26] It should be noted that on March 18, 2020, the Company's Board of Directors approved the allocation of 1,512,495 option warrants to the Chairman of the Company's Board of Directors, to the directors, officers and employees, which, as of the publication of this periodic report, have not yet been allocated and which have not been taken into account.

Regulation 26 – The corporation's directors[27]

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
ID:	055585277	51673192	33433152	54048574	051112027	001331206	028951192
Date of birth:	October 25, 1958	7.10.1952	October 8, 1976	January 24, 1956	November 20, 1951	April 9, 1949	September 25, 1971
Address:	8 Hatarbut, Ramat Hasharon	12 Litvinsky, Ramat Gan.	1 Simtat HaRimon, Rishpon	11 A.D. Gordon Jerusalem	11 Smadar Carmei Yosef	22a Hatet-Zayin Tel Aviv	1 Yafe Nof Givatayim
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on Board of Directors committees	No	No	No	Member of the Financial Statement Examination Committee, Audit Committee and Remuneration Committee	No	Member of the Audit Committee (Chairman), Financial Statement Approval Committee and Remuneration Committee	Member of the Audit Committee, Financial Statement Approval Committee (Chairman) and Remuneration Committee (Chairman)
Independent/external director?	No	No	No	Yes - independent director	Yes - independent director	Yes - external director	Yes - external director
Employed by the corporation, a subsidiary, a related company or an interested party?	Acting salaried Chairman of the Board of Directors	Company CEO since January 1, 1993	No	No	No	No	No
In office as of:	November 26, 1996	October 28, 1990	16.08.1998	16.5.2013	November 23, 2015	May 13, 2018	July 12, 2018
Education:	Degree in business administration and accounting – College of Management, Academic Route, Certified Public Accountant.	BA in economics and business administration, Bar Ilan University, BA in accounting, Tel Aviv University, Certified Public Accountant.	PhD in Brain Sciences, Haifa University. MBA in business administration from the Hebrew University in Jerusalem, MSc in Neurobiology from Haifa University, BSc in Marine Biology from Ruppin College.	Certification in business administration and in economics, degree in mathematics, economics and complementary studies, degree in law, all from Hebrew University in Jerusalem. Attorney at law.	B.A. in economics from Ben Gurion University, M.A. in public administration, Harvard University.	B.A. in economics from Tel Aviv University. Ph.D. in economics from the University of Minnesota	Business administration degree specializing in accounting, Academic Program of the College of Management M.B.A from Ben Gurion University

[27] It should be noted that on November 27, 2019, Mr. Aharon Nahumi ended his service as a Company director.

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
Employment over the past five years:	Alony-Hetz Properties and Investments Ltd.	Company CEO from January 1, 1993, Chairman of the Board of Directors of Amot Investments Ltd., Chairman of the Board of Directors of Energix Renewable Energy Ltd. and Chairman of the Board of Directors of Carr.	Post-graduate student in Brain Sciences – Haifa University. Director at Aden Energy. Chairman of the Hetz Center at the Givat Olga Technoda. General Manager of Hetz Vamatara Association.	Director and Chairman of the Audit Committee at the Company for the Management of Remuneration and Pension Funds of Jewish Agency Employees Ltd., external director at Chum Food products (Israel) Ltd., member of the Audit Committee and the Remuneration Committee at Chum until December 2017, external director at the Tel Aviv Stock Exchange Ltd. and its subsidiaries. Member of the Audit and Remuneration, and Risk Management Committee. Until December 2016, external director at RoboGroup TAC Ltd. until 2014.	Head of INSS – Institute of National Security Studies Head of the Ben Gurion Heritage Institute - volunteer Chairman of Fidel Foundation - volunteer Owner of an international lecture and consulting company.	Professor of Economics, Dean of the Tiomkin School of Economics at the Herzliya Interdisciplinary Center and Head of the Aharon Institute for Economic Policy at the Herzliya Interdisciplinary Center, lecturer on Economics at Wharton School of Business Administration at the University of Pennsylvania, academic and strategic advisor at the Center for Financial Growth, Bank Hapoalim and economic consultant for Brevan Howard Investment until July 2017.	Head of the Accounting program and Deputy Dean of the Arison School of Business Administration at the Herzliya Interdisciplinary Center, senior lecturer on accounting at the School of Business Administration in the Academic Program of the College of Management until 2015, academic supervisor for accounting courses and academic consultant for accounting at the Open University, the Department of Management and Economics, owner and CEO of IFRS Consulting.
Serves on the board of directors of:	The Company (Chairman), Amot Investments Ltd., Energix Renewable Energies Ltd., PSP Swiss Property AG, Carr Properties	The Company, Amot Investments Ltd. (Chairman), Energix Renewable Energy Ltd. (Chairman), Carr	The Company.	The Company and the Company for the Management of Remuneration and Pension Funds of Jewish Agency	Ben Gurion Heritage Institute, Chair of Fidel Fund.	External director at the Company	Director at the Israeli Association of Valuators (Non-Profit) and external director at the Company

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
	Corporations and director in consolidated companies of the Company, of Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies and in private companies owned by him and by family members.	Properties Corporations (Chairman), PSP Swiss Property AG, Brockton Everlast, director of subsidiaries of the Company, Energix and Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies as well as director in private companies in his possession and in the possession of his family members.		Employees Ltd.			
Family member of another interested party in the corporation?	No	Father of Adva Sharvit	Daughter of Nathan Hetz	No	No	No	No
Does the Company consider them as having accounting and financial expertise for the purpose of complying with the minimum number on the Board of Directors?	Yes	Yes	No	Yes	No	Yes	Yes

Regulation 26A – Senior corporate officers

	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	OSHRIT BAR-DAVID	MAYA YAAKOV	NAAMA EMMANUEL	YISRAEL GEWIRTZ
ID:	022939276	023944176	055080428	027217736	036402733	039265327	033762139
Date of birth:	September 13, 1967	July 24, 1968	January 25, 1958	March 26, 1974	July 13, 1979	December 15, 1983	February 19, 1977
In office as of:	October 2005	April 2008	March 2007	June 2000	June 2008	April 2014	May 2017
Position at the corporation:	VP of Business Development	CFO	Legal Counsel and Company Secretary	Accountant	Accountant	Accountant	Internal Auditor
Position in the corporation's subsidiary or interested party	Director at Amot, director at Energix, director at Carr Properties Corporation, director at joint Alony-Hetz Properties and Investments and Oxford Properties companies, director at Brockton Everlast Inc. and director at Company subsidiaries. Member of Brockton Capital Funds steering committees	Director at Energix, director at Brockton Everlast Inc. and director at Company and Energix subsidiaries.	None	None	None	None	Internal Auditor at Energix Renewable Energies Ltd.
Interested party or family member of interested party or senior officer in	No	No	No	No	No	No	No

	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	OSHRIT BAR-DAVID	MAYA YAAKOV	NAAMA EMMANUEL	YISRAEL GEWIRTZ
the corporation:							
Education	M.B.A, B.A. in economics and accounting from Tel Aviv University. Certified Public Accountant	M.S.T. from University of San Jose, CA. B.A. in Business Administration and Accounting, College of Management Certified Public Accountant	Attorney, graduate of Tel Aviv University Law School.	M.B.A. and B.A. in economics and accounting – Bar Ilan University Certified Public Account	MBA (specializing in business taxation) from the College of Management, BA in accounting and engineering from Tel Aviv University, Certified Public Account	Degree in Accounting – Management and Economics, Tel Aviv University. Certified Public Account	BA in Accounting and Economics at Bar Ilan University Certified Public Accountant Certification in Risk Management Assurance (CRMA) and Certified Internal Auditor (CIA) from the U.S. Institute of Internal Auditors
Employment over the past five years:	Current position	Current position	Current position	Current position	Current position	Current position	Partner in Fahn Kanne Management and Control Ltd.

Regulation 26B – **Independent authorized signatories**

The Company has no independent authorized signatories.

Regulation 27 – **The corporation's accountant**

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

Regulation 28 – **Amendment of memorandum or articles of association**

There were no changes made to the Company's Memorandum or Articles of Association in 2019.

For an up-to-date version of the Company's Articles of Association, see the immediate report published by the Company on July 12, 2018 (Ref: 2018-01-063447).

Regulation 29 – **Recommendations and Decisions of the Board of Directors**

A.

1. At its meeting on March 19, 2019, the Company's Board of Directors decided on the dividend policy for 2019 regarding the distribution NIS 1.14 per share, as follows: in both the first and second quarters, dividends of NIS 0.28 per share, and in both the third and fourth quarters, dividends of NIS 0.29 per share. In accordance with this policy decision, the Company's Board of Directors, in its meeting on the same day, approved the distribution of dividends for the first quarter of 2019 in the amount of NIS 0.28 per share, which was paid in April 2019. In addition, The Company's Board of Directors also decided, in its meeting on that day, to distribute an additional dividend for 2018 in the amount of NIS 0.42 per share, so that in total the Company paid its shareholders dividends of NIS 0.70 per share in April 2019.
2. At its meeting on May 28, 2019, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.28 per share, for the second quarter of 2019, in accordance with the dividend policy for 2019.
3. At its meeting on August 21, 2019, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share for the third quarter of 2019, in accordance with the dividend policy for 2019.
4. At its meeting on November 20, 2019, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share for the fourth quarter of 2019, in accordance with the dividend policy for 2019.
5. Regarding transactions between the Company and the Company's interested parties, see Note 18 to the financial statements and Regulations 21 and 22 above.

B. General Assembly decisions:

In 2019, no special general assemblies were held.

Regulation 29A – Company decisions

1. Regarding Company decisions on the subject of indemnification, exemption and insurance, see Regulation 22A above.
2. On May 28, 2019, the Company's Board of Directors approved (at the recommendation of the Audit Committee) a one-year extension of the existing arrangement with Energix for carrying out forward transactions, and according to which to engage, for a period of one year from the date of the Board of Directors' approval, with Energix in a forward transaction or transactions for a period of up to 18 months (from the date of engagement in a transaction) to hedge the Company's exposure to the USD/NIS exchange rate or the exchange rates of other currencies against the NIS, as needed, up to a total hedge amount of USD 60 million at any given moment, according to the terms presented to the Committee, including that the transaction rate be the price midway between the Bid price and the Ask price for the forward transaction requested, after receiving quotes from the banks and from the Bloomberg system, all subject to the approval of each transaction by the authorized members of the Company's and Energix's management. For the sake of caution, the framework transaction was defined as an exceptional transaction by the Audit Committee.

   As of December 31, 2019 and as of the publication of this report, there are no forward transactions between the Company and Energix.

Aviram Wertheim	Nathan Hetz
Chairman of the Board of Directors	Director and CEO

Alony-Hetz

Corporate Governance Questionnaire

CORPORATE GOVERNANCE QUESTIONNAIRE

BOARD OF DIRECTORS' INDEPENDENCE

			Correct	Incorrect
1.		Two or more external directors served at the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as noted in Section 363a(b)(10) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which two external directors did not serve during the reporting year (including a period of service approved retroactively, while separating between the different external directors): Director A: Yarom Ariav – served until March 31, 2019. Director B: Prof. Zvi Eckstein – served throughout the year. Director C: Shlomi Shuv – served throughout the year. Number of external directors serving in the corporation as of the publication of this questionnaire: 2.	V	
2.		Rate[1] of independent directors[2] serving in the corporation as of the date of publication of this questionnaire: 57%. Rate of independent directors determined in the corporation's Articles: ______.[3][4] X N/A (no instructions were determined in the Articles).	_____	_____
3.		In the reporting year, an examination was conducted with the external directors (and the independent directors) and they were found to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law in the reporting year regarding the absence of affiliation of the external (and independent) directors serving in the corporation, and they comply with the conditions required for serving as an external (or independent) director.	V	

---

[1] In this questionnaire, "**rate**" means a certain number out of the total. For instance, 3/8.
[2] Including "external directors", as defined in the Companies Law.
[3] In this questionnaire – "Articles" including in accordance with a specific legal provision applicable to the corporation (for instance in a banking corporation – the Supervisor of Banks instructions).
[4] A bond company does not have to answer this section.

4.		None of the directors serving at the corporation during the reporting year are subordinate[5] to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if the corporation has employee representation). If your answer is "Incorrect" (meaning that the director is subordinate to the CEO) – note the rate of directors failing to meet this restriction: _______.	V	
5.		All directors who announced the existence of their personal interest in approving a transaction on the agenda of the meeting were absent from the discussion and did not vote as aforesaid (except for discussion and/or voting under the circumstances in Section 278(b) of the Companies Law): If your answer is "Incorrect" – Was it for the presentation of a specific subject in accordance with Section 278(a) final clause: ☐Yes ☐No (check the appropriate box). Note the rate of meetings in which such directors attended the discussion and/or participated in the vote, except for the circumstances noted in Subsection (a): _____.	V	
6.		The controlling shareholder (including his relatives or representatives on his behalf), who is not a director or other senior officer of the corporation, was not present at board meetings held during the reporting year[6]. If your answer is "Incorrect" (meaning that the controlling shareholder and/or their relative and/or their representative who is not a board member and/or senior officer of the corporation was present at the board meetings) – list the following information regarding the presence of any additional person at the board meeting: Identity: _____. Position at the corporation (if any): ______. Details of affiliation with the controlling shareholder (if the person present was not the controlling shareholder): _____.	V	

5 Regarding this question – the very fact of service as a director in an investee corporation under the corporation's control will not be considered "subordination", while on the other hand, the service of a director in a corporation serving as an officer (with the exception of a director) and/or an employee in a corporation held by the corporation will be considered "subordinate" for this question.

6 It should be noted that our answer relates to the controlling shareholder (including his relative and/or his representative), who is not a director but not to other senior officers of the corporation.

		Was it for the presentation of a specific subject: □ Yes □ No (check the appropriate box) His rate of attendance[7] at board meetings held in the reporting year for his presentation of a specific subject: _____, other attendance: ______. □N/A (the corporation does not have a controlling shareholder).		

COMPETENCE AND CAPABILITIES OF THE DIRECTORS

				Correct	**Incorrect**
7.		The corporation's Articles do not have a provision limiting the possibility of immediately terminating the service of all of the corporation's directors who are not external directors (in this regard – a regular majority vote is not considered a limitation).[8] If your answer is "Incorrect" (meaning that such a limitation exists), note –		V	
		a.	Director's term of office determined in the Articles: ____.	_____	_____
		b.	Required majority determined in the Articles for the termination of the service of directors: _____.	_____	_____
		c.	Legal quorum determined in the Articles at the general assembly for the termination of the service of directors: _____.	_____	_____
		d.	Required majority for making these changes in the Articles: ____.	_____	_____
8.		The corporation was responsible for preparing a training program for new directors, on the subject of corporate business and regarding the laws applicable to the corporation and the directors, and also prepared		V	

[7] With separation between the controlling shareholder, his relative and/or representative.

[8] A bond company does not have to answer this section.

			an advanced program for the training of incumbent directors, which is adapted, inter alia, to the role of the director in the corporation. If your answer is "Correct" – note whether the program was activated during the reporting year: X Yes No (check the appropriate box)		
9.		a.	The corporation established a mandatory minimum number of directors on the board of directors who are required to have accounting and financial expertise. If your answer is "Correct" – note the minimum number determined: 3.	V	
		b.	Number of directors serving in the corporation during the reporting year – With accounting and financial expertise[9]: 6. Directors with professional qualifications[10]: 2. In the event of changes in the number of directors during the reporting year, the lowest number should be listed (with the exception of a period of 60 days from the change) of directors of any kind serving in the reporting year.	_____	_____
10.		a.	Throughout the reporting year, the composition of the board of directors consisted of members of both genders. If your answer is "incorrect" – note the period of time (in days) in which this was not upheld: ____. This question may be answered "Correct" if the period of time in which directors of both genders did not serve does not exceed 60 days, however, any (Correct/Incorrect) answer must note the period of time (in days) in which directors of both genders did not serve in the corporation: ____.	V	
		b.	Number of directors of each gender serving on the corporation's board of directors as of the publication of this questionnaire: Men: 5. Women: 2.	_____	_____

[9] After the assessment of the Board of Directors, in accordance with the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.

[10] See footnote 8.

BOARD MEETINGS (AND CONVENING OF THE GENERAL ASSEMBLY)					
				Correct	**Incorrect**
11.		a.	The number of board meetings held during each quarter in the reporting year: total during 2019 – 8 First quarter (2019): 4 Second quarter: 1 Third quarter: 1 Fourth quarter: 2	_____	_____
		b.	Next to the name of each of the directors serving in the corporation during the reporting year, note their participation rate[11] in meetings of the board of directors (in this sub-section – including the meetings of the board of directors committees in which they are members, and as noted below) that took place during the reporting year (and referring to their term in office): (Add additional lines according to the number of directors)	_____	_____

Name of Director	Attendance rate at **Board** meetings	Attendance rate at **Audit Committee** meetings[12]	Attendance rate at **Financial Statements Examination Committee meetings**[13]	Attendance rate at **Remuneration Committee** meetings[14]	Attendance rate at **additional board committees in which they are members** (noting the name of the committee)
Aviram	100%	-	-	-	_____

[11] See footnote 2.
[12] For directors who are members of this committee.
[13] For directors who are members of this committee.
[14] For directors who are members of this committee.

			Wertheim							
			Nathan Hetz	100%	-	-	-	_____	_____	_____
			Yarom Ariav	100%	100%	100%	100%	_____	_____	_____
			Zvi Eckstein	88%	100%	100%	100%	_____	_____	_____
			Shlomi Shuv	100%	100%	100%	100%	_____	_____	_____
			Gitit Guberman	100%	100%	100%	100%	_____	_____	_____
			Aaron Nahumi	100%	-	-	-	_____	_____	_____
			Adva Sharvit	75%	-	-	-	_____	_____	_____
			Amos Yadlin	100%	-	_____	_____	_____	_____	_____
12.		During the reporting year, the board of directors held at least one discussion on the subject of the management of the corporation's business by the CEO and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.							V	

SEPARATION BETWEEN THE POSITIONS OF CEO AND CHAIRMAN OF THE BOARD OF DIRECTORS					
				Correct	**Incorrect**
13.		A chairman of the board of directors served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no chairman of the board served in the corporation does not exceed 60 days (as stated in Section 363a(2) of the Companies Law), however, any (Correct/Incorrect) answer must note the period of time (in days) in which a chairman of the board did not serve in the corporation: ____.		V	
14.		A CEO served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no CEO served in the corporation does not exceed 90 days as stated in Section 363a(6) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which a CEO did not serve in the corporation: ____.		V	
15.		In a corporation in which the chairman of the board also serves as the corporation's CEO and/or has the authorities of the CEO, the double service has been approved in accordance with Section 121(c) of the Companies Law[15]. X N/A (if no such double service exists at the corporation).			
16.		The CEO is not related to the Chairman of the Board. If you answer is "Incorrect" (that is, the CEO is a relative of the Chairman of the Board of Directors –		V	
		a.	State family relationship between the parties: ___________	_____	_____
		b.	The service was approved in accordance with Section 121(c) of the Companies Law[16]: ☐ Yes	_____	_____

[15] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[16] In a bond company – approval in accordance with Section 121(d) of the Companies Law.

			☐ No *(Check the appropriate box).*		
17.		The controlling shareholder or his relative <u>does not</u> serve as CEO or senior officer in the corporation, except as a director.[17] ☐ N/A (the corporation does not have a controlling shareholder).			X

AUDIT COMMITTEE					
				Correct	**Incorrect**
18.		The following <u>did not serve</u> on the Audit Committee in the reporting year –		_____	_____
		a.	The controlling shareholder or his relative ☐ N/A (the corporation does not have a controlling shareholder).	V	
		b.	Chairman of the Board of Directors	V	
		c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	V	
		d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	V	
		e.	A director whose main earnings are from the controlling shareholder. ☐ N/A (the corporation does not have a controlling shareholder).	V	

[17] Note that as of November 26, 2019, the Company does not have a controlling shareholder.

19.		Those who are not entitled to be members of the Audit Committee, including the controlling shareholder or his relatives, were not present in the reporting year at the meetings of the Audit Committee, except in accordance with Section 115(e) of the Companies Law.	V	
20.		A legal quorum for discussions and decision-making at all of the Audit Committee meetings held in the reporting year was a majority of the committee members, and most of those present were independent directors, and at least one of them was an external director. If your answer is "Incorrect" - state the number of meetings in which the requirement was not upheld: ___________	V	
21.	The Audit Committee held at least one meeting during the reporting year in the presence of the internal auditor and the auditing accountant, and without the presence of officers of the corporation who are not committee members, on the subject of deficiencies in the corporation's business management.		V	
22.	In all Audit Committee meetings at which people not entitled to be committee members were in attendance, it was with the approval of the chairman of the committee or at the committee's request (regarding the corporation's legal counsel and secretary, who is not a controlling shareholder or related to one).		V	
23.	During the reporting year, arrangements were in effect that had been established by the Audit Committee regarding the treatment of complaints of the corporation's employees in the matter of deficiencies in the management of its business and regarding the protection given employees who complained.		V	
24.	The Audit Committee (and/or the Financial Statements Examination Committee) is satisfied that the extent of the work of the auditing accountant his wage regarding the financial statements in the reporting year are sufficient for performing appropriate auditing and reviewing work.		V	

THE DUTIES OF THE FINANCIAL STATEMENTS EXAMINATION COMMITTEE (HEREINAFTER – THE COMMITTEE) IN ITS PRELIMINARY WORK FOR THE APPROVAL OF THE FINANCIAL STATEMENTS				
			Correct	**Incorrect**
25.	a.	Note the amount of time (in days) that the Board of Directors has determined as a reasonable time for submitting the Committee's recommendations for the Board of Directors' discussion for approval of the financial statements: 3.	_____	_____
	b.	Number of days that passed between submission of the recommendations to the board of directors and the date of the Board meeting for the approval of the financial statements: First quarter report (2019): 5 Second quarter report: 3 Third quarter report: 3 Annual report: 3	_____	_____
	c.	Number of days that passed between submission of the Draft Financial Statements to the directors and the date of the Board discussion for the approval of the financial statements: First quarter report (2019): 5 Second quarter report: 3 Third quarter report: 3 Annual report: 3		
26.	The corporation's auditing accountant participated in all of the meetings of the committee and the board of directors, in which the corporation's financial statements were discussed, which refer to periods included in the reporting year. If your answer is "Incorrect", note his participation rate: _____.		V	
27.	The Committee complied with all of the conditions below during the entire reporting year and until the publication of the annual report:		_____	_____
	a.	The number of its members was not less than three (on the date of the committee discussion and approval of the statements).	V	
	b.	All of the conditions in Section 115(b) and (c) of the Companies Law (regarding the tenure of members of the Audit Committee) were complied with.	V	
	c.	The Chairman of the Audit Committee is an External Director.	V	

	d.	All of the members are directors and the majority are independent directors.	V	
	e.	All of its members are capable of reading financial statements and at least one of the independent directors has accounting and financial expertise.	V	
	f.	The Committee members submitted declarations prior to their appointment.	V	
	g.	The legal quorum for discussions and decision-making in the Committee is a majority of its members, on the condition that the majority of those present are independent directors, at least one of whom is an external director.	V	
	If your answer for one or more of the sub-sections of this question is "Incorrect", specify regarding which report (periodic/quarterly) the condition was not complied with and the condition that was not complied with: ______.		_____	_____

REMUNERATION COMMITTEE				
			Correct	**Incorrect**
28.		In the reporting year, the committee consisted of at least three members and there was a majority of external directors (on the date of the committee's discussion). ☐N/A (no discussion held).	V	
29.		The terms of service and employment of all members of the Remuneration committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000.	V	

30.		The following did not serve on the Remuneration Committee in the reporting year –		_____	_____
		a.	The controlling shareholder or his relative □ N/A (the corporation has no controlling shareholder).	V	
		b.	Chairman of the Board of Directors	V	
		c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	V	
		d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	V	
		e.	A director whose main earnings are from the controlling shareholder. □ N/A (the corporation has no controlling shareholder).	V	
31.		The controlling shareholder or his relative did not attend the Remuneration Committee meetings in the reporting year, unless if the chairman of the committee stated that any of them were needed to present a certain subject.		V	
32.	The Remuneration Committee and the Board of Directors did use their authority under Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a remuneration policy despite the opposition of the General Assembly. If your answer is “Incorrect” note – The type of transaction approved: ________ The number of times their authority was used in the reporting year: _______			V	

INTERNAL AUDITOR

		Correct	Incorrect
33.	The Chairman of the Board of Directors or the corporation's CEO is the Internal Auditors organizational supervisor at the organization.	V	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan for the current year. The audit subjects the Internal Auditor dealt with in the reporting year: (1) transactions with interested parties; (2) Investment in Brockton Everlast Inc. ("**BE**"); (3) financial exposures	V	
35.	Scope of employment of the internal auditor in the corporation in the reporting year (in hours[18]): 200	_____	_____
	A discussion was held in the reporting year (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	V	
36.	The Internal Auditor is not an interested party in the corporation, a relative, an auditing accountant or anyone acting on his behalf and does not conduct significant business relations with the corporation, its controlling shareholder, his relative or corporations under his control.	V	

[18] Including work hours invested in audits of investees. It should be noted that the public subsidiaries, Amot Investments Ltd. and Energix Renewable Energy Ltd., have their own internal auditors.

TRANSACTIONS WITH INTERESTED PARTIES			
		Correct	**Incorrect**
37.	The controlling shareholder or his relative (including a company under his control) are not employed by the corporation or provide management services. If your answer is “Incorrect” (meaning that the controlling shareholder or their relatives are employed by the corporation or provide management services), note – - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under his control and/or through management companies): 1 - Were such employment agreements and/or management services approved by the legally mandated organs? ✓ Yes ☐ No ☐N/A (the corporation has no controlling shareholder).		X
38.	To the best of the corporation’s knowledge, the controlling shareholder has no additional businesses in the corporation’s area of activity (in one area or more). If your answer is “incorrect” – note whether an arrangement was determined for setting boundaries between the corporation’s activity and that of its controlling shareholder: ☐ Yes ☐ No (Check the appropriate box). ☐ N/A (the corporation has no controlling shareholder).		X*

* Regarding Sections 37 and 38 above, it should be noted that on November 26, 2019, the voting agreement between M. Wertheim (Holdings) Ltd. and Mr. Nathan Hetz in relation to their holdings in the Company's common stock and, consequently, the Company ceased being a company with a controlling interest. For additional details, see the Company's report of November 27, 2019 (Ref: 2019-01-103038)

* Regarding Section 38, note that Mr. David Wertheim, one of the Company's previous controlling shareholders, has holdings in companies in the Company's area of activity.

It should be clarified that Mr. Nathan Hetz, one of the Company's previous controlling shareholders, who serves as the Company's CEO, undertook toward the Company, within the framework of a prospectus published by the Company in January 1993, that as long as he holds at least 25% of the Company's capital stock or serves as a director or as a senior officer in the Company, he will not purchase income-generating properties, except through the Company and that any transaction for the purchase of an asset by Mr. Nathan Hetz will be first addressed to the Company and only if it decides (as in a discussion of an exceptional transaction) that it is not interested in entering into the transaction, will Mr. Nathan Hetz be entitled to engage in it. For further details see page G-22 of the Company's prospectus dated May 4, 2018 (Ref: 2018-01-044203). To the best of the company's knowledge, Mr. Nathan Hetz has no additional businesses in the Company's area of activity. Mr. Nathan Hetz informed the Company that he intends to take the appropriate actions in order to end the above archaic undertakings.

Chairman of the Board of Directors: Aviram Wertheim	**Chairman of the Audit Committee: Zvi Eckstein**	**Chairman of the Balance Sheet Examination Committee: Shlomi Shuv**

Signing date: March 18, 2020

Alony-Hetz

Reference to Report on the Corporation's Liabilities Inventory by Redemption Dates

Report on the Corporation’s Liabilities inventory by Redemption Dates as of December 31, 2019

Regarding the Report on the Corporation’s Liabilities inventory by Redemption Dates as of December 31, 2019, see the Immediate Report dated March 19, 2020.

PSP Statements as of December 31, 2019

Regarding the financial statements of an associated company – PSP Swiss Property AG, see the Immediate Report dated February 25, 2020, Ref: 2020-01-018939.

Alony-Hetz

Joining the Financial Statements of an Associate Company – Carr

CARR PROPERTIES HOLDINGS LP

Consolidated Financial Statements as of December 31, 2019, and 2018 and for the years ended December 31, 2019 and 2018

CARR PROPERTIES HOLDINGS LP

Table of Contents

Report of Independent Auditors

To the Management of Carr Properties Holdings LP

We have audited the accompanying consolidated financial statements of Carr Properties Holdings LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Carr Properties Holdings LP and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

McLean, Virginia
March 9, 2020

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102-4261
T: (703) 918 3000, F: (703) 918 3100, www.pwc.com/us

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED BALANCE SHEETS
(in thousands of US Dollars)

	Notes	December 31, 2019	December 31, 2018	
ASSETS				
Non-current assets				
Investment properties, at fair value				
Income generating properties (cost of $2,434,216 and $2,357,293)	5,12	$ 2,805,605	$ 2,715,234	
Properties in development (cost of $420,513 and $389,585)	5,12	437,148	439,489	
Investments in associates	6	215,639	83,076	
Goodwill	9	9,326	9,326	
Restricted cash	11	915	2,690	
Derivative asset	12	—	3,605	
Straight line rent receivable		107,289	81,319	
Deferred leasing costs and other, net		57,553	47,750	
		3,633,475	3,382,489	
Current assets				
Trade receivables, net	2	3,388	4,312	
Prepaid expense and other assets		10,602	8,316	
Restricted cash	11	26,018	6,080	
Cash and cash equivalents	11	20,723	38,653	
		60,731	57,361	
Total assets		$ 3,694,206	$ 3,439,850	
EQUITY				
Equity attributable to common shareholders	20	$ 1,519,563	$ 1,388,262	(1)
Share based compensation	16	—	633	
Equity reserve from increase in CPP		9,732	9,657	(1)
Equity reserve for cash flow hedges	12	(38,191)	2,261	(1)
Retained earnings		296,335	314,737	(1)
Equity attributable to non-redeemable non-controlling interests	20	143,314	140,394	(1)
Total equity		1,930,753	1,855,944	(1)
LIABILITIES				
Non-current liabilities				
Credit facility, net of deferred financing fees	10,11	$ 474,187	$ 387,091	
Notes payable, net of current portion and deferred financing fees	10,11	847,153	810,558	
Lease liabilities, net of current portion	7,16	129,006	129,218	
Redeemable non-controlling interests, net of current portion	2	4,353	—	
Derivative liabilities, net of current portion	12	2,947	775	
Security deposits		4,226	4,181	
Other liabilities		11,259	11,165	(1)
		1,473,131	1,342,988	(1)
Current liabilities				
Current portion of notes payable, net of deferred financing fees	10,11	62,487	3,380	
Current portion of lease liabilities	7,16	508	569	
Redeemable non-controlling interests, current	2	150,176	156,191	(1)
Rent received in advance		11,934	9,297	
Trade and other payables		65,217	71,481	
		290,322	240,918	(1)
Total liabilities		1,763,453	1,583,906	(1)
Total equity and liabilities		$ 3,694,206	$ 3,439,850	(1)

(1) - See Note 2 "Revision of Previously Issued Financial Statements" for further detail.

Oliver T. Carr	Oliver T. Carr	Member of the Board and Chief Executive Officer
John Schissel	John Schissel	President and Chief Financial Officer
Financial Statements Approval Date	March 9, 2020	

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

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands of US Dollars)

	Notes	For The Years Ended December 31, 2019	2018	
Revenues				
Rental revenue		$ 192,295	$ 149,515	
Recoveries from tenants		35,086	19,248	
Parking income		13,778	6,467	
Property management fees and other	15	1,384	1,993	
Total revenues		242,543	177,223	
Operating expenses				
Property operating expenses				
Direct payroll and benefits		8,603	7,295	
Repairs and maintenance		9,435	7,948	
Cleaning		6,396	4,934	
Utilities		8,110	7,222	
Real estate and other taxes		37,144	26,091	
Other expenses	14	19,268	12,459	
Property operating expenses		88,956	65,949	
Non-property general and administrative expenses	13	19,632	17,550	
Total operating expenses		108,588	83,499	
Other operating (expense) income				
Net (loss) gain from fair value adjustment on investment properties		(55,093)	11,142	
Income from investments in associates	6	39,021	4,490	
Loss from disposition		—	(53)	
Total other operating (loss) income and expense		(16,072)	15,579	
Operating income		117,883	109,303	
Other income (expense)				
Loss on extinguishment of debt	10	(4,364)	—	
Interest income		163	1,293	
Other income		124	511	
Revaluation of redeemable non-controlling interests	2	5,467	(3,189)	(1)
Interest expense	2,10	(58,841)	(38,849)	(1)
Pre-tax income		60,432	69,069	
Income and franchise tax benefit		(272)	(1,163)	
Net income		$ 60,704	$ 70,232	(1)
Attribution of net income				
Common shareholders		$ 58,172	$ 64,565	(1)
Non-redeemable non-controlling interests		2,532	5,667	(1)
		$ 60,704	$ 70,232	
Other comprehensive (loss) income				
Items that may be subsequently reclassified to income or loss:				
Unrealized (loss) gain on cash flow hedges	12	$ (44,156)	$ 8,862	(1)
Other comprehensive (loss) income		(44,156)	8,862	(1)
Total comprehensive income		$ 16,548	$ 79,094	

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

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands of US Dollars)
(continued)

	Notes	For The Years Ended December 31, 2019	2018	
Attribution of comprehensive income				
Common shareholders		$ 16,798	$ 72,869	(1)
Non-redeemable non-controlling interests		(250)	6,225	(1)
		$ 16,548	$ 79,094	(1)

(1) - See Note 2 "Revision of Previously Issued Financial Statements" for further detail.

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

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of US Dollars, except share data)

	Notes	Common Units Issued and Outstanding		Share Based Compensation	Equity Reserve From Increase in CPP	Equity Reserve for Assets Held for Sale	Equity Reserve for Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity	Non-Redeemable Non-Controlling Interests	Total Equity
		Units	Amount								
Balance as of December 31, 2017		1,118,457	$ 1,219,596	$ —	$ 1,223	$ 500	$ (5,353)	$ 311,838	$ 1,527,804	$ 176,579	$ 1,704,383
Impact of redeemable non-controlling interest adjustment		(270,516)	182	—	(2,220) (1)	53 (1)	(690) (1)	2,614 (1)	(61)	(152,961) (1)	(153,022) (1)
Balance as of January 1, 2018		847,941	1,219,778 (1)	—	(997) (1)	553 (1)	(6,043) (1)	314,452 (1)	1,527,743	23,618 (1)	1,551,361 (1)
Adoption of IFRS 9		—	—	—	—	(553) (1)	—	553 (1)	—	—	—
Conversion of convertible notes to common stock	20	111,685	168,484	—	—	—	—	—	168,484	124,929	293,413
Share-based compensation		—	—	633	—	—	—	—	633	—	633
Change in equity reserve from increase in CPP		—	—	—	10,654 (1)	—	—	2,457 (1)	13,111 (1)	(13,111) (1)	— (1)
Net income		—	—	—	—	—	—	64,565 (1)	64,565 (1)	5,667 (1)	70,232 (1)
Unrealized gain on cash flow hedges	12	—	—	—	—	—	8,304 (1)	—	8,304 (1)	558 (1)	8,862 (1)
Distributions	20	—	—	—	—	—	—	(67,290) (1)	(67,290) (1)	(1,267) (1)	(68,557) (1)
Balance as of December 31, 2018		959,626	$ 1,388,262 (1)	$ 633	$ 9,657 (1)	$ — (1)	$ 2,261 (1)	$ 314,737 (1)	$ 1,715,550	$ 140,394 (1)	$ 1,855,944 (1)
Adoption of IFRS 16		—	—	—	—		—	(468)	(468)	(32)	(500)
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	—	—	100	100
Issuance of common units, net of offering costs	20	98,575	131,301	—	—	—	—	—	131,301	8,370	139,671
Share-based compensation		—	—	(633)	—	—	—	—	(633)	—	(633)
Change in equity reserve from increase in CPP		—	—	—	75	—	—	—	75	(75)	—
Net income		—	—	—	—	—	922	57,250	58,172	2,532	60,704
Unrealized loss on cash flow hedges	12	—	—	—	—	—	(41,374)	—	(41,374)	(2,782)	(44,156)
Distributions	20	—	—	—	—	—	—	(75,184)	(75,184)	(5,193)	(80,377)
Balance as of December 31, 2019		1,058,201	$ 1,519,563	$ —	$ 9,732	$ —	$ (38,191)	$ 296,335	$ 1,787,439	$ 143,314	$ 1,930,753

(1) - See Note 2 "Revision of Previously Issued Financial Statements" for further detail.

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

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US Dollars)

	Notes	For The Years Ended December 31, 2019	2018	
Cash flows from operating activities				
Net income		**$ 60,704**	**$ 70,232**	(1)
Adjustments to reconcile net income to net cash provided by operating activities				
Change in net loss (gain) on valuation of investment properties	5	55,093	(11,142)	
Income from investments in associates	6	(39,021)	(4,490)	
Loss on investment in asset held for sale		—	53	
Loss on extinguishment of debt	10	4,364	—	
Distributions from investments in associates	6	670	4,996	
Income and franchise tax benefit		(272)	(1,163)	
Interest expense, net excluding amortization of deferred financing fees		56,387	37,642	(1)
Amortization of deferred financing fees		2,590	1,342	
Amortization of equipment leases		561	—	
Amortization of deferred leasing costs and lease incentives		5,348	4,005	
Amortization of note payable premium		(136)	(135)	
Amortization of management contracts		—	414	
Provision for bad debt expense		333	438	
Share-based compensation	16	(633)	633	
Revaluation of redeemable non-controlling interests		(5,467)	3,189	(1)
Changes in assets and liabilities				
Trade receivables		591	2,845	
Straight line rent receivable		(25,970)	(29,445)	
Prepaid expense and other assets		(2,286)	(1,455)	
Trade and other payables		(10,792)	18,708	
Rent received in advance		2,637	2,298	
Cash generated by operations		**104,701**	**98,965**	(1)
Cash paid for interest		(56,777)	(41,324)	(1)
Net cash provided by operating activities		**47,924**	**57,641**	(1)
Cash flows from investing activities				
Proceeds from sale of income generating property	8	54,825	45,876	
Contributions to investment in associates	6	(149,850)	(21,671)	
Return of investments in asset held for sale		—	9,199	
Return of investments in associates	6	55,638	—	
Proceeds from the Wilson tenant buyout cost reimbursement (2019) and sale of the Wilson easement (2018)	5	8,000	8,300	
Acquisition of development property land		—	(22,162)	
Acquisition of income generating property, including prepaid acquisition costs		—	(222,376)	
Additions to deferred leasing costs		(24,340)	(8,243)	
Additions to tenant improvements		(21,276)	(9,601)	
Additions to construction in progress, including capitalized interest		(136,887)	(173,362)	
Other capital improvements on income generating properties		(19,064)	(22,824)	
Decrease in restricted cash		(19,986)	(246)	
Net cash used in investing activities		**(252,940)**	**(417,110)**	
Cash flows from financing activities				
Issuance of common units, net of offering costs	20	139,671	—	
Principal portion of lease payments		(559)	—	
Issuance of convertible notes, net of offering costs	20	—	293,413	
Borrowings under credit facility	10	294,000	225,000	

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

CARR PROPERTIES HOLDINGS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US Dollars)
(continued)

		For The Years Ended December 31,		
	Notes	2019	2018	
Repayments under credit facility	10	(208,000)	(203,000)	
Borrowings on notes payable	10	554,671	114,015	
Repayments of notes payable	10	(473,941)	(3,100)	
Settlement of interest rate swap	10	(39,364)	—	
Payment of deferred financing fees		(2,921)	(7,763)	
Issuance of redeemable non-controlling interests		4,307	—	
Redemption of redeemable non-controlling interest		(501)	—	
Distributions to common shareholders and non-redeemable non-controlling interests	20	(80,377)	(68,558)	(1)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		100	—	
Net cash provided by financing activities		**187,086**	**350,007**	(1)
Net decrease in cash and cash equivalents		**(17,930)**	**(9,462)**	
Cash and cash equivalents, beginning of the period		**38,653**	**48,115**	
Cash and cash equivalents, end of the period		**20,723**	**38,653**	
Supplemental disclosures of cash flow information:				
Capitalized interest		$ 12,276	$ 17,986	
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		15,388	7,203	
Capitalized finance leases		—	565	
Non cash interest expense	10	984	—	
Conversion of convertible notes to common stock		—	293,413	

(1) - See Note 2 "Revision of Previously Issued Financial Statements" for further detail.

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

(US Dollar amounts expressed in thousands, except share and per share data)

1. Organization and Description of Business

Carr Properties Holdings LP (collectively, the "Partnership", "Holdings", "our", or "CPH") was formed as a Delaware limited partnership. The Partnership's corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. The Partnership owns a 100% interest in Carr Properties Corporation ("CPC"), which has a consolidated subsidiary, Carr Properties Partnership ("CPP"). CPC and CPP are consolidated. Through CPP, the Partnership engages in owning, operating and developing commercial office real estate properties in primarily the Greater Washington, D.C. area (defined as the District of Columbia, northern Virginia, and suburban Maryland) as well as Boston, Massachusetts. Currently, the Partnership has 14 operating properties, three properties in development, and one development property owned through a joint venture.

The Partnership began operations on August 19, 2013 ("Inception"), through a series of transactions pursuant to a Master Framework Agreement dated May 2, 2013, as amended (the "MFA"), between CET Acquisition Company Inc. ("CET"), a wholly owned investment of the Commingled Pension Trust Fund of JPMorgan Chase Bank, N.A., and AH Carr Properties Holdings LP ("Alony-Hetz"), a wholly owned subsidiary of Alony-Hetz Properties & Investments Ltd.

On January 2, 2018, Holdings and CPP issued $300.0 million of convertible notes ("Notes") to Clal Insurance Enterprise Holdings Ltd. ("Clal"). Under the terms of the agreements, Clal retained the right to convert the Notes into Common Interests at any time, in whole or in part, at a fixed conversion price of $1.5445 per Common Interest prior to the Maturity Date. In August 2018, Clal elected to convert the maturing convertible notes into common units.

On August 30, 2019, the Partnership raised additional funds through the sale of common shares primarily to CET and Alony-Hetz. The net proceeds to the Partnership were $139.7 million, which were raised at the CPP level and through subscription agreements with CPC and CPH. The ownership interests of Alony-Hetz, CET, and Clal of Holdings as of December 31, 2019, were 50.77%, 40.16%, and 9.04%, respectively. The remaining interests in Holdings are held by six additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Revision of Previously Issued Financial Statements

As further disclosed below, certain of the Partnership's previously reported financial information has been revised to correct misstatements relating to the treatment of redeemable non-controlling interests. Certain non-controlling interests retain redemption rights for ownership interests in CPP that can be put to the Partnership in exchange for cash. The Partnership had previously classified these non-controlling interests within equity; however, the Partnership re-evaluated such rights and concluded liability classification is appropriate. The Partnership has evaluated the revisions and concluded the impact on previously issued financial statements is immaterial. Accordingly, the previously issued financial statements have been adjusted. The revisions to the December 31, 2018 balance sheet and January 1, 2018 opening total equity in the Consolidated Statements of Changes in Equity include an aggregate reduction of equity and an increase to redeemable non-controlling interests. The revisions to the December 31, 2018 income statement results in additional expense associated with the periodic revaluation of redeemable non-controlling interests, an increase in interest expense, and the reallocation of income to controlling and non-controlling interests.

The following tables and paragraphs present line items of the previously issued financial statements that have been corrected as a result of the revision:

Consolidated Balance Sheets:

	As previously reported	Adjustments	As adjusted
January 1, 2018			
EQUITY			
Equity attributable to common shareholders	$ 1,219,596	$ 182	$ 1,219,778

(US Dollar amounts expressed in thousands, except share and per share data)

Equity reserve from increase in CPP		1,223		(2,220)		(997)
Equity reserve for cash flow hedges		(5,353)		(690)		(6,043)
Retained earnings		311,838		2,614		314,452
Adoption of IFRS 9		500		53		553
Equity attributable to non-redeemable non-controlling interests		176,579		(152,961)		23,618
Total equity	$	1,704,383	$	(153,022)	$	1,551,361
LIABILITIES						
Non-current liabilities						
Other liabilities	$	7,556	$	20	$	7,576
Total non-current liabilities	$	1,196,784	$	20	$	1,196,804
Current liabilities						
Redeemable non-controlling interests, current		—	$	153,002		153,002
Total current liabilities	$	73,455	$	153,002	$	226,457
Total liabilities		1,270,239		153,022		1,423,261
Total equity and liabilities	$	2,974,622	$	—	$	2,974,622

		December 31, 2018				
EQUITY						
Equity attributable to common shareholders	$	1,388,080	$	182	$	1,388,262
Share based compensation		633		—		633
Equity reserve from increase in CPP		9,107		550		9,657
Equity reserve for cash flow hedges		2,298		(37)		2,261
Retained earnings		315,432		(695)		314,737
Equity attributable to non-redeemable non-controlling interests		296,604		(156,210)		140,394
Total equity	$	2,012,154	$	(156,210)	$	1,855,944
LIABILITIES						
Non-current liabilities						
Other liabilities	$	11,146	$	19	$	11,165
Total non-current liabilities	$	1,342,969	$	19	$	1,342,988
Current liabilities						
Redeemable non-controlling interests, current		—		156,191		156,191
Total current liabilities	$	84,727	$	156,191	$	240,918
Total liabilities		1,427,696		156,210		1,583,906
Total equity and liabilities	$	3,439,850	$	—	$	3,439,850

Consolidated Statements of Operations and Comprehensive Income:

		As previously reported		Adjustments		As adjusted
		Year Ended December 31, 2018				
Other expense						
Revaluation of redeemable non-controlling interests	$	—	$	(3,189)	$	(3,189)
Interest expense		(32,264)		(6,585)		(38,849)
Net income	$	80,006	$	(9,774)	$	70,232

(US Dollar amounts expressed in thousands, except share and per share data)

	As previously reported	Adjustments	As adjusted
Attribution of net income			
Common shareholders	$ 67,926	$ (3,361)	$ 64,565
Non-redeemable non-controlling interests	12,080	(6,413)	5,667
	$ 80,006	$ (9,774)	$ 70,232
Attribution of comprehensive income			
Common shareholders	$ 75,577	$ (2,708)	$ 72,869
Non-redeemable non-controlling interests	13,291	(7,066)	6,225
	$ 88,868	$ (9,774)	$ 79,094

Consolidated Statements of Changes in Equity:

Total Shareholders Equity	As previously reported	Adjustments	As adjusted
Balance as of December 31, 2018			
Retained earnings	315,432	(695)	314,737
Total Shareholder's Equity	1,715,550	—	1,715,550
Total non-redeemable non-controlling interests	296,604	(156,210)	140,394
Total Equity	2,012,154	(156,210)	1,855,944

Consolidated Statements of Cash Flows:

	As previously reported	Adjustments	As adjusted
Year Ended December 31, 2018			
Cash flows from operating activities			
Net income	$ 80,006	$ (9,774)	$ 70,232
Adjustments to reconcile net income to net cash provided by operating activities			
Interest expense, net excluding amortization of deferred financing fees	31,057	6,585	37,642
Revaluation of redeemable non-controlling interests	—	3,189	3,189
Changes in assets and liabilities			
Cash paid for interest	(34,739)	(6,585)	(41,324)
Changes in cash flows from operating activities	64,226	(6,585)	57,641
Cash flows from financing activities			
Distributions to common shareholders and non-redeemable non-controlling interests	(75,143)	6,585	(68,558)
Changes in cash flows from financing activities	343,422	6,585	350,007

(b) Basis of Presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These financial statements are presented in United States dollars, which is the Partnership's functional and reporting currency. The Partnership has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

The Partnership reports cash flows from operating activities using the indirect method. Interest received and paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership’s business activities.

(c) Principles of Consolidation

General

The consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities over which the Partnership has the power to govern the entities' financial and operating policies, generally accompanying an ownership of 50% or more of the voting rights. Control exists when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated in the financial statements from the date on which control is transferred to the Partnership and are de-consolidated from the date that control ceases. All intercompany balances and transactions, primarily management fees, have been eliminated in the consolidation process.

Investments in Associates

Associates are entities over which the Partnership has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost, with the carrying amount increased or decreased based on the Partnership's share of profits, losses, contributions and distributions. The Partnership also uses the equity method to account for investments in associates when its ownership interest is less than 20% if it can exert significant influence. Significant influence is derived when the Partnership is the general partner or managing member, participates in the policy making processes, including preparation of the budgets and initiation of contracts, or is involved in certain decisions in the investee.

The real estate investments owned by associates are carried at fair value as determined by management of the associates, based on independent third-party appraisals, and reflect the estimated price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. The Partnership's ownership interests in the real estate investments owned by the associates also reflect the Partnership's ownership interests in the associates' other assets and liabilities, including associates' debt. The Partnership's share of profits or losses is recognized in the Consolidated Statements of Operations and Comprehensive Income, and the Partnership records its share of losses until the carrying amount of its investment is reduced to zero. No further losses are recorded by the Partnership unless it has an obligation, legal or constructive, or has made payments, to satisfy the associates' liabilities.

Non-Controlling Interests

The Partnership's consolidated financial statements include the accounts of the Partnership and its subsidiaries. The equity interests of the preferred shareholders and other limited partners in Carr Properties Partnership and its subsidiaries are reflected as non-redeemable non-controlling interests. Certain redeemable non-controlling interests retain redemption rights and are classified within current and non-current liabilities depending on contractual provisions of the redemption features. Redeemable non-controlling interests are recorded at contractual redemption amounts based on the Net Asset Value of CPP at each respective period end.

(d) Leases

Policy applicable from January 1, 2019

The Partnership has material ground leases under its Columbia Center and 1701 Duke Street properties. In addition, the Partnership leases air rights at its 2001 Penn property. The Partnership also enters into various equipment and copier leases in a normal course of operations. At inception of a contract, the Partnership assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Partnership has the right to direct the use of the asset. The Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Partnership allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and air rights in which it is the lessee, the Partnership has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.
As a lessee

The Partnership recognizes a Right-of-Use Asset ("ROUA") and a lease liability at the lease commencement date. The ROUA is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROUA is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. In accordance with IAS 40, the ROUA for ground and air rights leases qualify as investment property and as such are measured at fair value. The estimated useful lives of ROUA for equipment leases are determined on the same basis as those of property and equipment. In addition, the ROUA is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership’s incremental borrowing rate. Generally, the Partnership uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Partnership is reasonably certain to exercise, lease payments in an optional renewal period if the Partnership is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Partnership is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method and is recorded in "Interest expense" on the Consolidated Statements of Operations and Comprehensive Income.

(e) Acquisitions of Investment Property

The Partnership applies judgment to determine whether the acquisition of an investment property is the acquisition of an asset under International Accounting Standards 40 - *Investment Property* ("IAS 40") or the acquisition of a business under IFRS 3 - *Business Combinations* ("IFRS 3"). An asset acquisition exists when: (i) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and (ii) the cost of the investment property can be measured reliably. The Partnership classifies an acquisition as an asset acquisition when it acquires a property or a portfolio of properties. The initial cost of an asset acquisition is comprised of its purchase price and any directly attributable expenditures. Identifiable assets acquired and liabilities assumed in asset acquisitions are measured initially at fair value at the acquisition date. Acquisition-related costs for asset acquisitions are capitalized to the investment property at the time the acquisition is completed.

The Partnership classifies an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. The cost of a business combination is measured as the aggregate of the consideration transferred at acquisition date fair value. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Partnership recognizes any contingent consideration to be transferred by the Partnership at its acquisition date fair value. Goodwill represents the purchase price of acquired businesses in excess of the fair value of net assets acquired and liabilities assumed. Acquisition related costs for business combinations are expensed in the period incurred.

(f) Investment Properties

In accordance with IAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Partnership, is classified as investment property. Investment properties are properties held to earn rental income and are accounted for using the fair value model. Investment property also includes property that is being constructed or developed for future use.

Investment property is measured initially at its cost. Subsequently, investment property is measured at fair value, at each balance sheet date. Gains and losses from changes in fair value are recorded in "Change in unrealized gain (loss) on valuation" and "Realized loss on sale of investment properties" on the Consolidated Statements of Operations and Comprehensive Income, in the period in which they arise. The Partnership determines the fair value of its investment property in accordance with IFRS 13 - *Fair Value Measurement* ("IFRS 13"). The fair value of an investment property reflects the estimated price that an underlying property would realize in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects any expected cash outflows in respect to investment property. Some of those outflows are recognized as a liability, including lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Certain investment properties being constructed, developed or redeveloped are also measured at fair value. Subsequent expenditures related to properties in development are added to the property's carrying amount when it is probable that future economic benefits associated with the item will flow to the Partnership. Fair value measurement of an investment property in development is only applied if the fair value is considered to be reliably measurable. If the Partnership determines that the fair value of an investment property in development is not reliably determinable when construction is incomplete, it measures that property in development at cost until either its fair value becomes reliably determinable or construction is completed. It may sometimes be difficult to determine reliably the fair value of an investment property in development. In order to evaluate whether the fair value of an investment property in development can be determined reliably, management considers the following factors, among others:

- Provisions of the construction contract;
- Stage of completion;
- Whether the project or property is standard (typical for the market) or non-standard;
- Level of reliability of cash inflows after completion;
- Development risk specific to the property;
- Past experience with similar construction; and
- Status of construction permits.

The Partnership will reclassify portions of an investment property that are placed into service from “Properties in development” to “Income generating properties” when those portions are deemed to be substantially complete, including tenant improvements, and upon commencement of revenue recognition. The Partnership considers a property in development as substantially complete after major construction has ended and the property is available for tenant occupancy. For properties that are built in phases, the Partnership ceases capitalization on the portion of a property that is considered substantially complete but no later than one year from completion of major construction activity if not occupied.

The fair value of certain properties in development has been prepared giving consideration to costs incurred to date and to key development risk factors, including entitlement risk, construction risk, leasing/sales risk, operations risk, credit risk, capital market risk, pricing risk, event risk and valuation risk. The fair value of properties in development includes the timely recognition of estimated entrepreneurial profit after such consideration.

Total properties in development measured at cost, which approximates fair value, at December 31, 2019 and 2018 totaled $257.0 million and $269.6 million, respectively. Real estate taxes, insurance, and overhead are capitalized onto the cost basis of the asset. Borrowing costs incurred for the construction of assets are also capitalized during the period of time that is required to complete and prepare the asset for its intended use. Thereafter, borrowing costs are charged to earnings. Interest capitalized, including debt financing costs, on investment property that is being constructed, developed or redeveloped totaled $14.7 million at a weighted average rate of 4.82% for the year ended December 31, 2019 and $21.3 million at a weighted average rate of 4.92% for the year ended December 31, 2018.

Development rights are development opportunities in the early phase of the development process where the Partnership either has an option to acquire land, enter into a leasehold interest or where the Partnership is the buyer under a long-term conditional contract to purchase land. The Partnership capitalizes related pre-development costs incurred in pursuit of new developments for which the Partnership currently believes future development is probable. Repairs and maintenance costs are charged to expense as incurred and are included in the Consolidated Statements of Operations and Comprehensive Income.

(g) Assets Held for Sale

The Partnership had no assets held for sale as of December 31, 2019 and 2018.

(h) Goodwill and Intangible Assets

Goodwill arises on the acquisition of a business and represents the excess of consideration transferred over the fair value of the net identifiable assets acquired and the liabilities assumed. Each quarter, the Partnership evaluates the values assigned to its goodwill and other intangible assets to determine whether any indicators of impairment are present. The Partnership also performs an annual impairment test or more frequently when there is an indicator of an impairment on the goodwill balance, which has an indefinite life. No such losses have been identified and reflected in the accompanying consolidated financial statements.

(i) Restricted Cash

The Partnership classifies cash that is restricted as to usage or withdrawal as restricted cash. Restricted cash includes amounts established pursuant to various agreements for property taxes, insurance and other future lease operations. Restricted cash consists of funds restricted by agreements with financial institutions. These funds will be released upon completion of agreed-upon events, tasks, or time-lines as specified in the respective agreements. For purposes of the Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(j) Fair Value Measurements

The Partnership measures the fair value of its assets and liabilities in accordance with IFRS 13 - *Fair Value Measurement*. This standard requires assets and liabilities to be categorized into a hierarchy based on the lowest level input that is significant to the fair value measurement of the asset or liability. Disclosure of fair value measurements is according to the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Partnership recognizes transfers into and transfers out of the fair value hierarchy levels as of the date of the event or changes in circumstances that causes the transfer. There were no transfers in and out of level 1, 2, or 3 for the year ended December 31, 2019. Following the sale of 1255 23rd Street during the year ended December 31, 2018, the remaining net working capital related to the representations and warranties period of the property was reclassified from level 2 to level 3 for the year ended December 31, 2018.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement requires the use of unobservable inputs and is not based on observable market information, that measurement falls under Level 3 of the fair value hierarchy.

Investment Properties

The Partnership records investment properties at fair value. The fair value of investment properties is estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investment properties without a public market are valued based upon fair value assumptions and valuation techniques utilized by the Partnership. Such valuation techniques include income capitalization and sales comparison approaches. The Partnership also considers actual sale negotiations and bona fide purchase offers received from third parties, as well as independent external appraisals. In general, the

Partnership considers multiple valuation techniques when measuring the fair value of an investment property. However, in certain circumstances, a single valuation technique may be appropriate. Independent third-party appraisal reports are prepared annually and updated quarterly for all properties subject to fair value measurement.

Income Capitalization Approach: This approach is based on the principle that value is created by the expectation of future income. This approach is particularly applicable in the case of income producing properties. One technique to convert income to value is direct capitalization, which involves dividing the net operating income by a market capitalization rate. A second technique is the discounted cash flow analysis, in which projected cash flows (net operating income less periodic capital expenditures and reversion value at the conclusion of the holding period) are converted to present value by applying an annual discount rate. In both techniques, net operating income and cash flow are estimated based on an analysis of market rent and occupancy levels and projected property expenses. Key inputs and assumptions include rental income and expense amounts and related growth rates, as well as discount and income capitalization rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount and the capitalization rate is accompanied by a directionally opposite change in the fair value measurement and a change in the assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement.

Sales Comparison Approach: This approach is a method of estimating fair value based on analyzing transactions of similar properties in the market area. A major premise of this approach is that the fair value of the property is directly related to the prices of comparable, competitive properties. The reliability of this approach is dependent upon the availability of comparable data, the verification of sales data, the degree of comparability and the absence of atypical conditions affecting the sales price. Once sales data is gathered, adjustments involving the judgment of management are made to the comparable properties to determine a value range for the property being valued. Generally, a point of value within the adjusted range is selected.

Cost Approach: The application of the cost approach is based on the principle of substitution and the concept that a market participant would not pay more for a property than the cost to develop a substitute property of equivalent desirability and utility. This approach involves the valuation of the land as if vacant, estimation of the replacement cost of the existing or proposed structure and site improvements, estimation of accrued depreciation found in the improvements and estimation of an appropriate entrepreneurial profit as applicable. The cost approach is typically utilized to determine value for new or proposed properties, special use properties or where the cost of reproducing the improvements is easily and accurately quantified and there is no economic obsolescence.

Derivative Instruments

The Partnership uses interest rate swap agreements to manage its interest rate risk, and these instruments are carried at fair value on the Consolidated Balance Sheets. The Partnership does not enter into hedging derivative transactions for trading or other speculative purposes. The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined by using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Partnership assesses the effectiveness of qualifying cash flow hedges both at inception and on an on-going basis. The Partnership defers the effective portion of changes in fair value of the designated cash flow hedges to Other Comprehensive Income and reclassifies such deferrals to interest expense as interest expense is recognized on the hedged forecasted transactions. The Partnership recognizes the ineffective portion of the change in fair value of interest rate derivatives directly in interest expense. Fair value changes for derivatives that are not in qualifying hedge transactions are reported as a component of interest expense. The Partnership determines the fair value of its derivatives taking into consideration the nonperformance risk of its counterparties and itself. In adjusting the fair value of its derivative contracts for the effect of counterparty nonperformance risk, the Partnership has considered the impact of its net position with a given counterparty, as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. The Partnership minimizes its credit risk on these transactions by dealing with major, credit-worthy financial institutions which have an A or better credit rating by the Standard & Poor's

(US Dollar amounts expressed in thousands, except share and per share data)

Ratings Group. As part of its on-going control procedures, the Partnership monitors the credit ratings of counterparties and the exposure of the Partnership to any single entity, thus reducing credit risk concentration.

The majority of the inputs used to value the Partnership's derivatives fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with its derivatives use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. The Partnership believes the likelihood of realizing losses from counterparty nonperformance is remote and accordingly has classified the derivative assets and liabilities as Level 2 in the fair value hierarchy.

(k) Deferred Financing Fees and Notes Payable

The Partnership amortizes the costs incurred to obtain debt financing over the terms of the underlying obligation using the straight-line method, which approximates the effective interest method, in accordance with IFRS 9, *Financial Instruments*. Debt financing costs are netted against the related loan balance and are amortized to interest expense. Deferred financing fees, net of accumulated amortization, were $8.3 million and $14.8 million at December 31, 2019 and 2018, respectively. Amortization expense net of the capitalized portion of deferred financing fees totaled $2.6 million and $1.3 million for the years ended December 31, 2019 and 2018, respectively.

In accordance with IFRS 9, notes payable are recognized initially at fair value, net of transaction costs incurred. After initial recognition, notes payable are subsequently measured at amortized cost. Amounts payable within one year of the balance sheet date are classified as current.

(l) Deferred Leasing Costs

The Partnership defers costs incurred to obtain new tenant leases or to extend existing tenant leases. Deferred leasing costs are direct costs that are essential in originating a lease and include third-party commissions and legal leasing costs (legal leasing costs capitalized prior to adoption of IFRS 16). These costs are amortized over the life of the related lease. If a tenant terminates its lease prior to the contractual termination, the unamortized balance of any previously deferred leasing costs are expensed in the period the lease is terminated. Amortization expense on deferred leasing costs is recorded within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income. Deferred leasing costs, net of accumulated amortization, are included within "Deferred leasing costs and other, net" on the Consolidated Balance Sheets.

(m) Trade Receivables

Trade receivables are recorded initially at cost and are carried net of a provision for bad debt expense. The Partnership applies IFRS 9 simplified approach to measuring expected credit losses. The determination as to the collectability of trade receivables and, correspondingly, the adequacy of this allowance is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, days past due, and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. Accounts receivable are written-off when they are deemed to be uncollectible and the Partnership is no longer actively pursuing collection. Bad debt expense, net of recoveries, totaled $0.3 million and $0.4 million for the years ended December 31, 2019 and 2018, respectively.

The aging analysis of trade receivables, net of the provision for bad debts of $0.9 million and $0.9 million as of December 31, 2019 and 2018, respectively, is as follows:

	December 31,	
Trade receivables	2019	2018
Current	$ 2,905	$ 3,080
30 - 90 days	461	559
Over 90 days	902	1,554
AR allowance	(880)	(881)
Trade receivable, net	$ 3,388	$ 4,312

(US Dollar amounts expressed in thousands, except share and per share data)

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term deposits with original maturities of three months or less which are subject to an insignificant risk of changes in value. The majority of the Partnership's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of $0.25 million. The Partnership has not experienced any losses to date on its invested cash. For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are comprised of the following:

	December 31,	
	2019	2018
Cash at banks	$ 20,490	$ 38,354
Short-term investments	233	299
Cash and cash equivalents	$ 20,723	$ 38,653

(o) Prepaid Expenses

Prepaid expenses include deposits, prepaid insurance and other prepaid operating expenses.

(p) Trade and Other Payables

Trade payables are expected to be settled within the next 30 days, with a year being the maximum duration for the Partnership to settle any outstanding short term payables.

(q) Security Deposits

Certain leases require tenants pay a deposit as a guarantee to return the property at the end of the lease term in a good condition or to cover a portion of future lease payments for leases with terms ranging from 6 to 216 months. Such deposits are treated as financial liabilities in accordance with IFRS 9 and are initially recorded at face value as defined in the terms of the lease agreements, which approximates fair value. Security deposits are maintained as a non-current liability until refunded to the tenant. Amounts expected to be refunded within the next 12 months are recorded in "Trade and other payables" on the Consolidated Balance Sheets.

(r) Income Taxes

The Partnership has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). As a result, the Partnership generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income. The Partnership's policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to the Partnership's consolidated taxable REIT subsidiaries ("TRS").

No provision has been made in the consolidated financial statements for federal, state, or local income taxes, for which the underlying partners are individually responsible for reporting and paying directly. The Partnership is directly liable for some taxes, primarily District of Columbia franchise taxes and federal and state taxes of its TRS. The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2015 forward (with limited exceptions) for properties contributed at the time of formation and from Inception for all other Partnership operations. If such examinations result in changes to the Partnership's profits and losses, the tax liability of the partners could be changed accordingly. Deferred income tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income liabilities are measured at the tax rates that are expected to apply to the year when the liability is settled, based on the tax rates and laws that have been enacted at the balance sheet date.

(US Dollar amounts expressed in thousands, except share and per share data)

The Partnership's primary investment is the units it owns in CPP, a limited partnership that is taxed as a partnership for federal and state income tax purposes. While the majority of CPP's net income is not taxed at the entity level and is passed through to the partners, CPP is subject to federal income taxes on the taxable income of its TRS, which are taxed as corporations for federal and state income tax purposes.

The significant components of the Partnership's deferred tax assets and liabilities which are included within "Deferred leasing costs and other, net" and "Other liabilities", respectively, on the Consolidated Balance Sheets are as follows:

	Year Ended December 31,	
Deferred tax assets:	**2019**	**2018**
Deferred tax assets	$ 1,586	$ 1,307
Deferred tax liabilities:		
Deferred tax liabilities	$ —	$ —

The tax provision for the year ended December 31, 2019 is as follows:

Provision	Federal	State	Total
Current	$ —	$ —	$ —
Deferred	(115)	(164)	(279)
	$ (115)	$ (164)	$ (279)

The tax provision for the year ended December 31, 2018 is as follows:

Provision	Federal	State	Total
Current	$ —	$ —	$ —
Deferred	26	(1,189)	(1,163)
	$ 26	$ (1,189)	$ (1,163)

The tax loss carryforward of $16.6 million and $14.5 million ($1.4 million and $1.2 million deferred tax asset) as of December 31, 2019 and 2018, respectively, is related to tax losses incurred in the District of Columbia prior to August 19, 2013 and was accounted for as a purchase price adjustment as of inception, and for losses incurred in 2014. The tax loss carryforward begins to expire in 2028. As of December 31, 2017, the Partnership had determined that the unused tax loss carryforward would ultimately not end up being recognized, with the associated deferred tax asset not being reflected on the Consolidated Financial Statements. However, at the end of the reporting period ended December 31, 2018, the Partnership has reassessed the likelihood of the tax loss carryforward being used to offset future DC income. Based on review of the Partnership's past, current, and projected activity, it was determined that it would be probable that the unused tax losses would be utilized in future years to offset DC income on the DC combined report filing. As a result, the previously unrecognized deferred tax asset related to the DC tax loss carryforward was recognized through reversal of the previously recorded valuation allowance, as part of the income tax provision for the period ended December 31, 2018.

(s) Commitments and Contingencies

For properties in development, the Partnership or its subsidiaries have made commitments as to the completion of construction of the development properties and repayment of any construction-related indebtedness. Commitments to repay investment-related debt and complete construction represent contingent funding commitments by the Partnership to invest additional amounts in its investment properties. The Partnership accounts for these commitments in accordance with the provisions of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

(t) Equity

Dividend Policy

Common dividends are paid upon declaration of the Board of Directors, generally quarterly.

(US Dollar amounts expressed in thousands, except share and per share data)

(u) Performance Plan Accruals

All employees of the Partnership participated in an annual performance bonus plan (the "Bonus Plan") under which employees were awarded bonuses based on their performance against assigned goals and objectives. The estimated cost of the bonus is accrued ratably over the year, and the accrual is adjusted based upon actual performance at the end of the respective year. Bonus payments are made in the first quarter following the performance year. At December 31, 2019 and 2018, the Partnership accrued $4.8 million and $5.7 million, respectively, for payments due under the Bonus Plan. The bonus is recorded within "Trade and other payables" on the Consolidated Balance Sheets, and within "Direct payroll and benefits" and "Non-property general and administrative expenses" on the Consolidated Statements of Operations and Comprehensive Income. Amounts capitalized as part of development projects are classified as part of "Investment properties, at fair value."

Some of the Partnership's employees participate in an Equity Incentive Plan ("the Plan"). The Plan provides for the issuance of LTIP Units which may be in the form of Service Units ("LTIP Service Units"), Performance Units ("LTIP Performance Units") or both. See Note 16 - "Commitments and Contingencies" for further disclosure.

(v) Revenue Recognition and Straight-Line Rent

Effective in the first quarter of 2018, the Partnership adopted IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate.

Rental Revenue

In accordance with IFRS 16, the Partnership leases office space to tenants under various non-cancelable operating leases with remaining lease terms expiring through June 30, 2037. Revenue from rental properties is comprised of minimum base rent, straight-line rent adjustments, lease termination fee income, and lease incentive amortization.

Rental revenue from tenants is recognized on a straight-line basis over the terms of the leases, including all fixed and determinable rent escalations and any periods of free rent (rent abatements), regardless of when contractual rent payments are due. Recognition of rental revenue commences when control of the leased space has been transferred to the tenant and the lease space is ready for its intended use.

In connection with a tenant's execution, or modification, of a lease, if the Partnership makes cash payments to, or on behalf of, the tenant for purposes other than funding the construction of landlord assets, the Partnership defers the amount of such payments as lease incentive assets. Lease incentives assets are recorded as reductions of base rent which are amortized on a straight-line basis over the term of the lease.

Rental revenue also includes payments received in connection with lease termination agreements. Lease termination income is recognized during the period from execution of a lease termination agreement through the effective date of termination. When a tenant's lease for space in a property is terminated early but the tenant continues to lease such space under a new or modified lease in the property, the net revenue from the early termination of the lease is recognized evenly over the remaining life of the new or modified lease in place on that property, unless the Partnership cannot determine that collectability of the lease termination revenue is reasonably assured.

Future cash revenues under non-cancelable leases as of December 31, 2019 are as follows:

Years Ending December 31,	Amount
2020	$ 163,858
2021	162,538
2022	155,064
2023	149,333
2024	131,195

Years Ending December 31,	Amount
Thereafter	783,231
	$ 1,545,219

Recoveries from Tenants

The Partnership operates as a principal with respect to property operating expenses subject to tenant recoveries, and therefore, is required to report tenant recovery revenue on a gross basis. The Partnership accounts for and reports as revenue all property operating costs reimbursable by the tenants as the costs are incurred.

Construction Management Fees

Construction management fees are earned by the Partnership for managing the construction of tenant and capital improvements at properties owned by related parties or third parties. Construction management fees are recognized as a single performance obligation (managing the construction of the project) comprised of a series of distinct services. Construction management fees are based upon contractual rates as defined in the relevant leasing and property management agreements. The Partnership believes that the overall service of construction management has substantially the same pattern of performance over the term of the agreement, therefore construction management fee income is recognized ratably throughout the period. Construction management fees for wholly owned properties and the Partnership’s proportion of the management fees earned from unconsolidated entities in which the Partnership is invested have been appropriately eliminated.

Property Management Fees

Management fees are earned by the Partnership for managing properties owned by related or third parties. The management fees are based upon contractual rates applied to gross cash receipts from property operation. Property management fees are recognized on a monthly basis as a single performance obligation comprised of a series of distinct services related to property operations. The Partnership believes the overall services provided by property management activities have the same pattern of performance over the term of the agreement. Management fees for wholly owned properties and the Partnership’s share of the management fees earned from unconsolidated entities in which the Partnership is invested have been eliminated in consolidation.

Parking Income

The Partnership generates revenues from the parking garages located within its operating properties through management agreements. The Partnership operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(w) Property Operating Expenses

Expenses classified as "Property operating expenses" on the Consolidated Statements of Operations and Comprehensive Income consists of expenses directly and indirectly associated with operating the properties.

(x) Retirement Plans

The Partnership operates a defined contribution plan qualified under Section 401(k) of the US Internal Revenue Code. Participants may contribute a portion of their compensation each pay period not exceeding a limit set annually by the Internal Revenue Service. The Partnership matches 100% of the first 4% of contributions made by employees. The Partnership has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense each pay period, and are recorded within "Direct payroll and benefits" and "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income based upon the classification of the employee.

(y) Interest Expense

Premium and issuance costs on the Partnership's notes payable or credit facility are recognized over their respective terms using the straight-line method which approximates the effective interest method, except for borrowing costs relating to properties in development, which are capitalized. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the discount rate at which the estimated future cash payments or receipts throughout the expected life of the financial instrument, or for a shorter period where appropriate, equals the net carrying amount of the financial asset or financial liability.

(z) Use of Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses for the reporting periods. Actual results could differ from those estimates. The material judgments, apart from those involving estimations, that management has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Investment properties and the real estate investments owned by associates are carried at fair value as determined by management, using independent third-party appraisals, and reflect the price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. Factors beyond the Partnership's control may cause significant swings in assigned values, resulting in significant changes in reported earnings. Most of the Partnership's properties are located in the Greater Washington, D.C. metropolitan area, making the Partnership vulnerable to changes in economic conditions in the region, including the adverse impact of decreased government spending. Any adverse change in the region's economic conditions may reduce the ability of the Partnership to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, significantly decreasing cash flow.

- The Partnership determines whether joint arrangements should be accounted for as joint operations or joint ventures, associates, consolidated or unconsolidated structured entities and determines which investments should be reported as assets held for sale.

3. Standards Issued, and Standards Issued But Not Yet Effective

On January 1, 2019, the Partnership adopted IFRS 16 - *Leases* ("IFRS 16"), which supersedes IAS 17. Information is further provided in Note 6 with respect to Partnership's leases and lease related costs as both lessee and lessor and lease related receivables as lessor. This disclosure is presented under IFRS 16 as of and for the year ended December 31, 2019 and under IAS 17 as of and for the year ended December 31, 2018.

The Partnership adopted IFRS 16 using the modified retrospective approach whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated. The Partnership recorded a net cumulative effect adjustment of $(0.5) million to retained earnings, related to accumulated depreciation, as of January 1, 2019 as a result of this adoption.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. Under IFRS 16 leases are accounted for based on a right of use model. The model reflects that at the commencement of a lease, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying assets during the lease term. The lessor conveys the right to use the underlying assets as of lease commencements.

The Partnership operates as both a lessor and a lessee. As a lessor, the Partnership is required under IFRS 16 to account for leases using an approach that is substantially equivalent to IAS 17's guidance for operating and other leases. In addition, IFRS 16 requires lessors to capitalize and amortize only incremental direct leasing costs. As a lessee, the Partnership is required under the new standard to apply a single recognition and measurement model approach for all leases.

On adoption of the standard, the Partnership elected the following practical expedients provided for in IFRS 16, including:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;

(US Dollar amounts expressed in thousands, except share and per share data)

- The accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the ROUA at the date of initial application, and;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In October 2018, the International Accounting Standards Board (IASB or Board) issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendment is effective for periods beginning on or after January 1, 2020, with earlier adoption permitted.

The Partnership has concluded the adoption of the amendment will not have a material impact on its financial position and results from operations.

4. Operating Segments and Concentration

The Partnership presently operates under one operating segment, defined as the acquisition, development, ownership and management of commercial real estate investments, primarily in the office buildings sector, and primarily in one geographic area, the Greater Washington, D.C. Metropolitan area as well as Boston.

5. Investment Properties

Income Generating Properties

The changes in the Partnership’s income generating properties are set forth in the table below:

Balance, December 31, 2017	**$**	**1,744,954**
Capital expenditures additions and other		32,239
200 State Street acquisition		222,376
1025 Vermont Avenue sale		(45,876)
Net loss from fair value adjustment of income generating properties		(39,301)
Reclassification of Midtown Center and 2311 Wilson from properties in development		800,842
Balance, December 31, 2018	**$**	**2,715,234**
Capital expenditures additions and other		38,713
Arlington Plaza sale		(54,825)
Net loss from fair value adjustment of income generating properties		(66,684)
Reclassification of Midtown Center and 2311 Wilson from properties in development		173,167
Balance, December 31, 2019	**$**	**2,805,605**

There were no acquisitions completed for the year ended December 31, 2019.

2018 Acquisitions

On November 1, 2018, the Partnership acquired 200 State Street in Boston, at a contractual purchase price of $222.0 million and incurred acquisition costs of $0.4 million. The property is a 304,000 square foot office building that was 96% leased to 21 tenants. The Partnership funded the acquisition with a $199.0 million draw on the revolving credit facility and available cash from operations. The property is located in close proximity from the Partnership's One Congress development project and will result in the ownership and operation of 1.3 million square feet of office space in the Boston market. In conjunction with this acquisition, the Partnership formed CP MA REIT LLC as a wholly-owned subsidiary REIT to hold 100% the ownership interest in 200 State Street. The cost was allocated entirely to land and building.

(US Dollar amounts expressed in thousands, except share and per share data)

The results of operations for the aforementioned acquisition are included in the consolidated financial statements from the date of acquisition. During the year ended December 31, 2018, the Partnership recognized $3.0 million of revenue and $1.8 million of net income, related to its 2018 acquisitions. The following unaudited proforma combined Consolidated Statements of Operations and Comprehensive Income set forth the consolidated results of operations for the year ended December 31, 2018, as if the above described acquisition in 2018 had occurred on January 1, 2018. The unaudited proforma information does not purport to be indicative of the results that actually would have occurred if the acquisition had been in effect:

	Unaudited		
	Year Ended December 31, 2018		
	As Issued	Adjustments	Pro-forma
Total revenue	$ 177,223	$ 14,860	$ 192,083
Net income	$ 70,232	$ 9,000	$ 79,232

Properties in Development

The changes in the Partnership’s properties in development are set forth below:

Balance, December 31, 2017	**$ 986,548**
Signal House acquisition	23,881
The Wilson easement payment	(8,300)
Capital expenditures additions and other	187,758
Unrealized gain on valuation of certain properties in development	50,444
Reclassification of Midtown Center and 2311 Wilson from properties in development	(800,842)
Balance, December 31, 2018	**$ 439,489**
Capital expenditures additions and other	167,149
Unrealized gain on valuation of certain properties in development	11,677
The Wilson tenant buyout cost reimbursement	(8,000)
Reclassification of Midtown Center and 2311 Wilson from properties in development	(173,167)
Balance, December 31, 2019	**$ 437,148**

Midtown Center is an 868,000 square foot two-tower office property with lower level retail space developed and substantially completed in 2018. A portion of Midtown Center was placed into service in December 2017 with additional portions placed into service in 2018 and 2019 as tenant improvements were completed. The Partnership incurred $17.5 million and $97.6 million of capital expenditures and tenant improvements for the years ended December 31, 2019 and 2018, respectively. Midtown Center was fully placed in service during the second quarter of 2019. The office space was 100% leased as of December 31, 2019. The Partnership anticipates the retail portion will commence revenue recognition in 2020. On May 1, 2019, the Partnership formed 1100 15th Street Investors LLC as a wholly owned subsidiary REIT to hold 100% of the ownership interest in Midtown Center.

In December 2018, the Partnership received a termination fee of $12.5 million contingent upon releasing of certain space at one of the Partnership's properties. The termination fee was recorded in "Other liabilities" and "Trade and other payables" on the Consolidated Balance Sheets. As of December 31, 2019, the Partnership recognized $9.1 million of the termination fee in "Rental revenue" on the Consolidated Statements of Operations and Comprehensive Income. The Partnership will recognize an additional $3.4 million of income throughout 2033.

On May 26, 2016, the Partnership acquired the former property and land located at 7272 Wisconsin Avenue, Bethesda, MD. The Partnership is developing a mixed-use property with an approximate 937,000 square feet Class A office building ("the Wilson") with a residential component ("the Elm"). The Partnership incurred $137.0 million and $73.0 million of capital expenditures for the years ended December 31, 2019 and 2018, respectively. The office space was 78% leased as of December 31, 2019. The Partnership anticipates substantial completion of the Wilson in 2020 and commencement of revenue recognition on a portion of the office space in October 2020. Construction of the Elm is also anticipated to be completed in late 2020 with pre-leasing of units commencing during the third-quarter of 2020.

On July 23, 2019, the Partnership received a final $8.0 million payment from the Montgomery County Department of Transportation for tenant buyout cost reimbursement in conjunction with the Wilson project. On March 23, 2018, the

(US Dollar amounts expressed in thousands, except share and per share data)

Partnership also received an $8.3 million payment from the Maryland Transit Administration for transit related easements granted in conjunction with the Wilson project. This payment was recorded as a reduction in the cost basis of the development property.

On January 12, 2018, the Partnership acquired a parcel of land at 350 Morse Street ("Signal House"), at a purchase price of $23.2 million, with the capacity to develop an approximate 225,000 rentable square feet office building. The Partnership incurred $17.4 million and $2.1 million of capital expenditures for the years ended December 31, 2019 and 2018, respectively. The Partnership anticipates substantial completion of Signal House by the first quarter of 2021, and is actively pursuing pre-leasing activities.

On July 2, 2018, the Partnership entered into a purchase and sale agreement to acquire a second parcel of land ("C2") located at 350 Morse Street, N.E., Washington, D.C. The purchase price of the land is $19.4 million subject to adjustments and prorations at closing. Subsequent to the execution of the purchase and sale agreement, the Partnership made a deposit of $1.0 million, half of which is refundable pursuant to Planned Unit Development ("PUD") approval. On January 28, 2019, the Partnership amended its purchase and sale agreement, extending PUD approval terms and increasing the purchase price to $19.7 million. The Partnership anticipates the acquisition will close in the third quarter of 2020.

Development Activity of Consolidated, Non-Wholly Owned Properties and Land

In February 2018, the Partnership substantially completed development of 2311 Wilson, an approximately 178,000 square foot office building. The Partnership incurred capital expenditures and tenant improvements of $5.2 million, and $15.4 million for the years ended December 31, 2019 and 2018, respectively. The property was fully placed into service during the first quarter of 2019. As of December 31, 2019, the building was 94% leased. There were no capital contributions to 2311 Wilson during the years ended December 31, 2019 and 2018, respectively.

In January 2016, the Partnership entered into a joint venture to develop land at 2025 Clarendon. The land can be developed into an approximately 200,000 square foot office building. Capital contributions to 2025 Clarendon totaled $0.1 million and $1.1 million for the years ended December 31, 2019 and 2018, respectively.

A summary of the financial information for 2025 Clarendon and 2311 Wilson is as follows:

		As of and for the year ended December 31, 2019						
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
2025 Clarendon	85.37 %	$ 23	$ 23,013	$ 42	$ 2,825	$ 20,169	$ —	$ (34)
2311 Wilson	60.00 %	762	116,351	1,354	64,398	51,361	7,161	(3,503)
		$ 785	$139,364	$ 1,396	$ 67,223	$ 71,530	$ 7,161	$ (3,537)
Less interest held by non-controlling interests						(23,506)		1,407
Equity attributable to Partnership						$ 48,024		$ (2,130)

		As of and for the year ended December 31, 2018						
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
2025 Clarendon	85.29 %	$ 12	$ 22,154	$ 23	$ 2,088	$ 20,055	$ —	$ (332)
2311 Wilson	60.00 %	96	109,989	884	54,323	54,878	2,507	3,280
		$ 108	$132,143	$ 907	$ 56,411	$ 74,933	$ 2,507	$ 2,948
Less interest held by non-controlling interests						(24,912)		(1,312)
Equity attributable to Partnership						$ 50,021		$ 1,636

6. Investments in Associates

The changes in the Partnership’s investments in associates are set forth below:

Balance, December 31, 2017	**$ 61,911**

(US Dollar amounts expressed in thousands, except share and per share data)

Contributions		21,671
Distributions		(4,996)
Share of unrealized loss on valuation of underlying properties		(1,415)
Share of net income (less unrealized loss on valuation)		5,905
Balance, December 31, 2018	**$**	**83,076**
Contributions		149,864
Distributions		(56,308)
Adoption of IFRS 16		(14)
Share of unrealized gain on valuation of underlying properties		45,250
Share of net income (excluding unrealized gain on valuation)		1,202
Realized share of loss on disposition of Centerpointe I & II		(1,851)
Share of loss on extinguishment of debt of Centerpointe I & II		(1,578)
Realized share of loss on disposition of One Liberty		(645)
Share of loss on extinguishment of debt of One Liberty		(3,357)
Balance, December 31, 2019	**$**	**215,639**

On May 10, 2019 the Partnership and its joint venture partner sold the underlying properties Centerpointe I & II at a contractual price of $122.0 million and incurred transaction costs of $1.0 million. The Partnership received net proceeds of $24.6 million, and recognized a proportionate loss of $1.9 million upon disposition.

On June 24, 2019, the Partnership and its joint venture partner sold the underlying property One Liberty at a contractual price of $151.2 million, and incurred transaction costs of $1.0 million. The Partnership received net proceeds of $29.8 million and recognized a proportionate loss of $0.6 million upon disposition.

One Congress

On September 24, 2018, the joint venture entity entered into a 50-50 joint venture with National Real Estate Advisors, LLC in the One Congress office development project in downtown Boston, Massachusetts. One Congress is planned as a 43-story, one-million square foot office tower.

In January 2019, the Partnership executed a 15-year lease with State Street Corporation for approximately 510,000 square feet to serve as its new headquarters. Occupancy is anticipated to commence in 2023 upon termination of State Street Corporation's existing lease. One Congress is expected to be ready for its intended use by tenants in late 2022.

On July 23, 2019, the Partnership contributed an additional $24.8 million in capital to the joint venture to maintain a 50-50 ownership interest as a result of the contribution of the developable land by the joint venture partner on this date. The Partnership concurrently contributed $58.5 million to acquire an additional 25% ownership interest in the joint venture resulting in 75% ownership subsequent to this transaction. Included in this payment was a $14.8 million premium attributable to the additional 25% ownership of the underlying land giving rise to pre-development and leasing activities. The capital contributions were funded through borrowings on the credit facility and available cash. For the years ended December 31, 2019 and 2018, the Partnership contributed $151.8 million and $20.4 million to the venture, respectively. The Partnership has contributed $172.2 million as of December 31, 2019.

The Partnership has concluded that it continues to jointly share in the rights to direct and control the activities that most significantly impact the joint venture’s returns and therefore does not maintain control over it. The increase in ownership to 75% has resulted in more significant exposure and variability of returns; however, the ongoing joint approval for Major Decisions results in continued joint control as the Partnership cannot solely or unilaterally make decisions most impactful to the economics or performance of One Congress.

The Partnership will continue to account for its investment in the joint venture using the equity method and will not consolidate the entity in its consolidated financial statements.

(US Dollar amounts expressed in thousands, except share and per share data)

Construction Loan

On December 10, 2019, the joint venture entered into a $570.0 million facility on the One Congress project. The loan is interest only and will bear an interest rate of LIBOR plus 2.00% which can be reduced over time as certain milestones are met. The loan has a 5-year term, and matures in 2024 and can be extended one year by the Partnership subject to terms and conditions. Transaction costs and related fees were $5.8 million. The Partnership does not anticipate incurring borrowings on the facility until 2022.

The facility stipulates the Partnership must contribute up-front equity not to exceed $341.3 million prior to incurring any borrowings under the loan.

Financial information related to the Partnership's investments in associates is as follows:

As of and for the year ended December 31, 2019

Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Centerpointe I & II	50.00 %	$ 38	$ —	$ 81	$ —	$ (43)	$ 4,848	$ (9,770)
One Liberty	49.90 %	4,013	—	820	—	3,193	6,713	(471)
One Congress	75.00 %	—	292,350	6,162	—	286,188	—	58,845
		$ 4,051	$ 292,350	$ 7,063	$ —	$ 289,338	$ 11,561	$ 48,604
Less: interest held by third-parties						(73,699)		(9,583)
Amounts per financial statements						$ 215,639		$ 39,021

As of and for the year ended December 31, 2018

Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Centerpointe I & II	50.00 %	$ 1,096	$ 125,623	$ 3,662	$ 64,759	$ 58,298	$ 14,134	$ 5,141
One Liberty	49.90 %	2,505	147,302	416	82,167	67,224	14,010	3,924
One Congress	50.00 %	—	26,024	5,642	—	20,382	—	(38)
		$ 3,601	$ 298,949	$ 9,720	$ 146,926	$ 145,904	$ 28,144	$ 9,027
Less interest held by third-parties						(62,828)		(4,537)
Amounts per financial statements						$ 83,076		$ 4,490

7. Leases

On adoption of IFRS 16, the Partnership recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Partnership's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.05%.

The Consolidated Balance Sheets reflect the following amounts relating to ROUA within "Investment properties, at fair value" and "Prepaid expense and other assets:"

	December 31, 2019	January 1, 2019
Non-current assets		
Income generating properties, net of ROUA	$ 2,670,005	$ 2,579,133
ROUA, at fair value	135,600	135,500
Income generating properties	2,805,605	2,714,633
Properties in development	437,148	438,225

(US Dollar amounts expressed in thousands, except share and per share data)

	December 31, 2019	January 1, 2019
Total investment properties, at fair value	$ 3,242,753	$ 3,152,858
Current assets		
Prepaid expense and other assets	$ 9,551	$ 6,720
ROUA, net of accumulated depreciation and non-current portion	1,051	1,596
Prepaid expense and other assets	$ 10,602	$ 8,316

At December 31, 2019, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $135.6 million. "Prepaid expense and other assets" included ROUA of $1.1 million related to equipment and copier leases.

ROUA for property leases were measured on a retrospective basis as if the new rules had always been applied. Other ROUA were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Consolidated Balance Sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the ROUA at the date of initial application.

ROUA	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance at January 1, 2019	$ 135,500	$ 1,596	$ 137,096
Fair value adjustment, valuation	100	—	100
ROUA Additions, net	—	17	17
Accumulated Depreciation	—	(562)	(562)
Balance as of December 31, 2019	$ 135,600	$ 1,051	$ 136,651

The Partnership leases the ground under its Columbia Center and 1701 Duke Street properties. In addition, the Partnership leases air rights at 2001 Pennsylvania Avenue. The air and ground leases have remaining terms ranging between 67-95 years. The Partnership also enters into various equipment and copier leases with terms ranging between 2-7 years.

Property	Discount Rate	Maturity	Carrying Value December 31, 2019
Columbia Center	3.79%	2114	$ 119,526
1701 Duke Street	10.32%	2107	4,565
2001 Penn	4.94%	2087	4,318
Other equipment leases	Various	Various	1,105
Total lease liabilities			129,514
Less current portion			508
Lease liabilities, net of current portion			$ 129,006

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The re-measurements to the lease liabilities were recognized as adjustments to the related ROUA in the first quarter of 2019, after the date of initial application.

The Partnership previously disclosed $0.3 million in operating lease commitments as of December 31, 2018. These lease obligations were discounted using the Partnership's incremental borrowing rate and included in the lease liabilities recognized at January 1, 2019.

(US Dollar amounts expressed in thousands, except share and per share data)

		2019
Lease commitments disclosed as of December 31, 2018	**$**	**311**
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	$	181
Add: finance lease liabilities recognized at December 31, 2018		129,787
Add/(less): adjustments as a result of adoption of IFRS 16		95
Lease liability recognized at January 1, 2019	$	130,063
Of which are:		
Current lease liabilities	$	569
Non-current lease liabilities		129,494
	$	130,063

Contractual maturities differ from the lease liabilities detailed below and presented in the accompanying Consolidated Balance Sheets as the maturities shown include interest payments on lease liabilities.

Future Lease Maturities		December 31, 2019
Maturity analysis - contractual undiscounted cash flows		
Less than one year	$	5,651
One to five years		26,350
More than five years		502,297
Total undiscounted lease liabilities as of December 31, 2019	$	534,298

Lease liabilities(1)		**December 31, 2019**
Current lease liabilities	$	508
Non-current lease liabilities		129,006
Total lease liabilities	$	129,514

(1) In previous years, the Partnership classified lease liabilities as "Financing leases" in accordance with IAS 17 - *Leases* and no operating leases were presented on the balance sheets.

Lease Expense		For the year ended December 31, 2019
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$	5,201
Equipment lease depreciation		562
Total lease expense	$	5,763

Interest expense recognized on leases totaled $5.2 million for each of the years ended December 31, 2019 and 2018.

Cash Flows		For the year ended December 31, 2019
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$	559
Interest expense on lease liabilities		5,201
Total cash outflows related to leases	$	5,760

(US Dollar amounts expressed in thousands, except share and per share data)

8. Dispositions

2019 Dispositions

On September 10, 2019, the Partnership sold Arlington Plaza at a contractual price of $57.5 million, with consideration of $56.9 million, and incurred transaction costs of $0.7 million. The Partnership received net proceeds of $54.8 million and recognized a loss of $0.3 million upon disposition.

2018 Dispositions

On December 19, 2018, the Partnership sold 1025 Vermont, receiving net proceeds of $45.9 million, inclusive of $1.8 million of closing costs. The Partnership recognized a loss of $1.3 million upon disposition.

9. Goodwill and Intangibles

The carrying value of goodwill was $9.3 million as of December 31, 2019 and 2018. There were no indicators of impairment noted during either comparative period. No impairment losses were recognized in the years ended December 31, 2019 and 2018, respectively.

Intangible assets with finite lives are amortized over their estimated useful lives. Amortization expense on purchased management contracts is included within "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income. As of December 31, 2019, the purchased management contracts were fully amortized. In the year ended December 31, 2018, amortization expense on purchased management contracts totaled $0.4 million.

10. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of	
Borrower/Facility	**Contractual Rate**	**Maturity**	**December 31, 2019**	**December 31, 2018**
Credit facility [1]:				
Revolver	LIBOR +1.25%-2.00%	7/6/21	$ 276,000	$ 190,000
Term Loan A	LIBOR +1.20%-1.90%	7/6/21	50,000 [6]	50,000
Term Loan B	LIBOR +1.20%-1.90%	7/6/21	50,000 [6]	50,000
Term Loan C	LIBOR +1.20%-1.90%	7/6/22	100,000	100,000
Midtown Center - Construction Loan	LIBOR +2.40%	5/31/20	—	440,864 [2,3]
Midtown Center - Permanent Financing	3.09%	10/11/29	525,000 [3]	—
1700 New York Avenue	LIBOR +1.50%	4/25/24	65,820 [3,6]	66,960 [3]
2001 Pennsylvania	4.10%	8/1/24	65,000 [3]	65,000 [3]
Clarendon Square	4.66%	1/5/27	34,819 [3,4]	36,297 [3,4]
King	3.94%	1/1/25	31,788 [3]	32,494 [3]
1615 L Street	4.61%	9/1/23	134,250 [3]	134,250 [3]
2311 Wilson	LIBOR +2.85%	4/27/20	59,433 [2,3]	49,933 [2,3]
Total Debt			1,392,110	1,215,798
Less unamortized deferred financing fees			8,283	14,769
Total Debt, net of unamortized deferred financing fees			1,383,827	1,201,029
Less current portion, net of unamortized deferred financing fees [5]			62,487	3,380
Debt obligations, net of current portion			**$ 1,321,340**	**$ 1,197,649**

(1) Interest under the credit facility is charged at London Interbank Offer Rate ("LIBOR") plus an additional premium, depending on the defined ratio of the Partnership's total indebtedness to total asset value. As of December 31, 2019, the premium was 1.45% for the Revolver and 1.40% for the Term A, Term B and Term C loans. As of December 31, 2018, the premium was 1.40% for the Revolver and 1.35% for the Term A, Term B and Term C loans. As of December 31, 2019, and December 31, 2018, the one-month LIBOR was 1.76% and 2.50%, respectively.

(2) A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of the Midtown Center and 2311 Wilson borrowings whereas in an event of default, the respective lenders have recourse to the collateral pledged to secure the borrowings. This recourse is limited to the general credit of the guarantor entity to the extent of this guarantee. As of December 31, 2019, the Midtown Center had no guarantee outstanding while 2311 Wilson borrowings had $17.8

million of guarantees outstanding. As of December 31, 2018, Midtown Center and 2311 Wilson borrowings, had outstanding guarantees of $110.2 million and $15.0 million, respectively.

(3) The fair value of the collateral pledged to these notes was $1,709.3 million and $1,684.6 million as of December 31, 2019 and December 31, 2018, respectively.

(4) The carrying value of the Clarendon Square note payable as of December 31, 2019, and December 31, 2018, included a premium of $1.0 million, and $1.1 million, respectively.

(5) The current portion of unamortized deferred financing fees was $0.2 million and $0.2 million, as of December 31, 2019 and December 31, 2018, respectively.

(6) Term A and Term B loans and 1700 New York Avenue loans are hedged against an anticipated rise in interest rates through interest swaps. See Note 12 - "Fair Value Measurements" for additional information.

All borrowings other than those made under the credit facility are collateralized by the land and buildings of the underlying properties.

On September 30, 2019, the Partnership fully repaid the $470.8 million outstanding balance of the Midtown Center construction loan. The Partnership concurrently entered into a $525.0 million permanent loan bearing a fixed interest rate of 3.09%, maturing in October of 2029 and collateralized by the land and building at Midtown Center. The Partnership incurred transaction costs of $2.9 million associated with the financing and recognized a $4.4 million loss on extinguishment of debt, inclusive of unamortized deferred financing fees, during the year ended December 31, 2019 as recorded in the Consolidated Statement of Operations and Other Comprehensive Income.

In connection with the Midtown Center financing, the Partnership settled the five forward-starting interest rate swaps with a combined notional value of $400.0 million for $39.4 million in October 2019. This amount was included in Other Comprehensive Income at December 31, 2019 and will be accreted as non-cash interest expense over the 10 year term of the Midtown Center permanent loan. As of December 31, 2019, $1.0 million was accreted in "Interest expense" on the Consolidated Statements of Operations and Other Comprehensive Income.

Credit Facility

Borrowings under the Credit Facility bear interest at an annual rate equal to the LIBOR rate plus an applicable margin or a base rate plus an applicable margin. The base rate means the LIBOR Market Index Rate; provided, that if for any reason the LIBOR Market Index Rate is unavailable, the base rate shall mean the per annum rate of interest equal to the Federal Funds Rate plus one and one-half of one percent. In July 2017, the Financial Conduct Authority (“FCA”) that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee ("ARRC") which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to USD-LIBOR in derivatives and other financial contracts.

The Partnership is not able to predict when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets. Any changes adopted by FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, the Partnership's interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form. The Partnership monitors current developments in the market and while it expects LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point.

In addition, the credit agreement governing the Amended Credit Facility contains certain covenants which, among other things, require the Partnership to meet various financial covenants, including maximum leverage levels, minimum coverage levels and minimum tangible net worth, all as defined in the Amended Credit Facility. The Partnership was in compliance with all of its debt covenants as of December 31, 2019 and 2018, respectively.

On April 4, 2018, the Partnership issued $30.0 million in letters of credit to the Maryland Transit Authority in conjunction with the Wilson project. Any issued letter of credit reduces the available balance on the Partnership’s revolving line of credit. No draws on the letter of credit have occurred as of June 1, 2019, when $27.0 million of the letters of credit expired in accordance with the underlying agreements. On June 5, 2019, the Partnership issued $0.3 million in letters of credit to the District of Columbia Water and Sewer Authority in conjunction with Signal House. The letter of credit is set to expire on June 5, 2020 but can be automatically extended by a year pursuant to certain terms and conditions.

(US Dollar amounts expressed in thousands, except share and per share data)

On July 22, 2019, the Partnership borrowed $85.0 million under the revolver to partially fund the capital contributions for One Congress, including the acquisition of additional ownership interests. See Note 6, "Investment in Associates" for additional discussion. In August 2019, the Partnership raised $139.7 million in equity and repaid $130.0 million on the revolver using proceeds. See Note 20, "Equity" for further discussion. As of December 31, 2019, the Partnership had capacity to borrow an additional $83.1 million under the Credit Facility. Subsequent to December 31, 2019, the Partnership borrowed $26.0 million under the revolver and repaid $133.5 million through March 6, 2020.

Construction Loan

On August 15, 2018, the Partnership entered into a $300.0 million construction loan facility on the Wilson project. The loan will bear an interest rate of LIBOR plus 3.00% to LIBOR plus 3.35% dependent on leasing activity. The debt has a 5-year term and matures in 2023 but can be extended by one year by the Partnership subject to terms and conditions. Transaction costs and related fees were $7.8 million.

The facility stipulates the Partnership must contribute up-front equity not to exceed $252.5 million prior to incurring any borrowings under the loan. The Partnership incurred an initial borrowing of $81.1 million under this facility in January 2020.

Interest Expense

Interest expense is comprised of the following for the respective periods and inclusive of deferred financing fees and hedging impacts.

	Year ended December 31,	
Description	**2019**	**2018**
Credit facility	$ 16,789	$ 9,440
Notes payable	39,759	34,224
Distributions to redeemable non-controlling interests	6,777	6,585
Lease liabilities	5,201	5,244
Amortization expense of deferred financing fees	5,046	4,631
Gross interest expense	$ 73,572	$ 60,124
Capitalized interest expense		
Capitalized deferred financing fees	(2,455)	(3,289)
Capitalized interest	(12,276)	(17,986)
Total capitalized interest expense	(14,731)	(21,275)
Net interest expense	58,841	38,849

Future Maturities of Debt

For periods subsequent to December 31, 2019, scheduled annual maturities of debt outstanding as of December 31, 2019 are as follows:

Years Ending December 31,	**Amount [(1)]**
2020	$ 62,711
2021	379,378
2022	103,479
2023	137,835
2024	156,627
Thereafter	551,131
	$ 1,391,161

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $1.0 million.

(US Dollar amounts expressed in thousands, except share and per share data)

11. Financial Instruments

The Partnership's cash, cash equivalents, and restricted cash are subject to market risk due to changes in interest rates that may result in reduced income if interest rates decline. Credit facility and floating rate notes payable are subject to interest rate risk that may result in higher interest expense and adversely impact fair values.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of December 31, 2019, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 20,723	$ 20,723	Level 1
Restricted cash(1)	26,933	26,933	Level 1
Liabilities, including current portion			
Credit facility(2)	$ 476,000	$ 476,000	Level 3
Notes payable(2)	915,160	916,192	Level 3
Redeemable non-controlling interests(3)	154,529	154,529	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $26.0 million, and $0.9 million of deferred termination fees.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.

The fair values of financial instruments as of December 31, 2018, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 38,653	$ 38,653	Level 1
Restricted cash(1)	8,770	8,770	Level 1
Liabilities, including current portion			
Credit facility(2)	$ 390,000	$ 390,000	Level 3
Notes payable(2)	824,713	822,814	Level 3
Redeemable non-controlling interests(3)	156,191	156,191	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $7.7 million, and $1.0 million of tenant improvements.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.

The fair value of indebtedness has been determined by giving consideration to one or more of the following criteria, as appropriate: (i) interest rates and/or interest rate spreads for loans of comparable quality and remaining maturity, (ii) the value of the underlying collateral, (iii) the credit risk of the borrower based on key elements of the investment properties' valuation, (iv) market-based loan-to-value, and (v) key terms such as assumability, recourse provisions and guarantees. Following the date of inception, the notes payable have been recorded at amortized costs with the discounts and premiums amortized to interest expense using the effective interest method.

Due to their short-term maturities, the carrying values of financial instruments including cash and equivalents, restricted cash and trade receivables approximate their fair values. Lease liabilities are initially recorded at the lower of either the fair value of the underlying land/air rights or the present value of the minimum lease payments using a discount rate that provides for a constant rate on the balance outstanding.

(US Dollar amounts expressed in thousands, except share and per share data)

12. Fair Value Measurements

The following table summarizes the Partnership's interest rate swap agreements as of December 31, 2019:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 115,820
Weighted average interest rate [(1)]	2.28 %
Earliest maturity date	February 5, 2021
Latest maturity date	May 1, 2024

(1) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

The following table summarizes the Partnership's interest rate swap agreements as of December 31, 2018:

	Cash Flow Hedges	
	Forward Starting Interest Rate Swaps	Interest Rate Swaps
Notional balance	$ 400,000	$ 141,960
Weighted average interest rate [(1)]	2.64 %	2.19 %
Earliest maturity date	July 1, 2029	February 5, 2021
Latest maturity date	July 1, 2029	May 1, 2024

(1) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

In February 2017, the Partnership entered into five forward-starting interest rate swaps with a combined notional value of $400.0 million in an effort to limit its exposure to the changes in the variability of future interest rates on anticipated financings for Midtown Center. The forward-starting interest rate swaps call for the Partnership to pay interest at a fixed rate in exchange for receiving interest at a variable rate equal to LIBOR. The forward-starting interest rate swaps are exclusive of any applicable margin that would be incremental to the interest rate of the anticipated financings. On September 30, 2019, the Partnership settled its forward-starting interest rate swaps in connection with the permanent loan financing of debt at Midtown Center. See Note 10 - "Debt" for additional information.

The interest rate swaps are being accounted for as cash flow hedges as these transactions were executed to hedge the Partnership’s anticipated interest payments, and these hedges are deemed to be highly effective. As such, changes in the fair value of these derivative instruments are recorded as unrealized gains (losses) on cash flow hedges included within “Equity Reserve for Cash Flow Hedges” on the Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income" were $(44.2) million and $8.9 million for the years ended December 31, 2019 and 2018, respectively. There was no material hedge ineffectiveness recognized during the years ended December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, the Partnership reclassified $(1.0) million and $(0.2) million, respectively, of losses on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.”

As of December 31, 2019, the Partnership anticipates the reclassification of $(4.7) million of hedging losses from "Equity reserve for cash flow hedges" into earnings within the next 12 months to offset the variability of cash flows of the hedged items during this period.

As of December 31, 2019, the Partnership assessed the impact of the credit valuation adjustments on the overall valuation of its derivative portfolio and determined it is not significant. As a result, the Partnership classified its hedging instruments within Level 2 of the fair value hierarchy.

The following assets and liabilities, measured at fair value as of December 31, 2019, are classified as follows:

(US Dollar amounts expressed in thousands, except share and per share data)

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,805,605
Investments in properties in development [(1)]	—	—	180,145
Total Assets	$ —	$ —	$ 2,985,750
Liabilities:			
Derivative liabilities, net of current portion	—	2,947	—
Total Liabilities	$ —	$ 2,947	$ —

(1) Excludes The Elm, Signal House, and 2025 Clarendon development which are carried at an aggregate cost basis of $257.0 million.

The following assets and liabilities, measured at fair value as of December 31, 2018, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,715,234
Investments in properties in development [(1)]	—	—	169,863
Derivative assets	—	3,605	—
Total Assets	$ —	$ 3,605	$ 2,885,097
Liabilities:			
Derivative liabilities	—	775	—
Total Liabilities	$ —	$ 775	$ —

(1) Excludes The Wilson, the Elm, Signal House, and 2025 Clarendon development carried at an aggregate cost of $269.6 million.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2019:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,805,605	Third-party Appraisal Discounted cash flow - Income capitalization Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.50% - 6.50% (5.97%) 5.00% - 6.00% (5.41%)
Investments in properties in development [(2)]	180,145	Third-party Appraisal Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	5.00% - 7.25% (6.30%) 4.50% - 6.00% (5.03%)
Total	$ 2,985,750			

(2) Excludes The Elm, Signal House, and 2025 Clarendon development which are carried at an aggregate cost basis of $257.0 million, at December 31, 2019.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2018:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,715,234	Third-party Appraisal Discounted cash flow - Income capitalization Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.50% - 7.00% (6.18%) 5.00% - 6.00% (5.57%)

(US Dollar amounts expressed in thousands, except share and per share data)

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in properties in development [(2)]	169,863	Third-party Appraisal Discounted cash flow - Income capitalization	Discount Rate	5.50% - 6.25% (5.55%)
			Exit Capitalization Rate	5.25% - 5.75% (5.28%)
Total	$ 2,885,097			

(2) Excludes The Wilson, the Elm, Signal House, and 2025 Clarendon development carried at an aggregate cost of $269.6 million, at December 31, 2018.

13. Non-Property General and Administrative Expenses

The Partnership incurs personnel and compensation costs, professional fees, information technology costs and other corporate related costs that are collectively classified as non-property general and administrative expenses. The following summarizes the various expenses comprising this activity for the respective periods:

	Year ended December 31,	
Description	**2019**	**2018**
Personnel and compensation	17,468	15,338
Professional fees	3,607	3,716
Information technology	1,194	688
Other corporate	(2,637)	(2,192)
Total non-property general and administrative	19,632	17,550

14. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $19.3 million and $12.5 million for the years ended December 31, 2019 and 2018, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Company is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

15. Related Party Transactions

The Partnership manages properties owned by associates and other unconsolidated related parties for which it receives fees for asset management, property management, construction management and development. All fees charged to wholly owned properties are fully eliminated in consolidation. The Partnership's portion of the fees earned from Investment in associates is appropriately eliminated during the consolidation process. Property management fees for the years ended December 31, 2019 and 2018 totaled $1.0 million and $1.6 million, respectively. Construction management fees totaled $0.3 million and $0.4 million for the years ended December 31, 2019 and 2018, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Consolidated Statements of Operations and Comprehensive Income.

Outstanding related party receivables pertaining to these fees were $0.2 million and $0.2 million as of December 31, 2019 and 2018, respectively. The Partnership leases the ground under Columbia Center and 1701 Duke properties from related parties. See Note 7 - "Leases" for additional information.

16. Commitments and Contingencies

There are no asserted or unasserted legal claims, other than ordinary routine litigation incidental to its business, to which the Partnership is a party or to which any of the properties is subject to, that the Partnership believes will have a material adverse effect on financial condition, results of operations or cash flows.

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure its performance under its development projects. These bonds provide a guarantee to the counterparty that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of December 31, 2019, the Partnership had $2.8 million in performance bonds outstanding with commitment terms expiring through February 14, 2023.

Repayment Guarantees

The Partnership and its subsidiaries have guaranteed certain construction work to be performed at the Partnership's investment properties, payment of construction loans related to property development, ground lease payments and repayment of mortgage liabilities. Because the Partnership controls the investment properties and the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of December 31, 2019 and 2018, the Partnership was in compliance with all guarantees and guarantee covenants.

On July 2, 2018, the Partnership entered into a purchase and sale agreement to acquire a second parcel of land ("C2") located at 350 Morse Street, N.E., Washington, D.C. The purchase price of the land is $19.4 million subject to adjustments and prorations at closing. Subsequent to the execution of the purchase and sale agreement, the Partnership made a deposit of $1.0 million, half of which is refundable pursuant to Planned Unit Development ("PUD") approval.

On January 28, 2019, the Partnership amended its purchase and sale agreement, extending PUD approval terms and increasing the purchase price to $19.7 million. The Partnership anticipates the acquisition will close in the third quarter of 2020.

A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of the "One Congress" borrowings whereas in an event of default, the respective lenders have recourse to the collateral pledged to secure the borrowings. This recourse is limited to the general credit of the guarantor entity to the extent of this guarantee of 11.25% of principal balance or $61.1 million.

A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of the "The Wilson and the Elm" borrowings whereas in an event of default, the respective lenders have recourse to the collateral pledged to secure the borrowings. This recourse is limited to the general credit of the guarantor entity to the extent of this guarantee of 25% of principal balance or $75.0 million.

Employee Benefits

In June 2018, the Partnership adopted the 2018 Equity Incentive Plan ("the Plan"). The Plan provides for the issuance of LTIP Units which may be in the form of Service Units, Performance Units or both. An initial grant of 5.4 million LTIP units was awarded in the amount of $6.5 million in June 2018, and a second grant of $6.3 million, or 5.3 million units, was awarded in June 2019. The determination of units awarded to each grantee was based on the Partnership's respective Net Asset Value ("NAV") of $1.40 and $1.38 as of March 31, 2018 and March 31, 2019, respectively.

The 2018 grant included 1.5 million of LTIP Service Units which will vest 50% in March 2021 and 50% in March 2022. Similarly, the 2019 LTIP Service Unit grants of 1.5 million will vest 50% in both March 2022 and March 2023. Vesting is based on continued employment services through the vesting dates. Compensation expense will be recognized over the respective vesting periods.

The June 2019 and 2018 LTIP issuances also included 3.8 million and 3.9 million of LTIP Service and Performance Units, respectively. Vesting of these units is dependent upon the Partnership achieving certain performance return thresholds based on NAV over a three-year performance period. Below a 6.0% cumulative per annum return, no performance units will be earned. Between a 6.0% and 9.0% cumulative per annum return, the earning begins at 75% and grows to 125% at the high end of the performance units that may be earned based on linear interpolation within that range.

A summary of the Partnership's LTIP activity during the period ended December 31, 2019 is presented below:

(in thousands)	Total Units
LTIP units granted at, June 30, 2018	5,385
LTIP units exercised	—
LTIP units forfeited	(48)
LTIP units outstanding, December 31, 2018	5,337
LTIP units granted during the period	5,343
LTIP units exercised	—
LTIP units forfeited	(696)
LTIP units outstanding, December 31, 2019	9,984

Compensation expense is based on NAV as of each period end consistent with the Company's expectation of performance and the anticipated units expected to vest for the respective three-year performance period.

The Partnership recognized $1.4 million, of which $0.2 million was capitalized, and $0.7 million, of which $0.1 million was capitalized, of LTIP-related expense during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, 696 and 48 LTIP units were forfeited, respectively.

17. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $3.6 million and $3.4 million for the years ended December 31, 2019 and 2018, respectively. Employee benefit expense for these officers was $0.2 million in each year, respectively. For the years ended December 31, 2019 and 2018, LTIP expense was $0.7 million and $0.4 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income.

18. Credit Risk

The Partnership’s maximum exposure to credit risk associated with financial assets measured at cost is equivalent to the carrying value of each class of financial assets measured as separately presented in receivables, restricted cash and cash and cash equivalents.

Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The Partnership generally manages this risk by signing long-term leases with tenants who have investment grade credit ratings. For the years ended December 31, 2019 and 2018, one tenant at Midtown Center, accounted for approximately 24% (excluding termination fee revenue) and 13%, respectively, of Rental revenue and Recoveries from tenants combined.

19. Capital Management

The Partnership manages its capital, taking into account its long-term business objectives. The Partnership’s capital structure currently includes common shares, preferred shares, mortgage notes and revolving credit facilities, which together provide the Partnership with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions of operating properties, capital improvements, leasing costs and principal repayments on our mortgage notes and Credit Facility. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management’s general view of the optimal leverage in the business.

(US Dollar amounts expressed in thousands, except share and per share data)

20. Equity

2019 Capital Raise

On August 30, 2019, the Partnership raised additional funds through the sale of shares of common units of CPH and CPP of $131.3 million and $8.4 million, respectively, to CET, Alony-Hetz and six additional investors. Total proceeds to the Partnership were $139.7 million. Amounts raised by CPH were contributed to CPC in exchange for shares through a subscription agreement and subsequently contributed to CPP. The proceeds from the raise were used primarily to repay outstanding borrowings on the revolver and for operational purposes. As of December 31, 2019 and 2018, CPH owned 100% of CPC.

The additional ownership interests of CPP and Holdings as of December 31, 2019 are as follows:

Ownership of Carr Properties Partnership LP

Partner/Investor	Additional Investment	Ownership Percent
Carr Properties Corporation	$ 131,322	93.72 %
Other Investors	8,372	6.28 %
	$ 139,694	100.00 %

Ownership of Carr Properties Holdings LP

Partner/Investor	Additional Investment	Ownership Percent
AH Carr Properties Holdings LP	$ 69,869	50.77 %
CET Acquisition Company Inc.	50,135	40.16 %
Other Investors	11,319	9.07 %
	$ 131,323	100.00 %

2018 Capital Raise

On January 2, 2018, Holdings and CPP issued a total of $293.4 million, net of $1.1 million offering costs, of convertible notes ("Notes") to Clal. A portion of the proceeds was recorded as accrued interest of $5.5 million within current liabilities upon issuance and disbursed as quarterly interest payments. The Notes bore interest on the unpaid principal at 3.75% per annum. Interest was payable quarterly through June 30, 2018, and all unpaid principal was due and payable on August 16, 2018 ("Maturity Date"). Under the terms of the agreements, Clal retained the right to convert the Notes into common units ("Common Interests") at any time, in whole or in part, at a fixed conversion price of $1.5445 per Common Interest prior to the Maturity Date.

Proceeds received from the Notes issuance were classified as equity, either as equity attributable to common shareholders or equity attributable to non-controlling interests, as the instrument did not meet financial liability classification. On August 16, 2018, Clal elected to convert the Notes in full into Common Interests and retained a 9.08% ownership interest in the Partnership as of December 31, 2018.

When equity transactions are executed at a price other than current NAV, such as the Notes issuance to Clal in 2018, the Partnership revalues the allocation of equity between controlling and non-controlling interest. The resulting differences were reflected in “Change in equity reserve from increase in CPP” on the Consolidated Statements of Equity. Included in those balances are consolidated non-wholly owned properties and their pro-rata share of earnings as of December 31, 2018.

Non-Controlling Interests

Certain of the non-controlling interests have special redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of December 31, 2019, the value of these redeemable non-controlling interests were $150.2 million and $4.4 million, respectively. As of December 31, 2018, the value of these redeemable non-controlling interests was $156.2 million with no current portion applicable in that period.

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within “Equity” on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, the total value of these non-redeemable non-controlling interests was $143.3 million and $140.4 million, respectively.

Dividends

Dividends are declared and paid upon the declaration of the Board of Directors, generally quarterly. On February 14, 2020, the Partnership declared and paid its fourth quarter dividends, in the amount of $15.3 million, of which $14.2 million will be reflected in the Consolidated Statements of Changes in Equity. The Partnership also maintained two additional subsidiary REITs as of December 31, 2019 in which there are preferred shareholder interests.

21. Subsequent Events

The Partnership evaluated subsequent events through March 9, 2020 the date the consolidated financial statements were available to be issued. The Partnership concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements other than those disclosed herein.

On March 6, 2020, the Partnership sold Barlow at a contractual price of $160.0 million. The proceeds from Barlow will be used to reinvest in a like kind exchange transaction as discussed below and to repay outstanding borrowings on the credit facility.

On February 19, 2020, the Partnership entered into a binding contract to acquire an undivided 50% Tenancy-in-Common interest in a two tower mixed use office and retail complex at 75-101 Federal Street in Boston for a contractual purchase price of $242.5 million. The property is a 853,773 square foot mixed use building that is 89.2% leased to 88 tenants. The Partnership expects to close on the acquisition in March 2020 in accordance with contractual terms. The acquisition will be funded using like kind exchange proceeds from the sale of Barlow and borrowings on the credit facility.

Alony-Hetz

Auditor's Consent Letters

Deloitte.

Date: March 18, 2020

To
The Board of Directors of **Alony Hetz Properties and Investments Ltd. ("the company")**

Dear Sir/Madam,

Re: <u>Consent letter in term of Alony Hetz Properties and Investments Ltd. Shelf Offering from May 2018</u>

We hereby advise you that we agree to the inclusion (including by way of reference) of our statements detailed below in connection with the May 2018 shelf prospectus.

(1) Auditors' Report dated March 18, 2020 regarding the Consolidated Financial Statements of the Company as of December 31, 2019 and 2018 and for the three years periods ended December 31, 2019.

(2) Auditors' Report dated March 18, 2020 regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2019.

(3) Auditors' Report dated March 18, 2020 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2019 and 2018 and for the three years periods ended December 31, 2019.

Respectfully,

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Beer Sheva
Ha'Energia St. 77, Building 1
Gav-Yam Negev, Advanced
Technologies Park
Beer Sheva, 8470912
Tel: +972 (8) 690 9500
Fax: +972 (8) 690 9600
info-beersheva@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

Ernst & Young Ltd
Maagplatz 1
P.O. Box
8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

Zurich, 17 March 2020

To: Alony-Hetz Properties and Investments Ltd

Re: Consent letter in term of Alony-Hetz Properties and Investment Ltd Shelf offering from May 2018

Dear Sir/Madam

We hereby advise you that we agree to the inclusion (including by way of reference) in the Shelf offering statement which will be published by Alony-Hetz Properties and Investment Ltd by virtue of the shelf prospectus dated May 4, 2018 of our report listed below:

- Auditors' Report dated February 24, 2020 regarding the Condensed Consolidated Financial Statements of PSP Swiss Property AG as of December 31, 2019 and for the two years ended on December 31, 2019.

We hereby authorize the Company's authorized electronic signatories, to report electronically this consent letter to the Securities Authority and Tel Aviv Stock Exchange.

Sincerely,

Ernst & Young Ltd

Daniel Zaugg
Partner

Tobias Meyer
Senior Manager

To: The Management of Carr Properties Holdings, LP and the Board of Directors of Alony-Hetz Properties and Investments Ltd.

Re: Consent letter in respect of Alony Hetz Properties and Investments Ltd. shelf prospectus from May 2018

We hereby inform you that we agree to the inclusion (including by way of reference) of our report listed below in respect of the shelf prospectus dated May 4, 2018 which was published by Alony-Hetz Properties and Investments Ltd:

1) Report of Independent Auditors dated March 9, 2020 regarding the Consolidated Financial Statements of Carr Properties Holdings LP as of December 31, 2019 and 2018, and for the years then ended.

PricewaterhouseCoopers LLP

McLean, Virginia
March 17, 2020

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102-4261
T: (703) 918 3000, F: (703) 918 3100, www.pwc.com/us