



| Quarterly Report Q2/2020

| Alony - Hetz Properties and
Investments LTD

Quarterly Report Q2/2020

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Report of the Board of Directors

Alony - Hetz Properties and
Investments LTD

Ramat Gan, August 24, 2020

Board of Directors' Report for the Six-Month Period ended June 30, 2020

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 six-month period ended June 30, 2020 (hereinafter: “**the Reporting Period**”). The Board of Directors’ Report for the reporting period should be reviewed in the context of the 2019 Board of Directors’ Report.

1. The global Corona pandemic and its impact on the Group's business activity:

A. General

The outbreak of the Corona virus in China, which spread to other parts of the world towards the end of the first quarter of the year, has resulted in a global health and economic crisis. Capital markets around the world reacted harshly and with volatility to the event, sharp declines in stock prices and increases in corporate bond yields were recorded. In addition, there were fluctuations in the main currencies against the NIS. In most countries, new emergency regulations were issued that significantly restricted the access of workers to places of employment, including the closing of shopping and entertainment centers. In addition, general closures were imposed in cities, country-wide restrictions on movement, and in some countries, entry to non-residents was also banned.

During the second quarter of the year, some of the restrictions in Israel were lifted, unlike other places where the Group operates, where a general closure continues (London, Washington and Boston). The government has recently started to impose additional restrictions due to the recurring rise in morbidity. In light of the uncertainty regarding the length of the health crisis, its scope, the nature of government restrictions aimed at reducing gatherings and the scope and nature of government support in the various economies in Israel and around the world, the extent of the damage from the crisis and its long-term effects on the local and global economy cannot be estimated.

The continuation or exacerbation of the global pandemic, outbreaks of additional waves, as well as an extension of the period required to restore business activity, could exacerbate the economic crisis and result in a severe recession, and could therefore affect the Group's revenues from income-generating property.

1. Possible short-term consequences:

The vast majority of the Group's assets in Israel and worldwide are in the office real estate sector, and commerce (excluding supermarkets, pharmacies, and bank branches), whose activity has been hit more severely in recent months, accounts for only 10% of the Group's properties in Israel and worldwide.

- The Group companies were contacted, mainly during the second quarter of the year, by some of their tenants asking for relief in the payment of rental fees. It should be noted that the overwhelming majority of the requests were in Israel. Regarding the relief granted by Amot to tenants in commerce, see Section 3.3.4 below. The Group's policy in Israel and abroad is that contracts must be adhered to and noncompliance will lead to legal enforcement proceedings. The total collection rate in the Group companies in the second quarter of the year was 94% in Israel¹ and the UK and 99% in the United States.
- Naturally, during a period of global recession, there is a decline in demand for space due to the increase in unemployment rates resulting from the need for business entities to become more efficient. At the same time, there has been an increase in the volume of subleases at rental prices lower than those specified in the headlease agreements.

It should be noted that the rental turnover of the Group companies is 4.2 years in Amot, 7.5 years in the U.S. and 6.5 years in the UK. By the end of 2021, contracts are expected to be renewed for office rental space of 208 thousand sq.m. in Amot, 234 thousand sq.f. in the U.S. and 16 thousand sq.f. in the UK.

- Continued imposition of government restrictions in the form of closures and encouraging workers not to leave the home while reducing the use of mass transit systems (with an emphasis on subways) may have an impact on the demand for space.

2. Possible medium and long-term consequences:

- A change in employment habits that may lead to a reduction in the use of offices due to the strengthening of the 'Work from Home' trend, which is supported by the technological capability for remote work.
- The beginning of a trend of expanding the personal space allocated to the employee, in contrast to the process in the last decade of reducing the employee's office space, especially with the transition to shared work spaces.
- The end of the global economic crisis and a return to a path of growth will encourage the active demand for office space due to rising employment rates.

¹ Not including commerce.

These contradictory trends may result in changes in the amount of demand for offices and/or for engineering and architectural adjustments for their use. At this stage, the Company is unable to assess the direction and scope of the aforementioned changes and their impact on the nature of the Group companies' activities.

- Flexible Office – An area that combines several development directions, including a significant shortening of the rental period while paying higher rents, designing offices by providing an experience while focusing on areas that allow employee interaction and Coworking divided into offices designed in a Hot Desking configuration versus a Hoteling configuration.
- Establishment of “satellite offices” in peripheral cities while maintaining the headquarters of companies in large urban business centers (CBD) for the use of managements and value-creating business divisions such as research and development.
- Demand for office space rentals in towers with various “green standard features” (example: LEED), changes in planning procedures for new projects, including structural adjustments in buildings, with emphasis on ventilation, control, monitoring and sensing systems.

3. Forecast for dividend receipts:

As of the present date, all Group companies intend to maintain their dividend policy for 2020, and therefore the Company has left its forecast for receipts and payments of its dividends unchanged, as published in the 2019 Periodic Report.

4. Value of income-generating property:

The Corona crisis has affected the valuations of the Group's real estate assets in Israel and around the world. The Company's share in the real estate asset revaluations in the investees is revaluation losses (before tax) of NIS 201 million for the six months and NIS 113 million for the second quarter of the year.

The changes in value were mainly due to the one-time loss of income from tenants in the area of commerce in Israel and the UK, a significant decrease in income from parking services and an update of several parameters in the U.S. valuations (LMA – Leasing Market Assumptions), the main one being the flattening of the characteristics of the increase in rental prices in the coming years. Also, as a rule, there have been no changes in the capitalization rate (CAP rate) in Israel, the United Kingdom and the United States. However, the continuation of the crisis, including its worsening, could result in value reductions in the coming quarters, as a result of the duration of the current crisis and its economic implications.

The following is a concentration of investment property revaluations made by the Group in the reporting period (H1/2020):

Geographical Region	Currency	100% (Before Tax) in Millions		Company Share in NIS Millions	
		Loss from Income- Generating Properties	Profit from Properties in Development	Total	Total
United States (Carr and AH Boston)	USD	(87) (*)	43	(43)	(78)
Israel (Amot)	NIS	(152)	-	(152)	(84)
United Kingdom (BE)	GBP	(9)	-	(9)	(40)
					(201) ²
Tax impact					46
Company share after tax					155

(*) Constitutes a reduction of approx. 3% of the value of the income-generating properties (not including the Midtown Center building).

B. Renewable energy

So far, the spread of the Corona virus in Israel and around the world has not materially affected Energix's short-term activities, in part in light of price fixing or foreign exchange rate hedging transactions carried out for the coming period.

A severe global recession could adversely affect the electricity and green certificate prices in Poland and in the United States, future debt raising prices and could present difficulties in engaging with institutions that would serve as U.S. tax partners.

In view of the Corona crisis, Energix has decided at this time to exercise caution with regard to the start of construction projects outside Israel, which will begin subject to external financing (as is customary in infrastructure transactions) and eligibility for a long-term guaranteed rate for the sale of electricity.

² From this loss, approx. NIS 113 million were recognized in the second quarter of the year.

C. Group liquidity and Company valuation

Regarding the Group's liquidity, its unencumbered assets and its financial debt, see Section 3.4 below.

The Company's management is of the opinion that its financial strength and that of all the Group companies (Amot, Energix, Carr and Brockton Everlast), as well as the tenant mix, the average duration of rental agreements and the quality of their properties, will enable them to cope with a recession. In addition, the Company estimates that the status of the Group's liquidity, cash balances and credit facilities, the average duration of its debts, leverage level, current cash flows and access to bank credit will enable it to continue its operations and meet its obligations.

The Company's estimates of the possible consequences of the continued Corona crisis on the Group's operations constitute forward-looking information, as defined in the Securities Law, 1968, which is based, among other things, on the Company's assessments as of the date of publication of this report with respect to factors that are not under its control. The Company's assessments are based on information that is currently held by the Company, on publications on this subject and on the relevant authorities' guidelines in the Company's various countries of activity for which there is no certainty of their being realized, in whole or in part, and which may be realized substantially differently due to factors not under the Company's control, including, among other things, the length of time during which the virus continues to spread, the question as to whether other waves of outbreaks are expected, the guidelines of the relevant authorities in Israel and around the world, and the intensity and duration of the economic slowdown that will develop in Israel and around the world.

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, and the United Kingdom.
2. Additional area of activity – investment in renewable energy. The Group has income-generating investments 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 June 30, 2020:

Activity in Israel

Holdings of 55.1%³ in Amot Investments Ltd. (hereinafter: “**Amot**”), a publicly traded income-generating property company listed on the Tel Aviv Stock Exchange. For further details, see Section 3.3.4 below.

Activity in the United States

- Holdings of 44.2% 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 D.C. and Boston areas. For further details, see Section 3.3.5 below.
- Holdings of 55% of the equity⁴ rights in 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 Section 3.3.7 below and Note 9 to the Financial Statements.

Operations in the United Kingdom

- Holdings of 96% in Brockton Everlast Inc. Limited (hereinafter: “**BE**”), which operates in the income-generating property field in the U.K., 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.

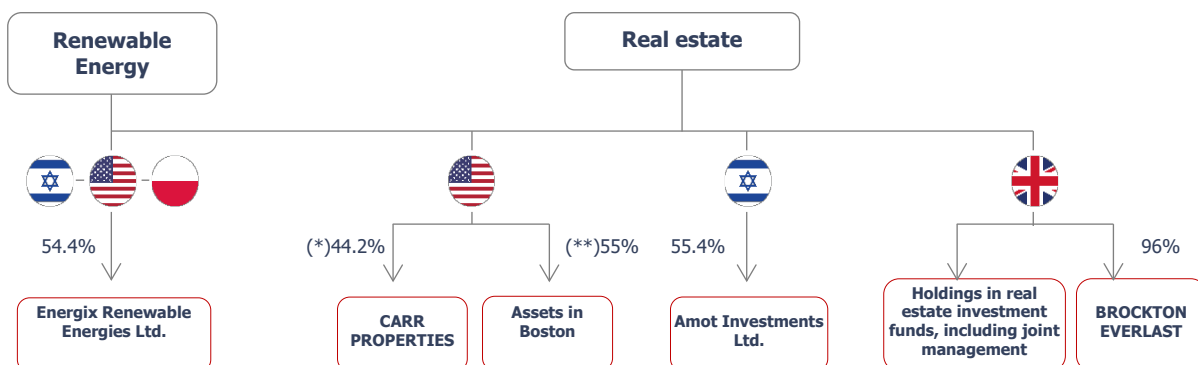
2.2 The Group’s investments in the field of renewable energy as of June 30, 2020:

Holdings of 54.4% in Energix - Renewable Energy Ltd. (hereinafter – “**Energix**”), a public company listed for trade on the TASE. Energix is engaged in the development, construction and sale of electricity from 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. For additional details, see Section 3.3.8 below.

³ As of the date of publication of the report – 55.36%.

⁴ 50% control.

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



* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.

** Joint holdings with Oxford Properties in income-generating real estate funds that 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 April 2020, trading began on Alony-Hetz options on shares, similar to trading on the Maof option.

2.5 Main Events from the Beginning of 2020 and until the Publication of the Report



- Investment of GBP 44 million (NIS 194 million) in the capital of Brockton Everlast.
- Investment of USD 44 million (NIS 151 million) in the capital of Carr.
- Realization of 2.4 million PSP shares from the beginning of the year until the date of publication of the report, for a total consideration of approx. CHF 291 million (approx. NIS 1.06 billion). Of this amount, 1.9 million PSP shares were sold during the first half of the year for a consideration of CHF 237.5 million (NIS 858 million).
- Voluntary early repayment of a loan from a foreign bank in the amount of CHF 100 million. Simultaneously with the repayment of the loan, the foreign bank released the collateral provided to secure the loan, so that as of the reporting date, all of the Company's assets are released from any liens.



- Win in the tender, together with a partner, for the lease of a plot of land with an area of 4.5 dunams in the “City Gate” complex, which will be built at the entrance to Jerusalem, with a total land cost (including development expenses) of NIS 210 million (Amot’s share – NIS 105 million). The plot is designated for the construction of a complex for employment and commerce with an option for hotels and special rental housing with above ground floor area amounting to 79 thousand sq.m. according to the current City Building Plan (and approx. 103 sq.m. above ground according to a City Building Plan about to be deposited), at an estimated cost, including the land, in the amount of NIS 1.1 billion (Amot’s share – NIS 550 million).
- Debt raising in the amount of approx. NIS 1.5 billion in the reporting period and subsequent to the balance sheet date (of which approx. NIS 1 billion has an average duration of 7.5 years at CPI-linked effective interest of 1.8%, and NIS 460 million has an average duration of 9.3 years at NIS effective interest at a rate of 2.55%).



- Acquisition of 50% of the rights in the complex incorporating two adjacent and connected office buildings located in Boston at 75-101 Federal Street, according to a value of USD 485 million (Carr's share – USD 242.5 million) and receipt of a loan in the amount of USD 280 million (Carr's share – USD 140 million) to finance the acquisition of the building complex for a period of 5 years at fixed interest of 1.94%.
- Realization of a property wholly-owned by Carr (Barlow Building) located in the Washington D.C. metropolitan area, for a consideration of USD 160 million.
- Issuance of capital in the amount of USD 93 million, of which the Company invested USD 44 million (NIS 151 million).



- Acquisition of a business park located near the city of Oxford in the UK, for GBP 80 million (NIS 362 million) and receipt of a loan in the amount of GBP 49 million to finance the acquisition of the property for a period of 5 years, which bears Libor interest plus an annual margin of 2%.
- As part of BE's entrepreneurship plan, during the reporting period and subsequent to the balance sheet date, BE acquired two buildings adjacent to existing buildings for a total consideration of approx. GBP 14 million (approx. NIS 62 million) (not including transaction costs).



- Capital raising of NIS 472 million in public offerings, of which the Company invested the amount of NIS 34.5 million.
- Virginia Project 82 MWp – During the reporting period and subsequent to the balance sheet date, Energix completed the construction of the first four projects in Virginia totaling 82 MWp and all were connected to the electricity grid.
- Wind farms in Poland with a capacity of 126 MWp – An agreement was signed with Vestas for the purchase of turbines and negotiations are being conducted for the financing of the projects' construction from a consortium of foreign banks on a non-recourse basis in the amount of PLN 550 million.

2.6 Summary of Key Data – the Group

	Unit	H1/2020	H1/2019	Q2/2020	Q2/2019	2019	% Change ⁵
Main financial results – Consolidated Statement							
Revenues from rental fees and management of investment property, net	NIS thousands	444,704	388,789	204,319	205,833	830,156	14.4
Fair value adjustments of investment property	NIS thousands	(189,437)	134,420	(103,193)	170,372	995,791	
Group share in the profits (losses) of associates, net	NIS thousands	2,716	141,811	(22,730)	87,105	413,437	(98.1)
Net Income for the period	NIS thousands	171,842	344,155	16,714	244,347	1,448,075	(50.1)
Net profit attributable to Company shareholders	NIS thousands	107,696	223,149	3,715	169,039	956,100	(51.7)
Comprehensive income (loss) for the period, attributable to Company shareholders	NIS thousands	6,808	(10,540)	(87,473)	79,685	596,962	(164.6)
FFO attributable to Company shareholders ⁶	NIS thousands	250,112	282,681	117,682	158,747	525,533	(11.5)
Total balance sheet	NIS thousands	25,824,271	22,133,343			25,098,865	2.9
Equity (including non-controlling interests)	NIS thousands	9,814,341	8,343,159			9,507,835	3.2
Financial debt (bank credit and bonds) ⁷	NIS thousands	13,296,458	11,670,963			12,852,209	3.5
Net financial debt ⁸	NIS thousands	11,915,440	10,544,656			12,080,460	1.4
Ratio of net financial debt to total balance sheet ⁹	%	48.7	50.2			49.7	

Main financial results – Expanded Solo¹⁰

Total balance sheet	NIS thousands	10,767,170	10,095,578			11,400,370	(5.6)
Equity attributable to Company shareholders	NIS thousands	6,433,960	5,767,348			6,336,545	1.5
Financial debt (bank credit and bonds) ⁷	NIS thousands	3,733,421	3,889,809			4,496,547	(17.0)
Net financial debt ⁸	NIS thousands	3,425,556	3,806,331			3,977,747	(13.9)
Ratio of net financial debt to total balance sheet ⁹	%	32.8	38.0			36.6	

Earnings per share data

Earnings per share – basic	NIS	0.62	1.30	0.02	0.98	5.55	(52.3)
Comprehensive income per share – basic	NIS	0.04	(0.06)	(0.51)	0.47	3.47	(166.7)
FFO per share ⁶	NIS	1.45	1.65	0.68	0.93	3.05	(12.1)
Current dividend per share	NIS	0.58	0.56	0.29	0.28	1.14	3.6
NAV per share	NIS	37.24	33.48			36.68	1.5
¹¹ NNAV per share	NIS	43.76	40.43			44.91	(2.6)
Price per share at end of period	NIS	34.33	46.26			54.60	(37.1)

⁵ Balance sheet data H1/2020 compared to 2019. Operating data H1/2020 compared to H1/2019.

⁶ 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.

⁷ Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.

⁸ Financial debt presented net of cash balances.

⁹ Net financial debt as a percent of total balance sheet, less cash balances.

¹⁰ 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).

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, with the exception of taxes related to associates held for sale.

2.7 Summary of Key Data – Investees

	Unit	H1/2020	H1/2019	Q2/2020	Q2/2019	2019	% Change ¹²
Investment in Israel – Amot Investments Ltd. (55.1% rate of holdings)¹³							
Number of income-generating properties	Unit	104	103			104	
Value of investment property (without property in development)	NIS thousands	12,725,565	10,986,802			12,847,643	(1.0)
Weighted capitalization rate deriving from investment property	%	6.50	7.03			6.45	
Occupancy rate at end of period	%	97.6	97.1			97.7	
Value of investment property in self-development	NIS thousands	918,708	446,299			620,954	48.0
Ratio of net financial debt to total balance sheet ⁹	%	44	43.2			42.3	
¹⁴ NOI	NIS thousands	368,603	353,256	167,793	178,066	727,552	4.3
FFO ¹⁵ per share	NIS	0.673	0.728	0.30	0.379	1.44	(7.6)
Ordinary dividend per share	NIS	0.48	0.46	0.24	0.23	0.94	4.3
Additional dividend per share ¹⁶	NIS	-	-			0.31	
Total dividend per share	NIS	0.48	0.46			1.25	4.3
NAV per share	NIS	15.50	14.08			16.02	(3.2)
NNAV per share	NIS	18.99	17.04			19.46	(2.4)
Share price at the end of the period	NIS	15.69	23.87			25.07	(37.4)

Investment in the United States – Carr Properties Corporation (rate of holdings – 44.2%)¹⁷

Number of income-generating properties	Unit	14	15			14	
Value of investment property (without property in development)	USD thousands	2,961,140	2,930,460			2,903,630	2.0
Occupancy rate at end of period	%	93.8	91.5			93.5	
Rental rate at end of period	%	95.5	95.1			96.1	
Number of properties in development	Unit	3	4			4	
Value of real estate in development ¹⁸	USD thousands	813,218	373,105			638,788	27.3
Ratio of net financial debt to total balance sheet	%	42.3	42.9			42.1	
NOI	USD thousands	73,225	74,366	35,787	37,351	147,617	(1.5)
FFO	USD thousands	45,010	39,324	22,076	19,416	81,358	14.5
NAV per share	USD	1.34	1.33			1.35	(0.7)

¹² Balance sheet data H1/2020 compared to 2019. Operating data H1/2020 compared to H1/2019.

¹³ 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.

¹⁴ Net operating income.

¹⁵ Funds from operations.

¹⁶ 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.

¹⁷ The 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.

¹⁸ Not including the 2025 Clarendon project, whose cost in the reporting periods in Carr's books is USD 19 million, and the advance paid on account of the land acquisition in the C-2 Union Market project.

	Unit	H1/2020	H1/2019	Q2/2020	Q2/2019	2019	% Change ¹⁹
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings – 96.0%)							
Number of properties	Unit	5	3			4	
Value of investment property	GBP thousands	651,900	426,576			566,250	15.1
Occupancy rate at end of period	%	94	97			97.8	
Ratio of financial debt to total balance sheet	%	51.3	51.6			49.9	
NOI	GBP thousands	12,762	4,584	6,406	4,201	15,241	178.4
FFO	GBP thousands	3,370	(143)	1,813	1,077	1,068	

Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 54.4%)

Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	220.5	129.51			173.2	27.3
Installed capacity from connected wind systems (MWp) – Energix's share	Unit	119.2	119.2			119.2	-
Balance of connected electricity-generating facilities – At book value	NIS thousands	1,427,450	1,246,634			1,252,562	14.0
Revenues from sale of electricity and green certificates	NIS thousands	131,465	121,670	61,725	55,574	237,126	8.1
FFO from projects ²⁰	NIS millions	88.6	87.4	40.9	39.4	170	1.4
Price per share at end of period	NIS	12.94	7.55			10.31	25.5

¹⁹ Balance sheet data H1/2020 compared to 2019. Operating data H1/2020 compared to H1/2019.

²⁰ Not including Energix's development, administrative and general cash flow costs that are not connected with projects.

3.1 Business Environment

For a description of the development of the business environment during the reporting period, see Chapter 1 above “The Global Corona Pandemic and its Impact on the Group's Business Activity”.

3.2 Statement of Financial Position

Statement of Financial Position Item	30.6.2020 NIS millions	31.12.2019 NIS millions	Notes and Explanations
Cash and cash equivalents	1,381	772	For Statement of Cash Flows – see Section 3.6 below.
Investment property	15,793	15,442	<p>The item includes investment property and investment property in development.</p> <p>Most of the increase is due to the acquisition of assets in the amount of NIS 522 million (of which approx. NIS 362 million is in respect of the acquisition of the Oxford property in the UK by Brockton Everlast) and from the investment in property in development in the amount of NIS 194 million. On the other hand, there was a decrease in respect of adjustments to the value of investment property in the reporting period in the amount of NIS 189 million and a decrease in the amount of NIS 195 million due to the appreciation of the NIS against the GBP.</p>
Investments in associates and securities measured at fair value through profit or loss (including the investment in PSP that is classified as an investment “held for sale”).	5,447	6,121	<p>The following are the main changes:</p> <ul style="list-style-type: none"> • Partial realization the investment in PSP in the amount of NIS 724 million. • Investment in Carr’s capital in the amount of NIS 151 million. • Decrease in respect of dividends received in the amount of NIS 125 million. <p>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 Note 14(c) to the financial statements.</p>
Electricity-generating facilities – connected and in development	2,409	2,095	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 Note 6 to the financial statements.
Other assets	794	669	
Total assets	25,824	25,099	
Loans and bonds	13,328	12,888	<p>The following are the main changes:</p> <ul style="list-style-type: none"> • Raising of bonds offset by repayments in the amount of NIS 1.1 billion. • Repayment of loans and credit facilities (net from the receipt of loans) in the amount of NIS 0.5 billion. <p>For details regarding the main changes in the Group’s financial debt – see Section 3.4.3 below.</p>
Other liabilities	2,682	2,703	
Total liabilities	16,010	15,591	
Equity attributable to shareholders	6,434	6,337	For details regarding the main changes in equity attributable to shareholders – see Section 3.7.2 below.
Non-controlling interests	3,380	3,171	
Total equity	9,814	9,508	
Total liabilities and equity	25,824	25,099	

3.3 Investments

3.3.1 The following are the Company's investments (expanded solo) as of June 30, 2020

	Currency	Number of Shares	Balance in NIS thousands	Adjusted Value in NIS thousands	Adjusted Value Measurement Basis
Amot	NIS	210,358,892	3,244,191	3,300,531	Stock market value
Energix ²¹	NIS	257,454,283	816,122	3,345,244	Stock market value
PSP	CHF	1,750,000 ²²	658,527	680,221	Stock market value
CARR	USD	-	3,283,734	3,283,734	Equity method
BOSTON	USD	-	809,782	809,782	Equity method
BROCKTON EVERLAST	GBP	-	1,339,664	1,339,664	Equity method
BROCKTON FUNDS	GBP	-	143,552	143,552	Equity method
Other (mainly cash)			367,935	367,935	
Total			10,663,507	13,270,662	

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 in its investees and in securities measured at fair value through profit or loss, as detailed below:

	January-June 2020	Subsequent to the Balance Sheet Date	Total
	In NIS millions		
Brockton Everlast	194	-	194
Carr	151	-	151
Boston	8	8	16
Amot	-	13	13
Energix	35	-	35
	388	21	409

3.3.3 Realization of investments in the reporting period and subsequent to the balance sheet date

During the reporting period, the Company sold 1.9 million PSP shares for a consideration of CHF 237.5 million (NIS 858 million). Subsequent to the balance sheet date, the Company sold an additional 493 thousand PSP shares for a consideration of CHF 53.3 million (approx. NIS 197.4 million). For further details, see Section 3.3.9 below and Note 8 to the financial statements.

²¹ In addition, the Company holds 2,898,000 negotiable options of Energix.

²² As of the date of publication of the report, the Company holds 1,257,314 PSP shares.

3.3.4 Investment in real estate in Israel – through Amot

3.3.4.1 For information regarding Amot's activity, see Chapter B of the Company's Description of Corporate Business for 2019 and Section 3.3.4 of the Company's Board of Directors' Report for 2019.

3.3.4.2 Developments in Amot's business in the reporting period and subsequent to the balance sheet date are as follows:

Tender win – “City Gate” Complex in Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (which constitutes Compound K) in the "City Gate" complex that will be built at the entrance to Jerusalem. According to the companies' bid in the tender, the cost of the land is approx. NIS 180 million. The development expenses that will be added amount to approx. NIS 30 million. The total cost of the land will be approx. NIS 210 million, with Amot's share at NIS 105 million.

The lease term is for a period of 98 years, with an option for an additional 98 years. The plot is designated for the construction of a complex for employment and commerce, accompanied by a street with an option for hotels and special rental housing with above ground floor area amounting to approx. 79 thousand sq.m. according to the current City Building Plan and approx. 103 sq.m. above ground according to a City Building Plan about to be deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%).

Amot and Allied will work together to plan and build the project on the site, and manage it as an income-generating property, with each party's share in the project being 50%. The investment in the project's construction, including the land component, is estimated by the parties in the amount of approx. NIS 1.1 billion, with Amot's part amounting to approx. NIS 550 million. The estimated schedule is approx. one to two years for planning and licensing procedures until the start of construction and another 5-6 years for the project's construction.

The cost of investment in the project's construction and the schedules for its construction are forward-looking information based on the assessments of the Amot management and which may differ due to factors unrelated to Amot and the Company.

Collection rates and relief for tenants

With the outbreak of the Corona pandemic, Amot received many inquiries from its clients in offices and commerce requesting deferrals, reductions, spreading of payments and cancellations of rent and management payments in respect of the period, or part thereof, in which the guidelines applied. It should be clarified that Amot is of the opinion that agreements should be honored, and it is acting to enforce the lease agreements that have been signed. In individual cases, Amot has allowed the spreading of payments for office tenants. As of the date of publication of this report, the collection of rent and management fees from office tenants is conducted as usual, similar to the period before the spread of the pandemic.

In relation to its shopping centers, Amot formulated a graded relief plan for rent and management payments during the period from March 15, 2020 to June 30, 2020. In the period between March 15, 2020 and April 30, 2020, it did not collect rent and management fees, and from the opening of the shopping centers until June 30, 2020, the tenants bore rent at a rate derived from the amount of revenue in accordance with the lease agreements and they were also given certain discounts on management fees, all subject to reduction/adjustment of relief amounts for each tenant entitled to grants according to the government assistance plan. The amount of the relief for the shopping center tenants amounts to NIS 32 million.

See also the reference in Chapter 1 of the Board of Directors' Report above "The global Corona pandemic and its impact on the Group's business activity".

Information regarding space rented during the reporting period

During the reporting period, 182 new contracts were signed, including the exercise of options amounting to an area of 61 thousand sq.m. at similar or higher rent than the existing ones.

Fair value of investment property

In the semi-annual reports, Amot relies on external professional appraisers who review all of Amot's assets. In accordance with these estimates at this time, there is no market data to justify a significant change in the working assumptions underlying the valuations as of the end of 2019, including the discount rates. As of the reporting date, Amot adjusted the value of its assets for the decline in the CPI over the first half of the year at a rate of 0.7%, and also took into account, in the work assumptions, the adjusted expected revenues from rent and management of Amot's assets in the short term in respect of the relief granted to tenants in Amot's commercial properties. The total negative revaluation recorded by Amot in the first half of the year (including its share in the revaluation of investment property in associates) amounted to approx. NIS 152 million. Amot's Cap Rate derived from the total value of its income-generating real estate as of June 30, 2020 is 6.5%.

2020 forecast update

As part of Amot's work plan for 2020, prepared prior to the outbreak of the Corona pandemic, all of Amot's assets were examined, including tenants and rental agreements, operating expenses of all properties, with emphasis placed on the optimal utilization of the resources at its disposal. The work plan was prepared with reference to the macroeconomic data as actually known in 2019.

Following the Corona events that led to the imposition of the general closure in March and April, 2020 and restrictions on business activity and as a result, the provision of relief to the commercial center tenants, Amot published an updated forecast for 2020 in the previous quarter. Recently, following the continued restrictions on business activity, Amot has again been updating its forecasts, but is unable to assess the full implications of the macroeconomic variables in 2020.

Amot's updated forecast is based on the following assumptions:

- Consumer Price Index – decrease by an annual rate of 0.7%.
- Signed rental agreements and expectations of Amot's management regarding current lease renewals in 2020.

- **The possible damage as a result of the imposition of an additional closure was not taken into account.**

Data	2020	2020	2020	2019
	Actual January-June	Updated Forecast	Original Forecast	Actual (*)
NOI (in NIS millions)	369	740-760	790-805	728
Real FFO (in NIS millions)	257	530-550	575-590	520
FFO per share (in NIS 0.01)	67.3	138-143	150-154	143.7

(*) The data is presented after neutralizing non-recurring financing expenses, net of tax, in the amount of NIS 18.3 million as a result of early repayment initiated by Amot.

Amot's forecast for 2020 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Amot management's work plan, which was approved by the Amot Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information referring to a future event or matter the materialization of which is uncertain and not under Amot's control since there is no certainty that all of the many variables comprising the work plan will be realized as planned.

Operating activities:

The Amot NOI amounted to NIS 369 million in the first half of 2020, compared to NIS 353 million in the corresponding half last year, constituting an increase of 5%. The Amot NOI amounted to NIS 168 million in the second quarter of 2020, compared to NIS 178 million in the corresponding quarter last year, constituting a decrease of 6%.

The increase compared to the corresponding period last year and the decrease compared to the corresponding quarter last year are due to additional income from newly acquired properties and additional income for space that began to yield in 2019, less the effect of the NIS 32 million relief for commercial tenants, which were fully recognized in the current quarter.

Projects in planning and construction:

For further information regarding Amot's projects in planning and construction, see Section 3.3.4 of the 2019 Board of Directors' Report and Note 4 to the financial statements.

3.3.5 Investment in Carr

3.3.5.1 For information regarding Carr's activity, see Chapter C1 of the Company's Description of Corporate Business for 2019 and Section 3.3.5 of the Board of Directors' Report for 2019.

3.3.5.2 Developments in Amot's business in the reporting period and subsequent to the balance sheet date are as follows:

Raising Capital

In June 2020, Carr raised a total of USD 92.7 million (NIS 320 million) from its shareholders, from which the Group invested a total of approx. USD 44 million (NIS 151 million).

Immediately prior to the publication of this report, the Company's rate of holdings is 44.2%.

Transactions during the reporting period:

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). To finance the acquisition of the building complex, a loan was received in the amount of USD 280 million (Carr's share – USD 140 million) for a period of 5 years at fixed interest of 1.94%.

Immediately prior to the above acquisition, Carr sold a wholly-owned property (Barlow Building) located in the Washington D.C. metropolitan area, for a consideration of USD 160 million (similar to the property's book value on December 31, 2019) – for details, see Note 7 to the Annual Financial Statements.

Fair value of investment property:

In the reporting period, Carr recorded a net negative revaluation of approx. USD 16 million in its financial statements, consisting of a negative revaluation of USD 59 million in respect of its income-generating properties, which was partially offset by revaluation profits amounting to NIS 43 million in respect of development projects (the Group's share in the aforementioned negative revaluation before tax is approx. USD 7 million, NIS 24 million). The value adjustment in Carr is mainly due to the loss of one-time income and changes in the assumptions regarding the rate of increase in rental prices in the coming years. Carr's Cap Rate derived from the total value of its income-generating real estate as of June 30, 2020 is 5.5%.

Forecasts and collection rates

Regarding the implications of the global Corona pandemic on the dividend forecast published in the 2019 Periodic Report with regard to Carr, and also regarding Carr's collection rates in the second quarter of the year, see Chapter 1 of the Board of Directors' Report above, "The Global Corona Pandemic and its Impact on the Group's Business Activity".

Information regarding space rented during the reporting period

From the beginning of 2020 until the date of publication of the report, Carr signed lease agreements for a total area of approx. 290 thousand sq.f. in income-generating buildings, including projects in development.

Update regarding projects in construction and planning stages:

Further to that stated in Section 3.3.5 of the Company's Board of Directors' Report for 2019 regarding projects in the construction and planning stages, the following are updates in the reporting period:

- One Congress – In view of a federal order for a cessation of all construction work in Boston for a three-month period that has ended, Carr notified State Street, which pre-leased 52% of the tower's rental space, that there may be some delay in delivering the space to State Street. According to the rental agreement, Carr will not incur any costs due to the aforementioned delay.
- The Winson – The project is fully leased and will open for occupancy in November 2020.
- 2025 Clarendon – After a thorough examination of the possibility of changing the land designation, Carr decided to look into the possibility of selling the land, the cost of which in Carr's books is USD 19 million.

For further information regarding Carr's projects in planning and construction stages, see Section 3.3.5 of the 2019 Board of Directors' Report.

Additional information:

- In January 2020, JPM, with whom the Company has a joint control agreement in Carr, began examining the possibility of selling its holdings in Carr. For additional information, see the Company's immediate report published on January 26, 2020 (Ref: 2019-01-009780). Due to the spread of the Corona virus, JPM decided to discontinue the process.

3.3.6 Investment in Brockton Everlast ("BE"):

3.3.6.1 For information regarding Brockton Everlast's activity, see Chapter D of the Company's Description of Corporate Business for 2019 and Section 3.3.6 of the Board of Directors' Report for 2019.

3.3.6.2 Developments in Brockton Everlast's business in the reporting period and subsequent to the balance sheet date are as follows:

Transactions during the reporting period:

In January 2020, BE completed the acquisition of a business park located near the Oxford city center in the UK, for approx. GBP 80 million (approx. NIS 362 million) (not including transaction costs). For the acquisition of the business park, BE received a loan in the amount of GBP 49 million (approx. NIS 217 million) for a period of 5 years, which bears Libor interest plus an annual margin of 2%.

As part of BE's entrepreneurship plan, during the reporting period and subsequent to the balance sheet date, BE acquired two buildings adjacent to existing buildings for a total consideration of approx. GBP 14 million (approx. NIS 62 million) (not including transaction costs).

As of the date of publication of the report and further to the above, BE owns five income-generating properties (four of which are in the London metropolis and the fifth is in Oxford) at a value of GBP 661 million (approx. NIS 2.9 billion), with a total rental space of 792 thousand sq. ft. (approx. 74 thousand sq.m.).

Fair value of investment property:

During the reporting period, BE recorded a negative revaluation of GBP 4 million and an amortization of acquisition costs of an additional GBP 5 million. BE's Cap Rate derived from the total value of its income-generating real estate as of June 30, 2020 is 4%.

Collection rates

Regarding BE's collection rates in the second quarter of the year, see Chapter 1 of the Board of Directors' Report above, "The Global Corona Pandemic and its Impact on the Group's Business Activity".

3.3.7 Investment in AH Boston

3.3.7.1 For information regarding AH Boston's activity, see Chapter C2 of the Company's Description of Corporate Business for 2019.

3.3.7.2 Development of AH Boston's Business in the Reporting Period:

Forecasts and collection rates

Regarding the implications of the global Corona pandemic on the dividend forecast published in the 2019 Periodic Report with regard to AH Boston, and also regarding AH Boston's collection rates in the second quarter of the year, see Chapter 1 of the Board of Directors' Report above, "The Global Corona Pandemic and its Impact on the Group's Business Activity".

Fair value of investment property:

During the reporting period, negative revaluations were recorded, mainly due to the impact of the Corona crisis in the amount of USD 28 million in respect of the three properties held by the Company in partnership with Oxford in Boston (the Group's share before tax – USD 15 million, which is approx. NIS 54 million). The Cap Rate derived from the total value of the income-generating real estate of the three properties as of June 30, 2020 is 5%.

3.3.8 Renewable energy investments through Energix

3.3.8.1 For information regarding Energix's activity, see Chapter F of the Company's Description of Corporate Business for 2019 and Section 3.3.7 of the Board of Directors' Report for 2019.

3.3.8.2 Developments in Energix's business in the reporting period and subsequent to the balance sheet date are as follows:

Raising Capital

In January 2020, Energix issued 20,860,400 shares of common stock according to a shelf offer report for NIS 240 million (of this amount, the Company invested NIS 34.5 million).

In June 2020, Energix completed an additional capital raising through the issuance of 15,800,000 shares of common stock to the public for a consideration of NIS 232 million.

Immediately prior to the publication of this report, the Company's rate of holdings is 54.4%.

Virginia project 82 MWp

Further to that stated in Note 8b to the 2019 Annual Financial Statements, as of the date of publication of the report, Energix has completed the construction of the first four projects in Virginia with a total capacity of 82 MWp and all have been connected to the electricity grid.

Wind farms in Poland with a total output of 126 MW

Energix is preparing for the start of construction of the 2 wind farms with a total capacity of 126 MWp, and is acting to sign agreements with construction contractors, equipment suppliers and financing bodies. In the reporting period, as part of Energix's preparations for the start of construction work on the two aforementioned wind farms, Energix signed an agreement with Vestas for the purchase of turbines. In addition, as of the date of approval of the report, Energix is in negotiations for a transaction for the financing of the projects' construction from a consortium of foreign banks on a non-recourse basis in the amount of up to PLN 550 million.

Management Agreement with the Company

For details regarding the new management agreement according to which Energix receives management services from the Company, see Note 6c to the financial statements.

3.3.9 Investment in PSP

3.3.9.1 For information regarding PSP's activity, see Chapter E of the Company's Description of Corporate Business for 2019 .

3.3.9.2 Partial realization of the investment in PSP

During the reporting period, the Company sold 1.9 million PSP shares for a consideration of CHF 237.5 million (NIS 858 million). As a result of these sales, the Company listed a profit (before tax) of NIS 151 million (an after tax capital gain of NIS 116 million).

As of June 30, 2020, the investment in PSP is approx. NIS 658 million and it is presented in the Company's financial statements as an investment in an associate "held for sale" under current assets. See Note 8 to the annual financial statements in this regard.

Subsequent to the balance sheet date, the Company sold an additional 493 thousand PSP shares for a consideration of CHF 53.3 million (approx. NIS 197.4 million). As of the publication date of the financial statements, the Company holds 1,257,314 shares of PSP, which constitute 2.7% of PSP's capital stock.

For additional information regarding the investment in PSP and regarding the accounting treatment of this investment as "held for sale", see Note 8 to the financial statements.

3.3.10 Dividend receipts

As stated in Section 1 above, "The Global Corona Pandemic and its Impact on the Group's Business Activity", all of the Group companies intend (as of the reporting date) to maintain their dividend policy for 2020.

The following are the dividends received from the Company's main investments (expanded solo) in 2020, up to the date of publication of the financial statements, and the projected receipts of dividends for 2020:

	From the Beginning of 2020 to the Financial Statements Publication Date	2020 Forecast
	In NIS millions	
Amot	166	272
CARR	71	95
PSP	35	35
Boston	11	32
	283	434

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 beginning of 2020 to the date of publication of the report, dividends and investment repayments were received from Brockton in the amount of GBP 2 million (NIS 10 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.

3.4 Liquidity and financing sources

3.4.1 Cash and credit facilities

As of June 30, 2020, the Group has cash balances of NIS 1.4 billion (of which the Company's expanded solo balance – NIS 172 million) and unutilized lines of credit in the amount of NIS 1.4 billion (of which the Company's expanded solo lines of credit – NIS 500 million).

3.4.2 Unencumbered assets

As of June 30, 2020, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash and other current assets) is NIS 10.4 billion (a market value of NIS 13 billion). As of June 30 2020, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 13.4 billion.

3.4.3 Financial debt

As of June 30, 2020, the Group's net financial debt amounted to NIS 11.9 billion, which constitutes 48.7% of the Group's total assets, compared with a net financial debt of NIS 12.1 billion, which constituted 49.7% of the Group's assets, on December 31, 2019.

As of June 30, 2020, the Company's (expanded solo) net financial debt amounted to NIS 3.4 billion, constituting 32.8% of the Company's assets (expanded solo), compared to a net financial debt of NIS 4 billion, constituting 36.6% of the Company's assets (expanded solo) as of December 31, 2019.

During the reporting period, the Company (expanded solo) performed the following:

- In the reporting period, the Company re-signed a credit facility agreement with the Bank of Israel in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (“the utilization period”) to be repaid by the end of two years from the end of the utilization period (“the New Facility Agreement”). See details in Note 10a(1) to the financial statements.
- Further to Note 12(b)(2) to the 2019 Annual Consolidated Financial Statements, during the second quarter of 2020, the Company repaid, in a voluntary early repayment, the balance of the loan from a foreign bank in the amount of CHF 100 million. Simultaneously with the repayment of the loan, the foreign bank released the collateral provided to secure the loan, so that as of the reporting date, all of the Company's assets are released from any liens.

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

For disclosure specific to bondholders, see Section 6 below.

For details of the Company's liabilities (expanded solo) maturing after June 30, 2020, see Section 2 of Appendix A below.

During the reporting period and subsequent to the balance sheet date, the consolidated companies carried out the following actions:

Amot:

- In the reporting period and subsequent to the balance sheet date, Amot raised debt in the amount of approx. NIS 1.5 billion, of which approx. NIS 1 billion has an average duration of 7.5 years at CPI-linked effective interest of 1.8%, and NIS 460 million has an average duration of 9.3 years at NIS effective interest at a rate of 2.55%.
- During the reporting period, 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). In addition, Amot repaid credit facilities, which were taken in the previous year, totaling NIS 265 million.

Brockton Everlast:

- In order to finance the acquisition of the business park at a cost of GBP 80 million, as detailed in Section 3.3.6 above, BE took a non-recourse bank loan in the reporting period in the amount of GBP 49 million for a period of 5 years, 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 purchased in favor of the bank with a senior lien. In addition, BE entered into a CAP transaction with the financing bank such that the maximum annual Libor interest rate would not exceed 2% during the entire loan period.

Energix:

- Financing transaction for projects with a capacity of up to 62 MWp (second competitive procedure): Further to that stated in Note 12d(5) to the annual consolidated financial statements, as of the date of the report, Energix has completed all conditions required for the withdrawal of NIS 105 million (which were withdrawn) from the total facility in the amount of NIS 180 million.
- Financing transaction for projects with a capacity of up to MWp 149 (third and fourth competitive procedures): As of the date of the report, Energix has signed a memorandum of understanding for

project financing of up to NIS 390 million, on a non-recourse basis, and is negotiating the details of the financing agreement.

As of the reporting date, the Group is in compliance with all financial covenants regarding its loans and bonds.

3.5 Operating results

In the reporting period, the Group recorded a net profit of NIS 172 million. The share of Company shareholders in the profit amounted to NIS 108 million, compared to a profit of NIS 223 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 57 million. The share of Company shareholders in the income amounted to NIS 7 million, compared to a profit of NIS 11 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):

	H1/2020	H1/2019	2019
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	107,696	223,149	956,100
Adjustments to profit or loss:			
Fair value adjustments of investment property	189,437	(134,420)	(995,791)
Company share in real estate revaluations and other non-FFO items in investees	117,079	2,507	(153,676)
Profit from decrease in rate of holding, from purchase and realization of investees	(150,728)	-	(96,680)
Profit from securities	22,663	19,290	5,966
Others (mainly depreciation and amortizations)	36,698	29,255	66,930
Accumulated linkage differentials and exchange rate differentials	(17,399)	79,356	57,494
Deferred taxes and current taxes from the realization of securities and real estate, net	30,865	82,746	475,074
Share of non-controlling interests in the above adjustments to FFO	(86,199)	(19,202)	210,116
FFO	250,112	282,681	525,533

The sources of the FFO are as follows:

Revenues

Investment property NOI	409,071	356,833	762,166
NOI from the sale of electricity, less development costs	107,032	103,735	200,230
PSP's share in FFO	22,428	41,836	73,964
Carr's share in FFO	69,420	66,907	126,910
AH Boston's share in FFO	22,881	22,496	43,635
Energix, Brockton Everlast and Amot associates' share in FFO	5,066	8,825	15,252
Dividend income from investments and others (mainly Brockton Funds)	2,550	22,501	32,666
Total revenues	638,447	623,133	1,254,823

Expenses

Real financing, net	(150,510)	(132,442)	(284,157)
Administrative and general	(54,126)	(50,332)	(109,966)
Current taxes	(33,354)	(17,470)	(53,308)
Share of non-controlling interests attributable to current operations	(150,345)	(140,208)	(281,859)
Total expenses	(388,335)	(340,452)	(729,290)

FFO	250,112	282,681	525,533
FFO per share (NIS)	1.45	1.65	3.05

3.5.2 The following table provides a summary of operating results (in NIS thousands):

	<u>H1/2020</u>	<u>H1/2019</u>	<u>Q2/2020</u>	<u>Q2/2019</u>	<u>2019</u>
	<u>NIS thousands</u>				
<u>Revenues and profits</u>					
Revenues from rental fees and management of investment property, net	444,704	388,789	204,319	205,833	830,156
Fair value adjustments of investment property	(189,437)	134,420	(103,193)	170,372	995,791
Group share in the profits (losses) of associates, net	2,716	141,811	(22,730)	87,105	413,437
Net profits (losses) from investments in securities measured at fair value through profit or loss	(20,711)	3,033	(11,558)	1,029	24,711
Profit from decrease in rate of holding, from purchase and realization of investees	150,728	-	26,483	-	96,680
Revenues from sale of electricity and green certificates	131,465	121,669	61,725	55,573	237,126
Other revenues, net	594	62	12	62	1,027
	<u>520,059</u>	<u>789,784</u>	<u>155,058</u>	<u>519,974</u>	<u>2,598,928</u>
<u>Costs and expenses</u>					
Cost of investment property rental and operation	35,633	31,956	16,339	16,934	67,990
Development, maintenance and operation costs of electricity-generating facilities	20,450	14,802	8,836	5,766	30,482
Depreciation and amortization	35,056	30,855	18,873	15,737	60,549
Administrative and general	59,748	56,002	28,839	29,455	121,799
Financing expenses, net	133,111	211,797	71,158	164,644	341,651
	<u>283,998</u>	<u>345,412</u>	<u>144,045</u>	<u>232,536</u>	<u>622,471</u>
Profit before taxes on income	236,061	444,372	11,013	287,438	1,976,457
Income tax expenses (revenues)	64,219	100,217	(5,701)	43,091	528,382
Net Income for the period	<u>171,842</u>	<u>344,155</u>	<u>16,714</u>	<u>244,347</u>	<u>1,448,075</u>
<u>Distribution of net income for the period:</u>					
Company shareholders' share	107,696	223,149	3,715	169,039	956,100
Non-controlling interests	64,146	121,006	12,999	75,308	491,975
	<u>171,842</u>	<u>344,155</u>	<u>16,714</u>	<u>244,347</u>	<u>1,448,075</u>

Comparison of operating results for the first half of 2020 with operating results for the first half of 2019:

Revenues from rental fees and management of investment property, net – amounted to 445 million NIS in the reported period, compared to 389 million NIS in the corresponding period last year, a 14.4% increase. Approx. NIS 40 million of the increase is due to revenues from the properties acquired by Brockton Everlast during 2019 and in the reporting period, while NIS 16 million was due to an increase in revenues in Amot. The increase in Amot stems from additional revenues in respect of new properties it acquired and the occupancy of the ToHa1 tower, whose construction was completed in 2019. On the other hand, there was a decrease in revenues in Amot due to the amount of relief given to the commercial center tenants in the amount of NIS 32 million, which was fully recognized in the second quarter of 2020.

Fair value adjustment of investment property – In the reporting period, a loss was recorded from the fair value adjustment of investment property in the amount of NIS 189 million, compared to a profit of NIS 134 million in the corresponding period last year.

The loss in the current period is mainly due to losses recorded in the amount of NIS 148 million due to the impact of the Corona crisis on commercial properties and due to the decline in the CPI in the reporting period by a rate of 0.7%. In addition, the loss includes a negative value adjustment in the amount of NIS 40 million in respect of Brockton Everlast's assets due to the impact of the Corona crisis on a commercial property and due to the acquisition costs of a property acquired in the reporting period.

The profit in the corresponding period last year is mainly due to the effect of the rate of increase in the CPI on the value of Amot's assets, as well as a positive revaluation in respect of an asset under construction.

Group share in the profits of associates, net – The changes between the profit in the reporting period and in the corresponding period last year are mainly due to the following factors:

- Group share in PSP's profits – A profit of NIS 13 million was recorded in the reporting period, compared to a profit of NIS 94 million in the corresponding period last year. The decrease in the Group's share in PSP profits is due to the fact that as of the second quarter of 2020, the Company does not record its share in PSP profits because the investment is presented as 'held for sale' in the Company's financial statements. In addition, the decrease is due to a decrease in the rate of holdings in PSP following the sale of PSP shares in 2019 and during the reporting period, which reduced the Group's share in PSP's profits that were recorded in the first quarter of the year, compared with the corresponding period last year.
- Group share in Carr's profits – A profit of NIS 39 million was recorded in the reporting period, compared to a loss of NIS 26 million in the corresponding period last year. The increase in Carr's profits is mainly due to losses from real estate revaluations which were lower in the current period (USD 16 million – see explanation in Section 3.3.5 above) compared to the corresponding period last year (approx. USD 48 million, part of which was due to the increase in the purchase tax rate in Washington DC).
- Group share in AH Boston's profits – A loss of NIS 34 million was recorded in the reporting period, compared to a profit of NIS 80 million in the corresponding period last year. The decrease in AH Boston's profits is mainly due to losses from real estate revaluations in respect of Boston assets recorded in the reporting period due to the effect of the Corona crisis, compared to revaluation gains recorded in the corresponding period last year.

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 or loss (including Brockton funds). The loss in the reporting period is mainly due to the decline in value of the investments classified in this section.

Profit from decrease in holdings, from purchase and realization of investees – The profit in the reporting period, in the amount of NIS 151 million, stems mainly from the sale of 1.9 million PSP shares.

Revenues from the sale of electricity and Green Certificates – the 10 million increase in revenues in the reporting period compared to the corresponding period last year stems from the recognition of revenue from photovoltaic projects in Israel (Procedure 2 – 62 Mwp) that were not commercially operated in the corresponding period (approx. NIS 8 million) and the recording of revenues from one of the projects in the United States (21 MWp), which was connected during the second quarter (approx. NIS 1 million). There was also an increase in the amount of electricity produced in Poland and an increase in the price of Green Certificates, which was partially offset by the erosion of the average exchange rate of the PLN by a rate of 9%.

Financing expenses – There was a NIS 78 million decrease in financing expenses in the reporting period compared to the reporting period last year.

Most of the decrease (NIS 104 million) stems from the effect of the CPI in the reporting period, which declined by a rate of 0.7%, compared to an increase at a rate of 1.2% in the corresponding period last year. On the other hand, there was an increase in financing expenses due to the increase in the Group's financial debt. In the reporting period, the Group also recorded a loss in the amount of approx. NIS 17 million as a result of an adjustment to the stock market value of short-term tradable securities, as a result of the decline in share prices during the period.

Tax expenses – There was a NIS 36 million decrease in tax expenses in the reporting period compared to the reporting period last year. The decrease in tax expenses in the reporting period compared to the corresponding period last year is mainly due to lower profits in the reporting period compared to the corresponding period last year, mainly due to the effect of the Corona crisis on the value of the Group's assets.

3.5.3 The following is information regarding the Group's comprehensive income (in NIS thousands):

	H1/2020	H1/2019	Q2/2020	Q2/2019	2019
	NIS thousands				
Net income for the period:	171,842	344,155	16,714	244,347	1,448,075
Loss from investment in Carr (1)(2)	(29,720)	(147,883)	(51,178)	(69,563)	(230,763)
Profit (loss) from investment in PSP (1)	6,298	(29,880)	3,452	(715)	(35,545)
Loss from investment in Boston properties (1)	(5,011)	(23,208)	(13,538)	(10,115)	(38,555)
Loss from investment in BE (1)(3)	(45,018)	(18,261)	(24,261)	(13,835)	(16,016)
Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax)	(16,843)	-	(7,887)	-	(5,885)
Profit (loss) from other investments	(29,442)	(15,919)	7,216	1,472	(50,151)
Tax effects	4,931	(4,151)	(2,429)	4,015	(875)
Other comprehensive loss for the period	(114,805)	(239,302)	(88,625)	(88,741)	(377,790)
Total comprehensive income (loss) for the period	57,037	104,853	(71,911)	155,606	1,070,285
<u>Distribution of comprehensive income (loss) for the period:</u>					
Company shareholders' share	6,808	(10,540)	(87,473)	79,685	596,962
Non-controlling interests	50,229	115,393	15,562	75,921	473,323
	57,037	104,853	(71,911)	155,606	1,070,285

(1) Profit (loss) from investment in respect of foreign currency – The profit (loss) represents the increase (decrease) in the Company's investments due to changes in the NIS against the investment currencies 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 investments. In the reporting period, there was a devaluation or an (appreciation) of the NIS by a rate of 0.3%, (6.7%) and 1.9% against the USD, the GBP and the CHF, respectively. In the reporting period last year, there was a devaluation or an (appreciation) of the NIS by a rate of (4.9%), (5.6%) and (3.8%) against the USD, the GBP and the CHF, respectively.

(2) The net loss in the reporting period includes a loss in the amount of NIS 6 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr (in the reporting period last year – a loss of NIS 48 million).

(3) The net loss in the reporting period includes a loss in the amount of NIS 4.5 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE.

3.6 Cash Flows

	H1/2020	H1/2019	2019
	NIS millions		
Total cash provided by operating activities	315	380	706
<u>Cash flows used in investing activities</u>			
Proceeds from the sale of PSP	722	-	440
Investment in investment property and fixed assets	(801)	(2,110)	(3,839)
Investment in electricity-generating facilities	(442)	(110)	(481)
Investment in Brockton Funds	(12)	-	(62)
Repayment of investment from Brockton Funds	22	-	65
Investment in Carr	(151)	-	(246)
Investment in Boston properties (net from repayment of investment)	(8)	(11)	(44)
Net decrease (increase) in pledged deposits and restricted cash in Energix	108	6	(124)
Proceeds in respect of repaid hedging transactions	1	1	19
Other	5	10	(12)
Total cash used in investing activities	(556)	(2,214)	(4,284)
<u>Cash flows provided by financing activities</u>			
Receipt of loans (long-term loans and utilization of short-term bank credit)	272	1,178	1,582
Proceeds from the issue of bonds and bond options	1,477	1,143	2,745
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(1,142)	(459)	(1,260)
Capital raised by the Company	1	27	47
Capital raised by Amot (net of the Company's investment in Amot in the issue)	7	233	338
Capital raised by Energix (net of the Company's investment in Energix in the issue)	470	109	361
Acquisition of Amot and Energix shares from non-controlling interests	-	-	(14)
Payment of dividends to Company shareholders and to Amot non-controlling interests	(235)	(283)	(460)
Other	(1)	-	(2)
Total cash provided by financing activities	849	1,948	3,337
Total increase in cash balances in the period	608	114	(241)
Other influences	1	(2)	(1)
Cash and cash equivalents at end of period	1,381	1,126	772

3.7 Equity

3.7.1 Equity per share

	As of June 30 2020	As of December 31 2019
	NIS millions	
Equity	9,814	9,508
Less non-controlling interests	(3,380)	(3,171)
Equity attributable to Company shareholders	6,434	6,337
 NAV per share	 37.24	 36.68
 NNAV per share²³	 43.76	 44.91

3.7.2 Explanation of changes in equity

During the reporting period, the capital attributed to the Company's shareholders increased by NIS 97 million. The main changes are as follows:

- Net profit attributable to Company shareholders in the amount of NIS 108 million – see additional details in Section 3.5.2 above.
- Other comprehensive loss attributable to Company shareholders in the amount of NIS 101 million – see additional details in Section 3.5.3 above.
- A reduction in capital following dividends declared and paid to the amount of 100 million NIS.
- Increase in capital reserves due to the profit created in the capital offering of associates in the amount of NIS 188 million.

²³ 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, with the exception of taxes related to associates held for sale.

3.7.3 Effects of changes in exchange rates on the Company's equity

Below is the composition of the surplus of assets over liabilities on the basis of the Company's Statements (expanded solo) by currency, as of June 30, 2020 (in NIS millions)²⁴:

Currency	Assets	Liabilities	Assets, net	%
USD	4,671	(2,417)	2,254	35%
CHF	801	(367)	434	7%
GBP	1,484	(939)	545	8%
Other (mainly PLN and CAD)	173	(46)	127	2%
Excess assets over liabilities in foreign currency	7,129	(3,769)	3,360	52%
Excess assets over liabilities in NIS	3,638	(564)	3,074	48%
Equity as of June 30, 2020	10,767	(4,333)	6,434	100%

3.7.4 Dividend

For details on dividends distributed by the Company in 2020 – see Note 12(a) to the financial statements.

3.8 Remuneration of senior officers and directors

For details on options granted to Company employees, officers and directors, see Note 16e to the annual financial statements and Note 12b to the financial statements.

For details regarding the new terms of service of the Company CEO and the Chairman of the Board of Directors for the years 2019-2021, see Notes 18a and 18b to the Annual Financial Statements, respectively.

4. Market risk exposure and management

- 4.1 Over the course of the reporting period, no material changes have occurred in the types of market risks as reported in the 2019 Board of Directors' Report and in Company policy regarding the management of these risks, with the exception of the Corona outbreak and its implications, as detailed in Section 1 above.
- 4.2 Regarding the linkage base report for monetary balances (expanded solo) as of June 30, 2020, see Section 3.7.3 above and Appendix B.

²⁴ Including the effect of forward transactions and cross currency swaps on the foreign currency.

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 whom have accounting and financial expertise.

5.2 Independent Directors

As of the date of publishing of this report, the Company has not adopted the provision in the First Addendum to the Companies Law regarding the rate of independent directors, according to which, among other things, a publicly-owned company that does not have a controlling shareholder or the holder of a controlling block may establish instructions in its articles of association stating that a majority of the members of its Board of Directors must be independent directors.

In this regard, “independent director” means a director who meets qualification requirements for the appointment of an independent director set in Section 240 (b) through (f) of the Companies Law, who has been approved by the Audit Committee, and who has not served as a Company director for over nine consecutive years, and in this regard a gap in their service of no longer than two years will not be seen as ending the continuity of their service.

In the Company's opinion, and after the confirmation of the Audit Committee, 4 of the 7 directors currently serving on the Company's Board of Directors meet the definition of independent directors (Professor Zvi Eckstein – external director, Mr. Shlomi Shuv, CPA – external director, Ms. Gittit Gubermann and Mr. Amos Yadlin).

5.3 The Company's Internal Auditor

On March 14, 2019, the Audit Committee approved a multi-year work plan for the years 2019-2022. On December 26, 2019, the above multi-year work plan was updated, relative to 2020 and, accordingly, the Audit Committee approved the work plan for 2020, which includes the following topics: (a) control over the internal audit of an investee – Amot Investments; (b) a fraud and embezzlement survey; (c) information systems; and (d) Alony-Hetz control over investees – an examination in relation to Alony-Hetz's control over the acquisition of properties by BE.

The Audit Committee, in its March 13, 2020 meeting, discussed the Internal Auditor's report on the fraud and embezzlement survey.

In its August 17, 2020 meeting, the Audit Committee discussed the Internal Auditor's report on the subject of information systems.

6. Special Disclosure for Bondholders

6.1 The following are details updated as of June 30, 2020 regarding bonds issued by the Company:

(in thousands)	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Total
Par value as of June 30, 2020	623,731	1,188,399	1,315,153	200,932	400,730	3,728,945
Par value linked as of June 30, 2020	643,476	1,188,399	1,315,153	200,932	400,730	3,748,689
Value in the financial statements as of June 30, 2020 (at amortized cost)	671,025	1,221,039	1,334,589	197,866	397,293	3,821,814
Stock market value as of June 30, 2020	680,616	1,278,598	1,305,026	195,728	392,315	3,852,283
Accrued Interest as of June 30, 2020	9,963	15,418	2,540	1,816	3,281	33,018

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

Financial Ratio		Criterion	Value as of June 30, 2020
Net financial debt to value of holdings ²⁵	%	Less than 80	31.81
Minimum equity (Series H, I, J, K and L) ²⁶	NIS billions	More than 2.1	6.4

For further information, see Section 5.2.3 of Chapter G(5) to the Description of Corporate Business in the 2019 Periodic Report.

²⁵ Value of the holdings as defined in the deed of trust. In order for grounds to exist for early redemption, the breach of the financial ratio must exist for four consecutive quarters.

²⁶ In order for grounds to exist for early redemption, the breach of the financial ratio must exist for four consecutive quarters. For Series H – the minimum equity is NIS 1.2 billion, For Series I and J – the minimum equity is NIS 1.8 billion.

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

Director and CEO

Aviram Wertheim

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 – 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 Condensed expanded solo balance sheet (NIS thousands):

	As of June 30	As of December 31
	2020	2019
	In NIS thousands	
<u>Current assets</u>		
Cash and cash equivalents	172,076	518,800
Tradable securities	22,739	40,876
Investment in associate held for sale	658,527	-
Other accounts receivable	203,554	32,781
Total current assets	1,056,896	592,457
<u>Non-current assets</u>		
Securities measured at fair value through profit or loss	163,206	203,803
Investments in investees	9,511,170	10,567,750
Others	35,898	36,360
Total non-current assets	9,710,274	10,807,913
Total assets	10,767,170	11,400,370
<u>Current liabilities</u>		
Short-term credit and current maturities of long-term liabilities	347,388	350,002
Other accounts payable	59,466	113,370
Total current liabilities	406,854	463,372
<u>Non-current liabilities</u>		
Bonds	3,475,279	3,840,621
Loans from banking corporations and others	1,065	358,987
Deferred taxes	433,197	396,322
Others	16,815	4,523
Total non-current liabilities	3,926,356	4,600,453
Equity	6,433,960	6,336,545
Total liabilities and equity	10,767,170	11,400,370

Financial Data, Expanded Solo

1.2 Condensed Expanded Solo Statements of Income (NIS thousands):

	H1/2020	H1/2019	Q2/2020	Q2/2019	2019
	NIS thousands				
Revenues					
Group share in the profits of associates, net	61,020	315,728	5,178	226,786	1,124,095
Profit from decrease in rate of holding, from purchase and realization of investees	150,729	-	26,484	-	96,680
Net profits (losses) from investments in securities measured at fair value through profit or loss	(20,711)	3,033	(11,558)	1,029	24,711
Other revenues, net	6,994	7,068	3,527	3,541	14,424
	<u>198,032</u>	<u>325,829</u>	<u>23,631</u>	<u>231,356</u>	<u>1,259,910</u>
Expenses					
Administrative and general	15,595	17,645	7,152	10,292	37,392
Financing expenses, net	63,444	58,225	28,442	39,797	97,410
	<u>79,039</u>	<u>75,870</u>	<u>35,594</u>	<u>50,089</u>	<u>134,802</u>
Income (loss) before income tax	118,993	249,959	(11,963)	181,267	1,125,108
Income tax expenses (revenues)	11,297	26,810	(15,678)	12,228	169,008
Net Income for the period	<u>107,696</u>	<u>223,149</u>	<u>3,715</u>	<u>169,039</u>	<u>956,100</u>

2. The Company's liabilities (expanded solo) maturing after June 30, 2020:

	<u>Bonds</u>	<u>Bank Loans</u>	<u>Total</u>	<u>%</u>
	<u>NIS thousands</u>			
Current maturities	347,096	852	347,948	9
Second year	406,334	852	407,186	11
Third year	406,290	213	406,503	11
Fourth year	526,237	-	526,237	14
Fifth year	526,237	-	526,237	14
Sixth year onward	1,533,804	-	1,533,804	41
Total maturities	3,745,998	1,917	3,747,915	100
Interest payable and others			35,712	
Balance of assets in connection with foreign currency forward transactions			<u>(50,206)</u>	
Total financial debt (taking foreign currency forward transactions into account)			<u>3,733,421</u>	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 588 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of CHF 75 million and USD 90 million.

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of June 30, 2020	In NIS	In NIS				Other		Adjustments	
In NIS thousands	without	Linked	In	In		(Mainly	Total	-	
	Linkage	to the CPI	CHF	USD	In GBP	PLN and CAD)	Total	Non-monetary	Total
Current assets									
Cash and cash equivalents	158,887	-	26	12,161	770	232	172,076	-	172,076
Tradable securities	22,739	-	-	-	-	-	22,739	-	22,739
Investment in associate held for sale	-	-	-	-	-	-	-	658,527	658,527
Other accounts receivable	53,020	-	135,880	-	-	-	188,900	14,654	203,554
Total current assets	234,646	-	135,906	12,161	770	232	383,715	673,181	1,056,896
Non-current assets									
Securities measured at fair value through profit or loss	19,654	-	-	-	143,552	-	163,206	-	163,206
Investments in associates	-	-	-	-	-	-	-	9,511,170	9,511,170
Others	31,752	-	-	-	-	-	31,752	4,146	35,898
Total non-current assets	51,406	-	-	-	143,552	-	194,958	9,515,316	9,710,274
Total assets	286,052	-	135,906	12,161	144,322	232	578,673	10,188,497	10,767,170
Current liabilities									
Short-term credit and current maturities of long-term liabilities	132,044	214,492	-	852	-	-	347,388	-	347,388
Other payables	41,180	11,315	61	20	-	32	52,608	6,858	59,466
Total current liabilities	173,224	225,807	61	872	-	32	399,996	6,858	406,854
Non-current liabilities									
Bonds	3,018,746	456,533	-	-	-	-	3,475,279	-	3,475,279
Loans from banking corporations and others	-	-	-	1,065	-	-	1,065	-	1,065
Deferred tax liabilities	-	-	-	-	-	-	-	433,197	433,197
Others	15,651	-	-	866	-	-	16,517	298	16,815
Total non-current liabilities	3,034,397	456,533	-	1,931	-	-	3,492,861	433,495	3,926,356
Total liabilities	3,207,621	682,340	61	2,803	-	32	3,892,857	440,353	4,333,210
Excess assets over liabilities (liabilities over assets)	(2,921,569)	(682,340)	135,845	9,358	144,322	200	(3,314,184)	9,748,144	6,433,960
Financial derivatives	3,339,961	-	(309,745)	(2,122,838)	(907,378)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	418,392	(682,340)	(173,900)	(2,113,480)	(763,056)	200	(3,314,184)	9,748,144	6,433,960
Distribution of non-monetary assets (liabilities), net – by linkage basis	(2,019)	3,340,778	607,834	4,366,817	1,308,428	126,306	9,748,144	(9,748,144)	-
Excess assets over liabilities (liabilities over assets)	416,373	2,658,438	433,934	2,253,337	545,372	126,506	6,433,960	-	6,433,960

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	21.3	(21.3)
GBP	9.1	(9.1)
CHF	3.1	(3.1)
Total expanded solo	33.5	(33.5)

(*) Does not include the effect of changes in the exchange rates on the underlying assets (the Company's investments) and on foreign currency credit.

Appendix C – Rating Reports²⁷

- For an up-to-date Midroog rating report see the immediate report published by the Company on May 4, 2020 (Ref: 2020-01-044016).
- For a current Maalot, the Israeli Securities Rating Company Ltd. rating report, see the immediate report published by the Company on June 10, 2020 (Ref: 2020-01-060243) and the immediate report dated July 9, 2020 (Ref: 2020-01-066058).

²⁷ The information detailed in the above immediate reports was included in this report by way of reference.

Concise Consolidated Financial Statements (Unaudited)

Alony - Hetz Properties and
Investments LTD



**A Review Report of the Independent Auditor to the shareholders of
Alony Hetz Properties & Investments Ltd.**

Introduction

We have reviewed the accompanying financial information of **Alony Hetz Properties & Investments Ltd.** the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 15% of total consolidated assets as of June 30, 2020, and whose revenues included in consolidation constitute approximately 24% and 30% of total consolidated revenues for the periods of six and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,841 million NIS as of June 30, 2020 and the share of the group in their results for the periods on six and three months ended that date, is amounted approximately 75 and 40 million NIS, respectively. The interim condensed financial information for the periods of those companies was reviewed by other auditors, whose review reports have been submitted to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, August 24, 2020.

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	Note	As of June 30		As of December 31
		2020	2019	2019
		Thousands of NIS	NIS thousands	NIS thousands
		(Unaudited)		
Assets				
<u>Current Assets</u>				
Cash and cash equivalents		1,381,045	1,126,307	771,749
Deposits, tradable securities and restricted cash		59,311	2,445	185,483
Trade receivables		60,348	39,387	43,783
Current tax assets, net		20,059	12,639	5,434
Other receivables		347,967	170,992	182,345
		1,868,730	1,351,770	1,188,794
Investment in associate held for sale	8	658,527	-	-
Total current assets		2,527,257	1,351,770	1,188,794
<u>Non-current assets</u>				
Investment property	5	14,945,359	12,428,407	14,891,954
Investment property in development	4	847,912	378,859	550,354
Long-term investments:				
Securities measured at fair value through profit or loss		163,206	183,811	203,803
Investments in associates	7, 9	4,625,651	5,997,110	5,917,551
Deferred tax assets		10,561	640	3,895
Electricity-generating facilities:				
Connected electricity-generating facilities		1,427,450	1,246,634	1,252,562
Right-of-use asset		156,362	125,748	160,614
Electricity-generating facilities in development	6	825,537	236,817	682,153
Restricted deposits		41,025	56,225	41,173
Fixed assets, net		92,448	77,701	77,898
Other assets		161,503	49,621	128,114
Total non-current assets		23,297,014	20,781,573	23,910,071
Total assets		25,824,271	22,133,343	25,098,865

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

		As of June 30		As of December 31
		2020	2019	2019
Note		Thousands of NIS	NIS thousands	NIS thousands
		(Unaudited)		
Liabilities and equity				
Current liabilities				

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

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	_____	CFO

August 24, 2020

		For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
		2020	2019	2020	2019	2019
		NIS	NIS	NIS	NIS	NIS
	Note	thousands	thousands	thousands	thousands	thousands
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues and profits						
Revenues from rental fees and management of investment property, net (see Note 2.a)		444,704	388,789	204,319	205,833	830,156
Fair value adjustments of investment property	4, 5	(189,437)	134,420	(103,193)	170,372	995,791
Group share in the profits (losses) of associates, net		2,716	141,811	(22,730)	87,105	413,437
Net profits (losses) from investments in securities measured at fair value through profit or loss		(20,711)	3,033	(11,558)	1,029	24,711
Profit from decrease in rate of holding, from purchase and realization of investees	8	150,728	-	26,483	-	96,680
Revenues from sale of electricity and green certificates		131,465	121,669	61,725	55,573	237,126
Other revenues, net		594	62	12	62	1,027
		520,059	789,784	155,058	519,974	2,598,928
Costs and expenses						
Cost of investment property rental and operation		35,633	31,956	16,339	16,934	67,990
Development, maintenance and operation costs of electricity-generating facilities		20,450	14,802	8,836	5,766	30,482
Depreciation and amortization		35,056	30,855	18,873	15,737	60,549
Administrative and general		59,748	56,002	28,839	29,455	121,799
Financing revenues		(7,344)	(7,093)	(1,839)	(4,492)	(21,739)
Financing expenses		140,455	218,890	72,997	169,136	363,390
		283,998	345,412	144,045	232,536	622,471
Profit before taxes on income		236,061	444,372	11,013	287,438	1,976,457
Income tax expenses (income)		64,219	100,217	(5,701)	43,091	528,382
Net Income for the period		171,842	344,155	16,714	244,347	1,448,075
Company shareholders		107,696	223,149	3,715	169,039	956,100
Non-controlling interests		64,146	121,006	12,999	75,308	491,975
		171,842	344,155	16,714	244,347	1,448,075
Net earnings per share attributable to Company shareholders (in NIS):						
Basic		0.62	1.30	0.02	0.98	5.55
Fully diluted		0.62	1.29	0.01	0.98	5.52
Weighted average of share capital used in calculation of earnings per share (thousands of shares)						
Basic		172,768	171,841	172,786	171,974	172,170
Fully diluted		173,159	172,396	172,963	172,400	172,992

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income for the period	171,842	344,155	16,714	244,347	1,448,075
<u>Other comprehensive loss</u>					
Amounts to be classified in the future to profit or loss, net of tax					
Loss from translation of financial statements for foreign activities, net of tax	(87,051)	(306,056)	(150,831)	(89,301)	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	(4,860)	-	(1,802)	-	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, net of tax	(10,735)	-	(4,617)	-	2,305
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, net of tax	5,462	-	2,451	-	(11,213)
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	(6,315)	109,321	71,184	30,663	171,859
Loss from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(6,528)	(4,226)	(3,130)	(6,900)	(21,672)
Company share in other comprehensive income (losses) of associates, net of tax	(4,778)	(38,341)	(1,880)	(23,203)	(57,746)
Other comprehensive loss for the period, net of tax	<u>(114,805)</u>	<u>(239,302)</u>	<u>(88,625)</u>	<u>(88,741)</u>	<u>(377,790)</u>
Total comprehensive income (loss) for the period	<u>57,037</u>	<u>104,853</u>	<u>(71,911)</u>	<u>155,606</u>	<u>1,070,285</u>
Attribution of comprehensive income (loss) for the period					
Company shareholders	6,808	(10,540)	(87,473)	79,685	596,962
Non-controlling interests	<u>50,229</u>	<u>115,393</u>	<u>15,562</u>	<u>75,921</u>	<u>473,323</u>
	<u>57,037</u>	<u>104,853</u>	<u>(71,911)</u>	<u>155,606</u>	<u>1,070,285</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Six-Month Period ended June 30, 2020
(Unaudited) (NIS thousands)

	Share Capital	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, 2020	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835
Total comprehensive income for the period	-	-	(101,572)	684	-	107,696	6,808	50,229	57,037
Dividends paid to Company shareholders	-	-	-	-	-	(100,211)	(100,211)	-	(100,211)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(135,204)	(135,204)
Exercise of employee options	45	1,553	-	(161)	-	-	1,437	-	1,437
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(260)	(260)
Issue of capital in consolidated companies	-	-	-	187,729	-	-	187,729	284,561	472,290
Allocation of benefit in respect of options to employees and others	-	-	-	1,652	-	-	1,652	9,765	11,417
Balance as of June 30, 2020	<u>190,861</u>	<u>2,470,152</u>	<u>(407,259)</u>	<u>217,679</u>	<u>(589)</u>	<u>3,963,116</u>	<u>6,433,960</u>	<u>3,380,381</u>	<u>9,814,341</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended June 30, 2020
(Unaudited) (NIS thousands)

	Share Capital	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 April 1, 2020	190,844	2,469,563	(315,500)	114,661	(589)	4,009,509	6,468,488	3,254,603	9,723,091
Total comprehensive income for the period	-	-	(91,759)	571	-	3,715	(87,473)	15,562	(71,911)
Dividends paid to Company shareholders	-	-	-	-	-	(50,108)	(50,108)	-	(50,108)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(41,071)	(41,071)
Exercise of employee options	17	589	-	(63)	-	-	543	-	543
Issue of capital in consolidated companies	-	-	-	101,660	-	-	101,660	146,423	248,083
Allocation of benefit in respect of employee options	-	-	-	850	-	-	850	4,864	5,714
Balance as of June 30, 2020	<u>190,861</u>	<u>2,470,152</u>	<u>(407,259)</u>	<u>217,679</u>	<u>(589)</u>	<u>3,963,116</u>	<u>6,433,960</u>	<u>3,380,381</u>	<u>9,814,341</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Six-Month Period ended June 30, 2019
(Unaudited) (NIS thousands)

	Share Capital	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 9	-	-	-	-	-	(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	-	-	(195,348)	(38,341)	-	223,149	(10,540)	115,393	104,853
Dividends declared and paid to Company shareholders	-	-	-	-	-	(168,505)	(168,505)	-	(168,505)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(113,670)	(113,670)
Exercise of employee options	1,098	32,567	-	(3,295)	-	-	30,370	-	30,370
Issue of capital in a consolidated company	-	-	-	65,784	-	-	65,784	278,098	343,882
Allocation of benefit in respect of options to employees and others	-	-	-	1,676	-	-	1,676	10,146	11,822
Balance as of June 30, 2019	<u>190,314</u>	<u>2,450,483</u>	<u>(204,233)</u>	<u>8,639</u>	<u>(589)</u>	<u>3,322,734</u>	<u>5,767,348</u>	<u>2,575,811</u>	<u>8,343,159</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended June 30, 2019
(Unaudited) (NIS thousands)

	Share Capital	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 April 1, 2019	189,984	2,438,545	(138,082)	(4,172)	(589)	3,201,863	5,687,549	2,346,739	8,034,288
Total comprehensive income for the period	-	-	(66,151)	(23,203)	-	169,039	79,685	75,921	155,606
Dividends declared and paid to Company shareholders	-	-	-	-	-	(48,168)	(48,168)	-	(48,168)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(35,905)	(35,905)
Exercise of employee options	330	11,938	-	(1,236)	-	-	11,032	-	11,032
Allocation of benefit in respect of employee options	-	-	-	882	-	-	882	4,718	5,600
Issue of capital in consolidated companies	-	-	-	36,368	-	-	36,368	184,338	220,706
Balance as of June 30, 2019	<u>190,314</u>	<u>2,450,483</u>	<u>(204,233)</u>	<u>8,639</u>	<u>(589)</u>	<u>3,322,734</u>	<u>5,767,348</u>	<u>2,575,811</u>	<u>8,343,159</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Year ended December 31, 2019
(NIS thousands)

	Share Capital	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 9	-	-	-	-	-	(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 a consolidated company	-	-	-	-	-	-	-	(191,916)	(191,916)
Exercise of employee options	1,600	50,683	-	(5,190)	-	-	47,093	-	47,093
Allocation of benefit in respect of options to employees and others	-	-	-	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	<u>190,816</u>	<u>2,468,599</u>	<u>(305,687)</u>	<u>27,775</u>	<u>(589)</u>	<u>3,955,631</u>	<u>6,336,545</u>	<u>3,171,290</u>	<u>9,507,835</u>

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Cash Flows

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Cash flows - Operating activities					
Net Income for the period	171,842	344,155	16,714	244,347	1,448,075
Net income not entailing cash flows (Appendix A)	190,172	20,073	247,602	33,679	(761,044)
	362,014	364,228	264,316	278,026	687,031
Changes in working capital (Appendix B)	(46,734)	15,839	(25,626)	22,424	19,399
Net cash provided by operating activities	315,280	380,067	238,690	300,450	706,430
Cash flows - Investing activities					
Investment in investment property funds	(11,941)	-	-	-	(61,716)
Proceeds from the repayment of investments in investment property funds	22,409	-	-	-	65,089
Proceeds from the realization of investment in associates	722,296	6,701	201,727	6,701	447,073
Investment in fixed assets and investment property (including investment property in development)	(800,546)	(2,110,047)	(198,046)	(1,084,723)	(1,927,177)
Investment in electricity-generating facilities	(442,051)	(110,272)	(333,096)	(56,953)	(481,320)
Investment in associates	(158,988)	(10,756)	(158,988)	(2,785)	(290,470)
Increase in pledged deposit and restricted cash	(398)	5,635	(127)	(7,748)	(156,730)
Decrease in pledged deposit and restricted cash	108,445	-	1,619	-	32,798
Acquisition of companies consolidated for the first time (see Appendix E below)	-	-	-	-	(1,911,619)
Repayments of loans provided to associates	2,631	4,101	1,314	2,385	7,622
Decrease (increase) in deposits and tradable securities, net	942	-	58,369	-	(27,387)
Cash deriving from forward transactions and options intended for hedging	947	534	6,597	15,667	19,145
Others	-	-	(95)	-	197
Net cash used in investing activities	(556,254)	(2,214,104)	(420,726)	(1,127,456)	(4,284,495)
Cash flows – Financing activities					
Proceeds from the issue of bonds and bond options by the Group, net	1,476,544	1,142,897	420,218	419,329	2,745,048
Repayment of bonds	(349,329)	(404,817)	(2,151)	(2,069)	(811,336)
Receipt of long-term loans, less recruitment expenses (payment of recruitment expenses)	272,270	1,177,985	15,121	1,177,985	1,581,523
Repayment of long-term loans	(627,291)	(49,687)	(376,764)	(26,407)	(364,337)
Proceeds from the issue of shares and options	1,437	27,436	543	8,590	47,093
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	477,142	341,226	249,969	218,761	698,040
Purchase of shares and options from non-controlling interests in consolidated companies, net	-	-	-	-	(14,269)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	(165,867)	(4,635)	(1,188,007)	(123,175)	(84,047)
Dividends paid to Company shareholders	(100,211)	(168,505)	(100,211)	(168,505)	(268,559)
Dividends paid to non-controlling interests in consolidated companies	(135,204)	(113,670)	(41,071)	(113,670)	(191,916)
Others	(260)	-	-	-	-
Net cash provided by (used in) financing activities	849,231	1,948,230	(1,022,353)	1,390,839	3,337,240
Increase in cash and cash equivalents	608,257	114,193	(1,204,389)	563,833	(240,825)
Cash and cash equivalents at beginning of period	771,749	1,014,115	2,586,854	566,112	1,014,115
Effect of changes in exchange rates on foreign currency cash balances	1,039	(2,001)	(1,420)	(3,638)	(1,541)
Cash and cash equivalents at end of period	1,381,045	1,126,307	1,381,045	1,126,307	771,749

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Adjustments required to present cash flows from operating activities					
a. Expenses (income) not entailing cash flows:					
Fair value adjustment of investment property and profit from its sale	189,437	(134,420)	103,193	(170,372)	(995,791)
Net profits from changes in holding rate and from realization of investments in investees	(150,728)	-	(26,483)	-	(96,680)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(66,415)	35,343	38,984	129,209	(5,005)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	30,129	5,894	15,776	6,317	(17,591)
Company share in results of associates, less dividends and reductions of capital received	90,659	(12,658)	100,839	5,744	(200,671)
Net loss (profit) from tradable securities	17,195	(393)	(55)	(53)	(11,437)
Deferred taxes, net	35,124	83,332	(8,043)	41,675	481,049
Depreciation and amortization	34,992	30,855	18,878	15,737	60,549
Allocation of benefit in respect of share-based payment	10,437	11,822	4,734	5,600	24,672
Others, net	(658)	298	(221)	(178)	(139)
	190,172	20,073	247,602	33,679	(761,044)
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in trade receivables and in accounts receivable and debit balances	(12,202)	(9,531)	4,843	16,784	(43,308)
Decrease (increase) in current tax assets, net	(14,625)	4,327	(12,548)	3,026	10,628
Increase (decrease) in accounts payable and credit balances	(30,870)	22,543	(10,794)	13,064	43,395
Increase (decrease) in current tax liabilities, net	10,963	(1,500)	(7,127)	(10,450)	8,684
	(46,734)	15,839	(25,626)	22,424	19,399
c. Non-cash activity					
Proceeds receivable for realization of investment in associate	135,789	-	135,789	-	-
Exercise of employee options against receivables	1,290	5,590	1,290	5,590	8,082
Increase in right-of-use asset against right-of-use liability	330	7,291	116	7,291	47,626
Investment in electricity-generating systems against supplier and creditor credit	-	1,611	-	964	130,959
Investment in electricity-generating systems against other liabilities	-	16,750	-	16,750	-
Investment in real estate and fixed assets against other accounts payable	23,357	-	23,357	-	99,675

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
d. Additional Information					
Interest paid	202,138	163,339	29,619	22,895	369,241
Interest received	8,007	2,418	4,079	1,041	6,045
Taxes paid	30,576	17,104	19,145	11,114	29,972
Taxes received	321	1,170	44	1,170	6,436
Dividends and receipts for reductions of capital received	125,502	139,482	97,845	95,814	231,712

e. Acquisition of companies consolidated for the first time

During 2019, BE purchased four London office buildings (see Note 4d to the Annual Consolidated Financial Statements), of which three buildings were purchased through the acquisition 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

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Note 1 - General

The Group focuses primarily on long-term investments in income-generating property companies in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy, in Israel and around the world.

These Condensed Consolidated Financial Statements (hereinafter – “the **Interim Financial Statements**”) have been prepared as of June 30, 2020 and for the three- and six-month periods ended on that date. These Statements should be read within the context of the Company's Consolidated Annual Financial Statements as of December 31, 2019 and for the year ended on that date and with their accompanying Notes (hereinafter – “the **Annual Financial Statements**”).

Note 2 – Significant Accounting Policies

a. Preparation basis for the financial statements:

The Group's Condensed Consolidated Financial Statements (hereinafter – “**Interim Financial Statements**”) have been prepared in accordance with International Accounting Standard IAS 34, “Interim Financial Reporting” (hereinafter – “**IAS 34**”).

The Condensed Consolidated Financial Statements have been prepared in accordance with disclosure directives in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

In the preparation of these Interim Financial Statements the Group has implemented accounting policies, presentation principles and calculation methods identical to those implemented in the preparation of its Financial Statements as of December 31, 2019 and for the year ended on that date, including the following:

Waiver in respect of lease payments from operating lease arrangements whose contractual due date has passed:

- The Group handles waivers granted to tenants in operating lease arrangements in respect of lease payments whose contractual due date has passed, which constitute a lease amendment, as a disposal of a financial asset. Accordingly, and after taking into account projected credit losses to the extent such exist, the Group deducts the balance of the debtors in respect of an operating lease to the statement of income on the date the contractual rights to cash flows expired. In respect of the deduction of the debtors' balance, the Group recorded a decrease in revenues in the amount of approx. NIS 15 million.

Operating lease arrangements that combine fixed lease fees and variable lease fees:

- In lease arrangements that combine fixed lease fees and variable lease fees, the Group recognizes the fixed lease payments on a straight-line basis over the lease period. In each period, the Group recognizes the difference between the total actual lease payments and the amount received on a straight-line basis as positive or negative variable lease payments.

Note 2—Significant Accounting Policies (continued)

b. Determining the fair value of investment property and investment property in development:

In order to determine the fair value of investment property, the Group relies on assessments carried out by independent appraisers once every six months. In addition, on each interim reporting date, the Company examines the need to update the fair value estimate of its investment property relative to its fair value determined on the latest date on which an assessment was conducted, in order to examine whether this estimate represents a reliable assessment of the fair value as of the interim reporting date. This examination is carried out by reviewing changes in the relevant real estate market, in the property's rental leases, in the property's macroeconomic environment, and new information regarding material transactions carried out near the property and in similar properties, and any other information that may indicate changes in the property's fair value. If, according to the Company's estimates, signs exist for certain properties indicating that the fair value as of the interim report date is materially different from the fair value estimated on the last date on which a value estimate was carried out, the Company estimates the fair value if these assets as of the interim reporting period using an external appraiser or through an assessment carried out by the Group.

Regarding investment property in development, in addition to the above, on each interim reporting date, the Group also examines the costs invested in the property's construction, the estimate of the costs required for its completion, the progress of construction and other changes in the relevant real estate market, such as rental prices.

c. 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 is applied to business combinations and asset acquisitions whose acquisition date is from January 1, 2020. Implementation of the amendment is not expected to have an impact on the Group's financial statements.

Note 2 – Significant Accounting Policies (continued)

d. Investment in associate held for sale:

An investment is presented as held for sale when its sale is highly probable, it is available for immediate sale in its current state and when the management has committed to making the sale within one year from the classification of the non-current asset as held for sale.

Therefore, the Company's investment in PSP is presented as an asset **“held for sale”** as of March 31, 2020 and is presented in current assets. The recognition of a share in profits (losses) of associates to profit or loss is discontinued from the date of classification of an investment in an associate. The comparative figures relating to the asset held for sale are not reclassified as stated.

The investment in an associate held for sale (PSP) is measured at the lower of its book value and its fair value less realization costs.

e. 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 (CPI) are presented according to the most recent known CPI at the end of the reporting period (the CPI for the month preceding the month of the financial statements date) or in accordance with the CPI in lieu of the last month of the reporting period (the CPI for the month of the financial statements date), according to the terms of the transaction.
- The following is data regarding exchange rates and the CPI:

	As of June 30 / for the Month of June		As of December 31 / for the Month of December	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2019	2020	2019	2020	2019	2019
				%	%	%	%	%
Consumer Price Index								
(2000 base)								
In Israel (in lieu index)	132.501	133.959	133.561	(0.79)	0.90	(0.70)	0.40	0.60
In Israel (known index)	132.634	134.754	133.561	(0.69)	1.20	(0.20)	1.50	0.30
Exchange Rate against the NIS								
CHF	3.643	3.661	3.575	1.90	(3.84)	(1.14)	0.33	(6.09)
USD	3.466	3.566	3.456	0.29	(4.86)	(2.78)	(1.82)	(7.79)
GBP	4.254	4.522	4.560	(6.71)	(5.65)	(3.30)	(4.46)	(4.86)
PLN	0.869	0.955	0.911	(4.53)	(4.42)	1.13	0.88	(8.83)

Note 2 – Significant Accounting Policies (continued)

f. Seasonal factors:

Solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in the spring and summer months, when solar radiation levels are high, the photo-voltaic systems' output increases. In the autumn and winter months, when solar radiation levels are relatively low, the systems' output declines. In the field of wind energy, power generation is subject to changes in the wind regime in the different seasons, according to the specific region in which the turbines are located and to the variation in wind regimes from year to year. Based on wind measurements made in the area of Energix's wind farms in Poland, the forecast is that the fall and winter months (fourth and first quarters), which are characterized by strong winds, will be the months in which the wind farm's output increases. It should be clarified that the weather conditions that will actually exist in a certain period may have a significant impact on the ability of Energix's facilities to generate electricity, and accordingly on its operating results, whether in the photo-voltaic field and whether in the wind energy field.

Note 3 – The Corona Crisis

The outbreak of the Corona virus in China, which spread to other parts of the world towards the end of the first quarter of the year, has resulted in a global health and economic crisis. Towards the end of the first quarter, capital markets around the world reacted harshly and with volatility to the event, sharp declines in stock prices and increases in corporate bond yields were recorded. In addition, there were fluctuations in the main currencies against the NIS. In most countries, new emergency regulations were issued that significantly restricted the access of workers to places of employment, including the closing of shopping and entertainment centers. In addition, general closures were imposed in cities, country-wide restrictions on movement, and in some countries, entry to non-residents was also banned.

Over the course of the second quarter of the year, some of the restrictions were removed in Israel (and also in various countries around the world), but the government has recently started to impose additional restrictions due to the recurring rise in morbidity. In light of the uncertainty regarding the length of the health crisis, its scope, the nature of government restrictions aimed at reducing gatherings and the scope and nature of government support in the various economies in Israel and around the world, the extent of the damage from the crisis and its long-term effects on the local and global economy cannot be estimated.

The Corona crisis has affected the valuations of the Group's real estate assets in Israel and around the world. The Company's share in the real estate asset revaluations in the investees is revaluation losses (before tax) of NIS 201 million for the six months and NIS 113 million for the second quarter of the year.

The changes in value were mainly due to the loss of one-time income due to the provision of relief to tenants in the field of commerce in Israel and in the UK, a significant decrease in revenues from parking services and work assumptions regarding the extension of occupancy in vacant space. No significant changes were made in the discount rates used to estimate the value of the assets. For further information, see below.

Note 4 – Amot (consolidated company)

A. The Company's holdings in Amot:

The rate of the Company's holdings in Amot immediately prior to the publication of this report was 55.4%.

B. Transactions during the reporting period in connection with investment property:

Lehi Complex – Bnei Brak

Further to that stated in Note 4d to the Company's Annual Consolidated Financial Statements as of December 31, 2019, regarding the transaction with Allied Real Estate Ltd., for the acquisition of half of the capitalized leasehold rights in a lot on Lehi Street in Bnei Brak, during the first quarter of the year, Amot paid the balance of the payment to Allied for its share in the land, plus participation in accumulated costs totaling approx. NIS 113 million.

"City Gate" Complex – Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (which constitutes Compound K) in the "City Gate" complex that will be built at the entrance to Jerusalem. According to the companies' bid in the tender, the cost of the land is approx. NIS 180 million. The development expenses that will be added amount to approx. NIS 30 million. The total cost of the land will be approx. NIS 210 million, with Amot's share at NIS 105 million.

The lease term is for a period of 98 years, with an option for an additional 98 years. The plot is designated for the construction of a complex for employment and commerce, accompanied by a street with an option for hotels and special rental housing with above ground floor area amounting to approx. 79 thousand sq.m. according to the current City Building Plan and approx. 103 sq.m. above ground according to a City Building Plan about to be deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%).

Amot and Allied will work together to plan and build the project on the site, and manage it as an income-generating property, with each party's share in the project being 50%. The investment in the project's construction, including the land component, is estimated by the parties at approx. NIS 1.1 billion. Amot's share is approx. NIS 550 million.

The estimated schedule is approx. one to two years for planning and licensing procedures until the start of construction and another 5-6 years for the project's construction.

C. Relief for tenants

Further to that stated in Note 3 regarding the effects of the Corona crisis, in the reporting period, Amot granted relief in rental fees to its customers in the amount of NIS 32 million in the course of the second quarter, which was deducted from the 'rental revenues' item in the statement of income.

D. Fair value adjustments of investment property

During the reporting period, Amot recorded a negative revaluation of real estate in the amount of NIS 148 million, which was mainly attributed to the impact of the Corona crisis on its commercial assets (as a result of the relief granted in the payment of rental and management fees in commercial centers to customers whose activities have been restricted by the government), to a negative CPI of 0.7% in the six months and to the amortization of land acquisition costs in the amount of approx. NIS 7 million.

Note 5 – Brockton Everlast Inc. (“BE”) (consolidated company)

A. The Company’s holdings in BE:

During the reporting period, the Company invested approx. GBP 44 million (approx. NIS 194 million) in BE. As of the date of publication of the report, the Company holds approx. 96% of BE’s equity.

B. Transactions during the reporting period in connection with investment property:

In January 2020, BE completed the acquisition of a business park located near the Oxford city center in the UK, for approx. GBP 80 million (approx. NIS 362 million) (not including transaction costs). For additional information, see Note 6.d to the Annual Financial Statements. For the acquisition of the business park, BE took a loan in the amount of GBP 49 million (approx. NIS 217 million). See Section 6.d.10 below.

As part of BE's entrepreneurship plan, during the reporting period and subsequent to the balance sheet date, BE acquired two buildings adjacent to existing buildings for a total consideration of approx. GBP 14 million (approx. NIS 62 million) (not including transaction costs).

As of the date of publication of the report and further to the above, BE owns five income-generating properties (four of which are in the London metropolis and the fifth is in Oxford) at a value of GBP 661 million (approx. NIS 3 billion), with a total rental space of 792 thousand sq. ft. (approx. 74 thousand sq.m.).

C. Fair value adjustments of investment property:

During the reporting period, BE recorded a negative revaluation of GBP 4 million and an amortization of acquisition costs of an additional GBP 5 million.

Note 6 – Energix (consolidated company)

A. Company holdings in Energix:

Further to Note 6e(2) to the Annual Financial Statements, in January 2020, Energix issued 20,860,400 shares of common stock according to a shelf offer report for NIS 240 million (of this amount, the Company invested NIS 34.5 million).

In June 2020, Energix completed an additional capital raising through the issuance of 15,800,000 shares of common stock to the public for a consideration of NIS 232 million.

Immediately prior to the publication of this report, the Company’s rate of holdings is 54.4%.

Note 6 – Energix (consolidated company) (continued)

B. The following are transactions carried out by Energix in the reporting period and subsequent to the balance sheet date:

1. **Virginia 1 project 82 MWp** – Further to that stated in Note 8b to the Annual Consolidated Financial Statements, in the reporting period, Energix completed the construction and connection of one facility to the electricity grid with a capacity of approx. 21 MWp. In July and August 2020, subsequent to the reporting date, the construction and connection to the electricity grid of the three additional facilities with a capacity of approx. 61 MWp was completed.

Upon completion of the construction of the facility with a capacity of approx. 21 MWp in March 2020, the threshold conditions for the transaction with Morgan Stanley (the “Tax Partner”) were completed with regard to this project, and accordingly the tax partner invested an initial amount of approx. USD 12 million, from its total investment, which is expected to amount to approx. USD 48 million. The amount invested is presented in the ‘long-term and short-term liabilities’ items.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 350 million in respect of the Virginia 1 projects.

2. **Wind farms in Poland with a total capacity of 126 MW** – Energix is preparing for the start of construction of the 2 wind farms and is preparing to sign agreements with construction contractors, equipment suppliers and financing bodies, and on June 30, 2020, Energix signed an agreement for the purchase of turbines with Vestas.

As of the reporting date, the balance of properties in development in respect of the aforementioned projects is NIS 108 million, against entrepreneurial costs, advance payments to equipment suppliers and contingent debts in the amount of approx. NIS 21 million.

C. Managements fee agreement:

Further to Note 6c(4) to the Annual Financial Statements, at its meeting on May 20, 2020, the Company’s Board of Directors approved the Company’s engagement in an agreement for management services to Energix for a three-year period starting July 1, 2020. According to the arrangement, Energix will pay the Company a fixed amount of NIS 4.8 million per year for management services, plus an annual variable amount of 0.18% of the original cost in Energix’s books for all projects (facilities) that will be connected to the electricity grid and will commence commercial operation after July 1, 2020. The maximum annual management fee ceiling will be NIS 8 million (linked to the CPI). The above amounts will be paid in 4 quarterly payments. The engagement in the management agreement was approved by the Energix General Assembly by special majority.

Note 7 – Carr Properties (hereinafter – “Carr”) (an associate)

A. The Company’s Holdings in Carr:

As of June 30, 2020 and as of the date of publication of the report, the Group’s holdings in Carr Properties Holdings LP is 50.77%. The Group’s effective holdings in Carr as of June 30, 2020 is 44.2%.

In January 2020, JPM, with whom the Company has a joint control agreement in Carr, began examining the possibility of selling its holdings in Carr. Due to the spread of the Corona virus, JPM decided to discontinue the process.

B. The following is information on the receipt of dividends from Carr:

In the reporting period, the Group received cumulative distributions from Carr in the amount of USD 13.5 million (approx. NIS 47 million). In addition, subsequent to the balance sheet date, the Group received an additional distribution from Carr in the amount of USD 7 million (approx. NIS 24 million).

C. Raising capital

In June 2020, Carr raised a total of USD 92.7 million (NIS 320 million) from its shareholders, from which the Group invested a total of approx. USD 44 million (NIS 151 million).

D. Transactions during the reporting period in connection with investment property:

In March 2020, Carr acquired 50% of the rights to the complex that includes 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). Immediately prior to the time of the above acquisition, 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 on December 31, 2019) – for details, see Note 6g to the Annual Financial Statements.

E. Fair value adjustments of investment property

In the reporting period, Carr recorded a net negative revaluation of approx. USD 16 million in its financial statements, consisting of a negative revaluation of USD 59 million in respect of its income-generating properties, which was partially offset by revaluation profits amounting to NIS 43 million in respect of development projects (the Group's share in the aforementioned negative revaluation before tax is approx. USD 7 million, NIS 24 million). The value adjustment in Carr is mainly due to the loss of one-time revenues and changes in the assumptions regarding the “inflation” in rental prices in the coming years.

Note 7 – Carr Properties (hereinafter – “Carr”) (an associate) (continued)

F. The following is concise information on Carr:

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
Revenues (not including real estate valuations)	<u>119,329</u>	<u>117,756</u>	<u>58,738</u>	<u>61,187</u>	<u>242,543</u>
Adjustment of investment property value (*)	<u>(16,011)</u>	<u>(48,194)</u>	<u>(1,257)</u>	<u>(41,130)</u>	<u>(9,843)</u>
Net profit (loss) from ongoing activity	<u>23,281</u>	<u>(13,602)</u>	<u>17,927</u>	<u>(23,873)</u>	<u>60,704</u>
Other comprehensive loss	<u>(4,181)</u>	<u>(30,577)</u>	<u>(1,982)</u>	<u>(18,334)</u>	<u>(44,156)</u>
Total comprehensive income (including share of non-controlling interests in profit)	<u>19,100</u>	<u>(44,179)</u>	<u>15,945</u>	<u>(42,207)</u>	<u>16,548</u>
Company share in Carr's net income in USD thousands	<u>11,206</u>	<u>(7,193)</u>	<u>8,403</u>	<u>(12,284)</u>	<u>29,354</u>
Company share in Carr's comprehensive income (loss) in USD thousands	<u>9,498</u>	<u>(20,544)</u>	<u>7,741</u>	<u>(20,290)</u>	<u>8,423</u>
Company's share in Carr's net income in NIS thousands	<u>39,296</u>	<u>(25,590)</u>	<u>29,485</u>	<u>(44,161)</u>	<u>102,836</u>
Company share in Carr's comprehensive income (loss) in NIS thousands	<u>33,311</u>	<u>(73,872)</u>	<u>27,161</u>	<u>(72,946)</u>	<u>27,855</u>

(*) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

Note 7 – Carr Properties (hereinafter – “Carr”) (an associate) (continued)

	As of June 30	As of June 30	As of December 31
	2020	2019	2019
	USD thousands	USD thousands	USD thousands
Investment Property	2,860,110	2,838,588	2,805,605
Property in development and land intended for development	557,610	336,953	437,148
Investment in investees	255,517	56,295	215,639
Other non-current assets	176,035	166,936	175,083
Other current assets	76,784	76,627	60,731
Total assets	3,926,056	3,475,399	3,694,206
Current liabilities	231,439	596,062	290,322
Non-current liabilities	1,685,416	958,038	1,473,131
Total liabilities	1,916,855	1,554,100	1,763,453
Equity attributable to shareholders	1,866,258	1,638,471	1,787,439
Non-controlling interests	142,943	282,828	143,314
Equity (including non-controlling interests)	2,009,201	1,921,299	1,930,753
Total liabilities and equity	3,926,056	3,475,399	3,694,206
Company share in net assets	947,413	827,914	907,400
Adjustments	-	6,347	-
Book value of investment – in USD thousands	947,413	834,261	907,400
Book value of investment – in NIS thousands	3,283,733	2,974,971	3,135,978

Note 8 – PSP Swiss Property Ltd. (hereinafter – “PSP”) (Investment in Associate Held for Sale)

A. The Company's Holdings in PSP:

During the reporting period, the Company sold 1.9 million PSP shares for a consideration of CHF 237.5 million (NIS 858 million). As a result of these sales, the Company listed a profit (before tax), in the reporting period, of NIS 151 million (an after tax capital gain of NIS 116 million). From that amount, in the second quarter, the Company recorded a profit (before tax) of NIS 27 million (an after tax capital gain of NIS 21 million). The Company's rate of holdings in PSP, as of June 30, 2020, amounted to 3.8%.

Subsequent to the balance sheet date, the Company sold an additional 493 thousand PSP shares for a consideration of CHF 53.3 million (approx. NIS 197.4 million).

As of the publication date of the financial statements, the Company holds 1,257,314 shares of PSP, which constitute 2.7% of PSP's capital stock.

In April 2020, the PSP General Assembly approved the appointment of Mr. Aviram Wertheim and Mr. Natan Hetz as members of its Board of Directors for a period of one year from the date of the appointment. Following the approval of the Assembly, the Company has 2 representatives on the PSP Board of Directors, out of a total of 8.

At the end of the first quarter of 2020, the Company reached a decision to realize the balance of its investment in PSP over the coming year. Furthermore, in the opinion of the Company's management, the other criteria exist for the classification of the investment in PSP as an "investment held for sale" in accordance with the provisions of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". On this matter, see Note 2(d) regarding the accounting policy for an investment in an associate held for sale.

In view of the above, the balance of the investment in PSP is presented in the Company's financial statements as of March 31, 2020 as an investment in an associate "held for sale" classified under current assets.

The balance of the Company's investment in PSP as of June 30, 2020 amounts to approx. CHF 181 million (NIS 659 million).

Regarding a loan from a foreign bank in the amount of CHF 100 million that was repaid, in an early repayment, during the second quarter, see Note 10a.2.

B. The following is information on the receipt of dividends from PSP:

In April 2020 the Group received cash receipts from PSP in the amount of CHF 9.4 million (NIS 34.6 million) in respect of the 2019 profits.

Note 9 – The Company's holdings in Boston (associated companies)

A. The Company's holdings in Boston:

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through fully owned corporations) in three companies that (each) hold an office building in the Boston CBD and in East Cambridge (hereinafter, together – “the 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 balance of the investment in the above three companies, in the June 30, 2020 Financial Statements, is USD 234 million (NIS 810 million).

B. Fair value adjustments of investment property:

During the reporting period, negative revaluations were recorded, mainly due to the impact of the Corona crisis in the amount of USD 28 million in respect of the three properties held by the Company in partnership with Oxford in Boston (the Group's share before tax – USD 15 million, which is approx. NIS 54 million).

For further information, see Note 6i to the Annual Financial Statements.

With regard to the Company’s investments in Boston through Carr, see Note 7d.

Note 10 – Loans from Banking Corporations and Financial Institutions

A. The Company –

1. Further to that stated in Note 12b(1) to the 2019 Annual Financial Statements, a facility agreement was re-signed between the Company and an Israeli bank (hereinafter – “**the Bank**”) in January 2020 for the provision of credit in the amount of NIS 150 million with a utilization period of one year from date of signing the agreement (“**the Utilization Period**”) to be repaid by the end of two years from the end of the utilization period (“**the New Facility Agreement**”). The rest of the facility conditions remained the same as the expired facility. The facility agreement replaces and cancels the facility agreement with the bank that expired in January 2020. The new facility agreement, as its predecessor, is not guaranteed by liens.
2. Further to Note 12b.(2) to the 2019 Annual Consolidated Financial Statements, during the second quarter of 2020, the Company repaid, in a voluntary early repayment, the balance of the loan from a foreign bank in the amount of CHF 100 million. Simultaneously with the repayment of the loan, the foreign bank released the collateral provided to secure the loan, so that as of the reporting date, all of the Company's assets are released from any liens.

B. Amot (consolidated company) –

3. During the first quarter of the year, Amot initiated an early repayment of a loan in the amount of NIS 268 million – for further information, see Note 12c to the Annual Consolidated Financial Statements. In addition, Amot repaid credit facilities, which were taken in the previous year, totaling NIS 265 million.

Note 10 – Loans from Banking Corporations and Financial Institutions (continued)

C. Energix (consolidated company) –

4. **Financing transaction for projects with a capacity of up to 62 MWp (second competitive procedure):** Further to that stated in Note 12d(5) to the annual consolidated financial statements, as of the date of the report, Energix has completed all conditions required for the withdrawal of NIS 105 million (which were withdrawn) from the total facility in the amount of NIS 180 million.
5. **Financing transaction for projects with a capacity of up to MWp 149 (third and fourth competitive procedures):** As of the date of the report, Energix has signed a memorandum of understanding for project financing of up to NIS 390 million, on a non-recourse basis, and is negotiating the details of the financing agreement.

D. BE (consolidated company) –

6. In order to finance the acquisition of the business park at a cost of GBP 80 million, as detailed in Note 5b above, BE took a non-recourse bank loan in the reporting period in the amount of GBP 49 million for a period of 5 years, 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 purchased in favor of the bank with a senior lien. In addition, BE entered into a CAP transaction with the financing bank such that the maximum annual Libor interest rate would not exceed 2% during the entire loan period.

As of the date of publication of these Financial Statements, the annual Libor interest rate (three months) is 0.07%.

Note 11 – Bond raising

A. Amot –

1. In February and March and April 2020, Amot issued a total of NIS 1,066 million PV of bonds (Series F) by way of a series expansion for total net proceeds of approx. NIS 1,016 million. The expansion of the bonds (Series F) includes an effective CPI-linked interest rate of 1.8%.
2. In February, 2020, Amot issued a new series of bonds (Series G) in the amount of NIS 465 million PV for total net proceeds of NIS 460 million. The bonds (Series G) include an effective NIS interest rate of 2.55% and an average duration of approx. 9 years. Following the issue of the bonds (Series G), Amot carried out a hedging transaction in the amount of NIS 450 million with a financial body in Israel, which converted the NIS interest rate into CPI-linked principal and interest at a rate of 1.025%.

Note 11 – Bond raising (continued)

3. In July 2020, subsequent to the balance sheet date, Amot issued NIS 67 million PV in bonds (Series G) by way of a series expansion, for a net amount of approx. NIS 67 million together with 2.7 million options (Series 10) for the amount of NIS 17 million attributed to the options, and a total consideration of NIS 84 million. The options (Series 10) can be exercised into 270 million PV bonds (Series G). The gross future consideration that Amot will receive, given the full exercise of the options, will amount to NIS 252 million (an exercise price of NIS 0.94 for each 1 PV in bonds (Series G)). The options can be exercised until December 24, 2020. Following the issue of the bonds (Series G), Amot carried out a hedging transaction in the amount of NIS 67 million with a financial body in Israel, which converted the NIS interest rate into CPI-linked principal and interest at a rate of 1.36%.
From the date of the above issue until immediately prior to the date of publication of the report, approx. 333 thousand options (Series 10) were exercised for approx. 33 million bonds (Series G) for a consideration of approx. NIS 31 million.

Note 12 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position

A. Dividend distributed and dividend declared

The Company – in March 2020, the Company's Board of Directors made a decision regarding the 2020 dividend distribution policy, according to which the Company would distribute a dividend in 2020 in the total amount of NIS 1.16 per share, to be paid in 4 quarterly payments of NIS 0.29 per share. It should be noted that the Company's Board of Directors will be permitted at any time, taking business considerations into account, including and without derogating from the generality of the foregoing, influenced by the impact of the outbreak of the Corona virus on the Company, to change the dividend policy, and to change the dividend amounts distributed or to decide not to distribute them at all.

In accordance with the above, the Company announced a dividend for Q1/2020 in the amount of NIS 0.29 per share (NIS 50 million), which was paid in April 2020, and a dividend for Q2/2020 in the amount of NIS 0.29 per share (NIS 50 million), which was paid in June 2020.

Further to this policy, in August 2020, the Company declared that it would distribute a dividend for Q3/2020 in the amount of NIS 0.29 per share (NIS 50 million), which will be paid during September 2020.

Amot (consolidated company) – in March 2020, the Amot Board of Directors decided that in 2020 Amot intends to distribute a minimum annual dividend in the amount of NIS 98 per share, to be paid in 4 quarterly payments, with a dividend of NIS 24 per share paid in the first and second quarters and a dividend of NIS 25 per share paid in the third and fourth quarters, subject to a specific decision by the Amot Board of Directors at the end of each quarter.

In accordance with this policy, in March 2020 Amot declared that it would be distributing a dividend for Q1/2020 in the amount of NIS 0.24 per share, and that it would also be distributing another dividend in respect of 2019 in the amount of NIS 0.31 per share. The total dividend paid by Amot in March 2020 amounted to approx. NIS 210 million (the Company's share – approx. NIS 116 million).

Note 12 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position (continued)

Further to this policy, in May 2020 Amot declared that it would distribute a dividend for Q2/2020 in the amount of NIS 0.24 per share (NIS 92 million, the Company's share – approx. NIS 50 million), which was paid in May 2020.

Further to the above dividend policy, in August 2020, Amot declared that it would distribute a dividend for Q3/2020 in the amount of NIS 0.25 per share (NIS 95 million, the Company's share – approx. NIS 53 million), to be paid at the end of August 2020.

B. Employee and Executive Remuneration

In March 2020, the Company's Board of Directors decided to grant a yearly batch of 1,528,166 non-negotiable options to three Company officers, 5 directors (including a director who is the daughter of the Company CEO), the Chairman of the Board of Directors and eight employees. The total economic value of the above options granted amounts to NIS 3,413 thousand. For further details see Note 16e. to the Annual Financial Statements.

The fair value of the options issued as denoted above has been estimated via the application of the Black & Scholes model. The parameters used in the model's implementation are as follows:

Share price (in NIS)	38.66
Exercise price (in NIS)	49.64
Weighted expected volatility	20.66%
Life span of options (in years)	2.87
Risk-free interest rate	0.43%

Note 13 – Transactions with Related Parties

- A. Regarding the management fee agreement between the Company and Energix, see Note 6.c.
- B. Further to Note 18(g) to the Annual Financial Statements, the Company's Board of Directors, at its meeting on May 20, 2020, decided to extend for one year (until May 2021) the facility agreement 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 up to 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. The agreement was approved by the Energix Board of Directors.
- C. In June 2020, Energix entered into an agreement with Amot in addition to a lease agreement under which Energix will lease from Amot, starting July 1, 2020, additional office space of 480 sq.m., on the 40th floor of the Amot Atrium Tower (where the existing office is located), so that the total area leased to Energix will be a total area of 1,056 sq.m. The lease period for the lease of the total area has been extended in an addendum to the agreement until June 2026.
- D. Regarding the Board of Directors' decision of March 2020 regarding the granting of non-negotiable warrants to officers and directors, see Note 12b (Employee and Executive Remuneration) above.

Note 14 – Financial Instruments

A. Financial instruments not presented in the financial statements at fair value:

The following table details the book value and fair value of financial assets and liabilities presented in the Financial Statements not at their 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 June 30, 2020		As of June 30, 2019		As of December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities						
Long-term loans (including maturities)	973,550	1,045,920	1,082,498	1,108,364	1,254,236	1,365,303
Bonds (including maturities)	10,961,599	11,106,396	8,783,688	9,320,884	9,896,527	10,607,236
	<u>11,935,149</u>	<u>12,152,316</u>	<u>9,866,186</u>	<u>10,429,248</u>	<u>11,150,763</u>	<u>11,972,539</u>

- (1) The fair value of the Group's variable interest loans is nearly identical to their book value, and therefore these loans are not presented in the above Note.
- (2) Calculation of the fair value of long-term fixed-interest loans is according to Level 2. Calculation of the fair value of the bonds is according to Level 1.

B. Financial instruments presented in the financial statements at fair value

Below are details of the Group's financial instruments measured at fair value, by level:

	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	27,971	-	27,971
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	77,843	-	77,843
Financial derivatives (CAP options)	-	1,149	-	1,149
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	22,958	-	22,958
Financial assets measured at fair value through profit and loss:				
Tradable securities	42,393	-	-	42,393
Real estate investment funds (1)	-	-	143,552	143,552
	<u>42,393</u>	<u>129,921</u>	<u>143,552</u>	<u>315,866</u>
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(4,021)	-	(4,021)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(27,124)	(27,124)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(5,756)	-	(5,756)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(14,138)	-	(14,138)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(19,956)	-	(19,956)
	<u>-</u>	<u>(43,871)</u>	<u>(27,124)</u>	<u>(70,995)</u>

Note 14 – Financial Instruments (continued)**B. Financial instruments presented in the financial statements at fair value****(1) Financial instruments at fair value measured according to Level 3:**

	For the Six-Month Period ended June 30, 2020			
	NIS thousands			
Balance as of January 1, 2020				153,961
Investments				11,941
Realizations				(22,409)
Amounts recorded to profit and loss in the period				(22,015)
Amounts recorded to other comprehensive income in the period				(5,050)
Balance as of June 30, 2020				116,428

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	12,150	-	12,150
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	36,823	-	36,823
Financial derivatives (CAP options)	-	2,980	-	2,980
Financial assets measured at fair value through profit and loss:				
Negotiable securities	23,551	-	-	23,551
Real estate investment funds (1)	-	-	162,705	162,705
	<u>23,551</u>	<u>51,953</u>	<u>162,705</u>	<u>238,209</u>
Financial liabilities measured at fair value				
Derivatives:				
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2,370)	-	(2,370)
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest and USD principal and interest) designated for hedging	-	(23,517)	-	(23,517)
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(34,960)	-	(34,960)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(8,076)	-	(8,076)
	<u>-</u>	<u>(68,923)</u>	<u>-</u>	<u>(68,923)</u>

Note 14 – Financial Instruments (continued)**B. Financial instruments presented in the financial statements at fair value****(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	40,197			
Realizations	(40,197)			
Amounts recorded to profit and loss in the period	(9,780)			
Balance as of June 30, 2019	162,705			

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, 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)	-	1,455	-	1,455
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	497	-	497
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
	<u>68,644</u>	<u>74,646</u>	<u>176,035</u>	<u>319,325</u>
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 (swap contract, 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)
	<u>-</u>	<u>(25,982)</u>	<u>(22,074)</u>	<u>(48,056)</u>

Note 14 – Financial Instruments (continued)**(1) Financial instruments at fair value measured according to Level 3:**

	For the Year ended December 31
	NIS thousands
Balance as of January 1, 2019	172,485
Investments	61,716
Realizations	(65,090)
Amounts recorded to profit and loss in the period	6,924
Amounts recorded to other comprehensive income in the period	(22,074)
Balance as of December 31, 2019	153,961

C. Changes in investments in associates

The following are the significant changes that have occurred in investments in key associates in the following periods:

	For the Six- Month Period ended June 30		For the Three- Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	In NIS millions				
Investment in PSP	(723)	(32)	(366)	11	(361)
Investment in Carr	148	(299)	67	(163)	(138)
Investment in Boston	(35)	41	(69)	53	110

- Investment in PSP – the decrease in the balance of the investment in the reporting period is due mainly to the sale of shares during the period (a decrease of NIS 724 million) and as a result of the receipt of a dividend in the amount of NIS 35 million. On the other hand, there was an increase due to an increase in the CHF exchange rate (an increase of NIS 24 million) and due to accumulated equity earnings in respect of the Group's share in PSP's profits for the first quarter of the year (an increase of NIS 13 million). Starting March 31, the balance of the investment in PSP is presented as an investment in an associate “held for sale” classified under current assets – see Note 8a.
- Investment in Carr – The increase in the balance of the investment in the reporting period was due to an investment of NIS 151 million in Carr's capital, as a result of accumulated equity earnings in respect of the Group's share in Carr's profits (an increase of NIS 39 million), and due to an increase in the USD exchange rate (an increase of NIS 10 million). On the other hand, there was a decrease due to the receipt of a dividend and/or capital reduction in the amount of NIS 47 million.
- Investment in BOSTON – The decrease in the investment balance in the reporting period was due to the accumulation of NIS 34 million in equity losses and due to the receipt of a dividend and/or capital reduction in the amount of NIS 12 million. On the other hand, there was an increase due to an investment of NIS 8 million.

Note 15 – Operating Segments

The Group has two areas of activity: (1) principal areas of activity – long-term investments in cash-generating real estate companies in Israel and in other western countries, which includes its investments in Amot, Carr, and BE; 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.

Note 15 – Operating Segments (continued)**Segment revenues and results**

	For the Six-Month Period ended June 30, 2020								
	Income-Generating Property Segment					Segment Energy EnergiX	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others				
	NIS thousands								
Group share in profits (losses) of investees, net	53,966	39,296	12,631	(37,216)	(33,737)	26,059	-	(58,283)	2,716
Net losses from investments in securities measured at fair value through profit or loss	-	-	-	-	(20,596)	-	(115)	-	(20,711)
Revenues from decrease in holdings in investees	-	(76)	150,804	-	-	-	-	-	150,728
Other revenues, net (*)	4,500	-	-	-	-	2,434	60	380,332	387,326
	58,466	39,220	163,435	(37,216)	(54,333)	28,493	(55)	322,049	520,059
Administrative and general	-	-	-	-	-	-	15,595	44,153	59,748
Financing expenses, net	-	-	-	-	-	-	63,545	69,566	133,111
Other expenses, net (*)	-	-	-	-	-	-	-	91,139	91,139
	-	-	-	-	-	-	79,140	204,858	283,998
Profit before tax	58,466	39,220	163,435 (***)	(37,216)	(54,333)	28,493	(79,195)	117,191	236,061
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	235,500	362,140 (**)	668,057	21,504		132,063			
Revaluation profits (losses) (in the investee's books), before tax	(148,047)	(56,055) (**)	113,389	(41,337)		-			
Net profit (loss) (in the investee's books)	98,400	81,641	442,149	(6,343)		46,791			
The Company's share of net profits (loss)	53,966	39,296	12,631 (****)	(37,216)		26,059			

For further details regarding Carr's concise financial information, see Note 7f 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.

(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 38 million.

(****) Starting March 31, 2020, the investment in PSP is classified as an investment in an associate held for sale and therefore, its results in the second quarter of 2020 are not reflected in the Company's statements (see Note 2d).

Note 15 – Operating Segments (continued)**Segment revenues and results**

For the Three-Month Period ended June 30, 2020

	Income-Generating Property Segment					Segment Energy	Unattributed	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix	Results		
	NIS thousands								
Group share in profits (losses) of investees, net	4,922	29,485	-	5,784	(44,880)	9,846	-	(27,887)	(22,730)
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	-	(11,541)	-	(17)	-	(11,558)
Revenues from decrease in holdings in investees	-	(76)	26,559	-	-	-	-	-	26,483
Other revenues, net (*)	2,250	-	-	-	-	1,216	60	159,337	162,863
	7,172	29,409	26,559	5,784	(56,421)	11,062	43	131,450	155,058
Administrative and general	-	-	-	-	-	-	7,153	21,686	28,839
Financing expenses, net	-	-	-	-	-	-	28,444	42,714	71,158
Other expenses, net (*)	-	-	-	-	-	-	-	44,048	44,048
	-	-	-	-	-	-	35,597	108,448	144,045
Profit before tax	7,172	29,409	26,559 (**)	5,784	(56,421)	11,062	(35,554)	23,002	11,013
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	68,837	205,282 (**)	394,603	33,228		61,950			
Revaluation profits (losses) (in the investee's books), before tax	(104,960)	(4,407) (**)	-	1,821		-			
Net profit (in the investee's books)	9,184	-	268,976	6,023		18,663			
Company's share in net profits	4,922	29,485	-	5,784		9,846			

For further details regarding Carr's concise financial information, see Note 7f 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.

(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 5 million.

(****) Starting March 31, 2020, the investment in PSP is classified as an investment in an associate held for sale and therefore, its results in the second quarter of 2020 are not reflected in the Company's statements (see Note 2d).

Note 15 – Operating Segments (continued).**Segment assets and liabilities:**

As of June 30, 2020									
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
NIS thousands									
<u>Assets:</u>									
Investment in investees	3,244,191	3,283,734	658,527	1,339,664	809,782	816,122	17,677	(4,885,519)	5,284,178
Investment in securities measured at fair value through profit and loss	-	-	-	-	162,687	-	519	-	163,206
Other assets	-	-	135,789	-	-	-	298,478	19,942,620	20,376,887
	<u>3,244,191</u>	<u>3,283,734</u>	<u>794,316</u>	<u>1,339,664</u>	<u>972,469</u>	<u>816,122</u>	<u>316,674</u>	<u>15,057,101</u>	<u>25,824,271</u>
Liabilities	-	-	-	-	-	-	4,333,210	11,676,720	16,009,930

Note 15 – Operating Segments (continued)

Segment revenues and results

For the Six-Month Period ended June 30, 2019

	Cash-Generating Real Estate Segment					Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits (losses) of investees, net	149,617	(25,590)	93,652	2,883	80,149	19,272	-	(178,172)	141,811
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	2,750	-	283	-	3,033
Other revenues, net (*)	4,530	146	-	(4,255)	-	2,392	-	642,127	644,940
	154,147	(25,444)	93,652	(1,372)	82,899	21,664	283	463,955	789,784
Administrative and general	-	-	-	-	-	-	17,645	38,357	56,002
Financing expenses, net	-	-	-	-	-	-	58,225	153,572	211,797
Other expenses, net (*)	-	-	-	-	-	-	-	77,613	77,613
	-	-	-	-	-	-	75,870	269,542	345,412
Profit before tax	154,147	(25,444)	93,652	(1,372)	82,899	21,664	(75,587)	194,413	444,372
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	481,661	252,674 (**)	1,052,794	47,798		121,917			
Revaluation profits (losses) (in the investee's books), before tax	113,862	(173,629) (**)	503,395	20,863		-			
Net profit (in the investee's books)	262,624	(61,437)	933,835	(5,550)		32,308			
Company's share in net profits	149,617	(25,590)	93,652	(1,372)		19,272			

For further details regarding Carr's concise financial information, see Note 7f 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.

(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

Note 15 – Operating Segments (continued)

Segment revenues and results

For the Three-Month Period ended June 30, 2019

	Cash-Generating Real Estate Segment					Segment	Unattributed	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energy	Results		
						Energix			
	NIS thousands								
Group share in profits (losses) of investees, net	89,320	(44,161)	64,406	47,430	69,135	4,911	-	(143,936)	87,105
Net loss relating to investments in long-term securities and securities held for sale	-	-	-	-	1,418	-	(389)	-	1,029
Other revenues, net (*)	2,280	146	-	(4,255)	-	1,115	-	432,554	431,840
	91,600	(44,015)	64,406	43,175	70,553	6,026	(389)	288,618	519,974
Administrative and general	-	-	-	-	-	-	10,292	19,163	29,455
Financing expenses, net	-	-	-	-	-	-	39,797	124,847	164,644
Other expenses, net (*)	-	-	-	-	-	-	-	38,437	38,437
	-	-	-	-	-	-	50,089	182,447	232,536
Profit before tax	91,600	(44,015)	64,406	43,175	70,553	6,026	(50,478)	106,171	287,438
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	299,710	72,130 (**)	641,097	81,933		55,786			
Revaluation profits (losses) (in the investee's books), before tax	113,862	(147,816) (**)	376,519	56,815		-			
Net profit (loss) (in the investee's books)	158,565	(98,791)	642,216	45,661		8,934			
Company's share in net profit (loss)	89,320	(44,161)	64,406	43,175		4,911			

For further details regarding Carr's concise financial information, see Note 7f 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.

(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

Note 15 – Operating Segments (continued)

Segment assets and liabilities

As of June 30, 2019									
	Cash-Generating Real Estate Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	2,836,053	2,974,973	1,709,767	930,944	775,061	516,614	20,763	(3,767,065)	5,997,110
Investment in securities measured at fair value through profit and loss	-	-	-	-	183,057	-	754	-	183,811
Other assets	-	-	-	-	2,445	-	145,147	15,804,830	15,952,422
	<u>2,836,053</u>	<u>2,974,973</u>	<u>1,709,767</u>	<u>930,944</u>	<u>960,563</u>	<u>516,614</u>	<u>166,664</u>	<u>12,037,765</u>	<u>22,133,343</u>
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,328,230</u>	<u>9,461,954</u>	<u>13,790,184</u>

Note 15 – Operating Segments (continued)**Segment revenues and results****For the year ended December 31, 2019**

	Income-Generating Property Segment					Segment Energy Energix	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others				
	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
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	-	-	-	554	4,811	-	2,049,676	2,064,100
	<u>607,766</u>	<u>81,311</u>	<u>250,768</u>	<u>90,379</u>	<u>188,742</u>	<u>43,360</u>	<u>(2,416)</u>	<u>1,339,018</u>	<u>2,598,928</u>
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,839</u>	<u>487,632</u>	<u>622,471</u>
Profit before tax	<u>607,766</u>	<u>81,311</u>	<u>250,768 (***)</u>	<u>90,379</u>	<u>188,742</u>	<u>43,360</u>	<u>(137,255)</u>	<u>851,386</u>	<u>1,976,457</u>
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	<u>1,606,323</u>	<u>825,788 (**)</u>	<u>2,041,598</u>	<u>227,095</u>		<u>238,559</u>			
Revaluation profits (in the investee's books), before tax	<u>847,259</u>	<u>(38,355) (**)</u>	<u>872,145</u>	<u>152,608</u>		<u>-</u>			
Net profit (in the investee's books)	<u>1,070,423</u>	<u>212,969</u>	<u>2,722,158</u>	<u>90,662</u>		<u>62,972</u>			
Company's share in net profits	<u>598,707</u>	<u>81,311</u>	<u>154,088</u>	<u>90,379</u>		<u>38,549</u>			

For further details regarding Carr's concise financial information, see Note 7f 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.

(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.

(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 100 million.

Note 15 – Operating Segments (continued)

Segment assets and liabilities:

Segment assets and liabilities:

As of December 31, 2019									
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
<u>Assets:</u>									
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	18,348,814	18,977,511
	<u>3,356,383</u>	<u>3,135,978</u>	<u>1,381,418</u>	<u>1,246,092</u>	<u>1,047,620</u>	<u>585,801</u>	<u>646,958</u>	<u>13,698,615</u>	<u>25,098,865</u>
<u>Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,063,705</u>	<u>10,527,325</u>	<u>15,591,030</u>

Note 15 – Operating Segments (continued)

Geographic information:

	For the Six-Month Period ended June 30, 2020								
	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	381,863	-	-	62,841	-	-	-	-	444,704
Fair value adjustments of investment property	(148,100)	-	-	(41,337)	-	-	-	-	(189,437)
Group share in profits (losses) of associates, net	3,880	5,559	12,631	(20,075)	721	-	-	-	2,716
Revenues from sale of electricity and green certificates	-	-	-	-	52,432	78,064	969	-	131,465
Other	(8,004)	(76)	150,804	(12,595)	188	410	-	(116)	130,611
	<u>229,639</u>	<u>5,483</u>	<u>163,435</u>	<u>(11,166)</u>	<u>53,341</u>	<u>78,474</u>	<u>969</u>	<u>(116)</u>	<u>520,059</u>
Costs and expenses									
Cost of investment property rental and operation	29,179	-	-	6,454	-	-	-	-	35,633
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	6,348	14,074	28	-	20,450
Depreciation and amortization	<u>1,713</u>	<u>-</u>	<u>-</u>	<u>190</u>	<u>19,314</u>	<u>12,827</u>	<u>454</u>	<u>558</u>	<u>35,056</u>
	<u>30,892</u>	<u>-</u>	<u>-</u>	<u>6,644</u>	<u>25,662</u>	<u>26,901</u>	<u>482</u>	<u>558</u>	<u>91,139</u>
Administrative and general expenses								<u>59,748</u>	<u>59,748</u>
Profit before financing	<u>198,747</u>	<u>5,483</u>	<u>163,435</u>	<u>(17,810)</u>	<u>27,679</u>	<u>51,573</u>	<u>487</u>	<u>(60,422)</u>	<u>369,172</u>

Note 15 – Operating Segments (continued)

Geographic information:

	For the Three-Month Period ended June 30, 2020								
	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	172,911	-	-	31,408	-	-	-	-	204,319
Fair value adjustments of investment property	(105,012)	-	-	1,819	-	-	-	-	(103,193)
Group share in profits (losses) of associates, net	1,157	(15,395)	-	(9,085)	593	-	-	-	(22,730)
Revenues from sale of electricity and green certificates	-	-	-	-	33,372	27,384	969	-	61,725
Other	297	(76)	26,559	(11,852)	58	(31)	-	(18)	14,937
	69,353	(15,471)	26,559	12,290	34,023	27,353	969	(18)	155,058
Costs and expenses									
Cost of investment property rental and operation	12,879	-	-	3,460	-	-	-	-	16,339
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	3,110	5,698	28	-	8,836
Depreciation and amortization	1,146	-	-	98	11,641	5,517	454	17	18,873
	14,025	-	-	3,558	14,751	11,215	482	17	44,048
Administrative and general expenses								28,839	28,839
Profit before financing	55,328	(15,471)	26,559	8,732	19,272	16,138	487	(28,874)	82,171

Note 15 – Operating Segments (continued)

Geographic information:

	As of June 30, 2020								
	Income-Generating Property				Energy				
	Israel	U.S.A. (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
<u>Main assets</u>									
Investment property (including property in development and property intended for sale)	13,033,889	-	-	2,759,382	-	-	-		15,793,271
Investment in associates (including investment in associate held for sale)	447,079	4,093,516	658,527	57,038	10,389	-	-	17,629	5,284,178
Connected electricity-generating facilities	-	-	-	-	819,784	607,666	-	-	1,427,450
Electricity-generating facilities in development	-	-	-	-	182,476	108,255	534,806	-	825,537
Right-of-use asset	-	-	-	-	89,957	52,813	13,592	-	156,362
Securities measured at fair value through profit and loss (***)	19,134	-	-	143,553	-	-	-	519	163,206
	13,500,102	4,093,516	658,527	2,959,973	1,102,606	768,734	548,398	18,148	23,650,004

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,283,734 thousand and for an investment in Boston in the amount of NIS 809,782 thousand.

(**) The entire balance is for 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 15 – Operating Segments (continued)

Geographic information:

	For the Six-Month Period ended June 30, 2019								
	Cash-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	366,108		-	22,681	-	-	-	-	388,789
Fair value adjustments of investment property	113,558	-	-	20,862	-	-	-	-	134,420
Group share in profits (losses) of associates, net	9,295	54,563	93,652	(16,291)	592	-	-	-	141,811
Revenues from sale of electricity and green certificates	-	-	-	-	44,563	77,106	-	-	121,669
Other	3,280	136	-	(851)	70	177	-	283	3,095
	492,241	54,699	93,652	26,401	45,225	77,283	-	283	789,784
Costs and Expenses									
Cost of investment property rental and operation	30,746	-	-	1,210	-	-	-	-	31,956
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	4,546	10,256	-	-	14,802
Depreciation and amortization	1,012	-	-	48	14,846	13,811	-	1,138	30,855
	31,758	-	-	1,258	19,392	24,067	-	1,138	77,613
Administrative and general expenses								56,002	56,002
Profit before financing	460,483	54,699	93,652	25,143	25,833	53,216	-	(56,857)	656,169

Note 15 – Operating Segments (continued)

Geographic information:

For the Three-Month Period ended June 30, 2019								
	Cash-Generating Property				Energy			Others and Unassigned Expenses
	Israel	USA	Switzerland	The UK	Israel	Poland	USA	Total
NIS thousands								
<u>Revenues and profits</u>								
Revenues from rental fees and management of investment property	184,969	-	-	20,864	-	-	-	205,833
Fair value adjustments of investment property	113,558	-	-	56,814	-	-	-	170,372
Group's share in profits of associates, net	4,611	24,978	64,406	(7,325)	435	-	-	87,105
Revenues from sale of electricity and green certificates	-	-	-	-	26,855	28,718	-	55,573
Other	1,377	136	-	(244)	35	177	-	1,091
	<u>304,515</u>	<u>25,114</u>	<u>64,406</u>	<u>70,109</u>	<u>27,325</u>	<u>28,895</u>	<u>-</u>	<u>519,974</u>
<u>Costs and Expenses</u>								
Cost of investment property rental and operation	15,724	-	-	1,210	-	-	-	16,934
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	2,060	3,706	-	5,766
Depreciation and amortization	497	-	-	48	8,684	6,027	-	15,737
	<u>16,221</u>	<u>-</u>	<u>-</u>	<u>1,258</u>	<u>10,744</u>	<u>9,733</u>	<u>-</u>	<u>38,437</u>
Administrative and General Expenses								<u>29,455</u>
								<u>29,455</u>
Profit before financing	<u>288,294</u>	<u>25,114</u>	<u>64,406</u>	<u>68,851</u>	<u>16,581</u>	<u>19,162</u>	<u>-</u>	<u>(30,326)</u>
								<u>452,082</u>

Note 15 – Operating Segments (continued)

Geographic information:

	As of June 30, 2019							
	Cash-Generating Property				Energy			
	Israel	U.S.A. (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others
	NIS thousands							
Main assets								
Investment property (including property in development and property intended for sale)	10,879,619	-	-	1,927,647	-	-	-	12,807,266
Investments in associates	443,599	3,750,034	1,709,767	61,569	11,500	-	-	20,641
Electric power production facilities (including right-of-use asset)	-	-	-	-	790,910	756,036	62,253	1,609,199
Securities measured at fair value through profit and loss (***)	20,352	-	-	162,705	-	-	-	754
	<u>11,343,570</u>	<u>3,750,034</u>	<u>1,709,767</u>	<u>2,151,921</u>	<u>802,410</u>	<u>756,036</u>	<u>62,253</u>	<u>21,395</u>
								<u>20,597,386</u>

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,974,973 thousand and for an investment in Boston in the amount of NIS 775,061 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 15 – Operating Segments (continued)

Geographic information:

	For the Year ended December 31, 2019						
	Income-Generating Property				Energy		Others and Unassigned Expenses
	Israel	USA	Switzerland	The UK	Israel	Poland	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	-	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	122,418
	<u>1,658,910</u>	<u>244,952</u>	<u>250,768</u>	<u>207,072</u>	<u>91,195</u>	<u>148,469</u>	<u>2,598,928</u>
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	60,549
	<u>64,955</u>	<u>-</u>	<u>-</u>	<u>5,320</u>	<u>39,209</u>	<u>47,341</u>	<u>159,021</u>
Administrative and general expenses							<u>121,799</u>
							<u>121,799</u>
Profit before financing	<u>1,593,955</u>	<u>244,952</u>	<u>250,768</u>	<u>201,752</u>	<u>51,986</u>	<u>101,128</u>	<u>(126,433)</u>
							<u>2,318,108</u>

Note 15 – Operating Segments (continued)

Geographic information:

As of December 31, 2019

	NIS of December 31, 2019								
	Income-Generating Property				Energy				
	Israel	U.S.A. (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
<u>Main assets</u>									
Investment property (including property in development 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 for 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.

Separate Financial Information (Unaudited)

Alony - Hetz Properties and
Investments LTD



To

The Shareholders of Aloni Hetz Properties & Investments Ltd.

Amot Atrium Tower, 2 Jabotinsky St.

Ramat-gan

Dear Sir/Madam,

Re: Special report for review the separate interim financial information pursuant to Regulation 38-D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information that was prepared in accordance with regulation 38-D of the Securities Regulations (Periodic and Immediate reports), 1970 of **Aloni Hetz Properties & Investments Ltd.** ("the Company") as of June 30, 2020 and for the periods of six and three months ended on that date. The board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

We did not review the separate interim financial information included in the financial information of associates, that the investment in them is amounted to approximately 5,497 Million NIS as of June 30, 2020 and the share of the company in their results for the periods of six and three months ended on that date, is amounted to approximately 103 and 53 Million NIS, respectively. The financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information for those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of separate interim financial information consists of making inquiries, primarily with personnel responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less than the scope of an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the abovementioned separate interim financial information is not prepared, in all material respects, in accordance with the requirements of regulation 38-D of the Securities Regulations (Periodic and Immediate reports), 1970.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, August 24, 2020.

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Alony-Hetz Properties and Investments Ltd. | Financial Position Data

	As of June 30		As of December 31
	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	162,305	80,915	350,976
Deposits and tradable securities	22,739	2,444	40,876
Current tax assets, net	11,223	5,796	3,086
Related party receivables	5,293	19,470	12,511
Other receivables	188,563	36,678	27,308
	390,123	145,303	434,757
Investment in associate held for sale	658,527	-	-
Total current assets	1,048,650	145,303	434,757
<u>Non-current assets</u>			
Long-term investments in securities:			
Securities designated at fair value through profit or loss:	163,206	183,811	203,803
Investments in investees	7,461,649	9,233,990	8,736,732
Loans and capital notes to investees	2,097,438	630,058	1,894,324
Fixed assets, net	4,146	3,227	2,967
Other assets	31,753	12,150	33,393
Total non-current assets	9,758,192	10,063,236	10,871,219
Total assets	10,806,842	10,208,539	11,305,976

Alony-Hetz Properties and Investments Ltd. | Financial Position Data

	As of June 30		As of December 31
	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Liabilities and equity			
<u>Current liabilities</u>			
Short-term credit and current maturities of long-term loans	852	1,992	1,965
Current maturities of bonds	346,536	349,965	348,036
Current tax liabilities	-	1,474	6,965
Related party payables	150,033	179,401	846
Other payables	59,057	43,704	102,868
Total current liabilities	556,478	576,536	460,680
<u>Non-current liabilities</u>			
Bonds and bond options	3,475,279	3,267,672	3,840,621
Long-term loans and credit facilities from banking corporations	1,065	368,083	358,987
Deferred tax liabilities	324,112	205,168	305,485
Other liabilities	15,948	23,732	3,658
Total non-current liabilities	3,816,404	3,864,655	4,508,751
<u>Equity</u>	6,433,960	5,767,348	6,336,545
Total liabilities and equity	10,806,842	10,208,539	11,305,976

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	_____	CFO

August 24, 2020

The attached notes constitute an integral part of the separate financial information.

Alony-Hetz Properties and Investments Ltd. | Statement of Income Data

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)		(Unaudited)		
Revenues and profits					
Group share in the profits of investees, net	17,015	316,476	34,249	235,016	1,068,159
Net gain (loss) with respect to investments in long-term securities	(20,711)	3,033	(11,067)	(8,264)	24,711
Net profits from changes in holding rate and from realization of investments in investees	150,804	-	26,559	-	96,680
Management fee revenues from investees	7,703	7,560	3,466	4,116	27,561
Other revenues, net	61	-	61	-	579
	<u>154,872</u>	<u>327,069</u>	<u>53,268</u>	<u>230,868</u>	<u>1,217,690</u>
Costs and expenses					
Administrative and general	14,432	16,591	6,671	9,813	34,876
Administrative and general for investees	777	777	388	388	1,555
Financing expenses (income) in respect of investees	(50,828)	21,624	29,383	15,233	16,077
Financing revenues	(2,640)	(652)	(697)	(31)	(12,018)
Financing expenses	66,287	60,660	28,625	40,146	109,022
	<u>28,028</u>	<u>99,000</u>	<u>64,370</u>	<u>65,549</u>	<u>149,512</u>
Income (loss) before taxes on income	<u>126,844</u>	<u>228,069</u>	<u>(11,102)</u>	<u>165,319</u>	<u>1,068,178</u>
Income tax expenses (income)	19,148	4,920	(14,817)	(3,720)	112,078
Net Income for the period	<u>107,696</u>	<u>223,149</u>	<u>3,715</u>	<u>169,039</u>	<u>956,100</u>
Net earnings per share (in NIS):					
Basic	<u>0.62</u>	<u>1.30</u>	<u>0.02</u>	<u>0.98</u>	<u>5.55</u>
Fully diluted	<u>0.62</u>	<u>1.29</u>	<u>0.01</u>	<u>0.98</u>	<u>5.52</u>
Weighted average of share capital used in calculation of earnings per share (thousands of shares)					
Basic	<u>172,768</u>	<u>171,841</u>	<u>172,786</u>	<u>171,974</u>	<u>172,170</u>
Fully diluted	<u>173,159</u>	<u>172,396</u>	<u>172,963</u>	<u>172,400</u>	<u>172,992</u>

The attached notes constitute an integral part of the separate financial information.

Alony-Hetz Properties and Investments Ltd. | Comprehensive Income Data

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)		(Unaudited)		
Net Income for the period	107,696	223,149	3,715	169,039	956,100
Other comprehensive 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, net of tax	17,628	(56,437)	(2,807)	8,921	(89,601)
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	(4,934)	101,225	68,042	26,343	153,855
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, net of tax	3,197	-	2,451	-	1,176
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	(4,860)	-	(1,802)	-	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, net of tax	(10,735)	-	(4,617)	-	(11,213)
Profit (loss) from exchange rate differentials in respect of cash flow hedging, net of tax	(533)	(3,913)	(881)	-	(4,729)
Company share in other comprehensive income (loss) of consolidated companies, net of tax	(100,651)	(274,564)	(151,574)	(124,618)	(411,647)
Other comprehensive loss for the period, net of tax	(100,888)	(233,689)	(91,188)	(89,354)	(359,138)
Total comprehensive income (loss) for the period	<u>6,808</u>	<u>(10,540)</u>	<u>(87,473)</u>	<u>79,685</u>	<u>596,962</u>

The attached notes constitute an integral part of the separate financial information.

Alony-Hetz Properties and Investments Ltd. | Cash Flow Data

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Cash flows - Operating activities					
Net Income for the period	107,696	223,149	3,715	169,039	956,100
Income (expenses) not entailing cash flows (Appendix A)	26,119	(156,059)	43,517	17,200	(805,491)
	133,815	67,090	47,232	186,239	150,609
Changes in working capital (Appendix B)	129,619	222,172	20,237	46,405	27,673
Net cash provided by (used in) operating activities	263,434	289,262	67,469	232,644	178,282
Cash flows - Investing activities					
Investment in investment property funds	(11,941)	-	-	-	(61,716)
Proceeds from the repayment of investments in investment property funds	22,409	-	-	-	65,089
Investment in consolidated companies	(34,515)	(807,360)	-	-	(198,716)
Proceeds from the sale of shares of associate	722,296	-	201,728	-	440,373
Loans provided to investees	(193,935)	(98,153)	(62,173)	-	(1,109,421)
Decrease in deposits and tradable securities, net	942	-	58,369	-	(27,387)
Repayment of loans provided to investees	-	92,161	-	92,161	93,892
Investment in investees, net	(151,215)	-	(151,215)	-	(163,771)
Cash provided by (used in) forward transactions intended for hedging	6,929	2,194	5,790	17,327	21,286
Others, net	(1,438)	(89)	(1,058)	(54)	(133)
Net cash provided by (used in) investing activities	359,532	(811,247)	51,441	109,434	(940,504)
Cash flows – Financing activities					
Proceeds from the issue of bonds and bond options	-	723,568	-	-	1,318,037
Repayment of long-term loans	(363,245)	(445)	(363,031)	(220)	(879)
Proceeds from issues of stocks and options	1,436	27,436	542	8,590	47,093
Repayment of bonds	(347,178)	(402,748)	-	-	(402,748)
Change in short-term credit and long-term credit facility from banks	(1,109)	(1,918)	(450,104)	(123,172)	(1,924)
Dividends paid to Company shareholders	(100,211)	(168,505)	(100,211)	(168,505)	(268,559)
Net cash provided by (used in) financing activities	(810,307)	177,388	(912,804)	(283,307)	691,020
Increase (decrease) in cash and cash equivalents	(187,341)	(344,597)	(793,894)	58,771	(71,202)
Effect of changes in exchange rates on foreign currency cash balances	(1,330)	(2,770)	(1,757)	(355)	(6,104)
Cash and cash equivalents at beginning of year	350,976	428,282	957,956	22,499	428,282
Cash and cash equivalents at end of year	162,305	80,915	162,305	80,915	350,976

The attached notes constitute an integral part of the separate financial information.

Alony-Hetz Properties and Investments Ltd. | Cash Flow Data

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
<u>Adjustments required to present cash flows from operating activities</u>					
a. Income not entailing cash flows:					
Adjustment differences in respect of long-term liabilities and cash balances	(78,729)	(58,101)	7,902	30,842	(28,204)
Company share in profits of associates, less dividends and reductions of capital received	183,784	(105,150)	50,383	(14,397)	(756,006)
Losses (profits) relating to investments in long-term securities and assets intended for sale	30,129	5,894	15,776	6,317	(17,591)
Profit from change in holding rate and from realization of investments in investee, net	(150,804)	-	(26,559)	-	(96,682)
Net loss (profit) from tradable securities	17,195	(393)	(55)	(53)	(11,437)
Deferred taxes, net	22,378	(67)	(5,133)	(6,282)	100,559
Others, net	2,166	1,758	1,203	773	3,870
	<u>26,119</u>	<u>(156,059)</u>	<u>43,517</u>	<u>17,200</u>	<u>(805,491)</u>
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in accounts receivable and debit balances	(1,645)	49,323	46,170	33,083	22,806
Decrease (increase) in current tax assets, net	(8,137)	3,116	(10,684)	2,050	5,826
Increase (decrease) in accounts payable and credit balances	146,366	171,236	(4,382)	13,470	(4,947)
Increase (decrease) in current tax liabilities, net	(6,965)	(1,503)	(10,867)	(2,198)	3,988
	<u>129,619</u>	<u>222,172</u>	<u>20,237</u>	<u>46,405</u>	<u>27,673</u>
c. Non-cash activity					
Exercise of employee options against accounts receivable and debit balances:	-	2,934	-	2,934	-
Dividend receivable from associate	1,400	-	1,400	-	3,491
Proceeds receivable for realization of investment in associate	<u>135,789</u>	<u>-</u>	<u>135,789</u>	<u>-</u>	<u>-</u>
d. Additional Information					
Interest paid	<u>114,851</u>	<u>110,254</u>	<u>11,551</u>	<u>10,804</u>	<u>129,095</u>
Interest received	<u>381</u>	<u>201</u>	<u>237</u>	<u>-</u>	<u>195</u>
Taxes paid	<u>12,130</u>	<u>2,897</u>	<u>12,122</u>	<u>2,893</u>	<u>3,212</u>
Taxes received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,818</u>
Dividends and receipts for reductions of capital received	200,784	211,327	85,097	211,327	312,730

The attached notes constitute an integral part of the separate financial information.

Alony-Hetz Properties and Investments Ltd. | Additional Information to the Separate Financial Statements

1. General:

A. General:

The Company's separate financial information has been prepared in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

This separate interim financial information should be viewed in the context of the Company's separate financial information as of December 31, 2019 and for the year ended on that date, and the additional data attached thereto.

B. Definitions

The Company – Alony-Hetz Properties and Investments Ltd.

Investee – as defined in Note 1 to the Company's Consolidated Financial Statements as of December 31, 2019.

C. Accounting policy:

The separate financial information has been prepared in accordance with the accounting policy detailed in Note (c) to the Company's Separate Financial Information as of December 31, 2019 and for the year ended on that date.

2. Additional information and events subsequent to the balance sheet date:

- A. For information regarding the Corona crisis – see Note 3 to the Condensed Consolidated Financial Statements published with this financial information.
- B. For information regarding the investment in Amot – see Note 4 to the Condensed Consolidated Financial Statements published with this financial information.
- C. For information regarding the investment in Brockton Everlast – see Note 5 to the Condensed Consolidated Financial Statements published with this financial information.
- D. For information regarding the investment in Energix – see Note 6 to the Condensed Consolidated Financial Statements published with this financial information.
- E. For information regarding the investment in PSP (investment in an associate held for sale) – see Note 8 to the Condensed Consolidated Financial Statements published with this financial information.
- F. For information regarding the renewed signing of a credit facility agreement between the Company and the Bank of Israel – see Note 10.a.1. to the Condensed Consolidated Financial Statements published with this financial information.
- G. For information regarding the early repayment of the loan from a foreign bank – see Note 10.a.2. to the Condensed Consolidated Financial Statements published with this financial information.
- H. For information regarding dividend distributions and dividends declared – see Note 12a to the Condensed Consolidated Financial Statements published with this financial information.
- I. For information regarding the remuneration of employees and officers – see Note 12b to the Condensed Consolidated Financial Statements published with this financial information.
- J. For information regarding transactions with related parties – see Note 13 to the Condensed Consolidated Financial Statements published with this financial information.

Report on Effectiveness of Internal Control of Financial Reporting and Disclosure

Alony - Hetz Properties and
Investments LTD

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to Regulation 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 1970

For Q2/2020

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 requirements 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.

In the quarterly report on the effectiveness of internal control on financial reporting and disclosure attached to the quarterly report for the period ended March 31, 2020 (hereinafter: “**the Last Quarterly Report on Internal Control**”), the internal control was found to be effective.

As of the date of the report, the Board of Directors and management have not been made aware of any event or issue that would change the assessment of the effectiveness of the internal control, as found in the last quarterly report on internal control.

As of the date of the report, based on the last quarterly report on internal control, and based on information brought to the attention of management and the Board of Directors as noted above, the internal control is effective.

Executive statements:

- (a) Statement of the CEO in accordance with Regulation 38C(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter: “the Corporation”) for the second quarter of 2020 (hereinafter: “the Reports”);
2. In my opinion, the Reports do not contain any untrue statement of a material fact nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, 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 Board of Directors’ 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. 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. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the financial statements in accordance with the law, including generally accepted accounting principles;

No event or issue has come to my attention which has occurred during the period between the last report date (quarterly or periodic, as the case may be), that may be such as to change the conclusions of the Board of Directors and management regarding the effectiveness of internal controls over the Corporation’s financial reporting and disclosure.

The above does not detract from my responsibility or the responsibility of any other person according to the law.

August 24, 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 examined the interim financial statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: **“the Corporation”**) for the second quarter of 2020 (hereinafter: **“the Reports”** or **“the Interim Reports”**);
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports 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 interim financial statements and the other financial information included in the interim 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 Board of Directors’ 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 interim financial statements and the other financial information included in the interim 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. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under our 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. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the financial statements in accordance with the law, including generally accepted accounting principles;

No event or issue has come to my attention which has occurred during the period between the last report date (quarterly or periodic, as the case may be) and the date of this report that refers to the interim financial statements and any other financial information included in the interim financial statements, that may be such as to change the conclusions of the Board of Directors and management regarding the effectiveness of internal control over the Corporation’s financial reporting and disclosure.

The above does not detract from my responsibility or the responsibility of any other person according to the law.

August 24, 2020

Signature
Oren Frenkel, Chief Financial Officer

Reference to Report on the Corporation's Liabilities Inventory by Redemption Dates

Alony - Hetz Properties and
Investments LTD

Report on the status of liabilities by repayment dates as of June 30, 2020

Regarding the Report on the status of liabilities by repayment dates as of June 30, 2020, see the Immediate Report dated August 25, 2020.

Joining the Financial Statements of an Associate – Carr

Alony - Hetz Properties and
Investments LTD

CARR PROPERTIES HOLDINGS LP

**Condensed Consolidated Financial Statements as of
June 30, 2020
(Unaudited)**

CARR PROPERTIES HOLDINGS LP

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Report of Independent Auditors

To the Management of Carr Properties Holdings LP

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings LP and its subsidiaries, which comprise the condensed consolidated balance sheet as of June 30, 2020, and the related condensed consolidated statements of operations and comprehensive income and of cash flows for the three-month and six-month periods ended June 30, 2020 and 2019 and the condensed consolidated statement of changes in equity for the six-month periods ended June 30, 2020 and 2019.

Management's Responsibility for the Condensed Consolidated Interim Financial Information

The Partnership's management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Carr Properties Holdings LP and its subsidiaries as of December 31, 2019, and the related consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 9, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of



December 31, 2019, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

McLean, Virginia
August 19, 2020

CARR PROPERTIES HOLDINGS LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of US Dollars)

	Notes	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of \$2,569,745 and \$2,434,216)	4,11	\$ 2,860,110	\$ 2,805,605
Properties in development (cost of \$518,654 and \$420,513)	4,11	557,610	437,148
Investments in associates	5	255,517	215,639
Goodwill	8	9,326	9,326
Restricted cash	10	915	915
Straight line rent receivable		109,423	107,289
Deferred leasing costs and other, net		56,371	57,553
		3,849,272	3,633,475
Current assets			
Trade receivables, net		2,368	3,388
Prepaid expense and other assets		10,057	10,602
Restricted cash	10	20,507	26,018
Cash and cash equivalents	10	43,852	20,723
		76,784	60,731
Total assets		\$ 3,926,056	\$ 3,694,206
EQUITY			
Equity attributable to common shareholders	17	\$ 1,606,212	\$ 1,519,563
Equity reserve from increase in CPP		9,744	9,732
Equity reserve for cash flow hedges	11	(41,556)	(38,191)
Retained earnings		291,858	296,335
Equity attributable to non-redeemable non-controlling interests	17	142,943	143,314
Total equity		2,009,201	1,930,753
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	\$ 327,236	\$ 474,187
Notes payable, net of current portion and deferred financing fees	9,10	1,198,699	847,153
Lease liabilities, net of current portion	6	128,801	129,006
Redeemable non-controlling interests, net of current portion	17	4,563	4,353
Derivative liabilities, net of current portion	11	8,856	2,947
Security deposits		4,543	4,226
Other liabilities		12,718	11,259
		1,685,416	1,473,131
Current liabilities			
Current portion of notes payable, net of deferred financing fees	9,10	3,223	62,487
Derivative liabilities, current	11	240	—
Current portion of lease liabilities	6	444	508
Redeemable non-controlling interests, current	17	149,534	150,176
Rent received in advance		11,158	11,934
Trade and other payables		66,840	65,217
		231,439	290,322
Total liabilities		1,916,855	1,763,453
Total equity and liabilities		\$ 3,926,056	\$ 3,694,206

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

August 19, 2020

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

CARR PROPERTIES HOLDINGS LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)
(in thousands of US Dollars)
(Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2020	2019	2020	2019
Revenues					
Rental revenue		\$ 48,037	\$ 48,945	\$ 95,189	\$ 94,685
Recoveries from tenants		8,679	8,249	18,742	15,268
Parking income		1,520	3,653	4,637	6,961
Property management fees and other	15	502	340	761	842
Total revenues		58,738	61,187	119,329	117,756
Operating expenses					
Property operating expenses					
Direct payroll and benefits		1,888	2,170	3,952	4,392
Repairs and maintenance		2,200	2,400	4,512	4,654
Cleaning		1,240	1,593	2,799	3,176
Utilities		1,425	1,900	3,336	4,135
Real estate and other taxes		10,474	9,220	20,276	17,967
Other expenses	13	4,779	4,941	9,135	9,594
Property operating expenses		22,006	22,224	44,010	43,918
Non-property general and administrative expenses	12	4,076	5,043	8,752	10,231
Total operating expenses		26,082	27,267	52,762	54,149
Other operating loss					
Net loss from fair value adjustment on investment properties		(2,933)	(41,117)	(37,033)	(48,194)
Income (loss) from investments in associates		1,629	(6,624)	20,954	(6,427)
Total other operating loss and expense		(1,304)	(47,741)	(16,079)	(54,621)
Operating income (loss)		31,352	(13,821)	50,488	8,986
Other income (expense)					
Loss on extinguishment of debt	9	—	—	(1,023)	—
Interest income		1	39	61	53
Other income		21	83	35	88
Revaluation of redeemable non-controlling interests		(166)	5,285	660	6,995
Interest expense	9	(13,215)	(15,459)	(26,728)	(29,717)
Pre-tax income (loss)		17,993	(23,873)	23,493	(13,595)
Income and franchise tax expense		66	—	212	7
Net income (loss)		\$ 17,927	\$ (23,873)	\$ 23,281	\$ (13,602)
Attribution of net income (loss)					
Common shareholders		\$ 16,544	\$ (22,999)	\$ 22,063	\$ (11,845)
Non-redeemable non-controlling interests		1,383	(874)	1,218	(1,757)
		\$ 17,927	\$ (23,873)	\$ 23,281	\$ (13,602)
Other comprehensive loss					
Items that may be subsequently reclassified to income or loss:					
Unrealized loss on cash flow hedges	11	\$ (2,966)	\$ (18,334)	\$ (6,149)	\$ (30,577)
Less: Reclassification adjustments for losses included in net income	9	984	—	1,968	—
Other comprehensive loss		(1,982)	(18,334)	(4,181)	(30,577)
Total comprehensive income (loss)		\$ 15,945	\$ (42,207)	\$ 19,100	\$ (44,179)
Attribution of comprehensive income (loss)					
Common shareholders		\$ 16,161	\$ (40,177)	\$ 18,698	\$ (40,493)
Non-redeemable non-controlling interests		(216)	(2,030)	402	(3,686)
		\$ 15,945	\$ (42,207)	\$ 19,100	\$ (44,179)

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

CARR PROPERTIES HOLDINGS LP
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of US Dollars, except share data)
(Unaudited)

	Notes	Common Units Issued and Outstanding		Equity Reserve From Increase in CPP	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, 2019		1,328,639	\$ 1,519,563	\$ 9,732	\$ (38,191)	\$ 296,335	\$ 1,787,439	\$ 143,314	\$ 1,930,753
Amortization of terminated cash flow hedge		—	—	—	1,844	—	1,844	124	1,968
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	62	62
Non-controlling interest partner distribution to 2311 Wilson	4	—	—	—	—	—	—	(4,840)	(4,840)
Issuance of common shares, net of offering costs		64,709	86,649	—	—	—	86,649	5,811	92,460
Change in equity reserve from increase in CPP		—	—	12	—	—	12	(12)	—
Net income		—	—	—	—	22,063	22,063	1,218	23,281
Unrealized loss on cash flow hedges	11	—	—	—	(5,209)	—	(5,209)	(940)	(6,149)
Distributions	17	—	—	—	—	(26,540)	(26,540)	(1,794)	(28,334)
Balance as of June 30, 2020		<u>1,393,348</u>	<u>\$ 1,606,212</u>	<u>\$ 9,744</u>	<u>\$ (41,556)</u>	<u>\$ 291,858</u>	<u>\$ 1,866,258</u>	<u>\$ 142,943</u>	<u>\$ 2,009,201</u>

	Notes	Common Shares Issued and Outstanding		Shares Based Compensation	Equity Reserve from Increase in CPP	Equity Reserve for Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity	Non- controlling Interests	Total Equity
		Units	Amount							
Balance as of December 31, 2018		1,230,142	\$ 1,388,080	\$ 633	\$ 6,517	\$ 2,097	\$ 318,223	\$ 1,715,550	\$ 140,435	\$ 1,855,985
Adoption of IFRS 16		—	—	—	—	—	(468)	(468)	(32)	(500)
Issuance of preferred shares, net of offering costs		—	—	—	—	—	—	—	100	100
Share based compensation		—	—	673	—	—	—	673	—	673
Redemption of non-controlling interests		—	—	—	—	—	—	—	(106)	(106)
Change in equity reserve from increase in CPP		—	—	—	62	—	—	62	(62)	—
Net (loss)		—	—	—	—	—	(11,845)	(11,845)	(1,757)	(13,602)
Unrealized loss on cash flow hedges	11	—	—	—	—	(28,648)	—	(28,648)	(1,929)	(30,577)
Distributions	17	—	—	—	—	—	(36,853)	(36,853)	(2,495)	(39,348)
Balance as of June 30, 2019		<u>1,230,142</u>	<u>\$ 1,388,080</u>	<u>\$ 1,306</u>	<u>\$ 6,579</u>	<u>\$ (26,551)</u>	<u>\$ 269,057</u>	<u>\$ 1,638,471</u>	<u>\$ 134,154</u>	<u>\$ 1,772,625</u>

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

CARR PROPERTIES HOLDINGS LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US Dollars)
(Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2020	2019	2020	2019
Cash flows from operating activities					
Net income (loss)		\$ 17,927	\$ (23,873)	\$ 23,281	\$ (13,602)
Adjustments to reconcile net income (loss) to net cash provided by operating activities					
Net loss on valuation of investment properties		2,933	41,117	37,033	48,194
(Income) loss from investments in associates		(1,629)	6,624	(20,954)	6,427
Loss on extinguishment of debt	9	—	—	1,023	—
Distributions from investments in associates		—	—	—	670
Income and franchise tax expense		66	—	212	7
Interest expense, net excluding amortization of deferred financing fees		13,044	14,699	26,391	28,273
Amortization of deferred financing fees		182	795	382	1,512
Amortization of equipment leases		131	94	263	284
Amortization of deferred leasing costs and lease incentives		183	1,512	2,814	2,779
Amortization of note payable premium		(11)	(34)	(45)	(68)
Provision for bad debt expense		217	185	24	179
LTIP Compensation		(95)	381	301	673
Revaluation of redeemable non-controlling interests		166	(5,285)	(660)	(6,995)
Changes in assets and liabilities					
Trade receivables		(121)	1,215	996	724
Straight line rent receivable		(3,379)	(8,323)	(2,134)	(17,835)
Prepaid expense and other assets		(131)	(270)	545	(1,369)
Trade and other payables		2,599	1,535	(3,358)	(8,985)
Rent received in advance		(84)	3,368	(776)	2,212
Cash generated by operations		31,998	33,740	65,338	43,080
Cash paid for interest		(13,820)	(13,324)	(28,033)	(23,328)
Net cash provided by operating activities		18,178	20,416	37,305	19,752
Cash flows from investing activities					
Proceeds from sale of income generating property	7	—	—	155,281	—
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal		(868)	—	(102,664)	—
Contributions to investment in associates		(8,152)	(19,096)	(20,502)	(34,700)
Return of investments in associates		—	54,384	1,578	54,384
Additions to deferred leasing costs		(1,300)	(20,436)	(2,440)	(21,229)
Additions to tenant improvements		(6,498)	(2,648)	(11,155)	(4,302)
Additions to construction in progress, including capitalized interest		(57,424)	(28,376)	(92,311)	(38,417)
Other capital improvements on income generating properties		(1,810)	(3,208)	(7,117)	(7,789)
Decrease (increase) in restricted cash		1,945	384	5,515	(9,355)
Net cash used in investing activities		(74,107)	(18,996)	(73,815)	(61,408)
Cash flows from financing activities					
Redemption of redeemable non-controlling interest		—	—	—	(501)
Distribution to 2311 Wilson non-controlling interest partner	4	(4,840)	—	(4,840)	—
Redemption of non-controlling interests		—	(106)	—	(106)
Principal portion of lease payments		(127)	(413)	(280)	(302)
Issuance of common shares, net of offering costs		92,460	—	92,460	—
Borrowings under credit facility	9	25,000	24,000	66,000	80,000
Repayments under credit facility	9	(80,000)	(8,000)	(213,500)	(8,000)
Borrowings on notes payable	9	44,349	2,439	211,953	21,298
Repayments of notes payable	9	(617)	(792)	(62,078)	(1,585)

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

CARR PROPERTIES HOLDINGS LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US Dollars)
(Unaudited)
(continued)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2020	2019	2020	2019
Payment of deferred financing fees		—	—	(2,032)	—
Issuance of redeemable non-controlling interests		228	—	228	—
Distributions to common shareholders and non-redeemable non-controlling interests	17	(14,174)	(19,681)	(28,334)	(39,347)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		—	—	62	100
Net cash provided by (used in) financing activities		62,279	(2,553)	59,639	51,557
Net increase (decrease) in cash and cash equivalents		6,350	(1,133)	23,129	9,901
Cash and cash equivalents, beginning of the period		37,502	49,687	20,723	38,653
Cash and cash equivalents, end of the period		\$ 43,852	\$ 48,554	\$ 43,852	\$ 48,554
Supplemental disclosures of cash flow information:					
Capitalized interest		\$ 2,481	\$ 2,974	\$ 5,345	\$ 6,247
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		724	1,388	16,203	8,899
Lease liabilities arising from obtaining right-of-use assets		13	—	13	—
Non-cash interest expense	9	984	—	1,968	—
Debt and other liabilities assumed in acquisition of 75-101 Federal	4	—	—	140,820	—
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	4	101,796	—	101,796	—

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

CARR PROPERTIES HOLDINGS LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar amounts expressed in thousands, except share and per share data)
(Unaudited)

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"). 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 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.

The ownership interests of Alony-Hetz, CET, and Clal of Holdings as of June 30, 2020, 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

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, and as such, do not include all the disclosures that would be included in annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Partnership's consolidated financial statements and notes thereto contained in the Partnership's audited annual consolidated financial statements for the year ended December 31, 2019. Any changes to accounting policies and methods of computation during the six months ended June 30, 2020, are specifically disclosed. Management believes the disclosures are adequate to ensure the information presented is not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair statement of the consolidated financial statements for the interim periods, have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

(a) Principles of Consolidation

General

The condensed 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 but does not unilaterally control the most significant activities of the entities. 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.

CARR PROPERTIES HOLDINGS LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar amounts expressed in thousands, except share and per share data)
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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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), 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.

Joint Arrangements

The Partnership may enter into contractual arrangements related to the ownership of investment or development properties. The Partnership evaluates such arrangements in accordance with IFRS 11 - *Joint Arrangements* to determine the type of joint arrangement by assessing its contractual rights and obligations. This determination includes the assessment of joint control and the classification of a joint arrangement as a joint operation or a joint venture. Joint arrangements that are classified as a joint operation will result in the Partnership recognizing its proportionate ownership interest in the underlying assets, liabilities, revenue and expenses. Joint arrangements that are classified as a joint venture will be accounted for using the equity method in accordance with IAS 28 - *Investments in Associates* when the Partnership has significant influence over the joint arrangement but not control.

Non-Controlling Interests

The Partnership's condensed 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.

(b) Leases

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 the 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.

CARR PROPERTIES HOLDINGS LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

(c) 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"). 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 amendment is effective for periods beginning on or after January 1, 2020. The Partnership has concluded the adoption of the amendment did not have a material impact on its financial position and results from operations.

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.

(d) 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.

CARR PROPERTIES HOLDINGS LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar amounts expressed in thousands, except share and per share data)
(Unaudited)

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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), 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. Accordingly, investment properties have been adjusted for any recognized liabilities.

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.

(e) 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 three and six months ended June 30, 2020.

CARR PROPERTIES HOLDINGS LP
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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.

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 Condensed 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 volatility. 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 (Loss) 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 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.

(f) Revenue Recognition and Straight-Line Rent

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

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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.

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.

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.

(g) 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.

(h) 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 significant estimates include determination of the fair value of properties, among others.

3. Standards Issued, and Standards Issued But Not Yet Effective

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary relief which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Application of the reliefs is mandatory.

The amendments are effective for annual periods beginning on or after 1 January 2020. The adoption of these amendments did not have a material impact on the Partnership's financial position or results from operations as it continues to apply hedge accounting in accordance with IAS 39. The Partnership is still evaluating the impact of the future IBOR reform as well as expected additional amendments to the standards.

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Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify aspects regarding the right to defer settlement, existence of such rights at the reporting period and classification of liabilities.

The amendments further clarify that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. Management's intention to settle in the short run does not impact the classification, and this applies even if settlement has occurred when the financial statements are authorized for issuance. The amendments are effective for annual reporting period beginning on or after 1 January 2023, and the Partnership is evaluating the impacts. The amendments must be applied retrospectively.

COVID-19-Related Rent Concessions – Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendments are effective for annual periods beginning on or after June 1, 2020. This amendment did not have a material impact on the Partnership's financial position or results from operations.

4. Investment Properties

Income Generating Properties

The changes in the Partnership's income generating properties are set forth in the table below:

Balance, December 31, 2019	\$ 2,805,605
Capital expenditures additions and other	26,524
Barlow sale ⁽¹⁾	(155,281)
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	242,616
Net loss from fair value adjustment of income generating properties	(59,354)
Balance, June 30, 2020	\$ 2,860,110

(1) On March 6, 2020, the Partnership sold Barlow. See Note - 7 "Dispositions" for additional information.

Properties in Development

The changes in the Partnership's properties in development are set forth below:

Balance, December 31, 2019	\$ 437,148
Capital expenditures additions and other	98,141
Unrealized gain on valuation of certain properties in development	22,321
Balance, June 30, 2020	\$ 557,610

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 foot Class A office building ("the Wilson") with a residential component ("the Elm"). The Partnership incurred \$69.8 million and \$50.0 million of capital expenditures for the six months ended June 30, 2020 and 2019, respectively. The office space was 83% leased as of June 30, 2020. The Partnership anticipates substantial completion of the Wilson in 2020 and

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commencement of revenue recognition on a portion of the office space. Construction of the Elm is also anticipated to be completed in late 2020 or early 2021 with pre-leasing of units commencing during the third-quarter of 2020.

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 foot office building. The Partnership incurred \$28.4 million and \$2.9 million of capital expenditures for the six months ended June 30, 2020 and 2019, respectively. The Partnership anticipates substantial completion of Signal House by mid 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 by mid 2021.

Consolidated, Non-Wholly Owned Properties, Developable Land and Capital Contributions

The Partnership is a joint venture partner in the ownership of 2311 Wilson, an approximately 178,000 square foot office building completed in February 2018 and placed it into service during the first quarter of 2019. As of June 30, 2020, the building was 95% leased. In April 2020, the JV Entity (Otter Wilson Boulevard LLC) distributed a total of \$12.0 million, of which \$4.8 million was distributed to the joint venture partner, and \$7.2 million was distributed to the Partnership. There were no capital contributions to 2311 Wilson during the six months ended June 30, 2020 and 2019, 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 approximately \$0.1 million during each of the six months ended June 30, 2020 and 2019, respectively.

2020 Acquisitions

On March 12, 2020, the Partnership acquired an undivided 50% ownership interest in a two tower mixed use office and retail complex at 75-101 Federal Street in Boston. The property is a 853,773 square foot mixed use building that is 86.7% leased to 86 tenants. The Partnership paid \$101.8 million, assumed its proportionate share of debt of \$140.0 million (original borrowing of \$130.0 million, with an additional upside of \$10.0 million), and incurred and capitalized transaction costs of \$1.8 million. The fair value of the Partnership's proportionate interest in the investment property was \$242.5 million as of June 30, 2020 and the carrying value of the assumed debt was \$138.9 million.

The Partnership's evaluation of the contractual arrangement determined that classification as a joint operation is appropriate as the parties maintain the rights to the assets and obligations relating to the arrangement. The Partnership jointly controls the operations associated with the joint operations of the asset as it shares in the rights to direct and control the activities that most significantly impact its returns. Accordingly, the Partnership recognizes its proportionate ownership of the assets, liabilities, revenue and expenses within its financial statements. The acquisition was funded using like kind exchange proceeds from the sale of Barlow as discussed in Note 7 - "Dispositions".

A summary of the financial information for the consolidated, non-wholly owned properties, is as follows:

As of June 30, 2020							For the six months ended June 30, 2020	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
2025 Clarendon	85.37 %	\$ 15	\$ 22,994	\$ 26	\$ 2,825	\$ 20,158	\$ —	\$ (85)
2311 Wilson	60.00 %	2,510	117,364	862	81,974	37,038	3,748	(750)
		<u>\$ 2,525</u>	<u>\$140,358</u>	<u>\$ 888</u>	<u>\$ 84,799</u>	<u>\$ 57,196</u>	<u>\$ 3,748</u>	<u>\$ (835)</u>
Less interest held by non-controlling interests						(18,366)		300

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As of June 30, 2020							For the six months ended June 30, 2020	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Equity attributable to Partnership						<u>\$ 38,830</u>		<u>\$ (535)</u>

As of December 31, 2019							For the six months ended June 30, 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	\$ —	\$ 13
2311 Wilson	60.00 %	762	116,351	1,354	64,398	51,361	3,134	(2,425)
		<u>\$ 785</u>	<u>\$139,364</u>	<u>\$ 1,396</u>	<u>\$ 67,223</u>	<u>\$ 71,530</u>	<u>\$ 3,134</u>	<u>\$ (2,412)</u>
Less interest held by non-controlling interests						(23,506)		976
Equity attributable to Partnership						<u>\$ 48,024</u>		<u>\$ (1,436)</u>

5. Investments in Associates

The changes in the Partnership's investments in associates are set forth below:

Balance, December 31, 2019	\$ 215,639
Contributions	20,502
Distributions	(1,578)
Share of unrealized gain on valuation of underlying properties	21,023
Share of net loss (excluding unrealized loss on valuation)	(69)
Balance, June 30, 2020	<u>\$ 255,517</u>

One Congress

On September 24, 2018, the Partnership 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 joint venture 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 2023. See note 18 - "Credit and Other Risks" for additional details regarding construction impacts.

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.

The Partnership jointly shares 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. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the six months ended June 30, 2020 and 2019, the Partnership contributed \$20.5 million and \$34.4 million to the venture, respectively. The Partnership has contributed a total of \$192.7 million to the venture as of June 30, 2020.

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

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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.

2019 Dispositions

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.

Financial information related to the Partnership's investments in associates is as follows:

As of June 30, 2020						For the six months ended June 30, 2020		
Property	Percent Owned	Current Assets	Non- Current Assets	Current Liabilities	Non- Current Liabilities	Equity	Revenues	Net Income (Loss)
Centerpointe I & II	50.00 %	\$ 37	\$ —	\$ 81	\$ —	\$ (44)	\$ —	\$ (1)
One Liberty	49.90 %	54	—	33	—	21	—	(9)
One Congress	75.00 %	884	348,155	7,570	—	341,469	—	27,946
		<u>\$ 975</u>	<u>\$ 348,155</u>	<u>\$ 7,684</u>	<u>\$ —</u>	<u>\$ 341,446</u>	<u>\$ —</u>	<u>\$ 27,936</u>
Less: interest held by third-parties						(85,929)		(6,982)
Amounts per financial statements						<u>\$ 255,517</u>		<u>\$ 20,954</u>

As of December 31, 2019						For the six months ended June 30, 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)	\$ 4,849	\$ (9,769)
One Liberty	49.90 %	4,013	—	820	—	3,193	6,652	(490)
One Congress	75.00 %	—	292,350	6,162	—	286,188	—	(1,305)
		<u>\$ 4,051</u>	<u>\$ 292,350</u>	<u>\$ 7,063</u>	<u>\$ —</u>	<u>\$ 289,338</u>	<u>\$ 11,501</u>	<u>\$ (11,564)</u>
Less: interest held by third-parties						(73,699)		5,137
Amounts per financial statements						<u>\$ 215,639</u>		<u>\$ (6,427)</u>

6. Leases

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.

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

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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 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.

The Condensed Consolidated Balance Sheets reflect the following amounts relating to ROUA within "Investment properties, at fair value" and "Prepaid expense and other assets:"

	June 30, 2020	December 31, 2019
Non-current assets		
Income generating properties, net of ROUA	\$ 2,724,010	\$ 2,670,005
ROUA, at fair value	136,100	135,600
Income generating properties	2,860,110	2,805,605
Properties in development	557,610	437,148
Total investment properties, at fair value	\$ 3,417,720	\$ 3,242,753
Current assets		
Prepaid expense and other assets	\$ 9,013	\$ 9,321
ROUA, net of accumulated depreciation and non-current portion	815	1,051
Prepaid expense and other assets	\$ 9,828	\$ 10,372

At June 30, 2020 and December 31, 2019, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of \$136.1 million and \$135.6 million, respectively. "Prepaid expense and other assets" included ROUA of \$0.8 million and \$1.1 million, respectively, related to equipment and copier leases.

A summary of the Partnership's lease assets is as follows:

ROUA	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance at December 31, 2019	\$ 135,600	\$ 1,051	\$ 136,651
Fair value adjustment, valuation	500	—	500
ROUA Additions, net	—	27	27
Accumulated Depreciation	—	(263)	(263)
Balance as of June 30, 2020	\$ 136,100	\$ 815	\$ 136,915

The air and ground leases have remaining terms ranging between 67-94 years. The Partnership also enters into various equipment and copier leases with terms ranging between one to five years.

Property	Discount		Carrying Value	
	Rate	Maturity	June 30, 2020	December 31, 2019
Columbia Center	3.79%	2114	\$ 119,450	\$ 119,526
1701 Duke Street	10.32%	2107	4,609	4,565
2001 Penn	4.94%	2087	4,331	4,318
Other equipment leases	Various	Various	855	1,105
Total lease liabilities			129,245	129,514
Less current portion			444	508
Lease liabilities, net of current portion			\$ 128,801	\$ 129,006

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Contractual maturities differ from the lease liabilities detailed below and presented in the accompanying Condensed Consolidated Balance Sheets as the maturities shown include interest payments on lease liabilities.

Future Lease Maturities	June 30, 2020
Maturity analysis - contractual undiscounted cash flows	
Less than one year	\$ 2,814
One to five years	26,360
More than five years	502,297
Total undiscounted lease liabilities as of June 30, 2020	\$ 531,471

Lease liabilities	June 30, 2020
Current lease liabilities	\$ 444
Non-current lease liabilities	128,801
Total lease liabilities	\$ 129,245

Lease expense costs were as follows:

Lease Expense	Six Months Ended June 30,	
	2020	2019
Amounts recognized in profit or loss		
Interest expense on lease liabilities	\$ 2,558	\$ 2,610
Equipment lease depreciation	263	284
Total lease expense	\$ 2,821	\$ 2,894

Interest expense recognized on leases totaled \$2.6 million and \$2.6 million for the six months ended June 30, 2020 and 2019, respectively.

Cash Flows	Six Months Ended June 30,	
	2020	2019
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	\$ 280	\$ 302
Interest expense on lease liabilities	2,558	2,610
Total cash outflows related to leases	\$ 2,838	\$ 2,912

7. Dispositions

2020 Dispositions

On March 6, 2020, the Partnership sold Barlow at a contractual price of \$160.0 million resulting in consideration of \$157.1 million net of transaction costs of \$3.0 million. The Partnership repaid \$61.5 million outstanding on the credit facility and reinvested the remaining proceeds in a like-kind exchange transaction as discussed in Note 5 - "Investments in Associates" and to repay outstanding borrowings on the credit facility. The Partnership recognized a loss of \$1.4 million upon disposition.

8. Goodwill and Intangibles

The carrying value of goodwill was \$9.3 million as of June 30, 2020 and December 31, 2019. There were no indicators of impairment noted during either comparative period.

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No impairment losses were recognized in the three and six months ended June 30, 2020 and 2019, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of	
			June 30, 2020	December 31, 2019
Credit facility ⁽¹⁾ :				
Revolver	LIBOR +1.25% to 2.00%	7/6/21	\$ 128,500	\$ 276,000
Term Loan A	LIBOR +1.20% to 1.90%	7/6/21	50,000 ⁽⁶⁾	50,000 ⁽⁶⁾
Term Loan B	LIBOR +1.20% to 1.90%	7/6/21	50,000 ⁽⁶⁾	50,000 ⁽⁶⁾
Term Loan C	LIBOR +1.20% to 1.90%	7/6/22	100,000	100,000
75-101 Federal	LIBOR +1.50%	3/12/25	140,000 ⁽⁷⁾	—
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23	138,412 ⁽²⁾	—
Midtown Center	3.09%	10/11/29	525,000 ⁽³⁾	525,000 ⁽³⁾
1700 New York Avenue	LIBOR +1.50%	4/25/24	65,250 ^(3,6)	65,820 ⁽³⁾
2001 Pennsylvania	4.10%	8/1/24	65,000 ⁽³⁾	65,000 ⁽³⁾
Clarendon Square	4.66%	1/5/27	34,077 ^(3,4)	34,819 ^(3,4)
King	3.94%	1/1/25	31,427 ⁽³⁾	31,788 ⁽³⁾
1615 L Street	4.61%	9/1/23	134,250 ⁽³⁾	134,250 ⁽³⁾
2311 Wilson - Construction Loan	LIBOR +2.85%	4/27/20	— ⁽³⁾	59,433 ⁽³⁾
2311 Wilson - Permanent Financing	LIBOR +1.35%	3/27/27	75,000 ⁽³⁾	— ⁽³⁾
Total Debt			1,536,916	1,392,110
Less unamortized deferred financing fees			7,758	8,283
Total Debt, net of unamortized deferred financing fees			1,529,158	1,383,827
Less current portion, net of unamortized deferred financing fees ⁽⁵⁾			3,223	62,487
Debt obligations, net of current portion			\$ 1,525,935	\$ 1,321,340

- (1) Interest under the credit facility is charged at the 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 June 30, 2020, the premium was 1.60% for the Revolver and 1.50% for the Term A, Term B and Term C loans. 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 June 30, 2020, and December 31, 2019, the one-month LIBOR was 0.16% and 1.76%, respectively.
- (2) A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of 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. As of June 30, 2020, The Wilson and the Elm borrowings had \$34.6 million, of guarantees outstanding. As of December 31, 2019, no borrowings commenced on The Wilson and the Elm at that balance sheet date.
- (3) The fair value of the collateral pledged to these notes was \$1,703.3 million and \$1,709.3 million as of June 30, 2020 and December 31, 2019, respectively.
- (4) The carrying value of the Clarendon Square note payable as of June 30, 2020, and December 31, 2019, included a premium of \$0.9 million, and \$1.0 million, respectively.
- (5) The current portion of unamortized deferred financing fees was \$0.1 million and \$0.2 million, as of June 30, 2020 and December 31, 2019, 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 11 - "Fair Value Measurements" for additional information.
- (7) Represents the Partnership's proportionate share of the \$280.0 million note encumbering 75-101 Federal.

All borrowings other than those made under the credit facility are collateralized by the land and buildings of the underlying properties.

Concurrent with the March 12, 2020 acquisition of ownership interests in 75-101 Federal, the Partnership and its joint operations partner assumed an existing property loan of \$260.0 million that was upsized to \$280.0 million. The Partnership's proportionate share of this debt was \$140.0 million. As a result of this transaction, the Partnership and its joint operations partner, paid financing costs of \$2.2 million, with the Partnership's share of \$1.1 million, which were deducted from the carrying amount of the debt.

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The loan is an interest only loan bearing interest at LIBOR plus 1.50%, has a five-year term, matures in 2025, and can be extended one year subject to terms and conditions.

On April 3, 2020, the Partnership and its joint operations partner entered into a four-year interest rate swap agreement with a notional value of \$280.0 million. The Partnership's proportionate share of the swap is \$140.0 million. The interest rate swap rate was 0.44% and effectively fixed the above referenced rate at 1.94%. The swap matures on April 4, 2024.

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 is being accreted as non-cash interest expense over the 10 year term of the Midtown Center permanent loan and is included in Other Comprehensive Income (Loss). In the six months ended June 30, 2020, \$2.0 million was accreted in "Interest expense" on the Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss).

On March 27, 2020, the Partnership fully repaid the \$60.6 million outstanding balance of the 2311 Wilson construction loan. The Partnership concurrently entered into a \$75.0 million permanent loan bearing an interest rate of LIBOR plus 1.35%, maturing in March of 2027 and collateralized by the land and building at 2311 Wilson. The Partnership incurred transaction costs of \$0.9 million associated with the financing and recognized a \$1.0 million loss on extinguishment of debt, inclusive of unamortized deferred financing fees, as of June 30, 2020 as recorded in the Condensed Consolidated Statement of Operations and Other Comprehensive Income (Loss).

On April 9, 2020, the Partnership entered into a seven-year interest rate swap agreement with a notional value of \$75.0 million. The interest rate swap rate was 0.66% that effectively fixed the above referenced rate at 2.01%. The swap matures on March 27, 2027.

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 June 30, 2020 and December 31, 2019, 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 letters of credit have been extended until April 30, 2021 pursuant to certain terms and conditions.

As of June 30, 2020, the Partnership had capacity to borrow an additional \$147.4 million under the Credit Facility and there were no additional borrowings through August 19, 2020.

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Construction Loan - The Wilson and the Elm

On August 15, 2018, the Partnership entered into a \$300.0 million construction loan facility on the Wilson project. The loan bears an interest rate of LIBOR plus 3.00%, has a five-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. As of June 30, 2020, the Partnership incurred \$138.4 million of borrowings under this facility.

Interest Expense

Interest expense is comprised of the following for the respective periods and inclusive of deferred financing fees and hedging impacts.

Description	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Credit facility	\$ 2,270	\$ 4,501	\$ 5,691	\$ 8,621
Notes payable	10,796	10,106	21,131	19,862
Distributions to redeemable non-controlling interests	1,155	1,678	2,311	3,358
Lease liabilities	1,293	1,353	2,558	2,611
Amortization expense of deferred financing fees	765	1,399	1,534	2,798
Gross interest expense	\$ 16,279	\$ 19,037	\$ 33,225	\$ 37,250
Capitalized interest expense				
Capitalized deferred financing fees	(583)	(604)	(1,152)	(1,286)
Capitalized interest	(2,481)	(2,974)	(5,345)	(6,247)
Total capitalized interest expense	(3,064)	(3,578)	(6,497)	(7,533)
Net interest expense	13,215	15,459	26,728	29,717

Future Maturities of Debt

For periods subsequent to June 30, 2020, scheduled annual maturities of debt outstanding as of June 30, 2020 are as follows:

Years Ending December 31,	Amount ⁽¹⁾
Remainder of 2020	\$ 1,651
2021	231,878
2022	103,479
2023	276,246
2024	156,627
Thereafter	766,131
	\$ 1,536,012

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of \$0.9 million.

10. 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 June 30, 2020, in the accompanying condensed consolidated financial statements are set forth in the table below:

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	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	\$ 43,852	\$ 43,852	Level 1
Restricted cash ⁽¹⁾	21,422	21,422	Level 1
Trade receivables, net	2,368	2,368	Level 3
Liabilities, including current portion			
Credit facility ⁽²⁾	\$ 328,500	\$ 328,338	Level 3
Notes payable ⁽²⁾	1,206,805	1,189,541	Level 3
Redeemable non-controlling interests ⁽³⁾	154,097	154,097	Level 3

- (1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of \$20.4 million, and \$1.0 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, 2019, in the accompanying condensed 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
Trade receivables, net	3,388	3,388	Level 3
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 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.

11. Fair Value Measurements

The following table summarizes the Partnership's interest rate swap agreements as of June 30, 2020:

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	<u>Cash Flow Hedges</u>
	<u>Interest Rate Swaps</u>
Notional balance	\$ 305,250
Weighted average interest rate ⁽¹⁾	1.41 %
Earliest maturity date	February 5, 2021
Latest maturity date	March 27, 2027

(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, 2019:

	<u>Cash Flow Hedges</u>
	<u>Interest Rate Swaps</u>
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.

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 9 - "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 Condensed Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were \$(3.0) million and \$(6.1) million for the three and six months ended June 30, 2020, respectively, and \$(18.3) million and \$(30.6) million for the three and six months ended June 30, 2019, respectively. There was no material hedge ineffectiveness recognized during the three and six months ended June 30, 2020 and 2019, respectively. During the three and six months ended June 30, 2020, the Partnership reclassified \$(0.4) million and \$(0.6) million, respectively, and less than \$0.1 million for the three and six months ended June 30, 2019, respectively, of (losses) gains on cash flow hedges from "Equity reserve for cash flow hedges" to "Interest expense."

As of June 30, 2020, the Partnership anticipates the reclassification of \$3.1 million of hedging gains 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 June 30, 2020, 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 June 30, 2020, are classified as follows:

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Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	\$ —	\$ —	\$ 2,860,110
Investments in properties in development ⁽¹⁾	—	—	229,132
Total Assets	\$ —	\$ —	\$ 3,089,242
Liabilities:			
Derivative liabilities, net of current portion	—	8,856	—
Derivative liabilities, current	—	240	—
Total Liabilities	\$ —	\$ 9,096	\$ —

(1) Excludes The Elm, Signal House, and 2025 Clarendon developments which are carried at an aggregate cost basis of \$328.5 million. As of June 30, 2020, no impairment was recognized on any development properties carried at cost.

The following assets and liabilities, measured at fair value as of December 31, 2019, are classified as follows:

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. As of December 31, 2019, no impairment was recognized on any development properties carried at cost.

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership regularly evaluates factors that may adversely impact the fair value assessments. In consideration of the COVID-19 impacts and the significant disruption to our business and economy (as further disclosed in Note 18 - "Credit and Other Risks") we considered the potentially broad effects on the fair value measurement of our properties at June 30, 2020. While there remains substantial uncertainty regarding the extent or duration of impacts on fair value, our valuation determinations reflect changes in various underlying assumptions including increased lease-up timeframes, reductions in parking revenue, increased tenant concessions and increased credit loss assumptions. The impacts on investment criteria and market driven inputs, including capitalization rates and discount rates remains uncertain. We have made no material changes to either capitalization or discount rates as of June 30, 2020.

The following table sets forth quantitative information about the Level 3 fair value measurements as of June 30, 2020:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	\$ 2,860,110	Discounted cash flow - Income capitalization	Discount Rate	5.50% - 7.25% (6.23%)
		Market transaction	Exit Capitalization Rate	4.75% - 6.00% (5.44%)
Investments in properties in development ⁽²⁾	229,132	Discounted cash flow - Income capitalization	Discount Rate	5.00% - 6.75% (6.17%)
			Exit Capitalization Rate	4.50% - 5.75% (4.97%)
Total	<u>\$ 3,089,242</u>			

(2) Excludes The Elm, Signal House, and 2025 Clarendon developments which are carried at an aggregate cost basis of \$328.5 million. As of June 30, 2020, no impairment was recognized on any development properties carried at cost.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2019:

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Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	\$ 2,805,605	Discounted cash flow - Income capitalization Market transaction 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	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	5.00% - 7.25% (6.30%) 4.50% - 6.00% (5.03%)
Total	<u>\$ 2,985,750</u>			

(2) Excludes The Elm, Signal House, and 2025 Clarendon development which are carried at an aggregate cost basis of \$257.0 million. As of December 31, 2019, no impairment was recognized on any development properties carried at cost.

12. 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:

Description	Three Months Ended June 30,		Six Months Ended June 30,	
			2020	2019
Personnel and compensation	\$ 2,211	\$ 3,392	\$ 5,076	\$ 6,267
Professional fees	1,025	1,039	1,977	2,266
Information technology	427	132	748	356
Other corporate	413	480	951	1,342
Total non-property general and administrative	<u>\$ 4,076</u>	<u>\$ 5,043</u>	<u>\$ 8,752</u>	<u>\$ 10,231</u>

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of \$4.8 million and \$9.1 million for the three and six months ended June 30, 2020, respectively, and \$4.9 million and \$9.6 million for the three and six months ended June 30, 2019, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Partnership is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

14. 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 three and six months ended June 30, 2020, totaled \$0.4 million and \$0.6 million, respectively, and \$0.2 million and \$0.6 million, for the three and six months ended June 30, 2019, respectively. Construction management fees totaled \$0.1 million for each of the three and six months ended June 30, 2020, and \$0.1 million and \$0.2 million, for the three and six months ended June 30, 2019, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were less than \$0.1 million and \$0.2 million as of June 30, 2020 and December 31, 2019, respectively. The Partnership leases the ground under Columbia Center and 1701 Duke properties from related parties. See Note 6 - "Leases" for additional information.

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15. 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 June 30, 2020, the Partnership had \$2.2 million in performance bonds outstanding with commitment terms expiring through January 1, 2025.

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 June 30, 2020 and December 31, 2019, 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 by mid 2021.

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 \$64.1 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 June 2018, followed by 5.3 million units awarded in June 2019, and 15.5 million units were awarded in June 2020. The determination of units awarded to each grantee was based on the Partnership's respective Net Asset Value ("NAV") of \$1.40, \$1.38, and \$1.34, as of March 31, 2018, 2019, and 2020, 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.

The 2020 grant includes certain awards which are solely service based and will fully vest in December 2023, December 2024 and December 2025 for the respective recipients. The remainder of 2020 awards include service and performance based awards that will vest in March 2023.

Vesting of all performance units is dependent upon the Partnership achieving certain return thresholds based on NAV over a three-year performance period. Below a 6.0% cumulative per annum return, no performance units will be

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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 June 30, 2020 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2019	9,984
LTIP units granted during the period	15,543
LTIP units exercised	—
LTIP units forfeited	(587)
LTIP units outstanding, June 30, 2020	24,940

Compensation expense is based on NAV as of each period end consistent with the Partnership's expectation of performance and the anticipated units expected to vest for the respective three-year performance period.

During the three and six months ended June 30, 2020 and 2019, the Partnership recognized \$(0.1) million and \$0.3 million of LTIP-related expense, of which less than \$0.1 million was capitalized, respectively, and \$0.4 million and \$0.7 million of LTIP-related expense for the three and six months ended June 30, 2019, of which less than \$0.1 million was capitalized, respectively. As of June 30, 2020, 587 LTIP units were forfeited and no LTIP units were forfeited at June 30, 2019.

16. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled \$0.5 million and \$0.9 million for the three and six months ended June 30, 2020, respectively, and \$1.2 million and \$1.8 million, for the three and six months ended June 30, 2019, respectively. Employee benefit expense for these officers was less than \$0.0 million and \$0.1 million for the three and six months ended June 30, 2020, respectively and \$0.1 million and \$0.2 million, for the three and six months ended June 30, 2019, respectively. For the three and six months ended June 30, 2020, LTIP expense was less than \$0.1 million and \$0.1 million, respectively, and \$0.3 million and \$0.4 million for the three and six months ended June 30, 2019, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

17. Equity

2020 Capital Raise

On June 30, 2020, the Partnership raised additional funds through the sale of shares of common units of CPH and CPP of \$86.7 million and \$5.8 million, respectively, to CET, Alony-Hetz and six additional investors. Total proceeds to the Partnership were \$92.5 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 June 30, 2020 and December 31, 2019, CPH owned 100% of CPC.

The additional ownership interests of CPP as of June 30, 2020 are as follows:

Ownership of Carr Properties Partnership LP

Partner/Investor	Additional Investment	Ownership Percent
Carr Properties Corporation	\$ 86,691	93.72 %
Other Investors	5,814	6.28 %
	\$ 92,505	100.00 %

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Ownership of Carr Properties Holdings LP

Partner/Investor	Additional Investment	Ownership Percent
AH Carr Properties Holdings LP	\$ 44,009	50.77 %
CET Acquisition Company Inc.	34,816	40.16 %
Other Investors	7,866	9.07 %
	<u>\$ 86,691</u>	<u>100.00 %</u>

On July 2, 2020, 826.7 common interest units in CPP were redeemed at the June 30, 2020 Net Asset Value of \$1.34 per unit totaling \$1.1 million.

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 June 30, 2020, the value of these redeemable non-controlling interests were \$149.5 million and \$4.6 million, respectively. As of December 31, 2019, the value of these redeemable non-controlling interests were \$150.2 million and \$4.4 million, respectively.

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within "Equity" on the Condensed Consolidated Balance Sheets. As of June 30, 2020 and December 31, 2019, the total value of these non-redeemable non-controlling interests was \$142.9 million and \$143.3 million, respectively. The Partnership also maintained two additional subsidiary REITs as of June 30, 2020 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. On August 19, 2020, the Partnership declared and paid its second quarter dividends, in the amount of \$16.1 million, of which \$1.3 million will be attributable to redeemable non-controlling interests.

18. Credit and Other Risks

Recently, the outbreak of a novel strain of coronavirus (COVID-19) has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The COVID-19 pandemic and government responses created disruption in global supply chains and adversely impacted and continue to impact many industries. The outbreak has a continued material adverse impact on economic and market conditions and triggered a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19.

Since first being declared a pandemic by the World Health Organization in March 2020, the coronavirus, or COVID-19, has spread throughout the United States. As of the date of the release of these financial statements, there continued to be significant uncertainty regarding the duration of COVID-19's spread and possible future implications. This outbreak has resulted in governmental actions in the Partnership's operating jurisdictions to impose measures intended to control infection, including restrictions on movement and business operations.

Conditions could deteriorate as a result of the pandemic. COVID-19, and measures instituted to prevent spread, may adversely affect the Partnership in many ways, including by disrupting:

- the ability and willingness of the Partnership's tenants to meet their contractual obligations;
- The Partnership's ability to maintain occupancy in its properties and obtain new leases for unoccupied space;
- The Partnership's access to debt and equity capital on desired terms or at all;
- the supply of products or services from the Partnership's vendors; and
- ability to continue or complete planned development, including the potential for delays in labor or material supply necessary for development.

CARR PROPERTIES HOLDINGS LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar amounts expressed in thousands, except share and per share data)
(Unaudited)

The Partnership collected approximately 99% of contractual rent from its customers during the second quarter of 2020. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the second quarter of 2020, the Partnership provided short-term rent relief to certain tenants on a case by case basis. However, these changes did not have a material impact on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) or require further assessment through the date of issuance.

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.

19. Subsequent Events

The Partnership evaluated subsequent events through August 19, 2020 the date the condensed consolidated financial statements were available to be issued. The Partnership concluded that no subsequent events have occurred that would require additional recognition or disclosure in the condensed consolidated financial statements other than those disclosed in the respective footnotes.

Auditor`s consent letters

Alony - Hetz Properties and
Investments LTD



Date: August 24, 2020

To
The Board of Directors of **Alony Hetz Properties and Investments Ltd. ("the company")**

Dear Sir/Madam,

Re: Consent letter in term of Alony Hetz Properties and Investments Ltd. Shelf Offering from May 2018

We hereby advise you that we agree to the inclusion (including by a way of reference) of our statements detailed below in connection with the May 2018 shelf prospectus.

- (1) Review Report dated August 24, 2020 regarding the Consolidated Financial Statements of the company as of June 30, 2020 and for of the six and three months periods ended June 30, 2020.
- (2) Review Report dated August 24, 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 June 30, 2020 and for the six and three months periods ended June 30, 2020.

Respectfully,

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

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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) Review Report of Independent Auditors dated August 19, 2020 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of June 30, 2020 and for the three-month and six-month periods then ended.

PricewaterhouseCoopers LLP

McLean, Virginia
August 24, 2020

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