Quarterly Report Q3/2020

Alony - Hetz Properties and Investments LTD

AlonyHetz
Properties & Investments Ltd

Quarterly Report Q3/2020
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Properties & Investments Ltd

Report of the Board of Directors

Alony - Hetz Properties and Investments LTD

AlonyHetz
Properties & Investments Ltd

Ramat Gan, November 22, 2020

Board of Directors' Report for the Nine Month Period ended September 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 nine-month period ended September 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, which is attached to the 2019 Annual Report published by the Company on March 19, 2020 (Ref: 2020-01-026631).

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 and 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 in the summer months the government 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 (over 90%) are in office real estate, industry and logistics centers, which have hardly been affected. In contrast, the commercial sector (excluding supermarkets, pharmacies, and bank branches), whose activity has been hit more severely as a result of the two "rounds of closures" since the outbreak of the pandemic, constitutes only approx. 9% of the Group's total assets in Israel and around the world.

- The Group companies were contacted 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 commercial tenants, 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 third quarter of the year was 94% in Israel, 96% in the UK and 99% in the United States.

- Naturally, during a period of global recession, there is a decline in the 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 as the continuing trend of shortened lease periods, there has been an increase in the volume of subleases at rental prices lower than those specified in the headlease agreements.

- 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.
- A decrease in the rate of construction starts of new projects.

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.

- The decline in the rate of construction starts of new projects has an impact on reducing the future supply of offices.

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 as part of the “Work near Home” trend, 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 and returns of capital:

All Group companies intend to maintain their dividend and return of capital 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.

In November 2020, Energix announced a dividend in the amount of NIS 76 million, with the Company's share being NIS 41 million. This dividend was not included in the Company's dividend and return of capital forecast for 2020 - see Section 3.3.10 below.

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 value adjustments in the investees is a negative value adjustment (before tax) of NIS 163 million in the reporting period (in the third quarter of the year a positive value adjustment was recorded in the amount of NIS 38 million.

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 and increasing the length of the period required to find alternative tenants. 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 (January to September, 2020):

	Currency	100% (Before Tax) (millions)			Company Share (NIS millions)
Geographical Region		**Negative Revaluations of Income-Generating Properties**	**Positive Revaluations of Properties in Development**	**Total**	**Total**
United States (Carr and AH Boston)	USD	(96)	74	(21)	(44)
Israel (Amot)	NIS	(144)	7	(137)	(76)
United Kingdom (BE)	GBP	(10)	-	(10)	(43)
					(163)[1]
Tax impact					**37**
Company share after tax					**(126)**

B. Renewable energy

The spread of the Corona virus in Israel and around the world has had (almost) no impact on Energix's short-term activities, in part in light of price fixing or foreign exchange rate hedging transactions carried out by Energix.

During the reporting period, Energix, which is defined as an essential company in all the territories in which it operates, continued its ongoing operations as usual, establishing and operating its systems and wind farms in Israel, the United States and Poland.

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, as well as changes in exchange rates in currencies that affect Energix's activity.

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 and to the capital market will enable it to continue its operations and meet its obligations.

[1] In the third quarter of the year, a positive revaluation of approx. NIS 38 million was recorded (before tax).

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 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 September 30, 2020:

Activity in Israel

Holdings of 55.4%[2] in Amot Investments Ltd. (hereinafter: "**Amot**"), a publicly traded income-generating property company listed on the Tel Aviv Stock Exchange Stock Exchange. For further details, see Section 3.3.4 below.

Activity in the United States

- Holdings of 44.2% 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 equity[3] 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.

[2] As of the date of publication of the report – 57.1%.

[3] 50% control.

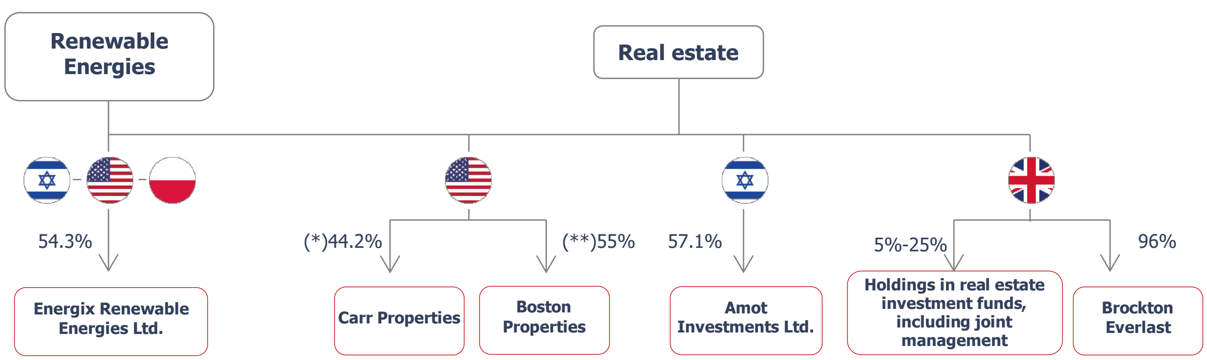
Operations in the United Kingdom

- 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 renewable energy investments as of September 30, 2020:

Holdings of 54.3% 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.

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

AlonyHetz Properties & Investments Ltd.

The Company Expanded Solo

- 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 3.1 million PSP shares from the beginning of the year until the date of publication of the report, for a total consideration of approx. CHF 372 million (approx. NIS 1.4 billion).
- 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.

AMOT AlonyHetz Group

- A win in the tender for the "City Gate" Complex in Jerusalem – together with a partner for the lease of a 4.5 dunam plot of land (which constitutes Compound K) in the "City Gate" complex to be built at the entrance to Jerusalem. The cost of purchasing the land (including development expenses) is in the amount of NIS 214 million (Amot's share - NIS 107 million).
- Capital raising subsequent to the balance sheet date in the amount of NIS 400 million, of which the Company invested NIS 320 million.
- Debt raising in the total amount of approx. NIS 1.6 billion in the reporting period, which was used, among other things, for the voluntary repayment of bank credit and repayment of bonds in the amount of NIS 650 million. The bonds bear effective interest of 1.6% and have an average weighted duration of 8 years.

CARR PROPERTIES

- 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).

BROCKTON EVERLAST

- 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 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).

ENERGIXGROUP CREATING YOUR GREEN ENERGY

- Capital raising of NIS 472 million in public offerings, of which the Company invested the amount of NIS 34.5 million.
- Raising bonds convertible into shares in the total amount of approx. NIS 500 million in the reporting period bearing annual interest at a rate of 0.25%.
- Commercial operation of the first four projects established by Energix in Virginia, USA with a total capacity of 82MWp.
- Accelerated promotion of Energix's photovoltaic activity in the United States – As of the reporting date, Energix has started construction in six additional projects in Virginia, USA with a total capacity of 140MWp. Subsequent to the reporting date, Energix acquired another project in an advanced stage of development with a capacity of 100MWp.
- A wind farm in Poland with a capacity of MWp126 – Energix has started construction work on 2 wind farms with a capacity of 126MWp and is in advanced negotiations for the signing of an agreement for the financing of these projects.

2.6 Summary of Key Data – the Group

	Unit	1-9/2020	1-9/2019	Q3/2020	Q3/2019	2019	% Change [4]
Main financial results – Consolidated Statement							
Revenues from rental fees and management of investment property, net	NIS thousands	676,356	602,461	231,652	213,672	830,156	12.3
Fair value adjustments of investment property	NIS thousands	(178,997)	184,910	10,440	50,490	995,791	
Group share in the profits (losses) of associates, net	NIS thousands	67,053	248,949	64,337	107,138	413,437	(73.1)
Net Income for the period	NIS thousands	391,987	585,823	220,145	241,668	1,448,075	(33.1)
Net profit attributable to Company shareholders	NIS thousands	265,523	405,873	157,827	182,724	956,100	(34.6)
Comprehensive income (loss) for the period, attributable to Company shareholders	NIS thousands	172,059	21,134	165,251	31,674	596,962	714.1
FFO attributable to Company shareholders[5]	NIS thousands	376,489	398,181	126,377	120,217	525,533	(5.4)
Total balance sheet	NIS thousands	26,391,642	23,192,368			25,098,865	5.2
Equity (including non-controlling interests)	NIS thousands	9,999,401	8,523,941			9,507,835	5.2
Financial debt (bank credit and bonds)[6]	NIS thousands	13,589,476	12,291,473			12,852,209	5.7
Net financial debt[7]	NIS thousands	11,506,433	10,892,059			12,080,460	(4.8)
Ratio of net financial debt to total balance sheet[8]	%	47.33	50.0			49.7	
Main financial results – Expanded Solo[9]							
Total balance sheet	NIS thousands	10,903,762	10,768,988			11,400,370	(4.4)
Equity attributable to Company shareholders	NIS thousands	6,551,683	5,780,223			6,336,545	3.4
Financial debt (bank credit and bonds)[6]	NIS thousands	3,810,442	4,405,175			4,496,547	(15.3)
Net financial debt[7]	NIS thousands	3,026,419	4,138,711			3,977,747	(23.9)
Net financial debt ratio to balance sheet total[8]	%	29.9	39.4			36.6	
Earnings per share data							
Earnings per share – basic	NIS	1.54	2.36	0.91	1.06	5.55	(34.7)
Comprehensive income per share – basic	NIS	1.00	0.12	0.96	0.18	3.47	710.5
FFO per share[5]	NIS	2.18	2.32	0.73	0.70	3.05	(5.9)
Current dividend per share	NIS	0.87	0.85	0.29	0.29	1.14	2.4
NAV per share	NIS	37.92	33.50			36.68	3.4
[10]NNAV per share	NIS	44.56	40.91			44.91	(0.8)
Price per share at end of period	NIS	33.70	50.85			54.60	(38.3)

4 Balance sheet data 1-9/2020 compared to 2019. Operating data 1-9/2020 compared to 1-9/2019.
5 The FFO calculation did not include exchange rate differentials and linkage differentials for the bonds and the CPI-linked loans, since the Company's management believes that those expenses do not reflect cash flows from ongoing operating activities.
6 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
7 Financial debt presented net of cash balances.
8 Net financial debt as a percent of total balance sheet, less cash balances.
9 In the expanded solo balance sheet, the investment in Amot, Energix and BE is presented on an equity basis instead of the consolidation of their statements with the Company's statements (the remaining investments are presented unchanged in the statement presented in accordance with IFRS principles).
10 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	1-9/2020	1-9/2019	Q3/2020	Q3/2019	2019	% Change [11]
Investment in Israel – Amot Investments Ltd. (55.4% rate of holdings)[12]							
Number of income-generating properties	Unit	105	103			104	
Value of investment property (without property in development)	NIS thousands	12,928,123	11,001,092			12,847,643	0.6
Weighted capitalization rate deriving from investment property	%	6.5	7.01			6.45	
Occupancy rate at end of period	%	97.3	97.3			97.7	
Value of investment property in self-development	NIS thousands	947,593	518,609			620,954	52.6
Ratio of net financial debt to total balance sheet[8]	%	46	43			42.3	
[13]NOI	NIS thousands	560,153	535,969	191,550	182,713	727,552	4.5
FFO[14] per share	NIS	1.03	1.069	0.358	0.341	1.44	(3.6)
Ordinary dividend per share	NIS	0.73	0.70	0.25	0.24	0.94	4.3
Additional dividend per share[15]	NIS	-	-			0.31	
Total dividend per share	NIS	0.73	0.70			1.25	
NAV per share	NIS	15.5	14.35			16.02	(3.2)
NNAV per share	NIS	19.12	17.29			19.46	(1.7)
Price per share at end of period	NIS	15.68	25.73			25.07	(37.5)
Investment in the United States – Carr Properties Corporation (rate of holdings – 44.2%)[16]							
Number of income-generating properties	Unit	14	14			14	
Value of investment property (without property in development)	USD thousands	2,958,790	2,890,360			2,903,630	1.9
Occupancy rate at end of period	%	92.7	91.0			93.5	
Rental rate at end of period	%	95.5	95.7			96.1	
Number of properties in development	Unit	3	4			4	
Value of real estate in development[17]	USD thousands	915,846	539,643			638,788	43.4
Ratio of net financial debt to total balance sheet	%	43.2	40.5			42.1	
NOI	USD thousands	108,593	110,931	35,368	36,566	147,617	(2.1)
FFO	USD thousands	66,217	57,734	21,207	18,410	81,358	14.7
NAV per share	USD	1.357	1.342			1.350	0.5
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings – 96.0%)							
Number of properties	Unit	5	4			4	
Value of investment property	GBP thousands	663,100	546,576			566,250	17.1
Occupancy rate at end of period	%	94.5	98			97.8	
Ratio of financial debt to total balance sheet	%	51.0	50.5			49.3	
NOI	GBP thousands	19,341	9,657	6,579	5,073	15,241	100.3
FFO	GBP thousands	5,689	597	2,318	1,122	1,068	
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 54.3%)							
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	1,694,098	1,171,379			1,252,562	35.3
Revenues from sale of electricity and green certificates	NIS thousands	194,277	176,721	62,812	55,051	237,126	9.9
FFO from projects[18]	NIS millions	133.4	126.6	44.8	39.2	170	5.4
Price per share at end of period	NIS	13.65	8.42			10.31	32.4

[11] Balance sheet data 1-9/2020 compared to 2019. Operating data 1-9/2020 compared to 1-9/2019.

[12] The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter: "Amot's Pro Forma Reports"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 coming into effect.

[13] Net operating income.

[14] Funds from operations.

[15] The above dividend is for profits in the year in which it is included but was paid or will be paid, as applicable, in the following year.

[16] 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.

[17] Not including the 2025 Clarendon project, whose cost in the reporting periods in Carr's books is USD 16 million, and the advance paid on account of the land acquisition in the C-2 Union Market project.

[18] 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	30.9.2020 NIS millions	31.12.2019 NIS millions	Notes and Explanations
Cash and cash equivalents	2,021	772	For Statement of Cash Flows – see Section 3.6 below.
Investment property	16,174	15,442	The item includes investment property and investment property in development. Most of the increase is due to the acquisition of assets in the amount of NIS 686 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 277 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 179 million and a decrease in the amount of NIS 91 million due to the appreciation of the NIS against the GBP.
Investments in associates and securities measured at fair value through profit and loss (including the investment in PSP that is classified as an investment "held for sale").	5,060	6,121	The following are the main changes: • Partial realization the investment in PSP in the amount of NIS 1.2 billion. • Investment in Carr's capital in the amount of NIS 151 million. • Decrease in respect of dividends or returns of capital received in the amount of NIS 157 million. For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in associates – see Note 14(c) to the financial statements.
Electricity-generating facilities – connected and in development	2,544	2,137	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	593	627	
Total assets	26,392	25,099	
Loans and bonds	13,590	12,888	The following are the main changes: • Raising of bonds offset by repayments in the amount of NIS 1.3 billion. • Repayment of loans and credit facilities (net from the receipt of loans) in the amount of NIS 0.6 billion. For details regarding the main changes in the Group's financial debt – see Section 3.4.3 below.
Other liabilities	2,803	2,703	
Total liabilities	16,393	15,591	
Equity attributable to shareholders	6,552	6,337	For details regarding the main changes in equity attributable to shareholders – see Section 3.7.2 below.
Non-controlling interests	3,447	3,171	
Total equity	9,999	9,508	
Total liabilities and equity	26,392	25,099	

3.3 Investments

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

	Currency	Number of Shares	Balance in the Company Books (expanded solo)	Value	Value Measurement Basis
			NIS thousands	NIS thousands	
Amot[19]	NIS	211,187,471	3,270,991	3,311,420	Stock market value - negotiable
Energix[20]	NIS	257,454,283	836,668	3,529,054	Stock market value - negotiable
PSP [21]	CHF	631,309	242,981	262,277	Stock market value - negotiable
Carr	USD	-	3,300,763	3,300,763	Equity method
Boston	USD	-	812,892	812,892	Equity method
Brockton Everlast	GBP	-	1,387,392	1,387,392	Equity method
Brockton Funds	GBP	-	148,842	148,842	Equity method
Other (mainly cash)			845,265	845,265	
Total			10,845,794	13,597,905	

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 - September 2020	Subsequent to the Balance Sheet Date	Total
	In NIS millions		
Brockton Everlast	194	-	194
Carr	151	-	151
Boston	16	12	28
Amot	12	330	342
Brockton Funds	-	12	12
Energix	35	-	35
	408	354	762

[19] As of the date of publication of the report, the Company holds 233,718,872 Amot shares.
[20] In addition, the Company holds 2,898,000 negotiable options of Energix.
[21] As of the date of publication of the report, the Company holds 531,309 PSP shares.

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

During the reporting period, the Company sold 3 million PSP shares for a consideration of CHF 360.4 million (NIS 1.3 billion). Subsequent to the balance sheet date, the Company sold an additional 100 thousand PSP shares for a consideration of CHF 11.2 million (approx. NIS 41.6 million). For further details, see Section 3.3.9 below and Note 8 to the financial statements.

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:

Raising Capital

In October 2020, subsequent to the balance sheet date, Amot issued 27.5 million shares, which constitute approx. 7.2% of the total capital stock prior to the issue. The total gross consideration received in the issue is NIS 400 million. Of this amount, the Company invested NIS 320 million. Following the issuance, the Company's holding in Amot increased to approx. 57%.

Following the issuance of the shares, Amot's leverage rate decreased to 43%.

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. For the purchase of the land (including development expenses and not including transaction costs), the companies paid a total of NIS 214 million, of which Amot's share is 50%.

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 restrictions of the first closure 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.

Regarding its shopping centers, Amot formulated a graded relief plan for rent and management payments. The scope of the relief for the shopping center tenants in respect of the first closure (the first half of the year) amounts to NIS 32 million. For the period beginning September 18, 2020 (the second closure), Amot is considering making individual arrangements with tenants who, as a result of the restrictions, have been obligated to close their businesses in the Company's properties, in cooperation with them.

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 nine months of 2020, Amot signed 285 new leases (including option exercises) amounting to 90 thousand sq.m. in annual rents in the amount of NIS 82 million, in rent per square meter similar or higher than the rent generated by these properties until that date.

Fair value of investment property

Amot examined the value of its assets as of the date of the report. At this time, there is no market data to justify a significant change in the working assumptions for the valuations as of the end of 2019, including regarding the discount rates. In the half-year reports, 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 the Company's properties in the short term. The total negative revaluation recorded by Amot in the reporting period (including its share in the revaluation of investment property in associates) amounted to approx. NIS 137 million. Amot's Cap Rate derived from the total value of its income-generating real estate as of September 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.

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 - September	Updated Forecast	Original Forecast	Actual (*)
NOI (in NIS millions)	560	740-760	790-805	728
Real FFO (in NIS millions)	393	530-550	575-590	520
FFO per share (in NIS 0.01)	103.0	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.

Recently, following the additional general closure imposed in mid-September 2020, which still applies in relation to activity in the shopping centers and there is no certainty as to its duration, end date and extent of its impact on business activity, as well as Amot's capital raising at the beginning of October 2020 (which contributed to the increase of 7.2% to Amot's capital stock), there may be a deviation by a few percentages from the lower range of Amot's updated forecast.

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 560 million in the reporting period, compared to NIS 536 million in the corresponding period last year, constituting an increase of 4%. The Amot NOI amounted to NIS 192 million in the third quarter of 2020, compared to NIS 183 million in the corresponding quarter last year, constituting an increase of 5%.

The increase compared to the corresponding period last year and compared to the corresponding quarter last year are due to additional income from newly acquired properties and additional income from space whose construction ended and which began to yield, less the effect of the NIS 41 million relief for commercial tenants for nine months and NIS 9 million for three months, which were fully recognized during the reporting period and in the third quarter, respectively.

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.
- Update regarding projects in construction and planning stages – Logistics project and construction of offices in Modi'in:

  The logistic center structure's foundation work has been completed and work is being carried out on the shell insulation and the systems. The logistic center was delivered to the tenant's automation contractor at the end of August 2020. The office building is in the foundation work stage. According to the agreement with the tenant, the property began generating income from mid-July 2020, and in the current quarter revenue has been recorded in the amount of NIS 2.7 million (Amot's share). In view of the aforesaid, Amot classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

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 positive revaluation of USD 6 million in its financial statements, consisting of a positive value adjustment of USD 74 million in respect of projects in development, which were mostly offset by a negative revaluation of USD 68 million in respect of income-generating properties (the Group's share in the positive revaluation before tax is approx. USD 3 million, NIS 10 million). Carr's Cap Rate derived from the total value of its income-generating real estate as of September 30, 2020 is 5.1%.

Forecasts and collection rates

Regarding the implications of the global Corona pandemic on the dividend and return of capital forecast published in the 2019 Periodic Report with regard to Carr, and also regarding Carr's collection rates in the third 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. 311 thousand sq.ft. in income-generating buildings, including projects in development. The new rental fees signed for the income-generating buildings are similar to the renewed fees, except for one agreement for a space of 56 thousand sq.ft., which was renewed at a lower rent per sq.ft. than the existing fees, in view of the fact that at the beginning of the year (pre-corona) it generated higher rental fees than the market price (over rented).

Examination of partial realization of the Midtown project:

Carr is examining the possibility of realizing 49% of the Midtown complex. The realization proceeds (if carried out) will be used by Carr to continue its growth according to its strategic plan. As of September 30, 2020, the project's value in Carr's financial statements is USD 964 million.

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:

- The Wilson - The entire office building space (100%) were delivered to the tenants for the purpose of carrying out adjustments.
- 2025 Clarendon – Carr is negotiating the sale of the land, which is valued at USD 16 million in Carr's financial statements (Carr's share).

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 has decided at this stage to delay the process.

3.3.6 Investment in Brockton Everlast ("BE"):

3.3.6.1 For information regarding BE'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 BE'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 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).

As part of BE's entrepreneurship plan, during the reporting period 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 663 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 a property in the amount of GBP 4 million and an additional GBP 6 million in the amortization of property acquisition costs. BE's Cap Rate derived from the total value of its income-generating real estate as of September 30, 2020 is 4%.

Collection rates

Regarding BE's collection rates in the third 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 and return of capital forecast published in the 2019 Periodic Report with regard to AH Boston, and also regarding AH Boston's collection rates in the third 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 September 30, 2020 is 4.7%.

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 15.8 million 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 54.3%.

Virginia 1 project 82MWp

Further to that stated in Note 8b to the Annual Consolidated Financial Statements, in the reporting period, Energix completed the construction and connection of four facilities to the electricity grid with a total capacity of approx. 82MWp.

Energix has made a transaction to hedge electricity prices for 80% of the electricity production expectations of the Virginia 1 project and an engagement for the sale of all the green certificates produced in these projects for a period of 12 years.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 360 million in respect of the Virginia 1 projects.

Virginia 2 project 140MWp

Further to that stated in Note 8d(2) to the Annual Consolidated Financial Statements, as of the reporting date, Energix has started construction work on the Virginia 2 projects – a backlog of 6 photovoltaic projects with a combined capacity of approx. 140MWp (of which approx. 25MWp are in collaboration with a partner and approx. 115MWp is fully owned).

3 of the 6 projects have long-term agreements (15 years) for the sale of all the electricity and the green certificates that will be issued for the production of electricity in those projects, with local electricity companies and/or with another final consumer. As of the reporting date, Energix has recognized assets in the amount of approx. NIS 51 million in respect of these projects.

Price fixing transactions in Poland

In the third quarter of 2020, Energix entered into hedging transactions for the years 2021-2023 to fix the prices of electricity generated by the two wind farms in Poland that are operating commercially in Poland for a capacity at an average rate of 43% of the expected electricity production for those years.

Wind farms in Poland with a total output of 126 MW

Subsequent to the balance sheet date, Energix began the construction work of the two aforementioned wind farms. As of the date of approval of the report, Energix is in advanced negotiations for the receipt of financing estimated at up to 550 million zlotys (approx. NIS 485 million), as part of a financing transaction on a non-recourse basis for the projects' construction from a consortium of lenders.

As of the reporting date, the balance of properties in development in respect of the above mentioned projects is NIS 114 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 Realization of the investment in PSP

During the reporting period, the Company sold approx. 3 million PSP shares for a consideration of CHF 360.4 million (NIS 1.3 billion). As a result of these sales, the Company listed a profit (before tax), in the reporting period, of NIS 197 million (an after tax capital gain of NIS 152 million). From that amount, in the third quarter, the Company recorded a profit (before tax) of NIS 46 million (an after tax capital gain of NIS 35 million).

As of September 30, 2020, the investment in PSP is approx. CHF 65.2 million (NIS 243 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 100 thousand PSP shares for a consideration of CHF 11.2 million (approx. NIS 41.6 million). As of the publication date of the financial statements, the Company holds 531,309 shares of PSP, which constitute 1.2% 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.

Dividend receipts and returns of capital

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 and return of capital policy for 2020.

The following are the dividends and returns of capital 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 and capital repayments for 2020:

	From the Beginning of 2020 to the Financial Statements Publication Date	2020 Forecast
	In NIS millions	
Amot	219	277
Carr	95	95
PSP	35	35
Energix	-	41
AH Boston	19	29
	368	**477**

The dividend receipt and return of capital forecast for 2020 is calculated in accordance with the declared dividend distribution and return of capital 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 and return of capital 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 September 30, 2020, the Group has cash balances of NIS 2 billion (of which the Company's expanded solo balance – NIS 722 million) and unutilized lines of credit in the amount of NIS 1.6 billion (of which the Company's expanded solo lines of credit – NIS 500 million).

3.4.2 Unencumbered assets

As of September 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 billion (a market value of NIS 12.8 billion). As of September 30, 2020, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 13.6 billion.

3.4.3 Financial debt

As of September 30, 2020, the Group's net financial debt amounted to NIS 11.5 billion, constituting 47.3% of the Group's total assets, compared to a net financial debt of NIS 12.1 billion, which constituted 49.7% of the Group's assets as of December 31, 2019.

As of September 30, 2020, the Company's (expanded solo) net financial debt amounted to NIS 3 billion, or 29.9% of the Group's total assets (expanded solo), compared to a net financial debt of NIS 4 billion, which constituted 36.6% of the Company's assets (expanded solo), as of December 31, 2019.

<u>During the reporting period, the Company (expanded solo) performed the following</u>:

- 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 September 30, 2020, see Section 2 of Appendix A below.

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

<u>Amot</u>:

- In the reporting period, debt raising totaled approx. NIS 1.6 billion. The bonds bear effective interest of 1.6% and have an average duration of 8 years.
- 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.
- Regarding the signing of a credit facility agreement with an institutional entity in the reporting period in the amount of NIS 180 million, see Note 10(b) to the financial statements.

<u>Brockton Everlast</u>:

- 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 161 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 380 million, on a non-recourse basis, and is negotiating the details of the financing agreement.
- Issuance of convertible bonds (Series B) – In September 2020, Energix issued NIS 500 million par value convertible bonds (Series B) by way of an initial issue, for a gross total of NIS 500 million. For further information, see Note 11b to the financial statements.

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 392 million. The share of Company shareholders in the profit amounted to NIS 266 million, compared to a profit of NIS 406 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 293 million. The share of Company shareholders in the income amounted to NIS 172 million, compared to a profit of NIS 21 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):

	1-9/2020	1-9/2019	2019
	NIS thousands	**NIS thousands**	**NIS thousands**
Company shareholders' share in net income for the period	265,523	405,873	956,100
Adjustments to profit or loss:			
Fair value adjustments of investment property	178,997	(184,910)	(995,791)
Company share in real estate revaluations and other non-FFO items in investees	103,822	(46,087)	(153,676)
Profit from decrease in rate of holding, from purchase and realization of investees	(196,576)	(48,127)	(96,680)
Profit from securities	23,335	12,402	5,966
Others (mainly depreciation and amortizations)	65,827	44,517	66,930
Accumulated linkage differentials and exchange rate differentials	(15,893)	41,126	57,494
Deferred taxes and current taxes from the realization of securities and real estate, net	53,282	201,023	475,074
Share of non-controlling interests in the above adjustments to FFO	(101,828)	(27,636)	210,116
FFO	**376,489**	**398,181**	**525,533**
The sources of the FFO are as follows:			
Revenues			
Investment property NOI	621,653	553,619	762,166
NOI from the sale of electricity, less development costs	160,557	149,894	200,230
PSP's share in FFO	29,045	59,706	73,964
Carr's share in FFO	101,321	90,614	126,910
AH Boston's share in FFO	32,717	32,975	43,635
Energix, Brockton Everlast and Amot associates' share in FFO	7,792	13,262	15,252
Dividend income from investments and others (mainly Brockton Funds)	5,033	24,223	32,666
Total revenues	**958,118**	**924,293**	**1,254,823**
Expenses			
Real financing, net	(223,674)	(205,661)	(284,157)
Administrative and general	(81,753)	(76,740)	(109,966)
Current taxes	(47,910)	(36,125)	(53,308)
Share of non-controlling interests attributable to current operations	(228,292)	(207,586)	(281,859)
Total expenses	**(581,629)**	**(526,112)**	**(729,290)**
FFO	**376,489**	**398,181**	**525,533**
FFO per share (NIS)	**2.18**	**2.32**	**3.05**

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

	1-9/2020	1-9/2019	Q3/2020	Q3/2019	2019
	NIS thousands				
Revenues and profits					
Revenues from rental fees and management of investment property, net	676,356	602,461	231,652	213,672	830,156
Fair value adjustments of investment property	(178,997)	184,910	10,440	50,490	995,791
Group share in the profits (losses) of associates, net	67,053	248,949	64,337	107,138	413,437
Net profits (losses) from investments in securities measured at fair value through profit or loss	(19,491)	9,920	1,220	6,887	24,711
Profit from decrease in rate of holding, from purchase and realization of investees	196,576	48,127	45,848	48,127	96,680
Revenues from sale of electricity and green certificates	194,277	176,721	62,812	55,052	237,126
Other revenues, net	1,221	1,669	627	1,607	1,027
	936,995	**1,272,757**	**416,936**	**482,973**	**2,598,928**
Costs and expenses					
Cost of investment property rental and operation	54,703	48,842	19,070	16,886	67,990
Development, maintenance and operation costs of electricity-generating facilities	27,474	22,106	7,024	7,304	30,482
Depreciation and amortization	63,648	46,086	28,592	15,231	60,549
Administrative and general	90,210	85,965	30,462	29,963	121,799
Financing expenses, net	207,781	246,787	74,670	34,990	341,651
	443,816	**449,786**	**159,818**	**104,374**	**622,471**
Profit before taxes on income	**493,179**	**822,971**	**257,118**	**378,599**	**1,976,457**
Income tax expenses	101,192	237,148	36,973	136,931	528,382
Net profit for the period	**391,987**	**585,823**	**220,145**	**241,668**	**1,448,075**
Distribution of net income for the period:					
Company shareholders' share	265,523	405,873	157,827	182,724	956,100
Non-controlling interests	126,464	179,950	62,318	58,944	491,975
	391,987	**585,823**	**220,145**	**241,668**	**1,448,075**

Comparison between the results of operations in the reporting period and in the corresponding period last year:

Revenues from rental fees and management of investment property, net – amounted to 676 million NIS in the reported period, compared to 602 million NIS in the corresponding period last year, a 12.3% increase. Approx. NIS 48 million of the increase is due to revenues from the properties acquired by Brockton Everlast during 2019 and in the reporting period, and NIS 26 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 from properties whose construction has been completed. 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 41 million, which was fully recognized in the reporting period.

Fair value adjustment of investment property – In the reporting period, a negative fair value adjustment of investment property was recorded in the amount of NIS 179 million, compared to a positive fair value adjustment of NIS 185 million in the corresponding period last year.
The loss in the current period is mainly due to the negative fair value adjustment recorded in the amount of NIS 134 million, mainly due to the impact of the Corona crisis on commercial properties and due to the decline in the CPI in the reporting period and a negative fair value adjustment in the amount of NIS 45 million in respect of Brockton Everlast’s properties, mainly due to the amortization of acquisition expenses for properties 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 112 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.
- Group share in Carr’s profits – A profit of NIS 101 million was recorded in the reporting period, compared to a profit of NIS 57 million in the corresponding period last year. The increase in Carr's profits is mainly due to real estate revaluations which were higher in the current period (USD 6 million – see explanation in Section 3.3.5 above), compared to the corresponding period last year.
- Group share in AH Boston’s profits – A loss of NIS 26 million was recorded in the reporting period, compared to a profit of NIS 90 million in the corresponding period last year. The decrease in AH Boston's profits is mainly due to negative revaluations in respect of Boston properties recorded in the reporting period due to the effect of the Corona crisis, compared to positive revaluations recorded in the corresponding period last year, which were mainly due to the signing of new rental contracts and an increase in the rate of occupancy.

Net profit, relating to investments in securities measured at fair value through profit and loss – The profit (loss) 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 197 million, stems mainly from the sale of 3 million PSP shares. See also 3.3.9 above.

Revenues from the sale of electricity and Green Certificates – the 17 million increase in revenues in the reporting period compared to the corresponding period last year stems mainly 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 15 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 3 million).

Financing expenses – There was a NIS 39 million decrease in financing expenses in the reporting period compared to the reporting period last year.

Most of the decrease (NIS 60 million) stems from the effect of the CPI in the reporting period, which declined by a rate of 0.6%, compared to an increase at a rate of 0.5% 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 12 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 136 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):

	1-9/2020	1-9/2019	Q3/2020	Q3/2019	2019
			NIS thousands		
Net income for the period:	391,987	585,823	220,145	241,668	1,448,075
Loss from investment in Carr (1)(2)	(44,384)	(210,758)	(14,664)	(62,875)	(230,763)
Profit (loss) from investment in PSP) 1)	13,071	(52,194)	6,773	(22,314)	(35,545)
Loss from investment in Boston properties (1)	(9,660)	(33,540)	(4,649)	(10,332)	(38,555)
Profit (loss) from investment in BE (1)(3)	(25,805)	(41,460)	19,213	(23,199)	(16,016)
Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax)	(35,026)	(3,453)	(18,183)	(3,453)	(5,885)
Profit (loss) from other investments	(12,891)	(42,219)	16,551	(26,300)	(50,151)
Tax effects	15,710	(17,464)	10,779	(13,313)	(875)
Other Comprehensive Income (Loss) for the Period	**(98,985)**	**(401,088)**	**15,820**	**(161,786)**	**(377,790)**
Total comprehensive income for the period	**293,002**	**184,735**	**235,965**	**79,882**	**1,070,285**
Distribution of comprehensive income for the period:					
Company shareholders' share	172,059	21,134	165,251	31,674	596,962
Non-controlling interests	120,943	163,601	70,714	48,208	473,323
	293,002	**184,735**	**235,965**	**79,882**	**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 (0.43)%, (3.27%) and 4.22% 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 (7.1%), (10.7%) and (7.88%) 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 3.5 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 72 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

	1-9/2020	1-9/2019	2019
		NIS millions	
Total cash provided by operating activities	**448**	**471**	**706**
Cash flows used in investing activities			
Proceeds from the sale of PSP	1,255	210	440
Investment in investment property and fixed assets	(1,050)	(2,650)	(3,839)
Investment in electricity-generating facilities	(528)	(165)	(481)
Investment in Brockton Funds	(12)	-	(62)
Repayment of investment from Brockton Funds	22	-	65
Investment in Carr	(151)	(246)	(246)
Investment in Boston properties	(16)	(29)	(44)
Net decrease (increase) in pledged deposits and restricted cash in Energix	126	(157)	(124)
Proceeds in respect of repaid hedging transactions	22	13	19
Other	9	(14)	(12)
Total cash used in investing activities	**(323)**	**(3,038)**	**(4,284)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	428	1,586	1,582
Proceeds from the issue of bonds and bond options	2,130	2,322	2,745
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(1,582)	(1,126)	(1,260)
Capital raised by the Company	1	34	47
Capital raised by Amot (net of the Company's investment in Amot in the issue)	7	529	338
Capital raised by Energix (net of the Company's investment in Energix in the issue)	475	-	361
Acquisition of Amot and Energix shares from non-controlling interests	(12)	(14)	(14)
Payment of dividends to Company shareholders and to Amot non-controlling interests	(328)	(371)	(460)
Other	-	-	(2)
Total cash provided by financing activities	**1,119**	**2,960**	**3,337**
Total increase (decrease) in cash balances in the period	**1,244**	**393**	**(241)**
Other influences	**5**	**(7)**	**(1)**
Cash and cash equivalents at end of period	**2,021**	**1,399**	**772**

3.7 Equity

3.7.1 Equity per share

	As of September 30 2020	As of December 31 2019
	NIS millions	
Equity	9,999	9,508
Less non-controlling interests	(3,448)	(3,171)
Equity attributable to Company shareholders	**6,551**	**6,337**
NAV per share	**37.92**	**36.68**
NNAV per share	**44.56**	**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 214 million. The main changes are as follows:

- Net profit attributable to Company shareholders in the amount of NIS 266 million – see additional details in Section 3.5.2 above.
- Other comprehensive loss attributable to Company shareholders in the amount of NIS 93 million – see additional details in Section 3.5.3 above.
- A reduction in capital following dividends declared and paid to the amount of NIS150 million.
- Increase in capital reserves due to the profit created in the capital offering of associates in the amount of NIS 189 million.

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

The following is the composition of the surplus of assets over liabilities based on the Company's statements (expanded solo) divided by currency as of September 30, 2020 (in NIS millions)[22]:

Currency	Assets	Liabilities	Assets, net	%
USD	4,187	(2,693)	1,494	23%
CHF	312	(229)	83	1%
GBP	1,537	(977)	560	9%
Other (mainly PLN and CAD)	106	(46)	60	1%
Excess assets over liabilities in foreign currency	**6,142**	**(3,945)**	**2,197**	**34%**
Excess assets over liabilities in NIS	4,762	(407)	4,355	66%
Equity as of September 30, 2020	**10,904**	**(4,352)**	**6,552**	**100%**

[22] Including the effect of forward transactions and cross currency swaps on the foreign currency.

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 September 30, 2020, see Section 3.7.3 above and Appendix B.

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 and in the same decision it was determined that the plan for each specific year would be re-examined for that year, prior to its implementation. 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.

At its meeting on November 12, 2020, the Audit Committee discussed the Internal Auditor's report on control over the internal audit of an investee company - Amot Investments, and also discussed the Internal Auditor's report on Alony-Hetz's control over investee companies – an examination in relation to Alony-Hetz's control over the acquisition of properties by BE.

In addition, at its meeting on November 12, 2020, the Audit Committee approved a work plan for 2021 that includes the following topics: (a) bank accounts and current investments; (b) financing and cash flow; (c) examination regarding the implementation of recommendations in the Internal Auditor's report on information systems; and (d) dealing with the Corona crisis.

6. Special Disclosure for Bondholders

6.1 The following are data as of September 30, 2020 relating to 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 September 30, 2020	623,731	1,188,399	1,315,153	200,932	400,730	**3,728,945**
Par value linked as of September 30, 2020	644,118	1,188,399	1,315,153	200,932	400,730	**3,749,332**
Value in the financial statements as of September 30, 2020 (at amortized cost)	667,418	1,219,054	1,333,683	197,959	397,398	**3,815,513**
Stock market value as of September 30, 2020	687,913	1,313,419	1,331,066	205,915	410,348	**3,948,661**
Accrued Interest as of September 30, 2020	17,198	26,951	2,540	3,163	5,715	**55,567**

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 September 30, 2020
Net financial debt to value of holdings23	%	Less than 80	27.76
Minimum equity (Series H, I, J, K and L)[24]	NIS billions	More than 2.1	6.6

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

The Company's Board of Directors would like to thank the holders of Company securities for the confidence they have shown in the Company.

Nathan Hetz	Aviram Wertheim
Director and CEO	Chairman of the Board of Directors

Appendices to the Board of Directors' Report on the State of Corporate Affairs

Appendix A - Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

[23] 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.
[24] 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.

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 September 30	As of December 31
	2020	2019
	NIS thousands	
Current assets		
Cash and cash equivalents	721,706	518,800
Tradable securities	25,410	40,876
Investment in associate held for sale	242,981	-
Other accounts receivable	98,790	32,781
Total current assets	1,088,887	592,457
Non-current assets		
Securities measured at fair value through profit or loss	170,415	203,803
Investments in investees	9,622,965	10,567,750
Others	21,495	36,360
Total non-current assets	9,814,875	10,807,913
Total assets	**10,903,762**	**11,400,370**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	347,596	350,002
Other accounts payable	104,800	113,370
Total current liabilities	452,396	463,372
Non-current liabilities		
Bonds	3,468,763	3,840,621
Loans from banking corporations and others	846	358,987
Deferred taxes	404,037	396,322
Others	26,037	4,523
Total non-current liabilities	3,899,683	4,600,453
Equity	6,551,683	6,336,545
Total liabilities and equity	**10,903,762**	**11,400,370**

Financial Data, Expanded Solo

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

	1-9/2020	1-9/2019	Q3/2020	Q3/2019	2019
			NIS thousands		
Revenues					
Group share in the profits of associates, net	206,223	538,085	145,203	222,357	1,124,095
Profit from decrease in rate of holding, from purchase and realization of investees	196,576	48,127	45,847	48,127	96,680
Net profits (losses) from investments in securities measured at fair value through profit or loss	(19,491)	9,920	1,220	6,887	24,711
Other revenues, net	10,644	10,966	3,650	3,898	14,424
	393,952	607,098	195,920	281,269	1,259,910
Expenses					
Administrative and general	23,886	26,944	8,291	9,299	37,392
Financing expenses, net	85,964	74,825	22,520	16,600	97,410
	109,850	101,769	30,811	25,899	134,802
Profit before taxes on income	**284,102**	**505,329**	**165,109**	**255,370**	**1,125,108**
Income tax expenses	18,579	99,456	7,282	72,646	169,008
Net profit for the period	**265,523**	**405,873**	**157,827**	**182,724**	**956,100**

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

	Bonds	Bank Loans	Total	% of the debt
	NIS thousands			
Current maturities	347,060	846	347,906	9
Second year	407,227	846	408,073	11
Third year	407,086	-	407,086	11
Fourth year	526,550	-	526,550	14
Fifth year	526,550	-	526,550	14
Sixth year onward	1,535,971	-	1,535,971	41
Total maturities	**3,750,444**	**1,692**	**3,752,136**	**100**
Others			**54,456**	
Asset balance in connection with foreign currency forward transactions			**3,850**	
Total financial debt (taking foreign currency forward transactions into account)			**3,810,442**	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 402 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of CHF 25 million and USD 90 million.

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of September 30, 2020 NIS thousands	In NIS without Linkage	In NIS Linked to the CPI	In CHF	In USD	In GBP	Other (Mainly PLN and CAD)	Total Total	Adjustments - Non-monetary Items	Total
Current assets									
Cash and cash equivalents	711,311	-	16	9,399	798	182	721,706	-	721,706
Tradable securities	25,410	-	-	-	-	-	25,410	-	25,410
Investment in associate held for sale	-	-	-	-	-	-	-	242,981	242,981
Other accounts receivable	25,202	-	62,359	-	-	-	87,561	11,229	98,790
Total current assets	761,923	-	62,375	9,399	798	182	834,677	254,210	1,088,887
Non-current assets									
Securities measured at fair value through profit or loss	21,573	-	-	-	148,842	-	170,415	-	170,415
Investments in associates	-	-	-	-	-	-	-	9,622,965	9,622,965
Others	17,443	-	-	-	-	-	17,443	4,052	21,495
Total non-current assets	39,016	-	-	-	148,842	-	187,858	9,627,017	9,814,875
Total assets	**800,939**	**-**	**62,375**	**9,399**	**149,640**	**182**	**1,022,535**	**9,881,227**	**10,903,762**
Current liabilities							-		
Short-term credit and current maturities of long-term liabilities	132,044	214,706	-	846	-	-	347,596	-	347,596
Other payables	55,108	18,746	-	539	-	33	74,426	30,374	104,800
Total current liabilities	187,152	233,452	-	1,385	-	33	422,022	30,374	452,396
Non-current liabilities							-		
Bonds	3,016,051	452,712	-	-	-	-	3,468,763	-	3,468,763
Loans from banking corporations and others	-	-	-	846	-	-	846	-	846
Deferred tax liabilities	-	-	-	-	-	-	-	404,037	404,037
Others	24,879	-	-	860	-	-	25,739	298	26,037
Total non-current liabilities	3,040,930	452,712	-	1,706	-	-	3,495,348	404,335	3,899,683
Total liabilities	**3,228,082**	**686,164**	**-**	**3,091**	**-**	**33**	**3,917,370**	**434,709**	**4,352,079**
Excess assets over liabilities (liabilities over assets)	**(2,427,143)**	**(686,164)**	**62,375**	**6,308**	**149,640**	**149**	**(2,894,835)**	**9,446,518**	**6,551,683**
Financial derivatives	**3,528,666**	**-**	**(204,930)**	**(2,382,934)**	**(940,802)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**1,101,523**	**(686,164)**	**(142,555)**	**(2,376,626)**	**(791,162)**	**149**	**(2,894,835)**	**9,446,518**	**6,551,683**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**(10,574)**	**3,950,129**	**226,032**	**3,870,899**	**1,350,863**	**59,169**	**9,446,518**	**(9,446,518)**	**-**
Excess assets over liabilities (liabilities over assets)	**1,090,949**	**3,263,965**	**83,477**	**1,494,273**	**559,701**	**59,318**	**6,551,683**	**-**	**6,551,683**

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	23.8	(23.8)
GBP	9.4	(9.4)
CHF	2.1	(2.1)
Total expanded solo	35.3	(35.3)

(*) 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 Reports[25]

- 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).

[25] 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

Deloitte.

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 September 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of nine 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 September 30, 2020, and whose revenues included in consolidation constitute approximately 21% and 17% of total consolidated revenues for the periods of nine 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 4,449 million NIS as of September 30, 2020 and the share of the group in their results for the periods of nine and three months ended that date, is amounted approximately 147 and 72 million NIS, respectively. The interim condensed financial information 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, November 22, 2020.

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Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Financial Position

	Note	As of September 30		As of December 31
		2020	2019	2019
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Assets				
Current Assets				
Cash and cash equivalents		2,020,726	1,399,414	771,749
Deposits, tradable securities and restricted cash		44,389	197,994	185,483
Trade receivables		63,609	46,935	43,783
Current tax assets, net		16,490	10,197	5,434
Other receivables		253,198	224,716	182,345
		2,398,412	1,879,256	1,188,794
Investment in associate held for sale	8	242,981	-	-
Total current assets		2,641,393	1,879,256	1,188,794
Non-current assets				
Investment property	4, 5	15,297,034	12,850,207	14,891,954
Investment property in development	4	876,788	451,169	550,354
Long-term investments:				
Securities measured at fair value through profit or loss		170,415	182,391	203,803
Investments in associates	7, 9	4,646,132	5,969,916	5,917,551
Deferred tax assets		18,643	-	3,895
Electricity-generating facilities:				
Connected electricity-generating facilities		1,694,098	1,171,379	1,252,562
Right-of-use asset		172,182	146,107	160,614
Electricity-generating facilities in development	6	636,881	313,611	682,153
Restricted deposits		41,000	55,191	41,173
Fixed assets, net		92,187	77,389	77,898
Other assets		104,889	95,752	128,114
Total non-current assets		23,750,249	21,313,112	23,910,071
Total assets		26,391,642	23,192,368	25,098,865

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

		As of September 30		As of December 31
		2020	2019	2019
	Note	NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Liabilities and equity				
Current liabilities				
Short-term credit and current maturities of long-term loans		149,884	103,136	351,368
Current maturities of bonds	11	984,574	880,211	880,220
Current maturities of lease liabilities		4,819	3,065	3,844
Current tax liabilities, net		89,344	51,412	47,685
Other payables		517,059	412,176	649,333
Total current liabilities		1,745,680	1,450,000	1,932,450
Non-current liabilities				
Bonds	11	10,191,001	8,714,109	9,003,390
Loans from banking corporations and financial institutions	10	2,264,368	2,812,817	2,653,367
Lease liability		151,813	122,987	138,801
Deferred tax liabilities		1,743,527	1,457,837	1,720,121
Provisions		16,484	17,821	16,483
Other liabilities		279,368	92,856	126,418
Total non-current liabilities		14,646,561	13,218,427	13,658,580
Equity				
Equity attributable to Company shareholders		6,551,683	5,780,223	6,336,545
Non-controlling interests		3,447,718	2,743,718	3,171,290
Total Equity		9,999,401	8,523,941	9,507,835
Total liabilities and equity		26,391,642	23,192,368	25,098,865

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

November 22, 2020

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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>Revenues and profits</u>					
Revenues from rental fees and management of investment property, net (see Note 2.a)	676,356	602,461	231,652	213,672	830,156
Fair value adjustments of investment property	(178,997)	184,910	10,440	50,490	995,791
Group share in the profits of associates, net	67,053	248,949	64,337	107,138	413,437
Net profits (losses) from investments in securities measured at fair value through profit or loss	(19,491)	9,920	1,220	6,887	24,711
Profit from decrease in rate of holding, from purchase and realization of investees	196,576	48,127	45,848	48,127	96,680
Revenues from sale of electricity and green certificates	194,277	176,721	62,812	55,052	237,126
Other revenues, net	1,221	1,669	627	1,607	1,027
	936,995	1,272,757	416,936	482,973	2,598,928
<u>Costs and expenses</u>					
Cost of investment property rental and operation	54,703	48,842	19,070	16,886	67,990
Development, maintenance and operation costs of electricity-generating facilities	27,474	22,106	7,024	7,304	30,482
Depreciation and amortization	63,648	46,086	28,592	15,231	60,549
Administrative and general	90,210	85,965	30,462	29,963	121,799
Financing income	(8,122)	(12,507)	(778)	(5,414)	(21,739)
Financing expenses	215,903	259,294	75,448	40,404	363,390
	443,816	449,786	159,818	104,374	622,471
Profit before taxes on income	493,179	822,971	257,118	378,599	1,976,457
Income tax expenses	101,192	237,148	36,973	136,931	528,382
Net profit for the period	391,987	585,823	220,145	241,668	1,448,075
Company shareholders	265,523	405,873	157,827	182,724	956,100
Non-controlling interests	126,464	179,950	62,318	58,944	491,975
	391,987	585,823	220,145	241,668	1,448,075
Net earnings per share attributable to Company shareholders (in NIS):					
Basic	1.54	2.36	0.91	1.06	5.55
Fully diluted	1.53	2.35	0.91	1.06	5.52
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)					
Basic	172,775	171,999	172,787	172,309	172,170
Fully diluted	173,076	172,725	172,907	172,809	172,992

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	391,987	585,823	220,145	241,668	1,448,075
Other comprehensive loss					
Amounts to be classified in the future to profit or loss, net of tax					
Profit (loss) from translation of financial statements for foreign activities, net of tax	(32,917)	(554,154)	54,134	(248,098)	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	(16,830)	(795)	(11,970)	(795)	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	(13,201)	(3,787)	(2,466)	(3,787)	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	8,688	1,129	3,226	1,129	(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	(34,784)	219,477	(28,469)	110,156	171,859
Loss from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(7,065)	(6,034)	(537)	(1,808)	(21,672)
Company share in other comprehensive income (losses) of associates, net of tax	(2,876)	(56,924)	1,902	(18,583)	(57,746)
Other comprehensive loss for the period, net of tax	(98,985)	(401,088)	15,820	(161,786)	(377,790)
Total comprehensive income for the period	293,002	184,735	235,965	79,882	1,070,285
Attribution of comprehensive income (loss) for period					
Company shareholders	172,059	21,134	165,251	31,674	596,962
Non-controlling interests	120,943	163,601	70,714	48,208	473,323
	293,002	184,735	235,965	79,882	1,070,285

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 Nine-Month Period ended September 30, 2020 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 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	-	-	(99,276)	5,812	-	265,523	172,059	120,943	293,002
Dividends paid to Company shareholders	-	-	-	-	-	(150,319)	(150,319)	-	(150,319)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(177,782)	(177,782)
Exercise of employee options	45	1,553	-	(161)	-	-	1,437	-	1,437
Purchase of shares from non-controlling interests in a consolidated company				291			291	(13,043)	(12,752)
Issue of capital in consolidated companies	-	-	-	189,169	-	-	189,169	287,306	476,475
Change in non-controlling interests	-	-	-	-	-	-	-	(1,567)	(1,567)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	46,158	46,158
Allocation of benefit in respect of options to employees and others	-	-	-	2,501	-	-	2,501	14,413	16,914
Balance as of September 30, 2020	190,861	2,470,152	(404,963)	225,387	(589)	4,070,835	6,551,683	3,447,718	9,999,401

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 September 30, 2020 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of July 1, 2020	190,861	2,470,152	(407,259)	217,679	(589)	3,963,116	6,433,960	3,380,381	9,814,341
Total comprehensive income for the period	-	-	2,296	5,128	-	157,827	165,251	70,714	235,965
Dividends paid to Company shareholders	-	-	-	-	-	(50,108)	(50,108)	-	(50,108)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(42,578)	(42,578)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	46,158	46,158
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	291	-	-	291	(12,783)	(12,492)
Issue of capital in consolidated companies	-	-	-	1,440	-	-	1,440	2,745	4,185
Change in non-controlling interests	-	-	-	-	-	-	-	(1,567)	(1,567)
Allocation of benefit in respect of employee options	-	-	-	849	-	-	849	4,648	5,497
Balance as of September 30, 2020	190,861	2,470,152	(404,963)	225,387	(589)	4,070,835	6,551,683	3,447,718	9,999,401

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 Nine-Month Period ended September 30, 2019 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	189,216	2,417,916	(8,885)	(17,185)	(589)	3,271,030	5,851,503	2,286,986	8,138,489
Impact of initial implementation of IFRS 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 the period	-	-	(328,944)	(55,795)	-	405,873	21,134	163,601	184,735
Dividends declared and paid to Company shareholders	-	-	-	-	-	(218,484)	(218,484)	-	(218,484)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(152,518)	(152,518)
Exercise of employee options	1,420	44,155	-	(4,506)	-	-	41,069	-	41,069
Issue of capital in a consolidated company	-	-	-	91,428	-	-	91,428	437,097	528,525
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 consolidated companies	-	-	-	-	-	-	-	2,769	2,769
Allocation of benefit in respect of options to employees and others	-	-	-	2,495	-	-	2,495	15,212	17,707
Balance as of September 30, 2019	190,636	2,462,071	(337,829)	10,455	(589)	3,455,479	5,780,223	2,743,718	8,523,941

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 September 30, 2019 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of July 1, 2019	190,314	2,450,483	(204,233)	8,639	(589)	3,322,734	5,767,348	2,575,811	8,343,159
Total comprehensive income for the period	-	-	(133,596)	(17,454)	-	182,724	31,674	48,208	79,882
Dividends declared and paid to Company shareholders	-	-	-	-	-	(49,979)	(49,979)	-	(49,979)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(38,848)	(38,848)
Exercise of employee options	322	11,588	-	(1,211)	-	-	10,699	-	10,699
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 consolidated companies	-	-	-	-	-	-	-	2,769	2,769
Allocation of benefit in respect of employee options	-	-	-	819	-	-	819	5,066	5,885
Issue of capital in consolidated companies	-	-	-	25,644	-	-	25,644	158,999	184,643
Balance as of September 30, 2019	190,636	2,462,071	(337,829)	10,455	(589)	3,455,479	5,780,223	2,743,718	8,523,941

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)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	189,216	2,417,916	(8,885)	(17,185)	(589)	3,271,030	5,851,503	2,286,986	8,138,489
Impact of initial implementation of IFRS 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 the 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	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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	391,987	585,823	220,145	241,668	1,448,075
Net income not entailing cash flows (Appendix A)	68,864	(121,174)	(121,373)	(141,247)	(761,044)
	460,851	464,649	98,772	100,421	687,031
Changes in working capital (Appendix B)	(12,958)	6,330	33,776	(9,509)	19,399
Net cash provided by operating activities	447,893	470,979	132,548	90,912	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	1,254,938	216,976	532,642	210,275	447,073
Investment in fixed assets and investment property (including investment property in development)	(1,049,854)	(758,581)	(249,308)	(112,416)	(1,927,177)
Investment in electricity-generating facilities	(527,818)	(165,114)	(85,767)	(54,842)	(481,320)
Net investment in associates	(164,205)	(275,101)	(5,217)	(264,345)	(290,470)
Increase in pledged deposit and restricted cash	(35,398)	(170,737)	(35,000)	(162,969)	(156,730)
Decrease in pledged deposit and restricted cash	161,038	13,403	52,593	-	32,798
Acquisition of companies consolidated for the first time (see Appendix E below)	-	(1,891,466)	-	(427,584)	(1,911,619)
Repayments of loans provided to associates	5,077	6,427	2,446	2,326	7,622
Decrease (increase) in deposits and tradable securities, net	942	(27,215)	-	(27,215)	(27,387)
Cash from forward transactions and options intended for hedging	21,854	13,646	20,907	13,112	19,145
Others	393	(694)	393	(694)	197
Net cash provided by (used in) investing activities	(322,565)	(3,038,456)	233,689	(824,352)	(4,284,495)
Cash flows – Financing activities					
Proceeds from the issue of bonds, options for bonds and convertible bonds by the Group, net	2,130,431	2,321,517	653,887	1,178,620	2,745,048
Repayment of bonds	(764,909)	(701,295)	(415,580)	(296,478)	(811,336)
Receipt of long-term loans, less recruitment expenses (payment of recruitment expenses)	427,892	1,585,553	155,622	407,568	1,581,523
Repayment of long-term loans	(653,107)	(76,620)	(25,816)	(26,933)	(364,337)
Proceeds from the issue of shares and options	1,437	33,831	-	6,395	47,093
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	482,171	529,075	5,029	187,849	698,040
Purchase of shares and options from non-controlling interests in consolidated companies, net	(12,492)	(14,269)	(12,492)	(14,269)	(14,269)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	(164,253)	(346,678)	1,614	(342,043)	(84,047)
Dividends paid to Company shareholders	(150,319)	(218,484)	(50,108)	(49,979)	(268,559)
Dividends paid to non-controlling interests in consolidated companies	(177,782)	(152,518)	(42,578)	(38,848)	(191,916)
Others	(260)	-	-	-	-
Net cash provided by (used in) financing activities	1,118,809	2,960,112	269,578	1,011,882	3,337,240
Increase in cash and cash equivalents	1,244,137	392,635	635,815	278,442	(240,825)
Cash and cash equivalents at beginning of period	771,749	1,014,115	1,381,110	1,126,307	1,014,115
Effect of changes in exchange rates on foreign currency cash balances	4,840	(7,336)	3,801	(5,335)	(1,541)
Cash and cash equivalents at end of period	2,020,726	1,399,414	2,020,726	1,399,414	771,749

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

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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	178,997	(184,910)	(10,440)	(50,490)	(995,791)
Net profits from changes in holding rate and from realization of investments in investees	(196,576)	(48,127)	(45,848)	(48,127)	(96,680)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(116,076)	(75,662)	(49,661)	(111,005)	(5,005)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	22,919	6,923	(7,210)	1,029	(17,591)
Company share in results of associates, less dividends and returns of capital received	47,432	(79,644)	(43,227)	(66,986)	(200,671)
Net loss (profit) from tradable securities	14,524	(5,801)	(2,671)	(5,408)	(11,437)
Deferred taxes, net	38,748	201,452	3,624	118,120	481,049
Depreciation and amortization	63,648	46,154	28,527	15,299	60,549
Allocation of benefit in respect of share-based payment	15,934	17,707	5,497	5,885	24,672
Others, net	(686)	734	36	436	(139)
	68,864	(121,174)	(121,373)	(141,247)	(761,044)
b. Changes in asset and liability items (changes in working capital):					
Increase in customers and in accounts receivable and debit balances	(16,241)	(29,658)	(4,039)	(20,127)	(43,308)
Decrease (increase) in current tax assets, net	(11,057)	6,769	3,568	2,442	10,628
Increase (decrease) in accounts payable and credit balances	(13,292)	16,833	17,578	(5,710)	43,395
Increase in current tax liabilities, net	27,632	12,386	16,669	13,886	8,684
	(12,958)	6,330	33,776	(9,509)	19,399
c. Non-cash activity					
Proceeds receivable for realization of investment in associate	62,774	-	62,774	-	-
Exercise of employee options against receivables	446	9,457	446	9,393	8,082
Increase in right-of-use asset against right-of-use liability	24,392	34,367	24,062	27,076	47,626
Investment in electricity-generating systems against supplier and creditor credit	-	13,248	-	11,637	130,959
Investment in real estate and fixed assets against other accounts payable	12,651	54,387	12,651	10,818	99,675

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

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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 on cash flows from operating activities					
Interest paid	344,555	315,502	142,417	152,163	369,241
Interest received	10,938	3,495	2,931	1,077	6,045
Taxes paid	42,524	20,046	11,948	2,942	29,972
Taxes received	334	6,436	13	5,266	6,436
Dividends and returns of capital received	156,899	184,317	31,397	44,835	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)	-	1,909,761	-	445,839	1,911,660
Less - cash and cash equivalents	-	(18,295)	-	(18,255)	(41)
Consideration, net	-	1,891,466	-	427,584	1,911,619
The amounts recognized on the acquisition date in respect of assets and liabilities:					
Investment property (including transaction costs)	-	1,932,647	-	456,238	1,934,545
Working capital	-	(15,983)	-	(3,456)	(15,983)
Other liabilities	-	(25,198)	-	(25,198)	(6,943)
Total	-	1,891,466	-	427,584	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 – "**Interim Financial Statements**") have been prepared as of September 30, 2020 and for the three- and nine-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 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 did not have an impact on the Group's financial statements.

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.

Note 2–Significant Accounting Policies (continued)

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 September 30 / For the Month of September		As of December 31 / For the Month of December	For the Nine Month Period ended September 30		For the Three Month Period ended September 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)	132.634	133.561	133.561	(0.69)	0.60	0.10	(0.30)	0.60
In Israel (known index)	132.766	133.826	133.561	(0.60)	0.50	0.10	(0.69)	0.30
Exchange Rate against the NIS								
CHF	3.726	3.507	3.575	4.22	(7.88)	2.28	(4.21)	(6.09)
USD	3.441	3.482	3.456	(0.43)	(7.10)	(0.72)	(2.36)	(7.79)
GBP	4.411	4.280	4.560	(3.27)	(10.70)	3.69	(5.35)	(4.86)
PLN	0.893	0.869	0.911	(1.95)	(13.08)	2.71	(9.10)	(8.83)

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 in the summer months the government 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 a negative revaluation (before tax) of NIS 163 million in the nine-month period ended September 30, 2020 and a positive revaluation (before tax) of NIS 38 million in the third 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:

In October 2020, subsequent to the date of the statement of financial position, Amot issued 27.5 million shares of common stock according to a shelf offer report for a gross amount of NIS 400 million (of this amount, the Company invested NIS 320 million).

The rate of the Company's holdings in Amot immediately prior to the publication of this report was 57%.

Note 4 – Amot (consolidated company) (continued)

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, plus participation in costs totaling approx. NIS 113 million.

Amot Shufersal Modi'in Logistic Center
Further to Note 4d to the Company's Annual Consolidated Financial Statements as of December 31, 2019, regarding the logistics project in Modi'in, the foundation work has been completed and the insulation of the shell and systems is being carried out. According to the agreement with the tenant, the property began generating income from mid-July 2020, and in the current quarter revenue has been recorded in the amount of approx. NIS 2.7 million (Amot's share). The property was classified from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

"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.

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.

During the third quarter of the year, Amot paid its share for the cost of the land and development expenses (not including transaction costs), in the amount of approx. NIS 107 million.

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 and NIS 9 million in the course of the second and third quarter, respectively, which was deducted from the 'rental revenues' item in the statement of income.

Note 4 – Amot (consolidated company) (continued)

D. Fair value adjustments of investment property

During the reporting period, Amot recorded a negative revaluation of real estate in the amount of NIS 134 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) and to a negative CPI of 0.7% in the first six months.

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's capital. 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 4d 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 10.d.7 below.

As part of BE's entrepreneurship plan, during the reporting period 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 663 million (approx. NIS 2.9 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 a property in the amount of GBP 4 million and an additional GBP 6 million in the amortization of property acquisition costs.

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 54.34%.

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:

United States:

1. **Virginia 1 project 82MWp** – Further to that stated in Note 8.d.1 to the Annual Consolidated Financial Statements, in the reporting period, Energix completed the construction and connection of four facilities to the electricity grid with a total capacity of approx. 82MWp. In addition, the threshold conditions for the completion of the transaction with Morgan Stanley ("**the Tax Partner**") in relation to these projects were met and the tax partner invested a total of USD 47 million (of which USD 35 million in the third quarter of the year). The amount invested is presented in the 'long-term and short-term liabilities' items.

   Energix made a transaction to hedge electricity prices for 80% of the expected electricity production of the Virginia 1 project and an engagement for the sale of all the green certificates produced in these projects for a period of 12 years.

   As of the reporting date, Energix has recognized assets in the amount of approx. NIS 360 million in respect of the Virginia 1 projects.

2. **Virginia 2 project 140MWp** – Further to that stated in Note 8d(2) to the Annual Consolidated Financial Statements, as of the reporting date, Energix has started construction work on the Virginia 2 projects – a backlog of 6 photovoltaic projects with a combined capacity of approx. 140MWp (of which approx. 25MWp are in collaboration with a partner and approx. 115MWp is fully owned).

   3 of the 6 projects have long-term agreements (15 years) for the sale of all the electricity and the green certificates that will be issued for the production of electricity in those projects, with local electricity companies and/or with another final consumer.

   As of the reporting date, Energix has recognized assets in the amount of approx. NIS 51 million in respect of these projects.

3. **Acquisition of a project in Virginia (100MWp)** – Subsequent to the reporting date, in October 2020, Energix acquired rights to build a project with a capacity of approx. 100MWp in Virginia, for a total consideration of USD 3 million. The project has possession status to the land and an electricity connection agreement with the local electric company.

Poland:

4. **Banie project** – Further to that stated in Note 7(f) to the Annual Consolidated Financial Statements, Energix entered into price fixing transactions as follows:
   - Sales transactions at a fixed price for approx. 38% of the expected electricity production amount in the Company's 2 wind farms operating commercially in 2021 at an average price of approx. PLN 235.7 per 1MWh produced, before adjustments according to the actual production profile.

Note 6 – Energix (consolidated company) (continued)

- Sales transactions at a fixed price for approx. 38% of the expected electricity production amount in the Company's 2 wind farms operating commercially in 2022 at an average price of approx. PLN 249.4 per 1MWh produced, before adjustments according to the actual production profile.
- Transactions for approx. 30% of the expected electricity production amount in the Company's 2 wind farms operating commercially in 2023, at an average price of approx. PLN 251.7 per 1MWh produced, before adjustments according to the actual production profile.
- Transactions for fixing the price of Green Certificates in 2021 for 54% of the expected amount of Green Certificates that will be issued to the wind farm in that year at a price of approx. PLN 146.5 per certificate.

5. **Wind farms in Poland with a total capacity of 126MW** – Subsequent to the balance sheet date, Energix started the construction work on the 2 aforementioned wind farms. As of the date of approval of the report, Energix is in advanced negotiations for the receipt of financing estimated at PLN 550 million (approx. NIS 485 million), as part of a financing transaction on a non-recourse basis for the projects' construction from a consortium of lenders.

   As of the reporting date, the balance of properties in development in respect of the above projects is NIS 114 million.

Israel:

6. **The winning projects in the third competitive procedure (up to 110MWp)** – as of the date of approval of the report, Energix is in the midst of the construction work on the projects under this quota. For further details, see Note 8b(1) to the Annual Consolidated Financial Statements.

   As of the reporting date, the Company has recognized property in development in the amount of NIS 143 million in respect of these projects.

   Projects in the advanced development stage in the fourth competitive procedure (up to 39 MWp) – Energix is advancing the development procedures of the projects under this quota.

C. Management 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 September 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 September 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 has decided at this stage to delay the process.

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

In the reporting period, the Group received cumulative distributions from Carr in the amount of USD 20.5 million (approx. NIS 71 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 positive revaluation of USD 6 million in its financial statements, consisting of a positive revaluation of USD 74 million in respect of projects in development, which were partially offset by a negative revaluation of USD 68 million in respect of income-generating properties (the Group's share in the positive revaluation before tax is approx. USD 3 million, NIS 10 million). The value adjustment of Carr's income-generating assets 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 Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands
Revenues (not including real estate valuations)	178,358	178,930	59,029	61,174	242,543
Adjustment of investment property value (*)	6,249	(9,384)	22,260	38,810	(9,580)
Net profit from continuing operations	62,168	37,276	38,887	50,878	60,704
Other comprehensive income (loss)	(2,626)	(45,877)	1,555	(15,300)	(44,156)
Total comprehensive income (loss) (including minority share in profit)	59,542	(8,601)	40,442	35,578	16,548
Company share in Carr's net income in USD thousands	29,374	16,174	18,168	23,367	29,354
Company share in Carr's comprehensive income (loss) in USD thousands	28,400	(3,876)	18,902	16,668	8,423
Company's share in Carr's net income in NIS thousands	101,382	56,825	62,086	82,418	102,836
Company share in Carr's comprehensive income (loss) in NIS thousands	97,906	(15,081)	64,595	58,791	27,855

(*) 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 September 30 2020	As of September 30 2019	As of December 31 2019
	USD thousands	USD thousands	USD thousands
Investment property	2,856,482	2,799,935	2,805,605
Property in development and land intended for development	624,722	378,107	437,148
Investment in investees	282,026	182,751	215,639
Other non-current assets	176,372	170,245	175,083
Other current assets	53,547	104,805	60,731
Total assets	3,993,149	3,635,843	3,694,206
Current liabilities	474,138	325,814	290,322
Non-current liabilities	1,484,231	1,383,127	1,473,131
Total liabilities	1,958,369	1,708,941	1,763,453
Equity attributable to shareholders	1,889,564	1,783,186	1,787,439
Non-Controlling Interests	145,216	143,716	143,314
Equity (including non-controlling interests)	2,034,780	1,926,902	1,930,753
Total liabilities and equity	3,993,149	3,635,843	3,694,206
Company share in net assets	959,244	905,242	907,400
Adjustments	-	6,347	-
Book value of investment – in USD thousands	959,244	911,589	907,400
Book value of investment – in NIS thousands	3,300,759	3,174,150	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 approx. 3 million PSP shares for a consideration of CHF 360.4 million (NIS 1.3 billion). As a result of these sales, the Company listed a profit (before tax), in the reporting period, of NIS 197 million (an after tax capital gain of NIS 152 million). From that amount, in the third quarter, the Company recorded a profit (before tax) of NIS 46 million (an after tax capital gain of NIS 35 million). The Company’s rate of holdings in PSP, as of September 30, 2020, amounted to 1.4%.

Subsequent to the balance sheet date, the Company sold an additional 100 thousand PSP shares for a consideration of CHF 11.2 million (approx. NIS 41.6 million).

As of the date of publication of the financial statements, the Company holds 531,309 shares of PSP, which constitute 1.2% 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 September 30, 2020 amounts to approx. CHF 65.2 million (NIS 243 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 below.

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 September 30, 2020 Financial Statements, is USD 236 million (NIS 813 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)

4. In September 2020, Amot entered into a credit facility agreement with an institutional body in Israel for a period of approx. 3 years in the amount of NIS 180 million. Together with this agreement, Amot has 4 approved credit facilities in a cumulative amount of NIS 980 million.

C. Energix (consolidated company) –

5. **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 161 million (which were withdrawn) from the total facility in the amount of NIS 180 million.

6. **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 380 million, on a non-recourse basis, and is negotiating the details of the financing agreement.

D. BE (consolidated company) –

7. 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 0.051%.

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 hedging transactions in the amount of NIS 450 million with financial entities 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, Amot issued NIS 67 million PV in bonds (Series G) by way of a series expansion, for a net amount of approx. NIS 66 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 hedging transactions in the amount of NIS 67 million with financial entities in Israel, which converted the NIS interest rate into CPI-linked principal and interest at a rate of 1.36%. The bond expansion (Series G) has an effective CPI-linked interest rate of 2.62%.

4. During the third quarter of 2020, Amot issued Series G bonds to the public through the expansion of the existing series, following the exercise of options, amounting to a par value of 82.6 million. The consideration attributed to the expansion is in the amount of NIS 81.5 million. The Series G bonds bear a nominal interest rate of 2.44%. Following the issue of the bonds (Series G), the Company carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 1.365%, with a principal amount of NIS 17 million.

   From September 30, 2020 to immediately prior to the date of publication of the report, approx. 232 thousand options (Series 10) were exercised for approx. 23.2 million bonds (Series G) for a consideration of approx. NIS 22 million.

B. Energix –

5. **Issuance of convertible bonds (Series B)** – In September 2020, Energix issued NIS 500 million par value convertible bonds (Series B) by way of an initial issue, for a gross total of NIS 500 million. The bonds (Series B) are due in one installment on August 1, 2027 and bear a fixed annual interest rate of 0.25% (unlinked). The interest will be paid twice annually from February 1, 2021 to August 1, 2027 (inclusive). The bonds (Series B) are convertible into Energix shares from the date of issue until December 31, 2022, such that every NIS 18 par value of the bonds can be converted into one share of Energix common stock and from January 1, 2023 until July 22, 2027, every NIS 100 par value can be converted into one share of Energix common stock (all subject to adjustments).

   The bonds (Series B) as aforesaid constitute a complex financial instrument, which at the date of issue is separated into a liability component presented in long-term liabilities and a capital component presented within the Group's capital. Energix determined the fair value of the liability component based on the interest rate for similar debt instruments, which do not include a conversion option. This component is treated from now on according to the effective interest method (at a rate of 1.85%). The balance of the consideration in respect of the convertible bonds was attributed to the conversion option inherent in the bonds. This component was recorded to capital, less the effect of income taxes, and is not remeasured in subsequent periods. The issue costs were allocated in proportion to the components of the complex financial instrument consistent with the allocation of the consideration.

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, a dividend for Q2/2020 in the amount of NIS 0.29 per share (NIS 50 million), which was paid in June 2020, and a dividend for Q3/2020 in the amount of NIS 0.29 per share (NIS 50 million), which was paid in September 2020.

Further to this policy, in November 2020, the Company announced a dividend distribution for Q4/2020 in the amount of NIS 0.29 per share (NIS 50 million), to be paid during December 2020.

Amot (a consolidated company) – During the reporting period, Amot announced cumulative dividend distributions in the amount of NIS 302 million, of which the Company's share was NIS 166 million.

According to the Amot dividend policy, in November 2020, Amot announced that it would distribute a dividend for Q4/2020 in the amount of NIS 0.25 per share (NIS 102 million, the Company's share – approx. NIS 58 million), to be paid in November 2020.

Energix (a consolidated company) –In view of the increase in the Energix's revenue base and cash balances, shortly after the approval of Energix's financial statements for the third quarter of 2020, Energix's Board of Directors decided to approve a dividend distribution equal to NIS 0.16 per share of Energix common stock (approx. NIS 76 million, the Company's share – approx. NIS 41 million). Energix intends to examine the adoption of an annual dividend policy close to the approval of its annual reports for 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.

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

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%

C. Sales of PSP shares – Regarding the sale of 100 thousand PSP shares subsequent to the balance sheet date, see Note 8a.

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. 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 September 30, 2020		As of September 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)	994,505	1,055,023	1,443,527	1,474,994	1,254,236	1,365,303
Bonds (including maturities)	10,681,794	11,090,574	9,611,948	10,289,839	9,896,527	10,607,236
	11,676,299	12,145,597	11,055,475	11,764,833	11,150,763	11,972,539

- 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.
- 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.
- The above table does not include the bonds (Series B) issued by Energix in September, 2020 (see Note 11b above), the fair value of which, as of the reporting date, is similar to their book value.

Note 14 – Financial Instruments (continued):

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 September 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	-	15,997	-	15,997
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	36,469	-	36,469
Financial derivatives (CAP options)	-	888	-	888
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	29,740	-	29,740
Financial assets measured at fair value through profit and loss:				
Tradable securities	46,983	-	-	46,983
Real estate investment funds (1)	-	-	148,842	148,842
	46,983	83,094	148,842	278,919
Financial liabilities at fair value				
Derivatives:				
Option warrants exercisable into bonds	(14,877)	-		(14,877)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(4,288)	-	(4,288)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(27,896)	(27,896)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(8,822)	-	(8,822)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(12,598)	-	(12,598)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(29,139)	-	(29,139)
	(14,877)	(54,847)	(27,896)	(97,620)

Note 14 – Financial Instruments (continued):

(1) Financial instruments at fair value measured according to Level 3:

	For the Nine Month Period ended September 30, 2020
	NIS thousands
Balance as of January 1, 2020	153,961
Investments	15,277
Realizations	(25,745)
Amounts recorded to profit and loss in the period	(16,965)
Amounts recorded to other comprehensive income in the period	(5,582)
Balance as of September 30, 2020	120,946

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

	As of September 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	-	36,857	-	36,857
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	104,774	-	104,774
Financial derivatives (CAP options)	-	1,445	-	1,445
Financial assets measured at fair value through profit and loss:				
Tradable securities	55,783	-	-	55,783
Real estate investment funds (1)	-	-	161,676	161,676
	55,783	143,076	161,676	360,535
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(3,481)	-	(3,481)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(8,442)	-	(8,442)
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(17,629)		(17,629)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(713)	-	(713)
	-	(30,265)	-	(30,265)

Note 14 – Financial Instruments (continued):

(1) Financial instruments at fair value measured according to Level 3:

	For the Nine Month Period ended September 30, 2019
	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	(10,809)
Balance as of September 30, 2019	161,676

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

	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
	68,644	74,646	176,035	319,325
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(22,074)	(22,074)
Financial derivatives (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)
	-	(25,982)	(22,074)	(48,056)

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 Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	In NIS millions				
Investment in PSP	(1,138)	(248)	(416)	(216)	(361)
Investment in Carr	165	(100)	17	199	(138)
Investment in Boston	(32)	38	3	(3)	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 1,156 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 40 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, and as a result of accumulated equity earnings in respect of the Group's share in Carr's profits (an increase of NIS 101 million). On the other hand, there was a decrease due to a dividend receipt and/or return of capital in the amount of NIS 71 million and due to a decrease in the USD exchange rate (a NIS 13 million decrease).

- Investment in BOSTON – The decrease in the investment balance in the reporting period was due to the accumulation of NIS 26 million in equity losses and due to the receipt of a dividend and/or return of capital in the amount of NIS 19 million. On the other hand, there was an increase due to an investment of NIS 16 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 Nine Month Period ended September 30, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	120,779	101,382	12,631	(38,715)	(25,977)	36,123	-	(139,170)	67,053
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	-	(19,360)	-	(131)	-	(19,491)
Revenues from decrease in holdings in investees	-	(91)	196,667	-	-	-	-	-	196,576
Other revenues, net (*)	6,750	-	-	-	-	3,834	60	682,213	692,857
	127,529	101,291	209,298 (***)	(38,715)	(45,337)	39,957	(71)	543,043	936,995
Administrative and general	-	-	-	-	-	-	23,886	66,324	90,210
Financing expenses, net	-	-	-	-	-	-	85,964	121,817	207,781
Other expenses, net (*)	-	-	-	-	-	-	-	145,825	145,825
	-	-	-	-	-	-	109,850	333,966	443,816
Profit before tax	127,529	101,291	209,298	(38,715)	(45,337)	39,957	(109,921)	209,077	493,179
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	451,078	639,934 (**)	995,481	49,078		195,472			
Revaluation profits (losses) (in the investee's books), before tax	(133,652)	20,013 (**)	101,674	(45,292)		-			
Net profit (loss) (in the investee's books)	219,371	214,533	658,097	(7,903)		65,100			
Company's share in net profits (loss)	120,779	101,382	12,631	(38,715)		36,123			

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 49 million.

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Three Month Period ended September 30, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	66,813	62,086	-	(1,499)	7,760	10,064	-	(80,887)	64,337
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	-	1,236	-	(16)	-	1,220
Revenues from decrease in holdings in investees	-	(15)	45,863	-	-	-	-	-	45,848
Other revenues, net (*)	2,250	-	-	-	-	1,400	-	301,881	305,531
	69,063	62,071	45,863 (***)	(1,499)	8,996	11,464	(16)	220,994	416,936
Administrative and general	-	-	-	-	-	-	8,291	22,171	30,462
Financing expenses, net	-	-	-	-	-	-	22,419	52,251	74,670
Other expenses, net (*)	-	-	-	-	-	-	-	54,686	54,686
	-	-	-	-	-	-	30,710	129,108	159,818
Profit before tax	69,063	62,071	45,863	(1,499)	8,996	11,464	(30,726)	91,886	257,118
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	215,578	277,794 (**)	327,424	27,574		63,409			
Revaluation profits (in the investee's books), before tax	14,395	76,068 (**)	(11,715)	(3,955)		-			
Net profit (in the investee's books)	120,971	132,892	215,948	(1,560)		18,309			
Company's share in net profits	66,813	62,086	-	(1,499)		10,064			

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 11 million.

Note 15 – Operating Segments (continued):

Segment assets and liabilities:

	As of September 30, 2020									
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,270,991	3,300,763	242,981	1,387,392	812,893	836,668	14,258	(4,976,833)	4,889,113
Investment in securities measured at fair value through profit and loss	-	-	-	-	169,911	-	504	-	170,415
Other assets	-	-	62,317	-	-	-	805,084	20,464,713	21,332,114
	3,270,991	3,300,763	305,298	1,387,392	982,804	836,668	819,846	15,487,880	26,391,642
Liabilities	-	-	-	-	-	-	4,352,079	12,040,162	16,392,241

Note 15 – Operating Segments (continued):

Segment revenues and results

	Amot	Carr	PSP	BE	Others	Energix	Unattributed Results	Adjustments	Total
	For the Nine Month Period ended September 30, 2019								
	Income-Generating Property Segment					**Energy Segment**			
	NIS thousands								
Group share in profits of investees, net	216,369	56,825	111,726	32,247	89,726	31,192	-	(289,136)	248,949
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	9,842	-	78	-	9,920
Revenues from decrease in holdings in investees	-	532	47,595	-	-	-	-	-	48,127
Other revenues, net (*)	6,800	-	-	-	576	3,590	-	954,795	965,761
	223,169	57,357	159,321	32,247	100,144	34,782	78	665,659	1,272,757
Administrative and general	-	-	-	-	-	-	26,944	59,021	85,965
Financing expenses, net	-	-	-	-	-	-	74,825	171,962	246,787
Other expenses, net (*)	-	-	-	-	-	-	-	117,034	117,034
	-	-	-	-	-	-	101,769	348,017	449,786
Profit before tax	223,169	57,357	159,321	32,247	100,144	34,782	(101,691)	317,642	822,971
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	672,629	605,294	1,346,085	123,949		178,084			
Revaluation profits (in the investee's books), before tax	113,862	(36,749)	503,395	71,353		-			
Net profit (in the investee's books)	381,627	131,180	1,122,565	29,656		50,903			
Company's share in net profits	216,369	56,825	111,726	32,247		31,192			

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 44 million.

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Three Month Period ended September 30, 2019								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	66,752	82,415	18,074	33,619	9,577	11,920	-	(115,219)	107,138
Net loss relating to investments in long-term securities and securities held for sale	-	-	-	-	7,092	-	(205)	-	6,887
Revenues from decrease in holdings in investees	-	532	47,595	-	-	-	-	-	48,127
Other revenues, net (*)	2,270	(146)	-	-	576	1,198	-	316,923	320,821
	69,022	82,801	65,669 (***)	33,619	17,245	13,118	(205)	201,704	482,973
Administrative and general	-	-	-	-	-	-	9,299	20,664	29,963
Financing expenses, net	-	-	-	-	-	-	16,600	18,390	34,990
Other expenses, net (*)	-	-	-	-	-	-	-	39,421	39,421
	-	-	-	-	-	-	25,899	78,475	104,374
Profit before tax	69,022	82,801	65,669	33,619	17,245	13,118	(26,104)	123,229	378,599
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	190,968	352,573 (**)	293,291	76,151		56,167			
Revaluation profits (losses) (in the investee's books), before tax	-	136,833 (**)	-	50,490		-			
Net profit (in the investee's books)	119,001	179,450	188,730	35,206		19,765			
Company's share in net profits	66,752	82,415	18,074	33,619		11,920			

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 19 million.

Note 15 – Operating Segments (continued):

Segment assets and liabilities:

	As of September 30, 2019								
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,002,470	3,174,153	1,493,788	1,097,680	772,105	581,412	20,276	(4,171,968)	5,969,916
Investment in securities measured at fair value through profit and loss	-	-	-	-	181,843	-	548	-	182,391
Other assets	-	-	-	-	35,068	-	409,645	16,595,348	17,040,061
	3,002,470	3,174,153	1,493,788	1,097,680	989,016	581,412	430,469	12,423,380	23,192,368
Liabilities	-	-	-	-	-	-	4,988,765	9,679,662	14,668,427

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the year ended December 31, 2019								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	598,707	81,311	154,088	90,379	163,641	38,549	(2,580)	(710,658)	413,437
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
	607,766	81,311	250,768	90,379	188,742	43,360	(2,416)	1,339,018	2,598,928
Administrative and general	-	-	-	-	-	-	37,392	84,407	121,799
Financing expenses, net	-	-	-	-	-	-	97,447	244,204	341,651
Other expenses, net (*)	-	-	-	-	-	-	-	159,021	159,021
	-	-	-	-	-	-	134,839	487,632	622,471
Profit before tax	607,766	81,311	250,768 (***)	90,379	188,742	43,360	(137,255)	851,386	1,976,457
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	1,606,323	825,788 (**)	2,041,598	227,095		238,559			
Revaluation profits (in the investee's books), before tax	847,259	(38,355) (**)	872,145	152,608		-			
Net profit (in the investee's books)	1,070,423	212,969	2,722,158	90,662		62,972			
Company's share in net profits	598,707	81,311	154,088	90,379		38,549			

For 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					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,356,383	3,135,978	1,381,418	1,246,092	844,452	585,801	17,626	(4,650,199)	5,917,551
Investment in securities measured at fair value through profit and loss	-	-	-	-	203,168	-	635	-	203,803
Other assets	-	-	-	-	-	-	628,697	18,348,814	18,977,511
	3,356,383	3,135,978	1,381,418	1,246,092	1,047,620	585,801	646,958	13,698,615	25,098,865
Liabilities	-	-	-	-	-	-	5,063,705	10,527,325	15,591,030

Note 15 – Operating Segments (continued):

Geographic information:

	For the Nine Month Period ended September 30, 2020								
	Income-Generating Property				Energy				
	Israel	USA	Switzerland	The UK	Israel	Poland	USA	Others and Unassigned Expenses	Total
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	581,986	-	-	94,370	-	-	-	-	676,356
Fair value adjustments of investment property	(133,705)	-	-	(45,292)	-	-	-	-	(178,997)
Group share in profits (losses) of associates, net	7,717	75,408	12,631	(28,503)	(200)	-	-	-	67,053
Revenues from sale of electricity and green certificates	-	-	-	-	85,656	104,701	3,920	-	194,277
Other	(6,038)	(91)	196,667	(13,295)	674	521	-	(132)	178,306
	449,960	75,317	209,298	7,280	86,131	105,221	3,920	(132)	936,995
Costs and expenses									
Cost of investment property rental and operation	45,776	-	-	8,927	-	-	-	-	54,703
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	10,450	16,246	778	-	27,474
Depreciation and amortization	1,696	-	-	297	38,481	18,421	3,000	1,753	63,648
	47,472	-	-	9,224	48,931	34,667	3,778	1,753	145,825
Administrative and general expenses								90,210	90,210
Profit before financing	402,488	75,317	209,298	(1,944)	37,200	70,554	142	(92,095)	700,960

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended September 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	200,123	-	-	31,529	-	-	-	-	231,652
Fair value adjustments of investment property	14,396	-	-	(3,956)	-	-	-	-	10,440
Group share in profits (losses) of associates, net	3,837	69,849	-	(8,428)	(921)	-	-	-	64,337
Revenues from sale of electricity and green certificates	-	-	-	-	33,224	26,637	2,951	-	62,812
Other	1,966	(15)	45,863	(700)	486	111	-	(16)	47,695
	220,322	69,834	45,863	18,445	32,789	26,748	2,951	(16)	416,936
Costs and expenses									
Cost of investment property rental and operation	16,597	-	-	2,473	-	-	-	-	19,070
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	4,102	2,172	750	-	7,024
Depreciation and amortization	(17)	-	-	107	19,167	5,594	2,546	1,195	28,592
	16,580	-	-	2,580	23,269	7,766	3,296	1,195	54,686
Administrative and general expenses								30,462	30,462
Profit before financing	203,742	69,834	45,863	15,865	9,520	18,982	(345)	(31,673)	331,788

Note 15 – Operating Segments (continued):

Geographic information:

	As of September 30, 2020								
	Income-Generating Property				Energy				
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
Main assets									
Investment property (including property in development and property intended for sale)	13,265,037	-	-	2,908,785	-	-	-		16,173,822
Investment in associates (including investment in associate held for sale)	449,681	4,113,655	242,981	59,692	8,933	-	-	14,171	4,889,113
Connected electricity-generating facilities	-	-	-	-	716,153	619,119	358,826	-	1,694,098
Electricity-generating facilities in development	-	-	-	-	217,150	113,698	306,033	-	636,881
Right-of-use asset	-	-	-	-	97,771	53,689	20,722	-	172,182
Securities measured at fair value through profit and loss (***)	21,070	-	-	148,841	-	-	-	504	170,415
	13,735,788	4,113,655	242,981	3,117,318	1,040,007	786,506	685,581	14,675	23,736,511

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,300,763 thousand and for an investment in Boston in the amount of NIS 812,892 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 Nine Month Period ended September 30, 2019							
	Income-Generating Property				Energy		Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland		
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	556,170		-	46,291	-	-	-	602,461
Fair value adjustments of investment property	113,557	-	-	71,353	-	-	-	184,910
Group share in profits (losses) of associates, net	13,772	146,551	111,726	(24,078)	978	-	-	248,949
Revenues from sale of electricity and green certificates	-	-	-	-	71,814	104,907	-	176,721
Other	3,722	532	47,595	6,426	332	1,031	78	59,716
	687,221	147,083	159,321	99,992	73,124	105,938	78	1,272,757
Costs and expenses								
Cost of investment property rental and operation	46,651	-	-	2,191	-	-	-	48,842
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	7,215	14,891	-	22,106
Depreciation and amortization	1,536	-	-	124	23,333	19,428	1,665	46,086
	48,187	-	-	2,315	30,548	34,319	1,665	117,034
Administrative and general expenses							85,965	85,965
Profit before financing	639,034	147,083	159,321	97,677	42,576	71,619	(87,552)	1,069,758

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended September 30, 2019								
	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	190,062	-	-	23,610	-	-	-	-	213,672
Fair value adjustments of investment property	-	-	-	50,490	-	-	-	-	50,490
Group's share in profits of associates, net	4,477	91,988	18,074	(7,787)	386	-	-	-	107,138
Revenues from sale of electricity and green certificates	-	-	-	-	27,251	27,801	-	-	55,052
Other	442	396	47,595	7,277	262	854	-	(205)	56,621
	194,981	92,384	65,669	73,590	27,899	28,655	-	(205)	482,973
Costs and expenses									
Cost of investment property rental and operation	15,905	-	-	981	-	-	-	-	16,886
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	2,669	4,635	-	-	7,304
Depreciation and amortization	524	-	-	76	8,487	5,617	-	527	15,231
	16,429	-	-	1,057	11,156	10,252	-	527	39,421
Administrative and general expenses								29,963	29,963
Profit before financing	178,552	92,384	65,669	72,533	16,743	18,403	-	(30,695)	413,589

Note 15 – Operating Segments (continued):

Geographic information:

	As of September 30, 2019								
	Income-Generating Property				Energy				Total
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	
	NIS thousands								
Main assets									
Investment property (including property in development and property intended for sale)	10,965,928	-	-	2,335,448	-	-	-		13,301,376
Investments in associates	445,016	3,946,258	1,493,788	54,063	10,515	-	-	20,276	5,969,916
Electricity-generating systems (including right-of-use asset)	-	-	-	-	861,706	683,129	86,262		1,631,097
Securities measured at fair value through profit and loss (***)	20,167	-	-	161,676	-	-	-	548	182,391
	11,431,111	3,946,258	1,493,788	2,551,187	872,221	683,129	86,262	20,824	21,084,780

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,174,153 thousand and for an investment in Boston in the amount of NIS 772,105 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 Year ended December 31, 2019							
	Income-Generating Property				Energy			
	Israel	USA	Switzerland	The UK	Israel	Poland	Others and Unassigned Expenses	Total
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	755,669	-	-	74,487	-	-	-	830,156
Fair value adjustments of investment property	843,184	-	-	152,607	-	-	-	995,791
Group share in profits (losses) of associates, net	50,030	244,952	154,088	(34,160)	1,105	-	(2,578)	413,437
Revenues from sale of electricity and green certificates	-	-	-	-	89,833	147,293	-	237,126
Other	10,027	-	96,680	14,138	257	1,176	140	122,418
	1,658,910	244,952	250,768	207,072	91,195	148,469	(2,438)	2,598,928
Costs and expenses								
Cost of investment property rental and operation	62,882	-	-	5,108	-	-	-	67,990
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	9,802	20,680	-	30,482
Depreciation and amortization	2,073	-	-	212	29,407	26,661	2,196	60,549
	64,955	-	-	5,320	39,209	47,341	2,196	159,021
Administrative and general expenses							121,799	121,799
Profit before financing	1,593,955	244,952	250,768	201,752	51,986	101,128	(126,433)	2,318,108

Note 15 – Operating Segments (continued):

Geographic information:

	As of December 31, 2019								
	Income-Generating Property				Energy				
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
Main assets									
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: <u>Special report for review the separate interim financial information pursuant to Regulation 38-D of the Securities Regulations (Periodic and Immediate Reports), 1970</u>

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 September 30, 2020 and for the periods of nine 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 5,156 Million NIS as of September 30, 2020 and the share of the company in their results for the periods of nine and three months ended on that date, is amounted to approximately 158 and 55 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, November 22, 2020.

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

	As of Septembe 30		As of December 31
	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Assets			
Current Assets			
Cash and cash equivalents	717,602	238,025	350,976
Deposits and tradable securities	25,409	35,068	40,876
Current tax assets, net	10,100	4,213	3,086
Related party receivables	12,668	60,729	12,511
Other receivables	82,817	92,250	27,308
	848,596	430,285	434,757
Investment in associate held for sale	242,981	-	-
Total current assets	1,091,577	430,285	434,757
Non-current assets			
Long-term investments in securities:			
Securities designated at fair value through profit and loss:	170,415	182,390	203,803
Investments in investees	7,607,950	9,528,301	8,736,732
Loans and capital notes to investees	2,097,438	633,479	1,894,324
Fixed assets, net	4,052	3,081	2,967
Other assets	17,443	36,856	33,393
Total non-current assets	9,897,298	10,384,107	10,871,219
Total assets	10,988,875	10,814,392	11,305,976

	As of September 30		As of December 31
	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Liabilities and equity			
Current liabilities			
Short-term credit and current maturities of long-term loans	846	1,972	1,965
Current maturities of bonds	346,750	348,465	348,036
Current tax liabilities	21,785	1,910	6,965
Related party payables	204,716	116,874	846
Other payables	82,187	68,566	102,868
Total current liabilities	656,284	537,787	460,680
Non-current liabilities			
Bonds and bond options	3,468,763	3,849,602	3,840,621
Long-term loans and credit facilities from banking corporations	846	352,392	358,987
Deferred tax liabilities	286,101	285,731	305,485
Other liabilities	25,198	8,657	3,658
Total non-current liabilities	3,780,908	4,496,382	4,508,751
Equity	6,551,683	5,780,223	6,336,545
Total liabilities and equity	10,988,875	10,814,392	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

November 22, 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 Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Revenues and profits					
Group share in the profits of investees, net	174,710	516,138	157,695	199,662	1,068,159
Net gain (loss) with respect to investments in long-term securities	(19,491)	9,920	1,220	6,887	24,711
Net profits from changes in holding rate and from realization of investments in investees	196,667	47,595	45,863	47,595	96,680
Management fee revenues from investees	11,354	11,021	3,651	3,461	27,561
Other revenues, net	61	539	-	539	579
	363,301	585,213	208,429	258,144	1,217,690
Costs and expenses					
Administrative and general	22,368	25,185	7,936	8,594	34,876
Administrative and general for investees	777	1,169	-	392	1,555
Financing expenses (income) in respect of investees	(27,731)	(8,020)	23,097	(29,644)	16,077
Financing income	(1,523)	(6,163)	(16)	(5,511)	(12,018)
Financing expenses	87,836	96,714	22,682	36,054	109,022
	81,727	108,885	53,699	9,885	149,512
Profit before taxes on income	281,574	476,328	154,730	248,259	1,068,178
Taxes on Income	16,051	70,455	(3,097)	65,535	112,078
Net profit for the period	265,523	405,873	157,827	182,724	956,100
Net earnings per share (in NIS):					
Basic	1.54	2.36	0.91	1.06	5.55
Fully diluted	1.53	2.35	0.91	1.06	5.52
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)					
Basic	172,775	171,999	172,787	172,309	172,170
Fully diluted	173,076	172,725	172,907	172,809	172,992

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2020	2019	2020	2019	2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	265,523	405,873	157,827	182,724	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	31,869	(118,479)	14,241	(62,042)	(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	(30,460)	191,104	(25,526)	89,879	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	6,423		3,226		1,176
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	(16,830)	(795)	(11,970)	(795)	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	(13,201)	(3,787)	(2,466)	(3,787)	(11,213)
Profit (loss) from exchange rate differentials in respect of cash flow hedging, net of tax	(533)	(4,403)	-	(490)	(4,729)
Company share in other comprehensive income (loss) of consolidated companies, net of tax	(70,732)	(448,379)	29,919	(173,815)	(411,647)
Other comprehensive income (loss) for the period, net of tax	(93,464)	(384,739)	7,424	(151,050)	(359,138)
Total comprehensive income (loss) for the period	172,059	21,134	165,251	31,674	596,962

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

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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	265,523	405,873	157,827	182,724	956,100
Income (expenses) not entailing cash flows (Appendix A)	(132,947)	(282,466)	(159,066)	(126,407)	(805,491)
	132,576	123,407	(1,239)	56,317	150,609
Changes in working capital (Appendix B)	196,986	121,685	67,367	(100,487)	27,673
Net cash provided by (used in) operating activities	329,562	245,092	66,128	(44,170)	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	(47,007)	(1,188,156)	(12,492)	(380,796)	(198,716)
Proceeds from the sale of shares of associate	1,254,938	210,275	532,642	210,275	440,373
Repayment of investment in associate	3,250	-	3,250	-	-
Provision of loans and capital notes to investees	(193,935)	(98,153)	-	-	(1,109,421)
Decrease in deposits and tradable securities, net	942	(27,215)	-	(27,215)	(27,387)
Repayment of loans provided to investees	-	92,161	-	-	93,892
Investment in investees, net	(151,215)	(160,813)	-	(160,813)	(163,771)
Cash provided by (used in) forward transactions intended for hedging	22,177	13,957	15,248	11,763	21,286
Others, net	(1,517)	(95)	(79)	(6)	(133)
Net cash provided by (used in) investing activities	898,101	(1,158,039)	538,569	(346,792)	(940,504)
Cash flows – Financing activities					
Proceeds from the issue of bonds and bond options	-	1,318,037	-	594,469	1,318,037
Repayment of long-term loans	(363,458)	(664)	(213)	(219)	(879)
Proceeds from issues of stocks and options	1,436	33,831	-	6,395	47,093
Repayment of bonds	(347,178)	(402,748)	-	-	(402,748)
Change in short-term credit and long-term credit facility from banks	(1,115)	(1,917)	(6)	1	(1,924)
Dividends paid to Company shareholders	(150,319)	(218,484)	(50,108)	(49,979)	(268,559)
Net cash provided by (used in) financing activities	(860,634)	728,055	(50,327)	550,667	691,020
Increase (decrease) in cash and cash equivalents	367,029	(184,892)	554,370	159,705	(71,202)
Effect of changes in exchange rates on foreign currency cash balances	(403)	(5,365)	927	(2,595)	(6,104)
Cash and cash equivalents at beginning of year	350,976	428,282	162,305	80,915	428,282
Cash and cash equivalents at end of year	717,602	238,025	717,602	238,025	350,976

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 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. Income not entailing cash flows:					
Adjustment differences in respect of long-term liabilities and cash balances	(57,499)	(49,808)	21,230	8,293	(28,204)
Company share in profits of associates, less dividends and reductions of capital received	78,883	(254,468)	(104,901)	(149,318)	(756,006)
Losses (profits) relating to investments in long-term securities and assets intended for sale	22,919	7,316	(7,210)	1,422	(17,591)
Profit from change in holding rate and from realization of investments in investee, net	(196,667)	(47,595)	(45,863)	(47,595)	(96,682)
Net loss (profit) from tradable securities	14,524	(5,801)	(2,671)	(5,408)	(11,437)
Deferred taxes, net	1,774	64,948	(20,604)	65,015	100,559
Others, net	3,119	2,942	953	1,184	3,870
	(132,947)	(282,466)	(159,066)	(126,407)	(805,491)
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in accounts receivable and debit balances	(7,903)	8,105	(6,258)	(41,218)	22,806
Decrease (increase) in current tax assets, net	(7,014)	4,699	1,123	1,583	5,826
Increase (decrease) in accounts payable and credit balances	202,744	109,948	56,378	(61,288)	(4,947)
Increase (decrease) in current tax liabilities, net	9,159	(1,067)	16,124	436	3,988
	196,986	121,685	67,367	(100,487)	27,673
c. Non-cash activity					
Exercise of employee options against accounts receivable and debit balances:	-	7,238	-	7,238	-
Dividend receivable from associate	1,400	-	1,400	-	3,491
Proceeds receivable for realization of investment in associate	62,774	-	-	-	-
d. Additional Information					
Interest paid	122,627	118,508	7,776	8,254	129,095
Interest received	492	201	111	-	195
Taxes paid	12,146	3,200	16	303	3,212
Taxes received	-	1,818	-	1,818	1,818
Dividends and receipts for reductions of capital received	253,581	262,249	52,797	50,922	312,730

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

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 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

AlonyHetz
Properties & Investments Ltd

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

For Q3/2020

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 June 30, 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 third 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.

______________________ ______________________

November 22, 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 third 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.

November 22, 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 September 30, 2020

Regarding the Report on the Status of Liabilities by Repayment Dates, as of September 30, 2020, see the immediate report dated November 23, 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 September 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 September 30, 2020, and the related condensed consolidated statements of operations and comprehensive income and of cash flows for the three-month and nine-month periods ended September 30, 2020 and 2019 and the condensed consolidated statement of changes in equity for the nine-month periods ended September 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
November 17, 2020

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

ASSETS	Notes	September 30, 2020 (Unaudited)	December 31, 2019
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,574,046 and $2,434,216)	4,11	$ 2,856,482	$ 2,805,605
Properties in development (cost of $558,153 and $420,513)	4,11	624,722	437,148
Investments in associates	5	282,026	215,639
Goodwill	8	9,326	9,326
Restricted cash	10	915	915
Straight line rent receivable		109,579	107,289
Deferred leasing costs and other, net		56,552	57,553
		3,939,602	3,633,475
Current assets			
Trade receivables, net		3,796	3,388
Prepaid expense and other assets		11,046	10,602
Restricted cash	10	13,273	26,018
Cash and cash equivalents	10	25,432	20,723
		53,547	60,731
Total assets		$ 3,993,149	$ 3,694,206
EQUITY			
Equity attributable to common shareholders	17	$ 1,606,199	$ 1,519,563
Equity reserve from increase in CPP		9,747	9,732
Equity reserve for cash flow hedges	11	(40,110)	(38,191)
Retained earnings		313,728	296,335
Equity attributable to non-redeemable non-controlling interests	17	145,216	143,314
Total equity		2,034,780	1,930,753
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 98,086	$ 474,187
Notes payable, net of current portion and deferred financing fees	9,10	1,228,070	847,153
Lease liabilities, net of current portion	6	128,814	129,006
Redeemable non-controlling interests, net of current portion	17	3,514	4,353
Derivative liabilities, net of current portion	11	8,385	2,947
Security deposits		4,480	4,226
Other liabilities		12,882	11,259
		1,484,231	1,473,131
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	255,747	62,487
Derivative liabilities, current	11	140	—
Current portion of lease liabilities	6	378	508
Redeemable non-controlling interests, current	17	151,388	150,176
Rent received in advance		9,539	11,934
Trade and other payables		56,946	65,217
		474,138	290,322
Total liabilities		1,958,369	1,763,453
Total equity and liabilities		$ 3,993,149	$ 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	November 17, 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)

	Notes	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues					
Rental revenue		$ 47,570	$ 48,080	$ 142,759	$ 142,765
Recoveries from tenants		9,362	9,339	28,104	24,607
Parking income		1,464	3,514	6,101	10,475
Property management fees and other	15	633	241	1,394	1,083
Total revenues		59,029	61,174	178,358	178,930
Operating expenses					
Property operating expenses					
Direct payroll and benefits		1,989	2,365	5,941	6,757
Repairs and maintenance		2,317	2,311	6,829	6,965
Cleaning		1,344	1,628	4,143	4,804
Utilities		1,654	2,117	4,990	6,252
Real estate and other taxes		10,450	9,501	30,726	27,468
Other expenses	13	4,868	4,653	14,003	14,247
Property operating expenses		22,622	22,575	66,632	66,493
Non-property general and administrative expenses	12	5,077	5,566	13,829	15,797
Total operating expenses		27,699	28,141	80,461	82,290
Other operating income (expense)					
Net gain (loss) from fair value adjustment on investment properties		15,696	2,856	(21,337)	(45,338)
Income from investments in associates		6,526	35,977	27,480	29,550
Total other operating income (loss) and expense		22,222	38,833	6,143	(15,788)
Operating income		53,552	71,866	104,040	80,852
Other income (expense)					
Loss on extinguishment of debt	9	—	(4,364)	(1,023)	(4,364)
Other income		55	103	151	244
Revaluation of redeemable non-controlling interests		(1,911)	(1,152)	(1,251)	5,843
Interest expense	9	(12,757)	(15,575)	(39,485)	(45,292)
Pre-tax income		38,939	50,878	62,432	37,283
Income and franchise tax expense		52	—	264	7
Net income		$ 38,887	$ 50,878	$ 62,168	$ 37,276
Attribution of net income					
Common shareholders		$ 35,787	$ 47,397	$ 57,850	$ 35,552
Non-redeemable non-controlling interests		3,100	3,481	4,318	1,724
		$ 38,887	$ 50,878	$ 62,168	$ 37,276
Other comprehensive income (loss)					
Items that may be subsequently reclassified to income or loss:					
Unrealized gain (loss) on cash flow hedges	11	$ 571	$ (15,300)	$ (5,578)	$ (45,877)
Less: Reclassification adjustments for losses included in net income	9	984	—	2,952	—
Other comprehensive income (loss)		1,555	(15,300)	(2,626)	(45,877)
Total comprehensive income (loss)		$ 40,442	$ 35,578	$ 59,542	$ (8,601)
Attribution of comprehensive income (loss)					
Common shareholders		$ 37,233	$ 33,061	$ 55,931	$ (7,432)
Non-redeemable non-controlling interests		3,209	2,517	3,611	(1,169)
		$ 40,442	$ 35,578	$ 59,542	$ (8,601)

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		—	—	—	2,766	—	2,766	186	2,952
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	86,636	—	—	—	86,636	5,811	92,447
Change in equity reserve from increase in CPP		—	—	15	—	—	15	(15)	—
Net income		—	—	—	—	57,850	57,850	4,318	62,168
Unrealized loss on cash flow hedges	11	—	—	—	(4,685)	—	(4,685)	(893)	(5,578)
Distributions	17	—	—	—	—	(40,457)	(40,457)	(2,727)	(43,184)
Balance as of September 30, 2020		1,393,348	$ 1,606,199	$ 9,747	$ (40,110)	$ 313,728	$ 1,889,564	$ 145,216	$ 2,034,780

	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
Issuance of common units, net of offering costs		98,575	131,301					131,301	8,371	139,672
Share based compensation		—	—	(633)	—	—	—	(633)	—	(633)
Redemption of non-controlling interests		(78)	—	—	—	—	—	—	(106)	(106)
Change in equity reserve from increase in CPP		—	—	—	147	—	—	147	(147)	—
Net (loss)		—	—	—	—	—	35,552	35,552	1,724	37,276
Unrealized loss on cash flow hedges	11	—	—	—	—	(42,984)	—	(42,984)	(2,893)	(45,877)
Distributions	17	—	—	—	—	—	(55,279)	(55,279)	(3,736)	(59,015)
Balance as of September 30, 2019		1,328,639	$ 1,519,381	$ —	$ 6,664	$ (40,887)	$ 298,028	$ 1,783,186	$ 143,716	$ 1,926,902

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)

	Notes	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities					
Net income		$ 38,887	$ 50,878	$ 62,168	$ 37,276
Adjustments to reconcile net income to net cash provided by operating activities					
Net (gain) loss on valuation of investment properties		(15,696)	(2,856)	21,337	45,338
Income from investments in associates		(6,526)	(35,977)	(27,480)	(29,550)
Loss on extinguishment of debt	9	—	4,364	1,023	4,364
Distributions from investments in associates		—	—	—	670
Income and franchise tax expense		52	—	264	7
Interest expense, net excluding amortization of deferred financing fees		12,683	14,725	39,074	42,998
Amortization of deferred financing fees		130	884	512	2,396
Amortization of equipment leases		136	141	399	425
Amortization of deferred leasing costs and lease incentives		1,497	1,026	4,311	3,805
Amortization of note payable premium		(56)	(34)	(101)	(102)
Provision for bad debt expense		58	129	82	308
LTIP Compensation		1,815	(1,306)	2,116	(633)
Revaluation of redeemable non-controlling interests		1,911	1,152	1,251	(5,843)
Changes in assets and liabilities					
Trade receivables		(1,486)	381	(490)	1,105
Straight line rent receivable		(156)	(3,561)	(2,290)	(21,396)
Prepaid expense and other assets		(988)	(1,671)	(444)	(3,040)
Trade and other payables		(2,953)	(12,197)	(6,310)	(20,682)
Rent received in advance		(1,619)	(628)	(2,395)	1,584
Cash generated by operations		**$ 27,689**	**15,450**	**93,027**	**59,030**
Cash paid for interest		(13,192)	(11,515)	(41,225)	(34,843)
Issuance of redeemable non-controlling interests		—	4,307	—	4,307
Redemption of redeemable non-controlling interest		—	—	—	(501)
Net cash provided by operating activities		**14,497**	**8,242**	**51,802**	**27,993**
Cash flows from investing activities					
Proceeds from sale of income generating property	7	—	54,825	155,281	54,825
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal		—	—	(102,664)	—
Contributions to investment in associates		(19,983)	(91,357)	(40,485)	(126,057)
Return of investments in associates		—	878	1,578	55,262
Proceeds from the Wilson tenant buyout cost reimbursement		—	8,000	—	8,000
Additions to deferred leasing costs		(433)	(1,902)	(2,873)	(23,131)
Additions to tenant improvements		(6,842)	(3,179)	(17,997)	(7,481)
Additions to construction in progress, including capitalized interest		(43,756)	(38,664)	(136,067)	(77,081)
Other capital improvements on income generating properties		(3,210)	(5,610)	(10,327)	(13,399)
Decrease (increase) in restricted cash		6,589	(28,881)	12,104	(38,236)
Net cash used in investing activities		**(67,635)**	**(105,890)**	**(141,450)**	**(167,298)**
Cash flows from financing activities					
Redemption of redeemable non-controlling interest		(1,106)	—	(1,106)	(500)
Distribution to 2311 Wilson non-controlling interest partner	4	—	—	(4,840)	—
Redemption of non-controlling interests		—	—	—	(106)
Principal portion of lease payments		(111)	(128)	(391)	(430)
Issuance of common shares, net of offering costs		(13)	139,672	92,447	139,672
Borrowings under credit facility	9	24,000	122,000	90,000	202,000

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 September 30,		Nine Months Ended September 30,	
	Notes	2020	2019	2020	2019
Repayments under credit facility	9	—	(200,000)	(213,500)	(208,000)
Borrowings on notes payable	9	28,811	528,020	240,764	549,318
Repayments of notes payable	9	(820)	(471,550)	(62,898)	(473,135)
Payment of deferred financing fees		(1,193)	(2,921)	(3,225)	(2,921)
Issuance of redeemable non-controlling interests		—	—	228	—
Distributions to common shareholders and non-redeemable non-controlling interests	17	(14,850)	(19,668)	(43,184)	(59,015)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		—	—	62	100
Net cash provided by financing activities		**34,718**	**95,425**	**94,357**	**146,983**
Net (decrease) increase in cash and cash equivalents		**(18,420)**	**(2,223)**	**4,709**	**7,678**
Cash and cash equivalents, beginning of the period		**43,852**	**48,554**	**20,723**	**38,653**
Cash and cash equivalents, end of the period		**$ 25,432**	**$ 46,331**	**$ 25,432**	**$ 46,331**
Supplemental disclosures of cash flow information:					
Capitalized interest		$ 2,619	$ 2,700	$ 7,964	$ 8,947
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		(1,044)	3,097	15,159	11,996
Lease liabilities arising from obtaining right-of-use assets		—	—	13	—
Non-cash interest expense	9	984	—	2,952	—
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	—

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

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 September 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 nine months ended September 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.

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 - J*oint 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.

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/dispositions of Investment Property

Acquisitions

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.

Dispositions

The partnership classifies an investment property or investment in associate as held for sale when it has determined that its carrying amount will be recovered principally though a sale transaction rather than its continuing use. The sale must be considered highly probable whereby management has the authority to approve the action, commits to a plan to sell the asset, and the sale of the asset is probable with completion expected within one year.

Non-current assets are not amortized while they are classified as held for sale. The non-current assets and liabilities of an investment held for sale are presented separately from the other assets and liabilities in the consolidated balance sheet.

(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.

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 nine months ended September 30, 2020.
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

In accordance with IFRS 9, 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 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. The Partnership' is still evaluating the impact of the future IBOR reform as well as expected additional amendments to the standards.

In August 2020 the IASB has published 'Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Partnership is evaluating the impacts of these amendments that are issued but not yet effective.

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:

(US Dollar amounts expressed in thousands, except share and per share data)

Balance, December 31, 2019	**$**	**2,805,605**
Capital expenditures additions and other		31,216
Barlow sale[(1)]		(155,281)
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal		242,616
Net loss from fair value adjustment of income generating properties		(67,674)
Balance, September 30, 2020	**$**	**2,856,482**

(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	**$**	**437,148**
Capital expenditures additions and other		141,237
Unrealized gain on valuation of certain properties in development		46,337
Balance, September 30, 2020	**$**	**624,722**

On May 26, 2016, the Partnership acquired the former property and land located at 7272 Wisconsin Avenue, Bethesda, MD. The Partnership is developing a mixed-use property with an approximate 937,000 square feet Class A office building ("the Wilson") with a residential component ("the Elm"). The Partnership incurred $101.5 million and $103.7 million of capital expenditures for the nine months ended September 30, 2020 and 2019, respectively. The office space was 82% leased as of September 30, 2020. Subsequent to September 30, 2020, the Partnership executed a lease with a commercial tenant, and the office space is 100% leased as of November 3, 2020. Substantial completion of the base office building, garage, and Wisconsin Avenue Site Work for The Wilson was achieved on October 7, 2020 and commencement of revenue recognition on a portion of the office space will commence on in early 2021 as tenants complete their build outs. Construction of the Elm is also anticipated to be completed in early 2021 with pre-leasing of units commencing during the fourth-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 feet office building. The Partnership incurred $39.7 million and $8.3 million of capital expenditures for the nine months ended September 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. 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.

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 September 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 nine months ended September 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 nine months ended September 30, 2020 and 2019, respectively.

(US Dollar amounts expressed in thousands, except share and per share data)

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 85.3% leased. 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 upsize of $10.0 million), and incurred and capitalized transaction costs of $1.8 million. The debt included the ability to draw additional funds to pay for various tenant leasing and tenant improvement costs. The Partnership's proportionate share of these additional total draws is $6.0 million, of which the Partnership has drawn $0.8 million as of September 30, 2020. The fair value of the Partnership's proportionate interest in the investment property was $251.0 million as of September 30, 2020 and the carrying value of the assumed debt was $139.8 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 below.

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.

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

	As of September 30, 2020						For the nine months ended September 30, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	86.06 %	$ 9	$ 19,394	$ 51	$ 2,825	$ 16,527	$ —	$ (3,716)
2311 Wilson	60.00 %	2,986	118,692	918	81,962	38,798	5,616	983
		$ 2,995	$138,086	$ 969	$ 84,787	$ 55,325	$ 5,616	$ (2,733)
Less interest held by non-controlling interests						(18,413)		125
Equity attributable to Partnership						$ 36,912		$ (2,608)

	As of December 31, 2019						For the nine months ended September 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	$ —	$ 28
2311 Wilson	60.00 %	762	116,351	1,354	64,398	51,361	5,169	(1,706)
		$ 785	$139,364	$ 1,396	$ 67,223	$ 71,530	$ 5,169	$ (1,678)
Less interest held by non-controlling interests						(23,506)		689
Equity attributable to Partnership						$ 48,024		$ (989)

(US Dollar amounts expressed in thousands, except share and per share data)

5. Investments in Associates

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

Balance, December 31, 2019	**$**	**215,639**
Contributions		40,485
Distributions		(1,578)
Share of unrealized gain on valuation of underlying properties		27,587
Share of net loss (excluding unrealized loss on valuation)		(107)
Balance, September 30, 2020	**$**	**282,026**

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 nine months ended September 30, 2020 and 2019, the Partnership contributed $40.5 million and $151.8 million to the venture, respectively. The Partnership has contributed a total of $212.7 million to the venture as of September 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 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 2021.

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:

(US Dollar amounts expressed in thousands, except share and per share data)

	As of September 30, 2020						For the nine months ended September 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 %	$ —	$ —	$ —	$ —	$ —	$ —	$ 35
One Liberty	49.90 %	54	—	33	—	21	—	(9)
One Congress	75.00 %	1,073	391,717	16,011	—	376,778	—	36,623
		$ 1,127	$ 391,717	$ 16,044	$ —	$ 376,799	$ —	$ 36,649
Less: interest held by third-parties						(94,773)		(9,169)
Amounts per financial statements						$ 282,026		$ 27,480

	As of December 31, 2019						For the nine months ended September 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)	$ 4,848	$ (9,746)
One Liberty	49.90 %	4,013	—	820	—	3,193	6,656	(518)
One Congress	75.00 %	—	292,350	6,162	—	286,188	—	46,233
		$ 4,051	$ 292,350	$ 7,063	$ —	$ 289,338	$ 11,504	$ 35,969
Less: interest held by third-parties						(73,699)		(6,419)
Amounts per financial statements						$ 215,639		$ 29,550

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 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:"

	September 30, 2020	December 31, 2019
Non-current assets		
Income generating properties, net of ROUA	$ 2,720,382	$ 2,670,005
ROUA, at fair value	136,100	135,600
Income generating properties	2,856,482	2,805,605
Properties in development	624,722	437,148

(US Dollar amounts expressed in thousands, except share and per share data)

	September 30, 2020	December 31, 2019
Total investment properties, at fair value	$ 3,481,204	$ 3,242,753
Current assets		
Prepaid expense and other assets	$ 10,056	$ 9,321
ROUA, net of accumulated depreciation and non-current portion	760	1,051
Prepaid expense and other assets	$ 10,816	$ 10,372

At September 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	—	108	108
Accumulated Depreciation	—	(399)	(399)
Balance as of September 30, 2020	$ 136,100	$ 760	$ 136,860

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.

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

	Discount		Carrying Value	
Property	**Rate**	**Maturity**	**September 30, 2020**	**December 31, 2019**
Columbia Center	3.79%	2114	$ 119,423	$ 119,526
1701 Duke Street	10.32%	2107	4,632	4,565
2001 Penn	4.94%	2087	4,338	4,318
Other equipment leases	Various	Various	798	1,105
Total lease liabilities			129,191	129,514
Less current portion			378	508
Lease liabilities, net of current portion			$ 128,813	$ 129,006

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	September 30, 2020
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 1,403
One to five years	26,430
More than five years	502,297
Total undiscounted lease liabilities as of September 30, 2020	530,130

(US Dollar amounts expressed in thousands, except share and per share data)

Lease liabilities		**September 30, 2020**
Current lease liabilities	$	378
Non-current lease liabilities		128,813
Total lease liabilities	$	129,191

Lease expense costs were as follows:

Lease Expense	**Nine Months Ended September 30,**			
		2020		**2019**
Amounts recognized in profit or loss				
Interest expense on lease liabilities	$	3,851	$	3,907
Equipment lease depreciation		399		425
Total lease expense	$	4,250	$	4,332

Interest expense recognized on leases totaled $3.9 million for each of the nine months ended September 30, 2020 and 2019.

Cash Flows	**Nine Months Ended September 30,**			
		2020		**2019**
Amounts recognized in the statements of cash flows				
Principal portion of lease payments	$	391	$	430
Interest expense on lease liabilities		3,851		3,907
Total cash outflows related to leases	$	4,242	$	4,337

7. Goodwill and Intangibles

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

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

8. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of					
Borrower/Facility	**Contractual Rate**	**Maturity**		**September 30, 2020**			**December 31, 2019**	
Credit facility [1]:								
Revolver	LIBOR +1.25% to 2.50%	7/6/21	$	152,500		$	276,000	
Term Loan A	LIBOR +1.20% to 2.40%	7/6/21		50,000	(6)		50,000	(6)
Term Loan B	LIBOR +1.20% to 2.40%	7/6/21		50,000	(6)		50,000	(6)
Term Loan C	LIBOR +1.20% to 2.40%	7/6/22		100,000			100,000	
75-101 Federal	LIBOR +1.50%	3/12/25		140,785	(7)		—	
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23		167,552	(2)		—	
Midtown Center	3.09%	10/11/29		525,000	(3)		525,000	(3)
1700 New York Avenue	LIBOR +1.50%	4/25/24		64,965	(3,6)		65,820	(3)
2001 Pennsylvania	4.10%	8/1/24		65,000	(3)		65,000	(3)

(US Dollar amounts expressed in thousands, except share and per share data)

			Principal Balance as of			
Borrower/Facility	**Contractual Rate**	**Maturity**	**September 30, 2020**		**December 31, 2019**	
Clarendon Square	4.66%	1/5/27	33,668	(3,4)	34,819	(3,4)
King	3.94%	1/1/25	31,245	(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			1,589,965		1,392,110	
Less unamortized deferred financing fees			8,062		8,283	
Total Debt, net of unamortized deferred financing fees			1,581,903		1,383,827	
Less current portion, net of unamortized deferred financing fees (5)			255,747		62,487	
Debt obligations, net of current portion			**$ 1,326,156**		**$ 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. In addition, effective 8/21/20 there is a LIBOR floor of 0.25%. As of September 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 September 30, 2020, and December 31, 2019, the one-month LIBOR was 0.15% 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 September 30, 2020, The Wilson and the Elm borrowings had $41.9 million, of guarantees outstanding. As of December 31, 2019, no borrowings had been incurred for The Wilson and the Elm.

(3) The fair value of the collateral pledged to these notes was $1,707.1 million and $1,709.3 million as of September 30, 2020 and December 31, 2019, respectively.

(4) The carrying value of the Clarendon Square note payable as of September 30, 2020, and December 31, 2019, included a premium of $0.8 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 September 30, 2020 and December 31, 2019, respectively.

(6) Term A and Term B loans, 1700 New York Avenue, 75-101 Federal, and 2311 Wilson - Permanent Financing 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 $281.6 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. The debt included the ability to draw additional funds to pay for various tenant leasing and tenant improvement costs. The Partnership's proportionate share of these additional total draws is $6.0 million, of which the Partnership has drawn $0.8 million as of September 30, 2020. 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.

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 nine months ended September 30, 2020, $3.0 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 September 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.

On August 21, 2020, the Partnership entered into an amended and restated credit facility agreement with a group of lenders ("Amended Credit Facility") to the Credit Facility Agreement, in order to modify various covenants associated with the credit facility. In addition, the Amended Credit Facility established a LIBOR rate floor of .25%.The partnership incurred transaction costs of $1.1 million associated with the agreement which were deducted from the carrying amount of the debt.

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 September 30, 2020 and December 31, 2019, respectively. The Partnership's Amended Credit Facility expires on July 6, 2021.

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 September 30, 2020, the Partnership had capacity to borrow an additional $166.2 million under the Credit Facility. Subsequent to September 30, 2020, the Partnership borrowed $20.0 million under the revolver through November 17, 2020.

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 September 30, 2020, the Partnership incurred $167.6 million of borrowings under this facility.

(US Dollar amounts expressed in thousands, except share and per share data)

On August 21, 2020, the Partnership entered into a modification of the guarantor agreement associated with the construction loan at The Wilson and The Elm, with a group of lenders, in order to modify various covenants associated with the guaranty agreement to maintain conformity with the Credit Facility Amendment. The partnership incurred transaction costs of $0.2 million associated with the agreement which were deducted from the carrying amount of the debt.

Interest Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Description	**2020**	**2019**	**2020**	**2019**
Credit facility	$ 1,815	$ 4,523	$ 7,506	$ 13,144
Notes payable	10,999	9,886	32,129	29,749
Distributions to redeemable non-controlling interests	1,141	1,685	3,452	5,043
Lease liabilities	1,292	1,295	3,851	3,906
Amortization expense of deferred financing fees	891	1,446	2,425	4,244
Gross interest expense	$ 16,138	$ 18,835	$ 49,363	$ 56,086
Capitalized interest expense				
Capitalized deferred financing fees	(761)	(560)	(1,913)	(1,847)
Capitalized interest	(2,619)	(2,700)	(7,964)	(8,947)
Total capitalized interest expense	(3,380)	(3,260)	(9,877)	(10,794)
Net interest expense	12,758	15,575	39,486	45,292

Future Maturities of Debt

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

Years Ending December 31,	Amount [(1)]
Remainder of 2020	$ 828
2021	255,878
2022	103,479
2023	305,386
2024	156,627
Thereafter	766,916
	$ 1,589,114

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.8 million.

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

(US Dollar amounts expressed in thousands, except share and per share data)

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 25,432	$ 25,432	Level 1
Restricted cash(1)	14,188	14,188	Level 1
Trade receivables, net	3,796	3,796	Level 3
Liabilities, including current portion			
Credit facility(2)	$ 352,500	$ 352,367	Level 3
Notes payable(2)	1,235,831	1,223,620	Level 3
Redeemable non-controlling interests(3)	154,902	154,902	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $13.1 million, and $1.1 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.

(US Dollar amounts expressed in thousands, except share and per share data)

10. Fair Value Measurements

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

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 304,965
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:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 115,820
Weighted average interest rate [1]	2.28 %
Earliest maturity date	February 5, 2021
Latest maturity date	May 1, 2024

(1) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

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 $0.6 million and $(5.6) million for the three and nine months ended September 30, 2020, respectively, and $(15.3) million and $(45.9) million for the three and nine months ended September 30, 2019, respectively. There was no material hedge ineffectiveness recognized during the three and nine months ended September 30, 2020 and 2019, respectively. During the three and nine months ended September 30, 2020, the Partnership reclassified $(0.8) million and $(1.4) million, respectively, and less than $0.1 million for the three and nine months ended September 30, 2019, respectively, of (losses) gains on cash flow hedges from "Equity reserve for cash flow hedges" to "Interest expense."

As of September 30, 2020, the Partnership anticipates the reclassification of $3.0 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 September 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 September 30, 2020, are classified as follows:

(US Dollar amounts expressed in thousands, except share and per share data)

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,856,482
Investments in properties in development [1]	—	—	544,446
Total Assets	$ —	$ —	$ 3,400,928
Liabilities:			
Derivative liabilities, net of current portion	—	8,385	—
Derivative liabilities, current	—	140	—
Total Liabilities	$ —	$ 8,525	$ —

(1) Excludes Signal House developments which are carried at an aggregate cost basis of $80.3 million. As of September 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 September 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 September 30, 2020.

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,856,482	Discounted cash flow - Income capitalization Market transaction Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.50% - 7.25% (6.15%) 4.75% - 6.00% (5.41%)
Investments in properties in development [2]	544,446	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.50% - 6.75% (6.57%) 4.75% - 5.75% (5.05%)
Total	$ 3,400,928			

(2) Excludes Signal House developments which are carried at an aggregate cost basis of $80.3 million. As of September 30, 2020, no impairment was recognized on any development properties carried at cost.

(US Dollar amounts expressed in thousands, except share and per share data)

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,805,605	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	$ 2,985,750			

(2) Excludes The Elm, Signal House, and 2025 Clarendon developments 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.

11. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Description	2020	2019	2020	2019
Personnel and compensation	$ 3,633	$ 3,851	$ 8,709	$ 10,117
Professional fees	629	664	2,606	2,929
Information technology	238	348	985	705
Other corporate	577	704	1,529	2,046
Total non-property general and administrative	$ 5,077	$ 5,567	$ 13,829	$ 15,797

12. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $4.9 million and $14.0 million for the three and nine months ended September 30, 2020, respectively, and $4.7 million and $14.2 million for the three and nine months ended September 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.

13. 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 for the three and nine months ended September 30, 2020, totaled $0.6 million and $1.2 million, respectively, and $0.2 million and $0.8 million, for the three and nine months ended September 30, 2019, respectively. Construction management fees totaled $0.2 million for each of the three and nine months ended September 30, 2020, and $0.0 million and $0.2 million, for the three and nine months ended September 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 $0.2 million for both September 30, 2020 and December 31, 2019. The Partnership leases the ground under Columbia Center and 1701 Duke properties from related parties. See Note 6 - "Leases" for additional information.

14. 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 September 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 September 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.

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 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 September 30, 2020 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2019	9,984
LTIP units granted during the period	15,655
LTIP units exercised	—
LTIP units forfeited	(664)
LTIP units outstanding, September 30, 2020	24,975

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 nine months ended September 30, 2020 and 2019, the Partnership recognized $1.8 million and $2.1 million of LTIP-related expense, of which less than $0.1 million was capitalized, respectively, and $1.3 million and $2.0 million of LTIP-related expense for the three and nine months ended September 30, 2019, of which less than $0.1 million was capitalized, respectively.

15. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.6 million and $1.4 million for the three and nine months ended September 30, 2020, respectively, and $0.7 million and $2.6 million, for the three and nine months ended September 30, 2019, respectively. Employee benefit expense for these officers was less than $0.1 million and $0.1 million for the three and nine months ended September 30, 2020, respectively and $0.1 million and $0.2 million, for the three and nine months ended September 30, 2019, respectively. For the three and nine months ended September 30, 2020, LTIP expense was $1.0 million and $1.2 million, respectively, and $0.7 million and $1.0 million for the three and nine months ended September 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).

16. 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 September 30, 2020 and December 31, 2019, CPH owned 100% of CPC.

The additional ownership interests of CPP as of September 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 %

(US Dollar amounts expressed in thousands, except share and per share data)

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 %
	$ 86,691	100.00 %

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.

On November 13, 2020, 293.6 common interest units in CPP were redeemed at the June 30, 2020 Net Asset Value of $1.34 per unit totaling $0.4 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 September 30, 2020, the value of these redeemable non-controlling interests were $151.4 million and $3.5 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 September 30, 2020 and December 31, 2019, the total value of these non-redeemable non-controlling interests was $145.2 million and $143.3 million, respectively.

The Partnership also maintained two additional subsidiary REITs as of September 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 November 16, 2020, the Partnership declared and paid its third quarter dividends, in the amount of $16.1 million, of which $1.3 million will be attributable to redeemable non-controlling interests.

17. 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.

The Partnership collected approximately 99% of contractual rent from its customers during the third 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 and third 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 impactful 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.

18. Subsequent Events

The Partnership evaluated subsequent events through November 17, 2020 the date the condensed consolidated financial statements were available to be issued. The Partnership concluded that no additional 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

AlonyHetz
Properties & Investments Ltd

Deloitte.

Date: November 22, 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 November 22, 2020 regarding the Consolidated Financial Statements of the company as of September 30, 2020 and for the nine and three months periods ended September 30, 2020.

(2) Review Report dated November 22, 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 September 30, 2020 and for the nine and three months periods ended September 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 November 17, 2020 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of September 30, 2020 and for the three-month and nine-month periods ended September 30, 2020 and September 30, 2019.

PricewaterhouseCoopers LLP

McLean, Virginia

November 21, 2020